

An aerial photograph of a large reservoir, likely a dam, surrounded by dense green forests and rolling hills. A prominent stone tower with battlements stands on the right side of the reservoir. The water is dark blue, and the surrounding landscape is lush and green.

ANNUAL PERFORMANCE REPORT 2023

SEVERN TRENT WATER LIMITED

WONDERFUL ON TAP



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TAKING CARE OF ONE OF LIFE'S ESSENTIALS

WONDERFUL ON TAP



This Annual Performance Report ('APR') covers the year from 1 April 2022 to 31 March 2023 and is our third APR to be published for the 2020-25 period (known as 'AMP7').

WELCOME TO THE SEVERN TRENT WATER ANNUAL PERFORMANCE REPORT 2023

Welcome to this year's APR for Severn Trent Water, which covers the third year of AMP7. We hope all stakeholders find this assessment of our performance during the year both informative and interesting.

The APR provides our customers and other stakeholders with clear and transparent information on all aspects of our performance in 2022/23, including the progress we have made to deliver our customer outcomes.

Providing accurate, clear and understandable information which can be trusted by our stakeholders is important to us and ensures our customers and stakeholders can clearly see how we have performed.

The aim of this APR is to provide customers and stakeholders with:

- A clear and assured account of our financial performance for each price control, based on Ofwat's regulatory accounts framework, to enable customers and stakeholders to consistently assess our relative and absolute performance.
- A clear, accurate and assured account of our performance across our 40 performance commitments in the year.
- An understanding of the actions we have taken to put things right in areas where we have not performed as well as we wanted.



Christine Hodgson
Chair
Severn Trent Water Limited



Liv Garfield
Chief Executive
Severn Trent Water Limited

ADDITIONAL REGULATORY PUBLICATIONS

In addition to this APR, the following documents are available on our website in our regulatory library at www.stwater.co.uk/regulatory-library:



A methodology statement which explains the systems and processes used to populate the data tables in the regulatory accounts.

The APR data tables have been published separately in order to make our data freely available to everyone to access, use and share.



The Green Recovery Report for the year ended 31 March 2023. This is a bespoke document which details the progress in the year on the six schemes within our Green Recovery Programme.

Our approach to regulatory reporting and assurance which sets out the rigorous and robust assurance and performance reporting framework we have in place.

STATUTORY PUBLICATIONS

In addition to our regulatory publications, we publish a number of statutory reports on the Severn Trent Plc website at severntrent.com:

Severn Trent Plc Annual Report and Accounts for the year ended 31 March 2023.

The Severn Trent Water Limited Annual Report and Accounts ('ARA') for the year ended 31 March 2023. Where disclosures in the ARA fulfil the requirements of the APR, we have included a cross reference to the relevant section for further information.

OTHER PUBLICATIONS

Sustainability Report for the year ended 31 March 2023.

Climate Change Adaptation Report

Severn Trent Community Fund Annual Review

Caring for our Environment

ABOUT US

Severn Trent Water is one of the largest of the 11 regulated water and waste water companies in England and Wales. We provide high quality services to around 4.8 million households and businesses in the Midlands.

Our region stretches across the heart of the UK, from the Bristol Channel to the Humber, and from Shropshire to the East Midlands.

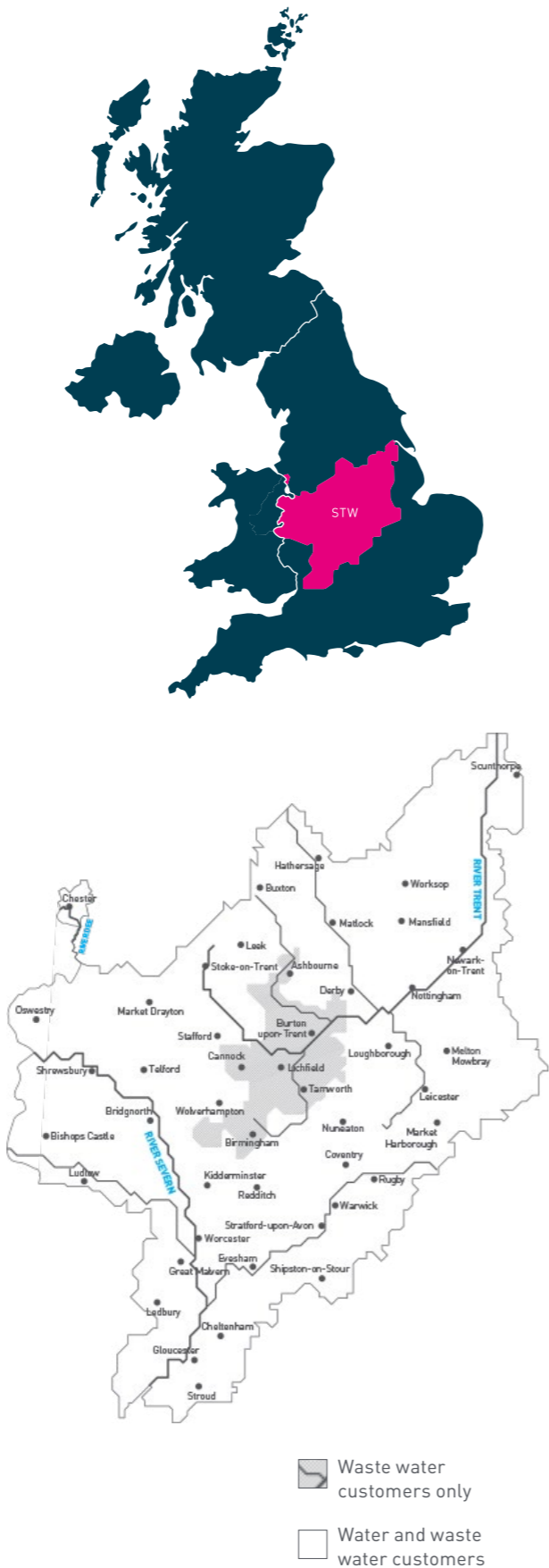
We are regulated by Ofwat, the economic regulator of the water sector in England and Wales, and every five years we work with our customers to develop a new business plan which is then assessed by and agreed with Ofwat.

As part of each price review, companies are asked to submit their business plans, which set out their investment proposals, performance improvement commitments and the potential impacts on customer bills for the coming Asset Management Plan ('AMP'). Later this year, we will submit our business plan for the latest price review ('PR24'), covering the period 2025-30 ('AMP8').





Ofwat's Final Determinations for PR24 will be issued by the regulator next year. The final methodology provided us with the regulator's guidance on expectations for our business plans.

We are pleased to present our performance for the third year of AMP7 in this APR, which is produced in line with Ofwat's guidance. It provides clear and transparent information on progress against the delivery of our customer outcomes, service levels, costs and financial and environmental performance.

Severn Trent Water Limited is the principal subsidiary of Severn Trent Plc. The full ownership structure of the Company within the Severn Trent Group can be found on the Severn Trent Plc website at [severntrent.com](https://www.severntrent.com).



2022/23 QUICK FACTS AND PERFORMANCE HIGHLIGHTS

| Quick facts |   |  |  |
|-------------|---|---|---|
| | Delivering water that is good to drink and is always there | Waste water taken safely away | Customer, community and environment |
| 79% | of operational measures green | | |
| 2.0 billion | Litres of drinking water supplied each day | 48% | Improvement in water quality complaints since 2016 |
| 2.8 billion | Litres of waste water treated each day | 5% | Year-on-year improvement in pollution incidents |
| 4.8 million | Households and businesses served | 9.3% | Reduction in leakage since 2020 |
| 6,998 | Average number of employees | 25% | Reduction in public sewer flooding since 2020 |
| | | 63% | Year-on-year reduction in persistent low pressure |
| | | 4* | EPA status for the fourth consecutive year |
| | | 7,727 | Hectares of land with improved biodiversity since 2020 |
| | | Read more about our performance in the Performance Summary section from page 41. | |

OUR STRATEGY

Introduction to our Strategy

We are guided by our Purpose – ‘taking care of one of life’s essentials’ – which forms the foundation on which we can build meaningful and long-standing relationships with our stakeholders. Our Values – ‘Having Courage’, ‘Embracing Curiosity’, ‘Showing Care’ and ‘Taking Pride’ – underpin our Purpose and reflect the deep connection that we have with the stakeholders we serve. And our Strategy – ‘performance driven, sustainability led’ drives us in everything we do.

What makes Severn Trent unique is our ability to consistently deliver sector-leading operational performance in a way that has a positive sustainable impact. Our Strategy to be ‘performance driven, sustainability led’ acknowledges our relentless drive to deliver the operational and financial performance that our stakeholders expect. We believe this is achieved when we strike the right long-term balance between our customers and communities, the environment we depend on, our workforce and our investors. Success is not about putting any one outcome or stakeholder’s

need at the heart of our business; success can be found through striking the right balance between the four strategic pillars outlined in our Strategy. Our Strategy is an ambitious evolution from an already successful business position, rather than a revolution. From Outcome Delivery Incentives (‘ODIs’) delivery to net zero programmes, catchment management approaches to Get River Positive river pledges and societal ambitions, our Strategy captures and pushes forward our ambitions to date.



Underpinned by our Values

Our **courage** drives us to set bold ambitions, our **curiosity** inspires us to try new approaches, our **caring** culture promotes fairness and equality for our people, customers and communities, and our **pride** ensures that we succeed on this journey.

Having Courage
We always do the right thing and have courage to challenge the norm and speak up if things aren’t quite right. We are prepared to step out of our comfort zones and act with both today and the future in mind.

Embracing Curiosity
We search out safe, better and faster ways of doing things through innovation and are always curious and willing to learn.

Showing Care
We keep our promises to customers and show care by treating everyone fairly and equally. We try to enhance the environment around us and spend every pound wisely.

Taking Pride
We make a difference for our customers every day, owning problems and working with others until they are solved. We take pride in what we do and champion our work in the communities we work and live in.

DELIVERING OUTCOMES OUR CUSTOMERS CARE ABOUT



Water always there
Our services are an essential part of everyone’s lives and we strive to keep water flowing for our customers at all times. Our campaign during the hot weather period in 2022 proved successful in delivering and sustaining demand reduction.

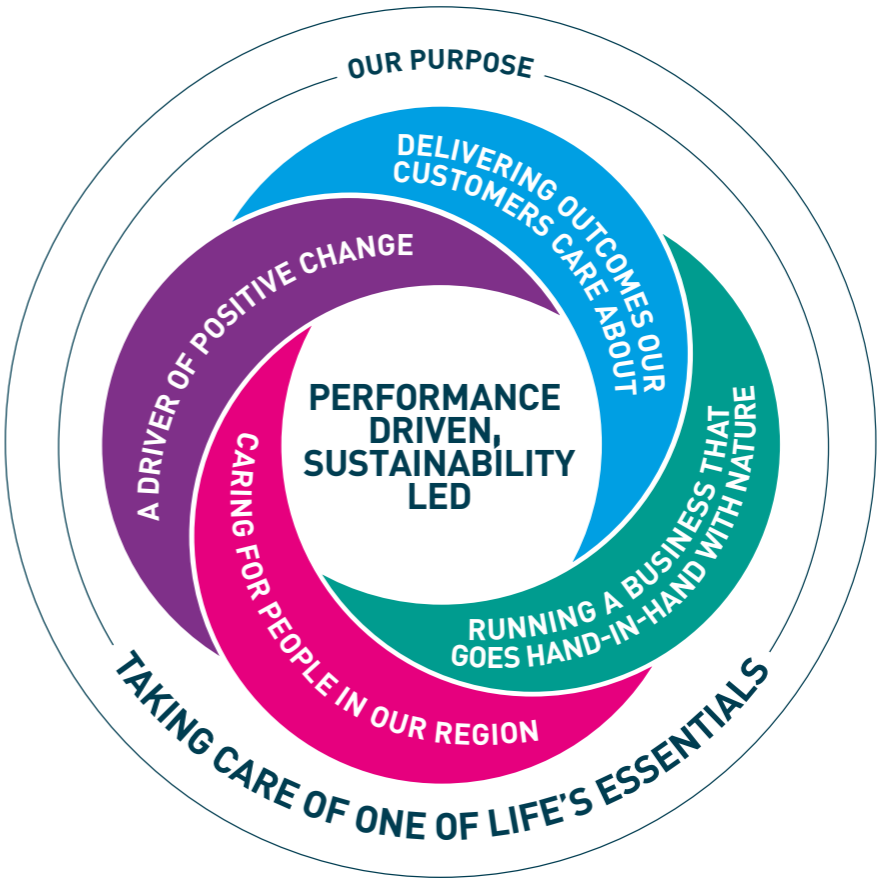
You can read more about our performance on pages 50 to 53

RUNNING A BUSINESS THAT GOES HAND-IN-HAND WITH NATURE



Get River Positive
The health of our rivers is important to all of us. That’s why in March 2022, we launched Get River Positive, to help make our region’s rivers the healthiest they can be. We have delivered significant improvements this year.

Read more on pages 20 to 23



CARING FOR PEOPLE IN OUR REGION



Our Societal Strategy
Launched in November 2022, we announced our ten-year vision to help change the lives of 100,000 people through tackling the underlying causes of poverty and improving the lives of people in our communities.

You can read more about our Societal Strategy and progress on page 29

A DRIVER OF POSITIVE CHANGE



Green Recovery
In July 2021, Ofwat approved our proposal to invest £566 million (2017/18 prices) in our ambitious Green Recovery Programme, providing a great opportunity to deliver positive outcomes for our customers, and long-term growth for the Company through these new investments.

Read about our progress in our [Green Recovery Report](#) online

DRIVING POSITIVE CHANGE

Severn Trent is committed to making decisions for the long term – decisions that deliver value for our shareholders, customers, the communities we serve and the environment, and treating all of our employees and other stakeholders fairly. Our culture and strong desire to do the right thing means that we continually look for innovative ways to deliver our Company Strategy.

GREEN RECOVERY PROGRAMME

In July 2021, Ofwat approved our proposal to invest £566 million (2017/18 prices) in our ambitious Green Recovery Programme, providing a great opportunity to support our sustainability ambitions. Two years on, our Green Recovery Programme is progressing well.

As well as delivering fantastic benefits for customers and the environment, this activity is also informing our future plans – particularly on scale deployment of innovative schemes, which are being shared with the wider sector.

£566 million

Read more in our [Green Recovery Report](#) online



GET RIVER POSITIVE

In March 2022, we announced our commitment to 'Get River Positive'; establishing five river pledges.

Through our significant investment, this year has seen us deliver significant improvements in river quality, reducing our share of RNAGS ('Reasons for Not Achieving Good Status') in our region by a third.

We want our stakeholders to hold us to account on issues of importance to them and we published our first Get River Positive Annual Report this year, which outlines the progress we have made since the launch of our river pledges.

5 pledges

Read more on our progress on pages 20 to 23 and online in our [Get River Positive Annual Report](#).



BIRMINGHAM 2022 COMMONWEALTH GAMES

We were proud to be the Official Nature and Carbon Neutral partner of the Birmingham 2022 Commonwealth Games held in July and August 2022 – by providing critical infrastructure to the Games, with 40 water bar stations, saving almost 500,000 plastic bottles, and continuing to plant our 2,022 acre legacy forest. This activity supported the Games' ambition to be the most sustainable ever.

Alongside these activities, our people, customers and communities worked together to create 72 Tiny Forests, one for each Commonwealth nation, in urban areas across our region, delivering a lasting legacy for the Games and creating inspiring outdoor classrooms for children to learn first hand about nature and the environment for many years to come.



DIVERSITY & INCLUSION

Over the last year we've put particular focus on championing the voices of colleagues from diverse backgrounds and we launched our 'Wonderfully You' campaign this year, which outlines our Diversity and Inclusion ambitions. This activity is supported by our established employee advisory groups for LGBTQ+, Ethnicity, Disability and Women in STEM and Operations. These groups have been fundamental to our progress to date and we were delighted that Severn Trent Plc was recognised as a Top 3 FTSE100 company for representation of women on the Board in the FTSE Women Leaders Review 2023.



Read more in our Wonderfully You strategy online at [severntrent.com/careers/inclusion](#)

AFFORDABILITY STRATEGY

In May 2022, we launched our new Affordability Strategy, which will see the number of customers supported through our social tariff increase by a further 100,000. This will mean that c.6% of our customers will be supported by our social tariff by the end of the AMP, and taken together with the other types of financial support we offer, we will be helping around 315,000 of our most financially vulnerable customers by the end of the AMP.

315,000 customers

Read more on page 44

DELIVERING POSITIVE OUTCOMES

Through consistently living and adhering to our Purpose and Values, we are able to focus on the delivery of our performance commitments. We work to achieve our outcomes in a sustainable way – be it through taking care of the environment, helping people thrive or being a trustworthy company. This is integral to the way we operate.

EMPLOYABILITY SCHEME

We care deeply about our communities and as a large employer we have a key role to play in skills regeneration in our region. We are now just over a year into our two-year commitment of offering 100,000 hours of free employability support in our communities.

To date we have delivered just over:

71,259 hrs
of training and
2,622 hrs
of employment experience.

COMMUNITY FUND

In our 2020-25 business plan, we pledged to create a new Severn Trent Community Fund that donates 1% of Severn Trent Water’s annual profits after tax (more than £10 million over five years) to good causes in our region.

In 2022/23, the Fund has awarded over £2 million, benefitting over 1 million Severn Trent customers. Since the Fund’s inception, a total of 682 organisations have received over £7.6 million.



Read more online at stwater.co.uk/about-us/severn-trent-community-fund/



SUSTAINABILITY COMMITMENTS AND PERFORMANCE

In 2019 we announced our Triple Carbon Pledge, committed to operational net zero emissions including 100% renewable energy and an all-electric fleet (where available) by 2030. This year we confirmed our Science-Based Targets in line with a 1.5°C pathway.

At COP26 we helped to launch the ‘Get Nature Positive’ campaign, aimed at reversing the negative impact on nature, and pledged to restore over 2,000 hectares of peatland. In 2020 we announced our decision to invest £1.2 billion in sustainability. Our dedicated Sustainability Report sets out the progress we are making against our sustainability commitments.

£1.2 billion

Read more in our Sustainability Report online at severntrent.com/sustainability-strategy/reports-and-publications/



OPERATIONAL EXCELLENCE

Our teams have worked together to deliver impressive operational performance once again. We’re proud to have met our targets on 79% of measures, demonstrating the breadth of our operational leadership. This performance resulted in a net reward of £27 million.

£27 million
Read more in our Performance section from page 41

This includes in-period ODIs only and is shown net of tax. In addition we are reporting an accrued £13.1 million end of AMP outperformance.



OUR PEOPLE

We experienced no major safety incidents and no fatalities in the last 12 months, with a 16% improvement in Lost Time Incidents (‘LTIs’) this year.

We maintained our strong employee engagement score again this year – with an average score of 8.4 out of 10 putting us in the top 5% of global energy and utility companies.

Our colleagues scored the question, asking whether they would recommend us as a place to work to a friend, 8.6 out of 10.

Top 5%

PERFORMANCE HIGHLIGHTS

Our Purpose is **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. We look after every drop of water all the way from our upland catchments to our customers’ taps, taking waste safely away and recycling it back into the environment – cleaner than we took it. We are pleased to present our progress against the delivery of our customer outcomes for the third year of our business plan for the 2020-25 period (known as ‘AMP7’).

We have met or exceeded target on 79% of our measures in 2022/23 and are delighted to achieve an improved score for our developer measure of experience (known as ‘D-MeX’). We’ve delivered exceptional performance across a number of measures including our biodiversity programme, best ever performance on drinking water quality complaints and persistent low pressure, alongside a strong performance on public sewer flooding and pollution incidents. However, we have seen underperformance on external sewer flooding, supply interruptions and the compliance risk index. This performance has resulted in an associated ODI outperformance of £27 million. We believe we will retain our sector-leading performance on ODI returns as a result of our teams’ continued hard work and creative solutions to deliver for our customers and the environment.

4*

EPA status
for the fourth
consecutive year

↑

79%
of measures
met or
exceeded target



WATER ALWAYS THERE

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



GOOD TO DRINK

Our treatment works clean raw water to the highest standards making it safe to drink.

GAINING MOMENTUM IN WATER

Our significant investment over the last few years has driven sustained improvements in our water quality complaints performance.

This year marks our sixth year-on-year improvement – a reduction of 8% on the prior year and a 48% reduction in complaints since 2016/17. Looking ahead, further investment is planned for AMP8, including installation of additional water quality monitors, to provide greater insight of our network and, where required, implementation of targeted interventions to drive further performance improvements for customers.

Notwithstanding this excellent progress, we’ve also made a huge improvement on our persistent low pressure measure with a massive 63% improvement on our APR22 outturn and our best performance so far this AMP on the measure. We’ve achieved this by continuing to use a flexible approach to develop innovative solutions for each capital programme.

Reducing supply interruptions remains a priority given the direct impact on our customers. We are pleased that our significant investment over the past few years has helped us deliver our best in-AMP performance at 9 minutes and 10 seconds; however, we are disappointed to have missed the stretching industry target.

Alongside our supply interruptions activity, we have also been working hard on our supply capacity. We are particularly proud of our leakage performance, having achieved our target for 11 out of the last 12 years, putting us on track to reduce leakage by 15% by 2025 and 50% by 2045 (from a three-year rolling average baseline set in 2019/20). We are pleased to have delivered a c.2% reduction this year, and a 9% reduction since 2019/20.

8%
improvement in
drinking water
quality complaints



OUR CUSTOMERS AND COMMUNITIES

We serve 4.8 million households and business with a safe and reliable supply of water and collect waste water seven days a week, every week of the year.

Committed to support
an additional 100,000
customers in water
poverty by 2025

CUSTOMER EXPERIENCE

We have worked hard to improve our customers’ experience when dealing with us. Our ambition is to ensure that all customer queries are dealt with in a timely manner and deliver an outstanding experience for all.

C-MeX, Ofwat’s measure of customer experience, 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 in the sector. We recognise there is more to do ensuring we can answer our customers’ queries at point of contact, and keeping customers informed.

We continue to perform well in developer services, with our D-MeX score ranking third this year.



WASTE WATER TAKEN SAFELY AWAY

Our network of sewers and pumping stations collects waste water, taking it back to our treatment works.

11%



increase in our blockages performance

WORKING SMARTER IN WASTE

Every day, we take almost 3 billion litres of our customers' waste water away, ready to be made safe to return to the natural environment. We have invested significantly in our waste operations over the last 30 years to deliver the services that our customers rightly expect and minimise our impact on the environment. We recognise that there is more we can do and we have a critical role in driving the improvements our customers expect.

We are proud of our total pollutions performance, which has seen a year-on-year improvement of 5.4%, along with an 7% increase in the proportion of pollutions self-reported this year. We are delighted that the Environment Agency (the 'EA') has awarded us 4* status in its Environmental Performance Assessment ('EPA') for the fourth consecutive year.



A THRIVING ENVIRONMENT

The natural environment is critical to our business; we are constantly interacting with it and we need to protect and enhance it whenever we can.

7,727

hectares of land with improved biodiversity since 2020



122,159



customer commitments to change behaviour

ENACTING OUR AMBITIOUS ENVIRONMENT PLANS

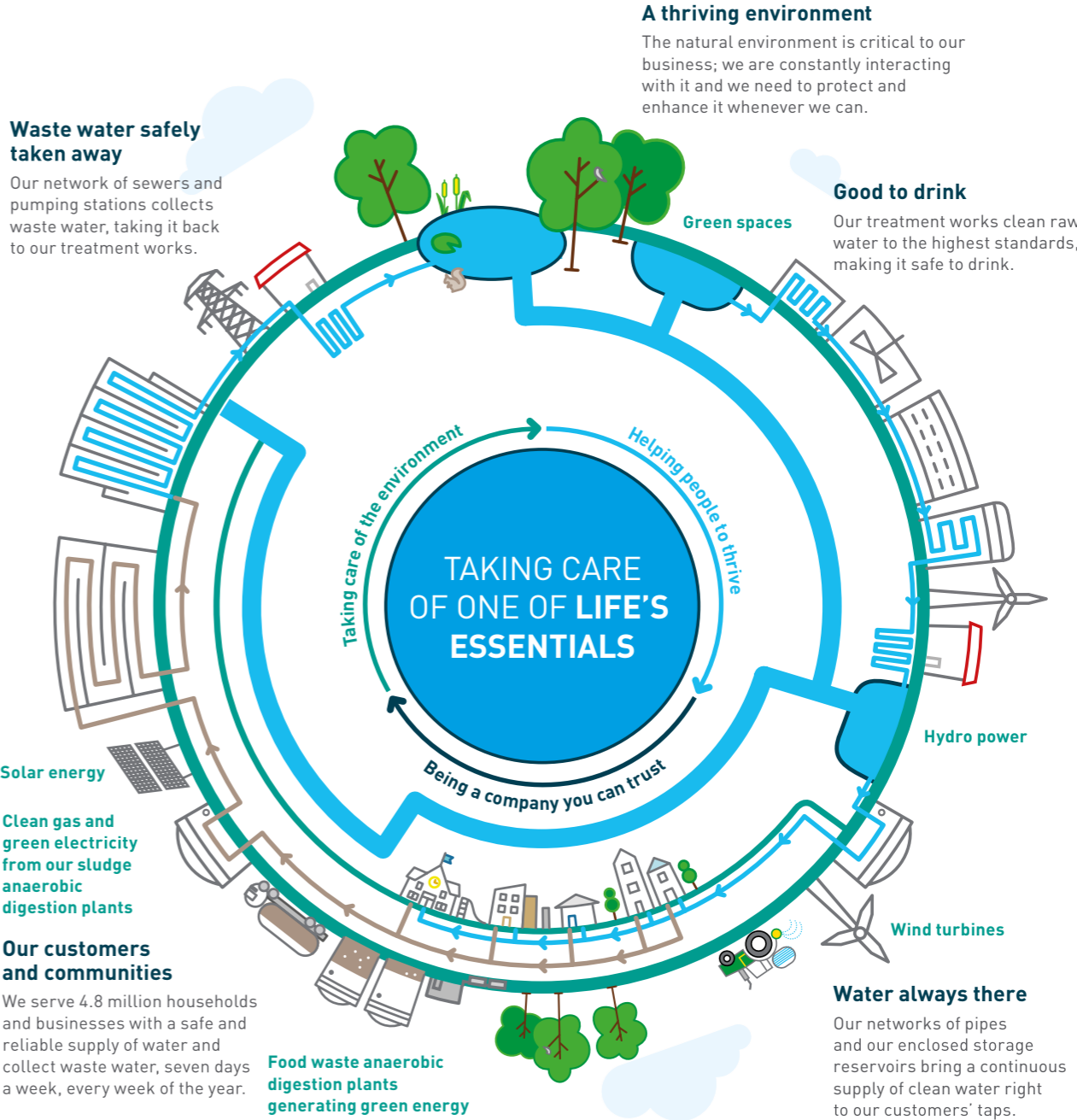
In 2020, we announced our Great Big Nature Boost, one of the biggest nature projects in the UK, to boost nature across 5,000 hectares of land in our region by 2027 and to plant 1.3 million trees. We are proud to have exceeded our biodiversity target four years early, and in May 2023, we announced that we will be extending and accelerating our commitment to improve biodiversity by doubling our target to 10,000 hectares by 2025. This now means our work will account for 2% of the nation's 2042 Nature Recovery Network target.

Working with our partners, we have planted almost 230,000 trees this year, taking our total to nearly 700,000, over halfway towards our 1.3 million target by 2030. This is a wonderful example of the associated benefits of our biodiversity ambitions, as these trees will also provide natural protection against the worst effects climate change, as well as enriching the natural environment of the communities we serve.

We are delighted with the Green Recovery outcome and have already started work on the new investments. You can read more in our dedicated Green Recovery Report published alongside the APR on our website.

In March 2022, we launched our Get River Positive pledges to improve river quality in our region. Read more on pages 20-23.

OUR BUSINESS MODEL



GET RIVER POSITIVE

We know that the health of our rivers is important to all of us. We understand why people feel let down by water companies when it comes to rivers, we know what needs to be done to make it right and we're doing it. We're delivering an industry-leading plan that includes bold commitments, such as by 2030 our operations will cause no harm to rivers¹. In the first year of this plan, we've reduced our impact by a third, but we know there's more to do, which is why we're continuing to invest hundreds of millions of pounds into making rivers the healthiest they can be.

We are fully committed at every level of the organisation – from the frontline to the boardroom – to making a positive impact on the environment and the communities we serve, and recognise that, as a sector, there is more that we should do to help our region's rivers be the healthiest they can be. Of course, the long-term success of our Company is naturally linked to the health of the environment and the wellbeing of our customers, colleagues and the communities we serve. And our sustainability commitments go beyond this – focused on making a positive impact in our region, for the people who live and work here and the environment around us. Which is why we have made good progress in improving the health of our region's rivers – in the last 32 years we have invested £12 billion in improving sewage treatment – which has helped reduce levels of phosphate by 81%, biochemical oxygen demand by 71% and ammonia by 72%. Notwithstanding the progress made, we know that we need to do more and play a leading role in helping others to make positive changes too.

In March 2022, we announced our commitment to 'Get River Positive' – which we will achieve through our five river pledges. In developing each of our pledges, we engaged with all of our stakeholders, including customers, local communities, NGOs, regulators and other key stakeholders and river user groups to listen to and understand their views. We will also report on our progress in delivering our pledges in an open and transparent way.

Alongside our five pledges, we have introduced a dedicated team of River Rangers, who will work with community groups and organisations such as Warwickshire Wildlife Trust to care for rivers and address issues across our region.

¹ As defined by the Environment Agency's RNAGS guidance.

We're moving faster and further to improve river quality. For instance, by the end of 2022 we had installed 100% of monitors on our c.2,400 combined sewer overflows ('CSOs'). These monitors record data every 2 or 15 minutes, providing us with over 300 million data records over the course of a year about how our CSOs are performing, ensuring that we are fulfilling the permit conditions as defined by the EA.

We have promised that our operations will not be the reason for any stretch of river in the whole Severn Trent region to be classified as unhealthy by 2030. We currently account for less than 16% of the harm to rivers in our region – down a third in the last 12 months alone and we have committed to reaching 0% by 2030.



Pledge One

Ensure storm overflows and sewage treatment works do not harm rivers



Pledge Two

Create more opportunities for everyone to enjoy our region's rivers



Pledge Three

Support others to improve care for rivers



Pledge Four

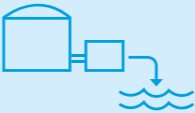
Enhance our rivers and create new habitats so wildlife can thrive



Pledge Five

Open and transparent about our performance and our plans

RIVERS – WE'RE DOING A WHOLE LOT MORE...



We've invested **£12 billion** since privatisation to improve our overall sewerage system, contributing to healthier rivers.



We've introduced a team of River Rangers.



