

# Making a Difference **Together**

We provide clean water and waste water services and develop renewable energy solutions through our businesses.

## Regulated water and waste water

Our regulated water and waste water businesses Severn Trent Water and Hafren Dyfrdwy.

### The primary activities we focus on

- Wholesale operations and engineering
- Household customer services

### About us

We are two of 11 regulated water and waste water businesses in England and Wales. We provide high-quality services to more than 4.6 million households and businesses in the Midlands and Wales.

### Where we operate

Our region stretches across the heart of the UK, from the Bristol Channel to the Humber, and from North and mid-Wales to the East Midlands.



**Turnover**  
(£m)

£1,693.9m

-0.8%

**Adjusted profit before interest and tax<sup>1</sup> ('PBIT') (£m)**

£452.1m

28.3%

**Litres of drinking water supplied each day**

2.0bn

**Employees<sup>2</sup>**

6,536

**Profit before interest and tax ('PBIT') (£m)**

£452.1m

-16.3%

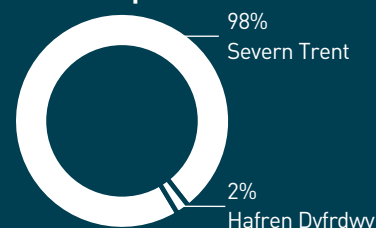
**Households and businesses served**

4.6m

**Litres of waste water treated each day**

3.1bn

**Revenue split**



## Business Services

### Where we operate

Business Services operates in the UK and includes the following:

### Green Power

Severn Trent Green Power generates renewable energy from anaerobic digestion, crop, hydropower, wind turbines and solar technology.

### Operating Services

Operating Services provides contract services to municipal and industrial clients in the UK and the UK Ministry of Defence ('MOD') for the design, build and operation of water and waste water treatment facilities and networks, and services to developers.

### Property Development

Property Development manages the sale of surplus land.

Other businesses include our affinity and searches businesses.

**Turnover**  
(£m)

£134.7m

-2.3%

**Profit before interest and tax ('PBIT') (£m)**

£23.7m

-30.1%

**Adjusted profit before interest and tax<sup>1</sup> ('PBIT') (£m)**

£25.8m

-28.3%

**Employees<sup>2</sup>**

486

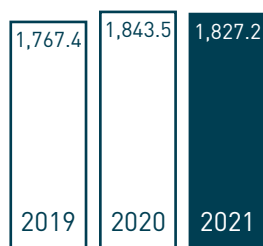
-10.2%

1. Alternative Performance Measures are defined in note 43 to the Group financial statements.

2. Average during 2020/21. See note 9 to the Group financial statements.

# Highlights

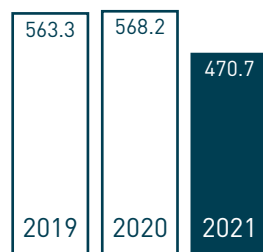
## Group turnover (£m)



£1,827.2m

-0.9%

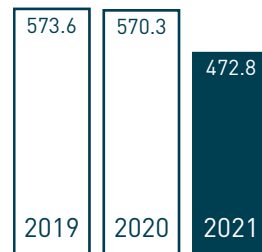
## Group profit before interest and tax ('PBIT') (£m)



£470.7m

-17.2%

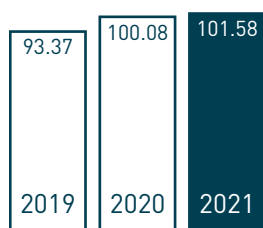
## Group adjusted profit before interest and tax ('PBIT') (£m)



£472.8m

-17.1%

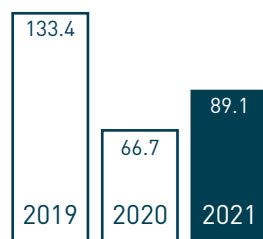
## Dividend per share (p)



101.58p

+1.5%

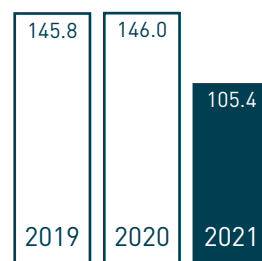
## Basic earnings per share ('EPS') (p)



89.1p

+33.6%

## Adjusted basic earnings per share ('EPS') (p)



105.4p

-27.8%

### Cautionary Statement

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' or '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, 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 the report.

Save as required by applicable laws and regulations, Severn Trent does not intend to update these 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.

This document is not an offer to sell, exchange or transfer any securities of Severn Trent Plc or any of its subsidiaries and is not soliciting an offer to purchase, exchange or transfer such securities in any jurisdiction. Securities may not be offered, sold or transferred in the United States, absent registration or an applicable exemption from the registration requirements of the United States Securities Act of 1933 (as amended).

## Contents

### Strategic Report

01	Highlights
02	Our Strategic Framework
04	Purpose in Action
06	Business Model
08	Chair's Statement
10	Chief Executive's Review
14	Market and Industry Overview
15	Our COVID-19 Response
18	Key Performance Indicators
20	Regulated Water and Waste Water Performance Review
30	Business Services Performance Review
31	Chief Financial Officer's Review
38	Our Approach to Risk
40	Our Principal Risks
46	Emerging Risks
46	Dedicated COVID-19 Statement
47	Viability Statement
49	Going Concern Statement
50	Sustainability Framework
51	Commitments to Climate Change
52	Our Journey to Net Zero
54	Our TCFD Disclosures
68	Engagement with Our Stakeholders
72	Our People
76	Section 172 Statement
79	Non-Financial Information Statement

### Governance Report

80	Chair's Introduction to Governance
84	Governance at a Glance
86	Board of Directors
88	Executive Committee
89	Governance Framework
90	Corporate Governance Statement
101	Nominations Committee Report
107	Audit Committee Report
114	Treasury Committee Report
116	Corporate Sustainability Committee Report
120	Directors' Remuneration Report
126	Remuneration at a Glance
129	Summary of Remuneration Policy and Implementation
132	Company Remuneration at Severn Trent
142	Annual Report on Remuneration
145	Remuneration Policy
154	Directors' Report
158	Directors' Responsibility Statement

### Group Financial Statements

159	Independent Auditor's Report
166	Consolidated Income Statement
167	Consolidated Statement of Comprehensive Income
168	Consolidated Statement of Changes in Equity
169	Consolidated Balance Sheet
170	Consolidated Cash Flow Statement
171	Notes to Group Financial Statements

### Company Financial Statements

232	Company Statement of Comprehensive Income
232	Company Statement of Changes in Equity
233	Company Balance Sheet
234	Notes to Company Financial Statements

### Other Information

239	Five-year Summary
240	Information for Shareholders

# Our Strategic Framework

## Purpose – taking care of one of life’s essentials

At Severn Trent, we believe our clear social purpose helps drive the right strategic decisions for our business, our stakeholders and the environment we depend on.

It is underpinned by our strong Values and borne out in our culture which governs how we think and behave, from fostering a diverse and inclusive working environment to rewarding all of our people fairly.



### Strategic outcomes

**1** A company **you can trust**  
[Read more p21](#)

**2** A positive **difference**  
[Read more p22](#)

**3** **Lowest possible bills**  
[Read more p23](#)

**4** A service **for everyone**  
[Read more p24](#)

**5** An outstanding **experience**  
[Read more p25](#)

**6** Good to **drink**  
[Read more p26](#)

**7** Water **always there**  
[Read more p27](#)


**8** Waste water **safely taken away**  
[Read more p28](#)

**9** A thriving **environment**  
[Read more p29](#)

## Sustainability pillars

### Taking care of the environment


- Ensuring a sustainable water cycle
- Enhancing our natural environment
- Making the most of our resources
- Mitigating climate change

 [Read more p50](#)



### Helping people to thrive


- Delivering an affordable service for everyone
- Providing a fair, inclusive and safe place to work
- Investing in skills and knowledge
- Making a positive difference in the community

 [Read more p50](#)



### Being a company you can trust

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


 [Read more p50](#)



 [Online at severntrent.com/sustainability-strategy](#)

## Our Values



 [Online at severntrent.com](#)

## Culture

Our culture is focused on nurturing and promoting the health of the natural environment and the wellbeing of our customers, colleagues and communities.



## Stakeholder engagement

Effective stakeholder engagement is a priority for every member of the Severn Trent team, from the frontline to the Board. Our emphasis is on tracking the outcomes of our engagement, encouraging a two-way dialogue and making sure this helps inform our decision making.

 [Read more p68](#)




## Rewarding our people

We are committed to rewarding all of our people fairly, sharing rewards with our communities through the Severn Trent Community Fund and returning value to our shareholders, many of whom are also our employees.

 [Read more p72](#)



 [Online at severntrent.com](#)



## Purpose in **Action**

As a purpose-led business with a strong focus on our social impact, we were pleased to have made strong progress in a number of important areas, taking care of one of life's essentials and doing the right thing for our customers, our colleagues, society and the environment.



### Triple Carbon Pledge

In 2019 we announced our Triple Carbon Pledge – committing to net-zero operational carbon emissions, 100% renewable energy and an all-electric fleet by 2030, subject to the availability of vehicles. In 2020 we also announced our decision to invest £1.2 billion in environmental initiatives including planting 1.3 million trees and boosting the biodiversity of 5,000 hectares of land in our region.

 [Read more p54](#)



### Severn Trent Academy

Our Academy opened in Coventry in February 2021 and our range of learning programmes are already training our engineers and leaders of the future, giving our people opportunities for growth, development and more rewarding careers.

 [Read more p75](#)

### Advancing our response to climate change

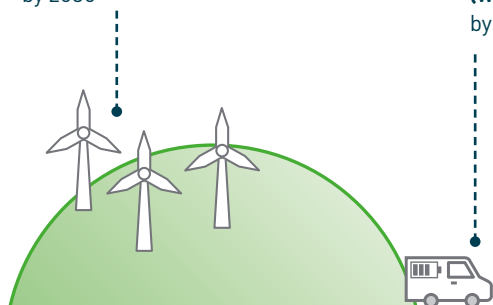
We are determined to play a leading role in addressing the impact of climate change and mitigating our own impact, the impact of our supply chain and adapting to the challenges that climate change may bring in the future. In March 2021, we submitted our proposed Scope 1, 2 and 3 emissions targets to the Science Based Targets initiative, committing us to significantly reduce our greenhouse gas emissions by 2030.

**100%**

**Renewable energy**  
by 2030

**100%**

**Electric vehicles**  
(where available)  
by 2030



### Supporting our suppliers

Along with our employees, our suppliers support us in serving our customers. During the year we accelerated payments to our supply chain, helping small and medium-sized enterprises in our region with crucial cash flow throughout the COVID-19 pandemic.



### Severn Trent Community Fund

Our Community Fund donates 1% of our profits each year to projects in our local communities which need the most help, and so far we have awarded £1.5 million to 93 projects. This year we also launched our £1 million COVID-19 Emergency Fund and have donated to 339 local charities to help them deal with the effects of the pandemic. We also donated almost £1 million as part of our water saving charity challenge.



### Caring for our colleagues

Our people are fundamental to delivering one of life's essentials and we believe our culture is what makes us special. You can read more about our 'Caring for Colleagues' and 'Share a Smile' campaigns launched during the year on page 17.



### Kickstart scheme

In January 2021 we welcomed the first of our 'Kickstarters' as part of our ambitious plans to support 500 unemployed 16 to 24 year olds into employment with paid work experience and skills development.

[Read more p22](#)



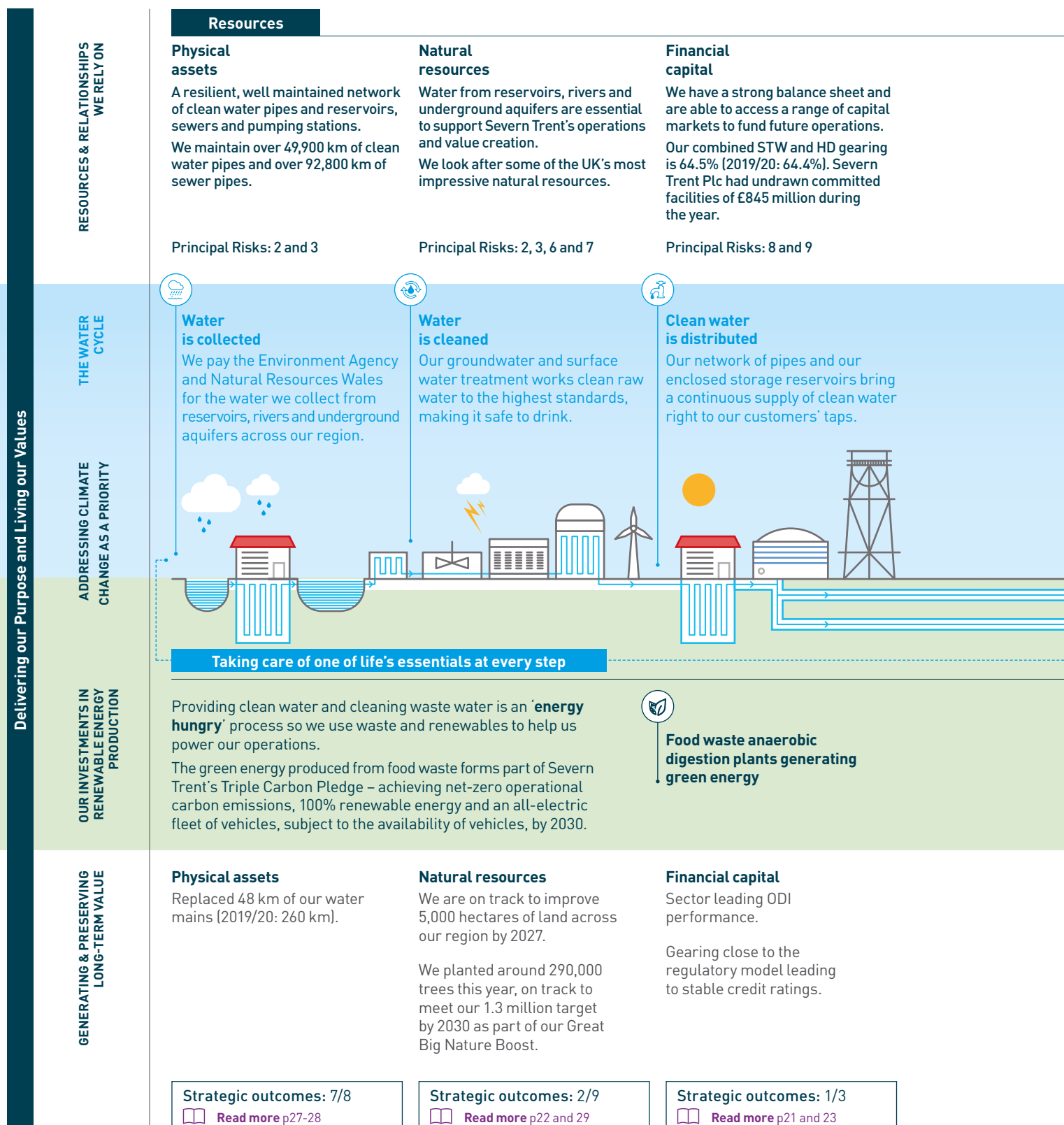
### Diversity and inclusion initiatives

Our teams are passionate about creating an environment where everyone can feel comfortable bringing their whole self to work. During the year we launched our new diversity and inclusion offering via our Academy and developed a specific diversity and inclusion focus in our employee QUEST survey.

[Read more p73](#)

# Running an Efficient Water Business

We provide clean water every time our customers turn on the tap, and remove their waste water in an affordable, sustainable and reliable way.





We are committed to acting to protect our planet and lead the way in combating climate change in our industry. We do this through the important relationships we maintain with our key stakeholders.

## Relationships

### Our customers and communities

Are at the heart of everything we do. We aim to anticipate and meet changing customers' and wider societal needs.

We serve 4.6 million households and businesses.

### Our people and culture

Our culture and Values support Doing the Right Thing and drive delivery of our strategy. We look to attract, develop and retain talented people from all backgrounds.

We directly employ over 7,000 people.

### Our suppliers and contractors

Strong supplier relationships support our business operations in line with our modern slavery commitments.

We work with around 2,800 direct suppliers.

### Our regulators

Our industry is regulated by Ofwat and several other regulators and public bodies.

We proposed an ambitious package of investments aimed at delivering long-term, sustainable benefits for current and future generations in our region. Read more on page 13.

Principal Risks: 2 and 3

### Customers enjoy our services

We serve 4.6 million households and businesses with a safe, reliable supply of water and collect waste water seven days a week, every day of the year.

Principal Risk: 1

### 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.

Principal Risk: 5

### Waste water is cleaned


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


Principal Risks: 4 and 10

### 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.

 Solar

 Wind turbines

 Clean gas and green electricity from our sludge anaerobic digestion plants

### Our customers and communities

One of the lowest bills in England over the last decade for Severn Trent Water.

Hafren Dyfrdwy customers continue to have the lowest average combined bills in Wales.

We helped over 150,000 customers through financial schemes (2019/20: c.70,000).

### Our people and culture

Developing people from all backgrounds in line with our Social Mobility Programme.

Over 15% of our graduates and apprentices are from a Black, Asian and minority ethnic backgrounds (2019/20: 30%).

### Our suppliers and partners

Building sustainable relationships that provide mutual benefit.

Over 1,000 suppliers have signed up to our Sustainable Supply Chain Charter since 2016.


### Our regulators

We stimulate regulatory debates to improve services for customers across the industry.

Strategic outcomes: 2/3/4/5

 Read more p22-25

Strategic outcomes: 1/2

 Read more p21-22

Strategic outcomes: 1/2/4/5

 Read more p21-22 and 24-25

Strategic outcomes: 1/2/5/9

 Read more p21-22, 25 and 29

# Fulfilling Our Role in Society



**Christine Hodgson**  
Chair

“Severn Trent’s Purpose is to ‘take care of one of life’s essentials’ and this year, more than ever, has underlined the importance of delivering our Purpose and living our Values in everything we do – delivering for our customers, inspiring our people, attracting investors, generating a positive impact for our communities and the environment and reinforcing that in the long term all those interests are aligned. Our strategy is working and we are confident that Severn Trent is in a strong position for the challenges and opportunities ahead.”

**101.58p**

**Dividend per share**  
2020: 100.08p

**£1,827.2m**

**Group turnover**  
2020: £1,843.5m

**£470.7m**

**Group profit before  
interest and tax**  
2020: £568.2m

## Our Purpose

In our 2019/20 Annual Report we introduced our new company Purpose and Values which were developed collaboratively by our people, for our people. We know that what we do is crucial for everyone who lives and works in our region – be that in the water they drink, the jobs we create, the communities we support and the nature enjoyed by us all. Our Purpose of ‘taking care of one of life’s essentials’ – underpinned by our Values of Having Courage, Embracing Curiosity, Showing Care and Taking Pride – reflects the deep connection that we have with the communities we serve.

Now, more than ever before, we must lead with our Purpose and act as a force for good. Our AMP7 strategic outcomes – focused on the customers and communities we serve and the environment that we depend on – are fully aligned with this objective. It is not only about demonstrating that we are a socially responsible company, it is about doing great business in an authentic way to make a real difference for all of our stakeholders.

## Our performance

The COVID-19 pandemic has dominated 2020/21 and has placed extraordinary demands on every one of us as individuals, families, communities and employees of an essential service provider. Our priority throughout the year has been ensuring our operational and financial resilience to serve our customers and play our part to make a positive impact for the good of our stakeholders and wider society, whilst also protecting the health and wellbeing of our employees.

This year has seen our Company successfully achieve a series of important milestones, culminating in Ofwat proposing on 17 May 2021 that we can invest £565 million (2017/18 prices) in our ambitious Green Recovery programme. This will deliver long-term growth for the Company alongside new investment to support our ESG ambitions. Read more on page 13. Our impressive operational performance is discussed in detail in Liv’s Chief Executive’s Review. In this report, I want to take the opportunity to look at the bigger picture by highlighting the positive difference we have made for our stakeholders, the resilience of our operations throughout the year, and underline our commitment to being a force for good in the communities we serve – which is now, more important than ever before.

## Delivering for our customers while keeping our people safe

Our people take very seriously the responsibility that comes with providing an essential service that touches the lives of millions. Their passion and commitment shines through in everything they do – through embracing change or adapting to unexpected incidents and extreme weather events during the year. I have been humbled by the way in which they have continued to work safely on the front line or switched to working at home with remarkable adaptability. It has been particularly uplifting to witness the spirit in which our colleagues have taken on these challenges. I would like to record particular thanks to our people who continued to work on the front line throughout the COVID-19 pandemic, meeting customers, solving problems and working tirelessly to keep our services running smoothly 24 hours a day, seven days a week.

Our people were supported by the expert management of the evolving situation by our Executive Team – who had clear objectives to: ensure our people had access to the correct personal protective equipment (‘PPE’); increase our internal communications to ensure our people were kept informed; and apply focus on employees’ mental health during the lockdowns. The Company also continued to deliver on important projects throughout the pandemic to ensure the Company’s long-term future resilience. Liv provides more detail within her Chief Executive’s Review.

At an industry level, shockwaves from the tragic accident at Avonmouth in December 2020 were felt across the sector and had a profound impact across our business. In response to the event, we immediately suspended all activity related to Dangerous Substances and Explosive Atmospheres Regulations 2002 (‘DSEAR’) and undertook comprehensive surveys at all of our bioresources sites as well as a comprehensive review of all our high risk actions. For those colleagues at Wessex Water who suffered personally, and those families and friends affected, I extend my deepest sympathy.

### Delivering resilient financial performance and sharing the rewards

Under our industry's regulatory framework, high levels of customer service create financial rewards through customer ODI outperformance. This means that we are able to share the benefits of our work with all stakeholders when we perform well. Over the course of AMP6, we reinvested £220 million generated by our outperformance back into our business, including supporting vulnerable customers, improving water quality and enhancing security. Additionally, it enabled us to support our communities through activities such as:

- Allocating over £1.5 million of funding through the Severn Trent Community Fund to 93 projects in our region;
- Donating an additional £1 million through our COVID-19 Emergency Fund to over 300 charities;
- Donating almost £1 million as part of our water saving charity challenge;
- Accelerating payments to our supply chain, helping small and medium-sized enterprises in our region with crucial cash flow at this challenging time; and
- Embracing the Government Kickstart Scheme with our ambitious plans to support 500 unemployed 16 to 24 year olds into employment with paid work experience and skills development.

We are proud that, despite exceptionally challenging circumstances, we delivered excellent operational performance this year that enabled resilient financial results – with Group turnover of £1,827.2 million (down 0.9% from 2019/20). Adjusted earnings per share was 105.4 pence, down 27.8% from the prior year, and basic earnings per share was 89.1 pence, up 33.6% from the prior year. Liv and our Chief Financial Officer, James Bowling, will explain in more detail later in this report.

The Board is therefore proposing a final dividend of 60.95 pence per share to be paid on 16 July 2021, taking the total dividend for the year to 101.58 pence per share. We are pleased to be able to sustain our dividend commitments and continue our engagement with shareholders on performance against our strategy. I was also delighted to meet with a number of shareholders during the year.

### Advancing our response to climate change

Climate change is a key challenge of our generation and, as a water company, we are better placed than many other businesses to experience and understand the scale of the challenge ahead. We are determined to play a leading role in addressing the impact of climate change through mitigating our own impact, the impact of our supply chain and adapting to the challenges that climate change may bring in the future. Further detail on our climate change action plan can be found within Liv's Chief Executive's Review and within our dedicated Sustainability Report, available on our website.

Demonstrating the Company's commitment to shareholders earlier this year, the Board announced on 24 March 2021 its intention to put its long-term approach to climate change before shareholders at the Company's Annual General Meeting ('AGM') on 8 July 2021. The Company will subsequently seek an advisory vote every three years on any material changes made or proposed to the plan. Further detail can be found in the Notice of Meeting, available on our website.

Additionally, the Remuneration Committee has considered the alignment of the Group's remuneration framework to support delivery of the Company's Sustainability Framework even more closely. The 2021 Remuneration Policy (the 'Policy') proposes the introduction of a second, sustainability-focused, performance measure in the Group's Long Term Incentive Plan ('LTIP'). Both the Policy and the LTIP Rules will also be put forward for shareholder approval at this year's AGM. Further detail can be found within the Directors' Remuneration Report on pages 123 and 131 and in the Notice of Meeting, available on our website.

### Your Board

My focus continues to be on maintaining a strong, value-adding team, with a diverse range of professional backgrounds, skills and perspectives. Succession planning is a key priority for the Board and Nominations Committee and, to inform this work, I commissioned an externally facilitated Board Effectiveness evaluation during the year, which concluded that the Board operates very effectively and it was evident that the Board places a strong emphasis on ensuring that it considered the views of stakeholders in its discussions and decision making. You can read more about the Board Evaluation process on page 98.

We welcomed Sharmila Nebhrajani to the Board on 1 May 2020 and her extensive induction programme took place during the year. Many of the one-to-one meetings were held virtually due to the ongoing pandemic, however, Sharmila was able to visit a number of our operational sites once restrictions were lifted and COVID-secure measures were in place. Further detail can be found on page 100.

As announced on 19 March 2021, Dominique Reiniche intends to retire from the Board following our AGM on 8 July 2021, having served on the Board for almost five years. On behalf of the Board, I would like to thank Dominique for her service to Severn Trent and her valuable contribution to the Board's work.

### Outlook

At the end of my first year as Chair of your Board, I have spent time reflecting on everything that I have learned about Severn Trent thus far – the talent and commitment of our employees, the focus on operational excellence and resilience, our contribution to society and our environmental achievements. This inspires me and reinforces that our strategy is working and that Severn Trent is in a strong position for the challenges and opportunities ahead. The impact of the COVID-19 pandemic will continue to present a degree of uncertainty for some time to come. However, we are well placed to respond to the challenges that may bring.

Finally, I want to thank everyone involved in this most challenging of years – our customers, communities, investors, regulators and suppliers. But above all, thank you to our colleagues, for their unfaltering commitment to fulfil our Purpose to 'take care of one of life's essentials'.



**Christine Hodgson**

Chair



Christine Hodgson meeting teams at Finham Thermal Hydrolysis Plant.



# Sustainability at the Heart of our Business



**Liv Garfield**  
Group Chief Executive

**£470.7m**

**Group PBIT**  
2020: £568.2m

**£1,827.2m**

**Group turnover**  
2020: £1,843.5m

**£472.8m**

**Adjusted Group PBIT**  
2020: £570.3m

**1.5%**

**Dividend increase**  
2020: 7.2%

**£79m<sup>1</sup>**

**Net ODI reward**  
2020: Net reward of £35.3m

1. Our ODI outturn and percentage meeting or ahead of regulatory target (or within penalty deadband for compliance measures) reflects our in-period performance commitments – thereby excluding per capita consumption at end of period. ODI values for C-MeX and D-MeX are calculated based on published industry data. A definitive value will be published by Ofwat later in the year.

## Advancing our response to climate change

“Climate change is a key challenge of our time and we’re well placed to understand the scale of the challenge ahead. We’re determined to play a leading role in mitigating the impact of climate change and ensuring that we are resilient to its impact – and in doing so, create value for all our stakeholders.”

I’m delighted to present my Chief Executive’s Review for 2020/21, providing you with an update on our performance and my personal highlights of the year.

This year, more than any other, has reinforced my view of Severn Trent’s strengths, our Values and our resilience. We asked a lot of our people this year and I’m delighted that their efforts are reflected in our excellent performance. I want to thank each and every one of them for their amazing commitment – and for all they do for Severn Trent, our customers and communities – 24 hours a day, seven days a week. It is an honour to work alongside you.

As the COVID-19 pandemic unfolded – and our key workers focused on maintaining normal business operations for our customers – I was clear that we needed to focus on three key priorities for our stakeholders.

Firstly, we wanted to be there every step of the way for our customers. We supported customers struggling to pay – through the WaterSure scheme for those on low incomes and our Big Difference Scheme, which offers bill discounts of 10%-90% for eligible customers. We also introduced a temporary social tariff to help support our vulnerable customers through a challenging time and made sure that our vulnerable customers knew we were there for them with targeted communications and support through our Priority Services Register.

Secondly, we knew we had to help make a difference to our communities. So we established our £1 million COVID-19 Emergency Fund to support charities and community projects at the forefront of our region’s COVID-19 response. We launched a virtual education zone to help parents with home-schooling – with activities, games and stories to inspire the next generation of water users.

And finally, we knew we needed to embrace and support our colleagues within Severn Trent, with a particular focus on mental health. Our ‘Caring for our Colleagues’ programme and Company-wide virtual events, ‘Share a Smile’ and ‘Awesome Awards’, lifted all of our spirits throughout the year. As ever, our priority remains the safety and wellbeing of our people and customers and we ensured that all our key worker employees had access to the correct PPE and our IT infrastructure enabled our non-key worker employees to work safely from home so we could be there for our customers 24 hours a day, seven days a week. As reported last year, we did not make any redundancies or furlough any of our employees as a result of COVID-19 and we are maintaining our all-employee bonus in recognition of our colleagues’ hard work over the last year.

You can read more about our COVID-19 response on pages 15-17 of this report.

### Our performance – powered by our Purpose

Our Purpose to 'take care of one of life's essentials' – underpinned by our Values of Having Courage, Embracing Curiosity, Showing Care and Taking Pride – is more important than ever. We believe that by living our Values in everything we do, we'll deliver really strong benefits for our colleagues, our customers, our communities, our shareholders and ourselves. And at the end of our first year in AMP7, we have made excellent progress and we're on a strong trajectory for the rest of this AMP, which will set us up to move seamlessly into the next AMP to come.

In terms of some of my highlights this year, it's clear that we've truly ingrained our performance culture in Severn Trent which has helped us deliver fantastic operational performance. We have delivered net customer ODI outperformance of £79 million for the year with all areas, including water, waste and retail, in reward.

I'm immensely proud of our operational performance – and it's down to our people who have worked tirelessly over the last year to keep our services running smoothly 24 hours a day. Their hard work has delivered year-on-year improvements of 8.9%, 30% and 60% in water quality complaints, blockages and Compliance Risk Index ('CRI') respectively – c.80% of our measures (across water, waste and retail) have met or exceeded target. We have also seen a 21% year-on-year improvement in pollution incidents this year, reinforcing that our relentless focus in this area has really begun to move the needle.

I talk a lot about customer service and customer experience and I'm delighted that we were highlighted in the Top 20 most improved organisations within the January 2021 UK Customer Satisfaction Index ('UKCSI') and are now in fifth position overall amongst utilities, and all of this against the backdrop of one of the lowest bills in England, at around £1 a day. However, £1 a day can still be a huge struggle for some customers, which is why we're also proud of the c.150,000 customers that we have supported from a financial perspective. We have also used our Community Fund to help provide support to people in our region.

### Financial resilience and stability

Our resilient financial position was a factor in our decision to declare a final dividend in line with our AMP7 dividend policy of growth of at least CPIH. The Board considered carefully the Group's prospects and financial position; stakeholder interests including those of customers, shareholders, employees and our communities; and the Board's decision not to use any of the Government's COVID-19 business support measures. Recognising the critical role that dividends play in providing necessary income for pensioners and savers, and the significant number of employee and former employee investors (77% of our employees are also shareholders), the Board determined that based on the strong performance in 2020/21 and the underlying financial position of the Company it remains appropriate to recommend to shareholders that a final dividend for year ended 2020/21 be paid.

You can read more about our operational performance in the performance review and our financial performance in James' Chief Financial Officer's Review.

### Our people: working safely to deliver for customers, every day of the year

Our Value, 'Showing Care', is central to how we keep our people and communities safe in all that we do. It's how we start every shift and every meeting and our Goal Zero policy clearly sets out our target that no one should be injured or made unwell by what we do. We experienced no major safety incidents and no fatalities in the last 12 months, with a 20% improvement in Lost Time Incidents ('LTIs') this year.

I was devastated to hear of the tragic accident at Avonmouth in December 2020 and its impact has been felt deeply by us all at Severn Trent. We extend our deepest condolences to colleagues at Wessex Water who suffered personally, and whose families have been affected. In response to this event, we immediately suspended activity associated with DSEAR and undertook comprehensive surveys at all of our bioresources sites as well as a comprehensive review of all our high risk actions.

"Through this exciting partnership with the Commonwealth Games, we'll build on our existing work and ambitions to deliver lasting social and environmental change by creating new green urban spaces, further enhancing biodiversity, promoting plastic-free thinking and delivering a carbon neutral legacy for generations to come."



### Working in partnership with the Commonwealth Games

In March 2021, we were delighted to announce our partnership with the Birmingham 2022 Commonwealth Games to support their ambitions to make this the most sustainable games yet. We're proud to be leading on making it the first carbon neutral games through a range of offsetting initiatives including enhancing nature with 2,022 acres of forest in the Midlands region and 72 mini forests representing each competing nation. Like us, the games has an ambition to leave a positive lasting legacy for future generations and we look forward to working with them in the months to come.

I believe passionately in building an inclusive organisation where everyone feels able to bring their whole self to work, fulfil their potential and perform at their best. An inclusive environment is the foundation of a truly diverse organisation, with all of the rewards that brings. Severn Trent has long been recognised as a global leader on gender equality and we were once again named as one of the country's top performers in the 2021 Hampton-Alexander Review – ranking second this year. In respect of broader diversity, we are working hard to increase diversity in our talent pipelines. This year, we launched our new inclusion programme to better enable careers and career progression for colleagues from ethnic minority, LGBTQ+ and disabled groups. We have also embraced the Government Kickstart Scheme with our ambitious plans to support 500 unemployed 16 to 24 year olds with paid work experience and skills development – our first cohort of 'Kickstarters' joined the Company in January 2021.

