

Environmental,
Social and
Governance

Sustainability performance disclosures

WONDERFUL ON TAP



Severn Trent¹ Environmental, Social and Governance

We are proud to be recognised as the first socially purposeful company in the utility sector.

These pages aim to pull together our key sustainability performance disclosures into an accessible format. This information is integrated throughout our Annual Report and Accounts 2018/19.

We are committed to continually developing and improving our disclosures on these key issues.

For any queries around our environmental, social and governance performance, please get in touch:

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¹ Unless otherwise described, data refers to Severn Trent Water only.

Environmental

Our social purpose means maximising the benefits to the environment and wider society.

Climate Change

Responding to climate change is a priority for us, we will minimise the contribution of our operations to climate change and [adapt our operations to the effects of climate change](#).

We are one of only a handful of companies in the UK to make the triple pledge:

- i) [to become carbon neutral by 2030](#)
- ii) [have 100% electric vehicles by 2030](#)
(as long as the vehicles are available)
- iii) [generate 100% renewable energy by 2030](#)

Biodiversity

As a company, many of our everyday activities have an impact on the environment, so we have a massive opportunity to make a positive difference to the biodiversity in our region. We will improve the biodiversity of 1090ha of land (or equivalent km of river) by 2025.

We will also plant the equivalent of one tree for every three households we serve by 2030. New biodiversity options will be included in our grants available to farmers programme 'Farming for Water' to further support these goals. We are undertaking biodiversity audits on our significant sites, which will feed into biodiversity action plans, providing a clear structure on how to improve biodiversity at these sites.

Preventing pollutions

Preventing pollutions is an area where investments made since privatisation are really paying off. We've secured the Environment Agency's top environmental rating three times over the last five years – clear recognition of the progress we've made. Our plan is to do more, with our modelling linking flooding and pollutions improvements. We believe our 2025 ambition aims to support our position as one of the best performing companies with an overall reduction of 23% in Category 1-3 pollution incidents.

Regional Water Management

We need to safeguard the future of the water environment and make sure that when we draw water from it, we're not putting it at risk. A key priority for us is to prepare for population growth and uncertainty from climate change. To meet these challenges and protect our water for future generations, we're committing to reduce leakage by 15% by 2025, our biggest ever reduction in a five year period - and tripling the rate of water meter installation. We are increasing the number of metered customers to 65% by 2025 and then 90% by 2030. We will further reduce the amount of water each of our customers takes by 3.5% from our 19/20 baseline in addition to continuing our education programme to support our customers to use water more efficiently.

We will make the best use of sustainable sources of supply by optimising or increasing output from sustainable sources, increasing the flexibility and resilience of our supply system and committing to reducing unsustainable abstraction by nearly 100ML/D, further protecting the natural water environment.

All the details of our long term water resources planning over 25 years are set out in our [Water Resources Management Plan](#).

Global Water Management

In 2019 we launched the [World Water Innovation Fund](#). Joining forces with like-minded companies to find new ways of working to address global water issues, to leave a lasting water legacy for future innovation. Our £5m investment will make a real difference to lives across the world.

As cofounders of [Water Aid](#), we are proud of our contribution to support Water Aid's goal of getting clean water, toilets and hygiene to the millions of people still living without these basic human rights by 2030.

Waste Management

As a company we treat large amounts of waste – 2.6 billion litres of waste water every day which is treated and returned to the environment. As a certified participant in the [Biosolids Assurance Scheme](#) we produce bio-solids which are recycled to land, providing a high-quality alternative to manufactured fertilizers for farmers at a competitive price, which also play a vital role in enhancing soil quality.

Where possible we avoid using landfills, for example our waste recycling partner Biffa achieved an 83% landfill diversion in 18/19 with material produced by facilities management and operational sites. This included 100% landfill diversion for hazardous waste. Minimising the production of hazardous waste is important to us, we've acted on improving our sludge treatment processes, enabling the planned closure of a licensed hazardous waste landfill site.

Over the past 12 months, we have teamed up with City to Sea in support of the Refill campaigns goal to reduce plastic pollution. We've contributed to this campaign by hosting 10 action days, contributing to over 20 thousand Refill stations across the UK.



Operational Certification

Our ISO 14001 Environmental Management System certification covers management and delivery of waste water treatment processes, Combined Heat and Power plant activities and head office functions. ISO 14001 covers 43% of operational treatment sites².