We're continuing to invest over **£100 million** a year to protect our rivers and enable nature to thrive.



We'll have improved **2,100km** of rivers in our region by **2027**, through our Great Big Nature Boost.



We've launched a **£566 million** (2017/18 prices) Green Recovery Programme, with a **£78 million** commitment to bathing rivers and **£76 million** to alleviate flooding in Mansfield using nature-based solutions.



We've scored **24 out of a possible 25** Environmental Performance Assessment stars from the Environment Agency over the last five years up to **2021**.



During the first year of our commitment to 'Get River Positive', we've reduced our impact by a third, but we know there's more to do, which is why we're continuing to invest hundreds of millions of pounds into making rivers the healthiest they can be.

Liv Garfield, CEO



RIVER POSITIVE BY 2030

River quality remains a critical priority for our stakeholders. Our region’s river health is not just essential to the communities we serve, but also to the success of our business. We are committed to making a positive impact on the environment and recognise that, as a sector, there is more we need to do to help our region’s rivers be the healthiest they can be.

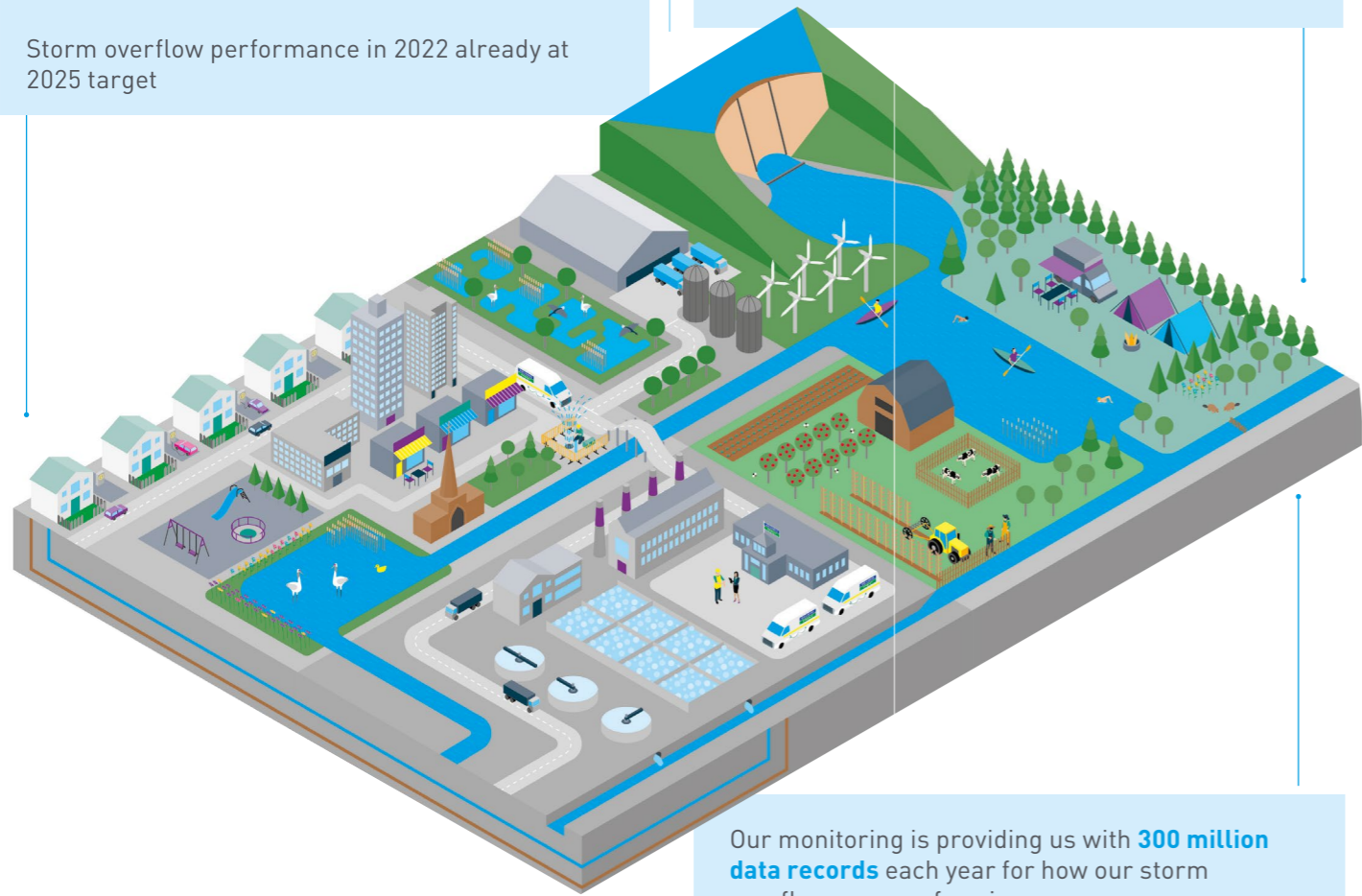
In March 2022, we announced our commitment to ‘Get River Positive’; establishing five river pledges. We provide an update on each of these pledges on the next page. Through our significant investment, this year has seen us deliver significant improvements in river quality, reducing our share of RNAGS (‘Reasons for Not Achieving Good Status’) in our region to 16%. We have reduced the number of RNAGS that Severn Trent are responsible for from 960 to 870 this year and we are aiming to drive this down to zero by 2030.

Five industry-leading pledges to make our region’s rivers the healthiest they can be, as quickly as possible

We continue to invest **£100 million a year** to improve our waste water infrastructure

Severn Trent is currently responsible for **16% of RNAGS** in our region and this continues to reduce

Storm overflow performance in 2022 already at 2025 target



24 out of a possible 25 EPA stars from the EA over the last five years

Over £278,000 granted to four regional community projects benefiting rivers

Our **ten full-time River Rangers** have attended over **110 meetings**, working with our partners environment groups and the local communities

Our monitoring is providing us with **300 million data records** each year for how our storm overflows are performing

PROGRESS AGAINST OUR RIVER PLEDGES IN 2022/23



PLEDGE ONE

ENSURE STORM OVERFLOWS AND SEWAGE TREATMENT WORKS DO NOT HARM RIVERS

We have delivered significant progress on our storm overflow performance, reducing activations from an average of 25 to 18 per year. Our share of RNAGS in our region has fallen from 24% to 16%. While this puts us well ahead of our plan, we are continuing to work hard to improve our region’s rivers, both through our own activity and supporting others to improve and care for rivers too.

While some of last year’s improvement can be attributed to 2022’s dry summer, the majority reflects the significant capital and operational investments we have made. For example, by increasing our investment in waste water treatment screens, which remove debris from flows into our works, we have been able to expand storm tank capacity, increasing the flow through our network. This activity is also being supported by our new training river at our Academy. This new experimental asset will help train more of our teams to respond safely and effectively to potential pollution events.



PLEDGE TWO

CREATE MORE OPPORTUNITIES FOR EVERYONE TO ENJOY OUR REGION’S RIVERS

We have made significant progress on our £78 million Bathing Rivers Green Recovery Programme over the past 12 months. In 2022, we launched our extensive river monitoring and sampling programmes and installed 76 water quality monitors on the rivers Leam and Teme. These monitors are in trial stage helping to build the best picture of current river health and provide the data we need to develop our forecasting tool for river users. We have invested in new and upgraded sewer infrastructure as well as trialling ozone disinfection technology to ensure that we continue to clean waste water to the highest possible standard.

We are also working in partnership with other stakeholders who impact river health, such as farmers, through our ‘Test, Protect and Improve’ programme, with the objective of educating stakeholders on the impact and prevention of faecal diseases.



PLEDGE THREE

SUPPORT OTHERS TO IMPROVE AND CARE FOR RIVERS

We are committed to taking the lead on many of the issues our region’s rivers face and to partner with others to make them the healthiest they can be. Over the last year, we have delivered a series of community roadshows, inviting customers to come along and hear about our Get River Positive plans, our Green Recovery Programme and the work we are doing to create Bathing Rivers in Warwickshire and Shropshire. To date, we have delivered eight events, attended by hundreds of people, with more scheduled in 2023/24.

While we do not own our region’s rivers, we recognise that we have an important role to play in improving river health. Our Get River Positive Community Fund has supported a number of community groups and charities that are as passionate as us about improving our region’s rivers – awarding over £278,000 since 2022 to brilliant projects that will have a positive impact on our region’s rivers.

We also launched our new package to promote regenerative farming practices in May 2022, with farmers in the Severn Trent region being offered matched funding of up to £30,000. To date, the package has supported 84 farmers across our region, encouraging environmentally friendly farming practices and protecting water quality.



PLEDGE FOUR

ENHANCE OUR RIVERS AND CREATE NEW HABITATS SO WILDLIFE CAN THRIVE

Our dedicated team of River Rangers was established in January 2022 and since then has carried out over 3,500 riverside inspections. These additional sampling and monitoring activities provide us with further data so we can better understand the quality of rivers in our region and inform any further action that may be required. Our River Rangers work closely with local stakeholders to build vital relationships as we all work towards the goal of making our region’s rivers the healthiest they can be.

Since January 2022, the team has attended over 110 meetings with partners and environment and community groups on the subject of river health.



PLEDGE FIVE

OPEN AND TRANSPARENT ABOUT OUR PERFORMANCE AND OUR PLANS

We have focused on improving the transparency of our reporting this year and continue to look at new ways, such as our Get River Positive Annual Report, to demonstrate our progress in a transparent way. We have Event Duration Monitors (‘EDMs’) on 100% of our storm overflows – 12 months ahead of the 2023 regulatory target. These monitors record data at 2 or 15 minute intervals, providing us with over 300 million data records about how our storm overflows are performing, ensuring we are fulfilling the permit conditions as defined by the EA.

In October 2022, we established our Get River Positive Independent Advisory Panel with the objective of helping to oversee our progress against each commitment and ensure we maximise the benefits our campaigns will deliver. The Panel meets on a quarterly basis to support activity around the pledges, providing advice and recommendations, and bringing new perspectives as well as feeding in relevant national plans, programmes and policies, especially in relation to the wider environmental agenda.

As part of our Community Champions scheme, every Severn Trent employee can spend two working days a year doing voluntary work to further support our Get River Positive commitments.

Our Green Recovery Team has launched an innovative floating wetland near our Church Wilne water treatment works site in Derbyshire. This project will help pre-treat the water, whilst also improving the biodiversity of 46 hectares. Each floating wetland naturally improves the surrounding water quality of the site, encourages habitat regeneration and supports numerous birds, mammals, invertebrates and aquatic life. We have created three floating wetlands to date, with a further 27 set to be launched in 2023/24.

OUR APPROACH TO BOARD LEADERSHIP, TRANSPARENCY AND GOVERNANCE

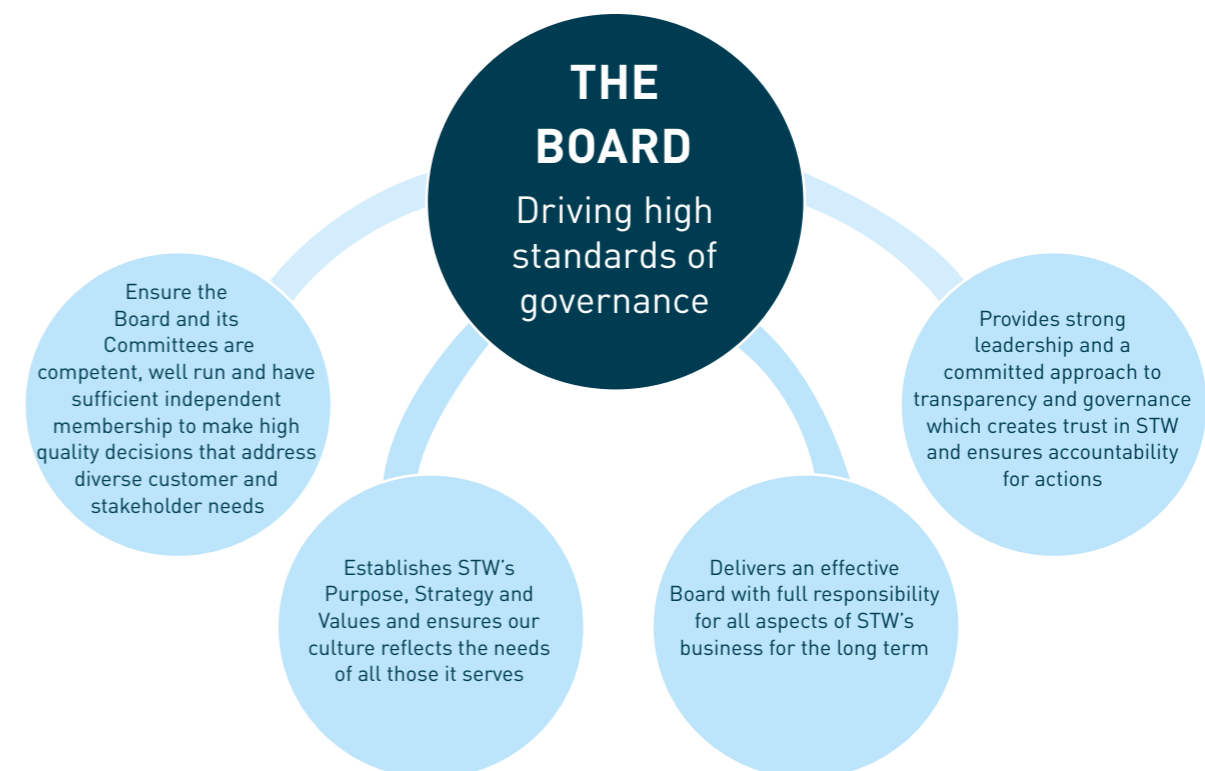
OUR APPROACH TO BOARD LEADERSHIP, TRANSPARENCY AND GOVERNANCE

Ofwat's revised principles, as set out in its Board leadership, transparency and governance framework (the 'Framework'), came into effect in April 2019 and reinforced the important role of effective corporate governance and strong board leadership in driving high standards and securing the proper discharge of functions.

Severn Trent Water's ('STW') Licence requires the Company to meet the Framework objectives and explain in an effective, accessible and clear manner how this has been achieved.

We regularly review how we report on matters relating to Board leadership and governance, to identify ways that this can be further enhanced, and feedback from stakeholders is welcomed.

The Board is satisfied that all objectives under the Framework have been met during 2022/23 and this section provides detail on how this has been achieved and outlines how the Company continues to deliver for its customers and other stakeholders.



Throughout this section we reference a number of different documents and reports that provide further detail to support our statements. You can find more detailed information about both our Severn Trent Water and Severn Trent Group policies on our websites.

We provide relevant cross references to these documents throughout this section and the Annual Performance Report.

Documents available at severntrent.com

- Severn Trent Plc Annual Report and Accounts
- Our Group Company Structure
- Detailed information about the Severn Trent Plc Board and Severn Trent Water Limited Board, along with their respective Articles of Association and Matters Reserved to the Board
- Our Code of Conduct, Doing the Right Thing
- Charter of Expectations
- Group Conflicts of Interest Policy
- Group Remuneration Policy

Documents available at stwater.co.uk

- Severn Trent Water Limited Annual Report and Accounts
- Our Assurance Plan
- Severn Trent Water Code of Practice

1.

OBJECTIVE: THE BOARD OF THE APPOINTEE ESTABLISHES THE COMPANY'S PURPOSE, STRATEGY, AND VALUES, AND IS SATISFIED THESE AND ITS CULTURE REFLECT THE NEEDS OF ALL THOSE IT SERVES.

The Board recognises the importance of the Company's Purpose, Values and culture in delivering long-term success and building and maintaining trust in its activities in order to provide water and waste water services for our customers and communities.

A. The Board develops and promotes the Company's purpose in consultation with a wide range of stakeholders and reflecting its role as a provider of an essential public service.

The Board reserves responsibility for establishing STW's Purpose and Values, which set the cultural tone of our organisation, guide our behaviours and express the intent behind what we do. We believe that if we are united by a clear social purpose we will deliver better outcomes for all our stakeholders – our customers, our colleagues, the society we live in and the environment we depend on. So at STW, we are first and foremost driven by our Purpose – **taking care of one of life's essentials** – and we are guided by our Values:

Having Courage

- We always do the right thing and have courage to challenge the norm and speak up if things are not quite right. We are prepared to step out of our comfort zones and act with both today and the future in mind.

Embracing Curiosity

- We search out safe, better and faster ways of doing things through innovation and are always curious and willing to learn.

Showing Care

- We help keep our promises to customers and show care by treating everyone fairly and equally. We try to enhance the environment around us and spend every pound wisely.

Taking Pride

- We make a difference for our customers every day, owning problems and working with others until they are solved. We take pride in what we do and champion our work in the communities we work and live in.

Our Purpose and Values were launched during 2019/20, following extensive consultation with our people – from the frontline of our operations to our Board – to rearticulate our Purpose and Values in a way that would be meaningful and inspiring for everyone, across the whole of the Severn Trent Group.

Our Purpose and Values are not solely for Severn Trent Water; they apply to all Group companies, including Hafren Dyfrdwy, the Group's other regulated water business.

Questions around Purpose, Values and strategy were posed to the workforce in our most recent employee engagement survey, QUEST. It is clear from the results that our Purpose and Values strongly resonate with our employees as demonstrated by the overall employee engagement score of 8.4 out of 10 – placing us in the top 5% of energy and utilities globally. Employees agree that our Values provide a good fit with the things they consider important in life and they feel inspired by the Purpose of our Group. The positive impact our Purpose and Values has had on the workforce will serve to hold us – collectively and individually – to account in making sure our actions always align with our Purpose and Values.

We are guided by our Purpose – 'taking care of one of life's essentials' – which forms the foundation on which we can build meaningful and long-standing relationships with our stakeholders. Our Values underpin our Purpose and reflect the deep connection that we have with the stakeholders we serve. And our Strategy – 'performance driven, sustainability led' drives us in everything we do.

Our Purpose and Values underpin our culture of Doing the Right Thing and this behaviour is demonstrated by our colleagues every day, in the decisions they make and the actions they take. The Board and Executive Committee recognise the importance of their roles in setting the tone for the Company's culture and they complete an e-learning course on our Code of Conduct, Doing the Right Thing, every year, together with all of our employees. We also expect our supply chain partners to apply the same standards to their behaviour so that we can ensure everyone who works for us adheres to the same responsible business practices.

B. The Board makes sure that the company's strategy, values and culture are consistent with its purpose.

The Board remains focused on delivering the Company's Purpose by ensuring that our Strategy to be 'performance driven, sustainability led' continues to drive the operational and financial performance that our stakeholders expect.

The Board places great importance on ensuring that the Group's culture and Values are established throughout the organisation, aligned across directorates and demonstrated consistently by everyone who works with us.

To support the creation of long-term value for the mutual benefit of our shareholders, employees, customers and communities, the Board recognises the importance of ensuring that the Severn Trent culture celebrates diversity and inclusion in all its forms, and embraces

individuals' contributions, no matter what their age, gender, race, ethnicity, disability, sexual orientation, social background, religion or belief.

As the external economic environment is expected to be challenging for some time, we will continue to review the support we provide to employees across all three pillars of wellbeing – physical, mental and financial – underlying the importance of making sure everything we do is consistent with our Purpose.

Doing the Right Thing, our Code of Conduct, helps us put our Values into practice. Our Values and Code of Conduct embody the principles by which the Group operates and provide a consistent framework for responsible business practices.

Our Code of Conduct sets out clear guidance on the standards of behaviour that we expect from everyone who works for us including our supply chain, contractors, and sub-contractors. Our Values apply to how we report information just as much as any other service we provide for our customers.

The Board also has oversight of a number of accompanying policies. These policies, together with Doing the Right Thing, explain how to identify and deal with suspected wrongdoing, fraud or how to ensure that the highest standards of safety are maintained, and how to apply good ethics and sound judgment.

C. The Board monitors and assesses values and culture to satisfy itself that behaviour throughout the business is aligned with the company's purpose. Where it finds misalignment it takes corrective action.

The Board recognises the importance of the Company's Strategy, Purpose, Values and culture and the integral part they play in delivering long-term success, and building and maintaining trust. As such the Board monitors and assesses the culture of the Group, meeting regularly with the Executive Committee and wider management to review the outcome of engagement with our employees and stakeholders.

During the year, the Board has focused on deepening its understanding of the Group's culture even further, through a dedicated Employee Voice session in November 2022. The session was centred on the results of our employee survey, QUEST, which also took place in November 2022, and other relevant data. The Board considered the positive and more challenging aspects revealed by the survey and discussed the Company's approach to addressing areas of employee focus. The Board takes seriously the results and comments that arise from these surveys and it is a main focus of the Board to make sure that management implements any required interventions in a timely manner.

In addition to regular meetings, the Board undertakes site visits. These enable the Board to understand the culture across the Group and allow Board members to review progress against the Group's people strategy, which focuses on employee health, safety and wellbeing and diversity and inclusion. With the return to office environments following COVID-19, many colleagues told us they felt frustrated with the lack of physical spaces and technology available for meetings and collaboration. In addition, some colleagues felt that improvements could be made to the technology available to facilitate continued use of online meetings. Following publication of the QUEST results, we immediately constituted a dedicated workstream to review our working environments on our sites and were able to address the issues raised.

The Board is responsible for assessing and monitoring the Group's culture, and regularly considers items relating to the workforce as part of its responsibilities.

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. Our Company Forum facilitates this in a structured way. Members of the Board attend the Company Forum, which meets four times a year, on a rotational basis, so that each Director gets to listen directly to what employees have to say and for our employees to observe first hand matters that the Board is reviewing.

The Company Forum agenda is wide-ranging and topics for discussion this year have included working time and fatigue, an overview of the occupational health contract tender and ongoing dialogue on company-wide initiatives such as our Societal Strategy, diversity and inclusion, and new talent. There are also regular updates on company performance, year end results, and all large change programmes.

These direct interactions with employees allow our Board to understand first hand the key issues identified by our workforce and provide an opportunity to feedback specific personal insights.

BOARD FOCUS AREAS IN 2022/23

- Scrutinised operational performance at every meeting.
- Considered the Company's approach to addressing society's expectations in relation to river quality and protecting and enhancing the environment.
- Reviewed the Company's Strategy, five-year plan and budget.
- Scrutinised progress against the Board's objectives and ensured they continued to align with the Company's Purpose and Values.
- Discussed and reviewed regular updates on the Company's culture and employee engagement, including satisfying itself that workforce policies and practices were consistent with the Company's Values and culture.
- Considered our Affordability Strategy and approved the Company's Societal Strategy to ensure the Company continues to support our most vulnerable customers in the post-pandemic environment.
- Reviewed the role the Company must play in the Levelling Up agenda, including opportunities in under-invested areas of our region.
- Discussed and reviewed the Company's Net Zero Transition Plan as climate change remains a crucial focus.

The Company's long-term success depends on our commitment to exceptional corporate governance standards. We believe good corporate governance is about how we provide confidence in the delivery of our performance to our stakeholders and is essential for the long-term sustainable success of our business. We pride ourselves on having a high-functioning, well-composed, independent and diverse Board and being transparent in all that we do.

Maintaining the highest standards of governance is integral to the successful delivery of our Strategy. Our 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.

Our Board continually monitors, assesses and reinforces our Values and culture to satisfy itself that the behaviours throughout the business are aligned with the Company's Purpose. Where misalignment is identified by our Board, appropriate corrective action is taken.

WHISTLEBLOWING

Our Whistleblowing Policy, 'Speak Up', sets out the ethical standards expected of everyone that works for, and with us, and includes the procedure for raising concerns in strict confidence. Our workforce can raise concerns through their line manager, senior management and through our confidential and independent whistleblowing helpline, 'Safecall'.

All investigations are carried out independently with findings being reported directly to the Audit and Risk Committee. The Board as a whole monitors and reviews the effectiveness of the Company's whistleblowing arrangements annually, to ensure that it has sufficient oversight of whistleblowing to support its work on culture, risk and stakeholder engagement and all significant whistleblowing matters are reported directly to the Board.

The Board has reviewed these arrangements again this year, noting the proposed improvements to the process, and is satisfied that they are effective, facilitate the proportionate and independent investigation of reported matters and allow appropriate follow-up action to be taken.

D. Companies' annual reporting explains the board's activities and any corrective action taken. It also includes an annual statement from the board focusing on how the Company has set its aspirations and performed for all those it serves.

As a provider of an essential public service, the importance of delivering for all our customers is constantly being considered by the Board. Our PR19 business plan for AMP7 was designed to meet the expectations of our customers and wider society, both as a water and waste water service provider.

Our Purpose, 'Taking care of one of life's essentials', unites everyone at Severn Trent Water and underpins our Strategy. Now, more than ever, we know that taking care of one of life's essentials means that what we do really matters to the families, businesses and communities we serve.

As we drive progress in the water sector now and in the future we are committed to delivering a service that benefits our customers and the local community and also contributes to the wellbeing of the wider society. Our Purpose is central to all that we do and the Board recognises the importance of the Company's Strategy, Purpose, Values and culture and the integral part it plays in delivering long-term success, and building and maintaining trust.

The Board focuses on our Purpose when determining how the Company should operate and when considering

the impact of their decisions on all of our stakeholders, including customers, colleagues, communities, the environment regulators and government, suppliers and contractors. We engage with stakeholders on an ongoing basis to understand these impacts and their view of our Company. The Board actively engages with all stakeholders throughout the year in a number of ways.

Read more about how the Board engages with all of our stakeholder groups in the Severn Trent Water Limited Annual Report and Accounts 2022/23.

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, 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 our Company.

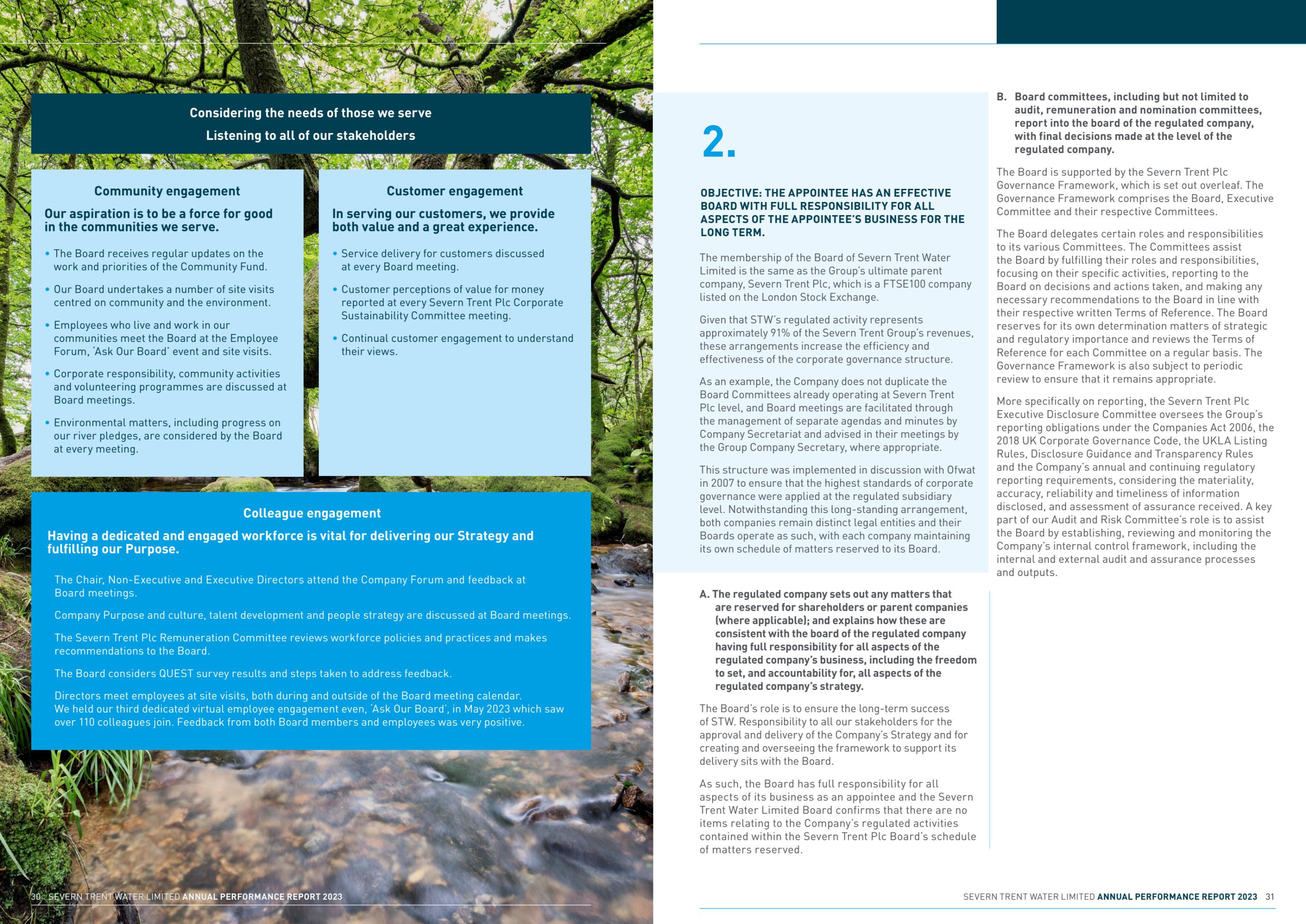
To understand which areas matter most to our customers and stakeholders, the Board engages with all stakeholders regularly. This enables the Board to take account of differing views in its decision making, to fully consider the consequences of the actions taken. The page overleaf gives examples of how the Board engages with our stakeholders.

DEVELOPING OUR SOCIETAL STRATEGY

We have a range of measures in place to help support customers who are experiencing affordability pressures. The pandemic and recent geopolitical events in Ukraine have exacerbated affordability and cost of living pressures. Inflation is now the highest it has been since 1992 and households are seeing significant price rises, notably for electricity, gas, food and petrol. As a result, many more households now find themselves in water poverty.

As a socially responsible company that genuinely cares about its customers and the communities it serves, the Company launched its Societal Strategy in November 2022, which focuses on the underlying causes of water poverty to address the drivers of long-term affordability issues and contribute to the wider levelling-up agenda given the overlap between water poverty and income poverty. The Board developed the Societal Strategy with the objective of addressing affordability in the immediate term and proposing a multi-AMP strategy to eradicate water poverty in our region by improving the life chances of people in our communities.

You can read more about our Societal Strategy at stwater.co.uk.



Considering the needs of those we serve
Listening to all of our stakeholders

Community engagement

Our aspiration is to be a force for good in the communities we serve.

- The Board receives regular updates on the work and priorities of the Community Fund.
- Our Board undertakes a number of site visits centred on community and the environment.
- Employees who live and work in our communities meet the Board at the Employee Forum, 'Ask Our Board' event and site visits.
- Corporate responsibility, community activities and volunteering programmes are discussed at Board meetings.
- Environmental matters, including progress on our river pledges, are considered by the Board at every meeting.