We've also continued our investment in training and I was thrilled that the Severn Trent Academy opened its doors this year. Our range of learning programmes are already training our engineers and leaders of the future, giving our people opportunities for growth, development and more rewarding careers. You can read more on page 75.

I am delighted that, during a difficult year for many, our employee engagement score improved again this year – with an average score of 8.3, once again placing us in the top 5% of utilities globally. Colleagues scored the question, asking whether they would recommend us as a place to work to a friend, 8.5.

### Outlook and thank you

We're proud of what we've achieved this year, and I am optimistic for the year ahead. The roll out of the COVID-19 vaccine gives me hope that the world will return to some sense of normality in the near future. And as the UK moves into recovery mode, we're ideally placed to play our part in the next phase through delivering our Green Recovery plans. We're absolutely delighted by Ofwat's encouragement for our Green Recovery plans, proposing to award Severn Trent with £565 million (2017/18 prices) across all of our project proposals. Our plans will see us delivering new, innovative trials to protect homes from flooding, increase water supplies and transform stretches of river. Our proposals will also create up to 2,500 jobs in the Midlands at a time when employment, and getting people back into work, is vital for our region. Read more about the projects we will deliver opposite.

I would like to recognise the contribution of the management team for their exceptional leadership across the Group, which has been particularly important in this past year. And we are grateful too for the stewardship, support – and challenge – from Christine and the Board.

Finally, to reinforce my warmest thanks to my colleagues and all those who supported them throughout a difficult year. We are a community of around 7,000 colleagues – who rely on our families, friends and support networks to help us be the best we can be. I am hugely grateful to everyone who helped Severn Trent – whether directly or indirectly – in supporting our customers, communities and each other over the last 12 months. You can emerge from this pandemic with a sense of pride in what we have done, and how we have helped the region we serve.



**Liv Garfield**  
Chief Executive

### Advancing our climate change action plans

As Christine highlighted in her report, even in the middle of the pandemic, we continue to look to the future. We are committed to playing our part in helping the UK become a sustainable, low carbon economy and the impact of climate change is considered in everything we do. We have made good progress on mitigating our impact and adapting to the challenges that climate change may bring, including the following:

 **100%**

**In May 2019, we made our Triple Carbon Pledge, committing to net-zero operational carbon emissions, 100% renewable energy and 100% electric fleet (where possible), by 2030.**

 **£1.2bn**

**In March 2020, in support of our approach to climate change and broader sustainability agenda, we announced our intention to invest £1.2 billion** to deliver a number of initiatives including planting 1.3 million trees, and boosting the biodiversity of 5,000 hectares of land in our region.

 **£565m**

**On 17 May 2021, Ofwat proposed to award us £565 million (2017/18 prices) to invest in our ambitious Green Recovery programme,** aimed at delivering low carbon water sources, improving river quality and improving flooding resilience in the process. Read more on the page opposite.

In March 2021, we submitted our proposed Scope 1, 2 and 3 emissions targets to the Science Based Targets initiative to deliver real reductions by 2030.

We have made excellent progress in reducing greenhouse gas emissions from our operations, with a total reduction of 60% to the end of 2020/21 driven by our procurement of 100% renewable-backed energy. Alongside this activity, we've also increased our own renewable energy self-generation equivalent from 51% to 53% this year. And as part of our ongoing commitment to credible reduction consistent with a 1.5°C global warming scenario by 2030, addressing the targets set by the Paris Climate Agreement, we have committed to delivering the following:

 **46%**

**A 46% reduction in Scope 1 and Scope 2 emissions by 2030,** consistent with the guidelines set out by the Science Based Targets initiative.

**A reduction in our Scope 3 emissions by engaging with over 70% of our supply chain to join us on the journey.**

Of course, we are only part way through our journey – and it will require considerable effort – but I am proud that Severn Trent is taking a leading positive position in an area so critical to us all.

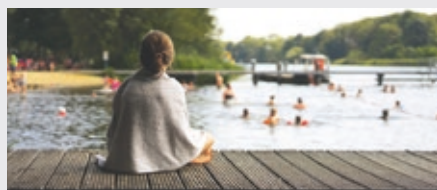
We are also committed to the recommendations of the Task Force on Climate-Related Financial Disclosures ('TCFD'), to provide our stakeholders with decision-useful information on climate-related risks and opportunities that are relevant to our business. This year's Annual Report includes a TCFD disclosure for the first time on pages 54 to 57, setting out our approach to implementing the recommendations of the TCFD, including how we think about the governance, strategy, risk management and metrics and targets, which underpin our approach. We aim to be fully compliant with the TCFD by the end of 2021 and will publish a dedicated TCFD Report in autumn 2021.



### Green Recovery – life beyond the pandemic

I am delighted that the water sector was asked to play its part in the country's Green Recovery from the COVID-19 pandemic. Our region's economy has been one of the hardest hit by COVID-19 and, as a responsible business in our region, we proposed an ambitious package of investments aimed at delivering long-term, sustainable benefits for current and future generations in our region, through improving the environment and also creating jobs.

Our customers helped us to shape and develop the proposals and we have been delighted and encouraged by their positive engagement and feedback.



#### Make rivers safe for swimming

We're going to encourage wild swimming by trialling the creation of two bathing rivers in stretches of the River Leam and the River Teme. In transforming them so that they're healthy enough to swim in, we will also reinvigorate the pathway to how rivers in the UK can achieve 'good ecological status'. These investments will create more leisure opportunities, improving wellbeing, and bringing in a whole series of environmental initiatives that will benefit wildlife as well as local communities.



#### Provide more water for more customers

We want to make sure that we're ready for the future by increasing water supplies by enough to serve a city the size of Derby. And we'll do it by using low carbon technology too, revealing new insights we can share with other companies to support the water sector's aim to be net zero by 2030.



#### Protect homes from flooding

A new 'nature-based' approach, in Mansfield, is another way in which we're going to reduce flooding. Working closely with local councils to install natural surface flood defences such as green embankments, ponds and grassed areas. We're aiming to protect around 90,000 customers, reduce the broader harm that flooding brings to local communities and give local people a more pleasant natural environment to enjoy.

On 17 May 2021, Ofwat proposed to award us £565 million (2017/18 prices) to invest in our ambitious Green Recovery programme, providing a great opportunity to deliver long-term growth for the Company alongside new investment to support our ESG ambitions. We are delighted with this outcome and have already started work on the new investments, aimed at achieving the below goals:



#### Be leaders on removing lead

Customer-owned supply pipes are a hidden financial and health liability for many people – over 40% of households don't have the savings to fix a burst, and up to half of all pipes could contain lead, which the World Health Organisation states is unsafe at any level in drinking water. Instead of tackling the lead by adding more chemicals, we're going to fix the problem at the source. In an ambitious pilot, we'll work with local plumbers across Coventry to replace 25,000 pipes. We'll also trial new approaches to 1,000 homes in Shropshire to reveal insight on how to tackle this national problem, withdraw chemical use, and reduce the estimated 25% of leaks that come from these customer-owned pipes.



#### Help customers save water

We're rolling out a large-scale trial of over 150,000 smart water meters. These will help customers use water more efficiently, while also helping us reduce leakage by enough to supply a town the size of Market Harborough. This will help reduce the need for future investment in water resources that the Government has forecast is needed across the entire country.



#### Accelerating environmental improvements

We'll support environmental improvement to 500 km of rivers, through accelerated delivery of our Water Framework Directive statutory obligations and improvements to storm overflows – delivering benefits five years earlier than we would have done without this opportunity to contribute to the Green Recovery.

On top of the long-term benefits for customers and the environment, these investments will directly create around 2,500 jobs in the Midlands at a time when employment, and getting people back into work, is vital for our region. And we'll be recruiting and training local people, using the brilliant facilities at our new Academy, to improve skills across our region.

# Market and Industry Overview

## Our water sector

A total of 17 regional businesses supply water services to over 50 million household and non-household customers in England and Wales. 11 of these, including Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig, provide water and waste water services; the remaining six provide water only.

## Looking to the next 25 years

At Severn Trent, we are absolutely committed to drive progress in the water sector now and for generations to come. We are first and foremost driven by our Purpose – ‘taking care of one of life’s essentials’ – focused on the delivery of outcomes for the benefit of our customers and wider society, as well as our shareholders. In order to maintain the high-quality service our stakeholders expect of us, it is important that we anticipate and plan for long-term trends and issues likely to impact on our activities. We review this information as part of our long-term planning and our risk management process. Read more on page 38.

Over the next 25 years and beyond we have identified many challenges and opportunities that we are likely to be faced with and how our strategic priorities will help us tackle these challenges.

We are already underway with delivering our bold ambitions to make positive contributions to the environment and deliver tangible improvements for our customers, while ensuring bills remain affordable. Moving forward, working in partnership with other water and waste water companies is key to delivering water resource resilience for future generations to come.

Our 2020-25 Business Plan and our Water Resource Management Plan (‘WRMP’) are both available on our website and examine the challenges and opportunities we face and how we will focus our resources to meet them.

## OUR BUSINESS PLAN FOR 2020-25

1%

of profits donated to charities and community groups

15%

reduction in leakage (and a further commitment to achieve 50% by 2045)

195,000

financially vulnerable customers supported per year by 2024/25

£6.8bn

Totex allowance

9%

average bill reductions

2,100km

of rivers improved

## GOING FURTHER FOR SUSTAINABILITY

50%

reduction in pollutions by 2025

5,000

hectares of biodiversity improved by 2027

## Working with our regulators and stakeholders

We are subject to regulation of our price and performance by economic, quality and environmental regulators, as outlined below.

You can read more about how we engaged with our regulators and other stakeholders this year on pages 68-71.

### POLICY



The Department for the Environment, Food and Rural Affairs (‘Defra’) in England, and the Welsh Government in Wales provide strategic and policy direction for the industry and our regulators.



### REGULATION AND REPRESENTATION



The Consumer Council for Water (‘CCW’) speaks on behalf of water consumers in England and Wales. It provides advice to consumers and takes up complaints on their behalf.



The Drinking Water Inspectorate (‘DWI’) independently checks that water supplies in England and Wales are safe and that drinking water quality is acceptable to consumers.



The Environment Agency (‘EA’) allows us to collect water from reservoirs, rivers and aquifers and return it to the environment after it has been used by our customers and treated by us.



Natural England advises the Government on the natural environment in England and helps to protect nature and the landscape, especially for plant and animal life in both fresh water and the sea.



Natural Resources Wales is the environmental regulator in Wales. It oversees how the country’s natural resources are maintained, improved and used, both now and in the future.



Ofwat is the economic regulator for the industry in England and Wales. Ofwat principally exercises its duty to protect the interests of customers through periodic reviews of charges (‘price reviews’) every five years.

We also work with a range of other regulators including:

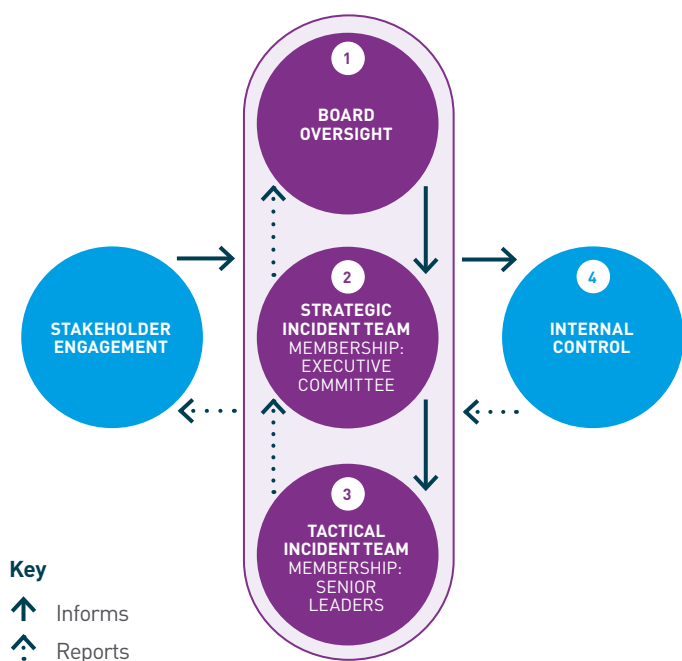
- the Health and Safety Executive to manage risk and ensure that the health and safety of our employees, customers and visitors is preserved; and
- Ofgem, the economic regulator of gas and electricity markets, whose remit extends to renewable energy generation.

# Our COVID-19 Response: Engaging at Every Stage

The impacts of COVID-19 are still being felt across the globe. As a socially purposeful company, we have carefully considered how we can make a positive impact for the good of our stakeholders but also for wider society.

We have a well-rehearsed approach to incident management and while COVID-19 presents many unique challenges, the governance structure we have implemented has provided a stable foundation from which we can respond to the changing situation. Our Strategic Incident Team, comprising Executive Committee members, continues to lead the swift implementation of plans and we continue to provide services to customers while keeping our people safe and well. Our COVID-19 response Governance Framework is set out below.

## Our COVID-19 Governance Framework



1. The Board oversees the business's COVID-19 response and the Strategic Incident Team's response to the pandemic. It has directed senior leadership considered all scenarios associated with the pandemic, reviewed and considered potential response options, and set expectations for our approach with each of its stakeholders. The Board received regular updates on progress.
2. The Strategic Incident Team leads the Company's COVID-19 response and oversees the Tactical Incident Team. The Strategic Incident Team considers how current and developing scenarios will impact in the medium term and plans an effective response to ensure the continued resilience of our operations.
3. The Tactical Incident Team ensures that the Company maintains normal business operations, mitigates risks to core services, protects the health and wellbeing of our people and protects the health of our customers.
4. Internal controls and processes are continually reviewed and updated to enable efficient delivery throughout, beyond and during the pandemic.

## Focused on effective outcomes

### March 2020

All of our buildings confirmed COVID-secure.

COVID-19 Emergency Fund announced to support local charities and non-profit organisations affected by COVID-19.

We kept customers reassured and informed throughout the COVID-19 pandemic through regular content across a number of channels, including emails, social media, TV and radio.

We confirmed that we would not be taking any Government support, making any redundancies or furloughing any of our employees as a result of COVID-19.

We helped SME suppliers by moving to immediate processing of payments and continued to invest in our capital construction projects.

### April 2020

Launch of 'Caring for our Colleagues' campaign.  
 Launch of our online Severn Trent Education Zone.

At their request, we reduced Christine's fee, and Liv and James' salaries by 25% for the first quarter of 2021/22 and donated the equivalent amount to local charities supporting the response to COVID-19 in our region.

### May 2020

Launch of our industry first SMS and WhatsApp contact channels to keep customers safe and maintain contact throughout the pandemic.

### August 2020

#### Mapping COVID-19 through our sewers

Samples from a small number of sewage treatment works were sent to specialist labs to test for remnants of COVID-19 to aid researchers in narrowing down outbreaks in smaller geographical regions. Public health officials could then act quickly to target areas at greater risk of spreading the infection.

### October 2020

#### Launch of Back-on-Track Scheme

We introduced a temporary social tariff – Back-on-Track – to help support our vulnerable customers through a challenging time.

Our Education Team launched live online lessons for children and to support parents with home-schooling.

### January 2021

We proposed an ambitious package of investments aimed at delivering long-term, sustainable benefits for current and future generations in the Green Recovery of our region. Read more on page 13.

### February 2021

Launch of our 'Share a Smile' campaign.

New mental health podcast called 'Elephant Talks' with our senior leaders sharing their own experiences of mental ill health, recovery and how they look after their wellbeing.

### March 2021

Supporting our colleagues by providing information on the Government's COVID-19 vaccination programme, with colleagues who have been vaccinated sharing their own stories.

Launch of our new 'Have you heard about D.E.B.S' campaign (Domestic abuse Education, Bullying and Support) to support colleagues who may be concerned for their safety, either at work or at home.



## Taking Care of our Stakeholders, Company and Colleagues

This section provides a snapshot of how we have approached the COVID-19 pandemic since mid-March 2020; from managing our operational response, to mitigating as much risk as possible while providing the widest range of support possible to our stakeholders. It also directs you to sections of the Annual Report where you can find more detail on each of the matters below.



### Supporting our customers

Our priority remains the safety and wellbeing of our customers and people, and we've more than doubled the number of customers we've helped to over 150,000.

In October 2020 we launched our Back-on-Track Scheme specifically designed to help those who may be struggling to pay their bill as a result of the pandemic.

We have kept customers reassured and informed throughout the COVID-19 period through regular content across several channels, including emails, social media, TV and radio.

Our Priority Services Register supports those customers that need additional support from us at certain times. We have doubled the number of our customers registered with us to 2.6% of our customer base (2019/20: 1.2%).

We continue to partner and support Local Resilience Forums by providing advice and guidance in respect of vulnerable customers and ensuring that they have access to the most up to date information to support vulnerable people in our region.

We have a range of initiatives for those struggling to pay their bills, including the WaterSure scheme for those on low incomes and our Big Difference Scheme, which offers bill discounts of 10%-90% for eligible customers.

We made £3.5 million available as part of our Severn Trent Trust Fund for those who may struggle to pay their household bills.

[Read more p23](#)



### Helping to make a difference to our communities

In 2020, in addition to helping our customers directly, we established a £1 million COVID-19 Emergency Fund and were able to support 339 local charities in dealing with the impact of the pandemic.

We launched a virtual education zone to help parents with home-schooling – through activities, games, and stories to inspire the next generation of water users, and have held nearly 300 online sessions.

We embraced the Government's Kickstart Scheme and have ambitious plans to support 500 unemployed 16 to 24 year olds into employment with paid work experience and skills development.

We also offered an additional 69 graduate and apprentice placements this year.

[Read more p22](#)

“The way they have dealt with COVID, in terms of giving back to the community and their efforts to go and invest in the environment, understanding that, with the nature of their product, there is an inherent link between the sustainability of their natural environment and their licence to serve the community. I think that is really well conceived and quite prudent.”

**Magellan**  
(Investor)



## Ensuring the long-term success of our Company

The Board and Strategic Incident Team have continually monitored the situation to ensure early detection of any deteriorating trends. We have modelled plausible and extreme scenarios to determine expected impacts and test the Group's financial resilience.

Our strong financial position means that we are well placed to withstand the economic shocks that COVID-19 might bring. Read more in our Viability Statement on pages 47-49.

We continue to monitor the impact of the COVID-19 pandemic across all areas of our business as part of our established Enterprise Risk Management ('ERM') processes and a dedicated COVID-19 Statement can be found on page 46.

Our resilient financial position was a factor in our decision to declare a final dividend in line with our AMP7 dividend policy of growth of at least CPIH.



## Working with our suppliers and contractors

Throughout the year we have supported our supply chain by moving to immediate processing of payments. This policy has helped many of them through the pandemic with crucial cash flow.

We're working closely and collaboratively with our whole supply chain to provide support in respect of their underlying COVID-19 plans and continuing to invest in our capital construction projects. This is an important focus given the role of our supply chain as key employers in our region.

We continued to invest on our capital construction projects throughout the year.

"Thanks to support from Severn Trent's COVID-19 Emergency Fund, we have been able to keep our nature reserves buzzing and chirruping with wildlife, and open for local communities to enjoy throughout the pandemic. Thank you, Severn Trent!"

**Paul Wilkinson**

Nottinghamshire Wildlife Trust CEO



## Taking care of our colleagues

Our priority remains the safety and wellbeing of our people and customers. We are supporting our key workers with the processes, PPE and other equipment they need to continue to deliver our essential services and all of our buildings were confirmed as COVID-secure early in the pandemic. Our plans were also approved by our Trade Unions.

In 2020 we announced that we would not be making any redundancies or furloughing any of our employees as a result of COVID-19 and we are maintaining our all-employee bonus in recognition of our colleagues' hard work over the last year.

In 2019/20 we agreed an annual pay increase of 2.3% for the next three years to provide certainty and security for our employees and their families.

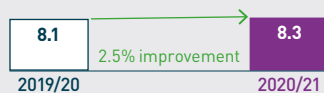
In April 2020 we launched a 'Caring for our Colleagues' campaign, providing support on mental and physical wellbeing, and supported individual care plans for our people living in a vulnerable situation. In February 2021 we launched 'Share a Smile', an eight-week campaign of exclusive employee events to help give our colleagues and their families something to look forward to during lockdown. We hosted four virtual events, a Comedy Night, Pub Quiz, Bingo and Rockaoke. We also created weekly activity packs with a host of ideas for our employees to do in their own time. Colleagues shared their experiences via our dedicated 'Share a Smile' intranet hub.

 [Read more p72-75](#)

# Key Performance Indicators

The Key Performance Indicators (KPIs)<sup>1</sup> set out below represent financial and non-financial measures which we will use from this year, and throughout the current regulatory period (2020-25), to track our performance as we deliver our Purpose and the Business Plan outcomes we have committed to our customers and communities.

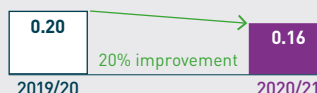
## A company you can trust



**Employee engagement**  
(Score out of 10)

Once again we saw an amazing 90% of our colleagues giving feedback in our engagement survey. We had a fantastic level of engagement with Severn Trent scoring 8.3 and Hafren Dyfrdwy 8.6 out of 10. The results put us in the upper quartile of all companies in the UK and, even better, in the top 5% of utilities across the world.

For the first time ever we have a dashboard that includes diversity and inclusion (score: 8.8). Although we have scored well we know there is more to do. Our ambition is to have a workforce that reflects the communities we serve, and build an inclusive organisation where everyone feels able to bring their whole self to work, fulfil their potential and perform at their best.



**Lost Time Incidents ('LTI')**  
(Per 100,000 hours worked)

We believe passionately that no one should be hurt or made unwell by what we do. We've achieved a 20% reduction in our LTI rate (our best-ever performance).

We have a comprehensive approach to health, safety and mental wellbeing. Throughout the pandemic we ensured that all our key worker employees had access to the correct personal protective equipment ('PPE') and our IT infrastructure enabled our non-key worker employees to work safely from home so we could be there for our customers 24 hours a day, seven days a week.

## Lowest possible bills



**Value for money<sup>2</sup>**  
(Percentage)

For the last decade we've had the lowest bills in the industry – and we still have one of the lowest bills in England. This metric tracks our customers' opinions of the service we offer through quarterly surveys, undertaken by independent experts. Value for money is a combination of the bill level, customers' perception of the service they receive and the way we contribute to wider society.

## A positive difference

40,728

2020/21

**Education Programme<sup>2,4</sup>**  
(Commitment)

This measure has changed for AMP7. Alongside our education programme we are also engaging with customers to drive behaviour change.

During the year, our Education Team launched online lessons to support our customers and communities across Severn Trent and Hafren Dyfrdwy with home schooling during lockdown. These interactive sessions ran four times a day across the week, providing children (and adults) with engaging lessons about the water cycle, the importance of looking after our sewers and caring for the environment. Since October 2020 we've live-streamed more than 500 hours of content and secured over 40,000 commitments.

## A service for everyone

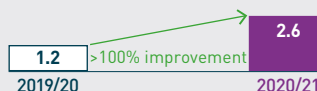
35

2020/21

**Help to Pay When You Need It<sup>2</sup>**  
(% of customers)

Over the next five years we aim to support more customers who struggle to pay. We have provided assistance to 35% of our customers who needed support.

Our Big Difference Scheme, offering discounts of up to 90% for eligible customers, and our WaterSure scheme are supporting this activity. In response to COVID-19, we launched our Back-on-Track tariff to support those affected through the pandemic. Read more on page 23.



**Priority Services Register ('PSR')<sup>2</sup>**  
(Percentage)

Our PSR is in place for customers that need additional support from us at certain times. Currently 2.6% of our customer base are registered with us.

We work with organisations across our region, including the energy industry, to identify customers that may benefit from being registered with us. Our ambition is to increase our priority services coverage to 9.7% of our customer base by 2025.

## A thriving environment

2,632

2020/21

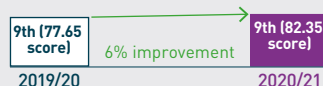
**Biodiversity<sup>2,4</sup>**  
(No. of hectares (ha))

Last year we set a bold ambition to improve over 5,000 ha of land (an area around the size of Gloucester) across our region and plant 1.3 million trees by 2030. This year we've improved 2,632 ha and planted c.290,000 trees.

By working across our own land and in partnerships, we will create a network of wildlife improvements across our whole region involving more than 70 different organisations in 2020/21, including the RSPB, Severn Rivers Trust and the National Forest.

The new Hedgerow and Woodland scheme has been a huge success, with farmers across our region able to plant c.139,000 diverse hedgerow and woodland saplings.

## An outstanding experience



**Customer Measure of Experience<sup>2</sup>**  
(Index)

Ofwat's measure of customer experience ('C-MeX') places the same weighting on the perceptions of all of our customers as on those who contact us.

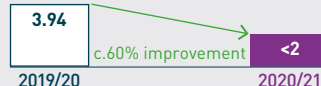
This year, our C-MeX score ranked ninth for Severn Trent and eleventh for Hafren Dyfrdwy in the sector. We recognise there is more to do particularly around service delivery and letting our customers know what is happening and when.

**Developer Measure of Experience<sup>2</sup>**  
(Index)

Ofwat's measure of service experience for developers ('D-MeX') directly compares us to our peers.

Our Developer Services customers rank us in upper quartile in Ofwat's D-MeX measure of customer experience demonstrating our approach is clearly one of the best across England and Wales. It is our ambition to lead the water industry in terms of our digital customer offering.

## Good to drink

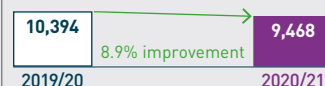


**Compliance Risk Index<sup>2</sup> ('CRI')**  
(Index)

The CRI is the Drinking Water Inspectorate's measure of water quality. Our final position in England for 2020/21 has not yet been confirmed, however we expect to see around a c.60% improvement year-on-year.

Our food factory mentality, bringing the expertise and control from food production industries into our water treatment works, alongside investment in our assets has resulted in our best-ever performance.

We're continuing to develop our flow cytometry capability, in order to rapidly identify issues and put mitigations in place.



**Drinking water quality<sup>2,4</sup>**  
(No. of complaints)

Over the last few years we have embarked on a programme to improve our water quality performance.

This year marks the fourth year-on-year improvement – a reduction of over 30% since 2016/17.

Our operational teams have flushed, conditioned and cleaned a record-breaking length of pipe.

This programme has contributed to a further 8.9% improvement this year, meeting our regulatory target for the first time.

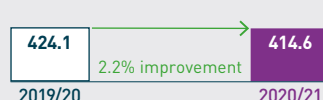


## Water always there



Supply interruptions<sup>2,4</sup>  
(No. of minutes)

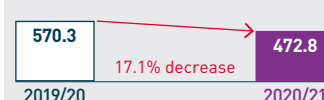
Earlier this year, when we were in lockdown, we saw unprecedented demand for water across our region which resulted in some of our customers experiencing low pressure or interrupted supply, leading to a year-on-year deterioration in supply interruptions performance. Our underlying run-rate for the second half of the year has been really positive – delivering a monthly performance that beats our stretching regulatory target. We've delivered this through a focus on network response in our control centre and out in the field, tankering team activity and proactive asset maintenance.



Leakage<sup>2,4</sup> (Three-year average)  
(Megalitres per day (ML/d))

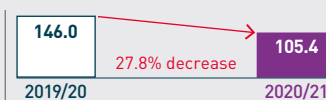
Leakage is one of our most important measures and we have seen our lowest ever levels of District Metered Area ('DMA') leakage. Reducing leaks is a critical component to ensuring a sustainable water cycle; reducing stress on the environment through a reduction in the volume of water that needs to be abstracted and reducing the energy used to treat water and move it around our network. We report leakage as the volume of water we lose from the network each day as a three-year average. This year has seen us reduce leakage by 2.2% starting us on our journey to delivering a 15% reduction from our 2019/20 baseline over the next five years.

## Our financial KPIs



Group adjusted PBIT<sup>3</sup>  
(£m)

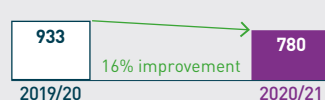
Group adjusted profit before interest and tax ('adjusted PBIT') is a measure of the profit generated by the Group's operations excluding distortions caused by large and unusual income or costs that are classified as exceptional items. Commentary on the performance in the year is set out in the CFO's Review on page 31.



Group adjusted EPS<sup>3</sup>  
(pence)

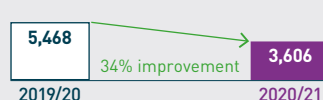
Earnings per share ('EPS') is a key financial metric that indicates the Group's profitability after finance costs and tax. Adjusted EPS excludes distorting factors such as exceptional gains and losses and accounting adjustments for gains and losses on valuations of financial instruments and deferred tax. Commentary on the performance in the year is set out in the CFO's Review and the calculation of adjusted EPS is set out in note 15 to the financial statements.

## Waste water taken away safely



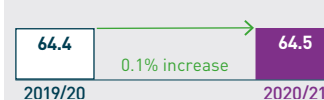
Internal sewer flooding<sup>2,4</sup>  
(No. of incidents)

We've made a 16% year-on-year improvement, despite high-intensity storms in June and August effecting our sewer network. In September 2020 we began our sewer sensors trial by installing more than 1,550 battery-powered smart units and we're planning to install a total of 40,000 by 2025. These sensors will help prevent flooding from blockages caused by wet wipes, cooking fats and other unflushables by giving us a better understanding of what is happening in the sewers in real-time so we can take proactive steps to protect our customers and the environment.



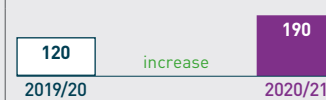
External sewer flooding<sup>2,4</sup>  
(No. of incidents)

Reducing external sewer flooding was our major success story of the last five years. Our continued focus led to a 34% year-on-year improvement. We know that any incidences of sewer flooding are a problem for our customers, and we know we still have more work to do. We have started our roll out of smart sewer sensors across our network – allowing us to accurately target interventions and prevent the escape of sewage.



Regulated gearing  
(percentage)

Regulated gearing is calculated as the Severn Trent Water Group's net debt divided by the Regulatory Capital Value of the regulated businesses. It is an important metric in Ofwat's regulatory model, which for AMP7 is based on a notional gearing level of 60%. Low gearing would lead to a higher cost of capital as this would indicate a reliance on more expensive equity funding. High gearing indicates greater risk of default on debt finance.



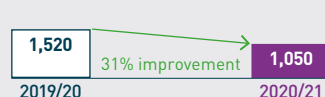
Return on Regulated Equity  
outperformance ('RoRE') (basis points)

Return on Regulated Equity outperformance ('RoRE') is a key metric used by Ofwat and is the performance metric used in our Long Term Incentive Plans. It measures performance against an expected return set by Ofwat. Performance is determined across three main areas:

- total expenditure ('Totex') measured by efficiency in operational and capital expenditure;
- operational performance is measured by the customer Outcome Delivery Incentive ('ODI') reward earned or penalty incurred; and
- financing performance is measured by performance against Ofwat's expected cost of debt set in the Final Determination.

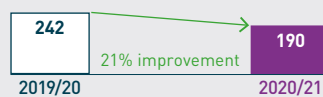
Commentary on the performance in the year compared to the previous year is set out in the CFO's Review on page 33.

## Waste water taken away safely



Public sewer flooding<sup>2,4</sup>  
(No. incidents)

This is the first year we've had a regulatory commitment to reduce flooding that impacts public open spaces. We worked hard during 2019/20 to set the foundations for our performance and are delighted to report we've made a further improvement during 2020/21. Activities we have undertaken across our sewer network to reduce the number of blockages and sewage spills have really helped drive down the risk of public sewer flooding.



Pollutions incidents<sup>2,4</sup>  
(No. of incidents)

We've set ourselves a bold ambition to halve the number of pollution incidents by 50% by 2025 and we've made a fantastic start with a 21% year-on-year improvement. We're continuing to expand our pollution monitoring and response capabilities. In Sutton Park, one of the largest urban parks in the UK with significant societal and environmental importance, we have deployed 150 sensors alongside a part-time ranger to monitor activity.

### Notes

- A number of our operational KPIs contribute to more than one of our Business Plan outcomes.
- Performance commitments relate to Severn Trent Water as it operates today, following the realignment of the England – Wales boundary, unless indicated otherwise.
- Alternative performance measures are defined in note 43 to the Group financial statements.
- Where possible we have used consistent data for 2020/21 which may differ from our APR20 reported value due to methodology changes for a number of ODIs.

# Regulated Water and Waste Water Performance Review

We focus what we do towards our nine outcomes for the customers and communities we serve, and the environment that we depend on.

Our Regulated Water and Waste Water business includes the wholesale water and waste water activities of Severn Trent Water Limited and its retail services to household customers, and Hafren Dyfrdwy Cyfyngedig. Unless stated otherwise, the information in this section relates to Severn Trent Water, which makes up 98% of our total customer base.



**1** A company  
you can trust

[Read more](#) p21



**2** A positive  
difference

[Read more](#) p22



**3** Lowest possible  
bills

[Read more](#) p23



**4** A service  
for everyone

[Read more](#) p24



**5** An outstanding  
experience

[Read more](#) p25



**6** Good to  
drink

[Read more](#) p26



**7** Water  
always there

[Read more](#) p27



**8** Waste water  
safely taken away

[Read more](#) p28



**9** A thriving  
environment

[Read more](#) p29

# 1 A company you can trust

Our stakeholders expect us to be a company that not only delivers on its commitments, but also considers how it delivers those commitments – being honest about progress along the way.



## Engaging with our customers

Customers are at the heart of everything we do, and our proactive and continuous engagement ensures that we are truly able to understand what matters to them and deliver improvements in service. Customers have told us that they expect us to protect and improve the environment, help mitigate the effects of climate change and make a positive difference in the communities we serve. They have also told us that ensuring their bills are affordable remains a priority and we are committed to delivering against these expectations in all that we do.