We are currently reviewing further roll out of certification to key business areas. Our operational control centre has been ISO 9001 certified to ensure the centre has a framework for continual progression and that the skills of department staff are continually evaluated. The certification ensures clear accountability, internal and external auditing with continuous improvement actions in areas of the highest environmental risk.

² Water Treatment Works, Waste Water Treatment works and Borehole Pumping Stations

Table 1 - Key Environmental Metrics

Theme	Metric (2015-2020)	18/19	17/18	16/17	Commentary for 2018/19	Further information / useful resources
Climate Change	Total annual net operational emissions (tonnes CO ₂ e)	268,283	368,367	390,488	Group net GHG emissions fell by 27% in 2018/19. 39% reduction since a 2014 baseline achieved by increasing renewable energy generation and increasing efficiency of waste operations	2019 ARA, Page 126 CDP disclosure Climate change adaptation report
	Renewable Energy Generation	43%	38%	34%	We are on track to generate the equivalent of 50% of the energy we use in 2019/20	2019 ARA, Page 23 2018 ARA, Page 19 2017 ARA, Page 15
Biodiversity	Biodiversity improved (Ha of SSSI or SACs)	6	9.86	-29.74 ³	On track to reach our target of 75 hectares by 2020. Launched £100k 'Boost for biodiversity fund'	2019 ARA, page 4 2018 ARA, Page 19 2017 ARA, Page 58 Biodiversity at Severn Trent AMP 7 Biodiversity Ambitions, Page 190
Preventing Pollutions	Category 3 ⁴	329	327	301	We continue to outperform against challenging targets	2019 ARA, Page 32 2018 APR, Page 43 2020-2025 performance commitments, page 145
Water Management	Leakage ML/d	427	443	432	Hit MLE target and have delivered a reduction year-on-year of 16 ML/d	2018 APR, Page 43 2020-2025 performance commitment, page 105

³Deterioration reclaimed following confirmation from Natural England.

⁴Minor incidents are classed as category three pollutions.

Social

Our social purpose means maximising benefits to our customers and wider society.

Customer

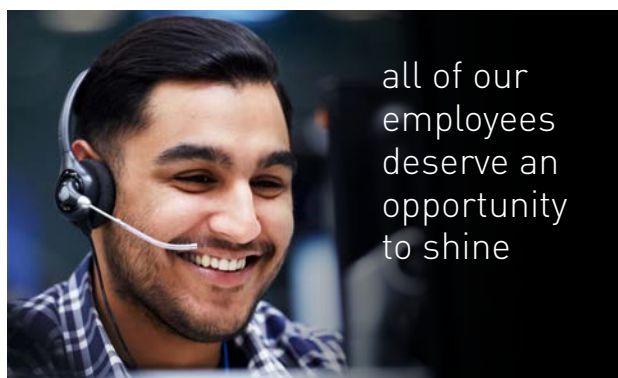
Our English and Welsh customers have the lowest combined bills for a decade. Overall customer satisfaction is 85%, 7% higher than the national average. Trustworthiness is at 73%, making Severn Trent the most trusted water company in England. We are upper quartile in the Institute of Customer Service's UK index and the top English water and sewerage company.

Each year we help over 50,000 customers through social tariff and assistance schemes.

We consult with our customers before capital schemes, with feedback captured through our [planned works](#) website page. Our customer care team will support with domestic complaints as per our [complaints procedure](#).

85%
customer
satisfaction

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than the national
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Diversity and Inclusion

We understand that all of our employees deserve an opportunity to shine and we can only do that when we treat each other with respect, in an environment free from harassment and discrimination. We are committed to recruit people from social mobility cold spots, seeking to provide opportunities to all.

In 2018 we ranked 20th in the [Social Mobility Index](#), and in April 2019 we offered a three day work experience programme to 18 year olds supporting the social mobility foundation's '[Managing my Future Framework](#)'.

In February 2017 our LGBT+ working group was established, providing access to support on LGBT+ topics, influencing policies and practices in respect of LGBT+ inclusivity. This year we launched our LGBT+ Ally Programme, an opportunity for all employee's to challenge behaviour and support their LGBT+ colleagues.

Our gender pay gap puts us within the top 25% of FTSE 100 companies (as reviewed by [Carstone LLP](#)) and we placed 4th in the 2018 Hampton-Alexander review of FTSE 100 companies for women on the executive and their direct reports. 8.7% of our workforce come from Black, Asian and Minority Ethnic backgrounds, increasing to 12% of apprentices and 31% of our graduates.