Customer engagement

In serving our customers, we provide both value and a great experience.

- Service delivery for customers discussed at every Board meeting.
- Customer perceptions of value for money reported at every Severn Trent Plc Corporate Sustainability Committee meeting.
- Continual customer engagement to understand their views.

Colleague engagement

Having a dedicated and engaged workforce is vital for delivering our Strategy and fulfilling our Purpose.

The Chair, Non-Executive and Executive Directors attend the Company Forum and feedback at Board meetings.

Company Purpose and culture, talent development and people strategy are discussed at Board meetings.

The Severn Trent Plc Remuneration Committee reviews workforce policies and practices and makes recommendations to the Board.

The Board considers QUEST survey results and steps taken to address feedback.

Directors meet employees at site visits, both during and outside of the Board meeting calendar. We held our third dedicated virtual employee engagement even, 'Ask Our Board', in May 2023 which saw over 110 colleagues join. Feedback from both Board members and employees was very positive.

2.

OBJECTIVE: THE APPOINTEE HAS AN EFFECTIVE BOARD WITH FULL RESPONSIBILITY FOR ALL ASPECTS OF THE APPOINTEE'S BUSINESS FOR THE LONG TERM.

The membership of the Board of Severn Trent Water Limited is the same as the Group's ultimate parent company, Severn Trent Plc, which is a FTSE100 company listed on the London Stock Exchange.

Given that STW's regulated activity represents approximately 91% of the Severn Trent Group's revenues, these arrangements increase the efficiency and effectiveness of the corporate governance structure.

As an example, the Company does not duplicate the Board Committees already operating at Severn Trent Plc level, and Board meetings are facilitated through the management of separate agendas and minutes by Company Secretariat and advised in their meetings by the Group Company Secretary, where appropriate.

This structure was implemented in discussion with Ofwat in 2007 to ensure that the highest standards of corporate governance were applied at the regulated subsidiary level. Notwithstanding this long-standing arrangement, both companies remain distinct legal entities and their Boards operate as such, with each company maintaining its own schedule of matters reserved to its Board.

A. The regulated company sets out any matters that are reserved for shareholders or parent companies (where applicable); and explains how these are consistent with the board of the regulated company having full responsibility for all aspects of the regulated company's business, including the freedom to set, and accountability for, all aspects of the regulated company's strategy.

The Board's role is to ensure the long-term success of STW. Responsibility to all our stakeholders for the approval and delivery of the Company's Strategy and for creating and overseeing the framework to support its delivery sits with the Board.

As such, the Board has full responsibility for all aspects of its business as an appointee and the Severn Trent Water Limited Board confirms that there are no items relating to the Company's regulated activities contained within the Severn Trent Plc Board's schedule of matters reserved.

B. Board committees, including but not limited to audit, remuneration and nomination committees, report into the board of the regulated company, with final decisions made at the level of the regulated company.

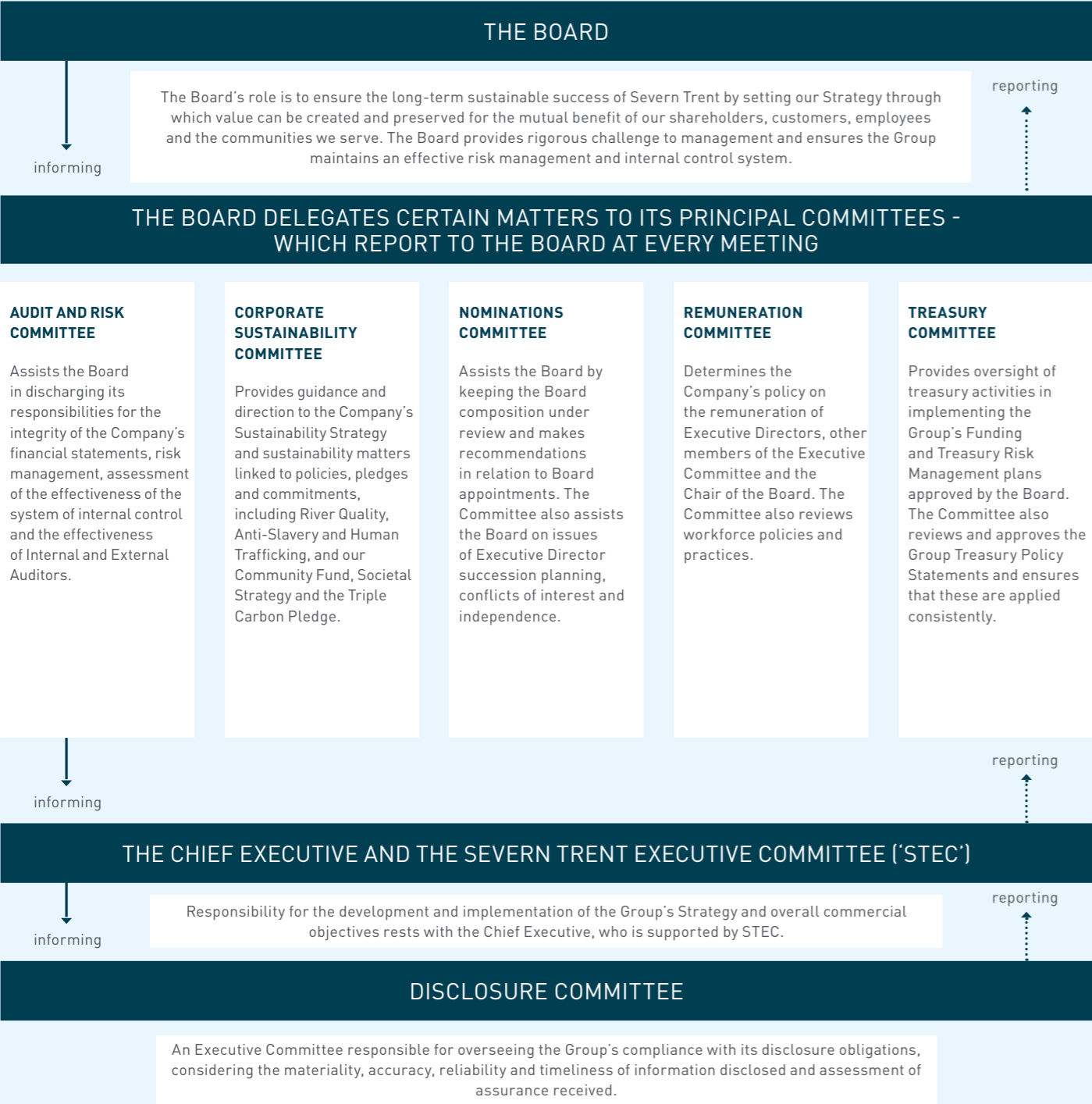
The Board is supported by the Severn Trent Plc Governance Framework, which is set out overleaf. The Governance Framework comprises the Board, Executive Committee and their respective Committees.

The Board delegates certain roles and responsibilities to its various Committees. The Committees assist the Board by fulfilling their roles and responsibilities, focusing on their specific activities, reporting to the Board on decisions and actions taken, and making any necessary recommendations to the Board in line with their respective written Terms of Reference. The Board reserves for its own determination matters of strategic and regulatory importance and reviews the Terms of Reference for each Committee on a regular basis. The Governance Framework is also subject to periodic review to ensure that it remains appropriate.

More specifically on reporting, the Severn Trent Plc Executive Disclosure Committee oversees the Group's reporting obligations under the Companies Act 2006, the 2018 UK Corporate Governance Code, the UKLA Listing Rules, Disclosure Guidance and Transparency Rules and the Company's annual and continuing regulatory reporting requirements, considering the materiality, accuracy, reliability and timeliness of information disclosed, and assessment of assurance received. A key part of our Audit and Risk Committee's role is to assist the Board by establishing, reviewing and monitoring the Company's internal control framework, including the internal and external audit and assurance processes and outputs.

OUR GOVERNANCE FRAMEWORK: EFFECTIVE GOVERNANCE LED BY OUR BOARD

We pride ourselves on having a high-functioning, well-composed, independent and diverse Board and being transparent in all that we do. Maintaining the highest standards of governance is integral to the successful delivery of our Strategy. Our 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.



C. The board of the regulated company is fully focused on the activities of the regulated company; takes action to identify and manage conflicts of interest, including those resulting from significant shareholdings; and ensures that the influence of third parties does not compromise or override independent judgement.

Severn Trent Plc has a Conflicts of Interest Policy in place for all Group companies, including STW. Our Board and its Committees consider potential conflicts at the outset of every meeting and the Board formally reviews the authorisation of any potential conflicts of interest every six months with any conflicts being recorded in the Conflicts of Interest Register.

The Conflicts of Interest Register sets out any actual or potential conflict of interest situations which a Director has disclosed to the Board in line with their statutory duties and the practical steps that are to be taken to avoid conflict situations. When reviewing conflict authorisations, the Board considers any other appointments held by the Director as well as the findings of the annual Board Effectiveness evaluation. The Policy continues to be applied practically throughout the year, such as considering the potential conflict presented by Directors having roles on other Group companies.

Board members hold external directorships and other outside business interests and we recognise the significant benefits that greater boardroom exposure provides for our Directors. However, we closely monitor the nature and number of external directorships our Directors hold in order to satisfy ourselves that any additional appointments will not adversely impact their

time commitment to their role at Severn Trent, and to ensure that all of our Board members remain compliant with the shareholder advisory groups' individual guidance on 'overboarding'. These requirements specify a limit on the number of directorships both Executive and Non-Executive Directors are permitted to hold. Our Independent Non-Executive Directors commit sufficient time to discharging their responsibilities as Directors of STW in line with the requirements set out in our Charter of Expectations. Details of the Directors' external directorships can be found in their biographies on page 101 of the Severn Trent Water Limited Annual Report and Accounts 2022/23.

Before committing to an additional appointment, Directors confirm the existence of any potential or actual conflicts; that the role will not breach their overboarding limit; and provide the necessary assurance that the appointment will not adversely impact their ability to continue to fulfil their role as a Director. Directors are required to obtain formal approval from the Board ahead of undertaking any new external appointments and approval was sought during the year in relation to external appointments for both Executive and Non-Executive Directors. In each case, the Board determined that there would be no impact on the time commitment required for each Director, nor on the independence and objectivity required to discharge the agreed responsibilities of each role. The resultant position is believed to be consistent with applicable shareholder advisory groups' guidelines on overboarding. The Conflicts of Interest Policy continues to be applied practically throughout the year, such as considering the potential conflict presented by Directors having roles on other Group companies.



3.

OBJECTIVE: THE BOARD OF THE APPOINTEE’S LEADERSHIP AND APPROACH TO TRANSPARENCY AND GOVERNANCE ENGENDERS TRUST IN THE APPOINTEE AND ENSURES ACCOUNTABILITY FOR THEIR ACTIONS.

A. An explanation of group structure.

Severn Trent Water Limited is the principal operating subsidiary of Severn Trent Plc, which means we operate at the high standards expected of a publicly listed company.

The ownership structure of Severn Trent Water Limited can be found on the Severn Trent Plc website.

B. An explanation of dividend policies and dividends paid, and how these take account of delivery for customers and other obligations (including to employees).

Our current dividend policy is set out in the Regulatory Statements section from page 78, alongside information about the dividends the Company has paid and how these take account of delivery for customers and the obligations we have to other stakeholders.

Severn Trent Plc publishes its own Annual Report and Accounts and a history of dividend payments by Severn Trent Plc going back to 1990 is available on the Severn Trent Plc website. Severn Trent Plc’s dividend policy is disclosed in its Annual Report and Accounts to ensure clarity about how investors are rewarded based on our performance through the Group’s activities. We believe we are prudent in how we manage financial risk and even-handed in the way we share the returns from our outperformance with customers and shareholders; we pay our taxes in full and on time; and we pay dividends and Executive salaries that are reasonable and sustainable and linked to the delivery of outcomes to customers. Further information can be found in the Severn Trent Plc Annual Report and Accounts.

C. An explanation of the principal risks to the future success of the business, and how these risks have been considered and addressed.

The Principal Risks and uncertainties to the success of the business and the ways in which these risks are managed, monitored and mitigated are set out on pages 75 to 79 of the Severn Trent Plc Annual Report and Accounts 2022/23 and pages 59 to 68 of the Severn Trent Water Limited Annual Report and Accounts 2022/23.

D. The annual report includes details of board and committee membership, number of times met, attendance at each meeting and where relevant, the outcome of votes cast.

As at 31 March 2023, the following individuals were Directors of Severn Trent Water Limited. At the date of publication of this report all Directors are still serving on the Board apart from where indicated. As part of our succession plans, and following the announcement, in February 2023, of James Bowling’s intention to retire, it was announced that, following a rigorous internal and external search and selection process, our Capital and Commercial Services Director Helen Miles would succeed James as CFO. Helen was appointed as Executive Director of the Company on 1 April 2023, with the title of CFO Designate and succeeded James as CFO following the conclusion of the Severn Trent Plc Annual General Meeting on 6 July 2023.

| | |
|---------------------|--|
| Christine Hodgson | Chair |
| Kevin Beeston | Senior Independent Director |
| James Bowling | Chief Financial Officer (Retired 6 July 2023) |
| John Coghlan | Independent Non-Executive Director |
| Liv Garfield | Chief Executive |
| Sharmila Nebhrajani | Independent Non-Executive Director |
| Gillian Sheldon | Independent Non-Executive Director (Appointed 1 November 2021) |
| Tom Delay | Independent Non-Executive Director (Appointed 1 January 2022) |
| Sarah Legg | Independent Non-Executive Director (Appointed 1 November 2022) |

As at the date of this report, our Board comprised the Chair (who was independent on appointment), six Independent Non-Executive Directors and two Executive Direcors. The details of their career backgrounds, relevant skills, Committee membership, tenure and external appointments can be found within their individual biographies on page 101 of the Severn Trent Water Limited Annual Report and Accounts 2022/23.

E. An explanation of the company’s executive pay policy and how the criteria for awarding short and long-term performance related elements are substantially linked to stretching delivery for customers and are rigorously applied. Where directors’ responsibilities are substantially focused on the regulated company and they receive remuneration for these responsibilities from elsewhere in the group, policies relating to this pay are fully disclosed at the regulated company level.

Executive pay policy

Executive pay is subject to rigorous scrutiny from the Severn Trent Plc Remuneration Committee that operates on behalf of all Group companies, including STW, as outlined above. The Remuneration Committee is advised by appointed independent advisers, and their decisions are published as part of the Severn Trent Plc Annual Report and Accounts and matters of relevance to STW are disclosed within the dedicated Severn Trent Water Annual Report and Accounts 2022/23 on pages 126 to 130, ensuring full transparency about our Executive pay decisions for our customers, wider society and the environment. As a key part of our approach to demonstrate transparency, any targets are measurable so that our performance against them can be independently verified.

Our Remuneration Policy is aligned to our Purpose and Strategy, thereby incentivising great customer service and the creation of long-term value for all our stakeholders.

We operate two main incentive plans, our annual bonus, and our long-term incentive plan (‘LTIP’). Both of our incentive plans are designed to be stretching and reward delivery for our customers, communities and the environment.

Annual bonus scheme

Our annual bonus scheme (‘ABS’) is structured so that most (51%) of the reward is based on service performance (Customer ODIs), a health and safety measure, and environmental performance.

Our Get River Positive river pledges are now built into our ABS, meaning everybody in the Company is incentivised on achieving these vitally important targets, with the remainder being based on Profit Before Interest and Tax (‘PBIT’).

We operate an ABS across the Group, which reflects our belief that all our employees play a part in the creation of value for our stakeholders.

Base pay awards for Executives Directors are also no higher than the wider workforce. We are passionate about fairness and as such believe that our Values are reinforced by incentivising every employee in the same manner and rewarding them for the same shared objectives.

Within the current bonus plan, as well as setting ourselves stretching targets, we group the ODIs into three categories: ‘Minimise disruption to customers’;

‘Prevent failure in our network and our sites’; and ‘Improve the environment we live in’. This ensures that the environment cannot be ignored in favour of other measures. In determining the bonus outturn for any given year, we ensure that performance is assessed in the round through a number of lenses, to incorporate a variety of stakeholder perspectives. We have no hesitation in reducing the bonus where it is the right thing to do in the circumstances. After assessing performance against annual targets and fully considering performance in the round, the Remuneration Committee approved a bonus payment for our Executive Directors in 2022/23. As the Committee judged that the formulaic outcomes were stretching and they were not disproportionate to performance in the round, no element of performance related pay was forgone.

Whilst we have consistently focused on connecting remuneration to environmental outcomes, we recognise the strength of external opinion on the performance of the sector and made further changes to our ABS during the year to strengthen the focus on environmental performance – increasing the weighting of environmental measures within our ABS to 20%. For 2023/24 we are going even further and increasing the weighting to 30%.

Increasing this element of the ABS structure will reinforce the importance that the Company places on river health and emphasise the pivotal role we know we play in contributing towards and advocating for that health.

LTIPs

Our LTIPs operate over a three-year period and are based primarily on the Return on Regulated Equity (‘RoRE’) as a strong composite measure that incentivises long-term performance and delivery for stakeholders. As part of the 2021 Remuneration Policy review, we introduced sustainability measures to the LTIP that account for 20% of the maximum pay out. In the current three-year plan, the environmental measures are focused on reducing our carbon impact.

All of our incentive schemes have malus and clawback provisions that allow the Remuneration Committee to reduce or recoup any past incentive payments from individual Executives if they later learn of information that was material to the incentive scheme outcome after the time of the award. 50% of any Executive Director annual bonus is awarded in shares that are deferred for three years. Should an Executive Director leave, they are contractually required to hold shares for at least two years after leaving the Company.

Details of our Remuneration Policy are set out within the Regulatory Statements section from page 78 and within the Remuneration Committee Report within the Severn Trent Water Limited Annual Report and Accounts 2022/23. This section explains how the criteria for awarding short and long-term performance elements are substantially linked to stretching delivery for customers and are rigorously applied.

4.

OBJECTIVE: THE BOARD OF THE APPOINTEE AND THEIR COMMITTEES ARE COMPETENT, WELL RUN, AND HAVE SUFFICIENT MEMBERSHIP, ENSURING THEY CAN MAKE HIGH QUALITY DECISIONS THAT ADDRESS DIVERSE CUSTOMER AND STAKEHOLDER NEEDS.

As a subsidiary of a FTSE100 listed Company, Severn Trent Water Limited has chosen to apply the principles of the 2018 UK Corporate Governance Code (the ‘2018 Code’) to its governance arrangements where appropriate and reasonably practicable to ensure the highest standards of governance. The Board complies with the Severn Trent Plc Board Governance Framework and its Matters Reserved to the Board.

There is clear division between Executive and Non-Executive responsibilities, which ensures accountability and oversight. The Chair and the other Independent Non-Executive Directors meet routinely without the Executive Directors, and individual Directors undertake site visits to gain first hand experience of our operations and engage with our workforce.

Subsidiary company boards are managed through designated governance processes. In particular, the relationships between Severn Trent Water Limited and our other businesses, such as our Green Power and Services businesses are monitored and controlled to ensure that regulatory requirements and obligations under competition law are complied with in respect of all transactions between them, or with third parties.

The needs of our different stakeholders as well as the consequences of any decision in the long term are well considered by the Board. Our stakeholder engagement processes enable our Board to understand what matters to stakeholders and carefully consider all the relevant factors and select the course of action that best leads to the success of Severn Trent in the long term. Further detail can be found in our dedicated Section 172 Statement on pages 88 to 92 within the Severn Trent Water Annual Report and Accounts 2022/23.

A. Boards and board committees have the appropriate balance of skills, experience, independence and knowledge of the Company. Boards identify what customer and stakeholder expertise is needed in the boardroom and how this need is addressed.

Maintaining the highest standards of governance is integral to the effective delivery of our Strategy and requires that the Board takes decisions that create sustainable long-term value for the mutual benefit of our shareholders, customers, employees and the communities we serve. The operation of our Board is supported by the collective experience of the Directors and the diverse skills and experience they possess.

Our Board’s collective experience enables it to reach decisions in a focused and balanced way, supported by independent thought and constructive debate between our Directors. Trust and mutual respect are the cornerstones of relationships between our Directors, with a Board dynamic that supports open and honest conversations to ensure decisions are taken for the benefit of the Company in full consideration of the impact on all stakeholders.



Board skills and experience

The Board benefits from a wide range of backgrounds and strengths. The table below provides an overview of the number of Board members with specific skills, experience and knowledge as a way of demonstrating the different aspects the Directors bring to the Board. Full biographies for each Director can be found on page 101 in the Severn Trent Water Limited Annual Report and Accounts 2022/23.

The skills matrix below details some of the key skills and experience that our Board has identified as particularly valuable for the effective oversight of the Company and execution of our Strategy, and indicates which Directors bring those particular skills to the boardroom.

| Board skills | Kevin Beeston | John Coghlan | Tom Delay | Liv Garfield | Christine Hodgson | Sharmila Nebhrajani | Sarah Legg | Helen Miles | Gillian Sheldon |
|--|---------------|--------------|-----------|--------------|-------------------|---------------------|------------|-------------|-----------------|
| Strategy | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| M&A | ✓ | ✓ | | ✓ | ✓ | | ✓ | ✓ | ✓ |
| Corporate finance/Treasury | ✓ | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ |
| Accounting | ✓ | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ |
| Regulation | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Technology/Innovation/Cyber | | ✓ | | ✓ | ✓ | ✓ | ✓ | | ✓ |
| Customer | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ |
| Brands | ✓ | | ✓ | | ✓ | | | | ✓ |
| Engineering | | | ✓ | | | | | | |
| Utility sector | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ | |
| Science | | | | ✓ | | ✓ | | | ✓ |
| Sustainability, including climate change | | | ✓ | ✓ | ✓ | ✓ | | | |
| People management | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Commercial procurement | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ |
| Construction/Infrastructure delivery | ✓ | ✓ | | ✓ | | | | ✓ | |
| Large capital programmes | | ✓ | | ✓ | ✓ | | ✓ | ✓ | |
| Political affairs | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ |

B. Independent non-executive directors are the largest single group on the board.

As at 31 March 2023, the Board comprised the Chair (who was considered independent on appointment), six Independent Non-Executive Directors and another two Executive Directors.

During 2022/23, Independent Non-Executive Directors formed the largest single group on the Board, at any time comprising between 67-70% of the Board’s membership. Helen Miles was appointed as an Executive Director on 1 April 2023 and James Bowling retired from the Board on 6 July 2023. Therefore, as at the date of this report, the Board comprises 67% Independent Non-Executive Directors

Board independence

As detailed above, the membership of the Severn Trent Water Limited Board mirrors that of the Severn Trent Plc Board. Notwithstanding that the same individuals are Directors for both companies and scheduled Board meetings of each company are held on the same day, the agendas are structured accordingly to ensure separation of topics and each meeting is minuted separately in order to create distinction between meetings.

Given that Severn Trent Water represents approximately 91% of Group revenues, decisions taken by the Severn Trent Water Board are unlikely to be in conflict with those of Severn Trent Plc. However, should such a situation arise, the Directors would be responsible for taking decisions on behalf of each entity in accordance with Section 172 of the Companies Act 2006, and acting in the way they consider, in good faith, would be most likely to promote the success of the Company. The Group Company Secretary would advise on any potential conflict of interest and the Board would seek independent advice on any matter as necessary.

There is clear division between Executive and Non-Executive responsibilities which ensures accountability and oversight. The roles of Chair and Chief Executive are separately held and their responsibilities are well defined, set out in writing and regularly reviewed by the Board. The Chair and the other Non-Executive Directors meet routinely without the Executive Directors, with private meetings being held at the conclusion of all Board and Committee meetings. Individual Directors also meet often outside formal Board meetings in order to gain first hand experience of our operations and engage with our workforce.

C. The chair is independent of management and investors on appointment and demonstrates objective judgement throughout their tenure. There is an explicit division of responsibilities between running the board and executive responsibility for running the business.

The Chair of our Board is a Non-Executive Director, who was considered Independent on appointment, and there is a clear division of responsibilities between the roles of Chair and CEO. To allow these responsibilities to be discharged effectively, our Chair and CEO maintain regular dialogue outside the boardroom, to ensure an effective flow of information. The independence of our Non-Executive Directors is formally reviewed annually by the Nominations Committee, and as part of the Board Effectiveness evaluation.

D. There is an annual evaluation of the performance of the board. This considers the balance of skills, experience, independence and knowledge, its diversity, how stakeholder needs are addressed and how the overarching objectives are met. The approach is reported in the annual report and any weaknesses are acted on and explained.

The effectiveness of the Board is reviewed at least annually and conducted according to the guidance set out in the 2018 Code, Ofwat’s principles and Financial Reporting Council (‘FRC’) Guidance on Board Effectiveness.

Our annual Board evaluation provides the Board and its Committees with an opportunity to consider and reflect on the quality and effectiveness of its decision making, the range and level of discussion and for each member to consider their own contribution and performance. In accordance with the 2018 Code provision that the Company should undertake an externally facilitated Board Effectiveness evaluation at least every three years, an externally-facilitated evaluation was conducted by Independent Board Evaluation (‘IBE’) in 2020/21 and the next externally externally-facilitated will be in 2023/24.

This year, the review was facilitated internally by the Group Company Secretary, who is well placed as an independent sounding board to the process. Meetings took place during February and March 2023, and key themes were shared with the Board and Nominations Committee along with a 2023 action plan.

The key theme highlighted in the 2022/23 evaluation was positive Board discussion dynamics. It was noted that all Directors fostered a culture of open, constructive debate, undertaken by a respectful and cohesive, and appropriately challenging Board.

The evaluation also concluded that the Board, its Committee Chairs and Committees were effective and that all Directors were considered to have demonstrated considerable commitment and time to their roles, well in excess of that required by the Charter of Expectations, notwithstanding any other positions held by them outside of Severn Trent.

More information on the Board’s action plan can be found on page 123 in the Severn Trent Water Limited Annual Report and Accounts 2022/23. The Board will continue to oversee the progress made in relation to the agreed actions to ensure their timely completion.

E. There is a formal, rigorous and transparent procedure for new appointments which is led by the nomination committee and supports the overarching objective.

As was the case during the year, any new appointments to our Board result from a formal, rigorous and transparent procedure, responsibility for which is overseen by the Severn Trent Plc Nominations Committee (‘Nominations Committee’) (although decisions on appointments are a matter reserved to our Board). All Nominations Committee members are also Non-Executive Directors of Severn Trent Water Limited. Further details of the activities of the Nominations Committee during the year can be found within the Severn Trent Plc Annual Report and Accounts 2022/23.

The Board welcomed Sarah Legg as an Independent Non-Executive Director of the Board from 1 November 2022.

Detail of her extensive induction programme can be found in the Severn Trent Water Limited Annual Report and Accounts 2022/23, on pages 119 to 120.

The Board and the Nominations Committee also spent a significant amount of time considering Board succession during the course of the year to ensure that the Board has the right mix of skills and experience, as well as the capability to provide effective challenge and promote diversity. Additional detail can be found on page 123 in the Severn Trent Plc Annual Report and Accounts 2022/23.

Board induction

We develop a detailed, tailored induction for each new Non-Executive Director. This includes one-to-one meetings with the Chair and each of the existing Non-Executive Directors. One-to-one meetings are also arranged with the CEO, CFO and the Group Company Secretary, along with other members of the Executive Committee. New Directors also meet members of the operational teams and visit our key sites and capital

projects to ensure they get a first hand understanding of the water and waste water businesses and have a chance to experience our unique culture. We provide briefings on the key duties of being a Director of a regulated water company and proposed appointees meet with Ofwat as part of the appointment process.

We enhance the Board’s induction programme in light of feedback from new Directors and the Board Effectiveness evaluation, for example, the recent introduction of a Board Buddy Scheme.

Board Diversity Policy

When undertaking any recruitment, the Board ensures that the recruitment processes are in line with our Board Diversity Policy (the ‘Policy’, available on the Severn Trent Plc website) to include candidates from diverse backgrounds and those with non-listed company experience. The Board believes diversity in its membership is vital for ensuring the Company is well equipped to make decisions that meet the needs of the Company’s wide range of employees, customers and other stakeholders. As such, the Board remains focused on promoting broader diversity and creating an inclusive culture in line with the recommendations of the Parker and McGregor-Smith reviews.

A diverse organisation benefits from differences in skills, regional and industry experience, background, race, gender, sexual orientation, religion, belief and age, as well as culture and personality. The Board is focused on ensuring that the diversity of our employee base reflects the diversity of our region – including the gender, social and ethnic background, skills and experience amongst our customers and the communities that we serve.

In reviewing the Policy during 2023, recognition was given to the importance and benefits of greater diversity, including gender diversity, social and ethnic background and cognitive and personal strengths throughout the organisation, including on the Board itself. The objectives and targets of the Policy, and an update against each of them, are set out overleaf.

F. To ensure there is a clear understanding of the responsibilities attached to being a non-executive director in this sector, companies arrange for the proposed, final candidate for new non-executive appointments to the regulated company board to meet Ofwat ahead of a formal appointment being made.

As was the case during the year, all proposed appointees meet with Ofwat as part of the pre-appointment process to ensure there is a clear understanding of the responsibilities attached to being a Non-Executive Director in the water sector.

G. There is a majority of independent members on the audit, nomination and remuneration committees.

Membership of the Board Committees comprises Independent Non-Executive Directors only, other than the Chair of the Board who was considered Independent on appointment. More information on the Committees can be found in the respective Committee Reports in the Severn Trent Water Limited Annual Report and Accounts 2022/23 and in the Severn Trent Plc Annual Report and Accounts 2022/23.