## Supporting our people

A happy and motivated workforce is vital to securing the trust of our customers and stakeholders and we continuously adapt how we listen, and respond to, the views of our people. We're delighted with this year's QUEST employee engagement scores in Severn Trent and Hafren Dyfrdwy (8.3 and 8.6 out of 10 respectively), placing us for a second year in a row in the top 5% of utility companies.

Our strongest performing areas were growth, loyalty and satisfaction which really reflects our efforts to create an inclusive organisation where everyone feels able to bring their whole self to work, fulfil their potential and perform at their best. Page 73 sets out our diversity and inclusion programme in more detail.

We believe that no one should be injured or made unwell by what we do and we were pleased with our best ever Health Safety and Wellbeing performance this year, with a 20% improvement in Lost Time Incident's ('LTIs') this year.



## 6th place in Tortoise Responsibility100 Index

We were proud to remain the highest-ranked utility company in the Tortoise Responsibility100 Index, which ranks FTSE100 companies on their commitment to key social, environmental and ethical objectives. We received first place for 'Good Business' (covering a range of measures from employee engagement to Fair Tax and research and development spend) and achieved second place for Poverty and Wellbeing, assessing performance on employee physical and mental wellbeing and real Living Wage accreditation.



## Shareholder vote on our climate change approach

In order to demonstrate our commitment to shareholders, and wider stakeholders, on 24 March 2021 the Board announced its intention to put its long-term approach to climate change before shareholders, and seek a non-binding advisory vote on our ambitious plans to achieve them, at the Company's AGM on 8 July 2021. We believe it is important that shareholders, and other stakeholders, have the opportunity to engage with the plans we have developed to ultimately build trust.

## Leading the way on gender diversity

Severn Trent has long been recognised as a global leader on gender equality. As at 31 March 2021, four members (33%) of our Executive Team and 22 members (42%) of our senior leaders were female, and we have been named second in the Hampton-Alexander Review for our performance in this area. We were ranked fifth in the UK (and 31st globally) in the Equileap Gender Equality Global Report and recognised as a global leader in the Bloomberg Gender-Equality Index, achieving a score of 71% (up from 53% last year). As at 31 March 2021, female representation in the Company was 28.6% (2,029 women) and 56% (5 women) on the Board. Page 104 sets out a gender breakdown of Directors, senior managers and employees of the Company.

## A fair approach to tax

Tax is a very public way that all businesses contribute to the society that they serve. We were delighted to be awarded the Fair Tax Mark for the second year running in recognition of our commitment to managing our tax affairs responsibly, and supporting measures aimed at enhancing tax transparency.

# 2nd

in the Hampton-Alexander Review for our performance on gender equality

# 8.3

out of 10 employee engagement score, once again placing us in the top 5% of global utilities



## 2 A positive difference

Because of the unique nature of what we do we can make changes right across our value chain that add up to a big difference for our communities.

### Kickstart to the year

We have embraced the Government Kickstart Scheme with our ambitious plans to support 500 unemployed 16 to 24 year olds into employment with paid work experience and skills development – with our first set of ‘Kickstarters’ having joined us in January 2021. This is a key opportunity to help change the lives and future outlooks for young people from our communities and equip them with the experience and skills that will stand them in good stead as they look to find full-time opportunities, possibly even within Severn Trent.

Each of our ‘Kickstarters’ will spend 25 hours a week with us for six months and whilst the programme is a wonderful opportunity for young people in our communities, we’ll also benefit from new outlooks and fresh perspectives that they can bring.

### Our employability scheme

For the past five years, we have partnered with Hereward College to offer nine-month internships to students with disabilities and additional educational needs. Without such opportunities these young people are three times more likely to be unemployed than their contemporaries without disabilities – so offering real work experience can significantly boost their chances of entering paid employment after college. The programme has been hugely successful with many of our interns entering paid employment after their internships.

We’ve started looking at ways to expand the scheme to other partner colleges in different areas of our region.

### Super sewer education

During the year, our Education Team adapted their programmes and launched live online lessons to support our customers and communities who were home schooling during lockdown. These one-hour interactive sessions ran four times a day, five days a week, providing children, and adults, with engaging and virtual lessons all about the water cycle, the importance of looking after our sewers and caring for the environment.

In December 2020, we also welcomed our new Secondary Education Team, focused on inspiring young people (Key Stage 3 and above) and community groups, particularly around preventing sewer blockages. The new team has made great initial progress and has already delivered a number of school sessions.

From April 2021, our education programme will focus on water efficiency and, through our partnership with the Commonwealth Games, will also promote messages in relation to sustainability and the importance of water as a precious and finite resource.

500

unemployed 16 to 24 year olds to be supported as part of our Kickstart Scheme

c.300

livestreamed sessions for schools and home learners



### Our £1 million COVID-19 Emergency Fund

Early in the pandemic we established our £1 million COVID-19 Emergency Fund to support those at the forefront of our region’s response. Whilst we already help thousands of customers who are struggling to pay their bills or who are vulnerable, our emergency fund gave additional support to community projects and charities, helping those most in need during these difficult times. Financial support is also available through a number of our schemes that thousands of our customers are already taking advantage of.

# 3 Lowest possible bills

We are always looking for efficiencies and opportunities to innovate to keep our bills as low as possible.

## Lower bills, more value

We share the belief with our customers that water should be affordable for all. Our customers' perceptions of value for money has remained stable at 67% this year, compared with 66% at the close of AMP6. We know that we're entering a challenging period as the full economic impacts of COVID-19 become clearer. However, we do so from a stronger position than we have seen in our recent history – and we've increased activity to raise awareness of support schemes available to customers to support them as we emerge from this period of prolonged uncertainty.

Our average combined bill for the year – around £1 a day – remains one of the lowest in the country, and we will continue to offer one of the lowest bills in AMP7. Our Hafren Dyfrdwy customers continue to have the lowest average combined bills in Wales.

## Supporting our customers through COVID-19

As a regional business, with many of our people also being customers and members of the communities we serve, we take seriously the role we must play in supporting the communities hit hardest by the pandemic, which is why we awarded c.£3.5 million of funding to over 400 charities and not-for-profits in our region through our COVID-19 Emergency Fund, Community Fund and our Water Efficiency Savings Challenge.

We also made a real customer impact, issuing just under 4,000 trust fund grants to help our vulnerable customers through what has remained a challenging time and we also introduced a temporary social tariff called 'Back on Track' which has helped some of our customers, who have struggled to pay, apply for a reduction of up to 50% on their bill for 2021/22.



## Supporting our Hafren Dyfrdwy customers

Our Purpose, taking care of one of life's essentials, helps shape our decision making, including creating societal value through our social and environmental commitments beyond those outlined in our AMP7 business plan.

COVID-19 has had a global impact and we are acutely aware that some of our customers will be experiencing affordability pressures. We have provided extra support for our customers in need through our vulnerability schemes including WaterSure and our Priority Services Register. Assistance is also available online through 'Here2Help', our social tariff which has helped 1,382 customers access the support they need.

We have been working closely with Welsh Government, the Consumer Council for Wales and stakeholders such as Dŵr Cymru to further understand the impacts of COVID-19 on customers and look at the additional support we can offer where needed. Partnerships have been established with Wrexham Borough Council, Powys and Wrexham Citizens Advice and Warm Wales to sign-post customers to the support we offer.



1,382

of our Hafren Dyfrdwy customers supported through our Social Tariff

Around £1 a day

average combined bill for the year



# 4 A service for everyone

We want everyone to have access to, and be able to afford, our services. This year, more than ever, has underlined the importance of our Purpose of taking care of one of life's essentials and delivering a service for everyone.

## Improving affordability

We understand that even though our bills are low, some customers have difficulty paying and we continue to do everything we can to help those who are genuinely struggling.

This year we helped over 150,000 customers with their bills, equating to 35% of our customers who struggle to pay, through a range of measures. Our Big Difference Scheme helped over 67,000 customers with over £15.5 million of support by offering them a discount of between 10% and 90% on their average bills and our WaterSure scheme has supported over 15,000 customers with over £3 million. We've also, just as importantly, worked with customers providing tips and guidance to help reduce their usage.

Our Priority Services Register allows us to establish the specific needs of our customers and tailor our support. 2.6% of our customer base are now registered with us and we're working with organisations across our region to identify customers that may benefit from being registered. Our ambition is to increase our priority services coverage to 9.7% of our customer base by 2025.



## Caring for our care leavers

In 2020, we launched an industry first initiative to provide financial support to care leavers as they move into independent living. A care leaver is an adult who has spent time living in the care system, away from their family. We partnered with Coventry City Council to support 400 young adults and fast-track them on to the Big Difference Scheme and receive up to 70% off their bills. We're proud to be the first utility company to join up with a local authority, offering this type of support to care leavers, and we hope to work with more local authorities across our region in the future.

## Supporting accessibility

We're focused on being there for our customers – 24 hours a day, seven days a week – through whatever channel they choose. 53% of our customers choose to contact us through digital channels and we have set ourselves the ambition of leading the water industry in 'digital'. Customers can now contact us via social media (Facebook, Twitter, Instagram), WhatsApp, Apple Chat and Webchat. Our commitment was recognised at the UK National Contact Centre Awards this year.

Throughout the year we have focused on connecting our people to our customers on a deeper level through our cultural programme, Connected Customer Culture, and we've also improved our technology to include speech analytics and better call handling to improve our services even further.

We continue to learn and adapt to ensure our digital offer continues to meet customers' changing needs and provide the best experience possible for them.



c.150,000

customers helped with their bills during the year

2.6%

of our customer base reached through our Priority Services Register

# 5 An outstanding experience

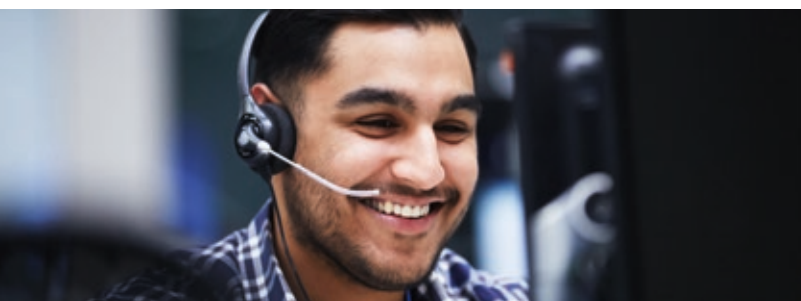
We want to consistently exceed our customers' expectations and deliver an outstanding experience.

## Customer experience

We were highlighted in the Top 20 most improved organisations within the January 2021 UK Customer Satisfaction Index and are now in fifth position overall, and all of this against the backdrop of one of the lowest bills in England, at around £1 a day. In addition, we are upper-quartile in the 'experience' section of Ofwat's customer satisfaction measure ('C-MeX') which assesses the perceptions of all our domestic customers. However, when taking into account the views of customers who have specifically contacted us during the year, for example in regard to a leak, blockage or billing query, we rank in the median position. So, whilst we have much to be proud of with the successes outlined above, we recognise there is more to do particularly around service delivery and letting our customers know what is happening and when.

Our Developer Services customers place us in the upper quartile of Ofwat's measure of service for developers ('D-MeX'). It is our ambition to build on this success and lead the water industry in terms of our digital customer offering.

We are committed to improving our performance and offering the best service and experience to all our customers and developers.



## 2020 National Contact Centre Award Winners

As a company, we put customers at the heart of everything we do and we were delighted to win Training/Coaching Manager of the Year and Learning and Development Team of the Year at the 2020 UK National Contact Centre Awards. We were also thrilled to win a silver award at the European Contact Centre and Customers Service Awards for 'most effective management of peak demand'.



## A new approach to customer experience in waste

During the year we implemented a new Waste Customer Management Centre in Derby, which focuses on complex activity that forms approximately 20% of total job volumes, but contributes to c.80% of customer dissatisfaction. We are positive that this dedicated approach will drive improvements to the end-to-end customer journey within waste.



## Accelerating our digital transformation

Our digital strategy is focused on improving our customers' experience whilst also driving efficiencies to free up critical teams to resolve complex customer issues. This year, we introduced a customer-centric tech solution for our contact centres – a key stage in our journey – which saw delivery of more advanced telephony capabilities, in-queue call back functionality and enhanced call recording abilities.

In response to COVID-19, we promptly implemented COVID-secure working and home working capability for our contact centre staff to ensure that we could be there for our customers throughout the pandemic and continue to deliver great customer experience and operational performance.



# 6 Good to drink

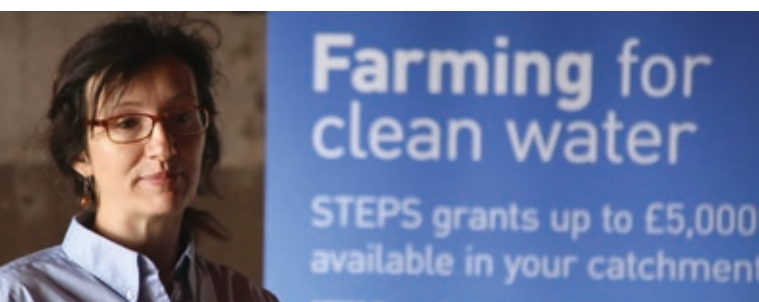
Providing a safe supply of water for our customers to enjoy is at the very heart of our Purpose of taking care of one of life's essentials.

## Strong performance on water quality

Our additional investment over the last few years has continued to improve our performance on water quality complaints. This year marks the fourth year-on-year improvement – a reduction of just under 9% since last year and a 30% reduction in complaints since 2016/17. Our operational teams have also relined over 48 km of water mains this year.

The Compliance Risk Index is the Drinking Water Inspectorate's measure of water quality and we've seen significant improvements delivering c.60% year-on-year in Severn Trent and c.70% in Hafren Dyfrdwy. We are utilising technology, allowing us to more quickly address issues, ensuring we maintain exceptional quality water to our customers' taps.

Our performance has been helped by our approach to asset health in the round with our 'Overall Equipment Effectiveness' approach delivering tangible benefits through: reducing planned work volumes and associated time to complete the tasks, reducing cost and improving asset performance.



## Severn Trent's Environmental Protection Schemes ('STEPS')

Our STEPS grant schemes offer farmers and land managers – both owners and tenants – financial and technical support, to invest in tailored solutions to help tackle diffuse water pollution, protect and maintain biodiversity, and support the natural environment. STEPS has been running since 2015 and we've awarded more than 1,900 grants. Funding is prioritised for projects that will have a greater impact on our pollution reduction targets.



## 2020 Alliancing and Partnership Initiative of the Year – Farming for Water

In 2015, we launched the Farming for Water scheme, aimed at reducing water pollution from agricultural practices and improving biodiversity across the region. In simple terms, we set the goal of reducing pollution from agriculture – pesticides, nitrate and cryptosporidium – entering our water system.

The recognition is a real testament to the hard work our teams and partners have put in over the past five years and the great relationships we've cultivated at all levels.

## Catchment management

When it comes to improving water quality, prevention is always better than a cure and we've continued to make investments to ensure that the water that enters our rivers is as clean as possible in the first place. Our Catchment and Biodiversity Team has developed new ways of working with farmers, community groups and Non-Government Organisations ('NGOs') to safeguard the delivery of our Biodiversity and Farming for Water initiatives.

During the year we held 1,811 meetings with farmers in our region and are on track to meet our ambitious engagement target of 9,000 farmers by 2025. Our Farming for Water initiatives can help us reduce phosphate levels by 50% more than traditional treatment technology.

Last year we set a new bold ambition to improve 5,000 hectares (an area around the size of Gloucester) across our region by 2027 and we have delivered 2,632 hectares of improvements this year alone.

You can read more about our approach to Catchment Management in our Sustainability Report in the 'Enhancing our Natural Environment Cycle' section.



# 7 Water always there

We will ensure that water is always there when our customers need it – both today and for future generations.

## Maintaining supply

At 11 minutes 21 seconds, we once again saw how unexpected events can impact performance. Our underlying run-rate for the second half of the year has been really positive – delivering a monthly performance that beats our regulatory target. We've delivered through a focus on: network response in our control centre and out in the field; reacting quickly and getting our teams out on the ground as soon as possible to re-direct water and repair the asset; and to further minimise the time our customers go without supply, we temporarily restore supply with our in-house team injecting water directly into the network.

Our proactive maintenance strategy is essential as we have thousands of assets on the network – our focus this year has been on the most critical valves, which thousands of customers rely on to ensure their water can be re-directed in the event of an interruption to supply. We are pleased that we have met our mains bursts target.

## Water demand

Our water efficiency programme has experienced a number of successes this year including our schools education programme, providing water-efficiency advice through home visits to 11,866 customers; installing 83,000 water meters, and offering free and subsidised water-saving devices to customers. With the help of our customers, we've saved c.25 million litres a day between 2015 and 2020, and our aim is to achieve per capita consumption of 118 litres per person, per day by 2045.

For our Welsh customers, we've embraced the Welsh Government's ambitions for a lead-free Wales by beating our year one target for lead pipe replacement four times over.



## World Water Innovation Fund ('WWIF')

Through our WWIF we work with 12 partners globally to collaborate on a range of circular economy and carbon offsetting projects including heat recovery from sewers, cellulose recovery and ammonia and hydrogen recovery initiatives. Read more in our Sustainability Report in the 'Building an Innovative Business' section.



## Interconnector

By 2050 the UK is projected to be home to an extra 12 million people, adding pressure on an already diminishing water supply. We continue to play our part on a national level by working with Affinity, United Utilities and Thames Water on interconnector schemes to take raw water from the North West to the South East. Each scheme of the project is at different stage of development and work continues to ensure that the carbon and environmental impacts are understood and mitigated as far as practicable.

## Improving pressure

Our customers told us how important water pressure was for them. Understanding pressure variations and behaviour in our network with data-led insight means we are not only able to carry out timely proactive maintenance, creating a calmer network, and improve the service for our customers. We have exceeded our target on our two pressure commitments: resolution of low pressure complaints and persistent low pressure.

## Reducing leakage

Reducing leakage is a priority for us and we have set a goal to reduce it by 15% by 2025 and we exceeded our target this year.

With an extensive network of loggers, our teams constantly monitor our network, checking for subtle changes in flow rate and pressure that may indicate leaks, and their expertise, combined with the technology we use, means we are able to detect a large percentage of leaks before they become an issue for the public. This year we have achieved our lowest ever level of District Metered Area ('DMA') leakage helping us to achieve a 2.2% year-on-year reduction.

We know we need to go further and our aspiration is to achieve a 50% reduction by 2045. The Ofwat Innovation Fund is one way we can explore and understand new opportunities. We are pleased that Hafren Dyfrdwy secured funding to investigate if existing fibre networks (e.g. broadband, traffic signalling/monitoring) can be used to detect leaks alongside partners Focus Sensors, Costain, Dŵr Cymru and Portsmouth Water.

92%

of our customers' pressure issues resolved first time

2.2%

leakage reduction year-on-year



# 8 Waste water safely taken away

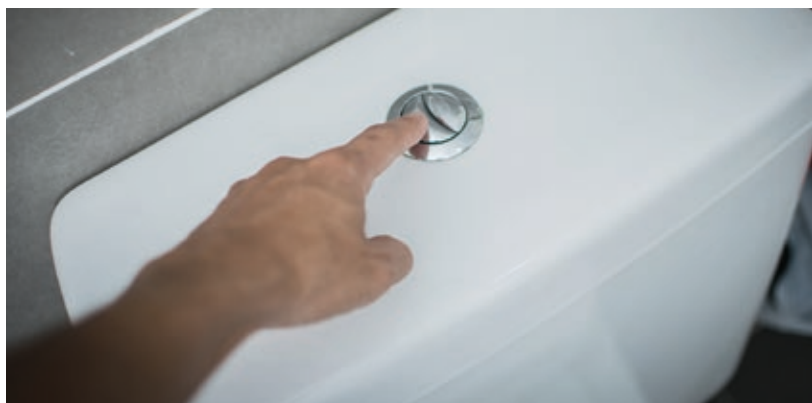
Every day we take 3.1 billion litres of our customers' waste water away, ready to be made safe to return to the natural environment.

## Reducing sewer flooding and blockages

We invest tens of millions cleaning over 32,000 sewer blockages each year. The accelerated 'Blockbuster' work we initiated and continued into this year has been key in delivering across our flooding and pollutions commitments.

We've made a 16% year-on-year improvement on internal sewer flooding, despite high-intensity storms in June and August. In early 2021 we set up a Flooding Improvement Team to collaborate on the single goal of making us more 'Storm Secure' in the future. This team have been looking at a range of improvement areas such as: using data and predictive modelling; accelerating our flood mitigation plans; improving our customer journey; and improving information flows when flooding happens. We've also been working closely with our industry flood risk management partners and our local MPs.

We know we have more to do to reduce sewer flooding further. In September 2020 we began our sewer sensors trial by installing more than 1,500 battery-powered smart units in Wolverhampton and we're planning to install a total of 40,000 by 2025. These sensors will help prevent flooding from blockages across our region caused by wet wipes, cooking fats and other non-flushables which could lead to flooding or pollution incidents and also gives us a much clearer understanding of what is happening in the sewers in real time so we can react proactively to protect our customers and the environment.



## Sewer network in Stroud

In March 2021, we announced plans to invest £25 million to improve the sewer network in Stroud by installing over two miles of pipes and upgrading many of the old Victorian sewers in the town. This is one of the largest projects we will invest in over the next five years and will provide those living in Stroud with a resilient sewer network, helping to protect homes and businesses from blockages and flooding.



## The Secret Science of Sewage

The BBC Two TV programme which aired in March 2021 went behind the scenes at our largest sewage treatment works at Minworth, educating viewers all about the wonderful world of sewage and what our waste can tell us about the way we live. The programme also looked at the revolutionary science that has the potential to discover new life-changing medicine and other valuable resources hidden inside sewage.

Alongside investment in infrastructure we're also working with our communities and industries to reduce the amount of Fats, Oils and Greases ('FOGs') that end up in our sewers. Around 70% of blockages on our network are caused by customers flushing non-flushable wipes or FOGs down toilets and sinks – a challenge we must tackle. Our new Inspect and Resolve service continues to see reductions in repeat blockages and targeted network investments have yielded strong benefits.

## Performing on pollutions

Since 2011 there have been 57% fewer incidents per 10,000 km sewer (total pollution incidents category 1-3) and this year we've had one of our best performances during the year, with a 21% reduction on category 1-3 waste pollution incidents, which puts us on track to hit our target to halve pollutions by the end of the AMP.

## Protecting asset health

Developing a proactive, predictive approach to asset maintenance is critical to our future success. Over the past 12 months we have invested in new technology including vibration monitoring meters to determine asset health and the use of thermal imaging equipment to detect unwanted energy sources or energy losses which may affect asset or process health. Whilst the use of this technology is in its early stages, we are already observing the benefits and the technology is enabling us to take preventative action and keep our sites running smoothly.

# 9 A thriving environment

We rely on the natural environment. Taking care of natural resources while using nature as a source of innovation and climate change mitigation is fundamental to what we do.

## A positive impact on our environment

We want to drive significant environmental improvement through our biodiversity programme, and we are pleased to have made a very strong start to the AMP. Enhancing biodiversity helps build resilience in our natural ecosystems, boosting the health and quality of several areas including woods, soils, rivers and wetlands. Our biodiversity enhancements will improve water quality and therefore make this vital resource more sustainable.

Last year we announced our intention to invest £1.2 billion in environmental initiatives in order to reduce emissions, improve the environment, and support customers, through programmes such as our Great Big Nature Boost. This year we have improved 2,632 hectares of our land, which is c.53% of our bold ambition to improve 5,000 hectares across our region by 2027.

We quickly adapted our planned improvement activity in response to COVID-19 lockdown restrictions and weather fluctuations during the year. The Biodiversity and Ecology Team focused on alternative ideas including a hedgerow restoration scheme for farmers and our 'tree guard amnesty'. The partnerships we have built – including with the National Trust, Wildlife Trust, Rivers Trust and RSPB – and our relationships with our regulators – including the EA, DWI, Natural England and Natural Resources Wales – continue to make a positive contribution and we look forward to building on this.

Working with the Woodland Trust, we have planted around 290,000 trees this year and remain on track to meet our 1.3 million target



## New THP facility at Stoke Bardolph

In 2020 we received permission from the EA to vary our existing environmental permit for our Stoke Bardolph Sewage Treatment Works enabling us to construct a new Thermal Hydrolysis Plant ('THP') and biogas upgrading unit. Commissioning of the new plant is almost complete and the THP plant is being used for the pre-treatment of all sludges prior to digestion, facilitating the production of an enhanced sludge product at this site. The biogas plant upgrades the biogas produced on-site through anaerobic digestion and makes it suitable for injection into the National Gas Grid for onward use by end consumers. The new plant increases the efficiency of our gas production and our contribution to a net-zero carbon UK.



## Resource Recovery and Innovation Centre

Our Resource Recovery and Innovation Centre at Spernal provides a full-scale plug-and-play testbed where we can develop new technologies and undertake demonstrations and trials in a safe, controlled environment. We are investigating technology, including how low energy treatment processes aid the recovery of materials from waste water.

by 2030. This will help provide natural protection against the worst effects of climate change.

## Converting sewage waste into hydrogen

Through collaboration with researchers from Coventry University and the Organics Group we are pioneering efforts to turn waste ammonia captured at our sewage treatment facility into green fuel. Currently we destroy the waste ammonia due to its toxic properties, but the exciting programme could see it captured and converted into hydrogen. If trials are successful, we have the potential to recover up to 10,000 tonnes of green ammonia each year from our waste water treatment plants which could be converted into 450 tonnes of hydrogen.

## Helping deliver the first ever carbon neutral Commonwealth Games

In March 2021, we were delighted to announce our role as the Official Nature and Carbon Neutral Supporter of the Birmingham 2022 Commonwealth Games. We are proud to be leading on making it the first carbon neutral games through a range of offsetting initiatives including enhancing nature with 2,022 acres of forest in the Midlands region and 72 mini-forests representing each competing nation. Like us, the games have an ambition to leave a positive lasting legacy for future generations and we look forward to working with them in the months to come.

## Supporting the Green Economic Recovery

We support the Government's approach to investing in a Green Recovery and, as a responsible business in our region, we proposed an ambitious package of investments aimed at delivering long-term, sustainable benefits for current and future generations in our region, through improving the environment and also creating jobs.

On 17 May 2021, Ofwat announced that we had been given the go ahead to invest £565 million (2017/18 prices) in our ambitious Green Recovery programme, providing a great opportunity to deliver long-term growth for the Company alongside new investment to support our ESG ambitions. We are delighted with this outcome and have already started work on the new investments, aimed at supporting the wider national agenda on climate change, delivering long-term flooding resilience, addressing national river quality, reducing water consumption, improving additional water supply resilience and acting as a leader on removing lead from customer-owned supply pipes. In addition, our Green Recovery projects will create direct employment opportunities with us over the next four years and further employment opportunities with our delivery partners and in the wider supply chain. Read more on page 13.

Our customers helped us to shape and develop the proposals and we have been delighted and encouraged by their positive engagement and feedback. In a survey of 1,000 of our customers, 98% supported or strongly supported our package of investment areas.



# Business Services Performance Review

Business Services operates a UK-focused portfolio that complements Severn Trent Group's core competencies and is well positioned to capitalise on market opportunities in three areas: Green Power; Operating Services; and Property Development.

## Leading on self generation

Our Green Power business recycles over 600,000 tonnes of green and mixed food waste each year. The green energy produced from food waste forms part of Severn Trent's Triple Carbon Pledge – achieving net-zero operational carbon emissions, 100% renewable power and an all-electric fleet of vehicles by 2030, where available.

We were proud to deliver on our commitment to self-generate the equivalent of 50% of our energy needs from renewable sources, a year earlier than targeted, and this year, we were pleased in Green Power to deliver our record level of generation at 267GWh of renewable energy from nine Anaerobic Digestion ('AD') sites as well as our wind, solar and hydro plants.

We kept our eight food waste plants open throughout the national lockdown, to prevent food waste from heading to landfill. As a result, we saw a 17% increase in the amount of domestic food waste that arrived at our doors between March and July. During this period, our operational teams went the extra mile, recycling 126,000 tonnes and producing 50,000MWh of electricity – enough to power 11,900 homes. At the same time, our compost sites recycled over 17,000 tonnes of garden waste, producing around 8,500 tonnes of compost. Despite the increase in domestic food waste received, full-year generation was behind budget (notwithstanding a 1% increase year-on-year) due to the fall in commercial food waste volumes as a consequence of to the impact on the hospitality sector from COVID-19.



## Severn Trent Green Power shortlisted as recycling business of the year 2020

Now in their 17th year, the Awards for Excellence in Recycling and Waste Management recognise innovation, dedication and success within the waste and recycling industries, local authorities and the wider sector. We are delighted that we were selected as a finalist in the 'Organics Recycling Business of the Year' category. Being shortlisted is a great achievement and a testament to the hard work of the team over the past year.



## Pumpkin Power

In October 2021, teams based across eight depots in the Midlands, Oxfordshire, South Wales and London took delivery of over 50,000 pumpkins at their food waste plants after Halloween. As the pumpkins break down through the AD process, biomethane gas is naturally released and is then injected back into the local gas grid or converted into electricity, which can be exported to the local electricity grid, decarbonising the energy we all use. At the end of this process, we're left with a by-product that acts as an excellent fertiliser, rich in nitrates, which is great for farming – effectively returning food waste to the ground it was grown in. Converting the food waste into green gas and electricity on site also allows our sites to be self-sustainable, consuming less energy than we create.

In April 2020 we were proud to win a five-year contract with Peterborough City Council to manage the City's food waste and convert it into renewable energy. Peterborough's food waste will be treated at Severn Trent Green Power's North London AD facility in London Colney, Hertfordshire, where 50,000 tonnes of household and commercial food waste is treated each year. Enough to power almost 6,000 homes. This site alone has the net carbon benefit equivalent of taking 71,000 cars off the road.

## Delivering on customer service

Operating Services achieved its best ever performance on over 75% of its contract key performance indicators. We performed strongly throughout the year in regards to our Ministry of Defence ('MOD') contract, delivering our best-ever performance across product and service failures and our leakage performance was industry leading.

The Coal Authority contract has delivered best-ever PBIT performance, achieving over £1 million for the second year running.

Our water hygiene business has continued to grow and has achieved its best performance yet and our searches business has seen improvements year-on-year with house buyers taking advantage of the Government's temporary reduction in Stamp Duty Land Tax ('Stamp Duty'), despite a slow start to the year.

Our Property Development business also performed well as a consequence of Stamp Duty reductions, despite ongoing uncertainty of economic conditions.



# Chief Financial Officer's Review



**James Bowling**  
Chief Financial Officer

At the end of a challenging year I'm pleased to report a resilient financial performance in line with our expectations.

As expected, our turnover reflected the rebasing of tariffs under the price review and the significant impact of the COVID-19 lockdowns. This time last year we guided to a £50 million to £85 million reduction in revenue, and we have seen the impact at the low end of this range, as higher domestic usage helped mitigate the significant decline in non-household consumption. Under the regulatory model we will be able to recover shortfalls in this year's allowed wholesale revenue in 2022/23. This decline in revenue was offset on a reported basis by a £33 million reclassification of deferred income and diversions income now released to revenue (previously credited to operating costs).

Adjusted PBIT was down 17.1% to £472.8 million. In addition to the impact of lower revenue, we spent more through our net labour, hired and contracted and other cost lines to support our strong customer ODI performance, and saw anticipated increases in power and chemical costs and depreciation. Our bad debt costs were down year-on-year, as strong household customer cash collections helped reduce our underlying bad debt charge, only partly offset by the additional provision we have made to account for forecasted COVID-19 related rises in unemployment. Business Services PBIT was also lower, in part due to lower energy prices and also the timing of property transactions during an unsettled year.

Reported Group PBIT was down 17.2% to £470.7 million (2019/20: £568.2 million).

We continue to benefit from both low inflation on our index-linked debt and fixed debt issued at low interest rates in recent years. Our effective interest cost was 30 bps lower at 3.4% (2019/20: 3.7%) and our effective cash cost of interest was flat at 3.1% (2019/20: 3.1%).

We have recognised our £8.9 million share of Water Plus' loss for the year and the £4.9 million of exceptional losses that were disclosed but not recognised in the previous year. Last year we recorded losses of £46.8 million in relation to Water Plus, mainly arising from impairment losses due to the expected impacts of COVID-19. After obtaining £70 million of external finance during the year the business is now well placed to benefit from increased economic activity after lockdown.

Our full effective tax rate was 20.6% and our adjusted effective tax rate was 11.4%, up from 10.4% in 2019/20 largely due to lower pension contributions in the year.

Reported Group profit after tax increased to £212.2 million (2020: £158.8 million). Basic earnings per share increased to 89.1 pence, (2019/20: 66.7 pence) and adjusted basic earnings per share were down 27.8% to 105.4 pence per share, in line with expectations.

Operational cash flow was £860.3 million, a reduction of £28.2 million as a result of lower PBIT partially offset by higher depreciation and amortisation and improved cash collection from household customers. Cash capex was £206.3 million lower than the previous year, when we completed major end of AMP6 projects. Net cash outflow before changes in net debt was £170.2 million (2019/20: £348.2 million).