Keeping our people safe and well

We believe passionately that no-one should be hurt or become unwell by what we do. With this in mind we provide extensive training on all aspects of health and safety, for example, we have trained 400 mental health first aiders. We have also been consistently upper quartile in Water UK benchmarking on Lost Time Incidents.

Our employee engagement is 5% higher than the national average.

employee
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average



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Talent Development

We are investing £10m into a world class technical academy, a centre of excellence that will help us create a more resilient workforce who are the most technically skilled in our sector. Not only will our academy bolster our own technical skills, improving the resilience of our essential service, for example using the most up to date technological innovations for leakage detection; it will also help to underpin the skills of the Midlands as a whole, as it will be a facility where other water experts, such as local authorities, can come together to share expertise.

Training is supported by our Skilled by Choice methodology. To ensure that individuals maintain their competence, every three years all employees in operational roles are required to undertake an online evaluation. This enables us to pinpoint specific skills gaps and to tailor training accordingly to them, furthermore we can quantify and track individual competency levels over time, ensuring the skills of the workforce stay current and relevant.

Human Rights and Modern Slavery

We will always treat people in our business and supply chain fairly, and are committed to taking steps to mitigate the risk of slavery and human trafficking.

Our [2018 Antislavery and Human trafficking statement](#) was ranked 16th in the [Business and human rights resource centre review of the FTSE100](#).

Managing our suppliers responsibly

Suppliers rely on large companies like ours for timely payment, this is why we adhere to the [prompt payment code](#), and look to reduce payment times where possible. Through our '[Sustainable Supply Chain Charter](#)' our suppliers also pledge to support our social commitments e.g. through employee volunteering.

Supply Chain: Social and Environmental

We spend over £1bn in our supply chain each year, and rely on over 2000 partners to deliver sustainable operations. We therefore have a clear business imperative to lead our suppliers responsibly and by collaborating with our supply chain ensure we mitigate risk, create additional value for shareholders, society and the environment and importantly support our vision to become the UK's most trusted water company. We recognise the importance of demonstrating our ESG credentials within our supply chain and are committed to continually developing our approach.

We expect all our suppliers and their subcontractors to commit to and deliver against the principles set out in our [Sustainable Supply Chain Charter](#). Compliance with this charter is stipulated in our standard contractual terms and conditions.

We take a tailored and proportionate approach to the assessment of environmental management at tender stage, and throughout contract management. This is dependent upon the nature of the work planned and its environmental impact. Suppliers considered to have a high environmental impact may be assessed on, but not limited to, their environmental policy and management, environmental certification, pollution incidents, carbon consumption, water consumption and approach to waste. A dedicated contract management team ensures supplier performance is monitored and non-compliance addressed to ensure improvements are made. Our dedicated communication channel allows for individuals to provide supplier feedback, including on environmental and social issues, which are reviewed and actioned by our contract management team.

In 2018, we employed a dedicated Supply Chain CSR Specialist to develop our approach and drive improvements in this area. This role is supported by our Group Commercial Director and progress is reported into our Corporate Responsibility Committee.