BOARD DIVERSITY POLICY – OBJECTIVES

When recruiting new Board members, the Nominations Committee ensures that the recruitment processes are in line with our Policy to include diverse candidates from a wide variety of backgrounds and those with non-listed company experience for the Nominations Committee to consider.

| Board Policy objectives | Implementation | Progress made |
|---|--|--|
| Ensure the Board comprises an appropriate balance of skills, experience and knowledge required to effectively oversee and support the management of the Company. | Annual review of the Board’s composition by the Nominations Committee with particular consideration being given to the balance of skills, experience and independence of the Board. The Board Effectiveness evaluation specifically considered the composition of the Board and the contribution, commitment and independence of individual Directors. | At its April 2023 meeting, the Committee formally reviewed the composition of the Board and the performance, contribution and commitment of individual Directors in the context of the Board Effectiveness evaluation. No concerns were raised in relation to the composition of the Board and the balance of skills, experience and knowledge on the Board as a whole. All Board succession discussions took place in consideration of the Policy reviews. |
| Ensure consideration is given to diverse candidates for Non-Executive Director Board appointments from a wide pool, including those with non-listed company Board experience. Ensure Board appointment ‘longlists’ include candidates with a diversity of social and ethnic backgrounds and cognitive and personal strengths. | The Board and Nominations Committee recognise the importance and benefits of greater diversity, including gender diversity, social and ethnic background and cognitive and personal strengths, throughout the organisation, including on the Board itself. On instruction of an executive search firm, the specification will ensure that candidates with no listed company Board experience are fully considered. | Sarah Legg was appointed to the Board as an independent Non-Executive Director on 1 November 2022. Helen Miles was appointed to the Board as an Executive Director and the Chief Financial Officer Designate on 1 April 2023. The recommendations in respect of these Board appointments were conducted in full consideration of the Policy, the 2018 Code and additional relevant guidance. The Committee ensured that Hedley May and Spencer Stuart, the executive search firms engaged for these appointments, presented a diverse potential candidate list, including candidates with non-listed company experience. |
| Ensure focus is given to the development of a pipeline of diverse high calibre candidates for Board level roles and report annually on the diversity of the Executive pipeline as well as the diversity of the Board. | Regular Board and Nominations Committee consideration of the importance and benefits of greater diversity, including gender diversity, social and ethnic background and cognitive and personal strengths. This includes representation of these cohorts in the Group’s talent pipeline and on the Board itself. | At its April 2023 meeting, the Board considered diversity and inclusion within the Group. The Board committed to building on existing graduate, apprentice and leadership programmes to embed inclusivity in our succession planning and talent development work. This included discussion on strengthening our talent pipeline, with an enhanced focus on ensuring appropriate representation from minority ethnic candidates, as well as other relevant diverse cohorts. This was also an area of specific focus within the Board and Executive Committee succession planning discussions that took place during the year. |

BOARD DIVERSITY POLICY – TARGETS

On behalf of the Board, the Nominations Committee is pleased to confirm that as at 14th July 2023, all three of the targets set out within the Board Diversity Policy, which align with the diversity and inclusion targets set out in the Listing Rules, have been met.

| Board diversity target | Target met | Current position |
|--|------------|--|
| At least 40% individuals on the Board of Directors are women | ✓ | • 67% composition |
| At least one of the senior positions (Chair, Chief Executive, Senior Independent Director, Chief Financial Officer) on the Board of Directors is held by a woman | ✓ | • The Chair is a woman • The Chief Executive is a woman • The Chief Financial Officer is a woman |
| At least one member of the Board of Directors is from a non-white Ethnic Minority background (as referenced in categories recommended by the Office for National Statistics ('ONS')) | ✓ | • Two members of the Board of Directors are from non-white Ethnic Minority backgrounds |



OUR CUSTOMERS AND COMMUNITIES

~£1/day

one of the lowest average combined bills in England and Wales

✓ 122,159 customers educated to use water wisely

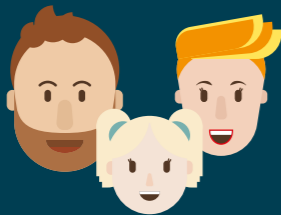


91.40 Best ever D-MeX score

94.1% of low pressure complaints resolved first time



134,818 Lowest number of voids



c.£2m donated through our Community Fund to 116 projects in our region



WE'RE COMMITTED TO PROVIDING AN AMAZING SERVICE EVERY DAY TO EVERY CUSTOMER IN OUR REGION

We recognise just how difficult the cost of living crisis has been for many across our region and we're in a unique position to make a real difference in our communities. We've supported customers struggling to pay and continue to support charities across the region by donating over c.£2 million to good causes through the Community Fund and are educating the next generation on how to use water wisely.

| Performance Commitment | Units | Performance Commitment Level | Performance Achieved | ODI Outperformance/ Underperformance (£m) |
|---|------------|------------------------------|----------------------|---|
| Reducing residential void properties | Number | 167,716 | 134,818 | 5.231 |
| Reducing residential gap sites | Number | 688 | 637 | Reputational |
| Reducing business void and gap site supply points | Number | 50 | 3,242 | 0.670 |
| Value for money | Percentage | 63.5 | 64.4 | Reputational |
| Inspiring our customers to use water wisely | Number | 31,050 | 122,159 | 0.675 |
| Customer measure of experience [C-MeX] | Rank | - | 9th | 0.000 |
| Developer services measure of experience [D-MeX] | Rank | - | 3rd | 2.648 |
| Help to pay when you need it | Percentage | 42 | 52 | Reputational |
| Priority services for customers in vulnerable circumstances | Percentage | 7.3 | 7.7 | Reputational |

WE STRIVE TO HAVE THE LOWEST POSSIBLE BILLS

We continue to have one of the lowest bills in England and we've confirmed a below inflation increase in the average customer bill for 2023/24. This year, our average annual household bill was £391, the second lowest in England, and around £30 lower than the industry average. But we know we need to do more to support all our customers, both now and in the future.

At the same time, we're really upping our game to ensure all those who should pay for the water they use, actually do so. Over the last 12 months we've done this by exploring new ways to bring the right customers into charge and we've achieved a 19% year-on-year reduction in the number of void properties reported against our reducing residential void properties performance commitment.

We're now working with a new partner to accurately identify customers to bring into charge using new datasets. We've also reviewed our approach to the application of our voids policy, particularly for landlord-owned properties. If the supply is required then charges are payable; this has not been our approach historically when there has been a gap between tenants. We are taking a similar approach with new build properties where we are bringing the developer into charge until they supply new customer details. We're also seeing a benefit from the roll out of smart meters where we are assessing the consumption data with more regular live updates than traditional meters. This helps us identify properties with consumption

more quickly so we can carry out rigorous checks on who we need to bring into charge.

This has all resulted in us exceeding our performance commitment level for 2022/23 of 167,716 void properties as set at PR19 by 20% with a performance level at 134,818. This figure includes invalid services provisions along with void properties which we cover in more detail in our clear and transparent reporting section.

We are also identifying non-household void properties and gap sites by working with retailers to bring these customers into charge. In the last 12 months 3,242 business properties were brought into charge meaning we've significantly outperformed against our performance commitment level of 50. However, this is a decrease in our reported numbers from 2021/22 when 9,620 non-household properties were brought into charge. This is because retailers have exhausted the easier options available in the market and are now dealing with more challenging applications.

Demonstrating our bill is value for money, we've met our performance commitment level on our reputational measure, value for money, every year in AMP7. We now have 64.4% of customers surveyed rating our services as good or very good value for money. This is slightly down on our outturn in 2021/22 but maintains a level above our performance commitment level of 63.5%.

A SERVICE FOR EVERYONE

We aim to reach out to as many customers as possible to find those who might need additional support from us and we now have over 320,000 households on our Priority Services Register (the 'Register'). This is an increase of around 100,000 in the last 12 months. We constantly review the households on our Register so we can remove any that no longer need additional assistance, making sure we focus on those customers that need us the most. Households on our Register can benefit from additional measures such as alternative communications and literature, support with access and mobility restrictions, help during incidents and additional security when we need to visit their homes.



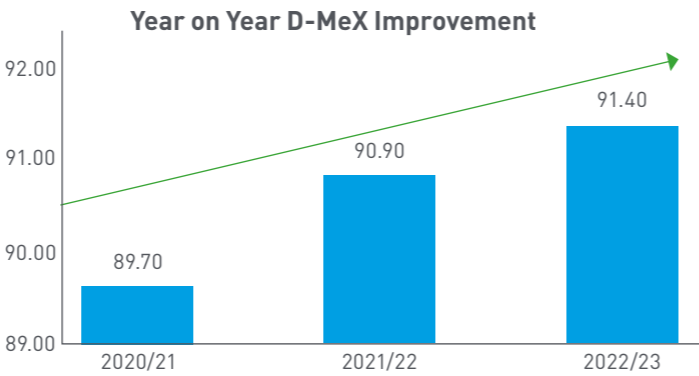
Our priority services for customers in vulnerable circumstances measure comprises three metrics, Reach, Attempted and Actual, with targets for each. All three targets must be hit to meet our commitment on this measure, and we're pleased to have achieved our target on all three metrics. This is a trend that has now been maintained for the AMP to date against targets that become increasingly challenging as we approach the final years.

| Metric | Performance Commitment Level | Actual Performance | Performance Commitment Level Met |
|-----------|------------------------------|--------------------|----------------------------------|
| Reach | 7.3% | 7.7% | ✓ |
| Attempted | 90.0% | 96.8% | ✓ |
| Actual | 35.0% | 48.6% | ✓ |

While our customers benefit from one of the lowest combined water and waste bills in England, we recognise the need to support those who are experiencing financial vulnerability. This is why we've pledged to support customers in need through our help to pay when you need it commitment. Of those customers who need additional support, we now help 52% of them through a range of schemes including social tariffs, debt write-offs, payment breaks, home water efficiency checks, fixing water and waste water private issues (relating to assets that customers normally are responsible for), grants issued, payment plan concessions and water health checks.

WE'RE STILL DELIVERING AN UPPER QUARTILE SERVICE FOR DEVELOPERS IN OUR REGION

We're delighted to be recognised as the second best company in England on D-MeX, our developer measure of water and waste water company. At the same time, we continue to deliver year-on-year improvement in our overall score, which is reflective of our year-on-year reduction in written complaints. We achieved this without making any compromises, as we hold developers to tight safety and building standards, aiming to reduce water quality issues. We have also begun billing developers when they don't supply customer details in order to reduce the amount of void properties.



Our continued success reflects our understanding that different types of developers have different needs. A small one-off developer applying for a new connection does not need a rigorous network capacity assessment or detailed capital programme designs. However, they may need more support to understand the process and what we require from them to fulfil their connection requirements. Large developers can have multiple ongoing applications for large housing developments where things can become complex. In these cases, they benefit from a single point of contact in the form of an Account Manager, who knows their site and individual connection requirements. In addition to this, we have recently revamped the developer services section of our website with new online application forms, making it even easier to apply for a connection.

REDUCING COMPLAINTS AND AIMING TO IMPROVE OUR CUSTOMERS' EXPERIENCE

We're pleased to see a strong reduction in customer complaints this year with a 16% year-on-year improvement. Whilst Retail, Water and Waste have differing contact reasons, the reason for complaints is often similar. Our continued focus on keeping the customer informed and driving shared customer accountability across our contact centres is key to delivering further reductions.

Our area of biggest improvement has been Waste complaints, where we've achieved a 29% improvement over the last 12 months. This has largely been due to the success of integrating our Waste planning team into our centralised Workforce Management and Optimisation department allowing us to keep customers informed and improve their journey. This has also led to an improvement in our C-MeX rank for Waste where we are now ranked 7th. We've also seen improvements in our C-MeX rank for Water where we now rank 10th in the industry.

It is disappointing that our overall C-MeX rank has not improved from last year, but we have some plans in place that aim to improve our customers' experience:

- Customer inspector operating model in Water - our new Customer Inspector Model recruitment is almost complete and ready for go-live this year. This will ensure the focus remains on improving customer interactions with dedicated comms at the right time.
- Case management of Multi Channel Complaints ('MCC') in Waste - we are introducing case management into the entire MCC journey within Waste. We're working closely with our COSC ('Customer Operations Service Centre') agents to upskill and improve their knowledge on Waste journeys which will help us diagnose customer issues at

- point of contact.
- Website overhaul - we continue to deliver new Web Self Services ('WSS') journeys for customers, most recently Apple Pay, enhanced search experience and E2E online meter switch. We are also committing to review the overall site navigation experience to provide slicker and quicker user experience for our customers.
- Affordability - in this area we are introducing even more schemes and improved processes over the coming months. We're working hard on building a better application process so customers receive the right support quicker. We're also looking at better ways to spend our money to ensure more customers can benefit from affordability support.
- Improved work in progress management - we're working closely with some of our most critical teams (Billing Specialists and Consumption), redesigning their ways of working and introducing performance metrics for resolution and case.
- Improved quality - we're introducing a new and improved quality framework within our telephony platform, with a key focus on our back-office teams and contract partners, Synergy. The framework will help drive better coaching conversations. We are also creating a one-to-one buddy system with Synergy to provide them with real time support, meaning our customers get the right answers quickly.
- Taking direct control - where our performance has not been good enough we're taking direct control of resources to drive the improvements in service our customers deserve.



INSPIRING OUR CUSTOMERS TO USE WATER WISELY

Our education programme aims to teach customers within our region about saving water by reducing how much they use, what they should and shouldn't flush down the toilet and protecting the environment through reducing plastics. One of these topics has been the focus for each of the first three years of AMP7, with this year's topic being all about environmental improvements.

Our Education Team is now well-established as our programme began back at the start of AMP6. The Education Officers within the team reach out to our customers and communities through several methods including workshops, community groups, school education sessions, school assemblies, digital livestreams, interactive sessions on our Wonderful Water Tour Buses, and local events. To count towards our performance commitment, our education methods consist of attendees taking part in a face-to-face engagement session lasting at least 30 minutes. At the end of each session they are asked to make a pledge to change their behaviours based on what they've just learnt. This year we've collected an amazing 122,159 pledges each representing one individual that has committed to change their behaviour to benefit the environment through reducing plastic. We can be confident that there is no duplication of pledges, in our recorded number for this year from our recorded pledges in Years 1 and 2, as this is the first year we have covered environmental improvements as the topic.

HELPING SCHOOLS WITH WATER SUPPLY PIPES

Water quality is important, which is why even though lead supply pipes in schools are the responsibility of others, we proactively work with schools and local authorities to help them. While we don't replace school pipes or fittings, we take water samples and carry out a full inspection on the internal plumbing to help identify any source of lead, and make recommendations to remove it improving the quality of the water. We are working through a targeted programme, and are happy to support any schools and local authorities in our patch who get in touch with us.

Local schools have ownership and are responsible for their water supply pipes. As part of an industry-wide approach to addressing the risk from lead in drinking water supplies, all water companies are working collaboratively with other stakeholders such as the Drinking Water Inspectorate ('DWI'), Ofwat, Defra and public health teams.


We are committed to helping schools remove lead and we are on track with our delivery plan. This includes proactively working with local authorities and arranging visits to sample the water testing for lead and to inspect the plumbing.

We'd encourage any schools in our region to get in touch where we'd be more than happy to visit.




GOOD TO DRINK

✓ **99.96**
mean zonal compliance


8%
year-on-year reduction in water quality complaints

Over 740
schools and nurseries protected from lead in pipes, exceeding our AMP7 ambition



5.65
score on the Compliance Risk Index ('CRI') 

GOOD TO DRINK

Providing a safe supply of water for our customers to enjoy is at the very heart of what we do. We're investing to create a resilient future water supply recognising the unique role the environment plays in our business. We have committed to a step change in performance over AMP7, and we've now improved our water quality performance to a level where we're achieving our lowest ever levels of water quality complaints.

| Performance Commitment | Units | Performance Commitment Level | Performance Achieved | ODI Outperformance/Underperformance (£m) |
|----------------------------------|--------|------------------------------|----------------------|--|
| Water quality compliance ('CRI') | Score | 0.00 (Deadband at 2.00) | 5.65 | -7.158 |
| Water quality complaints | Number | 9,600 | 7,467 | 4,548 |

LOWEST EVER NUMBER OF WATER QUALITY COMPLAINTS

Back in 2016 we set about transforming how we tackle taste, colour, and odour issues of our water. Since then, we've reduced the number of water quality complaints by 48% as we recorded our lowest ever number of complaints for the last twelve years.

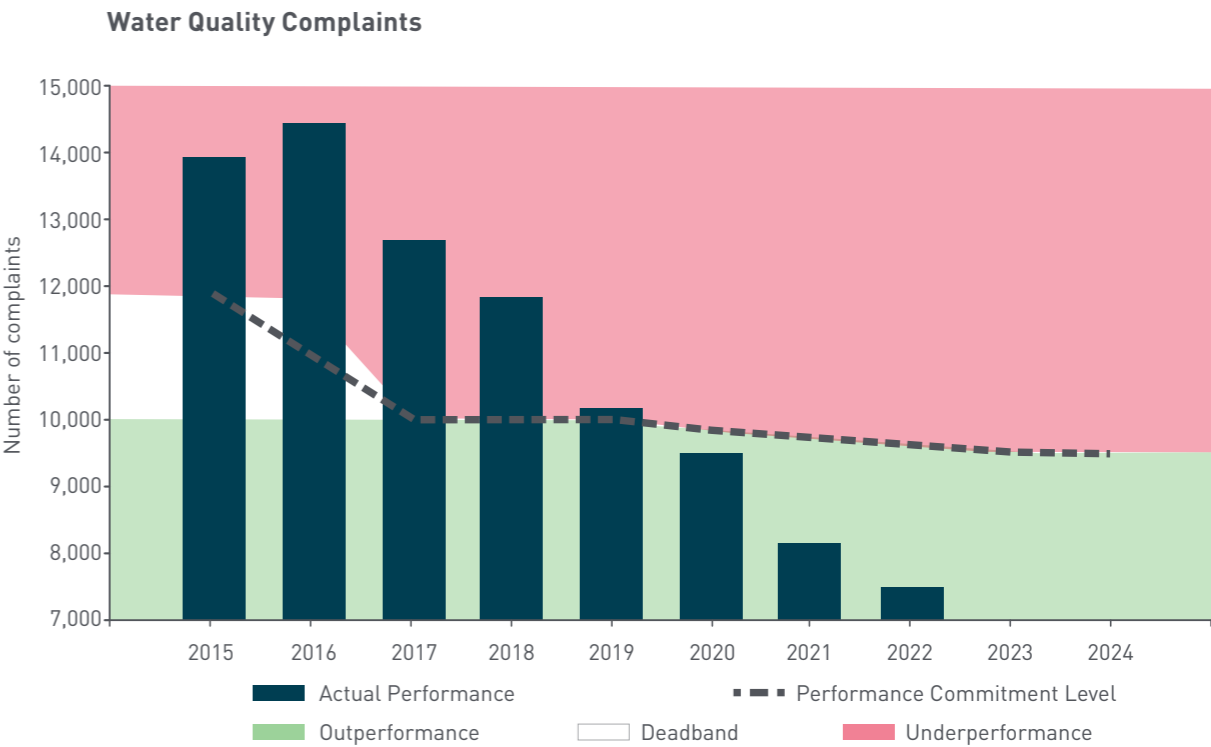
We were confident our strategy would work. Flushing and conditioning high-risk areas and establishing a rhythm that stops deposits building up in the water network has ensured we continue to make improvements year after year.

As we look forward to AMP8, we're working with the rest of the industry and the DWI to expand the channels customers can use to report these incidents to us. As a leader in this space, we're already allowing customers to contact us through social media about problems with water.

AIMING FOR IMPROVEMENTS ON CRI

We're continuing to work hard on turning around our CRI performance after year-on-year deterioration. While underlying performance remains stable across AMP7, last year we experienced an increase in coliform failures at large water treatment works for the second year in a row. Understanding that these failures accounted for 74% of the total CRI score has led us to take the decision to invest in additional UV treatment - reducing the risk of future coliform failures.

Despite our disappointing CRI score, we continue to perform strongly on Mean Zonal Compliance ('MZC') one of the key measures used by the DWI to determine compliance with the stringent regulatory drinking water standards for England and Wales. In 2022 our MZC score was 99.96% with the year ending on 26 MZC failures setting a good trajectory for the future.



WATER ALWAYS THERE



63%
reduction in
the number of
low pressure
days



0.6 days
faster at fixing
significant
leaks on
average

9.3%

reduction in
leakage since
2020



9%

annual average
reduction in daily
customer water
consumption



9m 10s



average water supply interruptions

WATER ALWAYS THERE

Our customers expect to be able to turn on the tap and for water to flow. We ensure our distribution network is able to deliver this through careful maintenance and responding effectively if problems occur. We're committed to reducing leakage by 15% by 2025, solve pressure problems and minimise the time customers are off supply.

| Performance Commitment | Units | Performance Commitment Level | Performance Achieved | ODI Outperformance/ Underperformance (£m) |
|--|---------------------------------------|------------------------------|----------------------|---|
| Water supply interruptions | Score | 00:05:45 | 00:09:10 | -3.691 |
| Leakage | ML/d | 420.7 | 404.8 | 5.168 |
| Per capita consumption ('PCC') | l/p/d | 130.9 | 137.6 | 0.000 |
| Mains Repairs | Repairs per 1,000 km of water network | 120.1 | 128.9 | -4.946 |
| Unplanned outage | Percentage | 2.34 | 1.15 | 0.000 |
| Risk of severe restrictions in a drought | Percentage | 56.2 | 56.2 | Reputational |
| Speed of response to visible leaks | Days | 5.4 | 4.4 | 1.073 |
| Persistent low pressure | Property days | 18,266 | 4,372 | 6.447 |
| Abstraction incentive mechanism ('AIM') | ML | 0 | -80 | 0.011 |
| Resolution of low pressure complaints | Percentage | 93.0 | 94.1 | 0.082 |
| Number of water meters installed | Number | 62,868 | 100,108 | 3.836 |

REDUCING LEAKAGE TOWARDS OUR 2025 15% REDUCTION TARGET

We've seen our baseline in 2020, we've reduced leakage by 9.3%. During the year we've increased the number of find and fix jobs by 25%, supported by additional resource through employing more gangs and distribution service technicians.

We've also been working hard to ensure full compliance with our leakage reporting and this year we've made improvements to close the top-down and bottom-up leakage gap to ensure this is within the 2% gap as required by the reporting guidelines. We cover this further in our improving clarity and transparency section.

Operational highlights in reducing leakage included:

- Finding and fixing the highest number of leaks ever at 50,000. This was achieved through increasing find headcount by 20%. We delivered a specific programme of work focused on reducing network pressures. This saved an estimated 3Mld of leakage. We completed 550km (9%) of trunk mains walking for asset maintenance and leak detection. We established a new team dedicated to investigating unbilled and unmetered consumption. This has identified 30ML/d of additional consumption that would have otherwise been reported as leakage. This will go into the water balances this year and reduce overall reported leakage.

- In terms of leakage trials, we have started a three-year collaboration project across the industry to support more effective and efficient leak find targeting through a new analysis modelling tool, called Paradigm from SME Water.
- We have continued our focus on our acoustic logger network with the introduction of a dedicated resource focused on reducing outstanding point of interest alarms and improving our time to investigate. In the trial we have achieved a 'time to find' of c.4 hours. We've collaborated with third parties to deliver trials on new technology to enhance and improve network visibility – Hydrophones and FiDO AI. Both trials feeding into developments in our Year 4 improvement plans.

FIXING LEAKS FASTER

Fixing leaks faster helps to save our precious water and minimises disruption for our customers. We've delivered a 12% year-on-year improvement in our Speed of Response to Visible Leaks measure. Building on the great work we've done in this area so far this AMP, over the last 12 months we've continued to utilise data to ensure our most significant leaks are given the right priority and fixed as quickly as possible. Going beyond improving our time to fix leaks, this measure also includes the time taken to complete reinstatement and clear the site, removing every board, barrier and cone. Over the last 18 months we've worked with our new contract partners to ensure we're clearing sites after a leak as quickly as possible to minimise disruption for our customers.

DELIVERING IMPROVEMENTS IN CUSTOMER CONSUMPTION

This is a significant turn around as water consumption on average is now below pre-pandemic levels on the spot year value, although the three year annual average is still above target. This is excellent news for our customers as the improvement has put us on the right trajectory to deliver our original PR19 commitment by 2025 - a 3.5% reduction from the baseline in the three-year annual average performance.

During the summer of 2022 we experienced periods of hot weather which had an impact on peak customer demand. We embarked on a region-wide campaign to encourage all of our customers to use water wisely during these periods. Through targeted media campaigns, television adverts, local radio and social media we asked everyone to play their part to manage demand. We had great success with demand in August hitting the sort of level we normally experience in December; critically the success of this campaign ensured we didn't have to impose a temporary use ban anywhere in our region.

Despite the success of this campaign we know water efficiency isn't just important during hot weather. We've continued to educate our customers about other ways to save water, such as our Leaky Loos campaign, encouraging everyone to check for small leaks within their cisterns where we could waste 1000s of litres of water each year.

During 2022/23 we have delivered an overall water efficiency saving of 6.72ML/d through Home Water Efficiency Checks ('HWECS'), products and behaviour change. We provided over 90,000 water saving products saving over 2.1ML/d, as well as having over 110,000 customers pledge to use water more efficiently. As at the end of 2022/23, we have performed over 18,000 HWECS for our customers helping them to fix leaks at home and reduce their water usage to save over 2.4ML/d.

We also delivered a focused demand management programme in Leicestershire and Derbyshire. We targeted newer build properties in the area with a Leaky Loo Door Knocking campaign, carried out over 3,148 additional HWECS on top of BAU and sign-posted customers to our get water fit platform. This generated an additional 3,615 registrations and 2,685 product orders. This workstream delivered an additional 0.38 ML/d on top of BAU activity.

Incorporating new technology has helped our customers identify internal leaks through the Vyn video platform and Smart Metering. We have also proposed new innovation ideas such as Flow Restrictor Valves to allow customers to use less water without an impact on how they use water. This has all contributed to a 5.4% year-on-year reduction in our annual average performance from 137.7l/p/d to 130.2l/p/d.



WE CONTINUE TO RESOLVE PERSISTENT LOW PRESSURE ISSUES FOR OUR CUSTOMERS

When it comes to dealing with persistent low pressure, we continue to use a range of approaches to deliver a better experience for our customers, contributing to our best performance so far this AMP. This follows the completion of even more capital programmes to benefit customers who experience these problems.

While making sure we implement the best value interventions, we explore every option available to us in each case. This will include installing new assets when needed, but may also involve operating our existing network more effectively to resolve pressure problems and create an overall more stable network.

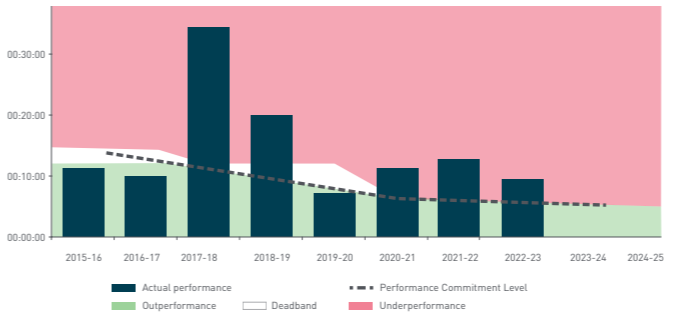
With an innovative mindset as we approach each problem to work up the best possible solutions, this year we've installed solar pumps for the first time.

Our work this year has delivered a 63% year-on-year improvement in the number of property days when persistent low pressure is experienced. Our performance is now at 4,372 property days which is a huge 78% improvement from our baseline position at the start of AMP7. In addition to this, we delivered year-on-year improvement on first-time low-pressure complaint resolutions, with over 94% resolved on the first visit.

WORKING HARD TO REDUCE SUPPLY INTERRUPTION EVENTS

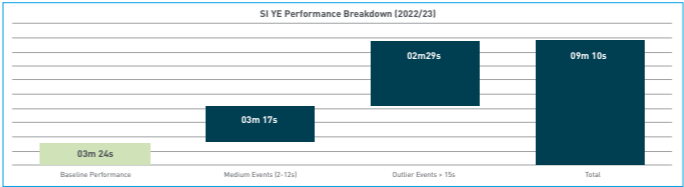
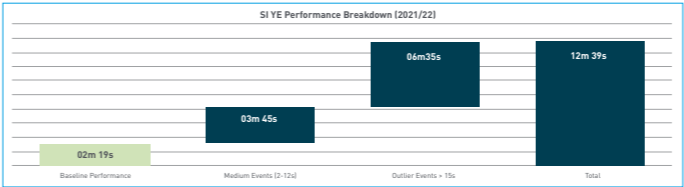
Supply interruptions continue to be a challenging area of performance for us and remain a key focus. Over the past few years our performance has fallen short of our customers' expectations and the targets we set ourselves. Despite this, last year we achieved our best performance so far this AMP proving that we're now on the right track and the plans we have in place are moving our performance in the right direction.

Water Supply Interruptions



One of the main benefits has been the introduction of our Network Response Team. Introduced a few years ago, and growing in size, the Team is able to attend more events, resulting in shorter interruptions for customers. Additionally, with continued training and upskilling through our Academy, the Team has begun to embed effective processes and continues to learn from every event they attend.

Our baseline performance has been stable over the last few years with our reported performance being severely impacted by a small number of outlier events. Our plan has been to tackle these exceptional events and drive down their impact. Last year, we reduced the impact of these outlier events by over 60%. This has resulted in an increase in our baseline and medium event performance as longer duration events are now shorter and fall into these categories. Last year only 2 minutes 29 seconds of our overall performance was attributable to outlier events.



HOT WEATHER RESILIENCE

We know that prolonged periods of hot, dry weather, leading to drier ground, can result in ground movement. This ultimately increases the number of burst mains. The impact of the hot, dry weather in the summer of 2022 therefore meant we saw more burst mains during July and August than in most years. This then put pressure on our leakage position. Additionally, burst mains are the main cause of supply interruptions and prolonged hot, dry weather causes an increase in the number of events. This, coupled with the increased demand for water during prolonged hot, dry weather, puts pressure on our supply interruptions performance.

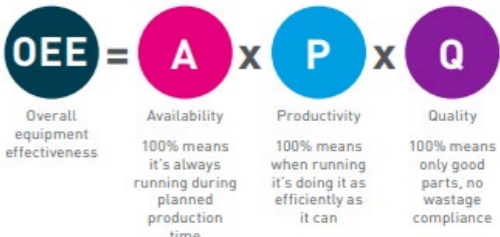
Taking a view of our drought position, we maintained our focus on leakage and avoided implementing a hosepipe ban. To achieve this, we were required to repair more burst mains in the summer than originally forecast at the start of the year. This, in addition to impacts from the freeze thaw event in the winter, resulted in our Mains Repairs performance deteriorating from our position at the end of 2021/22.

Coupled with the increased demand for water that hot weather brings, burst mains are a significant factor in supply interruption events. Despite increased burst mains this summer, our hot weather preparations and increased focus on supply interruptions resulted in our customers seeing very little impact to their supply during the hot weather period. In In 2021/22, supply interruption events that can be attributed to hot weather accounted for over 2 minutes 50 second of our total year end outturn; last year these types of events accounted for less than 45 seconds of our overall performance.

UNPLANNED OUTAGE

We've outperformed against our performance commitment level in all three years of AMP7. This year, our unplanned outage performance is 1.15% versus a performance commitment level of 2.34%, demonstrating that we are appropriately maintaining and improving the asset health of our non-infrastructure water assets for the benefit of current and future generations. The key component of our sustained success on this performance commitment is our continued use Operational Equipment Effectiveness ('OEE'). Understanding OEE allows our Asset Managers to compare asset performance and then manage and maintain each individual asset appropriately. OEE can be used to compare assets operating in the same production environment:

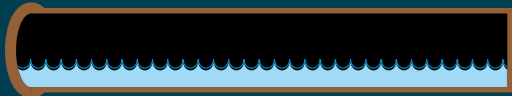
- Availability – A score of 100% means an asset is always available and in operation during planned production time.
- Productivity – A score of 100% means when running, an asset is operating as efficiently as it can.
- Quality – A score of 100% means only good parts, no wastage.