A summary of our financial performance for the year is set out below:

	2021 £m	2020 £m	Change	
			£m	%
Turnover	1,827.2	1,843.5	(16.3)	(0.9)
Adjusted PBIT	472.8	570.3	(97.5)	(17.1)
Adjusting items	(2.1)	(2.1)	–	–
PBIT	470.7	568.2	(97.5)	(17.2)
Net finance costs	(187.1)	(188.4)	1.3	0.7
Gains/losses on financial instruments, share of results of joint venture and impairment of loans receivable	(16.4)	(69.1)	52.7	76.3
Profit before tax	267.2	310.7	(43.5)	(14.0)
Tax	(55.0)	(151.9)	96.9	63.8
Profit for the year	212.2	158.8	53.4	33.6

Our net debt was £6,443.8 million (2020: £6,231.5 million) and regulated gearing was 64.5% (2020: 64.4%) reflecting strong capital management despite the impact of low inflation on our RCV. In April 2021 we renewed our £1.0 billion revolving credit facility, extending its maturity to 2026. Our cash flow requirements are now funded to December 2022.

Our RoRE for the year was 5.8%, 190 bps above the base return of 3.9%. This outperformance came from our customer ODIs, following continued outperformance on our Waste measures and improvements in Water and financing, as the continued reduction in our effective interest cost exceeded the drag of lower inflation in the year compared to Ofwat's Final Determination assumption. This outperformance was partly offset by higher totex reflecting early investment to enhance our resilience and support ODI performance and the COVID-19 related bad debt charge.

### Changes to segmental presentation

Last year the Bioresources and Developer Services businesses were managed by, and included in, Business Services. Both of these businesses which form part of the appointed businesses of Severn Trent Water and Hafren Dyfrdwy, are included in the regulatory settlement determined by Ofwat and are now managed by our Regulated Water and Waste Water Team. We have therefore amended our segmental presentation to include Bioresources and Developer Services within our Regulated Water and Waste Water business.

We have restated the prior year segmental analysis to present both years on a consistent basis. Details of the adjustments made are set out in note 5 to the financial statements.

### Regulated Water and Waste Water

	2021 £m	2020 (restated) £m	Change	
			£m	%
Turnover	1,693.9	1,708.1	(14.2)	(0.8)
Net labour costs	(156.0)	(151.8)	(4.2)	(2.8)
Net hired and contracted costs	(187.5)	(174.6)	(12.9)	(7.4)
Power	(100.0)	(94.2)	(5.8)	(6.2)
Raw materials and consumables	(61.3)	(54.9)	(6.4)	(11.7)
Bad debts	(40.5)	(42.5)	2.0	4.7
Other costs	(181.5)	(147.3)	(34.2)	(23.2)
	(726.8)	(665.3)	(61.5)	(9.2)
Infrastructure renewals expenditure	(151.0)	(149.6)	(1.4)	(0.9)
Depreciation	(364.0)	(352.8)	(11.2)	(3.2)
Adjusted PBIT	452.1	540.4	(88.3)	(16.3)

Turnover for our Regulated Water and Waste Water business was £1,693.9 million (2019/20: £1,708.1 million) and adjusted PBIT was £452.1 million (2019/20: £540.4 million).

The key components of the £14.2 million decline in revenue were:

- A below-inflation annual increase in regulated revenue, largely as a result of the price review rebasing of tariffs at the start of AMP7 (£15 million).
- An increase of £33 million from the reclassification of deferred income releases and diversions income (previously credited to operating costs and infrastructure renewals expenditure – see note 2).
- A net decrease of £50 million due to lower consumption by commercial customers, partially offset by increases in domestic usage during the national lockdowns and the dry summer period.
- Other net decreases as a result of legacy refunds to non-household retailers and other adjustments (£12 million).

We carried forward ODI rewards from AMP6 of approximately £191 million in nominal prices. Our turnover in the year ended 31 March 2021 includes £38.2 million from these rewards.

Net labour costs of £156.0 million were up 2.8% compared to the prior year. Gross employee costs increased due to the annual pay award of 2.3% and insourcing of design activity in our Capital Delivery Team. This was partially offset by higher capitalisation of employee costs, largely related to this insourcing activity.

Net hired and contracted costs were £12.9 million (7.4%) higher. Investment in activities to reduce blockages and enhance biodiversity and in new technology licence increased costs. We also brought in additional temporary resources to respond to the hot weather period in early summer.

Power costs were up £5.8 million due to the expected rise in pass-through costs and additional consumption to meet higher household demand for water, with some offset from an increase in self-generation and lower variable tariffs in the first half of the year.

Raw materials and consumables increased by £6.4 million due to chemical costs on new Water Framework Directive schemes, and COVID-19 related consumables.

Household cash collection was 5% higher year-on-year – 3.5% from higher tariffs and consumption and 1.5% from improved targeting of older debt. As a result, the element of our bad debt charge relating to historical collections reduced by £9.4 million to £30.9 million. Despite this strong performance, and the range of social tariffs we have made available for struggling customers, our expectation is that the rise in unemployment forecast by the Bank of England for next year will result in more customers falling into arrears. In anticipation of this, and based on the forecast available at the year end, we recorded an additional bad debt charge of £9.6 million (2019/20: £2.2 million) against amounts already billed but not yet collected at the year end. Taken together, our bad debt charge as a percentage of household revenue was 3.0% (2019/20: 3.2%).

Reported other costs rose by £34.2 million. Before the £15.5 million reclassification of deferred income releases to turnover, other costs were up £18.7 million. This increase was primarily due to:

- A £6.0 million subscription for the new Ofwat Innovation Fund for AMP7, which is offset within our household tariffs in turnover.
- Increased insurance charges of £3.9 million.
- A £3.6 million increase in Community Support during the pandemic.
- A number of smaller items including £2.2 million higher business rates (due to inflationary increases this year and significant rebates in the prior year).

Reported Infrastructure renewals expenditure was £1.4 million higher in the year. Before the reclassification of £17.5 million of diversions income to turnover, expenditure was £16.1 million lower due to the completion of significant AMP6 projects last year, including our Trunk Mains Renewal Programme.

Depreciation of £364.0 million was £11.2 million higher than the prior year. Major AMP6 projects that were brought into service and other additions increased the depreciable asset base by around 7%; the effect of this was partly offset by a £9.8 million reduction in the depreciation charge following a review of useful lives for significant mechanical and electrical assets.

### Return on Regulated Equity ('RoRE')

RoRE is a key performance indicator for the regulated business and reflects our combined performance on totex, customer ODIs and financing against the base return allowed in the Final Determination.

Severn Trent Water's RoRE for the year ended 31 March 2021 and for the five-year period ended on that date is set out in the following table:

	2020/21 %
Base return	3.9
Enhanced RoRE returns	0.3
ODI outperformance <sup>1</sup>	1.7
Totex performance	(0.7)
Financing outperformance	0.6
<b>Regulatory return for the year<sup>2</sup></b>	<b>5.8</b>

1. ODI performance includes PCC and forecast D-MeX outturn.  
2. Calculated in accordance with Ofwat guidance set out in RAG 4.07.

We have delivered RoRE of 5.8% in the year, outperforming the base return by 1.9% as a result of:

- ODI performance of 1.7%, driven by continued strong performance on waste measures, including blockages and sewer flooding, and improvements in water measures, including water quality, CRI and low pressure.
- Our totex position of (0.7)% reflects early investment to enhance our resilience and support ODI performance, as well as the higher COVID-19 related bad debt charge.
- Financing performance of 0.6%, from the continued reduction in our effective interest cost, offset by the drag of lower inflation in the year compared to Ofwat's Final Determination assumption.

### Business Services

	2021 £m	2020 (restated) £m	Increase/(decrease)	
			£m	%
<b>Turnover</b>				
Operating Services and Other	82.8	84.4	(1.6)	(1.9)
Green Power	51.9	53.5	(1.6)	(3.1)
	134.7	137.9	(3.2)	(2.4)
<b>Adjusted PBIT</b>				
Operating Services and Other	20.9	21.7	(0.8)	(3.7)
Green Power	2.6	6.6	(4.0)	(60.6)
Property Development	2.3	7.7	(5.4)	(70.1)
	25.8	36.0	(10.2)	(28.3)

Business Services turnover was £134.7 million (2019/20: £137.9 million) and adjusted PBIT was £25.8 million (2019/20: £36.0 million).

In our Operating Services business, turnover and adjusted PBIT decreased by £1.6 million and £0.8 million respectively, largely driven by lower volumes in the Property Searches business during the national lockdown in the first half of the year.

In Green Power, turnover decreased by £1.6 million and adjusted PBIT decreased by £4.0 million. Adjusted PBIT was impacted by lower wholesale energy prices in the first half of the year and the higher cost of purchasing alternative feedstocks to compensate for less hospitality industry food waste during lockdowns.

Profits from Property Development were £5.4 million lower as there were no individually significant disposals in the current year, as guided. We remain on track to deliver £100 million of PBIT from property sales by 2027.

### Corporate and other

Corporate costs were £5.9 million (2019/20: £8.6 million), with the reduction largely due to releases of provisions relating to prior year corporate transactions that are no longer required. Our other businesses generated PBIT of £0.7 million (2019/20: £3.0 million).

### Exceptional items before tax

We recorded no exceptional operating costs (2019/20: nil).

In 2019/20 we recorded exceptional losses before tax of £51.7 million from the impact of COVID-19 on our joint venture Water Plus, including £46.8 million from our share of its losses and an exceptional impairment charge of £4.9 million on our loans due from Water Plus. In view of the materiality of these impacts and the unprecedented nature of the impact of COVID-19 on Water Plus we considered these items to be exceptional.



### Net finance costs

Net finance costs for the year were £1.3 million lower than the prior year at £187.1 million. Average net debt increased to £6,263.6 million (2019/20: £5,972.2 million) but our effective cash cost of interest (excluding indexation adjustment on index-linked debt and pensions-related charges) was 3.1% (2019/20: 3.1%). Interest cost on index-linked debt decreased by £14.8 million due to lower inflation, and as a result our effective interest cost fell to 3.4% (2019/20: 3.7%).

Capitalised interest of £30.4 million was £13.8 million lower year-on-year due to the lower level of capital activity compared to last year.

Our earnings before interest, tax depreciation and amortisation ('EBITDA') interest cover was 4.7 times (2019/20: 5.3 times) and adjusted PBIT interest cover was 2.6 times (2019/20: 3.2 times). See note 43 for further details.

### Gains/losses on financial instruments

We use financial derivatives solely to hedge risks associated with our normal business activities including:

- Exchange rate exposure on foreign currency borrowings;
- Interest rate exposures on floating rate borrowings;
- Exposures to increases in electricity prices; and
- Changes in the regulatory model from RPI to CPIH.

We hold interest rate swaps with a net notional principal of £653 million floating to fixed, and cross currency swaps with a sterling principal of £141 million, which economically act to hedge exchange rate risk on certain foreign currency borrowings.

We revalue the derivatives at each balance sheet date and take the changes in value to the income statement, unless the derivative is part of a cash flow hedge.

Where hedge accounting is not applied, if the risk that is being hedged does not impact the income statement in the same period as the change in value of the derivative, then an accounting mismatch arises and there is a net charge or credit to the income statement. During the year there was a loss of £8.2 million (2019/20: loss of £9.8 million) in relation to these instruments.

Note 12 to the financial statements gives an analysis of the amounts charged to the income statement in relation to financial instruments.

As part of our power cost management strategy, we have fixed around 82% of our estimated wholesale energy usage for 2021/22.

### Share of loss of joint venture

In common with other participants in the non-household retail market, Water Plus has been significantly impacted by the COVID-19 outbreak, the resulting lockdowns and the effects on commercial customers. Water Plus' revenue was around £150 million lower than the previous year and in these difficult trading conditions it incurred a loss after tax of £17.7 million. During the year Water Plus obtained £70 million of external debt facilities and, since the year end, along with our joint venture partner, we have each converted £32.5 million of the revolving credit facilities we have advanced to Water Plus to equity and consider this to form part of our long-term investment in Water Plus at the year end. The business is now well placed to benefit from the recovery as economic activity increases after lockdown.

We have recognised our share of Water Plus' loss after tax for the year (£8.9 million) and the £4.9 million of exceptional losses not recognised in the prior year.

We have updated our assessment of expected credit losses on our loans to Water Plus and reduced the provision recorded by £3.6 million.

### Taxation

We are committed to paying the right amount of tax at the right time. We pay a range of taxes, including business rates, employers' national insurance and environmental taxes such as the Climate Change Levy as well as the corporation tax shown in our tax charge in the income statement. Our corporation tax charge for the year was higher than the statutory rate, reflecting non-deductible items charged to our income statement such as depreciation charged on assets which are not eligible for capital allowances and on which no deferred tax is provided, partially offset by tax credits arising from overpayments in the previous year. Cash tax payments were reduced by the benefit of tax allowances on our capital programme and contributions to our pension schemes.

	2021 £m	2020 £m
<b>Tax incurred:</b>		
Corporation tax	30.0	26.7
Business rates and property taxes	83.6	81.6
Employers' National Insurance	28.0	28.9
Environmental taxes	6.7	6.6
Other taxes	5.5	4.9
	<b>153.8</b>	<b>148.7</b>

Further details on the taxes and levies that we pay can be found in our report, "Explaining our Tax Contribution 2020/21", which will be made available at [www.severntrent.com/sustainability-strategy/reports-and-publications/tax/](http://www.severntrent.com/sustainability-strategy/reports-and-publications/tax/) when our Annual Report and Accounts is published in June.

The corporation tax charge for the year recorded in the income statement, before exceptional taxes, was £55.0 million (2019/20: £59.2 million) and we made net corporation tax payments of £23.2 million in the year (2019/20: £33.9 million). The difference between the tax charged and the tax paid is summarised below:

	2021 £m	2020 £m
Tax on profit on ordinary activities before exceptional taxes	55.0	59.2
Tax on exceptional items	–	0.9
Exceptional deferred tax charge arising from rate change	–	91.8
Tax effect of timing differences	(28.2)	(120.9)
Current tax credits recorded in Other Comprehensive Income or equity	(0.4)	(9.5)
Overprovisions in previous years	3.6	5.2
Corporation tax payable for the year	30.0	26.7
Repayments received	–	(0.4)
Payments relating to prior years	–	4.5
Overpayments in the year	–	3.1
Overpayments in prior years offset in the current year	(6.8)	–
Net tax paid in the year	<b>23.2</b>	<b>33.9</b>

Net tax paid in the year of £23.2 million (2019/20: £33.9 million) includes £4.9 million paid to Water Plus for consortium relief (2019/20: nil).

Note 13 in the financial statements sets out the tax charges and credits in the year, which are described below.

The current tax charge for the year was £26.8 million (2019/20: £31.0 million) and the deferred tax charge was £28.2 million (2019/20, before the exceptional deferred tax charge arising from the change of rate: £29.1 million).

Our full effective tax rate this year was 20.6% (2019/20: 48.9%), which is higher than the UK rate of corporation tax (19%), due to items of expenditure that are not deductible for tax (2019/20: higher mainly due to the exceptional deferred tax charge).

Our adjusted effective current tax rate was 11.4% (2019/20: 10.4%) (see note 43).

UK tax rules specify the rate of tax relief available on capital expenditure. Typically this is greater in the early years than the rate of depreciation used to write off the expenditure in our accounts. The impact of this timing difference applied across our significant and recurring capital programme tends to reduce our adjusted effective current tax rate and corporation tax payments in the year. By the same token we make a provision for the tax that we will pay in future periods when the tax relief on the capital expenditure has been received and we receive no allowance for the depreciation charge arising on that expenditure. This is the most significant component of our deferred tax position.

In March 2021 the UK Government announced its intention to increase the rate of corporation tax to 25% with effect from 1 April 2023. If this rate had applied at the balance sheet date the deferred tax liability would have been £286 million higher.

#### Profit for the year and earnings per share

Total profit for the year was £212.2 million (2019/20: £158.8 million).

Basic earnings per share from continuing operations increased by 33.6% to 89.1 pence (2019/20: 66.7 pence). Adjusted basic earnings per share was 105.4 pence (2019/20: 146.0 pence). For further details see note 15.

## Cash flow

	2021 £m	2020 £m
Operational cash flow	860.3	888.5
Cash capex	(593.2)	(799.5)
Net interest paid	(186.2)	(184.2)
Proceeds on sale of subsidiary	0.7	–
Net payments for swap terminations	(0.2)	(0.3)
Net tax paid	(23.2)	(33.9)
Free cash flow	58.2	(129.4)
Dividends	(240.2)	(228.4)
Issue of shares	11.8	9.6
Change in net debt from cash flows	(170.2)	(348.2)
Non-cash movements	(42.1)	(49.2)
Change in net debt	(212.3)	(397.4)
Opening net debt	(6,231.5)	(5,834.1)
Closing net debt	(6,443.8)	(6,231.5)

	2021 £m	2020 £m
Bank loans	(1,011.1)	(1,251.9)
Other loans	(5,471.3)	(5,058.5)
Lease liabilities	(121.3)	(122.7)
Net cash and cash equivalents	44.0	48.6
Cross currency swaps	31.9	60.4
Loans due from joint venture	84.0	92.6
Net debt	(6,443.8)	(6,231.5)

Operational cash flow was £860.3 million (2019/20: £888.5 million). The impact of lower PBIT was partially offset by higher depreciation and amortisation and improved collection from household customers.

Net cash capex of £593.2 million (2019/20: £799.5 million) was above our expectation of £580 million as we made a fast start to our AMP7 programme.

Our net interest payments of £186.2 million (2019/20: £184.2 million) were broadly in line with the previous year as the impact of higher net debt was largely offset by lower finance costs. Our net tax payments were £23.2 million, a decrease of £10.7 million, mainly due to quarterly instalment payments higher than the corporation tax payable in the prior year.

We received £11.8 million (2019/20: £9.6 million) from the exercise of options under the employee Save As You Earn share scheme and our dividends paid increased in line with our policy.

These cash flows, together with accounting adjustments to the carrying value of debt, resulted in an increase of £212.3 million in net debt (2019/20: £397.4 million).

At 31 March 2021 we held £44.0 million (2020: £48.6 million) in net cash and cash equivalents. Average debt maturity was around 13 years (2020: 13 years). Including committed facilities, our cash flow requirements are funded until December 2022.

Net debt at 31 March 2021 was £6,443.8 million (2020: £6,231.5 million) and balance sheet gearing (net debt/net debt plus equity) was 84.9% (2020: 83.4%). Severn Trent Water Group net debt, expressed as a percentage of estimated RCV at 31 March 2021 was 64.5% (2020: 64.4%).

The estimated fair value of debt at 31 March 2021 was £1,449.5 million higher than book value (2020: £951.8 million higher). The increase in the difference to book value is largely due to the impact of higher inflation expectations on the fair value of our index-linked debt.

In December 2020 we issued £100 million 35-year CPIH linked debt at a premium of around £22 million. The notes carry a coupon of 0.01%.

Our policy for the management of interest rates is that at least 40% of our borrowings should be at fixed interest rates, or hedged through the use of interest rate swaps or forward rate agreements. At 31 March 2021 interest rates for 67% (2020: 64%) of our gross debt of £6,603.7 million were fixed; 8% were floating and 25% were index linked. We continue to carefully monitor market conditions and our interest rate exposure.

Our long-term credit ratings are:

Long-term ratings	Severn Trent Plc	Severn Trent Water	Outlook
Moody's	Baa2	Baa1	Stable
Standard and Poor's	BBB	BBB+	Stable

We invest cash in deposits with highly rated banks and liquidity funds. We regularly review the list of counterparties and report to the Treasury Committee.

### Pensions

We have three defined benefit pensions arrangements, two from Severn Trent and one from Dee Valley Water. The Severn Trent schemes ('the Schemes') are closed to future accrual.

The most recent formal actuarial valuations for the Schemes were completed as at 31 March 2019. The agreement reached with the Trustee for the STPS, which is by far the largest of the schemes, included:

- Inflation-linked payments of £15.0 million per annum through an asset-backed funding arrangement, potentially continuing to 31 March 2031, although these contributions will cease earlier should a subsequent valuation of the Severn Trent Pension Scheme ('STPS') show that these contributions are no longer needed;
- Payments under another asset-backed funding arrangement of £8.2 million per annum to 31 March 2032; and
- Annual deficit reduction payments of £32.4 million increasing in line with inflation through to 31 March 2027.

In addition to these payments, the Company will directly pay the annual PPF levy incurred by the STPS (£2.7 million in 2020/21).

The Schemes have entered into additional hedging arrangements to reduce the impact of fluctuations in interest rates and inflation on the Schemes' liabilities without adversely impacting the expected return from the Schemes' assets.

Hafren Dyfrdwy participates in the Dee Valley Water Limited Section of the Water Companies Pension Scheme (the 'Section'). The Section funds are administered by trustees and are held separately from the assets of the Group. The Section is closed to new entrants. The most recent formal actuarial valuation of the Section was completed as at 31 March 2020 and no deficit reduction contributions to the Section are required.

On an IAS 19 basis, the net position (before deferred tax) of all of the Group's defined benefit pension schemes was a deficit of £367.7 million (2020: £234.0 million). To calculate the pension deficit for accounting purposes, we are required to use corporate bond yields as the basis for the discount rate of our long-term liabilities, irrespective of the nature of the schemes' assets or their expected returns.

On an IAS 19 basis, the funding level reduced to 88% (31 March 2020: 91%).



The movements in the net deficit during the year were:

	Fair value of scheme assets £m	Defined benefit obligations £m	Net deficit £m
At start of the year	2,414.1	(2,648.1)	(234.0)
Amounts credited/ (charged) to income statement	53.4	(63.2)	(9.8)
Actuarial gains/(losses) taken to reserves	212.7	(374.7)	(162.0)
Net contributions received and benefits paid	(79.8)	117.9	38.1
<b>At end of the year</b>	<b>2,600.4</b>	<b>(2,968.1)</b>	<b>(367.7)</b>

The income statement includes:

- Current service costs on the Dee Valley Water Scheme, which remains open to further accrual but is closed to new members, and past service costs relating to Guaranteed Minimum Pension ('GMP') equalisation. Together these amounts were £0.5 million;
- Scheme administration costs of around £3.9 million; and
- Net interest on scheme liabilities and expected return on the scheme assets – together a cost of £5.4 million.

At the previous year end there was a short-lived increase in corporate bond spreads that increased the discount rate applied in calculating the scheme liabilities. Corporate bond spreads were around 100 bps lower at 31 March 2021 but the impact of this on the discount rate applied was mitigated by a 50 bps increase in gilt yields. The net reduction in the discount rate increased the scheme liabilities by around £150 million.

Inflation expectations have increased by around 70bps since the previous year end and this increased scheme liabilities by around £290 million.

Changes to demographic assumptions reduced scheme liabilities by around £34 million. This included an update to the most recent CMI data tables and also a weighting to allow for the high mortality experienced in 2020.

The actual outturn in the year for inflation and other assumptions was better than expected and this reduced scheme liabilities by £31 million.

The scheme assets increased in value by around £213 million more than the return included in the income statement in the year.

Contributions paid to the STPS in the year included:

- The amounts due under the asset-backed funding arrangements of £24.8 million;
- A payment of £11.4 million that was deferred from the March 2020 deficit reduction payment to April 2020; and
- A one-off supplementary payment of £1.3 million.

There were also normal contributions of £0.2 million to the Dee Valley Water Scheme and payments of benefits under the unfunded scheme amounting to £0.4 million.

### Dividends

In line with our policy for AMP7 to increase the dividend by at least CPIH each year, the Board has proposed a final ordinary dividend of 60.95 pence per share for 2020/21 (2019/20: 60.05 pence per share). This gives a total ordinary dividend for the year of 101.58 pence (2019/20: 100.08 pence).

The final ordinary dividend is payable on 16 July 2021 to shareholders on the register at 28 May 2021.

# Our Approach to Risk

We think of risk as those things that could prevent us delivering our strategic objectives. Risk manifests itself in both negative and positive impacts. In identifying and categorising risk, we consider the causes, including people, process, assets and external factors, and the control environment. The successful delivery of Severn Trent's strategic objectives depends on the effective identification, understanding and mitigation of risk.

## 2020/21 risk landscape

This year has seen some long-term risks manifest, as a consequence of the UK's Brexit negotiation process, and short-term shocks, such as the COVID-19 pandemic. The EU-UK Trade and Cooperation Agreement, signed on 30 December 2020, avoided a no-deal Brexit, but there remains some additional risk associated with the movement of goods between the EU and UK. The implications for our supply chain, particularly in relation to chemical supplies, have been carefully managed, with dedicated working groups continually reviewing market conditions and monitoring demand against market availability. We have also approved new framework agreements for our capital supply contracts to provide additional flexibility and prevent excessive supplier concentration.

Towards the end of 2019/20, the COVID-19 pandemic presented immediate, and longer-term, human, social, economic and business effects that have potential to shape the operating context for Severn Trent for years to come. Our initial focus was on maintaining operational performance in a COVID-secure way, continuing to deliver our essential services without interruption whilst protecting our employees.

At an industry level, shockwaves from the tragic accident at Avonmouth in December 2020 were felt across the sector and had a profound impact across our business. In response to the event, we immediately suspended all DSEAR activity and undertook comprehensive surveys at all our bioresources sites as well as a comprehensive review of all our high-risk actions.

February 2021 saw a cyber attack against a water treatment plant in Florida, US. The attacker attempted to alter the chemical dosing of the water, after gaining remote access to the treatment systems. The attack was promptly identified and no damage or injury resulted. The incident highlights the importance of cyber security within the water sector. Severn Trent commits significant resources and financial investment to maintain the integrity and security of assets and data (see Principal Risk 4 for more information).

## Risk appetite statement

Severn Trent's Purpose is 'taking care of one of life's essentials'. No business is free of risk and to achieve our strategic objectives we often need to take calculated risks. We will, however, only accept risk that is consistent with our Purpose, Values and strategy. Risks we accept must be well understood, so that we can manage them effectively.

Our sector has inherent risks, particularly due to the nature and scale of our operational infrastructure and the importance of our activities to the health, safety and wellbeing of our people and the communities we serve. More widely, the sector is subject to political, regulatory and financial market risk, as well as risks arising from developments in technology, stakeholders' evolving expectations and climate change.

Within the Severn Trent Group, we operate both regulated and non-regulated businesses, which have different risk profiles and tolerances. Our water and waste water regulated businesses are monopoly providers that are economically regulated and characterised by relatively stable, inflation-linked cash flows. Our non-regulated businesses have more variable cash flows and operate in less predictable, competitive environments.

In some areas, we have risks for which we have little or no appetite. Even though we have implemented high standards of control and mitigation, the nature of these risks mean that they cannot be eliminated completely.

## Our risk priorities

In addition to managing the inherent risks associated with our business, we prioritise the following:

The **health, safety and wellbeing** of our people and the communities we serve is our top priority, and we have no appetite for risks brought on by unsafe actions.

Protecting the **environment** is a key long-term commitment. We aim to enhance the water environment and improve biodiversity. We are determined to play a leading role in addressing the impact of climate change through mitigating our own impact, the impact of our supply chain and adapting to the challenges that climate change may bring in the future.

In areas such as our approach to **financing**, we look to take measured risk consistent with providing the best long-term value for our customers and shareholders.

The Board has overall responsibility for determining the nature and extent of the risks in which Severn Trent participates and for ensuring that risks are managed effectively across the Group.

## Overseeing risk

Our approach to risk management is designed to enable the business to deliver its strategic objectives while managing the inherent uncertainty that can manifest itself as both opportunities and threats to these outcomes.

We have an established Enterprise Risk Management ('ERM') process and control framework that enables us to effectively identify, evaluate and manage these risks to inform decision making in support of creation of value in a sustainable way. Our approach cannot eliminate all risk entirely, but ensures we have the right structure to effectively navigate the challenges and opportunities we face, and only accept risk that is appropriate to achieving our strategic objectives.

We operate a top-down and bottom-up model of risk management that ensures both a clear articulation of risk appetite and a comprehensive process of risk identification. Our risk management framework opposite show the groups involved in risk across Severn Trent.

**Top-down**

The Board has overall responsibility for oversight of risk and for maintaining a robust risk management and internal control system. The Board recognises the importance of identifying and actively monitoring our strategic, reputational, financial and operational risks, and other longer-term threats, trends and challenges facing the business.

The Executive Committee reviews strategic objectives and assesses the level of risk taken in achieving these objectives.

The Audit Committee supports the Board in the management of risk and is responsible for reviewing the effectiveness of the risk management and internal control processes during the year.

This top-down risk process helps to ensure the bottom up risk process, described below, is aligned to our current strategy and objectives.

**Bottom-up**

Operating in the water sector means risk management is embedded throughout our processes, from day-to-day asset operation and monitoring, medium-term deployment of capital investment to long-term modelling of asset health, performance, and societal and environmental changes.

Our strong continuous improvement culture ensures that risk discussions happen at all levels of the business, resulting in risks being identified, categorised, and entered into the ERM system.

**Risk reporting**

The ERM process is operated by the Central ERM Team and underpinned by a standardised methodology to ensure consistency. ERM Champions and Co-ordinators operate throughout the business, with support and challenge from the ERM Team, continually identifying and assessing risks in their business units and reporting on a quarterly basis. Standardised criteria are used to consider the likelihood and velocity of occurrence and potential financial and reputational impacts.

The potential causes, impact and mitigating controls related to each risk are well documented. This assessment allows us to put in place effective strategies to remediate defective controls or implement additional controls.

Business unit information is combined to form a consolidated view of risk across the Group. Our significant risks form our Group risk profile which is reported to the Executive Committee for review and challenge. This is then reported to the Audit Committee and Board on a six-monthly basis. The report provides an assessment of the effectiveness of controls over each risk and action plans to improve controls where necessary.

**Risk management framework**

<div>Top-down</div> <div>↓</div> <div>↑</div> <div>Bottom-up</div>	<b>Risk Governance</b>	<b>Board</b> <ul style="list-style-type: none"> <li>Sets the risk culture.</li> <li>Defines and regularly reviews risk appetite.</li> </ul>	<ul style="list-style-type: none"> <li>Challenges the level of risk taken to pursue objectives.</li> <li>Makes risk-informed decisions and provides oversight for key strategic risks.</li> </ul>	<ul style="list-style-type: none"> <li>Responsible for effective risk oversight of enterprise-wide risks at Group level.</li> <li>Undertakes annual assessment of Principal Risks.</li> </ul>
	<b>Risk Oversight</b>	<b>Executive Committee:</b> <ul style="list-style-type: none"> <li>Supports the Board in the management of risk.</li> <li>Assesses the level of risk taken to achieve objectives; challenges the AMP7 Business Plan.</li> <li>Approves significant risk mitigation strategies assigned to individual members of the Executive Committee.</li> <li>Sets and evaluates risk tolerances.</li> <li>Identifies and assesses Principal and Emerging Risks.</li> <li>Signs-off the ERM risk framework.</li> </ul>	<b>Central ERM Team:</b> <ul style="list-style-type: none"> <li>Applies the ERM framework.</li> <li>Owns the corporate ERM management system.</li> <li>Monitors and reports key risk information, including response plans and risk tolerance.</li> <li>Establishes best practice risk processes across the Group.</li> <li>Provides guidance and training for Risk Champions and Risk Co-ordinators.</li> <li>Assists with the identification and assessment of Principal and Emerging Risks.</li> <li>Facilitates risk escalation process.</li> </ul>	<b>Audit Committee:</b> <ul style="list-style-type: none"> <li>Supports the Board in monitoring significant risks, tracking progress against risk mitigation plans.</li> <li>Reviews effectiveness of our risk management and internal control processes; tests key controls in risk response plans.</li> </ul> <b>Internal Audit:</b> <ul style="list-style-type: none"> <li>Provides assurance for significant risk mitigation strategies.</li> <li>Assesses effectiveness of the risk programmes by analysis of key controls.</li> <li>Evaluates internal control environment.</li> </ul>
	<b>Risk Management</b>	<b>Strategic Planning:</b> <ul style="list-style-type: none"> <li>Longer-term, holistic risk response plans, e.g. Water Resources Management Plan ('WRMP') and AMP7 Business Plan.</li> <li>Establishes critical controls to ensure the operational effectiveness of essential services.</li> </ul>	<b>Service Area Boards:</b> <ul style="list-style-type: none"> <li>Capital investment programme management.</li> <li>Implement strategic risk management processes, such as WRMP.</li> <li>Identify and monitor Emerging Risks and opportunities.</li> <li>Assess all categories of risk at an operational level.</li> </ul>	<b>Business Unit &amp; Risk Champions:</b> <ul style="list-style-type: none"> <li>Day-to-day risk and incident management, e.g. Severn Trent Operational Risk Management ('ST-ORM') and Drinking Water Safety Plans ('DWSP').</li> <li>Identify, assess and respond to risks at a local level.</li> <li>Continual monitoring of risks assigned within the business unit.</li> <li>Produce risk response plans and strategies.</li> <li>Define, implement and monitor key controls.</li> <li>Follow ERM risk framework.</li> </ul>



# Our Principal Risks

## Our Principal Risks

The Directors have carried out a robust assessment of the Principal Risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, to identify risks that could:

- Adversely impact the safety or security of the Group's employees, customers and assets;
- Have a material impact on the financial or operational performance of the Group;
- Impede achievement of the Group's strategic objectives and financial targets; and/or
- Adversely impact the Group's reputation or stakeholder expectations.


This list does not comprise all the risks that the Group may face, and they are not presented in order of importance.


The nature and profile of these risks is updated each year to reflect the changing risk landscape. This year sees ten Principal Risks being reported.

There may be additional risks that emerge in the future and we undertake regular horizon scanning to identify and report these to the Board.


Risks can present significant value creation and possibilities for innovation. Our Principal Risks, detailed from pages 40 to 45, include an 'Opportunities' section for each risk describing possible future events which, should they occur, could have a positive effect on the achievement of objectives or potentially reduce the risk exposure further.