We spend over
£1bn
in our
supply chain
each year



Table 2 - Key Social Metrics

Theme	Metric (2015-2020)		18/19	17/18	16/17	Commentary for 2018/19	Further information / useful resources
People	Health and Safety (LTI per 100,000 working hours)		0.30	0.17	0.22	Despite a disappointing year, our performance remains at upper quartile for the sector. We continue to explore the role accreditations can play in developing our approach	2019 ARA, Page 31
	Voluntary Employee Turnover (%)		6.50	5.87	6.71	Data covers Severn Trent Water, Hafren Dyfrdwy and our non-regulated business	2019 ARA, Page 30
	Overall Employee Turnover (%)		9.57	8.32	10.33	Data covers Severn Trent Water, Hafren Dyfrdwy and our non-regulated business	
	Employee fatality		0	0	0	There were no fatalities within the year	2019 ARA, Page 31
	Training Days (total number of days)		15,041	15,642	15,005	Training covers the following areas: technical, core business, leadership development and Health and Safety Committed to launch £10m academy a centre of excellence for the midlands	PR19 Plan, Page 5
	Glassdoor Best Places To Work in UK (scored out of 5)		3.9	3.6	2.9	We placed in Glassdoor's top 50 of companies to work for, and 74% of our people would recommend working for us to a friend.	2019 ARA, page 31 Glassdoor company trend
	Employee Engagement Score %		62	62	55	This year's score puts us 5 points above the average benchmark for UK and Ireland. Service provider changed in 2016.	ARA 2019, Page 28
	Workforce volunteering %		32	40	n/a	Planted over 300 trees and improved 34KM of riverside	2019 ARA, Page 31 2018 ARA, Page 19
Diversity	Hampton Alexander Review		4th	2nd	7th	Highest performing utility within the review	2018 Hampton Alexander report
	Gender Pay-gap (mean % difference in hourly pay)		2.8	2.4	n/a	Our mean pay gap makes us the best performing wholesaler within the sector	Full gender pay gap report UK Government Data
	BAME Employees		8.8	8.9	8.9	31% of our graduates are from a BAME background	2019 ARA, page 17 2017 ARA, page 33
Supply Chain	Supply Chain Charter		Yes	Yes	Yes	100% prioritised suppliers signed up to charter	Sustainable supply chain charter
	Modern Slavery Statement		Yes	Yes	Yes	Our approach to Modern Slavery is ranked 16th in the FTSE100.	Modern slavery statement
	% of suppliers paid in <60 days	April 18 – Sep 18	97%	-	-	As a signatory to the prompt payment code we commit to paying at least 95% of suppliers within 60 days Reportable since FY 18/19 in line with UK legislation	HMRC Payment Practice Reporting
		Oct 18 – Mar 19	97%				

Table 2 - Key Social Metrics - continued

Theme	Metric (2015-2020)	18/19	17/18	16/17	Commentary for 2018/19	Further information / useful resources
Customers	Supporting vulnerable customers	52,838	51,652	50,903	We aim to support 50,000 customers each year with their bills	2019 ARA, Page 31 2018 APR, Page 60
	Customer Education (Number of people)	TBC	200,536	167,024	We've launched our interactive education vehicles this year	2019 ARA, Page 29
	Contribution to Severn Trent Trust Fund (Millions)	£3.5	£3.5	£3.5	£2.62 social return on investment for every £1 invested	Social Impact report of Trust fund
	UK Customer Satisfaction Index Ranking	Upper Quartile	Upper Quartile	Median	We are in the top quartile of utility companies within this index	2018 APR, Page 43
	Overall Customer Satisfaction (%)	85	86	80	Our satisfaction score is 7% higher than the nationwide average	2019 ARA, Page 31 2018 APR, Page 43
	Company Trustworthiness (%)	73	74	64	We are the most trusted water company in England	2019 ARA, Page 31
Global Community	Global - WaterAid support (£K)	319,031	297,847	145,780	Co-founders of Water Aid with the goal to provide clean water and sanitation to the millions of people still living without these basic human rights	Water Aid website

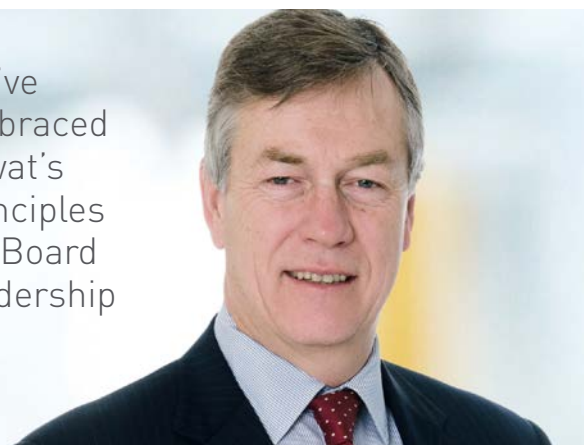
Governance

We are committed to the highest standards of transparency and corporate governance.

Board Leadership

The Board's role is to ensure the long term-success of Severn Trent. Maintaining the highest standards of governance is integral to the effective delivery of our strategy and ensures that the Board make decisions that create sustainable long-term value for the mutual benefit of our shareholders, customers, employees and the communities we serve.

We've embraced Ofwat's principles for Board leadership



The effectiveness of the Board is reviewed at least annually, and conducted according to the guidance set out in the [UK Corporate Governance Code](#) and Financial Reporting Council's Guidance on Board Effectiveness. This year's evaluation concluded that the Directors fostered a culture of open constructive debate, underpinned by appropriate challenge. The evaluation also found that the governance structure, Board and its Committees were effective, with individual Directors dedicating considerable commitment and time to their roles. No instances of overboarding were identified.