OEE is built into our asset health dashboards which gives our Asset Managers the ability to drill into the detail on how individual assets are performing as well as how a specific asset class is performing or even how assets in a specific geographical region are performing.

WASTE WATER SAFELY TAKEN AWAY

Over
7,000



sewer sensors installed
this year

5%



year-on-year reduction
in pollutions

1



serious pollution incident,
in line with our best-ever
performance



25%

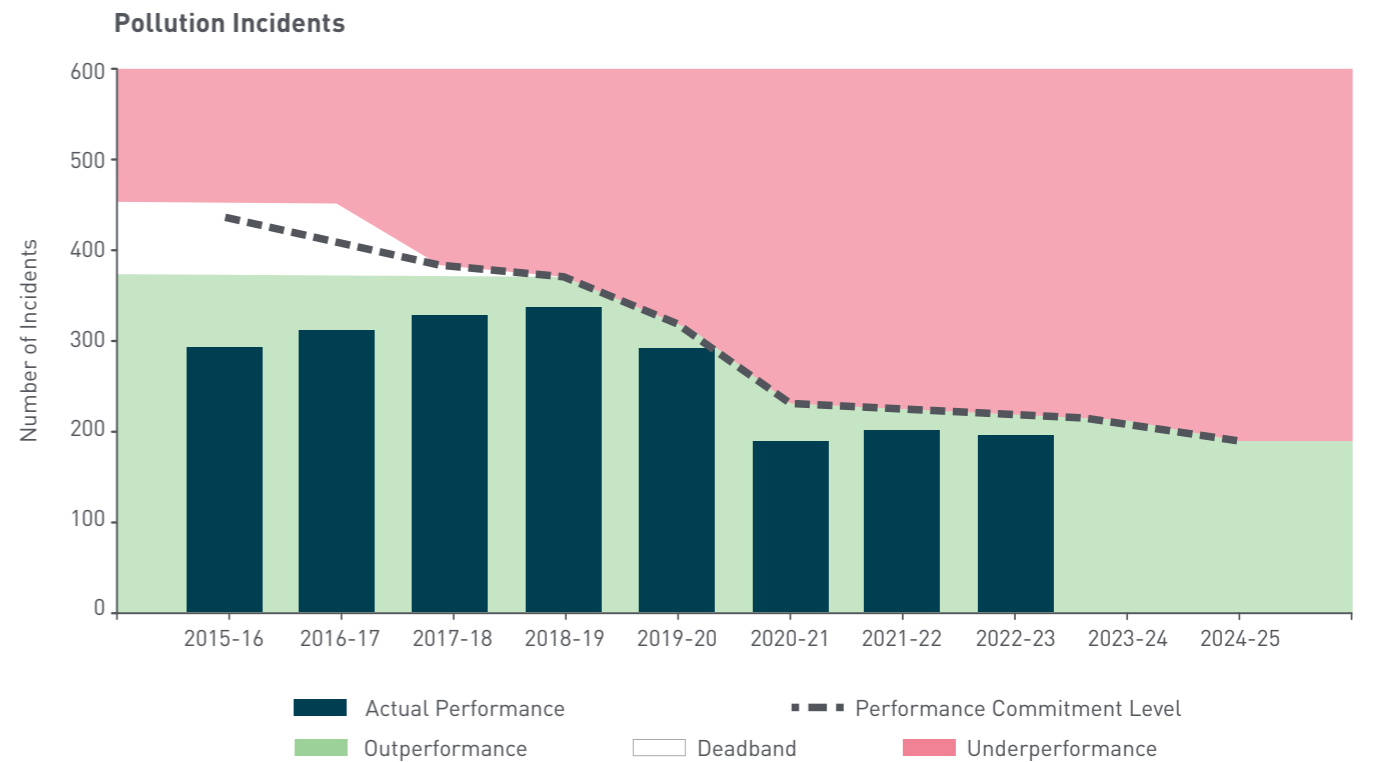
reduction in public
sewer flooding
incidents since 2020

WASTE WATER SAFELY TAKEN AWAY

Customers want to be able to flush and forget about what goes down their drains – this should not come back to cause problems at a later date. When things go wrong, sewage can escape from the network either into people’s homes and gardens or cause pollution incidents in rivers and streams. We’ve set really stretching targets that would deliver frontier levels of external sewer flooding.

| Performance Commitment | Units | Performance Commitment Level | Performance Achieved | ODI Outperformance/ Underperformance (£m) |
|-----------------------------------|---|------------------------------|----------------------|---|
| Internal sewer flooding | Incidents per 10,000 sewer connections | 1.58 | 1.65 | -1.582 |
| Pollution incidents | Incidents per 10,000 km of sewer network (EPA v9) | 23.00 | 20.64 | 1.409 |
| Sewer collapses | Collapses per 1,000 km of sewer network | 8.00 | 7.18 | 0.283 |
| Risk of sewer flooding in a storm | Percentage | 4.03 | 5.76 | Reputational |
| External sewer flooding | Number | 3,515 | 5,353 | -44.480 |
| Sewer blockages | Number | 41,500 | 34,581 | 25.600 |
| Public sewer flooding | Number | 1,945 | 1,526 | 5.154 |
| Green communities | £m | 0.120 | 0.217 | 0.049 |

We continued to deliver strong performance across a number of measures where we set stretching targets at PR19. We saw our lowest ever number of serious pollution incidents and delivered a 5% year-on-year improvement on total pollutions. While there was a significant improvement in the number of self-reported pollutions, reducing the time to self-report remains a key focus area. We also continue to deliver upper quartile performance on compliance with our sewage treatment work permits.



These measures are key components of the Environment Agency’s Environmental Performance Assessment (‘EPA’).

| EPA metrics | | | |
|--------------------------------------|-----------|-----------------|---|
| | 4* target | Our Performance | |
| Serious Pollutions | 3 | 1 | ✓ |
| Category 1-3 Waste Pollutions | 210 | 193 | ✓ |
| Discharge Permit Compliance | 99% | 99.3% | ✓ |
| Self-reported Pollutions | 80% | 87% | ✓ |
| WINEP Delivery | 100% | 100% | ✓ |
| Supply Demand Balance Index | 100% | 100% | ✓ |
| Satisfactory Sludge Use and Disposal | 98.2% | 100% | ✓ |

We have consistently been a strong performer on sewer flooding measures, which is reflected in our stretching targets. Throughout the year, improving our performance in this area has remained a top priority across our business and with our contract partners. We have invested in a number of key areas and committed significant resource to help deliver the service our customers expect of us. Unfortunately, performance has deteriorated year on year and we have missed our target as a result.

At the start of this AMP we committed to early investment, contributing to year-on-year improvements in our hydraulic flooding performance. Our dual approach of cleansing and jetting sewers to maximise their capacity, while actively working to reduce and slow surface water entry into sewers, has helped deliver this.

Our biggest challenges have been on flooding due to other causes. Whether its improving our sewer cleansing activities, or finding better ways to reduce the impact of sewer misuse, our efforts haven’t delivered the benefits we were expecting and we know we need to do more to make the improvements necessary.

In response to the challenges, we have:

- Rapidly expanded our team with business-wide resource to help as well as drawing on external expertise to support with diagnosis and resolution of performance deterioration. This has included a big data and insight focus to look for correlations across key performance variables. A systematic review of the data has shown there is not one single solution that offers a quick fix. Instead, we need to address each issue to make marginal gains and deliver better outcomes for customers.
- Held daily Executive-level calls to ensure the service level agreements we have with contract partners were being met.
- Increased proactive investment during the year, specifically targeting ‘at risk’ areas. We know this investment has one of the best returns in reducing the number of incidents that impact our customers.
- We’ve quadrupled the size of our Network Protection Team which engages with our customers around misuse, in order to prevent the wrong things being disposed of and blocking our sewers. This increase in resource has led to a step change in the number of meaningful conversations we are having with our customers.
- Insourced critical skills, such as reactive works planning and scheduling for our Waste Networks teams, to give us more direct control over key elements of our delivery model, and enable us to make required interventions sooner.
- Continued our successful partnership with ECAS (Environmental Compliance and Services) to engage with local food service establishments, by visiting them face-to-face and educating them on best practices when disposing of fats, oils, and greases. As a result of this continued partnership and the visits we’ve carried out, many fats, oils and greases that would have entered our sewage system have been trapped and prevented from doing so. While we recognise we still have more to do to deliver the service our customers expect, we are encouraged by the early signs of progress based on our efforts outlined above.



THRIVING ENVIRONMENT

99.33%
compliance at our
treatment works



7,727 ha
biodiversity and
environmental
improvements



274
farmers

have joined webinars
receiving advice
on improved
spraying
practices



Just under 1,000
STEPS grants awarded
since 2020 equating
to £6 million



THRIVING ENVIRONMENT

What’s good for nature is great for our water. By working with our natural environment, we not only improve biodiversity across our region, we encourage nature to do some of the hard work for us. That’s why we embrace curiosity to find new ways to work with the natural environment across our business.

We’re committed to improving rivers and habitats so that they can support a great diversity of wildlife and plants, providing natural ecosystem resilience and co-creating a better environment for our customers to enjoy.

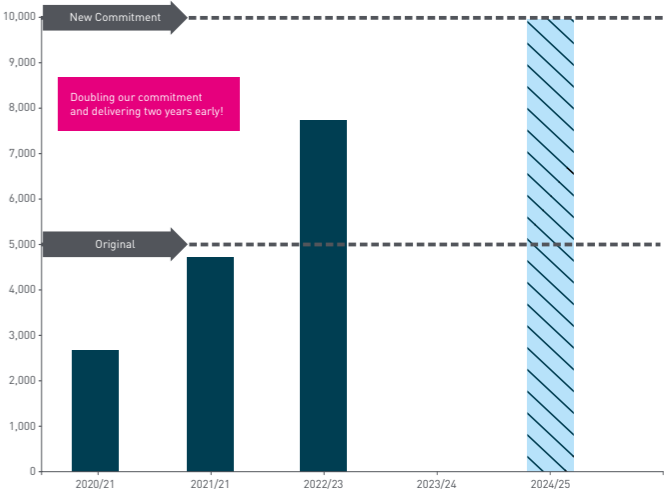
| Performance Commitment | Units | Performance Commitment Level | Performance Achieved | ODI Outperformance/Underperformance (£m) |
|--------------------------------------|------------|------------------------------|----------------------|--|
| Treatment works compliance | Percentage | 100.00 (Deadband at 99.00) | 99.33 | 0.000 |
| Biodiversity (Water) | Number | 571.6 | 5,408.4 | 17.558 |
| Biodiversity (Waste) | Number | 11.0 | 2,319.1 | 8.378 |
| Satisfactory sludge use and disposal | Percentage | 100.00 | 100.00 | 0.000 |

WE’VE ALREADY ACHIEVED OUR 2027 TARGET ON BIODIVERSITY

Back at the start of AMP7 we launched our Great Big Nature Boost, with ambitious plans to improve biodiversity across the Midlands. We committed to deliver 5,000 hectares of biodiversity improvement by 2027. It’s with great delight we can now say that we’ve surpassed this target four years early as we’ve improved the biodiversity of 7,727 hectares of land so far in AMP7.

Over the last three years we’ve delivered brilliant biodiversity projects on a range of incentives including Severn Trent Environmental Protection Scheme (‘STEPS’) grants, work on our own land delivered by our wonderful employee volunteers, working with farmers and landowners to plant trees and protect hedgerows, and reintroducing beavers back into the wild.

The benefits of biodiversity are simple; what’s great for nature is great for our water. We’ve got a system that we know works, which is why we’re growing our team to deliver even more biodiversity improvement beyond our original 5,000 hectare target. This means gaining even more environmental benefits from improved land management as well as cost-effective protection against raw water deterioration and flooding of the waste water network. In May 2023, we announced we are extending and accelerating our biodiversity commitment, from 5,000 hectares by 2027 to 10,000 hectares by 2025. At this point our work will account for 2% of the entire nation’s 2042 Nature Recovery Network target.



AWARD WINNING PERFORMANCE ON BIODIVERSITY

- Responsible Business Awards: We were the winners of the Biodiversity Champion Award. The awards are a real win in terms of assurance, showing that we are above the pack and that the data and evidence we provided has been recognised by a professional judging panel.
- CIEEM (Chartered institute of Ecology and Environmental Management) Awards: We won a partnership award at the CIEEM awards in Summer 2022. This gives real credibility to our biodiversity work to be recognised by a prestigious accreditation organisation. It also is a great example of collaborative excellence.

HELPING OUR FARMERS TO SUPPORT OUR ENVIRONMENT

We currently work with over 7,000 farmers in our region to reduce the load of pesticides, nitrate, and cryptosporidium from entering raw water courses through active catchment management, which in turn improves the quality of raw water. By improving the quality of raw water in this way, the cost of treating water is reduced.

Our offer to farmers includes a programme of:

- Farmer engagement;
- Best practice advice and training through specialised visits; and
- Monetary grants through our ‘STEPS’ programme.

All of these are delivered by our team of expert agricultural advisors and catchment management scientists.

We have used an industry modelling tool called Farmscoper, that was developed for Defra to assess the potential to reduce agricultural emissions of pollutants to air and water at the farm scale. Our extensive and thorough modelling ensures our work is having the desired impact on raw water quality. The outputs from our modelling show that so far this AMP, we’ve implemented 23 successful catchment management schemes that are now in active management. This already exceeds our 2024/25 commitment of 16. We have noted the accrued outperformance from the additional seven catchments but understand this will not yet pass through to charges as an in-period ODI would.

MAINTAINING COMPLIANCE ON ENVIRONMENTAL COMMITMENTS

Biosolids applied to agricultural land provide valuable nutrients and benefit the structure of the soil. Our performance commitment, satisfactory sludge use and disposal, protects the environment by ensuring that biosolids recycled to agricultural land are compliant with appropriate guidelines. For the third year in a row in this AMP, 100% of our sludge satisfactorily used or disposed of is compliant with the relevant guidelines in version 3 of the EA’s Water and Sewerage Company EPA methodology.

We hold a strong record of compliance, delivering 99.33% of the permit conditions across our sewage and water treatment works. This continues to be a performance level better than our regulatory deadband of 99.00%. This is in line with the reporting guidance for Water & Sewerage Company EPA Methodology released by the EA in May 2021.

DELIVERY AGAINST OUR WATER FRAMEWORK DIRECTIVE (‘WFD’) COMMITMENT

Delivering our statutory environmental improvements is a core part of our enhancement programme. But we know we can do more for the environment and continually look for opportunities to go beyond the minimum expectation. We designed this performance commitment in a way that recognises activity that leads to a reportable step change in water body quality with each point equivalent to an improvement in the WFD classification score. To go beyond our target we’ve accelerated additional schemes that reduce the impact of 40 named substances identified through the Chemicals Investigation Programme. These schemes are linked to the identification of a ‘Rivers Need’ improvement by the EA.

So far this AMP we have successfully delivered 19 WFD points where we have improved the classification by reducing our biological or chemical impact on them.



IMPROVING CLARITY AND TRANSPARENCY

It’s important that our customers, stakeholders, and regulators can trust the information we report; they need to be confident that they can trust us to act responsibly and always in our customers’ best interests.

To ensure the highest levels of transparency and clarity, below we have provided additional commentary on those areas where we believe greater clarity would be beneficial.

| Performance Commitment Code | Performance Commitment Name | Commentary | | | | | | | | | |
|------------------------------|--------------------------------------|---|---------|------------------------------|---------|-----------------|---------|----------------------------|--------|----------------------|---------|
| A01 | Reducing residential void properties | In APR22 we identified improvements in our reported voids number that clarified activity to reduce voids properties separately to improvements in data quality. Specifically, we identified a category known as ‘invalid service provisions’ (‘ISPs’) which are properties that no longer exist; for example, a single property that has been turned into flats or a house that has been demolished. | | | | | | | | | |
| | | In the in-period ODI determination in November 2022, Ofwat confirmed that we should continue to report our performance including ISPs as our targets were set on this basis. A value of 21,751 properties was used. However, we also confirmed we would base our ODI calculation on improvements in true voids only. | | | | | | | | | |
| | | In 2022/23, as outlined in the table below, the number of ISPs has increased. Accordingly we have ensured our reported number this year includes the actual ISPs we have currently identified and, that we do not claim outperformance incentives for the additional ISPs. | | | | | | | | | |
| | | | 2022/23 | Performance Commitment Level | 167,716 | Void Properties | 105,428 | Invalid Service Provisions | 29,390 | Reported Performance | 134,818 |
| | | | 2022/23 | | | | | | | | |
| Performance Commitment Level | 167,716 | | | | | | | | | | |
| Void Properties | 105,428 | | | | | | | | | | |
| Invalid Service Provisions | 29,390 | | | | | | | | | | |
| Reported Performance | 134,818 | | | | | | | | | | |
| | | | | | | | | | | | |
| F04 | Risk of sewer flooding in a storm | We continue to report this measure in line with our APR22 approach. | | | | | | | | | |
| | | <p>In 2021/22 we notified Ofwat that we had identified an issue as part of our APR21 data assurance process that occurred during the analysis to set the baseline at PR19. The effect of this error was to understate the percentage of population at risk at medium/high vulnerability. As such, we believe that our annual targets are set too stringently.</p> <p>We asked Ofwat to consider restating our AMP7 targets, however this was not accepted and our AMP7 targets remain in line with the Final Determination. We have corrected the error in our reporting for APR23 and note that we are missing our target on this measure.</p> | | | | | | | | | |
| G01 | Water supply interruptions | During the year, we have refined our reporting process to include an assessment of the depth of main to more accurately estimate when customers are off supply. | | | | | | | | | |
| | | This analysis better targets our height analysis data to demonstrate when the network has reached an appropriate level of pressure to ensure customers are back on to supply in accordance with the AMP7 common methodology. Operationally this will allow us to stop or remove any temporary supply arrangements we have in place, such as overlanding or direct tanker injection. Not only does this lead to operational efficiency during an incident, but it has wider benefits such as reducing the risk of water discolouration from injection or clearing site/road blockages faster. | | | | | | | | | |
| | | The change requires a small update to our reporting methodology to include an assessment of mains depth. The impact on APR23 is a 24 second reduction in our reported performance. As such, we are declaring this here as part of our commitment to clear and transparent reporting. | | | | | | | | | |
| G02 | Leakage | As per the APR expectations document and feedback from Ofwat, we have been working to improve our leakage reporting and alignment with Common Reporting Methodology. In doing so, the move to convergence affects the baseline and therefore as requested we have provided a recalculated baseline. In this section we explain those changes and how we are proposing to exclude the data element from any outperformance benefit. | | | | | | | | | |
| | | Overall, all components of the water balance are scored Green this year as required by the Common Reporting Methodology. Specifically we have targeted improvements this year to close the top down and bottom up gap to ensure this is within the required 2% gap. | | | | | | | | | |
| | | During the last 12 months, in addition to our focus on operational improvements, we have reviewed all areas of the reporting methodology to ensure we continue to refine our understanding of unaccounted water. We explain the components below. | | | | | | | | | |
| | | <p>Refining our unmeasured consumption data</p> <p>We have improved our estimate of unmeasured consumption. We found that the small area monitoring system required an update to the demographic representation, which was driven by lockdown and the shift in customer consumptions patterns.</p> <p>Trunk main leakage</p> <p>We identified a data error, which indicated that some DMA leak repairs were being attributed to trunk mains. Correcting this has the effect of reducing the overall volume of unaccounted for water in the final water balance.</p> | | | | | | | | | |

| Performance Commitment Code | Performance Commitment Name | Commentary | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--------------------------------|--|---------|---------|---------|---------|---------|---------|---------------|---------|---------|---------------|----------|--------|--------|--------|--|--|--|--|--|--|--------------------|--|--|--------|--|--|--|--|--|--|--------------|--|--|--|------|------|------|-------|-------|------|--|--|--|--|-------|-------|-------|-------|-------|------|--------------------------|-------|-------|-------|--|--|--|--|--|--|-----------------------------|--|--|-------|--|--|--|--|--|--|-----------------|--|--|--|------|------|------|-------|-------|------|--|--|--|--|-------|-------|-------|-------|-------|------|
| G02 | Leakage | <p>Void Properties</p> <p>We have brought a significant number of properties into charge during the year. The full year effect of this, combined with better consumption data from metering those brought into charge, has contributed to an increase in reported consumption. We have also corrected our occupancy assumption associated with void properties aligning it to measured void properties.</p> <p>Non-Household night use</p> <p>We have corrected for some non-household properties that did not have a night use allowance.</p> <p>Our leakage targets are based on a percentage reduction from the three-year average baseline set between 2017/18 and 2019/20. Having identified these methodology improvements, aligned with good practice, we have back cast the impacts on our historic performance to ensure our baseline is set on a like-for-like basis. Our improvement targets expressed in percentage terms remains unchanged. Details are provided in the table below.</p> <table><tr><th></th><th>2017/18</th><th>2018/19</th><th>2019/20</th><th>2020/21</th><th>2021/22</th><th>2022/23</th><th>2023/24</th><th>2024/25</th><th>AMP reduction</th></tr><tr><td>Baseline</td><td>469.0</td><td>468.3</td><td>447.9</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Three-year average</td><td></td><td></td><td>461.8</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>AMP7 Targets</td><td></td><td></td><td></td><td>1.4%</td><td>2.9%</td><td>5.7%</td><td>10.5%</td><td>14.3%</td><td>66.1</td></tr><tr><td></td><td></td><td></td><td></td><td>455.3</td><td>448.4</td><td>435.4</td><td>413.3</td><td>395.7</td><td></td></tr><tr><td>Restated baseline (spot)</td><td>449.8</td><td>453.9</td><td>434.7</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Restated three-year average</td><td></td><td></td><td>446.1</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Revised targets</td><td></td><td></td><td></td><td>1.4%</td><td>2.9%</td><td>5.7%</td><td>10.5%</td><td>14.3%</td><td>63.8</td></tr><tr><td></td><td></td><td></td><td></td><td>439.9</td><td>433.2</td><td>420.7</td><td>399.2</td><td>382.3</td><td></td></tr></table> <p>Minor components</p> <p>We have continued to review and validate the unbilled water usage across several minor components of the water balance.</p> <p>To ensure we have a better estimate of the un-accounted components within our water balance, we have invested further work with specialist field teams. This has helped us refine our estimation of consumption on components such as flushing of fire mains and storage tanks, indicating that there is 8.6 ML/d more consumption than our previous assumption.</p> <p>We have updated these components in the 2022/23 but have not back cast these changes to historic performance given the consumption identified relates to the current year. In our reported APR23 position, this equates to an 8.6 ML/d improvement which, over the three-year average position would generate £0.9m of ODI outperformance. As we have not back cast the improved consumption related to minor components, we will not pass the £0.9m of earned ODI outperformance into future revenue. We plan to extend this work further, as accounting for more consumption drives efficiency in our targeting processes when looking for reductions in real losses.</p> | | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | AMP reduction | Baseline | 469.0 | 468.3 | 447.9 | | | | | | | Three-year average | | | 461.8 | | | | | | | AMP7 Targets | | | | 1.4% | 2.9% | 5.7% | 10.5% | 14.3% | 66.1 | | | | | 455.3 | 448.4 | 435.4 | 413.3 | 395.7 | | Restated baseline (spot) | 449.8 | 453.9 | 434.7 | | | | | | | Restated three-year average | | | 446.1 | | | | | | | Revised targets | | | | 1.4% | 2.9% | 5.7% | 10.5% | 14.3% | 63.8 | | | | | 439.9 | 433.2 | 420.7 | 399.2 | 382.3 | |
| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | AMP reduction | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Baseline | 469.0 | 468.3 | 447.9 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Three-year average | | | 461.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| AMP7 Targets | | | | 1.4% | 2.9% | 5.7% | 10.5% | 14.3% | 66.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | 455.3 | 448.4 | 435.4 | 413.3 | 395.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Restated baseline (spot) | 449.8 | 453.9 | 434.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Restated three-year average | | | 446.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Revised targets | | | | 1.4% | 2.9% | 5.7% | 10.5% | 14.3% | 63.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | 439.9 | 433.2 | 420.7 | 399.2 | 382.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| G03 | Per capita consumption ('PCC') | <p>In line with the leakage restatement above, the changes within the water balance have a knock-on impact on our PCC metric. Below we outline the change in targets.</p> <table><tr><th></th><th>2017/18</th><th>2018/19</th><th>2019/20</th><th>2020/21</th><th>2021/22</th><th>2022/23</th><th>2023/24</th><th>2024/25</th><th>AMP reduction</th></tr><tr><td>Baseline</td><td>127.51</td><td>127.54</td><td>126.53</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Three-year average</td><td></td><td></td><td>127.19</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>AMP7 Targets</td><td></td><td></td><td></td><td>0.7%</td><td>1.4%</td><td>2.1%</td><td>2.8%</td><td>3.5%</td><td></td></tr><tr><td></td><td></td><td></td><td></td><td>126.3</td><td>125.4</td><td>124.5</td><td>123.6</td><td>122.7</td><td>4.52</td></tr><tr><td>Restated baseline (spot)</td><td>134.4</td><td>133.9</td><td>132.8</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Restated three-year average</td><td></td><td></td><td>133.7</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Revised targets</td><td></td><td></td><td></td><td>0.7%</td><td>1.4%</td><td>2.1%</td><td>2.8%</td><td>3.5%</td><td></td></tr><tr><td></td><td></td><td></td><td></td><td>132.8</td><td>131.8</td><td>130.9</td><td>130.0</td><td>129.0</td><td>4.70</td></tr></table> | | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | AMP reduction | Baseline | 127.51 | 127.54 | 126.53 | | | | | | | Three-year average | | | 127.19 | | | | | | | AMP7 Targets | | | | 0.7% | 1.4% | 2.1% | 2.8% | 3.5% | | | | | | 126.3 | 125.4 | 124.5 | 123.6 | 122.7 | 4.52 | Restated baseline (spot) | 134.4 | 133.9 | 132.8 | | | | | | | Restated three-year average | | | 133.7 | | | | | | | Revised targets | | | | 0.7% | 1.4% | 2.1% | 2.8% | 3.5% | | | | | | 132.8 | 131.8 | 130.9 | 130.0 | 129.0 | 4.70 |
| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | AMP reduction | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Baseline | 127.51 | 127.54 | 126.53 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Three-year average | | | 127.19 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| AMP7 Targets | | | | 0.7% | 1.4% | 2.1% | 2.8% | 3.5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | 126.3 | 125.4 | 124.5 | 123.6 | 122.7 | 4.52 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Restated baseline (spot) | 134.4 | 133.9 | 132.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Restated three-year average | | | 133.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Revised targets | | | | 0.7% | 1.4% | 2.1% | 2.8% | 3.5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | 132.8 | 131.8 | 130.9 | 130.0 | 129.0 | 4.70 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>AMP7 Common Performance Measures Compliance Status</p> <p>In line with RAG 3.14 section 4.40, we can confirm that we are compliant with all the components of the AMP7 common methodology checklists for the following named PCs: Water Supply Interruptions; Leakage; Per Capita Consumption; Mains Repairs; Unplanned Outages; Internal Sewer Flooding; and Sewer Collapses.</p> <p>This compliance has been assured via our three lines of assurance framework.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

EXCEPTION - LEAD PIPES REPORTING CLARIFICATION

| Code | Measure | Reporting Clarification |
|---|--|--|
| Table 6C.21 – APR Reporting | Water network+ - Mains, communication pipes and other data for the 12 months | Internal data review has identified that we have under-reported the number of lead pipes replaced. The actual number for 2022 should have been 272 against a reported number of 93. The reason for the reporting discrepancy was due to a mis-interpretation of the guidance. This has been resolved for the current reporting year. In relation to the Green Recovery ('GR') work, 79 completed jobs were reported for APR22; the actual number was 101. |
| Table 10E.28 – APR reporting Green recovery | Green recovery data capture reconciliation model input for the 12 months - Taking care of supply pipes | |

| Metric | Data reported 2020/21 | Revised data 2020-21 | Data reported 2020/21 *GR added | Revised data 2021/22 * GR added |
|---|---------------------------------|----------------------|------------------------------------|---------------------------------|
| Green Recovery ('GR') | 0 | 0 | 79 | 101 |
| Comm pipes replaced as part of Lead in Schools ODI | 0 | 26 | 0 | 26 |
| SVE WQ samples/contacts | | 311 | 14 | 145 |
| Number of lead communication pipes replaced for water quality | 1 (only water Quality failures) | 337 | 93 (water quality failures and GR) | 272 |

EXCEPTION - PROPERTIES AND VOLUME DATA

| Code | Measure | Reporting Clarification |
|-----------------|--|---|
| Table 4R19-4R27 | Connected properties, customers and population - Residential properties billed at year end | <p>The Information Notice publication (23/03) by Ofwat confirmed that cattle troughs should not be included in reported numbers for property count data.</p> <p>Our data analysis has identified that circa. 1,000 cattle troughs were included in our property numbers for reporting period APR21 – APR22. The review has indicated low materiality (less than 1%) on the overall reported data and any wider application of this data.</p> <p>We have undertaken independent third line assurance of our reporting process and data. The associated internal reporting documentation has been updated to reflect the latest regulatory guidance requirements to mitigate future reporting risk.</p> |

EXCEPTION - WATER EFFICIENCY REPORTING CLARIFICATION

| Code | Measure | Reporting Clarification |
|--------------------------|---|---|
| Table 6F.4 - WRMP scheme | AMP7 Performance Commitment (Common) – WRMP annual reporting on delivery - non-leakage activities - Annual Performance Report Demand Water efficiency Project Home water efficiency checks | <p>As part of the assurance review, we identified a minor error related to reporting of consumption for APR22,, linked with home efficiency work. This has uncovered a duplication error on calculating consumption benefits linked with shower heads and a need to review the underlying assumptions.</p> <p>Data reported - 3.78ML/d (APR22); Updated data - 4.53ML/d benefit on water efficiency. This restatement includes the duplication of reporting and the improved data quality as part of the assumption review.</p> |

EXCEPTION – CARBON DATA REPORTING CLARIFICATION

| Code | Measure | Reporting Clarification |
|-----------------|------------------|--|
| 11A.1 and 11A.2 | Carbon reporting | Following our internal review, we noted that data for the following metrics needs restatement. A governance plan is in place to ensure that we respond to the most up to date science and evolve our net zero programme in line with the emission profile accordingly. |

| RAG | Table details | Previously published in 2022 | | | Revised | | |
|-------|---|------------------------------|-------------|-------------|-----------|-------------|-------------|
| | | Water | Waste | Total | Water | Waste | Total |
| 11A.1 | Burning of fossil fuels | 6,116.750 | 40,815.540 | 46,932.29 | 6,116.750 | 38,752.04 | 44,868.79 |
| 11A.2 | Fugitive emissions and fugitive emissions | 785.950 | 292,062.380 | 292,848.330 | 787.820 | 342,120.000 | 342,907.811 |

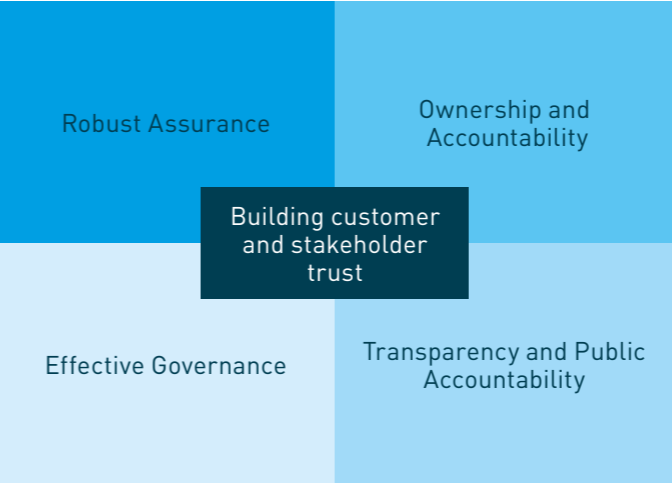
REGULATORY REPORTING

OUR APPROACH TO REGULATORY REPORTING

We know how important it is to our customers and stakeholders that our reporting contains reliable data and information. We set out our approach to annual regulatory reporting and assurance in our [Regulatory Reporting and Assurance Approach](#) to describe and explain our approach to assurance, what we publish, the assurance plan we follow and the level of assurance we apply.