### Strategic outcomes


 A company **you can trust**

 A positive **difference**


 **Lowest possible** bills


 A service **for everyone**

 An outstanding **experience**


 Good to **drink**


 Water **always there**

 Waste water **safely taken away**


 A thriving **environment**


### Stakeholders


 1 Our customers

 2 Our colleagues


 3 Our communities


 4 Shareholders and investors

 5 Suppliers and contractors

 6 Regulatory and Government

### Movement

 Increase in risk exposure

 No change in risk exposure

 Decrease in risk exposure

 New risk

## HEALTH & SAFETY

### RISK 1.

**Due to the nature of our operations, we could endanger the health and safety of our people, contractors and members of the public.**

### Strategic outcomes



### Stakeholders

1 2 5 6

### Risk mitigations

- The Group's Goal Zero policy clearly sets out our target that no one should be injured or made unwell by what we do.
- A well-established Health, Safety and Wellbeing Framework to ensure all our operations and processes are conducted in compliance with Health and Safety legislation and in the interests of the safety of our people and our contractors. The Framework is subject to regular review.
- Monitoring of our supply chain through Site Manager Forums and on-site inspections, including Health and Safety reviews to ensure compliance.
- Health and safety bulletins cascaded throughout the Group, including the supply chain.
- A dedicated Health, Safety and Wellbeing toolkit, called Safety Net, that allows real time data recording to capture, analyse and report on all Health, Safety and Wellbeing incidents and implement targeted interventions in a timely manner.

### Change in year



In 2020/21, we did not experience any major safety incidents or fatalities and have achieved our best ever LTI rate, which equates to 20% fewer LTIs than last year.

We instigated a full review of all our high-risk activities, following the Wessex Water tragedy at Avonmouth, and have refreshed our approach to monitoring, training, documentation and assurance.

### COVID-19 impact

Following the emergence of COVID-19, we have reviewed our framework and processes and revised working practices to ensure we keep people as safe as possible while delivering our essential services. Throughout the year, we have remained closely aligned to Government advice and guidance, with over 50% of our workforce working from home. For employees required to attend work, the focus has been on ensuring that workplaces are COVID-secure with extensive risk assessments continuing to be carried out on a weekly basis at all our facility-managed locations.

We have also run a very effective 'Caring for your Colleagues' campaign since March 2020 aimed at supporting both the physical and mental wellbeing of all our employees.

In response to the COVID-19 pandemic, we have revised working practices to ensure we keep people as safe as possible whilst delivering our essential services.

### Opportunities

Continue to work with our extensive supply chain to share best practice and promote safe working.

## SERVICE FAILURE &amp; ASSET RESILIENCE

## RISK 2.

Failure to provide a safe and secure supply of drinking water to our customers and the potential for reduced public confidence in water supply.

## Strategic outcomes

## Stakeholders



## Risk mitigations

- Comprehensive resilience plans, such as our WRMP and Drought Plan feed into our capital investment programme and Business Plan.
- Key operational employees are required to complete mandatory Water Quality Competency training.
- Investment in in-house capability to bolster response teams and facilitate an accelerated response to maintain supplies whilst repairs are undertaken, complemented by our new Academy facility.
- 24/7 control centre monitoring of our operations and assets, including real time telemetry coverage from our loggers. See Principal Risk 5.
- Strategic modelling to assess potential changes to supply and demand on our water network and the impact of climate change see Principal Risk 6.
- Regular updates to processes, standards and operational procedures.

## Change in year



For 2020/21, we have separated our clean water and waste water operations into two Principal Risks to reflect the distinct risk profiles and mitigation strategies.

## COVID-19 impact

In response to COVID-19, we implemented appropriate social distancing and safe working practices to keep all of our sites operational during the pandemic.

COVID-19 led to changes in usage profiles, with lower business usage and increased household demand. Our network proved to be resilient throughout this period.

## Opportunities

Trial and implement new technologies and innovation to improve our water treatment processes and network operations, such as leakage detection, which can help us achieve the 15% reduction performance commitment.

## SERVICE FAILURE &amp; ASSET RESILIENCE

## RISK 3.

Failure to effectively transport and treat waste water and the potential for reduced public confidence in our waste water system.

## Strategic outcomes

## Stakeholders



## Risk mitigations

- Strategic modelling to assess potential changes to supply and demand on our waste network, to reduce service issues and potential damage to the environment. See Principal Risk 7.
- 24/7 control centre monitoring of our operations and assets, including real time telemetry coverage. See Principal Risk 5. This is supported by our new in-house waste Network Response Team and Wet Well Cleansing Team, as well as installation of more than 1,500 sewer sensors.
- Key operational employees are required to complete mandatory training programmes to ensure continued competency with evolving standards.
- Educational programmes with customers to promote safe use of the waste water system, including appropriate disposal of wet wipes and cooking fat.

## Change in year



For 2020/21, we have separated our clean water and waste water operations into two Principal Risks to reflect the distinct risk profiles and mitigation strategies.

## COVID-19 impact

In response to COVID-19, we implemented appropriate social distancing and safe working practices to keep all of our sites operational during the pandemic.

The Company participated in COVID-19 community testing programmes, helping to identify infections through waste water testing.

## Opportunities

Opportunities to trial and implement new technologies and innovation to improve our treatment processes and capacity to reduce power usage and generate more green electricity, helping achieve our ambitious sustainability targets (Principal Risk 6).

## CYBER SECURITY &amp; TECHNOLOGY RESILIENCE

## RISK 4.

Cyber threats cause damage to key infrastructure assets, interruptions to core systems or data loss resulting in a negative impact on our reputation, operations, regulatory (including GDPR) compliance or finances.

## Strategic outcomes

## Stakeholders



## Risk mitigations

- Dedicated Information Security Team and Data Privacy Officer responsible for monitoring information security and cyber threat.
- All employees complete mandatory annual cyber security and GDPR training.
- A robust operational security programme, including physical access controls, on-site system protection and remote system protection. A programme of regular internal and third-party testing of our security network and systems.
- An effective vulnerability management system, including penetration testing of publicly accessible systems, behavioural alerts, patching processes, data disposal and access control, including Multi-Factor Authentication.
- Working closely with third-party IT service partners to manage risk and improve technical standards.
- Migration to Cloud platforms improving the resilience of our disaster recovery and business continuity plans.
- All operational and office sites have business continuity and crisis management plans in place, which are tested on a regular basis.

## Change in year



The level of this risk has not changed from the prior year, reflecting that, whilst companies continue to be subject to an increasing number of attempted cyber attacks, we have stepped up our investment in and development of mitigation controls.

## COVID-19 impact

The COVID-19 pandemic has created new cyber security threats and there has been an increase in cyber-related events nationally and globally during the pandemic. However, there have been no material instances impacting Group operations.

## Opportunities

Take advantage of new technologies, as they become available, to help protect our systems and data.

## CAPITAL PROJECT DELIVERY &amp; SCHEME RESILIENCE

## RISK 5.

Failure to design or deliver to time and cost capital projects that ensure the resilience of our operations and safety of our assets.

## Strategic outcomes

## Stakeholders



## Risk mitigations

- Framework agreements covering multiple contractual partners, to provide a flexible and diverse supply chain.
- Use of a gated capital process to provide assurance around design and delivery.
- AMP7 projects grouped into Major Critical, Critical, Major and Standard, allowing us to tailor our process to suit project type.
- Implementation of an in-house design team for AMP7.
- Dedicated quality and assurance teams who perform in-depth quality reviews.
- Regular contract review and performance meetings, including Key Performance Indicators ('KPIs') review and proactive supplier and market assessments.
- Appropriate regular training for contract management teams.
- Investment plans that balance affordability, efficiency and value, both in economic terms and other value areas like natural capital see Principal Risk 7.

## Change in year



A strong start to AMP7 following our fast-track status, has allowed us to improve engagement with our contractor partners by providing early visibility of designs through integrated project teams.

## COVID-19 impact

We were able to implement appropriate social distancing and safe working practices to keep all our capital programmes on track, and accelerated activity where the consequences of lockdown (such as quieter roads and availability of resources) supported our activity.

## Opportunities

Use the experience and expertise from within our supply chain to design and deliver projects more efficiently and effectively.



## CLIMATE CHANGE, ENVIRONMENT &amp; BIODIVERSITY

## RISK 6.

Severn Trent's climate change strategy does not enable us to respond to the shifting natural climatic environment and maintain our essential services.

## Strategic outcomes

## Stakeholders



## Risk mitigations

- Scenario modelling and data reviews, to develop an understanding of the impacts climate change could have on our essential services. See Principal Risks 2 and 3.
- Our AMP7 Business Plan supports increased resilience against the potential impacts of climate change through capital scheme delivery. See Principal Risk 5.
- Climate Change Steering Groups bringing together expertise from across the business.
- Strong engagement with our supply chain to drive environmental leadership.
- In 2019, we announced our Triple Carbon Pledge – committing us to net-zero carbon emissions, 100% renewable energy and an all-electric fleet by 2030, where available. See Our TCFD Disclosures on pages 54 to 67 for further details.
- In March 2021, we submitted our proposed Scope 1, 2 and 3 emissions targets to the Science Based Targets initiative, committing us to significantly reducing our greenhouse gas emissions by 2030.

## Change in year



On 26 May 2020, we successfully completed our inaugural Sustainable Bond issue raising £300 million for 20 years with a coupon of 2.0%. This was the first bond issue under our Sustainable Finance Framework, with the proceeds being used for green and social purposes.

## COVID-19 impact

The potential for accelerated long-term or rapid short-term changes in customer usage patterns due to COVID-19 impact on lifestyle and working patterns.

## Opportunities

Continued engagement with stakeholders, including our supply chain, to target innovation, on the mitigation of Scope 1, 2, and 3 emissions.

## CLIMATE CHANGE, ENVIRONMENT &amp; BIODIVERSITY

## RISK 7.

We fail to positively influence natural capital in our region.

## Strategic outcomes

## Stakeholders



## Risk mitigations

- Strategic plans to enhance biodiversity in our region and a number of ODI commitments to protect our local environment, including river water quality, pollution incidents, biodiversity improvements and environmental compliance.
- Use of catchment management approaches to work with landowners in our region to mitigate the effect of pesticides, fertilisers and organic nutrients on the environment and biodiversity.
- Modelling to estimate the impact of increasing pressures on nature, for example, from climate change, such as, drought or extreme weather events (see Principal Risk 6) and biodiversity loss that has potential to impact ecosystems.
- In-house ecology expertise to enhance the Group's capability to work towards enhancing biodiversity.

## Change in year



Our involvement in the 2022 Birmingham Commonwealth Games creates a platform to further enhance our local environment. We have committed to creating 2,022 acres of new forest as part of this programme, as well as helping make it the first ever carbon neutral games.

## COVID-19 impact

COVID-19 caused delays in a number of our plans that were reliant on delivery through NGO partners and community groups. Despite these challenges, we managed to deliver biodiversity enhancements on over 2,000 hectares of land in year one, through creating alternative biodiversity grant schemes for farmers and projects with alternative delivery routes.

## Opportunities

Engagement with our supply chain and customers to promote biodiversity and use of our redundant land to lead the way in our region.

<b>FINANCIAL LIABILITIES</b> <b>RISK 8.</b> <b>Failure to fund our Severn Trent defined benefit ('DB') pension scheme sustainably.</b>	<b>FINANCIAL LIABILITIES</b> <b>RISK 9.</b> <b>We are unable to ensure sufficient liquidity to meet our funding requirements.</b>
<b>Strategic outcomes</b> 	<b>Strategic outcomes</b> 
<b>Stakeholders</b> 	<b>Stakeholders</b> 
<b>Risk mitigations</b>	<b>Risk mitigations</b>
<ul style="list-style-type: none"> <li>The Company agreed the triennial actuarial valuation as at 31 March 2019, including repair payments of c.£55 million per annum until 2022.</li> <li>Interest rate, inflation and equity risk are managed through appropriate hedging strategies to manage downside risks, with regular monitoring in place.</li> <li>We continue to work with the Trustee in considering The Pensions Regulator's consultation on its funding code of practice.</li> <li>Deficit recovery plans are agreed by the Company, setting out the cash contributions required from Severn Trent to the Scheme.</li> <li>We are represented on the Investment Committee of the Scheme and the investment policy is formally approved by the Group Financial Director.</li> </ul>	<ul style="list-style-type: none"> <li>The Group's Treasury activity is overseen by our Treasury Committee with support from dedicated advisers.</li> <li>The Group has a diversified capital structure, in both tenor and access to global debt capital markets to mitigate risks.</li> <li>The Group maintains liquidity headroom of at least 18 months. The Severn Trent Water revolving credit facility was recently refinanced providing liquidity for a further seven years.</li> <li>Group cash balances are deposited across a range of investment grade counterparties to spread and mitigate risk.</li> <li>The proportion of the Group's debt maturing in any AMP period does not exceed 40% of the Group's total debt to reduce refinancing risks.</li> <li>Treasury policy statements and procedure manuals are in place and operating effectively. These are reviewed at least annually.</li> </ul>
<b>Change in year</b> 	<b>Change in year</b> 
<p>While our pension deficit has increased on an IAS 19 basis, to £367.7 million (2020: £234.0 million), this is predominantly due to a short-lived spike in corporate bond yields around March 2020, which has since normalised.</p> <p>We have worked with the Trustees to consider and respond to The Pensions Regulator's consultation on the funding code of practice.</p>	<p>We continue to be active in various Debt Capital Markets and have recently issued £400 million of new debt in the sterling market and a £100 million CPIH debt issue.</p> <p>The Group recently refinanced its £1 billion revolving credit facility for five years (with two one-year extensions).</p>
<b>COVID-19 impact</b>	<b>COVID-19 impact</b>
<p>Whilst there has been an increase in national mortality rates due to the pandemic, the impact on long-term mortality is as yet unclear. We are monitoring this with the Company's and Scheme's actuaries.</p>	<p>We continue to stress test our business plans by modelling plausible and extreme scenarios to determine expected impacts and test the Group's financial resilience. Additional detail can be found in our Viability Statement on pages 47 to 49.</p>
<b>Opportunities</b>	<b>Opportunities</b>
<p>Work with The Pensions Regulator to introduce positive changes for fund schemes that benefit our scheme members, shareholders and customers.</p>	<p>Maintaining strong liquidity levels, a strong credit rating and an attractive ESG profile, will allow us access to a broad range of financial markets optimising the Group's financing costs.</p>

## POLITICAL, LEGAL &amp; REGULATORY

## RISK 10.

Accelerating changes in the political, legal environment and environmental obligations increase the risk of non-compliance.

## Strategic outcomes

## Stakeholders



## Risk mitigations

- Fast-track status for our Severn Trent Water PR19 Final Determination provided early sight over the AMP7 period enabling a prompt start on our plans.
- Engagement with the UK Government, MPs, the Welsh Government, regulators and other stakeholders about the future shape and direction of the water sector, sharing our experience where possible.
- Established Governance Framework, policies and training ensuring our ongoing compliance with all applicable laws and regulations, including Competition Law and GDPR, for the operation of separate Wholesale and Retail business and between our Group businesses. This is subject to regular review.
- Control frameworks subject to regular review, on at least an annual basis, to take account of changes to legislation, regulation and our business.
- External legal advisers providing detailed reviews in respect of upcoming legislation that may affect the Group.

## Change in year



There has been no significant change in the year. We await Ofwat publishing the framework and detail for PR24 in late May 2021. This will provide insight into the direction of the industry.

## COVID-19 impact

We have supported Ofwat's COVID-19 initiatives, such as continued review and support for business retailers and the Green Recovery programme to boost national investment. Read more on page 13.

## Opportunities

Engage with regulators to fast-track positive changes for our communities and the environment.



# Emerging Risks

We define Emerging Risks as upcoming events which present uncertainty but are difficult to assess at the current stage. Emerging Risk management ensures these risks are identified and helps to ascertain whether we are adequately prepared for the potential opportunities and threats they pose. It aims to identify new and changing risks at an early stage and analyse them thoroughly to deduce the potential exposure to Severn Trent. We continually identify and monitor Emerging Risks with good top-down and bottom-up approaches. Management considers changing, new or emerging risks through regular review and discussion. More locally, our network of ERM Co-ordinators, ERM Champions and risk owners use techniques

such as cross-functional workshops and PESTLE (Political, Economic, Social, Technological, Legal and Environmental) analysis. This culminates in an Emerging Risk horizon map reported annually to the Audit Committee and Board. We closely monitor Emerging Risks that may, with time, become either complete ERM risks, incorporated into our existing corporate risk reporting process; have potential to be superseded by new Emerging Risks; or cease to be relevant as the internal and external environment in which we operate evolves. The Directors have carried out a robust assessment of the Company's Emerging Risks and consider the following to be risks that have the potential to increase in significance and affect the performance of the Group:

Title	Detail	Area / Factor	Time Horizon
<b>Macroeconomic uncertainty</b>	Continued macroeconomic uncertainty post-pandemic and adjustment to new processes set out in the EU-UK Trade and Cooperation Agreement.	Economic	Medium
<b>Performance challenges</b>	The greater disaggregated regulatory framework in AMP7 with new and more challenging operational performance targets requires us to adapt to meet our ambitions over the remaining years of the AMP.	Operational	Medium
<b>Accelerating customer expectations</b>	We have experienced a shift in customer expectations and will need to be flexible in adjusting our plans over the coming years.	Reputational	Short – Medium
<b>Energy security</b>	Despite the UK having a reliable energy system with electricity supply from a diverse range of sources, as a large energy user we are susceptible to extended power disruptions. To increase our resilience to such events, increasing our self-generation capability from renewable energy sources is being investigated as part of our Climate Change Adaptation Strategy (from page 54).	Technology	Medium
<b>Micro plastics</b>	Understanding and addressing the impact of micro plastics – including on natural resources and customers' health.	Health, safety and environmental	Medium
<b>HS2</b>	Direct impact on operational sites along the proposed route and the indirect impact on labour availability in the area.	Operational	Medium – Long

## Dedicated COVID-19 Statement

Whilst global pandemics have not previously been noted as a Principal Risk, they do feature on our horizon scanning and many of the associated risks are captured within our ERM framework. We have a well-rehearsed approach to incident management and while COVID-19 presented many unique challenges, the governance structure we implemented in response to the pandemic provided a stable foundation from which we could respond to the changing situation. You can read more about our COVID-19 response on pages 15 to 17. COVID-19 assumptions are built into our budget and business plan processes and you can read more about financial resilience testing in our Viability Statement on pages 47 to 49. Our priority remains the health and safety of our people and customers, and we are taking all possible actions to support them whilst continuing to deliver our essential services. The Board continues to receive regular updates on the Group's COVID-19 response in order to assess, monitor and respond to the evolving impact of COVID-19 on our operations and business, including impacts for all of our stakeholders.

# Viability Statement

## Assessment of current position and long-term prospects

The Directors' assessment of the Group's current financial position is set out in the Chief Financial Officer's review on pages 31 to 37.

Our principal operating subsidiary is Severn Trent Water, which is a regulated long-term business characterised by multi-year investment programmes and relatively stable revenues. The water industry in England and Wales is currently subject to economic regulation rather than market competition and Ofwat, the economic regulator, has a statutory obligation to secure that water companies can (in particular through securing reasonable returns on their capital) finance the proper carrying out of their statutory functions. Ofwat meets this obligation by setting price controls for five year Asset Management Periods ('AMPs') including mechanisms that reduce the risk of variability in revenues from the regulated business in the medium term by adjusting future revenues to balance over or under recovery compared to the original plan.

AMP7 runs to 31 March 2025 and Severn Trent Water has developed its plans to deliver the operational and financial performance set out in Ofwat's Final Determination. We have based our assessment of prospects for the next four years on these plans, subject to modifications resulting from the impacts of the COVID-19 pandemic (see below).

When considering the Group's prospects beyond 2025, it is necessary to make assumptions about the price review process for the period 2025 – 2030 (PR24), which will take place in 2024. In making this assessment we have taken account of:

- Ofwat's statutory duty to secure that companies can finance the proper carrying out of their functions;
- Severn Trent Water's financial structure, which is close to the Ofwat notional capital structure and our plan to retain this; and
- Severn Trent Water's plans for AMP7, the successful execution of which would deliver benefits to all stakeholders and financial incentives that would help to further strengthen our financial resilience in the period beyond 2025.

We have significant investment programmes, largely funded through access to debt markets. Our strategic funding objectives reflect the long-term nature of the Severn Trent Water business and we seek to obtain a balance of secure long-term funding at the best possible economic cost. We maintain sufficient liquidity to cover cash flow requirements for a rolling period of at least 18 months in order to limit the risk of restricted access to capital markets. Our Group Treasury Team actively manages our debt maturity profile to spread the timing of refinancing requirements and to enable such requirements to be met under most market conditions. The weighted average maturity of debt at the balance sheet date was 13 years.

We have an established process to assess the Group's prospects. The Board undertakes a detailed assessment of the Group's strategy on an annual basis and the output from this assessment sets the framework for our medium-term plan, which we update annually.

Our medium-term plan reflects the Group's prospects and considers the potential impacts of the Principal Risks and uncertainties. We perform stress tests to assess the potential impact of combinations of those risks and uncertainties. The plan also considers mitigating actions that we might take to reduce the impact of such risks and uncertainties, and the likely effectiveness of those mitigating actions.

## Impact of COVID-19 on the Group's prospects

The Office for Budget Responsibility identified the water industry as likely to be amongst the least affected by the COVID-19 pandemic, but we are not immune to the impacts on the wider economy. In the last year we have, as expected, seen a reduction in consumption from non-household customers following the restrictions implemented by the Government. We have thankfully seen only limited changes in household customer payment behaviour, but recognise that there may be a lag between the change in family household financial circumstances (for example unemployment) and the change in cash collections. We have increased the availability of our range of social tariffs to help mitigate this. There was also a sharp reduction in inflation during 2020 and 2021 that will impact our revenue in financial year 2021/22 and continued low inflation in 2021 would impact revenue in 2022/23. We have updated our model of the likely impacts of COVID-19 on our medium-term plan and developed an updated assessment of our prospects allowing for the anticipated impacts of COVID-19 based, inter alia, on Government advice and water sector specific guidance from our regulator Ofwat. We have applied our stress tests, including a 'third wave' of COVID-19, to this adjusted plan.

## Period of assessment

The Board considered a number of factors in determining the period covered by the assessment. The long-term nature of our principal business, together with relatively stable revenues and a model of economic regulation that places a duty on the regulator to secure that water companies can finance the proper carrying out of their functions, support a longer period of assessment.

However, the changing nature of regulation of the water industry and the impacts of the COVID-19 pandemic increase the uncertainty inherent in our financial projections. We have an established planning and forecasting process and the Board considers that the assessment of the Group's prospects is more reliable if based on an established process. Our latest medium-term plan extends in detail to the end of the AMP7 period in 2025, with less detailed projections looking beyond this.

A longer period of assessment introduces greater uncertainty because the variability of potential outcomes increases as the period considered extends.

Bearing in mind the long-term nature of our business; the enduring demand for our services; our established planning process; and the changing nature of the regulation of the water industry in England and Wales, the Board has determined that seven years is an appropriate period over which to assess the Group's prospects and make its Viability Statement this year.

## Assessment of viability

In assessing our future prospects, we have considered the potential effects of risks and uncertainties that could have a significant financial impact under severe but plausible scenarios. The risks and uncertainties considered were identified in the Group's ERM process, which is described on pages 39 to 46, and from the key assumptions in the financial model. Where the risk occurs at a point in time we have assumed that it occurs at the point in the plan with the lowest headroom.

The scenarios tested are described below.

Scenario tested	Related Principal Risk	Mitigating actions
<p><b>1. A severe impact from a new variant of COVID-19 resulting in a prolonged 'lockdown' period resulting in lower economic activity, higher unemployment and lower inflation</b></p> <p>The adjustments that we have made to our medium-term plan to reflect a possible new variant of COVID-19 are based on a number of assumptions and experience gained over the last 12 months. We have modelled a further period of 'lockdown' and restrictions which might result in more severe impacts on total revenues and household bad debts, together with a larger and longer reduction in inflation, and an impact on ODIs earned.</p>		<p>The regulatory model includes mechanisms to adjust future revenues to balance out any under recovery when compared to the original price review. The application of these mechanisms would necessarily take into account affordability of customers' bills and therefore might be spread into AMP8.</p> <p>Reduce discretionary expenditure to mitigate the impact of lower revenue in the affected years.</p> <p>Lower inflation would reduce the finance cost incurred on index-linked debt.</p> <p>Consider use of hybrid debt instruments to protect credit ratings.</p> <p>Consider a temporary reduction in, or re-phasing of, dividends.</p>
<p><b>2. An increase in the funding deficit of the Group's defined benefit pension schemes</b></p> <p>The planned funding for the Group's defined benefit pension arrangements is based on current assumptions for future inflation, asset returns and members' longevity. Outcomes adverse to our assumptions could result in a higher funding deficit. We have assessed the impact of an increase in cash contributions to the schemes to £92 million per annum. Contributions are reviewed and agreed with the Scheme trustee on a triennial basis with the next valuation of the main scheme based on the funding position at 31 March 2022.</p>	<p><b>Risk 8 – page 44</b></p>	<p>Discuss impact on debt covenants with lenders and seek a temporary waiver if necessary.</p> <p>Consider use of hybrid debt instruments to protect credit ratings.</p> <p>Consider a temporary reduction in dividends.</p> <p>Identify and implement sustainable cost savings and efficiencies.</p> <p>Reduce working capital to support cash flow.</p>
<p><b>3. Severn Trent Water experiences a severe operational failure or other exceptional event with a very significant financial impact</b></p> <p>The Group's ERM process has identified a number of risks including failure of key assets and cyber attacks that might have a significant impact on the Group's operational and financial performance. We have assessed the effects of an incident with an impact of £300 million.</p>	<p><b>Risk 1 – page 40</b></p> <p><b>Risks 2-3 – page 41</b></p> <p><b>Risk 4 – page 42</b></p> <p><b>Risk 6 – page 43</b></p>	<p>Reduce discretionary expenditure to cover any extra costs resulting from the event.</p> <p>Consider use of hybrid debt instruments to protect credit ratings.</p> <p>Consider a temporary reduction in dividends.</p> <p>Discuss the impact on debt covenants with lenders and seek a temporary waiver if necessary.</p>
<p><b>4. Severn Trent Water underperforms against its performance commitments</b></p> <p>Severn Trent Water operates under a regulatory model that encourages companies to deliver what customers want, using performance-related rewards and penalties. Failure to deliver performance at the committed level can lead to significant penalties. We have assessed the impact of a penalty equivalent to 3% of one year's revenue.</p>	<p><b>Risks 2-3 – page 41</b></p>	<p>Reduce discretionary expenditure to cover any extra costs resulting from penalties.</p> <p>Discuss the impact on debt covenants with lenders and seek a temporary waiver if necessary.</p>



Scenario tested	Related Principal Risk	Mitigating actions
<b>5. Severn Trent Water incurs higher costs than planned that are not funded</b>  Significant overspending could result in a deterioration in financial metrics and performance, which might adversely impact the Group's solvency. We have assessed the impact of a 10% overspend on capital and operating expenditure in each year of the plan.	<b>Risk 10 – page 45</b>	Reduce discretionary expenditure in the short term.  In the medium term implement an efficiency and cost reduction programme to bring costs back in line with regulated allowances.  Discuss impact on debt covenants with lenders and seek a temporary waiver if necessary.  Consider a temporary reduction in dividends.
<b>6. A combination of scenarios 4 and 5</b>	See above	Reduce discretionary expenditure in the short term.  Reduce working capital to support cash flow.  Discuss impact on debt covenants with lenders and seek a temporary waiver if necessary.  Consider a temporary reduction in dividends.

The combined scenario represents a situation where several of the severe but plausible scenarios occur simultaneously. In this situation, the same mitigating actions would be available but their application would be deeper.

We have significant funding requirements to refinance existing debt that falls due for repayment during the period under review and to fund our capital programme. Under all scenarios considered, the Group would remain solvent and have access to sufficient funds in normal market conditions. Our Treasury Policy requires that we retain sufficient liquidity to meet our forecast obligations, including debt repayments for a rolling 18-month period.

In making its assessment, the Board has made the following key assumption:

- Any period in which the Group is unable to access capital markets to raise finance during the period under review will be shorter than 18 months.

On this basis, the stress tests indicated that none of these scenarios, including the combined scenario, would result in an impact to the Group's expected liquidity, solvency or debt covenants that could not be addressed by mitigating actions and are therefore not considered threats to the Group's viability.

#### Governance and assurance

The Board reviews and approves the medium-term plan on which this Viability Statement is based. The Board also considers the period over which it should make its assessment of prospects and the Viability Statement. The Audit Committee supports the Board in performing this review. Details of the Audit Committee's activity in relation to the Viability Statement are set out in the Audit Committee Report on page 107.

This Viability Statement is subject to review by Deloitte, our external auditor. Their Audit Report is set out from page 159.

#### Assessment of viability

The Board has assessed the viability of the Company over a seven year period to March 2028, taking into account the Company's current position and Principal Risks.

Based on that assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2028.

#### Going Concern Statement

In preparing the financial statements the Directors considered the Company's ability to meet its debts as they fall due for a period of one year from the date of this report. This was carried out in conjunction with the consideration of the Viability Statement above.

On this basis the Directors considered it appropriate to adopt the Going Concern basis in preparing the financial statements.

# Sustainability at the Heart of our Approach

As a company taking care of one of life's essentials, we know that the resilience of our business is intrinsically linked to the resilience of our region, its communities and the natural environment.

Our long-standing commitment to sustainability has been clear for some time, but over the past 18 months we have worked hard to ensure it focuses on the areas we know can have a genuine impact for our region – climate change mitigation and resilience, reducing waste, taking care of nature, taking care of our people, customers and communities – and doing all of this in a transparent and genuine way.

We launched our framework in March 2020 and announced our intention to invest £1.2 billion over the next five years and we are on track to do exactly that, with the opportunity to go even further with the Green Recovery proposals we submitted to Ofwat earlier this year. Read more on page 13.

Across our Annual Report and Sustainability Report we continue to improve the transparency of our reporting, making the information accessible for our stakeholders. This includes following the principles of the Global Reporting Initiative ('GRI') with a mapping to the relevant Sustainability Accounting Standards Board ('SASB') initiatives and continuing to evolve our climate risk disclosures in line with the Task Force on Climate-related Financial Disclosures ('TCFD') guidelines.



## Our Purpose

### Taking care of one of life's essentials

#### Taking care of the environment

 **Ensuring a sustainable water cycle**  
 Secure water sources in the long term – through catchment management, demand reduction and climate change adaptation – so that we can deliver our services for future generations.

 **Enhancing our natural environment**  
 Protect and enhance nature at each stage of the water cycle by improving biodiversity and stopping pollution; benefiting nature, local communities and our business.

 **Making the most of our resources**  
 Generate renewable energy and other useful resources from our waste and aim for zero waste to landfill through our business activities.

 **Mitigating climate change**  
 Play our part in reducing global carbon emissions in line with the 2015 Paris Agreement, aiming for net-zero carbon and supporting the UK's energy transition.

#### Helping people to thrive

 **Delivering an affordable service for everyone**  
 Work with our industry to end water poverty by supporting customers who struggle to pay their bills and providing priority support to those who need it.

 **Providing a fair, inclusive and safe place to work**  
 Build a workforce that is reflective of the community we serve and foster a culture where everyone can be themselves, driving better decision making and performance.

 **Investing in skills and knowledge**  
 Support the skills base of our people and our region and inspire the next generation of customers to adopt more sustainable behaviours.

 **Making a positive difference in the community**  
 Serve our local communities through community projects and volunteering, and global communities through charity partnerships.

#### Being a company you can trust

 **Living our Values**  
 Nurture a strong, open, one-team culture based on company Values that articulate what we stand for.

 **Balancing the interests of all our stakeholders**  
 Understand the needs of stakeholders in order to make business decisions that benefit shareholders, society and the environment.

 **Running our company for the long term**  
 Put strong governance – leadership, ethics, and management of risks and opportunities – at the heart of our business.

 **Being open about what we do and sharing what we know**  
 Build trust through transparency, and work with our sector on innovative solutions to our shared challenges.

#### Linked SDGs

7  
AFFORDABLE AND CLEAN ENERGY

9  
INDUSTRY, INNOVATION AND INFRASTRUCTURE

11  
SUSTAINABLE CITIES AND COMMUNITIES

12  
RESPONSIBLE CONSUMPTION AND PRODUCTION

13  
CLIMATE ACTION

15  
LIFE ON LAND

#### Linked SDGs

4  
QUALITY EDUCATION

5  
GENDER EQUALITY

5  
GENDER EQUALITY

We have mapped the United Nation's Sustainable Development Goals ('SDGs') to the pillars of the Sustainability Framework.

#### Linked SDGs



# Commitments to Climate Change Timeline

## 2021

### Science Based Targets

Submitted to SBTi in March including a 46% reduction in Scope 1 and 2 emissions and over 70% engagement target on Scope 3 emissions.

### Net-Zero Roadmap

At our Capital Markets Day in September we will outline our roadmap to net zero by 2030 in more detail.

### Green Recovery

Commencing work on additional projects to support nature, net zero and climate resilience as part of the Green Recovery. Read more on page 13.

### Strategic Direction

We will reveal our 30-year Strategic Roadmap alongside our Environment Strategy and detail of how we will continue to adapt to changing climate.

### Shareholder vote on our climate change approach

In March 2021, the Board announced its intention to put its long-term approach to climate change before shareholders, and seek a non-binding advisory vote on plans to achieve them, at the AGM on 8 July.

## 2022

### Electric vehicle charging

Over 350 charge points installed over 65 sites.

### Commonwealth Games

Supporting the games with their Carbon Neutral and Nature ambitions by planting over 2,022 acres of forest.