The Board has embraced [Ofwat's principles for Board leadership](#), transparency and governance with its emphasis on the importance of strong Board leadership and the special responsibilities attached to regulated monopoly companies providing an essential public service.

Board diversity

The composition of the Board is subject to regular review by the Nominations Committee which, in particular, considers the balance of skills, experience and independence of the Board, in accordance with the Board Diversity Policy. [The Board Diversity Policy Statement](#) is available on the Severn Trent Plc website.

Risk Management

Risk is all about uncertainty. We recognise that uncertainty can manifest itself as both negative and positive impacts. Our goal is to minimise the threats and maximise the opportunities for the benefit of our customers, shareholders, employees, supply partners and the environment. On behalf of the Board, the Audit Committee assesses the effectiveness of the Group's Enterprise Risk Management process and internal controls to identify, assess, mitigate and manage risk.

Policies and code of conduct

At the heart of Severn Trent's culture is a closely held set of values set out in our code of conduct '[Doing the Right Thing](#)'. These values embody the principles by which the Group operates and they provide a consistent framework for responsible business practices. 'Doing the Right Thing' is supported by a number of [policies](#) which guide our workforce and suppliers. These policies codify how to identify and deal with suspected wrongdoing, fraud or malpractice; how to maintain the highest standards of safety; and how to apply good ethics and sound judgement.

At the heart of our culture is 'Doing the right thing'



Table 3 - Key Governance Metrics

Theme	Metric (2015-2020)	18/19	17/18	16/17	Commentary for 2018/19	Further information / useful resources
Board	Compliance with UKCGC 2018 Statement	Yes	Yes	Yes	Fully compliant with the codes principles, protecting governance and shareholder interest	PLC Website
	Female Board Members (%)	37.5%	37.5%	44%	Compliant with the Hampton-Alexander recommendation of 33% female board representation	2019 ARA, Page 82
	Independent Board Members	75%	66%	72%	Compliant with provision B.1.2 of the UKCGC 2018. Sufficient independence to protect shareholder interest	2019 ARA, Page 66
	Independent Chairman	Yes	Yes	Yes	Our Chairman was independent on appointment	
	Political Donations	No	No	No	We do not donate for political purposes	2019 ARA, Page 125
Financial	Auditor Fees (%)	27	36	43	Compliant with EU Audit Legislation	2019 ARA, Page 90
	Tax Paid (£m)	150.8	146.5	146.6	Sum is made up of business rates, PAYE and national insurance contributions, explained in our tax contribution report	2019 ARA, Page 51 Explaining our tax contribution 18/19
	Public reporting of executive reward and recognition	Yes	Yes	Yes	Alignment of reward from top to bottom Highly commended PwC Building Public Trust Award for Executive Remuneration Reporting in the FTSE 350	2019 ARA, Page 97
Policy	Bribery & Corruption Policy	Yes	Yes	Yes	Policy sets out our zero tolerance approach to fraud, bribery, corruption or financial crime	Group Financial Crime Policy
	Group Conflict of Interest Policy	Yes	No	No	Policy is to provide guidance around managing conflicts of interests arising from obligations pursuant to the Companies Act 2006, UK Corporate Governance Code and associated rules and guidance issued by the FCA.	Group Conflict of Interest Policy
	Group Data Protection Policy	Yes	Yes	Yes	Expectations are set out to help employees recognise what may be personal data; as well as rights and obligations with respect to such data.	Group Data Protection Policy
	Doing the Right Thing Policy (Code of Conduct)	Yes	Yes	Yes	Group Code of Conduct	Doing The Right Thing Policy
	Group Financial Crime Policy	Yes	Yes	Yes	This policy sets out how to conduct business in an honest and ethical manner	Group Financial Crime Policy
	Speak Up (Whistleblowing)	Yes	Yes	Yes	In 2018 we internally communicated reporting channels and promoted through MS statement	Group Speak Up Policy
	Sustainable Supply Chain Charter	Yes	Yes	Yes	In 2018, we employed a dedicated Supply Chain CSR Specialist to develop our approach and drive improvements in this area. This role is supported by our Group Commercial Director.	Supply Chain Charter



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