This ensures we are open and transparent with our customers and stakeholders about the processes we follow with our publications and have an appropriate level of confidence that our submissions have been well prepared and are consistent with our robust internal processes.

This section provides oversight of our assurance framework and compliance processes in relation to our APR. Our frameworks and internal controls support the Board to make a number of signed statements within this Report including our Board’s Data and Information Completeness and Accuracy Statement and Risk and Compliance Statement from page 72.



OUR ASSURANCE FRAMEWORK

We have an established, rigorous and robust assurance and performance reporting framework. The assurance approach builds on best practice from external organisations. It ensures that managers, leaders and Directors are responsible and accountable for delivering high quality data through robust processes and methodology.

Our established framework is underpinned by four main principles that provide consistency and clarity for our people, and allows flexibility for our assurance processes to build and evolve with our Company and the environment we operate in.

- 1. Robust Assurance** – we operate a three lines of assurance model, targeted at areas of greatest risk.
- 2. Ownership and Accountability** – we have clear lines of ownership for both the delivery of performance, and the accuracy of the data provided.
- 3. Effective Governance** – provided by our Board, the Severn Trent Plc Audit and Risk Committee, the Severn Trent Plc Disclosure Committee and Executive Committee.
- 4. Transparency and Public Accountability** – we publicly report on our performance and hold ourselves to account where we do not meet our commitments.

1. ROBUST ASSURANCE

We operate a three lines of assurance model. Using a risk-based approach provides an effective programme of assurance which considers areas that we know are of prime importance to our customers and regulators; or may have a significant financial value, alongside the likelihood of reporting issues or regulatory change. Areas that are higher risk receive the full three lines of assurance while other areas, where the risk is lower, are targeted with first or second line assurance only. This approach ensures we can continually reassess our assurance activity as risk is reduced in certain areas, where mature and stable process exist, and increased where new risks are emerging, resulting in a proportionate and appropriate assurance spend. Our three lines of assurance is explained in greater detail in our assurance approach at Appendix A from page 161.

Internal Audit

Internal Audit is an independent assurance function available to the Board, Audit and Risk Committee and all levels of management, and is a key element of the Group’s corporate governance framework. Support is provided by four main co-sourcing partners: PwC, EY, BDO and KPMG. Arrangements are reviewed annually and we believe this structure adds value, through greater access to specific areas of expertise, increased ability to flex resources, and the ability to challenge management independently. Co-source specialists continue to bring expertise to support the team and delivery of the audit plan where relevant.

The role of Internal Audit is to provide independent and objective assurance that the Group’s risk management and internal control systems are well designed and operate effectively and that any corrective action is taken in a timely manner.

A three-year strategic audit planning approach is applied, from which Internal Audit develops an annual risk-based audit plan; this facilitates an efficient deployment of resource in providing assurance coverage over time across the whole business.

The Audit and Risk Committee’s role is to review and challenge the plan, specifically where the key risk areas identified as part of our ERM process are being audited with appropriate frequency and depth. Individual Committee members also bring an external view of risks the Company may be exposed to. Once approved by the Committee, regular reporting enables the Committee to monitor delivery of the audit plan and ensure that Internal Audit performs its work in accordance with the mandatory aspects of the International Professional Practice Framework of the Chartered Institute of Internal Auditors (the ‘CIIA’), with integrity (honestly, diligently and responsibly) and objectively (without conflicts of interest).

Each year, Internal Audit develops an annual risk-based audit plan for approval by the Audit and Risk Committee; this is supported by regular reporting that enables it to monitor delivery of the audit plan. Following the completion of each planned audit, Internal Audit seeks feedback from management and reports to the Audit and Risk Committee on the findings of the audit, including any action that may be required. Where any failings or weaknesses are identified during the review of internal control systems, management puts in place robust actions to address these on a timely basis ‘No material weaknesses were identified during the year’. Action closure is reported to and monitored by the Audit and Risk Committee, in order to demonstrate that management places a strong focus on closing audit actions and ensuring timely completion.

An internal control system can provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives. To ensure continued efficiency, we undertake an annual review of the effectiveness of the Internal Audit function in line with the CIIA Internal Audit Code of Practice and the FRC Guidance on Audit Committees. The CIIA guidance states that Audit Committees should obtain an independent and objective external quality assessment at least every five years, however we consider it prudent to carry out external effectiveness reviews every three years.

The last external review of the effectiveness of the Internal Audit function was undertaken in December 2021. The review was carried out by BDO, which concluded that the Internal Audit function remained fit for purpose, was operating efficiently and effectively, and in line with good practice. BDO’s findings also highlighted clear evidence that the Internal Audit function operated with strategic alignment, a focus on risk and an emphasis on quality and continuous improvement, all underpinned by objectivity and integrity. The minor areas of improvement raised by BDO have been incorporated into an action plan which was shared and agreed with the Chair of the Committee.

Taking all these elements into account, the Audit and Risk Committee concluded that the Internal Audit function was an effective provider of assurance over the Group’s risks and controls, and appropriate resources were available as required.

Internal Audit has the highest level of independence within the Company and also provides third line assurance (in addition to our external assurance providers) for a number of our regulatory submissions, including our ARA and APR. This is explained in greater detail in our APR assurance approach from page 161.

2. OWNERSHIP AND ACCOUNTABILITY

We have clear lines of ownership for both the delivery of performance, and the accuracy of the data provided.

Our regulatory, statutory and legal obligations in our appointed business are assigned to managers, senior leaders and Directors. These managers are responsible for ensuring compliance with our regulatory duties and raising potential risks or issues of non-compliance.

Performance reporting

Our Board understands that performance matters – to us, to our customers, and to our wider stakeholders. Our Board is fully engaged in monitoring and assessing our performance and providing challenge through our established governance arrangements.

Performance is reported to and reviewed monthly by the Executive Committee, and through the Severn Trent Plc Audit and Risk Committee and Disclosure Committee. The Board receives updates on general performance, including performance against key targets and performance commitments, environmental matters and health and safety. The Board also receives updates on financial performance and detailed deep dives at each meeting that relate to areas of strategic importance.

Compliance processes

As a regulated company we are subject to statutory and regulatory duties and obligations, primarily set out through the Water Industry Act 1991 and our Instrument of Appointment (the ‘Licence’).

The Licence also requires us to perform duties imposed under other statutory and regulatory obligations as necessary to fully discharge our duties as a water and waste water undertaker. Our approach to achieving compliance with these obligations is based on our established and robust governance and systems of internal controls. We set ourselves high standards, though it is important to understand that such systems cannot provide absolute guarantees.

Our Licence to Operate process is an internal control system and a key part of our Governance Framework designed to ensure compliance against all of our regulatory obligations and duties. We monitor over 100 obligations underpinned by over 2,000 reporting lines. Each duty and obligation within our licence condition is mapped to a business area in our assurance map, to provide oversight of the compliance risk score. Responsible managers and senior leaders are invited to complete a self-assessment twice a year. Our total risk exposure is then assessed based on the combined score of the likelihood of a non-compliance and the impact of a non-compliance. This creates a simple way to compare one risk factor to another. Our highest areas of risk receive targeted focus in our assurance plan. Where we have noted exceptions (as disclosed in our APR), we have additional focus on assurance.

Our Group Compliance and Assurance Team oversees the framework and ensures that managers across the Company are aware of their statutory and regulatory duties. Training and support workshops are provided to new duty owners to ensure that processes and requirements are understood, as well as providing refresher training for existing duty owners. This ensures all duty owners are equipped with the right skills and knowledge to complete their annual self-assessments confidently and accurately. The Group Compliance and Assurance Team undertakes additional checks following completion with a random sampling technique to test and challenge duty owners to ensure a consistent approach to completion of the self-assessment is undertaken.

Each duty and obligation is assigned to a responsible manager, a senior leader and a Director. The senior leaders are responsible for the development, implementation and testing of controls to ensure compliance in areas such as policy and standards, procedures, training and management information as well as completing regular reviews of these controls. An annual process of self-certification takes place and we receive a declaration from each responsible manager, senior leader and Director to confirm compliance, or to inform us of a non-compliance (referred to as an exception).

The Group Compliance Team assesses and spot-checks declarations for consistency and accuracy, and works collaboratively with the Company to ascertain the level of materiality of any non-compliances. The Licence to Operate framework helps to inform the Board of any exceptions from our statutory and regulatory obligations, ahead of the Board making the annual Risk and Compliance Statement. The exceptions are set out on page 73.

3. EFFECTIVE GOVERNANCE

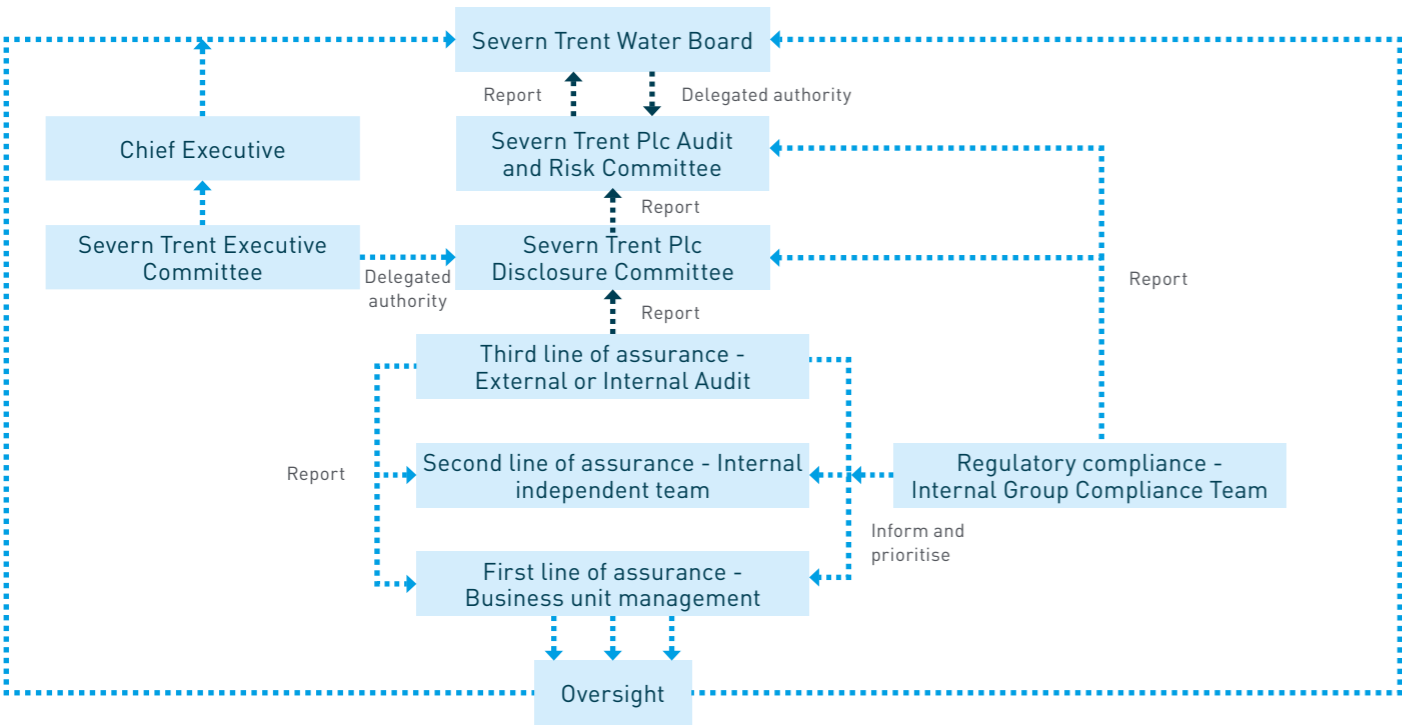
The Board is supported by the Severn Trent Plc Governance Framework, which is described in detail on page 32. In line with the 2018 UK Corporate Governance Code, the Board delegates certain roles and responsibilities to its various Committees.

To support our Governance Framework, we have a well established and robust assurance and performance reporting framework. Our Governance and Assurance Frameworks work together, as demonstrated overleaf, to enable confidence in the information and data we report in our Annual Report and Accounts and APR.

The Severn Trent Plc Disclosure Committee oversees the reporting obligations of the Group, considering the materiality, accuracy, reliability and timeliness of information disclosed, and reviews the level of assurance received. The effectiveness of the controls over reporting are monitored by the Audit and Risk Committee, which receives regular reports of the assurance conducted by the external auditors.

Overall accountability for the preparation and production of the APR, which includes reporting of performance against performance commitments and associated Outcome Delivery Incentives (‘ODIs’) rests with the Chief Financial Officer.

GOVERNANCE AND ASSURANCE FRAMEWORK



4. TRANSPARENCY AND PUBLIC ACCOUNTABILITY

As a public service provider, we want to be transparent about how we balance the needs of our customers and other stakeholders, our strategic plans as a business, and the provision of a fair return for our investors.

We evolve and update our reporting to make sure that it not only complies with our regulatory obligations but also responds to our customers' and stakeholders' feedback. We outline our performance each year within our APR and hold ourselves to account where we do not meet our commitments. We also include details on Executive pay and how Severn Trent Plc makes decisions in relation to dividend payments in the Severn Trent Plc Annual Report and Accounts.

We publish our APR so that everyone can see how we have performed, and that relies on us making sure that we provide trustworthy and objective information.

We also make sure we provide information about areas where we have not performed as well as we would like to, providing insight into how we

are planning to improve. Trust takes time to build so it is important to be open with our customers and stakeholders, and hold ourselves accountable where we do not meet commitments. We share this information so that comparable performance with our peers can be reviewed.

We publish additional information to ensure the Severn Trent Group structure and performance is transparent and clear for our customers. Our Company structure, which shows how the companies including Severn Trent Water, Hafren Dyfrdwy and other associated companies are connected under the Severn Trent Group umbrella, can be found on our website. We demonstrate and explain how we are fair when balancing the short and long-term needs to manage our financial risk for Severn Trent Water, share returns with customers and consider long-term viability.

We also provide information relating to dividend payments, Executive salaries and bonuses and how they are aligned and linked to the delivery of outcomes to customers.


BOARD STATEMENTS


RISK AND COMPLIANCE STATEMENT

Having taken into consideration the information contained within the sections titled 'Our approach to Board Leadership, transparency and governance' and 'Improving Clarity and Transparency' the Board approves the Annual Performance Report ('APR'), the associated APR data tables, and the noted exceptions. The Board confirms that:

- We have a full understanding of, and we meet all of our relevant statutory, licence and regulatory obligations in all material respects except where indicated on page 73.
- We have taken appropriate steps to understand and meet customer expectations.
- We have sufficient processes and internal systems of control to fully meet our obligations.
- We have appropriate systems and processes in place to identify, manage, mitigate and review our risks.
- We meet the Ofwat objectives on board leadership, transparency and governance and ensure that we explain clearly how we meet those objectives.
- We have reviewed our governance to ensure we conduct the regulated company as if it were a public limited company separate from any other business.
- COVID-19 impacts have been considered when making our declaration.

Signed for and on behalf of the Board:


Liv Garfield
Chief Executive
Severn Trent Water Limited


Christine Hodgson
Chair
Severn Trent Water Limited


John Coghlan
Chair
Severn Trent Plc Audit and Risk Committee

14th July 2023



EXCEPTIONS FROM THE STATEMENT

There are five exceptions for inclusion in this year's Risk and Compliance Statement relating to areas where we will be re-stating data previously submitted. The five areas identified relate to leakage, number of lead communication pipes replaced for water quality, Properties and Volumes, water efficiency and carbon reporting. Details are presented in the 'Improving Clarity and Transparency' section of our APR. In all cases, the impact materiality has been assessed as low with reference to financial or wider customer impact. However, in accordance with our internal procedures we have chosen to include these to ensure the highest levels of transparency. All exceptions regardless of materiality are reviewed and scrutinised by our Executive Committee before it is endorsed by our Board prior to publication - ensuring that all levels of the business are made aware of any significant risks or issues.

OBSERVATIONS FROM THE STATEMENT

There are two areas where we are stating an observation. Observations are not exceptions, however for completeness in accordance with our internal procedures we have chosen to include these to ensure the highest levels of transparency.

| Description of Duty/Obligation | Observations |
|--|---|
| Environmental Permitting (England and Wales) Regulations 2016/1154 | <p>In November 2021, Ofwat and the Environment Agency each issued their own investigations into the waste water industry to investigate compliance with the conditions of environmental permits. We were able to respond quickly and comprehensively and have had open conversations since. It is not yet clear what the scope or likely outcome of this investigation will be. We are fully committed at every level of the organisation – from the frontline to the boardroom – to making a positive impact on the environment and the communities we serve, and recognise that, as a sector, there is more that we should do to help. We believe that river health is essential not only to the communities we serve, but also to our ability to provide vital water on tap. We take our responsibilities to not only protect them, but also to enhance them very seriously, and are playing a leading role in this. Get River Positive underpinned by five pledges is a firm commitment from Severn Trent to take action - Get River Positive.</p> <p>Over a year on since the launch of Get River Positive, our hardworking teams are delivering some excellent results reducing impact by one third. We currently account for less than 16%, of the harm to rivers in our region and we have the ambition to reach 0% by 2030. Our wider environmental performance is meeting the standards outlined by the regulator and we are first water company to achieve 4* Environmental Performance Assessment status four years consecutively.</p> <p>An update on the progress we have made since the launch of our river pledges is provided on our website - https://www.stwater.co.uk/get-river-positive/</p> |
| Severn Trent Water Instrument of Appointment Licence condition J – Levels of service information and service targets | <p>Licence condition J – outlines obligations regarding setting, monitoring and reporting of service targets, Ofwat is consulting on changes to licence conditions. They have indicated that given the level of duplication with other provisions in the licence, this condition is redundant. Thus as the licence condition is under review, our current understanding is that we are not required to comply with it as currently drafted.</p> |

STATEMENT FROM NON-FINANCIAL ASSURER - JACOBS



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29 June 2023

Attn: FAO Severn Trent Water Limited Board

Project name: 2022-23 Assurance Services
Project no: B2347101

Subject: Independent Technical Assurance Statement

Jacobs has been appointed by Severn Trent Water (SVE) to provide independent technical assurance of the data that feeds into their regulatory submissions. For the Annual Performance Report 2023 (APR23) submission we were asked to review the 2022-23 SVE performance commitments (Part 3) and non-financial data (within Parts 2-11) on a risk-based approach.


Through a series of meetings and information exchanges, we have reviewed and tested the methodologies and processes on which the relevant statements in the APR23 are based, and we have considered the material accuracy of the performance data presented. Our findings have been discussed with management and were presented to the ST Plc Disclosure Committee on 27 June 2023.

On the basis of our audit work, we are satisfied that the information we reviewed which supports, and is included within, the APR23 has been assembled using appropriate methodologies and processes and that the data provides a reliable representation of Company performance. There is good evidence of engagement from the teams involved in producing the performance data, and of governance and programme management.

Performance commitment (PC) reporting is in line with the guidance and exclusions have been correctly applied. For supply interruptions (G01) the Company have revised their interpretation of the guidelines this year and for leakage (G02) and per capita consumption (G03) they have revised their methodology. We consider that the revisions are reasonable but also that they represent elevated reporting risk for the affected elements of the reporting processes (for G01 the impact is a 24 second improvement in performance and for G02 the impact is a 2.1% improvement for the in-year performance figure). We have recommended that the Company clearly set out the rationale and implications of the proposed changes in the APR. We have completed assurance for all of the Company's performance commitments that have financial outcome delivery incentives (ODI) except for the four (C06, F09, G10 and G12) that have end-of-period ODIs.

We note that the Board intends to include issues we noted during our review as clarifications or exceptions in the APR.

Yours sincerely,



Alexandra Martin
Director of Operations

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alexandra.martin@jacobs.com

ACCURACY AND COMPLETENESS OF
DATA AND INFORMATION STATEMENT

As a provider of one of life's essentials we understand that we must assure customers, regulators and wider stakeholders that we are doing the right things in the right way. We want customers to have confidence in what they get from us – be that the quality of water they drink from their taps, or the information we publish.

The data in our publications provide transparent insight into our performance and critical information to direct and drive future improvements across the sector. With that in mind, the assurance process we apply to the information and data we publish is vital to ensure that it can be trusted by all.

We have an established, rigorous and robust assurance and performance reporting framework to support the Board when approving the publication of data and information contained within regulatory documents. The assurance approach builds on best practice from external organisations. It ensures that managers, senior leaders and Directors are responsible and accountable for delivering high quality data through robust processes and methodology.

BOARD ASSURANCE APPROACH

Robust Assurance:

We operate an established and robust three lines of assurance model, which is explained in greater detail in our APR assurance approach from page 161, our [Regulatory Reporting and Assurance document](#) and our [Annual Report and Accounts](#). Using a risk-based approach we provide an effective programme of assurance which ensures we can continually reassess our assurance activity as risk changes or new risks emerge. Data and information are approved by data owners, senior leaders and Directors. Following which, the Severn Trent Plc Audit and Risk Committee apply scrutiny and challenge ahead of publication.

Effective Governance:

Severn Trent Water is the principal operating subsidiary of the FTSE100 company Severn Trent Plc, which means we operate at the highest standards expected of a publicly listed company. The Board is supported by the Severn Trent Plc Governance Framework, which comprises the Board, Executive Committee and their respective Committees. In line with the 2018 UK Corporate Governance Code (the '2018 Code'), the Board delegates certain roles and responsibilities to its various Committees.

The Committees assist the Board by fulfilling their roles and responsibilities and by: focusing on their specific activities; reporting to the Board on decisions and actions taken; and making any necessary recommendations to the Board in line with their respective Terms of Reference. The Governance Framework is also subject to periodic review to ensure that it remains appropriate. The Governance Framework is explained in greater detail on page 32 and in the Severn Trent Water Annual Report and Accounts.

Specific examples where the Board utilised individual Directors and Committees in carrying out its activities are listed below but more information is provided on pages 110 to 153 of the Severn Trent Plc Annual Report and Accounts 2022/23.

| | |
|---|---|
| Severn Trent Plc Nominations Committee | Oversaw the conduct of the Board Effectiveness evaluation and discussed the feedback, observations and recommendations from the review of the Board and Committees, including the 2023 action plan for approval by the Board. |
| Severn Trent Plc Audit and Risk Committee | <p>Reviewed the proposed audit plan for the 2022/23 statutory audit, including the key audit risks and level of materiality applied by Deloitte, audit reports from Deloitte on the financial statements and the areas of particular focus for the 2022/23 audit.</p> <p>Reviewed and approved the Internal Audit plan and approach for 2022/23.</p> <p>Reviewed the integrity of the regulatory reporting process relating to the Annual Performance Reports, and other regulatory submissions.</p> <p>Reviewed the STW 2022/23 Annual Report and Accounts and provided a recommendation to the Board that, as a whole, they complied with the 2018 Code principle to be ‘fair, balanced and understandable and provide the information necessary for stakeholders to assess the Company’s position, performance, business model and strategy’.</p> <p>Reviewed the effectiveness of the Enterprise Risk Management (‘ERM’) processes and procedures and internal control systems, prior to making a recommendation to the Board. The Committee also reviewed the risk appetite statement prior to making a recommendation to the Board.</p> |
| Severn Trent Plc Treasury Committee | <p>Execution of the Group’s financing plan and evaluation of funding opportunities, in consideration of the external operating environment, including entering new financial markets.</p> <p>Review of the Group’s treasury policies in relation to: financing; liquidity; hedging of market risks (interest rates; inflation; currency and energy hedging); financial counterparty credit risk and credit ratings.</p> |
| Severn Trent Plc Corporate Sustainability Committee | Oversaw the approach of environmental standards, particularly those where Severn Trent has the most significant impacts, for example, energy management and climate change, water quality, resource productivity (including leakage and waste), and biodiversity and land use. |

ASSURANCE APPROACH TAKEN

To support our Governance Framework, we also have an established, rigorous and robust assurance and reporting framework. The assurance processes we use build on sector wide best practice and ensure that managers, senior managers and Directors are responsible for delivering high quality data. Our Assurance Plan for this financial year, builds on the high standard processes we have developed and implemented in previous years to provide accurate data.

Our assurance plan aligns to our AMP7 commitments and provides details of the structure and types of assurance applied including Internal Audit and external assurance providers, aggregated Licence to Operate and Enterprise Risk Management (‘ERM’) risks recorded, outputs of the effectiveness of assurance undertaken, and the findings of the assurance undertaken.

The Board received a tailored presentation of the AMP7 assurance map in May 2023 regulatory forward plan and proof-point process that provides assurance to the Board

and Audit and Risk Committee that an appropriate level of assurance activity has been undertaken, and findings discussed with the Board.

Throughout this activity, we ensure that high standards of governance, in line with our regulatory framework, as well as best practice for audit committees, are maintained. A 12-month forward view of the regulatory forward plan and proof-point process is provided at every Audit and Risk Committee meeting. The Audit and Risk Committee are updated every six months. The Audit and Risk Committee ensures that regular updates are provided to the Board under their Terms of Reference. Ongoing progress updates relating to a variety of submissions, are provided at Board level through Director reports.

New submissions and Board requirements, or amendments to the assurance process, are reviewed, discussed, and approved in advance of submissions.

As an example, this year we are required to submitted a Board Statement to accompany the Drainage and Wastewater Management Plan (‘DWMP’). This submission will be owned at an individual Director level, with the Executive Committee, Audit and Risk Committee and Board all being engaged throughout the process. This enables them to test and challenge the progress, including risks, mitigations, the assurance approach and the Board Statements themselves, including the proof point process.

The Board takes action to ensure exceptions and weaknesses in the assurance approaches have been addressed and is satisfied that the approaches have appropriately identified and addressed any risks to the provision of accurate and complete data and information in particular areas.

We are confident the assurance map supports the identification of potential weaknesses using a holistic view of assurance activities and RAG status, and all areas at a minimum of satisfactory rating are targeted for improvement.

Our [Regulatory Reporting and Assurance Approach](#) is a key publication that considers a range of factors to determine and shape our assurance plan and ensure that weaknesses in assurance approaches are improved. Customer and stakeholder engagement, internal assessments including Licence to Operate, ERM and emerging risks and trends across the sector help to determine where we need to focus the assurance we apply to our regulatory reporting. We also make

sure that regulator feedback is incorporated, and we welcome feedback from stakeholders following publication on our website. We explain in detail our assurance and governance frameworks and link outputs of the assessments to the planned assurance activities and approach for the financial year ahead. The assurance plan is grouped into two areas, core assurance activities and focus assurance activities, which are updated and reflect current risk and/or areas of importance in reporting.

CONSIDERATIONS OF THE BOARD

The Board considers that the Company has applied the governance and assurance frameworks described both in this APR, the Annual Report and Accounts, and the Regulatory Reporting and Assurance Approach. Following reasonable and relevant enquiries, it is believed the processes and internal controls have been applied in a manner which has enabled it to satisfy itself, to the extent that it is able to do so from the information available, that the data and information provided to Ofwat in the reporting year and information published in our role as a water and waste water undertaker is accurate and complete, except where indicated on page 73.

Signed for and on behalf of the Board:

Liv Garfield
Chief Executive
Severn Trent Water Limited

Christine Hodgson
Chair
Severn Trent Water Limited

John Coghlan
Chair
Severn Trent Plc
Audit and Risk Committee

14th July 2023

REGULATORY STATEMENTS



REGULATORY STATEMENTS

The following section contains the statements required by the terms of our licence conditions and the statutory requirements set out in the Water Industry Act 1991 and where required is endorsed and signed by the Board. See also our Board’s Risk and Compliance Statement on page 72.

1.

DISCLOSURES REQUIRED BY RAG 3

a. Link between directors’ pay and standards of performance

Our Remuneration Policy is aligned to our Purpose, Strategy and Values thereby incentivising great customer services and the creation of long-term value for all our stakeholders.

All directors of Severn Trent Water Limited are also Directors of Severn Trent Plc and further details of their remuneration and how their performance measures are linked to our business strategy can be found in Severn Trent Plc Annual Report and Accounts (‘ARA’). The Severn Trent Plc ARA provides detailed disclosures of our Remuneration Policy and how this has been applied in the year.

The policy is summarised as follows:

ii) Non-Executive Directors

The Chair and Non-Executive Directors do not participate in the Company’s incentive arrangements (i.e. annual bonus or share schemes) and were paid no remuneration other than their respective Directors’ fees. Details can be found in the Severn Trent Plc ARA.

ii) Executive Directors

Through the annual bonus scheme (‘ABS’) and long-term incentive plan (‘LTIP’), Executive Directors receive remuneration linked to the achievement of performance measures. The 2022/23 bonus was based upon four main components:

- Adjusted Group Profit Before Interest and Tax (‘PBIT’)
- Customer, Asset Health and Environmental ODIs
- Health and safety
- River Health

Half of the annual bonus is delivered as cash and the balance is deferred into shares of Severn Trent Plc for a further three years. Executive Director bonuses were charged to and paid by our Ultimate Parent Company, Severn Trent Plc.

Our ‘ABS’ is structured so that most (51%) of the reward is based on serviceperformance (Customer ODIs) a health and safety measure, and environmental performance.