## 2023

### Electric vehicles

Commitment to purchase electric vans from 2023 onwards (where available).

## 2025

### Delivering on our AMP7 ambitions including:

- 50% reduction in pollutions;
- 15% reduction in leakage;
- Improving the quality of over 2,100 km of rivers.

## 2026

All company cars electric (where available).

## 2027

Biodiversity enhanced in over 5,000 ha in our region.

## 2030

- 100% electric fleet, where available.
- Net-zero operational carbon emissions including 46% reduction in Scope 1 and 2 emissions.



## Water always there

As part of our approach to becoming more resilient to climate change while reducing our own impact we have proposed a project to utilise new abstraction rights, build more storage and move water through our river system to provide over 100 ML/d of additional water to support water-scarce homes and businesses.



## Reducing pollutions

We have made great strides in reducing category 1-3 waste pollutions by 21% this year through careful management of our pipes and treatment works and educating customers, but we know we must do more to reach our 50% reduction ambition by 2025.

# Our Journey to Net Zero

## Our targets

We recognise the growing threat of climate change and we want to lead the way in reducing emissions of greenhouse gases. That's why we have set our 2030 Triple Carbon Pledge and committed to meet science-based carbon targets.

This means not only reducing our own operational emissions from the assets we own and operate, but also going further to reduce emissions in our supply chain.

## Our Triple Carbon Pledge by 2030:

### Reach net operational greenhouse gas emissions of zero

The definition of this was set out in our industry 'Net-Zero Roadmap' published in November 2020.

### 100% of our vehicles will be electric, where available

For vans and HGVs this may mean using alternative fuels like hydrogen depending on how the market evolves.

### 100% renewable energy

This means all the energy we use will be direct from a renewable source or via a supplier from a renewable-backed source.

We submitted our targets for verification to the Science Based Targets initiative in March 2021. Science Based Targets go further than our Triple Carbon Pledge targets by including our supply chain.



Our targets to 2030 are only the first part of our journey and ambition. Beyond 2030 we want to go beyond net zero and reduce emissions entirely.

## Our road to operational net zero by 2030

Our plans are constantly evolving and there will be large changes in this area, but our current roadmap is made up of a mix of actions ranging from reductions to offsets.

### Key

- Reduce (Blue circle)
- Replace (Green circle)
- Growth and quality requirements (Grey circle)
- Remove (Pink circle)
- Offset (Purple circle)





## Our approach

Our approach to reducing emissions follows the carbon hierarchy, looking to reduce and avoid first before looking to offset or remove carbon emissions.



## Our top five challenges

### Supply chain emissions

We do not control the supply chain and we need markets and companies to change to find solutions. For example, at present we need chemicals to treat water to meet drinking water standards. We must work with the supply chain to find zero carbon ways of manufacturing and delivering these chemicals or find alternatives in order to achieve carbon zero treatment processes.



### Biogenic emissions

CO<sub>2</sub> is produced from sewage treatment, the combustion of biogas and the production and combustion of biomethane. Currently, we estimate but don't report these emissions because the equivalent carbon is taken in by the food grown which ultimately becomes the waste we treat and they are therefore 'short-cycle' emissions.



### Process emissions

Emissions of nitrous oxide and methane from waste and sludge treatment are now our largest source of greenhouse gas emissions. There are currently no feasible, or affordable alternatives to our current method of treatment and capturing will be expensive.



### Markets

For some areas of our work, there are no feasible alternatives or technology readily available on the market. Where we can't develop the solutions alone, we need markets to adapt and make these available so we can find the best way to adopt the solutions. This includes carbon removal, capture and storage technologies which are not currently affordable.



### Offsets

It's possible we won't be able to completely avoid all current emissions. Therefore, in order to achieve zero carbon in the long term, carbon removal technologies will need to be available on the market which are not currently affordable or feasible.



# Our Approach to Climate Change

## 1st

**Water company in the UK to commit to developing Science Based Targets**

## 2030

**Signatory to the UN Climate Change Race to Zero campaign, pledging to deliver a net-zero water supply for customers by 2030**

## Triple Carbon Pledge

**Pledge extended with new target:**

- Net-zero operational carbon emissions by 2030
- 100% energy coming from renewable sources by 2030
- 100% electric fleet by 2030, where available

### Our approach to climate change

We are committed to the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'), providing our stakeholders with decision-useful information on climate-related risks and opportunities that are relevant to our business. We seek to put sustainability at the heart of everything we do and this section sets out our approach to implementing the recommendations of the TCFD, including how we think about the governance, strategy, risk management and the metrics and targets which underpin our approach. As a company that relies on people, communities and the environment, sustainability is central to our strategy. Our strategy focuses on the positive impact we can have on the communities we serve and on the environment that we rely on. In supporting the creation of value – be that economic, environmental or social – we deliver sustainable value for all of our stakeholders. Our Sustainability Framework on page 50 is fully embedded into our overall strategy and draws together our environmental, social and governance ambitions. These are delivered as part of our Business Plan and are fully embedded in the way we work. Additional information can be found in our Sustainability Report.

### Five-year TCFD disclosure roadmap

We have a strong track record of improving environmental performance and are committed to continually enhancing our reporting against the TCFD recommendations.

#### YEAR ONE

## 2019/20

In 2019/20 we made our first TCFD disclosure within our Sustainability Report. During the year we undertook a gap analysis to better understand our material risks and opportunities and embed climate change modelling into our approach.



#### YEAR TWO

## 2020/21

In 2020 we established our dedicated TCFD Working Group and established our five year TCFD Roadmap. We continue to develop a full TCFD disclosure aligned to other documents due for release this year including our Climate Change Adaptation Report, Strategic Direction Statement and new Environment Strategy.





### Board statement on its commitment to the 2015 Paris Agreement

The Severn Trent Plc Board believes that the 2015 Paris Agreement is an important step forward in addressing the serious risks of climate change and recognises the constructive contribution we can play in tackling climate change and help the transition to a low carbon economy. It is our ambition to be a net-zero company by 2030 by building on the work we have been undertaking for many years to reduce emissions across our business and within our supply chain. In March 2020, we were the first water company in the UK to commit to developing Science Based Targets. This means that we will develop longer-term commitments to make real reductions to emissions, in line with the 2015 Paris Agreement to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C. These commitments are based on emissions targets under Scope 1 (direct emissions arising from owned or controlled sources), Scope 2 (indirect emissions arising from energy purchase) and Scope 3 (indirect emissions arising within the value chain).

During 2020/21, the Company has focused on developing targets, which include a combined Scope 1 and 2 target to sit alongside our existing emissions reduction commitments, our Triple Carbon Pledge of net-zero operational emissions, 100% energy coming from renewable sources, and 100% electric fleet by 2030, where available. From 2015 to 2020, Severn Trent has self-generated more than 50% of Severn Trent Water's electricity needs from renewable sources, reduced net carbon emissions by 40% and invested £350 million in improving a third of the rivers in its region. Additionally, we have also committed to plant 1.3 million trees and revive 5,000 hectares of land to support our plan to reduce carbon. In January 2021, we announced that we have signed up to the UN Climate Change Race to Zero campaign, pledging to deliver a

net-zero water supply for customers by 2030. Led by the United Nations Framework Convention on Climate Change ('UNFCCC'), we joined other companies from around the world to rally leadership across businesses, cities, regions and investors for a healthy, resilient and zero carbon recovery.

Our net-zero scope, definition and journey align with the wider water industry commitment to reach net zero as a sector by 2030. Our Scope 3 categories make up a significant part of our overall emissions and as such we have set a Scope 3 target to engage with our supply chain and set Science Based Targets on 73% of their emissions and have worked to identify where our biggest areas of opportunity lie. We will use this to continue to build our understanding, gain a more accurate and complete picture of our current position, and use this insight to build an ambitious but achievable reduction target.

The information provided in this section, in conjunction with our wider Annual Report and Accounts and separate Sustainability Report, demonstrate how we have embedded climate-related risks and opportunities into our strategy and business model; the progress we're making on our journey; the metrics and targets we have set ourselves over the next several years, and our approach to understanding and mitigating the risks posed.

The tables on the pages 56 and 57 set out where stakeholders can find further information on how we have applied the recommendations of the TCFD and the Paris Agreement goals, including where additional information on our climate-related financial disclosures can be found within this report. We will continue to evolve and enhance our reporting against the TCFD framework, and we welcome feedback on our approach.

### YEAR THREE

## 2021/22

In September 2021 we intend to publish a full TCFD disclosure, expanding on the information here, six months ahead of the target timeline outlined by Government. This will allow us to continue to embed and mature our processes across the Group, which will naturally be built into our ongoing business planning processes for this AMP and form a key component of the Price Review process.



### YEAR FOUR

## 2022/23

In the spirit of improvement our 2022/23 disclosures will include quantitative data surrounding our Scope 3 carbon reduction work with our supply chain. It will form part of proposals to Ofwat which will be submitted in 2023. We will also explore the role that the Task Force for Nature-related Financial Disclosures ('TNFD') could have in our long-term thinking.



### YEAR FIVE

## 2023/24

We recognise the importance of continually reviewing the effectiveness of our approach and established mechanisms and this will be a core focus for us in year five as well as refreshing our risk assessments across both the Group and wider supply chain.



# Climate-related Financial Disclosure Statement

TCFD FOCUS AREA	WHERE CAN I FIND OUT MORE?
<b>Governance</b>  Disclose the organisation's governance around climate-related risks and opportunities	<a href="#">See Climate-related Governance on page 58</a> <a href="#">See Governance Report on pages 80 to 153</a>
<b>Strategy</b>  Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	<a href="#">See Climate-related Strategy on pages 58 to 60</a> <a href="#">See business model on pages 6 to 7</a>
<b>Risk Management</b>  Disclose how the organisation identifies, assesses and manages climate-related risks	<a href="#">See Climate-related Risk Management on pages 61 to 63</a> <a href="#">See Our Approach to Risk on pages 38 to 39</a> <a href="#">See Principal Risks on pages 40 to 45</a>
<b>Metrics and Targets</b>  Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	<a href="#">See Climate-related Metrics and Targets on page 64</a> <a href="#">See Sustainability Report on our website</a>



DISCLOSURE OBJECTIVE	OUR PROGRESS
<ul style="list-style-type: none"> <li>Describe the Board's oversight of climate-related risks and opportunities.</li> <li>Describe management's role in assessing and managing climate-related risks and opportunities.</li> </ul>	<p>The Board and individual Directors possess significant climate-related expertise (as outlined on page 97). As such, our Board has a sound basis from which to consider the risks and opportunities presented by a changing climate. To further strengthen our governance around climate-related risk and opportunities, we have constituted a TCFD working group to oversee the implementation of the TCFD recommendations. This approach ensures that key management teams throughout the business, including Strategy, Risk, Finance, Treasury and Compliance, have an aligned approach in respect of climate-related matters to support delivery of the Group's overall climate strategy.</p>
<ul style="list-style-type: none"> <li>Describe the climate-related scenarios the organisation has identified over the short, medium and long term.</li> <li>Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.</li> <li>Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</li> </ul>	<p>As a company providing an essential service drawn from nature, we know that our sector is particularly vulnerable to the effects of climate change. Our in-depth scenario analysis, which looks at a range of climate futures, enables us to identify areas within our value chain which may be more sensitive to the impacts of climate change, and to ensure that we make investments to enhance resilience without over-investing.</p> <p>In addition to our physical risk assessment, we understand that a changing world may have different political, technological or market pressures than we do today. That's why we seek to drive our strategy to meet the needs of the future and ensure that we assess a range of future scenarios to understand our resilience.</p>
<ul style="list-style-type: none"> <li>Describe the organisation's processes for identifying and assessing climate-related risks.</li> <li>Describe the organisation's processes for managing climate-related risks.</li> <li>Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.</li> </ul>	<p>Environmental risk management is a well-established part of our risk management processes and is embedded throughout our organisation. We have made progress in the last 12 months on developing our scenario analysis, integrated with our long-term planning such as the Drainage and Waste Water Management Plan ('DWMP') and Water Resources Management Plan ('WRMP'), and in identifying both the risk themes and detailed risk assessment across our value chain, as shown on pages 62 to 63.</p> <p>The sector has shown resilience to changing environmental and output quality expectations in the past, as the expectations of customers and regulators have changed. Given the uncertainty around climate risk, a key focus for our risk management approach is achieving a co-ordinated approach to data capture, modelling and regulation for the sector as a whole.</p>
<ul style="list-style-type: none"> <li>Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.</li> <li>Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas ('GHG') emissions, and the related risks.</li> <li>Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</li> </ul>	<p>The provision of clean, safe water, and the treatment of waste water is core to our business. As such, we have a number of key metrics and targets that assess our ability to reduce the risk when providing these core services, and ensuring that we can continue to deliver for generations to come.</p> <p>In addition to ensuring we can adapt to climate change, we are committed to mitigating our impact on climate change. We have committed to Science Based Targets, set a Net-Zero Ambition by 2030 and released our Net-Zero Roadmap (see pages 54 to 55).</p>

## Climate-related Governance

### Our Sustainability Governance Framework

Our governance processes are aligned with the Group's Sustainability Framework – ensuring that the Board is effective in its: oversight of the Group's Sustainability Framework; consideration of climate-related risks and opportunities; and scrutiny of management's assessment and management of climate-related risks and opportunities.

The Board delegates certain sustainability oversight and climate-related risk oversight activity to its Board Committees to support the continued delivery of the Group's Sustainability Framework. Detail is provided opposite, including cross-reference to where you can find additional information throughout this Annual Report and in our separately published Sustainability Report.

Severn Trent is committed to making decisions for the long term – decisions that add value for our customers, the communities we serve and the environment, and treating all of our employees

and other stakeholders fairly. This means we work to achieve our outcomes in a sustainable way – be it through taking care of the environment, helping people thrive or being a company you can trust. This is integral to the way we operate.

Addressing the challenge of climate change is core to our strategy and is therefore at the centre of many Board considerations and decision making throughout the year. This requires robust governance to empower business areas in the management of climate-related risks and opportunities. Our Sustainability Governance Framework ensures that the Board is effective in both making decisions and maintaining oversight, whilst also adhering to our well-established culture of Doing the Right Thing (read more on page 59). Strong governance of sustainability issues, including climate change specifically, extends below the Board to a number of management committees and our TCFD working group, as shown in the infographic.

## Climate-related Strategy

### Mitigating climate change

Climate change is one of the greatest challenges our society will face this century and we are better placed than many to understand the scale of the problem.

Sustainability is central to the long-term success of our business, and central to this approach is our Sustainability Framework as set out on page 50. This focuses on our environmental, social and governance ambitions – the areas that our stakeholders have told us are most important to them. This includes playing our part in the UK's Green Recovery and more information can be found on page 13.

As part of our Triple Carbon Pledge, we will contribute to reducing the impact of our activities on climate change and ensure that we make a positive contribution to the environment. Read more about our targets and approach to climate change mitigation on page 12.

### Adapting to climate change

As a company providing an essential service drawn from nature, we know that our sector is particularly vulnerable to the effects of climate change. In fact, we've already felt the impacts of extremes in weather over the past few years. Providing water and treating waste water are key to our operations, and requires a sector-wide approach and long-term strategic thinking to ensure that the risks affecting our ability to provide these services are mitigated.

Hotter, drier summers may lead to water shortages, and wetter winters with more intense rainfall could exceed sewer capacity, resulting in flooding. Realising opportunities through our demand reduction programmes may also increase the headroom available to meet additional demand requirements. There may also be significant changes to the political, legal and regulatory environment, increased levels of opportunity arising from technological developments and renewable energy programmes, and changing consumer focus toward environmental activities.

These risks and opportunities are currently assessed as part of our overall ERM system outlined on pages 38 and 39.

### Assessing the transitional risks of climate change

During 2020/21 we carried out a strategic review looking at key trends to assess the resilience of our strategy in consideration of a changing environment. This activity identified eight trends related to the environment and climate change, adoption of maturing and low carbon technologies, and evolving socio-demographics, which we felt would be the most influential in shaping the next three decades and inform our strategic thinking. By stressing different levers of change, we assessed five possible scenarios which we associated with potential futures within a range of warming between 1.5°C and 4°C. This qualitative exercise enabled us to assess the future direction of our core strategy to ensure that we are resilient to a changing environment.

The outputs of the strategic planning process, which summarises our strategic response to the trends and their implications will be published in 2021.

# Sustainability Governance Framework

**Strong governance of sustainability issues, including over climate-related risks and opportunities specifically, extends below the Board to a number of Board and management committees, as outlined below.**

## THE BOARD

The Board's role is to ensure the long-term sustainable success of Severn Trent by setting our strategy through which value can be created and preserved for the mutual benefit of our shareholders, customers, employees and the communities we serve. The Board, led by our Chair Christine Hodgson, has ultimate responsibility for sustainability. Oversight of the Group's sustainability strategy is a matter reserved for the Board. The Board provides rigorous challenge to management on progress against goals and targets, and ensures the Group maintains an effective risk management and internal control system, including over climate-related risks and opportunities.

Sustainability-related discussions take place at all Board meetings and the Chair of the Corporate Sustainability Committee provides a detailed update on sustainability matters at every Board meeting, through a standing agenda item. The Board possesses a high-level of sustainability expertise, with individual Directors possessing a variety of skills and experience relating to areas such as environmental science, climate change and social responsibility.

**Biographies**  
Read more p 86 – 87

**Board Activities**  
Read more p 92 – 94

**Board Skills Matrix**  
Read more p 97

**Roles and Responsibilities**  
Read more p 95

↓ Informing

Reporting ↑

## THE BOARD DELEGATES CERTAIN SUSTAINABILITY OVERSIGHT MATTERS TO ITS PRINCIPAL COMMITTEES

Corporate Sustainability Committee	Nominations Committee	Remuneration Committee	Treasury Committee	Audit Committee
<b>Meeting frequency:</b> At least four times per year	<b>Meeting frequency:</b> At least four times per year	<b>Meeting frequency:</b> At least four times per year	<b>Meeting frequency:</b> At least four times per year	<b>Meeting frequency:</b> At least four times per year
Supports the Group's sustainability strategy by scrutinising progress and providing guidance and direction to the Sustainability Framework.  Responsible for reviewing the Group's non-financial risks and opportunities, including climate-related risks.  Four members of the Board sit on the Committee, including the Chair, and the CEO has a standing invitation to attend meetings.	Supports the Group's sustainability strategy through monitoring the Board's overall structure, size, composition and balance of skills. Sustainability expertise is given sufficient prominence in Board succession planning and recruitment activity.  Sustainability expertise is listed as a key skill for Board appointment long-lists in our selection processes.	Supports the Group's sustainability strategy through alignment of the Group's remuneration policies and procedures to reinforce achievement of our sustainability aims.  In addition to ESG measures which already form part of the annual bonus scheme metrics, this year the Committee has agreed the development of a carbon reduction performance measure in the LTIP (in addition to the existing RoRE measure).	Supports the Group's sustainability strategy through incorporation of sustainability into the Group's financing strategy.  A key area of focus for the Treasury Committee has been the recent introduction and subsequent monitoring of our Sustainable Finance Framework, under which the Group can raise debt to support the financing and/or refinancing of assets and expenditures of a sustainable nature across their activities.	Supports the Group's sustainability strategy through ensuring that risk is effectively managed across the Group, including climate-related risks and opportunities.  The Committee is also responsible for overseeing the Group's financial statements and non-financial disclosures, including climate-related financial disclosures.
Read more p116 – 119	Read more p101 – 106	Read more p120 – 153	Read more p114 – 115	Read more p107 – 113

↓

↑

## THE CHIEF EXECUTIVE AND THE SEVERN TRENT EXECUTIVE COMMITTEE (STEC)

The Chief Executive has overall responsibility for climate change and environmental matters. Responsibility for the development and implementation of the Group's strategy, including in relation to sustainability, rests with the Chief Executive, who is supported by STEC.

**Sustainability Framework**  
Read more p 50

**STEC Members**  
Read more p 88

## STEC DELEGATES CERTAIN CLIMATE-RELATED RISK AND OPPORTUNITY OVERSIGHT MATTERS TO ITS MANAGEMENT COMMITTEES

Sustainability Steering Committee	Energy Steering Committee	Strategic Risk Forum	Disclosure Committee	TCFD Working Group
Facilitated by Severn Trent's dedicated Sustainability Team, Executive and senior management oversee performance and progress against our Sustainability Framework.  The Committee is responsible for identifying and reviewing climate-related risks and opportunities.	Sets the Group's overall energy strategy and targets, ensuring that robust plans are in place to deliver them. Monitors progress and performance against plans.	A cross-business group which takes a holistic view of ERM risks and focuses on horizon scanning to identify new and emerging risks, including climate-related risks.	An Executive Committee responsible for overseeing the Group's compliance with its disclosure obligations, considering the materiality, accuracy, reliability and timeliness of information disclosed and assessment of assurance received.  The Committee is also responsible for overseeing the Group's financial statements and non-financial disclosures, including climate-related financial disclosures.	The TCFD working group was established in 2020 to provide oversight and drive implementation of the TCFD recommendations and the Group's wider climate change strategy. The Group reports to the Severn Trent Executive Disclosure Committee and the Severn Trent Corporate Sustainability Committee. It includes representatives from business areas including strategy, risk, finance, treasury and compliance.

## Climate-related Strategy continued

### Our risks and opportunities

In order to align with the recommendations of the TCFD, we have outlined examples of the risks and opportunities relevant for our business, and how our business could be impacted by a changing climate. Whilst these risks are assessed as part of our long-term horizon scanning, we also assess these risks more frequently as part of our five-yearly AMP reporting cycles. More information on some of these risks and the potential financial implications on our business can be found within our CDP climate disclosure on our website at <https://www.severntrent.com/sustainability-strategy/reports-and-publications>.

The time horizons over which our risks are assessed are outlined below. More detail on our risk management approach will be detailed in our disclosure in September 2021.

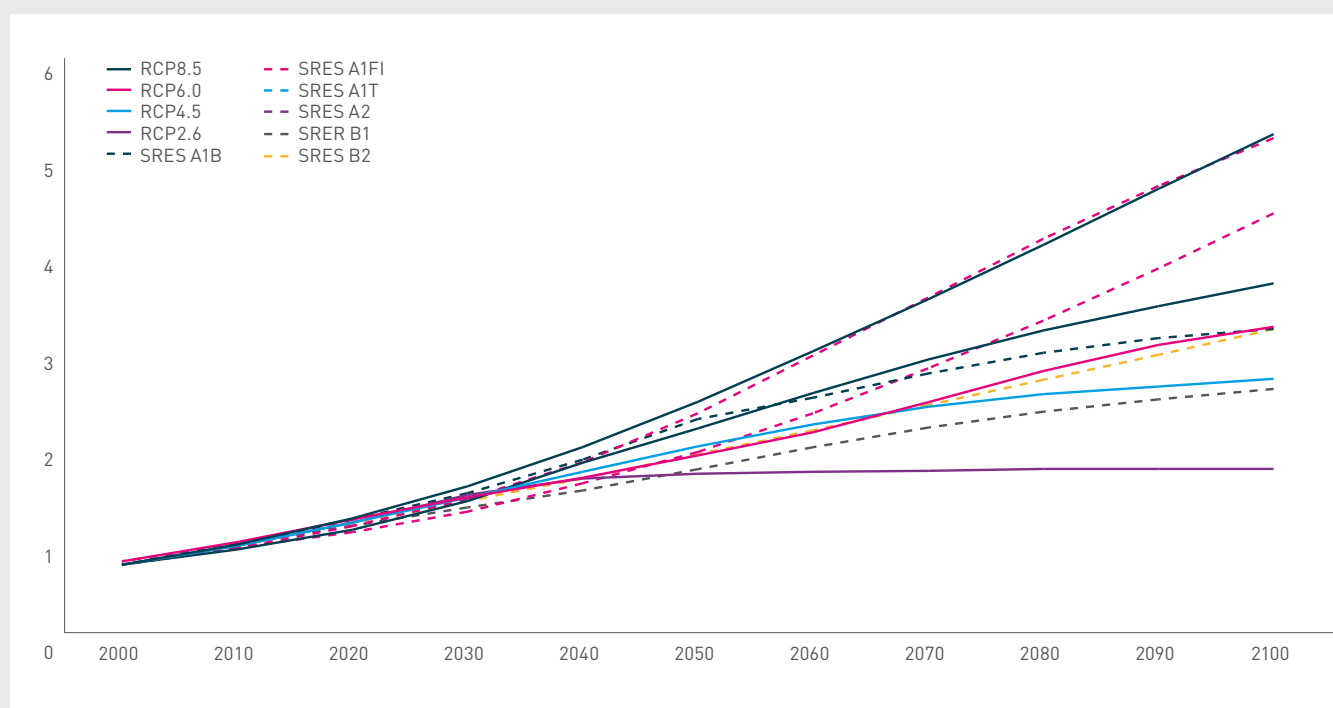
Risk assessment period	Time horizon	Commentary
Short term	0 – 1 years	Short-term risks include dynamic risk assessments and assessments during schemes, which are generally limited to one year ahead.
Medium term	1 – 10 years	This is the range of our business planning period – we set a plan in 2018/19 which will deliver through to 2030.
Longer term	10 – 80 years	Generally, our risk assessment approach limits to a 25-year look-ahead – but as many of our assets have asset lives longer than that, risk can be assessed much further in some instances (e.g. scheme design). For our WRMP and DWMP we have tested scenarios forecasting 80 years ahead to identify any gaps or shortfalls in our schemes, which contributes to our decision making when considering future capital schemes.

### Assessing the physical risks of climate change

We assess and monitor the physical risks arising from climate change on water resources as part of our WRMP which addresses uncertainty around those long-term impacts. Our DWMP uses a similar approach to evaluate the impacts of climate change on our waste water systems.

Our WRMP uses the best practice UKCP09 and UKCP18 datasets which are based on the Special Report on Emissions Scenarios ('SRES') and Relative Concentration Pathway ('RCP') scenarios and cover a range of climate impacts. We have tested the full range of UKCP09 scenarios on our investment decision making and have produced a plan that takes a proportionate approach to mitigating for climate uncertainties. Whilst the UKCP09 climate change scenarios present us with a wide range of potential impacts, almost all of the scenarios point to a long-term loss of deployable output due to changing weather conditions. As a result, we have proposed ambitious leakage and demand management measures for AMP7 that complement our longer-term plans to improve water supply reliability. Our full climate change modelling approach will be described in detail within our WRMP and DWMP. Ongoing work using the Met Office's revised UKCP18 climate models will explore a wider range of climate models based on the IPCC's RCP scenarios. The scenarios which provide the foundation of the UKCP09 and UKCP18 models used in our analysis are outlined below.

Graph indicating the climate scenarios used as part of our ongoing physical risk assessment process. RCP and SRES climate models provide the foundation for the UKCP09 and UKCP18 climate modelling used for our WRMP and DWMP.





# Climate-related Risk Management

The Board has overall accountability for ensuring that risk is effectively managed across the Group. The Board's mandate includes defining risk appetite and monitoring risk exposure to ensure significant risks are aligned with the overall strategy of the Group. You can read more on page 38. Details of our Sustainability Governance Framework are set out on page 59. This sets out the governance arrangements that support the Board in discharging its duties in respect of identifying, assessing and managing climate-related risks.

On behalf of the Board, the Severn Trent Plc Audit Committee assesses the effectiveness of the Group's ERM process and internal controls to identify, assess, mitigate and manage risk. An overview of the Group's risk management governance process is provided below and further detail is set out in the Audit Committee report on page 111.

The management of risk is embedded in our everyday business activities and climate-related risks are treated in the same way as all our other Company risks, captured at a local level by responsible teams and managed centrally through our established ERM process outlined above. During the year we established a new Strategic Risk Forum independent from the ERM Team, to help provide a strategic lens to, and review of, our existing and emerging risks.

We've disclosed our key climate change risks and adaptation actions in our last Climate Change Adaptation Report and we'll be updating this assessment and action plan later this year. This includes a review of weather impacts and latest climate projections. You can view this on our website.

A schematic setting out how this process interacts with our overall Governance Framework is set out below.

## SEVERN TRENT PLC/SEVERN TRENT WATER LIMITED BOARDS

The Board provides rigorous challenge to management and ensures the Group maintains an effective risk management and internal control system, including climate-related risks and opportunities. The Board delegates oversight of certain climate-related risks oversight activity to its Board Committees to support the continued delivery of the Group's sustainability strategy.

Reporting ↑

### CORPORATE SUSTAINABILITY COMMITTEE

Responsible for reviewing the Group's non-financial risks and opportunities, including climate-related risks.

Informing ↓

### AUDIT COMMITTEE

Supports the Group's sustainability strategy through ensuring that risk is effectively managed across the Group including climate-related risks and opportunities.

Reporting ↑

### SEVERN TRENT PLC EXECUTIVE COMMITTEE

Onward oversight, management and reporting through the Group's established Governance Framework.

Informing ↓

Reporting ↑

### STRATEGIC RISK FORUM

Consolidated Business Unit information reported to this Committee, with onward reporting to the Severn Trent Plc Executive Committee on a six-monthly basis for review and challenge.

Informing ↓

## QUARTERLY RISK IDENTIFICATION PROCESS AND HORIZON SCANNING WITH INDIVIDUAL BUSINESS UNITS

The business is required to review all current and developing risks which could impact on the achievement of strategic objectives. This process includes assessing risk drivers, including climate-related risks, and their potential impact and likelihood of crystallisation.

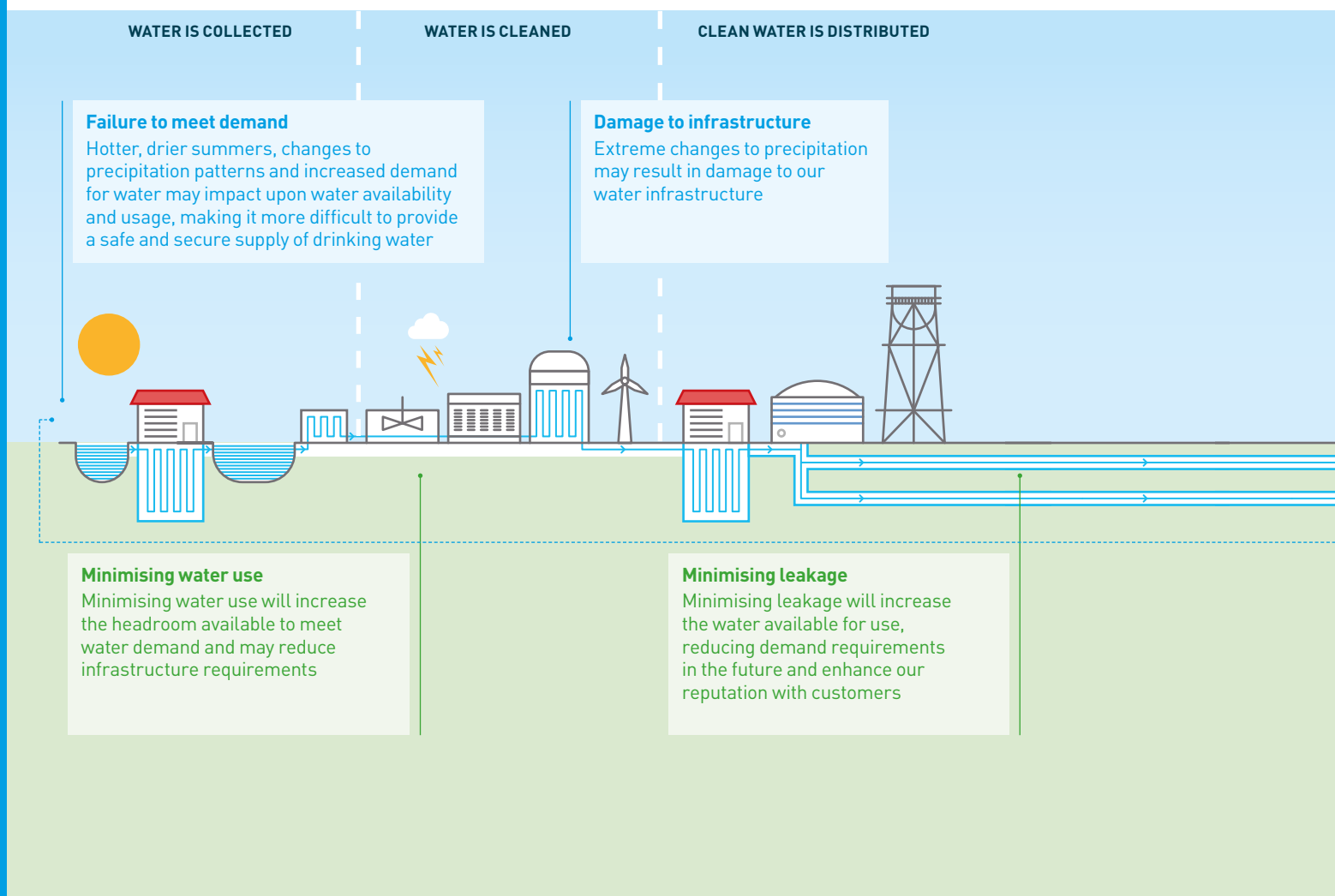
## AMP BUSINESS PLANNING PROCESS WITH INDIVIDUAL BUSINESS UNITS

This process includes identification and assessment of potential risk drivers, including climate-related risks, over short, medium and long-term horizons. Potential impacts are factored into the Group's long-term business planning process and individual management plans set out below. Planning occurs both on an annual basis and long-term as part of our established Price Review process.