Our Get River Positive river pledges are now built into our ABS, meaning everybody in the Company is incentivised on achieving these vitally important targets with the remainder being based on PBIT.

We operate an ABS across the Group, which reflects our belief that all our employees play a part in the creation of value for our stakeholders.

Base pay awards for Executives Directors are also no higher than the wider workforce. We are passionate about fairness and as such believe that our Values are reinforced by incentivising every employee in the same manner and rewarding them for the same shared objectives.

Within the current bonus plan, as well as setting ourselves stretching targets, we group the ODIs into three categories: ‘Minimise disruption to customers’; ‘Prevent failure in our network and our sites’; and ‘Improve the environment we live in’. This ensures that the environment cannot be ignored in favour of other measures. In determining the bonus outturn for any given year, we ensure that performance is assessed in the round through a number of lenses, to incorporate a variety of stakeholder perspectives. We have no hesitation in reducing the bonus where it is the right thing to do in the circumstances.

Whilst we have consistently focused on connecting remuneration to environmental outcomes, we recognise the strength of external opinion on the performance of the sector and made further changes to our ABS during the year to strengthen the focus on environmental performance – increasing the weighting of environmental measures within our annual bonus plan to 20%. For 2023/24 we are going even further and increasing the weighting to 30%. Increasing this element of the ABS structure will reinforce the importance that the Company places on river health and emphasise the pivotal role we know we play in contributing towards and advocating for that health.

LTIPs

Our LTIPs operate over a three-year period and are based primarily on the Return on Regulated Equity ('RoRE') as a strong composite measure that incentivises long-term performance and delivery for stakeholders. As part of the 2021 Remuneration Policy review, we introduced sustainability measures to the LTIP that account for 20% of the maximum pay out.

In the current three-year plan, the environmental measures are focused on reducing our carbon impact.

All of our incentive schemes have malus and clawback provisions that allow the Remuneration Committee to reduce or recoup any past incentive payments from individual Executives if they later learn of information that was material to the incentive scheme outcome after the time of the award. 50% of any Executive Director annual bonus is awarded in shares that are deferred for three years. Should an Executive Director leave, they are contractually required to hold shares for at least two years after leaving the Company.

For the 2023/24 scheme there will be an increase to the weighting of the river health element and the creation of a specific section of the annual bonus for the 4* EPA. This means that 30% of the annual bonus will be linked to measures relating specifically to environmental measures and river health.

The LTIP outcomes are measured over a three-year period, and are based on two performance measures:

- 80% of the award is based on Return on Regulatory Equity ('RoRE') with a stretch target based on upper quartile performance; and
- 20% of the award is based on our progress towards net zero carbon emissions by 2030.

In determining the outcome of the incentive schemes, standards of performance are assessed by the Severn Trent Plc Remuneration Committee to ascertain whether targets have been achieved. In addition, the Committee also considers relevant reports from Ofwat in assessing the achievement of standards of performance.

We operate a unified remuneration structure at the Severn Trent Group level across the two regulated water businesses (Severn Trent Water and Hafren Dyfrdwy).

b. Disclosure of information to auditor

The Companies Act requires Directors to make a statement in the Company's Annual Report and Accounts regarding the provision of information to the auditor. RAG 3 requires an equivalent statement to also be made in the APR. This statement is set out below.

So far as each of the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

c. Governance policy

As a subsidiary of a FTSE100 listed Company, Severn Trent Water Limited has chosen to apply the principles of the 2018 UK Corporate Governance Code (the '2018 Code') to its governance arrangements where appropriate and reasonably practicable. These are the same principles that apply to listed companies. Details of how the Company has applied the Code during the year are set out in the Company's Annual Report and Accounts.

d. Our AMP7 dividend policy

The Company's dividend policy is based on our belief that in order to deliver successful outcomes, all parties must share in success. This means:

- customers benefitting from lower bills and better services;
- enhancing the environment in which we operate and doing no significant harm;
- employees being rewarded for their hard work; and
- our investors earning a reasonable return on more than £4 billion of equity they have invested in the business.

We've long considered the factors identified by Ofwat in its PR19 methodology, and subsequently, when setting our dividend. For example, we share outperformance with our customers through lower bills and additional investment; with our employees through responsible incentive-based bonuses; and with investors through a sustainable dividend policy. And we've been able to do this while delivering exceptional environmental performance, maintaining appropriate gearing and delivering strong financial resilience.

At PR19 we adopted four core principles that guide how we make decisions about dividends:

1.Dividends will be fair and balanced

Customers should be able to see and understand how our dividend policy supports them – through both the sharing of outperformance and greater transparency. The community will benefit through greater focus on improving outcomes for vulnerable customers, the environment and social amenities. Investors should earn a reasonable return on the £4 billion they contribute so that we can continue to make improvements to our services, consistent with the 4% base return identified by Ofwat.

2.Dividends will be transparent

Our APR will explain how our dividend is consistent with our commitments.

3.Dividends should promote continued outperformance

It is in all parties' interests that we continue to outperform so we reduce bills and improve service levels. Our dividend policy will benefit customers, employees will feel rewarded and importantly investors will continue to challenge us to deliver the best long-term result.

4.Dividends will support appropriate gearing

Our shadow RCV gearing at 31 March 2023 was 60.0%, in line with the notional capital structure for AMP7. If we geared to a high level, above 70% – although we have no plans to do so - we would share financing benefits from this structure with customers.

Ofwat consulted on licence modifications in July 2022 reflecting its concerns about financial resilience and dividend decisions across the wider sector. We recognised Ofwat's concerns, we were pleased to offer our views and support. Our Board accepted the licence modifications and the new licence condition on dividends took effect on 17 May 2023.

In applying our four core principles that guide how we make decisions about dividends in the current year, we have taken account of the recent licence changes:

- 1.Dividends will not impair the ability of the Company to finance the Appointed Business.
- 2.Dividends will take account of service delivery for customers and the environment over time.
- 3.Dividends will reward efficiency and the effective management of risks to the Appointed Business.

As a responsible, financially resilient company Severn Trent Water's Board has considered our long-term investment needs; our financial resilience (including

pension obligations); and our service delivery for customers and the environment over time and in the round when deciding our dividends.

We are supportive of Ofwat's often-stated view that dividend policies and capital structures are the responsibility of company Boards, taking account of relevant legal obligations and licence conditions. Dividends are the means for companies to compensate equity investors for the use of their capital and our investors already expect our company Board to apply reasonable and appropriate judgment before making such distributions.

We set out below how we have applied our core principles and the new licence modifications.

Dividends will support appropriate gearing and Dividends will not impair the ability of the Company to finance the Appointed Business

Preserving the Company's financial resilience is a key objective for the Board. This involves considering the Company's financial position and its prospects in the short term and for the foreseeable future.

The Company monitors its financial position through key metrics including RCV gearing, headroom on committed facilities, and the period for which committed facilities are sufficient to cover anticipated cash outflows, including dividends.

In calculating RCV gearing the Company takes account of expenditure that has already been incurred but is not included in the RCV based on the Final Determination. For example, in AMP7 we adjust our RCV in the gearing calculation to take account of Green Recovery expenditure incurred that will not be formally included in the RCV until the start of the following AMP.

The Company also considers its published credit ratings and the outlook for ratings and seeks to retain stable ratings [two notches above the minimum level]. The forecast outcomes for key metrics that form inputs to the ratings agencies' methodologies are considered as part of the viability review described below.

The Company assesses its prospects through an annual viability statement review, which currently considers a period of seven years from the date that it is approved. This assessment takes into account any dividends planned and forecasts the outcome for key metrics over the period under review, including those that are key components of ratings agencies methodologies.

We recognise that funding RCV growth requires an appropriate balance between equity and debt in order to maintain financial resilience and an efficient capital structure. Our commitment to this was demonstrated in our approach to funding our Green Recovery Programme in the current AMP where we raised £250 million of new equity, around 40% of the nominal investment required, maintaining our RCV gearing and our financial resilience.

At 31 March 2023 the key metrics were:

| Metric | 2023 | 2022 |
|---|--------|--------|
| Shadow RCV gearing (%) | 60.0 | 59.2 |
| Adjusted gearing as per table 1E (%) | 60.0 | 59.5 |
| Credit rating | BBB+ | BBB+ |
| Credit rating outlook | Stable | Stable |
| Period cash flow requirements funded for (months) | 20 | 23 |

Dividends should promote continued outperformance and dividends will take account of service delivery for customers and the environment over time.

We measure service delivery for customers by reference to our performance against the targets set in our ODIs and performance commitments. We assess our performance in the round and over time.

Assessing performance in the round means taking account of performance across all ODIs and performance commitments and taking a balanced view of performance. We give equal weight to both under performance and over performance by ensuring that ODI penalties are covered by rewards before considering the inclusion of any performance related element in dividend distributions. We also consider performance across the range of performance measures and only include a performance related element in the dividend if a substantial proportion of our measures are meeting or exceeding target.

Assessing performance over time means considering a number of periods in determining the level of dividend. Sustained delivery over more than one period of performance the range of measures would support distribution of an enhanced dividend based on performance.

In addition to our environmental performance commitments and ODIs, we also take into account our annual EPA rating issued by the EA. This measures environmental performance across a range of water and waste water measures and therefore in itself assesses performance in the round. We also look at our EPA performance over time when considering dividend distributions.

We recognise that, as a monopoly provider of essential public services, we have an obligation to consider stakeholder concerns at an individual company and sector level. We have also considered our performance on matters such as operational resilience in the face of climate change, river health and CSO activations and performance against our statutory and regulatory obligations, in determining the appropriate level of dividend.

Our ODI and EPA performance reported for AMP7 to date is summarised below:

| Metric | 2023 | 2022 | 2021 |
|--------------------------------------|------|------|------|
| ODI net reward (£m) | 53 | 79 | 77 |
| Proportion of measures in reward (%) | 80 | 88 | 80 |
| EPA rating ¹ | 4* | 4* | 4* |

¹Based on previous calendar year.

Our customers expect us to be an environmental leader, and once again we are proud to have hit 100% of our environmental performance commitments. Since the launch of our five Get River Positive pledges last year, we have made great progress on each of them.

Our 2022 annual performance of combined sewer overflow ('CSO') activations improved by 28% to an average of 18 activations per CSO per annum. This means we are ahead of plan to reach our target of an average of 20 activations per annum by 2025 and a maximum of 10 activations per annum in line with the Government's 2050 target. While some of last year's improvement can be attributed to 2022's dry summer, the majority reflects the significant capital and operational investments we have made.

The combined effort across our pledges means that our share of our region's RNAGS is now down to under 16% and we remain on track to meet our commitment to reach zero RNAGS by 2030.

Dividends will be fair and balanced and Dividends will reward efficiency and the effective management of risks to the Appointed Business.

Efficiency and effective risk management are key requisites for delivering sustainable returns for shareholders and other stakeholders. Efficient use and allocation of resources will lead to better outcomes for customers and the environment, lower costs and higher returns. Effective risk management will reduce the probability of risks occurring and reduce their impact if they do. This leads to more stable performance and sustainable returns.

Efficient performance is reflected in the RoRE base return. Totex or Financing outperformance reflects

enhanced efficiency. Sustained outperformance over time in either of these areas would support an enhanced dividend. Likewise, sustained underperformance over time would lead to lower dividends.

When setting the dividend for a year the Board considers the Company's principal risks and how the proposed dividend would impact the Company's financial resilience. In performing this assessment, the Board considers the Company's Enterprise Risk Management framework and the most recent reports that it has received in relation to the Principal Risks.

Principal risks that are directly relevant to the consideration of dividends are:

- failure to fund the defined benefit pension scheme sustainably; and
- failure to ensure sufficient liquidity to meet funding requirements.

The Board specifically considered these risks when approving the dividend for the year and concluded that the dividend was reasonable in relation to the risks.

We have shared the benefits of our performance and effective risk management with the communities in our region. We recognise that our region is home to some of the UK's most deprived postcodes, who are feeling more financial pressure in the current high inflation environment. We have supported 237,000 of our most vulnerable customers financially, including reducing their water bill by up to 90%, and we remain on track to support 315,000 customers by the end of the AMP, including an expansion of our Big Difference Scheme to offer more help to up to 50,000 customers in arrears. This programme has been partly funded by a 19% year-on-year reduction in the number of void properties across our region.

We want to play a role in supporting the communities we serve beyond financial aid. In November we announced our new landmark Societal Strategy scheme, which aims to help support 100,000 people out of poverty by 2032 by supporting them into employment. We will be working in partnership with Trailblazers to provide 20 mentors each year to support young men currently in prison, to encourage and support them into work after release and reduce the risk of re-offending.

Our Community Fund has been running for three years and we have donated £7.6 million of our £10 million AMP7 commitment, supporting 682 organisations across a range of projects including the creation and enhancement of community spaces and nature projects. We know that, like our customers, lots of organisations, such as charities, are finding day-to-day running costs hard, so this year we have

offered core funding support to temporarily help with rising bills. To read more about the individual community projects and businesses we have helped you can find our 2022/23 Community Fund Annual Review on our website.

Dividends will be transparent

Company Law and Accounting Standards set out minimum disclosures that companies must make in relation to dividends paid and proposed. These disclosures are set out in the Company's Annual Report and Accounts, which is published on our website and filed at Companies House.

In this document we make further disclosures so that our dividend policy – and how decisions leading to the payment of a dividend align with that policy – are transparent to customers and other stakeholders, including how delivery for customers and the environment has been taken into account.

Over a number of years, and taking into account feedback from Ofwat, we have developed an approach to reporting our cumulative returns, amounts distributed and amounts available for future distribution in a transparent manner.

The returns and dividends are shown in nominal terms. We believe that stakeholders will more easily understand the table if the dividends shown can be directly linked to the amounts actually paid. The table demonstrates that dividends paid in the AMP have been supported by performance over time. In each year we have retained more of our cumulative return than we have distributed.

In the first year of the AMP, the dividend was funded entirely from undistributed returns from AMP6. Underperformance on wholesale totex and retail was also covered by the AMP6 returns. The undistributed base return and outperformance on ODIs and financing was carried forward to be considered for distribution later in the AMP.

In the second year, the dividend was funded from the undistributed AMP6 returns brought forward, the base return brought forward and the base return earned in the year. Outperformance on all other elements of RoRE was carried forward to be considered for distribution later in the AMP.

In the current year, outperformance on ODIs and financing meant a significant net outperformance overall. Having considered the Company's financial position and prospects and continued strong environmental performance reflected in the EA 4* rating for the fourth consecutive year, the Board considered that the sustained outperformance over time supported an increase in the dividend to distribute a portion of the ODI outperformance delivered for customers in the AMP to date.

The table below shows our equity return for each year of the AMP, broken down into its major components, together with undistributed outperformance brought forward from the previous AMP and the amounts distributed in each year.

| | Outperformance | | | | | | | Total |
|-------------------------------|----------------|--------------|---------------|--------------|--------------|--------------|-----------------------------|--------------|
| | Base return | ODIs | Other | Financing | Totex | RoRE | AMP6 return brought forward | |
| | £m | £m | £m | £m | £m | £m | | |
| Opening retained return | - | - | - | - | - | - | 125.8 | 125.8 |
| 2020-21 returns earned | 129.8 | 62.5 | (17.2) | 24.6 | (5.6) | 194.2 | - | 194.2 |
| Dividends paid | - | - | 17.2 | - | 5.6 | 22.8 | (81.4) | (58.6) |
| Returns retained | 129.8 | 62.5 | 0.0 | 24.6 | 0.0 | 217.0 | 44.4 | 261.4 |
| Index to 2021-22 prices | 134.6 | 64.8 | - | 25.5 | - | 224.9 | 46.0 | 270.9 |
| 2021-22 returns earned | 147.9 | 55.9 | 4.3 | 129.8 | 1.8 | 339.7 | - | 339.7 |
| Dividends paid | (99.9) | - | - | - | - | (99.9) | (46.0) | (145.9) |
| Returns retained | 182.6 | 120.7 | 4.3 | 155.3 | 1.8 | 464.7 | - | 464.7 |
| Index to 2022-23 prices | 198.6 | 131.3 | 4.6 | 169.0 | 1.9 | 505.4 | - | 505.4 |
| 2022-23 returns earned | 167.5 | 25.9 | 1.5 | 336.9 | 0.7 | 532.6 | - | 532.6 |
| Dividends paid | (366.1) | (53.7) | (6.1) | - | - | (425.9) | - | (425.9) |
| Returns retained | - | 103.5 | - | 505.9 | 2.6 | 612.1 | - | 612.1 |

A key factor in determining how much of the accumulated outperformance should be distributed was the Company’s financial position at the balance sheet date and its prospects, in particular, the RCV gearing ratio at the balance sheet date and the forecasts to the end of the AMP. This took into account factors that might impact the RCV gearing ratio over the remainder of the AMP including:

- The remaining AMP7 capital programme to be delivered;
- The Green Recovery Programme;
- The impact of our Get River Positive pledges and other investment needed to reduce CSO activations and our share of RNAGs in our region; and
- Our plans, agreed with the Trustee, to fund our defined benefit pension obligations.

During the year we paid a dividend of £426 million, representing a yield of 9.9% on the Company’s regulatory equity. Our RoRE in the year was 12.4%. The total dividends paid during this AMP represents a yield of 5.5% for the AMP to date. Our cumulative RoRE for the first three years of the AMP was 9.6%.

We will continue to transparently disclose the returns earned in year and cumulatively, the amounts distributed as dividends, and the matters considered by the Board in applying the dividend policy and setting the dividend.

e. Long term viability statement

The Directors’ full assessment of financial viability can be found in the Severn Trent Water Limited Annual Report and Accounts on pages 69.

The Directors have assessed the viability of the Company over a seven-year period to March 2030, 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 2030.

f. Statement of Directors’ responsibilities

The Directors are responsible for the preparation of the APR and for its fair presentation in accordance with the basis of preparation and accounting policies.

Further to the requirements of Company law, the Directors are required to prepare financial statements which comply with the requirements of Condition F of the Instrument of Appointment of the Company as a water and sewerage undertaker under the Water Industry Act 1991 and Regulatory Accounting Guidelines issued by the Water Services Regulation Authority. This additionally requires the Directors to:

- i) Confirm that, in their opinion, the Company has sufficient financial and management resources for the next 12 months;

ii) Confirm that, in their opinion, the Company has sufficient rights and assets which would enable a special administrator to manage the affairs, business and property of the Company;

iii) Report to the Water Services Regulation Authority changes in the Company’s activities which may be material in relation to the Company’s ability to finance its regulated activities;

iv) Undertake transactions entered into by the appointed business, with or for the benefit of associated companies or other businesses or activities of the appointed business, at arm’s length; and

v) Keep proper accounting records which comply with Condition F and the Regulatory Accounting Guidelines.g. Tax strategy for the appointed business

We are committed to managing our tax affairs in a responsible manner. This means paying the right amount of tax at the right time in compliance with UK tax rules and acting in accordance with the values set out in our corporate responsibility framework.

References to ‘tax’ include taxes that we incur (corporation tax, business rates, employer’s NIC, VAT and various environmental taxes) as well as taxes that we administer and collect on HMRC’s behalf (PAYE and employee’s NIC).

Our approach to tax

Our approach to tax is overseen by the Board and is governed by the following key principles:

- We will manage our tax affairs responsibly, recognising the interests of all of our stakeholders;
- We will not undertake aggressive tax planning or any planning that is not aligned with the economic and commercial activities of our business;
- We will make use of widely claimed incentives offered by Government to encourage investment; and
- We will maintain an open, transparent and collaborative relationship with HMRC consistent with maintaining our good working relationship.

The effective management of our tax affairs is in the best interests of customers as it helps to keep our bills as low as possible as the taxes we pay are included in the calculation of customers’ bills.

Tax governance

Responsibility for tax governance sits with the Chief Financial Officer, with oversight from the Board and Audit and Risk Committee and day-to-day support from a team of qualified in-house tax professionals.

In accordance with Group risk management procedures, tax risks are recorded and monitored

throughout the year. If a material uncertainty is identified, external advice may be sought to ensure that our interpretation of the relevant UK tax rules is appropriate. We may also seek to resolve an uncertain tax position directly with HMRC before a tax return is filed, in accordance with HMRC’s framework for co-operative compliance.

Any significant tax risk is reported to, and overseen by the Audit and Risk Committee, which also receives tax status updates as part of the interim and year-end financial reporting programmes.

Relationship with HMRC

In maintaining a good working relationship with HMRC, we seek to ensure that HMRC is kept up to date with business developments, including any commercial transactions with potentially significant tax implications.

Where queries or misunderstandings arise, these are managed on the basis of full disclosure and we will seek to work with HMRC to bring any items to resolution.

Tax transparency

We are supportive of measures aimed at enhancing tax transparency and are committed to providing regular information on our tax affairs in a clear and straightforward way that enhances our stakeholders’ understanding and provides confidence that we are paying our fair share of tax.

Non-UK operations

All of the Group’s revenues and profits are generated in the UK and are subject to UK tax.

Scope

The Severn Trent Group has a single tax strategy relating to both the appointed and non-appointed businesses. This Tax Strategy covers the year ended 31 March 2024 and applies to Severn Trent Plc and its UK subsidiary undertakings. It is published in accordance with the requirements at Paragraph 16 (2) of Schedule 19 of the Finance Act 2016.

Fair Tax Mark

Over the past year, we are delighted to have retained our Fair Tax Mark for the fifth year running. This much sought-after recognition demonstrates we’re a company that’s committed to managing our tax affairs responsibly and supporting measures aimed at tax transparency.



2.

RING FENCING CERTIFICATE (CONDITIONS K AND P)

Licence conditions K (disposals of land) and P (ring fencing) require the Company, at all times, to ensure that if a special administrator were appointed to manage the regulated activities, that administrator would have sufficient control over the regulated business and assets to be able to do so. In addition to the statement set out above under licence condition F and the Regulatory Accounting Guidelines, the Company is required to confirm that it is in compliance with these conditions and make suitable sufficiency statements to that effect. This statement is set out here.

The Ring Fencing Certificate, in respect of financial resources and facilities, is subject to third party assurance, in the form of agreed upon procedures, which has been provided by Deloitte.

In accordance with the requirements of the Water Services Regulation Authority, our Board confirmed that, as at 31 March 2023:

- i) In the opinion of the Directors, the Appointee will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated Activity (including the investment programme necessary to fulfil the Appointee’s obligations under the Appointment);
- ii) In the opinion of the Directors, the Appointee will for at least the next 12 months, have available to it management resources which are sufficient to enable it to carry out those functions; and

iii) In the opinion of the Directors, the Appointee will for at least the next 12 months, have available to it rights and resources other than financial resources, which are sufficient to enable it to carry out those functions.

In reaching this conclusion, the Board has considered:

- Financial resources and facilities;
- Management resources;
- Systems of planning and internal control;
- Rights and resources other than financial resources; and
- Contracting.

The Board has considered the Company’s prospects and the potential impacts of the Principal Risks and uncertainties that would impact the above factors. Details of matters considered and the conclusions reached are set out in the Viability Statement in Severn Trent Water’s Annual Report and Accounts which can be found at stwater.co.uk.

Management provides the Board with evidence that each of the factors set out above have been addressed in assessing whether the Company has sufficient resources to enable it to carry out its Regulated Activity for the next 12 months. The Board, through its Audit and Risk Committee, scrutinises and challenges the evidence provided to ensure itself that the process is robust. The Board is satisfied that in the current year a robust process has been followed. Further information relating to our internal controls is detailed in our Board governance and compliance section and our assurance summary.

Liv Garfield

Liv Garfield
Chief Executive
Severn Trent Water Limited

Christine Hodgson

Christine Hodgson
Chair
Severn Trent Water Limited

John Coghlan

John Coghlan
Chair
Severn Trent Plc
Audit and Risk Committee

14th July 2023

Financial resource and facilities

- The Appointee’s performance expectations against Final Determination 2020 - 2025, underpinned by historical track record.
- The Appointee’s available cash resources and borrowing facilities.
- The Appointee’s long-term Viability Statement of seven years included within the 2022/23 ARA.
- Investment requirements to deliver stretching performance commitments in AMP7.
- The Appointee’s compliance with financial covenants.
- The Appointee’s financial position and net cash flow position as at 31 March 2023 as represented by the statutory and regulatory accounts.



Management resources

- The collective experience of the Directors and the diverse skills and experience they possess enables the Board to reach decisions in a focused and balanced way, supported by independent thought and constructive debate, crucial to ensuring the continued long-term success of the Company.
- Any new appointments to the Board result from a formal, rigorous and transparent procedure, responsibility for which is delegated to the Severn Trent Plc Nominations Committee (although decisions on appointments are a matter reserved for the Board). The Board considers succession to ensure that the Board has the right mix of skills and experience, as well as the capability to provide effective challenge and promote diversity.
- Executive and Non-Executive Directors remain aware of recent, and upcoming, developments and keep their knowledge and skills up to date. Our Board Effectiveness process includes training discussions with the Company Secretary and, as required, we invite professional advisers and subject matter experts to provide in-depth updates. Our Group Company Secretary also provides regular updates to the Board and its Committees on regulatory and corporate governance matters.
- The independence of our Non-Executive Directors is formally reviewed annually by the Severn Trent Plc Nominations Committee, and as part of the Board Effectiveness Evaluation. The Severn Trent Plc Nominations Committee and Board consider that there are no business or other circumstances that are likely to affect the independence of any Non-Executive Director and that all Non-Executive Directors continue to demonstrate independence.
- The Appointee operates a detailed, tailored induction for each new Non-Executive Director. This includes one-to-one meetings with the Chair and each of the existing Non-Executive Directors. One-to-one meetings are also arranged with the CEO, CFO and the Group Company Secretary, along with other members of the Executive Committee. New Directors also meet members of the operational teams and visit our key sites and capital projects to ensure they gain a detailed understanding of the water and waste water businesses and have a chance to experience our unique culture in person. We provide briefings on the key duties of being a Director of a regulated water company and proposed Appointees meet with Ofwat as part of the appointment process.

| | |
|--|---|
| Management resources | <ul style="list-style-type: none"> • The tone at the top and culture within the Appointee is reinforced through the Appointee's Code of Conduct – Doing the Right Thing. • The employee engagement survey, QUEST, assists the Directors' understanding of what is going well and where improvements can be made across the Company. • Management and the Board ensure that appropriate and effective succession planning arrangements are in place, supported by the Group Board Diversity Policy. • The Appointee's recruitment, reward and recognition strategy to attract high calibre candidates and retain employees with appropriate experience and knowledge |
| Systems of planning and internal control | <ul style="list-style-type: none"> • The Appointee's risk-based approach to assurance, including internal and external audits as well as Jacobs' assurance review of non-financial operational performance processes and data. • The Appointee's Audit and Risk Committee which provides oversight over the integrity of the Appointee's financial data, risk management and assessment of the effectiveness of the system of internal control. • The Appointee's Enterprise Risk Management process. • The Appointee's performance in regards to its Performance Commitments identified in the additional regulatory information section from page 133. • Business continuity plans. • The Appointee's policies to prevent, detect and resolve unethical behaviour through implementation of its Whistleblowing Policy 'Speak-Up', Group Financial Crime and Anti-Bribery and Anti-Corruption Policy, Security Policy and Environment Policy |

| | |
|---|--|
| Rights and resources other than financial resources | <ul style="list-style-type: none"> • The Appointee's Purpose, Values and culture is embedded through annual e-learning and supported through policies. • The Appointee's ambition to be a socially purposeful company, giving back to communities, and providing opportunities for people to learn, retrain and develop is enhanced through the Severn Trent Academy at Hawksley Park. • Asset Maintenance policies and systems to monitor asset health. • 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. • The Appointee's policies to mitigate the risk of modern slavery and human trafficking. |
| Contracting | <ul style="list-style-type: none"> • There are no contracts that the Company is dependent on in order to carry out its Regulated Activity. |
| Material issues or circumstances | <ul style="list-style-type: none"> • We closely monitor emerging risks that may, with time, become significant risks or cease to be relevant as the internal and external environment in which we operate evolves. • One of the risks relates to supply chain disruption caused by the ongoing conflict in Ukraine resulting in critical supply chain shortages and resource security pressures. We are continually monitoring this risk and our dependency on supply chains, including foreign suppliers, which could be impacted by ongoing global matters. • Energy infrastructure stability: We are reliant on the stability of the energy grid and are susceptible to power disruptions, brownouts, partial outages, blackouts, and complete shutdown of electricity due to problems with the local, or national, energy grid. We are focused on delivering our longer-term energy strategy. |

OUR APPROACH TO OPEN DATA



Our Open Data vision is to make data available and accessible publicly to provide visibility and confidence in the value being delivered to consumers, wider stakeholders and society. We believe an open data philosophy will foster a spirit of transparency, innovation and efficiency to drive the sector forward.



The key activities for us to deliver this are:

1. Enhance the Information Lifecycle Management ('ILM') framework to establish the roles and responsibilities required for the governance, assurance, and provision of all data.
2. Establish an Open Data framework for data sharing based on assured Open Standards.
3. Define and prioritise the open data use cases and identify data to share publicly using our Driver Tree methodology.
4. Implement Overall Information Effectiveness ('OIE') principles to identify data quality concerns and necessary improvement activities.
5. Enhance our Azure platform, tools and processes for the hosting and sharing of open data.
6. Actively support and align our approach with the Stream industry-wide initiative.

As one of the 11 Stream member companies, we also intend to work together as part of this initiative to progress the publication of supporting datasets associated with the APR tables. This will ensure we focus on facilitating data re-users to more easily join up data from individual companies to maximise the potential benefits of publication. Stream's Use Case and Market Needs advisory group will consider the APR performance tables (and their supporting datasets) as part of their assessment to create a prioritised pipeline of datasets to publish.



REGULATORY ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023

INDEPENDENT AUDITOR’S REPORT TO THE WATER SERVICES REGULATION AUTHORITY (THE WSRA) AND THE DIRECTORS OF SEVERN TRENT WATER LIMITED

OPINION

We have audited the sections of Severn Trent Water Limited’s (the “Company”) Annual Performance Report for the year ended 31 March 2023 (“the Regulatory Accounting Statements”) which comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D), the net debt analysis (table 1E), lines 1F.1 to 1F.3, 1F.5 to 1F.8, 1F.12 to 1F.14, 1F.21 to 1F.22 and 1F.24 to 1F.26 of the statement of financial flows (table 1F) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis (wholesale) (table 2B), the cost analysis (retail) (table 2C), the historical cost analysis of fixed assets for wholesale and retail (table 2D), the analysis of grants and contributions (table 2E), the residential retail (table 2F), the non-household water revenues by tariff type (table 2G), the non-household wastewater revenues by tariff type (table 2H), the revenue analysis (table 2I), the infrastructure network reinforcement costs (table 2J), the infrastructure charges reconciliation (table 2K), the analysis of land sales (table 2L), the revenue reconciliation (wholesale) (table 2M), residential retail social tariffs (table 2N) and historical cost analysis of intangible assets (table 2O) and the related notes.