## MANAGEMENT PLANS

- WRMP • DRMP • Carbon Reduction Plans • Climate Change Adaptation Report • Strategic Direction Statement • Environment Strategy

# Examples of our climate-related risks and opportunities within our value chain



## Our Principal Risks that relate to climate change or will be exacerbated by climate change

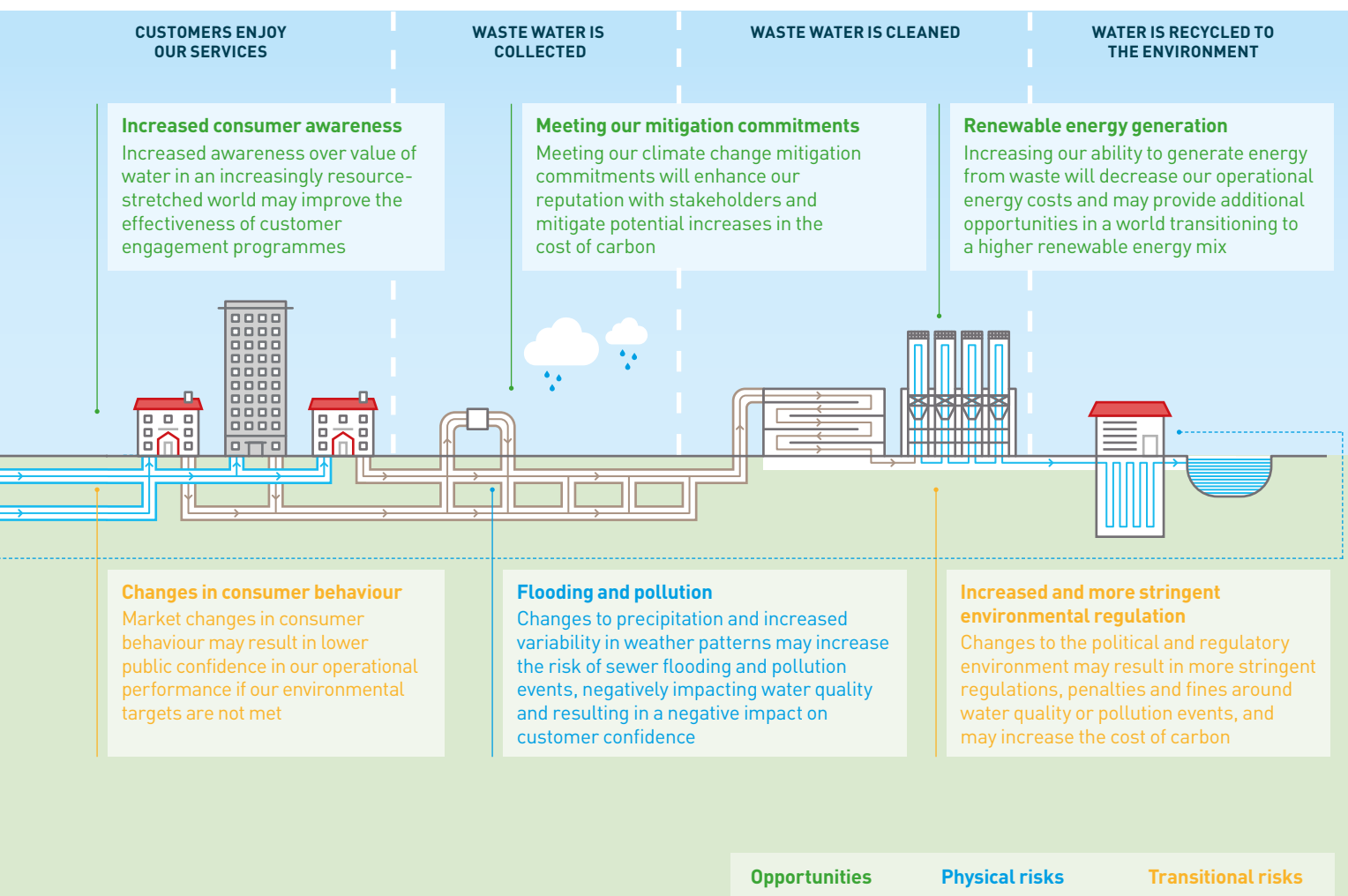
- Failure to provide a safe and secure supply of drinking water to our customers and the potential for reduced public confidence in water supply (Principal Risk 2).
- Failure to effectively transport and treat waste water and the potential for reduced public confidence in our waste water system (Principal Risk 3).
- Severn Trent's climate change strategy does not enable us to respond to the shifting natural climatic environment and maintain our essential services (Principal Risk 6).
- We fail to positively influence natural capital in our region (Principal Risk 7).
- Accelerating changes in the political, legal environment and environmental obligations increase the risk of non-compliance (Principal Risk 10).

## Impact on our business

The risks and opportunities identified have helped to form our business strategy, ensuring we minimise environmental harm whilst meeting our regulatory requirements as a highly regulated water utility. Our strategy also ensures we are working to realise opportunities that will arise in a changing future. Deferring from the targets we have agreed with Ofwat may ultimately impact upon our customer ODIs which are reported as part of our annual reporting process (see pages 18 and 19). In addition, our WRMP and DWMP identify capital investment requirements which are regularly reviewed as part of our five-yearly AMP cycles. You can read more about the impacts of some of these risks on our organisation's business, strategy and financial planning within our CDP disclosures, within the WRMP and DWMP, and within the strategic review which will be published in 2021.

Due to the long-term horizons over which our modelling takes place, and the inherent uncertainty in climate projections, there is significant uncertainty over the rate at which climate change will take place, the impact of change and therefore the forecasting potential of our modelling. Our adaptive approach enables us to highlight risk response requirements to Ofwat as part of our WRMP and DWMP, and ensures we make investments to enhance resilience within a range of climate futures, without over-investing.

We work with Ofwat and other water utilities to ensure a sector-wide approach to infrastructure resilience, enhancing our ability to meet demand across the UK in line with Governmental objectives.



The negative impacts of climate change and the associated risks mean that we want to do our part to mitigate climate change. Our Triple Carbon Pledge ensures that carbon reduction is embedded within our corporate strategy.

### Resilience of our strategy


Our 2020/21 strategic review looks at the resilience of our strategy against various political, economic, social, technological, legal and environmental trends, and the results of this study will be published in 2021.

Our continual review of the physical risks associated with climate change as part of our WRMP and DWMP ensures that we continually reassess our strategy to ensure that uncertainty over future climate scenarios is managed effectively.

Our Sustainability Report, WRMP and DWMP outline the key actions we are taking to:

- Reduce the harmful effects of carbon, and consequently our operational energy costs through our Triple Carbon Pledge
- Increase water availability through enhanced and better-connected infrastructure in a sustainable way
- Engage with our customers to reduce water usage and reduce blockages which can lead to flooding and pollution events
- Enhance the resilience and efficiency of our infrastructure to reduce leakage and ensure protection against a changing climate

- Enhance our nature-based solutions to create or restore habitats whilst decreasing the risk of flooding and pollution
- Improve our monitoring to increase our understanding of pollution events
- Work across the landscape to slow the flow of water during heavy rainfall
- Increase sewer and storage capacity to reduce the risk of flooding and pollution
- Generate energy from waste through our anaerobic digestion plants
- Upgrade our digestion plants to a more efficient and higher energy yielding thermal hydrolysis process
- Recycle our biosolids for use as agricultural fertiliser, contributing to a more circular economy
- Actively work with Government and other stakeholders to change the way we all value water
- Contribute to positive regulatory change by advocating for mandatory water labelling, minimum standards for building regulations and water-fitting regulations

 **Read more** about our progress within our Sustainability Report in the chapter 'Looking after the world around us: Building back greener'

# Climate-related Metrics and Targets

## Mitigating climate change – reducing our greenhouse gas ('GHG') emissions

We have been committed to reducing our carbon emissions since 2002 and continually improve on emissions reductions processes. In 2020 we met our carbon performance commitments as detailed in our 2020 regulatory return and are the first water utility to have submitted SBTs based on the Paris Agreement's highest level of ambition, to limit global temperature to 1.5°C above pre-industrial levels. This includes setting ambitious Scope 3 targets and working with our supply chain to reduce emissions. In addition to setting globally recognised SBTs, during 2021 we have also pledged our commitment to net zero with a more ambitious 2030 target (compared to the 2050 target for SBTs). In order to realise our ambitions, we have set the following targets:

- Reducing our Scope 3 emissions by working with over 70% of our supply chain to set their own emissions targets
- Ensuring that all new company cars will now be electric
- Installing over 350 electric car charging points over 65 sites, to be completed by the end of 2021
- Having the potential to cover 100% of our electricity needs from our own renewable sources or through Power Purchase Agreements by 2030
- Developing procedures for our suppliers to demonstrate they are measuring and reducing their emissions and to ensure we are meeting our targets to reduce Scope 3 emissions

More information about the activities we are undertaking to minimise our impact can be found within the Journey to Net Zero (see pages 54 to 55) and Carbon and Energy Performance (see pages 65 to 67) sections of this report, and our separate Sustainability Report. Details of how sustainability-focused performance measures are included in our LTIP can be found on pages 123 and 131 of the Directors' Remuneration Report.

## Assessing our progress

This year, we are going beyond mandatory requirements and reporting on our supply chain emissions. Our full emissions reporting, including Scope 3 emissions reporting, can be found within the Carbon and Energy Performance section of this report. The methodology behind how we report on, account for, and gain assurance on our GHG emissions is also outlined further in the Carbon and Energy Performance section.

## Adapting to climate change – measuring our progress

We measure and manage a wide range of metrics which help us to assess how well we are doing to minimise our risks in a changing future. Our regulatory performance commitments relating to water leakage, pollution events, customer satisfaction and water quality help us to manage our risks by reducing our impact in these areas.

Our targets around per capita consumption and smart meter installations help to assess and understand water usage to identify areas where our educational programmes will have the most impact to increase water headroom.

Our leakage reduction targets ensure that we measure our progress toward increased operational efficiency and protect our reputation in a more environmentally conscious future.

Supply interruption targets ensure that we measure and assess our ability to supply to our customers, even when extremes in weather impact upon our infrastructure.

Monitoring the occurrence and frequency of flooding and pollution events ensures that we reduce our environmental impacts and enhance our systems to accommodate changes to weather patterns, reducing the impact that changing regulation may have on our business.

Measuring our energy generation from biogas and the waste recycled to agriculture ensures that we contribute to a circular economy and reduce our carbon footprint, protecting us against changes to energy prices.

Our target of net-zero operational carbon emissions by 2030 exceeds the Government's target of 2050 and ensures that we are leading the path to a more resilient and sustainable economy.

## Science Based Targets

# Scope 1, 2 and 3 targets

Submitted to SBTi by March 2021 to align to a 1.5°C pathway



# Carbon and Energy Performance

We have committed to achieving net-zero operational carbon emissions by 2030, building on our long track record of making year-on-year reductions in our emissions. Our 2030 commitment is to generate or procure 100% renewable energy and move our fleet to 100% electric vehicles, where available.

We have also set Science Based Targets for our operational emissions and for our supply chain (Scope 3) emissions. Our operational reduction is in line with the more ambitious 1.5°C temperature rise scenario. For our supply chain, we commit that 70% of our emissions from 'purchased goods and services', 'capital goods', 'upstream transportation distribution' and 'waste generated in operation', will have Science Based Targets by 2025. We submitted these targets for verification by the Science Based Targets initiative in March 2021.

We have held the Carbon Trust Standard continuously since 2009, which recognises our consistent emissions reductions and effective carbon management processes. We continue to report to the Carbon Disclosure Project ('CDP') each year which means our climate change information is publicly accessible. CDP requests information about climate change from companies on behalf of investors and score each company on the quality and completeness of responses.

This year, we are disclosing more information about our GHG emissions and energy use, going beyond the mandatory requirements and including supply chain emissions for the first time.

This year we reduced our net operational emissions on the market basis, primarily through our switch to procuring 100% renewable-backed energy via our import contracts. We continue to generate more renewable energy than any other UK water company and now generate the equivalent of 53% of Severn Trent Water Limited's energy needs, up from 51% in 2019/20.

To reduce our operational emissions further we will continue to focus on improving our energy efficiency to offset the additional demands of growing population and more stringent treatment quality requirements and we will continue to procure 100% renewable-backed electricity. We will also continue to electrify our fleet and encourage employees to take up lower-carbon electric cars. Pursuing these measures will continue to reduce our key sources of emissions, reduce our reliance on the electricity grid and deliver financial benefits for our customers and investors.

As we have already taken steps to reduce our Scope 2 emissions, we are now focusing on our Scope 1 emissions and particularly our emissions of methane and nitrous oxide from our sewage and sludge treatment processes. These emissions are not as clearly aligned with financial incentives and require new science, technology and innovation to understand and solve. This year, we have invested in direct monitoring of our methane and nitrous oxide emissions from sewage and sludge treatment for the first time and are sharing our approach and data across the industry to aid understanding and collaboration on solutions to this difficult area.

## Report on greenhouse gas ('GHG') emissions

This is the eighth year Severn Trent has been required to report GHG emissions. For Severn Trent Water, which accounts for 93% of our total Group emissions, we have been publicly reporting on our emissions since 2002. For the second year, we are also reporting our energy use and generation data and provide more detail on how we manage energy use.

Our GHG emissions are reported in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e), for the period 1 April 2020 to 31 March 2021. We report our location-based and market-based emissions separately and for the first time we also report on five Scope 3 categories – goods and services, capital goods, waste generated in operations, business travel and upstream transportation and distribution. We will disclose more of our Scope 3 emissions from next year, in line with our new Science Based Targets.

The GHG data we report is reported internally during the year to the Corporate Sustainability Committee and to the Board. We have subjected our GHG data and processes to external assurance by Jacobs.

Our approach to reporting is subjected to the GHG Protocol Corporate Accounting and Reporting Standard. In Scope 1 and 2, we have included the emissions from the assets which we own and operate and which we can directly influence and reduce, known as the financial control boundary. Emissions from our supply chain and from assets which we do not own but operate on others behalf are included in our Scope 3 category. We have now baselined our Scope 3 emissions and this year we report on Scope 3 emissions from business travel, energy transmission and distribution losses and outsourced sludge tanker activity as part of our operational footprint. These are areas where we have robust data collection processes already. We report on emissions from our other Scope 3 categories in a separate table. We are collecting more data on the remainder of our supply chain and will report on more of our Scope 3 emissions next year.

For our net operational carbon footprint, we include the benefit of renewable electricity which we export and also a carbon benefit from the biomethane we export to the grid, but only where we have not sold an associated green gas certificate. Where we have sold a green gas certificate, we do not include the carbon benefit in our net number overleaf.

Our emissions are calculated using the updated 'Carbon accounting in the UK Water Industry: methodology for estimating operational emissions, Version 15' (released April 2021). This is a peer-reviewed calculation tool developed and used by all the major water companies in the UK. It is updated each year to include the latest available emissions factors. All emissions arise in the UK.

## Annual Operational Emissions – Location and Market Based

	2020/21	
	Location based	Market based
<b>Operational Greenhouse Gas Emissions (Tonnes CO<sub>2</sub>e)</b>		
Scope 1 Emissions (Combustion of Fossil Fuel on Site)	29,945	29,945
Scope 1 Emissions (Process Emissions)	116,257	116,257
Scope 1 Emissions (Transport Fleet)	17,914	17,914
Scope 2 Emissions (Electricity Purchased for Own Use)	182,768	1
Scope 3 Emissions (Business Travel)	343	343
Scope 3 Emissions (Outsourced Sludge Tankers)	3,340	3,340
Scope 3 Emissions (Electricity Transmission and Distribution)	15,718	–
Total Annual Gross Operational Emissions	366,285	167,800
Emissions benefit of the renewable electricity we export	40,648	40,648
Emissions benefit of the renewable biomethane we export (for which we retire green gas certificates)	21,354	21,354
<b>Total Annual Net Operational Emissions</b>	<b>304,282</b>	<b>105,797</b>

## Supply Chain Emissions

The table below shows our estimated Scope 3 emissions which are not included as part of our operational footprint. These emissions are part of our new Science Based Targets. We will be disclosing more data on these areas in future. Our primary source of emissions is capital work and we have developed a tool to estimate carbon from capital schemes which we will be using in future to estimate emissions impacts and use in decision making.

	Annual Emissions
<b>Other Scope 3 Greenhouse Gas Emissions (Tonnes CO<sub>2</sub>e)</b>	
Chemicals purchased (2020/21 volumes using Carbon Accounting Workbook)	52,783
Upstream Well to Tank Emissions from Gas and Fuel Use (2020/21 volumes using Carbon Accounting Workbook)	8,715
Capital Goods (2019/20 Baseline Estimate)	250,546
Other Purchased Goods and Services (2019/20 Baseline Estimate)	107,927
Upstream transportation and distribution (2019/20 Baseline Estimate)	17,140
Disposal of waste generated in operations (2019/20 Baseline Estimate)	6,440

## Operational Greenhouse Gas Emissions – Historic Trend

This table shows our historic emissions data alongside the current year in a comparable format to demonstrate our reduction trend. This also shows our total Scope 1 and 2 emissions normalised by total Group revenue.

Operational Greenhouse Gas Emissions (Tonnes CO <sub>2</sub> e)	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Scope 1 Emissions (Combustion of fuel and operation of facilities)	132,535	132,406	134,584	138,131	134,307	132,360	156,014	164,115
Scope 2 Emissions (Electricity purchased for own use)	330,679	357,756	337,028	294,426	279,393	217,726	199,635	182,768
Total Annual Gross Operational Emissions	463,214	490,163	471,612	432,557	413,700	350,086	355,649	346,883
Emissions benefit of the renewable energy we export (including biogas for which we hold green gas certificates)	21,672	38,878	45,085	42,069	45,333	46,986	59,878	62,003
Market-based carbon accounting benefit from supply of REGO-backed renewable energy	–	–	–	–	–	34,818	35,784	182,768
Total Annual Net Operational Emissions	441,542	451,285	426,527	390,488	368,367	268,283	259,987	102,113
<b>Annual GHG intensity ratio (tCO<sub>2</sub>/unit)</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Gross Location-Based Operational GHG emissions of Severn Trent per £m turnover	260.8	277.1	259.5	237.0	244.2	198.1	192.9	190.0

1. 'REGO' – Renewable Energy Guarantees of Origin scheme.

## Report on Energy

In line with the latest energy and carbon reporting requirements, below is further information on our energy consumption and generation for the last three years across the Severn Trent Group. This is source data for the carbon data reported above and is tracked internally on a monthly basis. All data is collected from metered data for electricity and gas imports and exports. Biogas combustion information is calculated using assumptions based on metered data. Fuel use is reported based on financial records of fuel purchased. We have applied assumptions on standard calorific values to convert all liquid and gas fuel types to a common energy metric (GWh) and data is reported for the period 1 April 2020 to 31 March 2021. All energy is used in the UK.

The figures below include the large quantity of renewable biogas from organic waste, which we generate from sludge and food waste and then either combust in combined heat and power engines or export to the National Gas grid. Overall energy use has risen this year. Our most significant change is a large increase in natural gas import which has been driven by the commissioning of two new heat-intensive sludge treatment processes and our deployment of natural gas CHP. We have also increased our export of biomethane into the gas grid and decreased the amount of biogas we combust in CHP. Electricity consumption rose by 0.6% this year due to increased demand for water, particularly during the summer of 2020 and increased electrical demand from the first full year of operation of a number of capital projects completed last year, such as our Birmingham resilience scheme.

Energy type	Source	Units	2018/19	2019/20	2020/21
Electricity	Electricity Imported	GWh	771	780	784
	Electricity Generated from Renewable Sources and Used on Site	GWh	198	194	196
	Electricity Generated from Renewable Sources and Exported	GWh	114	184	174
Gas Fuels	Gas Imported from the Grid	GWh	52	44	120
	Biogas Generated and Combusted on site	GWh	745	922	872
	Biomethane Generated and Exported to the Grid	GWh	166	181	245
Liquid Fuels	Fuel Used by Plant (gas oil and diesel)	GWh	20	20	23
	Fuel Used by Company Fleet	GWh	62	70	77
	Fuel Used for Business Travel (personal cars)	GWh	7	6	4
Totals	<b>Total energy used</b> (i.e. Annual quantity of energy consumed from activities for which the Company is responsible, including combustion of fuel and operation of facilities)	<b>GWh</b>	<b>1,855</b>	<b>2,037</b>	<b>2,076</b>
	<b>Total energy imported</b> (i.e. Annual quantity of energy consumed resulting from the purchase of electricity and gas. No imports of heat, steam or cooling)	<b>GWh</b>	<b>912</b>	<b>921</b>	<b>1,008</b>
Normalised Metrics	Total Energy per Unit of Revenue	GWh/£m	1.05	1.11	1.14
	Energy Imported per Unit of Revenue	GWh/£m	0.52	0.50	0.55
	Clean Water Electricity Use per Unit Treated	kWh/ML	714	698	718

## Energy Efficiency

We continually invest in improving energy efficiency and we have a dedicated Energy Management Team focused on driving operational change to reduce energy. This is supported by a network of energy champions across our business, overseen by an Energy Steering Group.

Over the course of the last year we have invested £5.6 million of capital in specific energy efficiency and flexibility schemes to control energy demand and reduce energy use. Over the course of the last six years we have invested £26 million in energy efficiency. These capital schemes include proactive maintenance on our most energy-intensive assets, such as pumps and air blowers, and investment in improved controls and monitoring to reduce energy use.

We use our half-hourly meter data, regular internal communication and performance reporting to understand energy efficiency and drive behaviour, minimise waste and identify opportunities. We have energy e-learning for all employees, and detailed energy training, for example on pump efficiency, for specific roles.




We are transitioning our fleet from fossil fuels to electric vehicles with the aim of 100% by 2030, where available, 5% of our company cars are now electric and we continue to deploy more dedicated site charging points. This year we launched a new staff scheme for electric vehicles.

Our aim is that by 2030 all energy that we use comes from a renewable source. That means it is either directly renewable or covered by a renewable-backed source of gas or electricity with REGO or green gas certificates. Achieving this target will require electrification, which will increase our use of electricity in order to phase out the use of fossil fuels our business and the use of biofuels and green hydrogen to replace diesel.

# Stakeholder Engagement is Central to our Strategy

We are focused on driving long-term sustainable performance for the benefit of our customers, shareholders, and wider stakeholders.

This section provides some insight into how the Board engages with our stakeholders to understand what matters to them and further inform the Board's decision making and the actions taken as a consequence. You can read more in our formal Section 172 Statement on pages 76 to 78, which sets out our approach to s.172 and provides examples of decisions taken by the Board, including how stakeholder views and inputs have been considered in its decision making.

STAKEHOLDER	HOW WE ENGAGE AT BOARD LEVEL	HOW WE ENGAGE ACROSS THE COMPANY
<h2>Our Customers</h2>   <p><b>In serving our customers, we want to provide both value and a great experience. Our consultation with customers helped our Severn Trent Water Limited 2020-25 Business Plan to be fast-tracked by Ofwat.</b></p>	<ul style="list-style-type: none"> <li>Customer-shareholders engage with the Board and submit questions in advance of our Annual General Meeting.</li> <li>Customer delivery performance is discussed at every Board meeting.</li> <li>Customer perceptions of value for money reported to our Corporate Sustainability Committee.</li> <li>Extensive customer engagement shapes our strategy and business plan.</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly meetings with CCW at management level.</li> <li>Frequent discussion and consultation with our online customer community.</li> <li>Quarterly tracking of customer perceptions against key indicators including trust and satisfaction.</li> <li>Created new online self-service options for customers and made it easier to check for and report problems through our 'Check My Area' app and 'Report a Problem' services.</li> <li>Ensured customers could contact us 24/7.</li> <li>Launched our new Water Alert System.</li> <li>Introduced new two-way messaging functionality through SMS, WhatsApp and Apple chat channels.</li> </ul>
<h2>Our Colleagues</h2>   <p><b>Our greatest asset is our experienced, diverse and dedicated workforce. Our relationship with them is open and honest, and they are appropriately supported, developed and rewarded to encourage them to do their best in all that they do.</b></p>	<ul style="list-style-type: none"> <li>A dedicated virtual employee engagement event, 'Ask Our Board', was held in May 2021.</li> <li>Employee-shareholders have the opportunity to meet the Board and submit questions to the AGM.</li> <li>The Chair, Non-Executive and Executive Directors attend Company Forum meetings and provide feedback at Board meetings.</li> <li>Company Purpose and culture, talent development and our People Strategy are discussed at Board meetings.</li> <li>The Remuneration Committee reviews workforce policies and practices and makes recommendations to the Board.</li> <li>The Board considers our employee engagement – QUEST – survey results and steps taken to address feedback.</li> </ul>	<ul style="list-style-type: none"> <li>Employees are invited to attend the 'Ask Our Board' events.</li> <li>In addition to Board attendance, our Company Forum brings together employee representatives at quarterly meetings, including Trade Union representatives.</li> <li>Continual internal communication to employees on COVID-19 impacts and mental and physical health awareness.</li> <li>At our 'Bouncing Back Stronger' event at Carsington Water in September 2020, we took c.500 of our senior managers through our approach to bouncing back stronger from the impacts of COVID-19.</li> <li>Our Executive Committee and senior leaders led our 'Share a Smile' campaign, providing four virtual events for everyone in the Company, with the aim of lifting spirits throughout the COVID-19 pandemic.</li> </ul>



The principles underpinning s.172 are not only considered at Board level, they are part of our culture. They are embedded in all that we do and impacts on stakeholders are considered in the business decisions we make across the Company, at all levels, and strengthened by our Board setting the right tone from the top. Pursuant to the Companies Act, this information is incorporated by cross reference in the Governance Report from page 80.

This section also includes high-level detail of stakeholder engagement below Board level and how we have delivered on feedback received, and signposts where further information is provided throughout this Annual Report. You can also read more in our separately published Sustainability Report which can be found on our website. We welcome any feedback from our stakeholders.

WHAT MATTERS TO THEM	HOW WE DELIVERED ON FEEDBACK THIS YEAR
<ul style="list-style-type: none"> <li>Customer service and performance</li> <li>Leakage and supply reliability</li> <li>Affordability and value for money</li> <li>Assistance in times of need</li> <li>Responsible investment</li> </ul>	<ul style="list-style-type: none"> <li>Improved ODI performance scores during the year with c.80% of ODIs (across water, waste, environment and customer) having met or exceeded target</li> <li>Improved UK Customer Service Index scores achieving UQ for utilities</li> <li>Supported 35% of customers who needed support</li> <li>Provided over £15.5 million of support through our Big Difference scheme and over £3 million of support through our WaterSure scheme</li> </ul>
<ul style="list-style-type: none"> <li>Health, safety and wellbeing</li> <li>Diverse and inclusive workplace</li> <li>Opportunities to reach full potential</li> <li>Open and honest environment</li> <li>Fair pay and reward</li> </ul>	<ul style="list-style-type: none"> <li>Our employee engagement survey ranked us in the top 5% of utility companies globally</li> <li>Achieved 8.3 out of 10 for employee satisfaction in our QUEST results</li> <li>Opening of the Severn Trent Academy and syllabus launch</li> <li>Developed a specific diversity and inclusion focus in our 2021 QUEST survey</li> <li>Achieved a 20% reduction in Lost Time Incidents ('LTI') compared to 2019/20, our best ever LTI rate</li> <li>Launched our 2021 employee electric vehicle benefit</li> <li>Continued to narrow our gender pay gap</li> </ul>



### Supporting the elephants at West Midlands Safari Park

Our Network Response Team provided some much needed help and support to West Midlands Safari Park in April 2021. Normally they're busy injecting water into our water mains and reservoirs but this time it was helping to fill a drinking water pond for the Safari Park's elephants and putting our newest tanker to the test.

STAKEHOLDER	HOW WE ENGAGE AT BOARD LEVEL	HOW WE ENGAGE ACROSS THE COMPANY
<h3 data-bbox="86 244 336 277">Our Communities</h3>   <p data-bbox="86 501 528 580"><b>Our aim is to be a force for good in the communities we serve and, in doing so, create value for all our stakeholders.</b></p>	<ul style="list-style-type: none"> <li>• Employees who live and work in our communities 'meet' the Board at the Employee Forum, AGM, and site visits.</li> <li>• Employees who live and work in our communities could also engage with the Board through the employee engagement virtual event, 'Ask Our Board', held in May 2021.</li> <li>• Corporate responsibility, community activities and volunteering programmes are discussed at Board meetings.</li> <li>• Environmental matters are regularly considered by the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Our employability scheme inspires our people and makes a real difference to people's lives.</li> <li>• Regular engagement with Government officials and elected representatives on water and environment-related issues.</li> <li>• Our people volunteer, when safe to do so, through our Community Champions programme, working to improve our communities and environment.</li> <li>• Our Education Team launched free live online lessons for kids, four times a day, five days a week.</li> <li>• Launched our Great Big Nature Boost campaign.</li> </ul>
<h3 data-bbox="86 692 485 725">Shareholders and Investors</h3>   <p data-bbox="86 949 528 1120"><b>Continued access to capital is vital to the long-term performance of our business. We work to ensure that our shareholders, investors and investment analysts have a strong understanding of our strategy, performance, ambition and culture. Many of our shareholders are also customers, employees and pensioners.</b></p>	<ul style="list-style-type: none"> <li>• The Board approves the full and half-year results and Annual Report and attends results presentations.</li> <li>• The Chair, SID, Chief Executive, CFO and Non-Executive Directors attend investor meetings and feedback is reported to the Board.</li> <li>• The Head of Investor Relations gives an update to the Board on a regular basis and the Investor Relations Strategy is discussed by the Board.</li> <li>• The Chair attends the Capital Markets Day.</li> <li>• The Board announced its non-binding advisory Shareholder vote at the 2021 AGM on the Group's approach to climate change.</li> </ul>	<ul style="list-style-type: none"> <li>• When safe to do so, investor site visits take place so that shareholders can experience our operations and culture first-hand.</li> <li>• Regular dialogue with shareholders to support them in their investments.</li> </ul>
<h3 data-bbox="86 1140 464 1173">Suppliers and Contractors</h3>   <p data-bbox="86 1397 528 1500"><b>Along with our employees, our suppliers support us in delivering for our customers. Strong supplier relationships ensure sustainable, high quality delivery for the benefit of all stakeholders.</b></p>	<ul style="list-style-type: none"> <li>• Commercial performance is discussed at every Board meeting, including an update on relationships with suppliers.</li> <li>• Supplier representatives attend the Capital Markets Day and the Employee Forum alongside Executive Directors and Non-Executive Directors.</li> <li>• Our Corporate Sustainability Committee regularly monitors progress on sustainability in our supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>• Regular meetings with our suppliers, including training on Modern Slavery, and our Code of Conduct, Doing the Right Thing.</li> <li>• Presented at a Morgan Stanley Sustainability conference about the importance of the 'S' in ESG.</li> <li>• Engaged with over 50 suppliers at our Supplier Summit to outline our sustainability ambitions, helping inspire and bring them along with us on our sustainability journey.</li> </ul>
<h3 data-bbox="86 1565 493 1599">Regulators and Government</h3>   <p data-bbox="86 1823 528 2083"><b>The policy framework for the water sector in England and Wales is set by the English and Welsh Governments, respectively. We seek to engage constructively with the Government to achieve the best outcomes for customers and the environment. Below the policy framework, our industry is regulated by Ofwat and others. We agree commitments with our regulators and continually report our performance against these. We work closely with our regulators to shape our industry to help ensure the right outcomes for customers and the environment.</b></p>	<ul style="list-style-type: none"> <li>• To deepen Board level understanding of our Regulators, our Chair and Non-Executive Directors formally met with Ofwat during the year.</li> <li>• Regulatory matters are regularly considered by the Board, including Price Review Plans, Water Resources Management Plan and Scheme of Wholesale Charges.</li> <li>• Regulatory stakeholders attend Board meetings, including from Ofwat, the Drinking Water Inspectorate ('DWI'), the Environment Agency ('EA'), the Consumer Council for Water ('CCW') and Defra.</li> <li>• Regulatory consultation updates are considered by the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Regular virtual meetings with our regulators at management level including the EA, Natural Resources Wales, Natural England, Ofwat, the DWI and Defra.</li> <li>• Regular engagement with Government officials and elected representatives on water and environment-related issues.</li> </ul>

WHAT MATTERS TO THEM	HOW WE DELIVERED ON FEEDBACK THIS YEAR
<ul style="list-style-type: none"> <li>Operational impact and disruption</li> <li>Local employment</li> <li>Economic contribution</li> <li>Protection of the environment</li> </ul>	<ul style="list-style-type: none"> <li><b>Created our £1 million COVID-19 Emergency Fund</b></li> <li><b>Financial support was given to care leavers through our Big Difference Scheme</b></li> <li><b>Donated almost an additional £1 million to charity following our customer water saving challenge</b></li> <li><b>Donated c.£7 million to charitable organisations this year</b></li> <li><b>Welcomed the first of our first 500 'Kickstarters' as part of our Kickstart Programme</b></li> <li><b>Welcomed 69 new apprentices and graduates</b></li> </ul>
<ul style="list-style-type: none"> <li>Strategy and business model</li> <li>Financial performance and returns</li> <li>Reputation</li> <li>ESG performance</li> <li>Financial risk management</li> <li>Strong leadership</li> </ul>	<ul style="list-style-type: none"> <li><b>AMP7 dividend policy with a growth rate of at least CPIH</b></li> <li><b>Capital investment exceeding £590 million including accelerated activity on strategic renewable projects</b></li> <li><b>All resolutions received over 92% of votes at our 2020 AGM</b></li> </ul>
<ul style="list-style-type: none"> <li>Fair engagement and payment terms</li> <li>Collaboration</li> <li>Responsible supply chain</li> </ul>	<ul style="list-style-type: none"> <li><b>Accelerated payments to our supply chain as a result of COVID-19</b></li> <li><b>Registered by the Chartered Institute of Procurement and Supply ('CIPS') with the Ethics Mark</b></li> </ul>
<ul style="list-style-type: none"> <li>Outcomes for customers, the environment and long-term resilience</li> <li>Performance against regulatory targets</li> <li>Trust and transparency</li> <li>Governance and compliance</li> <li>Environmental impact</li> </ul>	<ul style="list-style-type: none"> <li><b>Fast-track status secured for our AMP7 business plan for Severn Trent Water Limited</b></li> <li><b>Ambitious Green Recovery package of investments proposed – read more on page 13</b></li> <li><b>Maintained top-ranking position in the Tortoise Responsibility100 index – ranking 6th effective April 2021</b></li> </ul>



## Improving the health and wellbeing of children with disabilities in the West Midlands

The KIDS Orchard Centre in Dudley provides a safe, fun and educational environment for disabled young people across Dudley and the Black Country. It offers a range of services, including short breaks, after school clubs and young carers' groups. With a grant of £10,000 from the Severn Trent Community Fund, it has been able to transform an uninspiring outdoor space into an inclusive environment which includes a growing and planting area, a herb garden to encourage the children to care for the plants, and bug hotels and bird boxes to encourage insects and wildlife.



## Our Ecology Team get its teeth into another rescue mission

First it was badgers. Then it was newts. Now it's lampreys. Our Ecology Team has been helping these fascinating fish to thrive in the River Noe in Derbyshire. Lampreys are incredibly important to maintaining healthy rivers and that's why we went all out to protect them when we were working in the area recently.

We were working on a project to remove silt along a stretch of river, to stop it building up and spilling over a dam that's protecting an aquifer downstream when we found out our silt is what lampreys call home.

We found a way to use floating diggers in short, sharp bursts, to remove enough silt without polluting the river and bulldozing their homes at the same time. Over 3,000 lampreys were safely caught and relocated to new, safe homes in the silt.

## Our People

Our people are fundamental to taking care one of life's essentials and we believe our culture is what makes us special. Our teams are passionate about the positive role they can play in helping customers and communities thrive and they care that we create an environment where everyone can feel comfortable to bring their whole self to work.

This section is dedicated to showcasing our people: who we are, our culture, and how we, at Severn Trent, work together as one community – a community which supports each other to succeed, recognises and rewards each other's contributions, and listens and talks to each other.

### Top 5%

Our employee engagement survey once again ranked us in the top 5% of utility companies globally.

### 20% reduction

in Lost Time Incidents compared with 2019/20. Our best ever LTI rate.

### 8.3

Achieved 8.3 out of 10 employee satisfaction score in our QUEST results.

### 74%

of our employees participate in our Sharesave scheme.

### Our Values:

**"I was more attracted to the role because of the business' huge commitment to building a sustainable future. What makes me tick is to have the satisfied feeling that I'm making a difference!"**

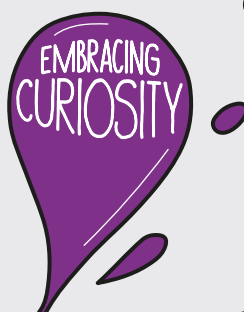
**Sadik**

New Talent Programme –  
Severn Trent Graduate, Technical  
Leadership Programme (Engineering)

**"Learning from 12 other lawyers is such an invaluable experience and it's wonderful everyone is so supportive and friendly; it truly makes a difference."**

**Teagan**

Legal Apprentice, General Counsel



**"I am really enjoying my placement. I can access training to develop my skills that help in the workplace, everyday life and boost my career after the Kickstart Scheme."**

**Anneka**

Kickstart Service Delivery  
Assistant at Leicester Water Centre

**"My journey at Severn Trent so far as a HR Learning and Development apprentice has been a pleasure. It has made me excited for my future and the difference I can make at Severn Trent."**

**Katy**

New Talent Programme Apprentice  
Programme – Learning and  
Development Consultant, HR



## Keeping our people safe and well

We believe passionately that no one should be hurt or made unwell by what we do, and our people have done a great job of keeping themselves and those around them safe with a year-to-date total of 21 Lost Time Incidents ('LTIs'), our best ever performance, which equates to 20% fewer LTIs than last year. This is a testament to all the focus and attention we have given this critical area. Our Severn Trent colleagues have been remarkable throughout the pandemic and we have continued to support them through a comprehensive approach to health, safety, mental wellbeing and financial security.

Our IT infrastructure has proved to be stable and resilient which has allowed over half our workforce to work safely from home so we can be there for our customers 24 hours a day, seven days a week.

Following the success of our Wellbeing Campaign, 'Caring for our Colleagues', in February 2021 we launched our eight week 'Share a Smile' initiative, providing four virtual events for everyone in the Company, as well as their families, to help keep spirits high throughout the third lockdown. Read more on page 17.

## COVID-19 data

328

**Reported positive cases of COVID-19 within the workforce,** since we began tracking in October 2020. There were no reported instances of COVID-19 being transmitted within the workplace.

0 fatalities

**There were no fatalities of direct employees in active service as a direct result of COVID-19.**

422

**Reports of contacts to our employees via Test & Trace (the COVID-19 app) requiring the individual to self-isolate.**



## Supporting the NO MORE campaign

The safety and wellbeing of our colleagues is of the upmost importance to us and we're on hand to support our colleagues regardless of whether their need for support stems from personal or working lives. We understand that 75% of women who experience abuse are targeted at work and no matter how small the likelihood of this happening within our business is, we know it's important we're aware and able to spot the signs. The NO MORE campaign began in March 2021 to help create a culture of safety, equality and respect in our communities and provide practical advice as to how our colleagues can support each other, friends and families.

## Impact of COVID-19 on our employees

Our priority remains the safety and wellbeing of our people and customers and we ensured that all our key worker employees had access to the correct personal protective equipment ('PPE') and that our IT infrastructure enabled our non-key worker employees to work safely from home. This approach was supported by robust health and safety protocols, that operated effectively throughout the COVID-19 pandemic. We have worked with the Health and Safety Executive, sharing data to compare positive cases, and as a result of our robust protocols, we have not had any instances of COVID-19 being transmitted within the workplace.

## Providing a diverse and inclusive place to work

Our ambition is to have a workforce that reflects the communities we serve, and build an inclusive organisation where everyone feels able to bring their whole self to work, fulfil their potential and perform at their best. An inclusive environment is the foundation of a truly diverse organisation, with all of the rewards that brings. We also know that diverse teams make better decisions and help us to better deliver for our customers and communities.

Recognising that leadership is fundamental to creating an inclusive workplace, this year we focused on maintaining our diverse and inclusive culture and improving how we embed this into our policies and procedures. All of our senior management participated in a diversity and inclusion training session with personal insight from employees in ethnic minority and LGBTQ+ groups. We have also introduced our 'Include me in Inclusion', a campaign to educate our colleagues, re-affirm our zero-tolerance stance on discrimination, and outline our new diversity and inclusion ambition.

This year we were pleased to launch our new diversity and inclusion programme via our Severn Trent Academy with a range of content including specific modules for leadership and sessions where our colleagues are able to share their own diversity and inclusion stories.

We now have well-established working groups that are helping to guide our work, and our QUEST diversity and inclusion results remain well above benchmark. We're pleased to have been recognised externally in several indices for the progress that we've made. Changing the diversity of our organisation will take time, but our recruitment teams are working hard to attract and recruit employees from all backgrounds. As at 31 March 2021, 9% of our employees identified as belonging to a minority ethnic group.

## Achievements in 2020/21



Top 10

**The Social Mobility Index –** maintained a Top 10 position for the second year running



Top 200

**The Stonewall Index which measures LGBTQ+ inclusion** (414th in 2019/20 – 175th in 2020/21)



2<sup>nd</sup>

**The Hampton-Alexander Review** where we moved up to second place for Women on Boards



4<sup>th</sup>

**The Tortoise Responsibility100 Index which ranks us fourth in the FTSE100 on Equality**

Inspiring the next generation of employees is equally as important, and our school and university outreach programmes are now targeting communities where we are under-represented, which will seek to improve female and ethnic representation across our Graduate and Apprentice programmes. For more experienced hires, we're ensuring that we provide hiring managers with diverse candidate shortlists at every opportunity and we'll start measuring the impact of this next year.

The Government Kickstart programme will also be a great opportunity to demonstrate some of these new interventions, and we are committing to take on 100 black interns in the summer of 2022 as part of the #10000BlackInterns' initiative. Read more on our Kickstart programme on page 22.

We're proud of our track record on gender diversity. Once again, we've been recognised in the Hampton-Alexander Review for our performance on gender diversity, this year coming in second for women's representation on Boards and Leadership – one of the first two FTSE100 companies in history to have a majority of women on their Board. Female representation in our senior leadership population is 42.3% and female representation on our Board is now five, representing 56% of Directors. Page 104 sets out a gender breakdown of Directors, senior managers (as defined in the 2018 Code and Companies Act 2006) and employees of the Company.

#### Fairly rewarding our people

At the start of the COVID-19 pandemic, we committed to no furloughing, no redundancies, honouring our all-employee bonus and agreeing a 2.3% annual pay increase for three years for our front-line teams, with 2021 being the second year of the three-year pay deal.

We understand that financial wellbeing is as important as mental and physical wellbeing for many of our colleagues, and as part of our benefits offering, in 2021 we launched our financial workshop tool, Money Hub, offering each of our colleagues the opportunity to learn more about managing their finances. Within our LearnAnytime area of the Severn Trent Academy, colleagues are also able to access specific financial and wellbeing resources at a time to suit them. In February we also made it easier for our people to access their pension information with the Aegon Pension mobile app.

All of our employees have the opportunity to become part-owners of the Company through our popular Sharesave scheme and an amazing 74% participate, with 26% of participants saving the maximum of £500 per month. We are especially delighted that so many employees decide to retain their shares – and 77% of our employees are also shareholders in the Company.

In November 2020, we published our Gender Pay Gap Report highlighting a continued reduction in the median gender pay gap between women and men for the fourth consecutive year. The Report shows a median pay gap of 9.3%, down from 9.8% in 2019, as it continues to be positively impacted by a high proportion of women within our management and senior management roles.

The Company's mean pay gap has also improved, now at 2.3%, compared to 3.6% in the previous year – a reflection of a greater weighting towards higher-earning women and a shift in our overall quartile distribution. The report also revealed there is no median gender bonus gap between male and female employees.

Women make up 28.6% of our entire workforce, but the report shows they remain underrepresented in operational roles. We've been working hard to create a consistent framework which includes transparent pay ranges to support us in measuring our fair pay processes. We've focused on raising awareness for diversity and inclusion and we've celebrated our success in attracting women to senior roles, with a female Chief Executive and a female Chair. The full Gender Pay Gap Report can be found on the Severn Trent Plc website.

## Electric vehicles

In January 2021, we announced our new and exciting employee benefit, our electric vehicle ('EV') salary sacrifice scheme giving our people the chance to drive a brand-new electric car as part of a monthly 'all inclusive' cost to suit their budget.

This is a key contributor towards our Triple Carbon Pledge, where we've committed to switching all of our fleet vehicles to electric by 2030, where available. We're confident that by 2026 we will be operating an all-electric fleet, availability permitting.

For our colleagues who cycle, we also increased our Cycle 2 Work scheme, where all employees can make savings on purchasing a bike up to £1,500.

## Electric cars: what are the benefits?



### Environmental benefits

- No tailpipe means no exhaust gases = reduction in local air pollution
- Reduce your carbon footprint



### Discounts on congestion charges

- Exempt from Clean Air Zone charges, designed to discourage polluting vehicles entering certain areas



### Government funding towards a charge point

- Currently, drivers of an EV can benefit from a Government grant towards the cost of installing a charge point at home



### Improved driving experience

- Experience responsive acceleration
- Benefit from regenerative braking, feeding energy back into the battery
- Feel at ease with automatic driving



### Financial savings

- Make National Insurance and tax savings (of over 30% based on current HMRC rules)
- Find cheaper maintenance and insurance costs



### Lower running costs

- When compared to petrol or diesel, EVs are extremely cheap to run! On average, an electric car costs about £2 to drive 100 miles compared to the average cost of petrol at £15.80



### Convenient charging

- EVs can be charged wherever there's an appropriate electrical socket or plug
- Charging points are available across multiple sites



### Reduce noise pollution

- EVs are quieter than petrol and diesel vehicles, so noise pollution can be reduced

### Developing our people

In February 2021 we were delighted to celebrate the official opening of the Severn Trent Academy (the 'Academy') at Hawksley Park, part of a wider £10 million investment in our learning and development offering. Opening the Academy supports our ambition to be a socially purposeful company in all that we do, giving back to the communities we live and work in, and providing opportunities for people to learn, retrain and develop with us in our industry.

The Academy is a thriving hub offering a range of physical and experimental learning opportunities, as well as more traditional classroom training in a collaborative environment (from technical rigs through to virtual reality). When we're not using the facility for our core learning offer, we'll be welcoming local schools and trade bodies to give them the opportunity to learn about our industry, as well as giving the local community the chance to take advantage of our learning offer.

"It is such an exciting moment to be opening the Academy at Hawksley Park after years of planning and true collaboration across the business to make this happen. This is a fantastic investment into learning for all of us. We want everyone visiting to be immersed in an environment that makes learning enjoyable, encourages collaboration and the sharing of knowledge. We also have a vision that this is a facility which will help to support our local community and bring benefits to the environment too. Hawksley Park will set the benchmark for a new way of learning."

**Sarah Harris,**  
Head of the Academy



Through our QUEST and Academy learner surveys, our people have told us they want more support on mentoring, and so this year we re-designed our mentoring programme, to ensure our people can grow and develop whilst with us. Our mentoring opportunities are split into two categories – how we're supporting our colleagues and how we're supporting our communities, through our new talent and community offering, including our Kickstart programme, schools careers guidance and employability schemes. We've created a selection of workshops for mentees and mentors to help them get the most from mentoring as well as dedicated networking sessions offering a chance for our mentors and mentees to meet up, up-skill and learn from each other.

### Listening to our people

Providing opportunities for our employees to stay connected to the direction of the Company and be involved in business decisions is a key part of our culture and the Board's selected workforce engagement mechanism, our Company Forum, was facilitated via a virtual platform for most of the year. The Company Forum provides an opportunity for employee and Trade Union representatives to meet with Board and Executive Committee members on a regular basis. It ensures that views from a diverse cross-section of the workforce – in terms of seniority, gender, ethnicity, tenure of employment and job types – are considered in Board discussion and decision making, and each meeting generates wide-ranging exchanges of opinion and insights. Topics for discussion this year have included Outcome Delivery Incentive ('ODI') performance, financial updates, the impact of the hot weather and high-demand incident response in May, and Executive remuneration.

As part of our response to COVID-19, we enhanced the already significant dialogue we have with our employees through the introduction of a virtual employee engagement event, 'Ask Our Board'. Employees were invited to pose questions to the Board in a live Q&A environment, without management present or scripted briefings, in order that the Board could listen to the views of the workforce first-hand. With movement restrictions impacting the ability of the Board to visit our sites and office locations for much of the year, this virtual session enabled the continuation of our direct dialogue with the workforce across the Group. The response from our employees has been extremely positive.

We are always looking for new and different ways for the Board to engage with employees from across the business and are currently reviewing a number of digital solutions for a wider population of our workforce to ask questions and interact with our Non-Executive Directors.

Our annual employee engagement survey, QUEST, helps us to understand what's going well and where we can improve across the Group. QUEST is conducted by an independent research company to ensure the results are anonymous and the results are reported to the Board.

We were delighted that our employee engagement score improved again this year to an average score of 8.3 and were thrilled to receive a score of 8.5 when colleagues were asked if they would recommend Severn Trent to a friend.

### Remuneration: Find out more

The Company Remuneration section, in the Directors' Remuneration Report, sets out the steps we take to make sure that our pay and reward framework, below Executives and senior management, is transparent in a way that is meaningful and useful.

Further information can be found in our Directors' Remuneration Report on pages 132 to 141.

# Section 172 Statement

Stakeholder engagement is central to the formulation and execution of our strategy and is critical in achieving long-term sustainable success. The needs of our different stakeholders as well as the consequences of any decision in the long term are well considered by the Board.

It is not always possible to provide positive outcomes for all stakeholders and the Board sometimes has to make decisions based on the competing priorities of stakeholders. Our stakeholder engagement processes enable our Board to understand what matters to stakeholders, carefully consider all the relevant factors and select the course of action that best leads to the high standards of business conduct and long-term success of Severn Trent. The principles underpinning s.172 are not something that is only considered at Board level, they are part of our culture and are embedded in all that we do as a company.

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. All of the Board's significant decisions are subject to a s.172 evaluation to identify the likely consequences of any decision in the long term and the impact of the decision on our stakeholders.

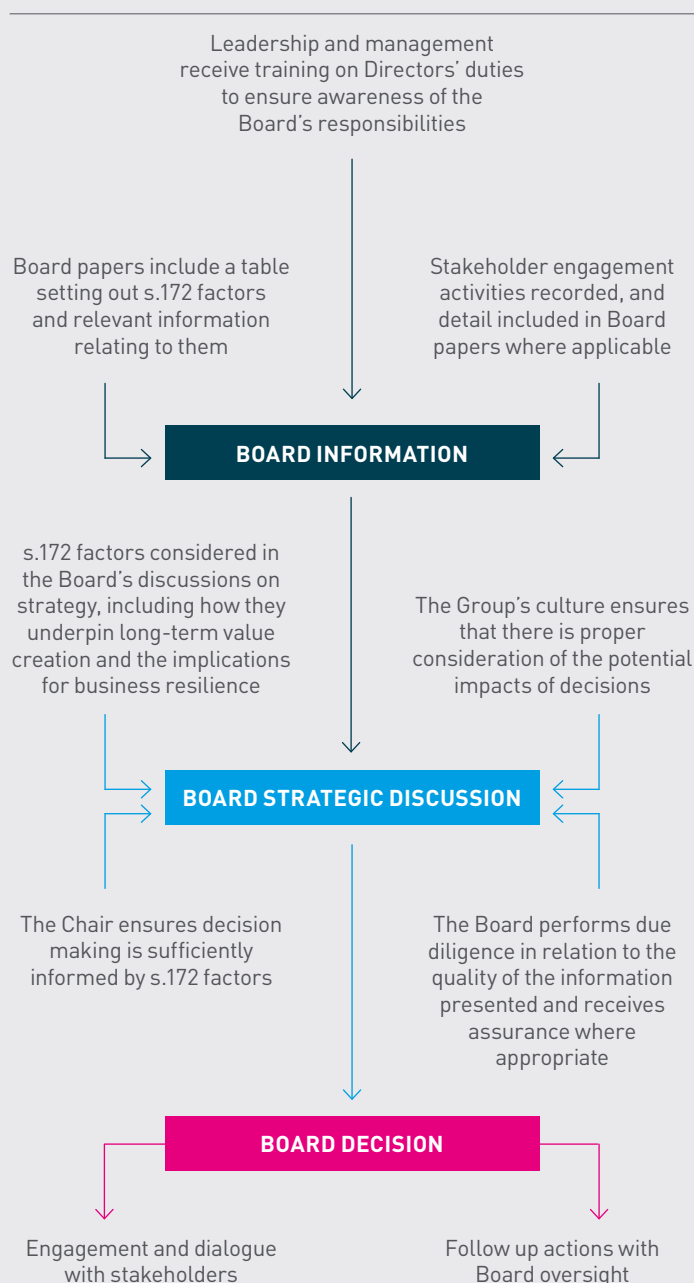
In performing their duties during 2020/21, the Directors have had regard to the matters set out in Section 172(1) of the Companies Act 2006. You can read more on how the Board had regard to each matter during the year as follows:

S.172 FACTOR	RELEVANT DISCLOSURES
The likely consequences of any decision in the long term	<ul style="list-style-type: none"> <li>Company Purpose p2</li> <li>Business Model p6-7</li> <li>Performance Review p20-30</li> <li>Dividend Policy p155</li> </ul>
The interests of the Company's employees	<ul style="list-style-type: none"> <li>Performance Review p20-30</li> <li>People p72-75</li> <li>Diversity and Inclusion p73</li> <li>Employee Engagement p72-75</li> </ul>
The need to foster business relationships with suppliers, customers and others	<ul style="list-style-type: none"> <li>Responsible Payment Practices p157</li> <li>Anti-bribery and Corruption p119</li> <li>Performance Review p20-30</li> <li>Modern Slavery p119</li> <li>Sustainability p50</li> <li>Business Model p6-7</li> </ul>
The impact of the Company's operations on the community and the environment	<ul style="list-style-type: none"> <li>COVID-19 p15-17</li> <li>Our Purpose and Vision p2</li> <li>Sustainability p50</li> <li>TCFD p54-67</li> </ul>
The desirability of the Company maintaining a reputation for high standards of business conduct	<ul style="list-style-type: none"> <li>Our Purpose and Vision p2</li> <li>Whistleblowing p111</li> <li>Internal Controls p111</li> <li>Modern Slavery p119</li> </ul>
The need to act fairly as between members of the Company	<ul style="list-style-type: none"> <li>Stakeholder Engagement p68-71</li> <li>Annual General Meeting p157</li> </ul>

## Principal decisions in 2020/21

The principal decisions taken by the Board in the year are detailed on pages 92 to 94 of the Governance Report.

Our approach below sets out how the Board is supported in carefully considering all the relevant factors that lead to its selection of the best course of action to ensure the long-term success of the Company:



➡ [www.severntrent.com](http://www.severntrent.com)  
s.172 reflected in our governance documentation:

- Matters Reserved to the Board
- Committee Terms of Reference
- Code of Conduct
- Charter of Expectations



## Key stakeholder groups considered



Examples of decisions taken by the Board and how stakeholder views and inputs, as well as other s.172 considerations, have been considered in its decision making are set out below:

### GREEN RECOVERY SUBMISSION AND FINANCING

#### Context

In July 2020, the Government, the EA, the DWI, Ofwat and CCW invited the water sector to submit proposals to support the Government's Green Recovery Initiative with the ambition of 'building back greener' from the COVID-19 pandemic, whilst also delivering real and lasting improvements to the environment for current and future generations. The Board considered the Company's proposals aimed at delivering long-term sustainable benefits for current and future generations in our region, improving the environment and creating jobs.



#### Consideration of s.172 impacts by the Board in its decision making

**Customers:** Ensuring customer bills are affordable is a key factor in all Board decisions. In assessing which proposals to take forward, the Board considered the impact on customer bills. The proposed investment will have an annual average household bill impact of £6 in the period until 2025. We engaged with customers on these impacts and they indicated they were supportive.

**Investors:** The proposals will deliver strong RCV growth for Severn Trent Water, with associated shareholder benefits. The Board also considered potential financing structures and conducted an assessment of the impact on credit metrics, investors and other stakeholders. On 17 May 2021, Ofwat proposed to award the Company £565 million (2017/18 prices) to invest in its ambitious Green Recovery programme. Read more about these projects on page 13.

**Environment and the community:** The Board was committed to proposing schemes that address long-term issues that are important to customers and deliver environmental benefits, such as developing net-zero carbon water resources, delivering a step-change improvement in river water quality, making towns more resilient to flooding and removing lead from customers' supply pipes. In addition to the long-term benefits for customers and the environment, the proposals will create much needed employment and training opportunities, utilising our new Academy facility.

**Regulators:** Regulators have been supportive of our Green Recovery proposals and the Board engaged with Defra, Ofwat, the EA, the DWI and CCW this year as part of its well-established regulatory engagement activity.



#### Outcomes and impact on the long-term sustainable success of the Company

The Board supports the Government's approach to investing in a Green Recovery and, as a responsible business in our region, proposed a package in excess of £700 million of investment. The impact of the Company's operations in the community and the positive role it could play in delivering long-term, sustainable benefits for current and future generations in our region, improving the environment and creating jobs were pivotal to the Board's decisions.

### NEW APPROACH TO CUSTOMER EXPERIENCE IN WASTE

#### Context

As part of the Board's AMP7 Waste Networks Strategy, a new Waste Infra Network Services contract was tendered in 2020 to shape the future operating model and support delivery of our AMP7 outcomes and customer performance commitments.



#### Consideration of s.172 impacts by the Board in its decision making

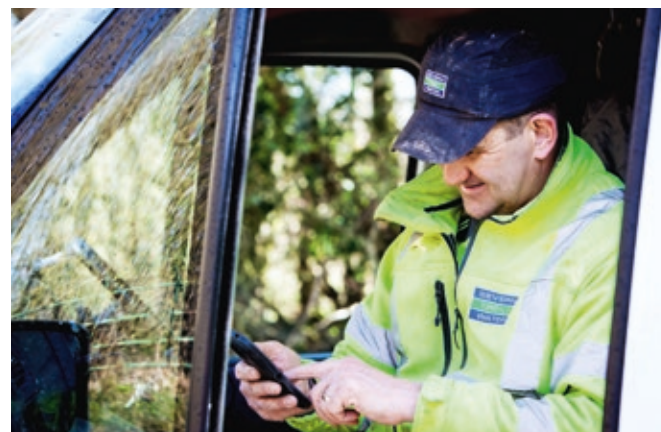
**Customers:** The Board recognises that obtaining best value contracted services supports our objective to keep customer bills low whilst also delivering improvements to customer service. The programme implemented a dedicated Waste Customer Management Centre in Derby, focused on complex activity that contributes to customer dissatisfaction.

**Employees:** The new contract will provide partnership working opportunities for employees. The additional resource and capabilities will also support delivery of our AMP7 outcomes and customer performance commitments.

**Environment and the community:** A key part of the tender selection process was to select suppliers that were aligned to the Group's sustainability and corporate social responsibility agenda. Additionally, the contract plays an integral role in reducing pollutions and protecting the environment.

**Investors:** The Board considered carefully the need to deliver value for customers and shareholders. The new contract will deliver savings and improve customer experience, supporting improvements in ODI and C-MeX performance.

**Relationship with suppliers:** A key part of the tender selection process was to ensure that Tier 2 suppliers had the opportunity to participate. The Board considered this approach to be in the best interests of both the Company and suppliers whilst also bolstering overall resilience.



#### Outcomes and impact on the long-term sustainable success of the Company

The new contract will deliver an improved customer experience and support improvements in ODI and C-MeX performance, with associated benefits for communities, colleagues, investors and our supply chain, whilst maximising efficiencies and supporting our Purpose – 'Taking care of one of life's essentials'.

## PLANNING AND SCHEDULING TRANSFORMATION

## Context

The Board considered the centralisation and transformation of the Group Planning and Scheduling function aimed at improving customer experience, enhancing the effectiveness of the respective teams and sustaining employee engagement throughout the transformation period.



## Consideration of s.172 impacts by the Board in its decision making

**Customers:** Delivering improvements to customer experience was a key factor in all Board discussions. The primary purpose of the transformation programme was to enhance customer experience through optimising the Planning and Scheduling function and better resource teams delivering for customers.

**Employees:** The Board considered the impact of the programme on employees and commissioned an extensive employee engagement programme to keep employees informed and understand any concerns regarding the transformation plans and changes to existing working arrangements. A dedicated Trade Union employee working group was constituted at the outset of the project to ensure that plans could be developed in line with employee feedback.

Tailored support and training programmes were also developed and continually refined in line with employee feedback. Regular updates were provided also to the Board. As a result of the dedicated approach taken, employee feedback was positive – supported by employee engagement scores increasing compared to the prior year.

**Investors:** The Board carefully considered the need to deliver value for customers and shareholders. The transformation project delivered cost savings and improved customer experience, supporting improvements in ODI and C-MeX performance.



## Outcomes and impact on the long-term sustainable success of the Company

The transformation programme will deliver an improved customer experience and support improvements in ODIs, whilst reducing overall travel time and delivering carbon benefits, with associated benefits for communities, colleagues, investors and our supply chain partners, whilst maximising efficiencies.

Other benefits include more efficient scheduling resulting in higher productivity, improved employee engagement and better customer engagement and experience.

## ADAPTING OUR WORK FOR COVID-19

## Context

As the COVID-19 pandemic unfolded, the Board increased its interactions to maintain continual dialogue on the potential impact on our customers, communities, colleagues and shareholders and ensure effective Board oversight of the Company's response to the pandemic. Read more about our COVID-19 response on pages 15 to 17.



## Consideration of s.172 impacts by the Board in its decision making

**Customers:** The Board considered carefully the impact of the pandemic on customers and regularly reviewed additional measures put in place to support them, including the WaterSure and Big Difference schemes, and Back-on-Track. The Board was particularly focused on support for the Company's vulnerable customers – with targeted communications and support provided through the Priority Services Register. The Board acknowledged the importance of maintaining contact with all customers throughout the pandemic and oversaw enhancements to the Group's digital channel capability during the year.

**Employees:** The Board oversaw the development of a comprehensive approach to health, safety, mental wellbeing and financial security – committing to no furloughing, no redundancies, honouring the all-employee bonus and agreeing a 2.3% annual pay increase for the next three years. The Company ensured that all key worker employees had access to the correct PPE and our IT infrastructure enabled our non-key worker employees to work safely from home so we could be there for our customers 24 hours a day, seven days a week.

**Environment and the community:** The wellbeing and safety of our visitors, communities and colleagues is of significant importance and, as such, the difficult decision to close all visitor sites was made early in the pandemic to limit the risk of the spread of COVID-19. The continuation of education programmes was recognised by the Board as key and a virtual education zone was established to help parents with home-schooling and to inspire the next generation of water users.

**Government:** The Government designated all Severn Trent employees as key workers. However, the Board felt it important to identify which employees were absolutely essential to providing our services in order to keep as many people at home as possible in line with Government advice and to ensure we did not take up any more school spaces than were absolutely necessary. As such 50% of our employees were identified as key workers. Additionally, the Board did not take Government support in terms of the furlough scheme, a decision which was influential with the rest of the sector.

**Trade Unions:** The Board was kept updated on communications with Trade Unions, including the measures in place to ensure the health, safety and wellbeing of all colleagues.

**Relationship with suppliers:** The Board recognised the opportunity to help SME suppliers by moving to immediate processing of payments for three months, meaning that payment to the supply chain continued to flow into households. The scheme was originally targeted for three months; however, the decision was taken to extend the scheme through 2021 so that the Company could continue to provide this essential support.

**Investors:** The Board reached the decision that it was in the Company's best, long-term interest to approve and announce the year end dividend in line with the AMP7 dividend policy, with a growth rate of at least CPIH.

## Outcomes and impact on the long-term sustainable success of the Company

The Board's continued oversight of the Company's COVID-19 response is a key factor in the high-quality management of potential impacts on our customers, communities, colleagues and shareholders.

# Non-Financial Information Statement

This section of the Strategic Report constitutes the Non-Financial Information Statement of Severn Trent Plc, produced to comply with sections 414CA and 414CB of the Companies Act 2006. The information listed in the table below is incorporated by cross reference.

Reporting requirement	Policies and standards which govern our approach	Additional information and risk management
<b>Stakeholders</b>	<ul style="list-style-type: none"> <li>Customer policy</li> <li>Group Data Protection policy</li> <li>Group Commercial policy</li> </ul>	Stakeholder Engagement, pages 68-71 s.172 Statement, pages 76-78 Board Activities, pages 92-94
<b>Environmental matters</b>	<ul style="list-style-type: none"> <li>Group Environment policy</li> </ul>	Sustainability Disclosure, pages 50-67 Corporate Sustainability Committee Report, pages 116-119 Sustainability Report, <a href="http://www.severntrent.com">www.severntrent.com</a> Stakeholder Engagement, pages 68-71
<b>Employees</b>	<ul style="list-style-type: none"> <li>Group Health, Safety and Wellbeing policy</li> <li>Group Speak Up policy</li> </ul>	Our People, pages 72-75 Gender Pay Gap, page 74 Governance Report, pages 80-153 Audit Committee Report, pages 107-113 Stakeholder Engagement, pages 68-71 Remuneration Report, pages 120-153
<b>Respect for human rights</b>	<ul style="list-style-type: none"> <li>Modern Slavery Statement</li> <li>Diversity within our workforce</li> </ul>	Modern Slavery Act 2015, page 119 Governance Report, pages 80-153 Corporate Sustainability Committee Report, pages 116-119
<b>Anti-corruption and bribery</b>	<ul style="list-style-type: none"> <li>Group Financial Crime and Anti-Bribery and Anti-Corruption policy</li> <li>Group Conflicts of Interest policy</li> <li>Group Security policy</li> <li>Group Competition and Competitive Information policy</li> </ul>	Governance Report, pages 80-153 Audit Committee Report, pages 107-113
<b>Social matters</b>	<ul style="list-style-type: none"> <li>Doing The Right Thing</li> <li>Group Environment policy</li> <li>Customer policy</li> </ul>	Sustainability Disclosure, pages 50-67 Corporate Sustainability Committee Report, pages 116-119 Directors' Report, pages 154-157 Sustainability Report, <a href="http://www.severntrent.com">www.severntrent.com</a> Stakeholder Engagement, pages 68-71
<b>Description of Principal Risks and impact of business activity</b>		Our Approach to Risk, pages 38-39 Principal Risks, pages 40-45 Emerging Risks, page 46 Business Model, pages 6-7
<b>Description of the Business Model</b>		Business Model, pages 6-7
<b>Non-financial Key Performance Indicators</b>		Strategic Report, pages 2-79 Key Performance Indicators, pages 18-19

The policies mentioned above form part of Severn Trent's Group policies, which act as the strategic link between our Purpose and Values and how we manage our day-to-day business. During the year, the Board determined that the policies remain appropriate, are consistent with the Company's Values and support its long-term sustainable success.

## Approval

This Strategic Report was approved by the Board.

By order of the Board.



**Bronagh Kennedy**

Group General Counsel and Company Secretary

18 May 2021