We have not audited lines 1F.4, 1F.9 to 1F.11, 1F.15 to 1F.20 and 1F.23 of the statement of financial flows (table 1F), the Outcome performance table (tables 3A to 3I) or the additional regulatory information in tables 4A to 4W, 5A to 5B, 6A to 6F, 7A to 7F, 8A to 8D, 9A, 10A to 10E and 11A.

In our opinion, Severn Trent Water Limited’s Regulatory Accounting Statements have been prepared, in all material aspects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.09, RAG 2.09, RAG 3.14, RAG 4.11 and RAG 5.07) and the accounting policies (including the Company’s published accounting methodology statement, as defined in RAG 3.14, appendix 2), set out on pages 113 to 115

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”), including ISA (UK) 800, and applicable law, except as stated in the section on Auditors’ responsibilities for the audit of the Regulatory Accounting Statements below, and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF (Revised) ‘Reporting to Regulators on Regulatory Accounts’ issued by the Institute of Chartered Accountants in England & Wales.

Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the Regulatory Accounting Statements within the Annual Performance Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit, including the Financial Reporting Council’s (FRC’s) Ethical Standard as applied to public interest entities, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER – SPECIAL PURPOSE BASIS OF PREPARATION

We draw attention to the fact that the Regulatory Accounting Statements have been

prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company’s published accounting methodology statement, as defined in RAG 3.14, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. As a result, the Regulatory Accounting Statements may not be suitable for another purpose. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA’s purposes. Accordingly we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of international accounting standards in conformity with the requirements of the Companies Act 2006 (“UK IASs”). Financial information other than that prepared on the basis of UK IASs does not necessarily represent a true and fair view of the financial performance or financial position of a Company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages 100 to 131 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from IASs. A summary of the effect of these departures in the Company’s statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the Regulatory Accounting Statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the Regulatory Accounting Statements is appropriate.

Our evaluation of the directors’ assessment of the Company’s ability to continue to adopt the going concern basis of accounting included:

- reviewing the group’s borrowing arrangements, in particular the assessment of level of committed undrawn facilities including the £1.3 billion revolving credit and bilateral facilities and the sufficiency of headroom available in the group’s forecasts (cash and covenants);
- assessing the assumptions used in the cash flow forecasts for consistency with Board approved budgets and future plans for AMP (Asset Management Plan) 7 and performing a sensitivity analysis relating to these assumptions;
- testing the arithmetic accuracy of the model used to prepare the cash flow forecasts and assessing the sophistication of the model used to prepare the forecasts;
- assessing the impact of risks and uncertainties on the business model and medium-term risks;
- assessing the consistency of management’s going concern forecasts with those of Severn Trent Plc; and
- assessing the appropriateness of management’s going concern disclosures in light of the above assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises all of the information in the Annual Performance Report other than the Regulatory Accounting Statements and our auditors’ report thereon. The directors are responsible for the other information. Our opinion on the Regulatory Accounting Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

RESPONSIBILITIES OF THE DIRECTORS FOR THE ANNUAL PERFORMANCE REPORT

As explained more fully in the Statement of Directors’ Responsibilities set out on page 84, the directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company’s accounting policies (including the Company’s published accounting methodology statement, as defined in RAG 3.14, appendix 2).

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Annual Performance Report that is free from material misstatement, whether due to fraud or error.

In preparing the Annual Performance Report, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS’ RESPONSIBILITIES FOR THE AUDIT OF THE REGULATORY ACCOUNTING STATEMENTS WITHIN THE ANNUAL PERFORMANCE REPORT

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Regulatory Accounting Statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We considered the nature of the Company’s industry and its control environment, and reviewed the Company’s documentation of its policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about its own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- Had a direct effect on the determination of material amounts and disclosures in the Regulatory Accounting Statements. These included Regulatory Accounting Guidelines as issued by the WSRA, UK Companies Act, pensions legislation and tax legislation; and

- do not have a direct effect on the Regulatory Accounting Statements but compliance with which may be fundamental to the Company’s ability to operate or to avoid a material penalty. These included the Company’s operating licence, regulatory solvency requirements and environmental regulations.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- reading minutes of meetings of those charged with governance, the Audit and Risk Committee, reviewing internal audit reports and reviewing correspondence with HMRC and WSRA.

A further description of our responsibilities for the audit of the Regulatory Accounting Statements is located on the Financial Reporting Council’s website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

USE OF THIS REPORT

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewage undertaker under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the WSRA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2023 on which we reported on 12 July 2023, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Deloitte LLP

Deloitte LLP
London, United Kingdom
14 July 2023

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1A - INCOME STATEMENT

Year ended 31 March 2023

| Line description | | Statutory STW Group | Adjustments | | | Total appointed activities |
|------------------|--|------------------------|---|-------------------|----------------------|-------------------------------|
| | | | Differences between statutory and RAG definitions | Non- appointed | Total adjustments | |
| | | | | | | |
| | | | | | | |
| 1A.1 | Revenue | 1,965.866 | -135.362 | -17.831 | -153.193 | 1,812.673 |
| 1A.2 | Operating costs | -1,483.273 | 124.658 | 15.393 | 140.051 | -1,343.222 |
| 1A.3 | Other operating income | 0.000 | 2.256 | 0.000 | 2.256 | 2.256 |
| 1A.4 | Operating profit | 482.593 | -8.448 | -2.438 | -10.886 | 471.707 |
| 1A.5 | Other income | 0.000 | 13.514 | -0.131 | 13.383 | 13.383 |
| 1A.6 | Interest income | 84.934 | -76.800 | 0.000 | -76.800 | 8.134 |
| 1A.7 | Interest expense | -440.167 | 26.043 | 0.006 | 26.049 | -414.118 |
| 1A.8 | Other interest expense | 0.000 | -3.648 | 0.000 | -3.648 | -3.648 |
| 1A.9 | Profit before tax and fair value movements | 127.360 | -49.339 | -2.563 | -51.902 | 75.458 |
| 1A.10 | Fair value gains/(losses) on financial instruments | 61.572 | 0.000 | 0.000 | 0.000 | 61.572 |
| 1A.11 | Profit before tax | 188.932 | -49.339 | -2.563 | -51.902 | 137.030 |
| 1A.12 | UK corporation tax | 0.465 | 0.000 | 0.487 | 0.487 | 0.952 |
| 1A.13 | Deferred tax | -33.736 | 12.335 | 0.000 | 12.335 | -21.401 |
| 1A.14 | Profit for the year | 155.661 | -37.004 | -2.076 | -39.080 | 116.581 |
| 1A.15 | Dividends | -428.000 | 0.000 | 2.076 | 2.076 | -425.924 |

| | | | | | | |
|-------|---------------------------------------|--------|-------|--------|--------|--------|
| A | Tax analysis | | | | | |
| 1A.16 | Current year | -2.599 | 0.000 | -0.487 | -0.487 | -3.086 |
| 1A.17 | Adjustments in respect of prior years | 2.134 | 0.000 | 0.000 | 0.000 | 2.134 |
| 1A.18 | UK Corporation tax | -0.465 | 0.000 | -0.487 | -0.487 | -0.952 |

| | | |
|-------|-----------------------------------|---------------------|
| B | Analysis of non-appointed revenue | Non-appointed £m |
| 1A.19 | Imported sludge | 0.012 |
| 1A.20 | Tankered waste | 11.158 |
| 1A.21 | Other non-appointed revenue | 6.661 |
| 1A.22 | Revenue | 17.831 |

The differences between statutory and RAG definitions are outlined in the following table:

| | Adjustments | | Reclassifications | | | | | | | Total differences |
|--|---|--|--------------------|--|--------------------------------------|----------------------|--------------------|---|---------------------|-------------------|
| | Capitali- sation of interest and related de- preciation | Share of Group pension scheme | Innovation Fund | External power, gas and sludge products income | Infrastructure Renewals Income | Repair of damages | P&L on disposal | Non operating income and deferred credits | Pension interest | |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | |
| Revenue | - | - | - | -58.503 | -62.071 | 1.365 | - | -16.153 | - | -135.362 |
| Operating costs | 5.198 | -0.132 | 6.328 | 58.503 | 62.071 | -1.365 | -2.256 | -3.689 | - | 124.658 |
| Other operating income | - | - | | - | - | - | 2.256 | - | - | 2.256 |
| Operating profit | 5.198 | -0.132 | 6.328 | - | - | - | - | -19.842 | - | -8.448 |
| Other income | - | - | -6.328 | - | - | - | - | 19.842 | - | 13.514 |
| Interest income | - | - | - | - | - | - | - | - | -76.800 | -76.800 |
| Interest expense | -54.657 | - | - | - | - | - | - | - | 80.700 | 26.043 |
| Other interest expense | - | 0.252 | - | - | - | - | - | - | -3.900 | -3.648 |
| Profit before tax and fair value movements | -49.459 | 0.120 | - | - | | | | - | 0.000 | -49.339 |
| Fair value losses on financial instruments | - | - | - | - | - | - | - | - | - | - |
| Loss before tax | -49.459 | 0.120 | - | - | | | | - | 0.000 | -49.339 |
| UK corporation tax | - | - | - | - | - | - | - | - | - | - |
| Deferred tax | 12.365 | -0.030 | - | - | - | - | - | - | - | 12.335 |
| Loss for the year | -37.094 | 0.090 | - | - | - | - | - | - | 0.000 | -37.004 |

1B - STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2023

| Line description | | Statutory STW Group | Adjustments | | Total appointed activities |
|------------------|---|---------------------------|--|-------------------|----------------------------------|
| | | | Differences between statutory and RAG definitions | Non- appointed | |
| | | £m | £m | £m | £m |
| 1B.1 | Profit for the year | 155.661 | -37.004 | -2.076 | -39.080 |
| 1B.2 | Actuarial gains/(losses) on post employment plans | -180.900 | 7.901 | 0.000 | 7.901 |
| 1B.3 | Other comprehensive income | 0.100 | 0.000 | 0.000 | 0.000 |
| 1B.4 | Total comprehensive income for the year | -25.139 | -29.103 | -2.076 | -31.179 |

The differences between statutory and RAG definitions are outlined in the following table:

| | Per Income Statement | Share of Group pension scheme | Deferred tax on share of Group pension scheme | Deferred tax rate change | Total differences |
|--|----------------------|-------------------------------------|--|-----------------------------|----------------------|
| | £m | £m | £m | | £m |
| Profit/loss for the year | -37.004 | - | - | - | -37.004 |
| Actuarial losses on retirement benefit obligations | - | 10.535 | -2.634 | - | 7.901 |
| Other Comprehensive Income | | | | | - |
| Total | -37.004 | 10.535 | -2.634 | - | -29.103 |

1C - STATEMENT OF FINANCIAL POSITION

Year ended 31 March 2023

| Line description | | Statutory STW Group | Adjustments | | Total appointed activities |
|------------------|--|------------------------|--|-------------------|----------------------------------|
| | | | Differences between statutory and RAG definitions | Non- appointed | |
| | | £m | £m | £m | £m |
| A | Non-current assets | | | | |
| 1C.1 | Fixed assets | 10,398.223 | -278.972 | 0.000 | -278.972 |
| 1C.2 | Intangible assets | 218.604 | 0.000 | 0.000 | 0.000 |
| 1C.3 | Investments - loans to group companies | 159.881 | -5.381 | 0.000 | -5.381 |
| 1C.4 | Investments - other | 1,603.845 | 0.000 | 0.000 | 0.000 |
| 1C.5 | Financial instruments | 82.320 | 0.000 | 0.000 | 0.000 |
| 1C.6 | Retirement benefit assets | 0.000 | 0.000 | 0.000 | 0.000 |
| 1C.7 | Total non-current assets | 12,462.873 | -284.353 | 0.000 | -284.353 |
| B | Current assets | | | | |
| 1C.8 | Inventories | 11.747 | 0.000 | 0.000 | 0.000 |
| 1C.9 | Trade and other receivables | 716.956 | 5.381 | 0.000 | 5.381 |
| 1C.10 | Financial instruments | 0.531 | 0.000 | 0.000 | 0.000 |
| 1C.11 | Cash and cash equivalents | 9.405 | 0.000 | 0.000 | 0.000 |
| 1C.12 | Total current assets | 738.639 | 5.381 | 0.000 | 5.381 |
| C | Current liabilities | | | | |
| 1C.13 | Trade and other payables | -750.271 | 91.578 | 0.000 | 91.578 |
| 1C.14 | Capex creditor | 0.000 | -75.649 | 0.000 | -75.649 |
| 1C.15 | Borrowings | -312.680 | 0.000 | 0.000 | 0.000 |
| 1C.16 | Financial instruments | 0.000 | 0.000 | 0.000 | 0.000 |
| 1C.17 | Current tax liabilities | 0.000 | 0.000 | 0.000 | 0.000 |
| 1C.18 | Provisions | -47.206 | 0.000 | 0.000 | 0.000 |
| 1C.19 | Total current liabilities | -1,110.157 | 15.929 | 0.000 | 15.929 |
| 1C.20 | Net current assets/(liabilities) | -371.518 | 21.310 | 0.000 | 21.310 |
| D | Non-current liabilities | | | | |
| 1C.21 | Trade and other payables | -1,458.762 | 1,445.059 | 0.000 | 1,445.059 |
| 1C.22 | Borrowings | -6,759.843 | 0.000 | 0.000 | 0.000 |
| 1C.23 | Financial instruments | -10.850 | 0.000 | 0.000 | 0.000 |
| 1C.24 | Retirement benefit obligations | -278.576 | 19.677 | 0.000 | 19.677 |
| 1C.25 | Provisions | -26.139 | 0.000 | 0.000 | 0.000 |
| 1C.26 | Deferred income - grants and contributions | 0.000 | -863.688 | 0.000 | -863.688 |
| 1C.27 | Deferred income - adopted assets | 0.000 | -597.300 | 0.000 | -597.300 |
| 1C.28 | Preference share capital | 0.000 | 0.000 | 0.000 | 0.000 |
| 1C.29 | Deferred tax | -1,247.197 | 64.824 | 0.000 | 64.824 |
| 1C.30 | Total non-current liabilities | -9,781.367 | 68.572 | 0.000 | 68.572 |
| 1C.31 | Net assets | 2,309.988 | -194.471 | 0.000 | -194.471 |
| E | Equity | | | | |
| 1C.32 | Called up share capital | 1.342 | 0.000 | 0.000 | 0.000 |
| 1C.33 | Retained earnings and other reserves | 2,308.646 | -194.471 | 0.000 | -194.471 |
| 1C.34 | Total Equity | 2,309.988 | -194.471 | 0.000 | -194.471 |

The differences between statutory and RAG definitions are outlined in the following table:

| | Adjustments | | Reclassifications | | | Total differences |
|--|----------------------------|-------------------------------|--|-----------------------------------|----------------------------------|-------------------|
| | Capitalisation of interest | Share of Group pension scheme | Non-current trade receivables reclassification | Capital creditor reclassification | Deferred income reclassification | |
| | £m | £m | £m | £m | £m | £m |
| Non-current assets | | | | | | |
| Fixed assets | -278.972 | - | - | - | - | -278.972 |
| Intangible assets | - | - | - | - | - | - |
| Investments - loans to group companies | - | - | -5.381 | - | - | -5.381 |
| Investments - other | - | - | - | - | - | - |
| Financial instruments | - | - | - | - | - | - |
| Retirement benefit assets | - | - | - | - | - | - |
| Total non-current assets | -278.972 | - | -5.381 | - | - | -284.353 |
| Current assets | | | | | | |
| Inventories | - | - | - | - | - | - |
| Trade and other receivables | - | - | 5.381 | - | - | 5.381 |
| Financial instruments | - | - | - | - | - | - |
| Cash and cash equivalents | - | - | - | - | - | - |
| Total current assets | - | - | 5.381 | - | - | 5.381 |
| Current liabilities | | | | | | |
| Trade and other payables | - | - | - | 75.649 | 15.929 | 91.578 |
| Capex creditor | - | - | - | -75.649 | - | -75.649 |
| Borrowings | - | - | - | - | - | - |
| Financial instruments | - | - | - | - | - | - |
| Current tax liabilities | - | - | - | - | - | - |
| Provisions | - | - | - | - | - | - |
| Total current liabilities | - | - | - | - | 15.929 | 15.929 |
| Net current assets/(liabilities) | - | - | 5.381 | - | 15.929 | 21.310 |
| Non-current liabilities | | | | | | |
| Trade and other payables | - | - | - | - | 1,445.059 | 1,445.059 |
| Borrowings | - | - | - | - | - | - |
| Financial instruments | - | - | - | - | - | - |
| Retirement benefit obligations | - | 19.677 | - | - | - | 19.677 |
| Provisions | - | - | - | - | - | - |
| Deferred income - grants and contributions | - | - | - | - | -863.688 | -863.688 |
| Deferred income - adopted assets | - | - | - | - | -597.300 | -597.300 |
| Preference share capital | - | - | - | - | - | - |
| Deferred tax | 69.743 | -4.919 | - | - | - | 64.824 |
| Total non-current liabilities | 69.743 | 14.758 | - | - | -15.929 | 68.572 |
| Net assets | -209.229 | 14.758 | - | - | - | -194.471 |
| Equity | | | | | | |
| Called up share capital | - | - | - | - | - | - |
| Retained earnings and other reserves | -209.229 | 14.758 | - | - | - | -194.471 |
| Total equity | -209.229 | 14.758 | - | - | - | -194.471 |

1D - STATEMENT OF CASHFLOWS

Year ended 31 March 2023

| Line description | Statutory | Adjustments | | | Total appointed activities |
|---|-----------------|---|---------------|-------------------|----------------------------|
| | | Differences between statutory and RAG definitions | Non-appointed | Total adjustments | |
| | | £m | £m | £m | £m |
| A Operating activities | | | | | |
| 1D.1 Operating profit | 482.593 | -8.448 | -2.438 | -10.886 | 471.707 |
| 1D.2 Other income | 45.100 | -47.639 | -0.132 | -47.771 | -2.671 |
| 1D.3 Depreciation | 392.666 | -5.198 | 0.000 | -5.198 | 387.468 |
| 1D.4 Amortisation – Grants & contributions | -16.053 | 16.053 | 0.000 | 16.053 | 0.000 |
| 1D.5 Changes in working capital | -51.894 | 0.000 | 0.000 | 0.000 | -51.894 |
| 1D.6 Pension contributions | -99.800 | 0.000 | 0.000 | 0.000 | -99.800 |
| 1D.7 Movement in provisions | -2.100 | 0.132 | 0.000 | 0.132 | -1.968 |
| 1D.8 Profit on sale of fixed assets | -2.256 | 0.000 | 0.000 | 0.000 | -2.256 |
| 1D.9 Cash generated from operations | 748.256 | -45.100 | -2.570 | -47.670 | 700.586 |
| 1D.10 Net interest paid | -201.359 | 0.000 | 0.006 | 0.006 | -201.353 |
| 1D.11 Tax paid | -7.800 | 0.000 | 0.487 | 0.487 | -7.313 |
| 1D.12 Net cash generated from operating activities | 539.097 | -45.100 | -2.077 | -47.177 | 491.920 |
| C Investing activities | | | | | |
| 1D.13 Capital expenditure | -709.100 | 0.000 | 0.000 | 0.000 | -709.100 |
| 1D.14 Grants & Contributions | 0.000 | 45.100 | 0.000 | 45.100 | 45.100 |
| 1D.15 Disposal of fixed assets | 11.800 | 0.000 | 0.000 | 0.000 | 11.800 |
| 1D.16 Other | 71.700 | 0.000 | 0.000 | 0.000 | 71.700 |
| 1D.17 Net cash used in investing activities | -625.600 | 45.100 | 0.000 | 45.100 | -580.500 |
| 1D.18 Net cash generated before financing activities | -86.503 | 0.000 | 2.077 | -2.077 | -88.580 |
| D Cashflows from financing activities | | | | | |
| 1D.19 Equity dividends paid | -428.000 | 0.000 | 2.077 | 2.077 | -425.923 |
| 1D.20 Net loans received | 448.355 | 0.000 | 0.000 | 0.000 | 448.355 |
| 1D.21 Cash inflow from equity financing | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 1D.22 Net cash generated from financing activities | 20.355 | 0.000 | 2.077 | 2.077 | 22.432 |
| 1D.23 Increase (decrease) in net cash | -66.148 | 0.000 | 0.000 | 0.000 | -66.148 |

The differences between statutory and RAG definitions are outlined in the following table:

| | Adjustments | | | | Reclassifications | Total differences |
|--|--------------------------------------|-------------------------------------|-------------------------------|-----------------|------------------------------|-------------------|
| | Depreciation on capitalised interest | Grants and contributions adjustment | Share of Group pension scheme | Innovation Fund | Non-operating income reclass | |
| | £m | £m | £m | £m | £m | £m |
| Statement of cashflows | | | | | | |
| Operating profit | 5.198 | - | -0.132 | 6.328 | -19.842 | -8.448 |
| Other income | - | -45.100 | - | -6.328 | 3.789 | -47.639 |
| Depreciation | -5.198 | - | - | - | - | -5.198 |
| Amortisation - grants and contributions | - | - | - | - | 16.053 | 16.053 |
| Changes in working capital | - | - | - | - | - | - |
| Pension contributions | - | - | - | - | - | - |
| Movement in provisions | - | - | 0.132 | - | - | 0.132 |
| Profit on sale of fixed assets | - | - | - | - | - | - |
| Cash generated from operations | - | -45.100 | - | - | 0.000 | -45.100 |
| Net interest paid | - | - | - | - | - | - |
| Tax paid | - | - | - | - | - | - |
| Net cash generated from operating activities | - | -45.100 | - | - | 0.000 | -45.100 |
| Investing activities | | | | | | |
| Capital expenditure | - | - | - | - | - | - |
| Grants and contributions | - | 45.100 | - | - | - | 45.100 |
| Disposal of fixed assets | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Net cash used in investing activities | - | 45.100 | - | - | - | 45.100 |
| Net cash generated before financing activities | - | - | - | - | 0.000 | - |
| Cashflows from financing activities | | | | | | |
| Equity dividends paid | - | - | - | - | - | - |
| Net loans received | - | - | - | - | - | - |
| Cash inflow from equity financing | - | - | - | - | - | - |
| Net cash generated from financing activities | - | - | - | - | - | - |
| Increase/(decrease) in net cash | - | - | - | - | 0.000 | - |

1E - NET DEBT ANALYSIS

Year ended 31 March 2023

| Line description | | Fixed rate | Floating rate | Index linked | | Total |
|------------------------------|---|------------|---------------|--------------|----------|-----------|
| | | | | RPI | CPI/CPIH | |
| | | £m | £m | £m | £m | £m |
| A Interest rate risk profile | | | | | | |
| 1E.1 | Borrowings (excluding preference shares) | 4,608.910 | 414.407 | 1,210.223 | 790.980 | 7,024.520 |
| 1E.2 | Preference share capital | 0.000 | - | - | - | 0.000 |
| 1E.3 | Total borrowings | 4,608.910 | 414.407 | 1,210.223 | 790.980 | 7,024.520 |
| 1E.4 | Cash | | | | | -9.405 |
| 1E.5 | Short term deposits | | | | | 0.000 |
| 1E.6 | Net Debt | | | | | 7,015.115 |
| B Gearing | | | | | | |
| 1E.7 | Gearing | | | | | 62.089% |
| 1E.8 | Adjusted gearing | | | | | 60.048% |
| C Interest | | | | | | |
| 1E.9 | Full year equivalent nominal interest cost | 172.755 | 23.865 | 192.806 | 87.214 | 476.639 |
| 1E.10 | Full year equivalent cash interest payment | 172.755 | 23.865 | 25.952 | 8.663 | 231.234 |
| D Indicative interest rates | | | | | | |
| 1E.11 | Indicative weighted average nominal interest rate | 3.748% | 5.759% | 15.931% | 11.026% | 6.785% |
| 1E.12 | Indicative weighted average cash interest rate | 3.748% | 5.759% | 2.144% | 1.095% | 3.292% |
| E Time to maturity | | | | | | |
| 1E.13 | Weighted average years to maturity | 9.433 | 5.280 | 28.415 | 18.573 | 13.732 |

The net debt analysis is reconciled to the net debt position below:

| | Total |
|---|-----------|
| | £m |
| Current borrowings | 312.680 |
| Non-current borrowings | 6,759.843 |
| Severn Trent Water Group borrowings | 7,072.523 |
| Less: Dee Valley debt fair value adjustment | (27.809) |
| Less: fair value hedge accounting adjustments | (20.194) |
| Adjusted borrowings | 7,024.520 |
| Cash and cash equivalents | (9.405) |
| Net debt | 7,015.115 |
| | |
| Loan receivable from Plc | (154.500) |
| Net debt per 1E.8 adjusted gearing | 6,860.615 |

1F - FINANCIAL FLOWS (PRICE BASE - 2017/18 CPIH AVERAGE)

Year ended 31 March 2023

| 12 Months ended 31 March 2023 | | | | | | |
|---|---|---|---|---|--|---|
| Line description | Notional returns and notional regulatory equity | Actual returns and notional regulatory equity | Actual returns and actual regulatory equity | Notional returns and notional regulatory equity | Actual returns and notional regulatory equity | Actual returns and actual regulatory equity |
| | % | % | % | £m | £m | £m |
| A Regulatory equity | | | | | | |
| 1F.1 Regulatory equity | 3,700.925 | 3,700.925 | 3,625.815 | - | - | - |
| B Return on regulatory equity | | | | | | |
| 1F.2 Return on regulatory equity | 3.91% | 3.83% | 3.91% | 144.842 | 141.902 | 141.902 |
| C Financing | | | | | | |
| 1F.3 Impact of movement from notional gearing | - | 0.08% | 0.04% | - | 2.940 | 1.314 |
| 1F.4 Gearing benefits sharing | - | 0.00% | 0.00% | - | 0.000 | 0.000 |
| 1F.5 Variance in corporation tax | - | 0.64% | 0.66% | - | 23.781 | 23.781 |
| 1F.6 Group relief | - | 0.00% | 0.00% | - | 0.000 | 0.000 |
| 1F.7 Cost of debt | - | 7.03% | 7.27% | - | 260.238 | 263.713 |
| 1F.8 Hedging instruments | - | -0.09% | -0.09% | - | -3.424 | -3.424 |
| 1F.9 Return on regulatory equity including Financing adjustments | 3.91% | 11.50% | 11.78% | 144.842 | 425.437 | 427.286 |
| D Operational performance | | | | | | |
| 1F.10 Totex out / (under) performance | - | 0.01% | 0.01% | - | 0.493 | 0.493 |
| 1F.11 ODI out / (under) performance | - | 0.59% | 0.61% | - | 21.970 | 21.970 |
| 1F.12 C-Mex out / (under) performance | - | 0.01% | 0.01% | - | 0.241 | 0.241 |
| 1F.13 D-Mex out / (under) performance | - | 0.09% | 0.10% | - | 3.446 | 3.446 |
| 1F.14 Retail out / (under) performance | - | -0.09% | -0.09% | - | -3.186 | -3.186 |
| 1F.15 Other exceptional items | - | 0.02% | 0.02% | - | 0.767 | 0.767 |
| 1F.16 Operational performance total | - | 0.64% | 0.65% | - | 23.731 | 23.731 |
| 1F.17 RoRE (Return on Regulatory Equity) | 3.91% | 12.14% | 12.44% | 144.842 | 449.168 | 451.017 |
| 1F.18 RCV growth | 10.69% | 10.69% | 10.69% | 395.629 | 395.629 | 387.600 |
| 1F.19 Voluntary sharing arrangements | - | 0.00% | 0.00% | - | 0.000 | 0.000 |
| 1F.20 Total shareholder return | 14.60% | 22.83% | 23.13% | 540.471 | 844.797 | 838.617 |
| E Dividends | | | | | | |
| 1F.21 Gross Dividend | 3.00% | 9.75% | 9.95% | 111.028 | 360.759 | 360.759 |
| 1F.22 Interest Receiveable on Intercompany loans | - | 0.08% | 0.09% | - | 3.097 | 3.097 |
| 1F.23 Retained Value | 11.60% | 13.00% | 13.09% | 429.443 | 480.941 | 474.761 |
| F Cash impact of 2015-20 performance adjustments | | | | | | |
| 1F.24 Totex out / (under) performance | - | 0.08% | 0.08% | - | 3.011 | 3.011 |
| 1F.25 ODI out / (under) performance | - | 0.89% | 0.90% | - | 32.801 | 32.801 |
| 1F.26 Total out / under performance | | 0.97% | 0.99% | | 35.812 | 35.812 |

| Average 2020-25 | | | | | |
|---|---|---|---|---|--|
| Notional returns and notional regulatory equity | Actual returns and notional regulatory equity | Actual returns and actual regulatory equity | Notional returns and notional regulatory equity | Actual returns and notional regulatory equity | Actual returns and actual regulatory equity |
| % | % | % | £m | £m | £m |
| 3,628.550 | 3,628.550 | 3,313.589 | - | - | - |
| 4.06% | 3.71% | 4.06% | 147.307 | 134.521 | 134.521 |
| - | 0.35% | 0.15% | - | 12.786 | 4.923 |
| - | 0.00% | 0.00% | - | 0.000 | 0.000 |
| - | 0.64% | 0.70% | - | 23.337 | 23.337 |
| - | 0.00% | 0.00% | - | 0.000 | 0.000 |
| - | 2.78% | 3.13% | - | 100.968 | 103.773 |
| - | 0.30% | 0.33% | - | 10.878 | 10.878 |
| 4.06% | 7.79% | 8.37% | 147.307 | 282.490 | 277.432 |
| - | -0.01% | -0.01% | - | -0.269 | -0.269 |
| - | 1.19% | 1.31% | - | 43.266 | 43.266 |
| - | 0.00% | 0.00% | - | 0.080 | 0.080 |
| - | 0.07% | 0.07% | - | 2.442 | 2.442 |
| - | -0.23% | -0.26% | - | -8.522 | -8.522 |
| - | 0.06% | 0.07% | - | 2.265 | 2.265 |
| - | 1.08% | 1.18% | - | 39.262 | 39.262 |
| 4.06% | 8.87% | 9.56% | 147.307 | 321.753 | 316.694 |
| 6.14% | 6.14% | 6.14% | 222.828 | 222.828 | 203.486 |
| - | 0.00% | 0.00% | - | 0.000 | 0.000 |
| 10.20% | 15.01% | 15.70% | 370.135 | 544.581 | 520.181 |
| 3.00% | 5.06% | 5.54% | 108.857 | 183.593 | 183.593 |
| - | 0.07% | 0.08% | - | 2.502 | 2.502 |
| 7.20% | 9.88% | 10.08% | 261.279 | 358.486 | 334.086 |
| | 0.08% | 0.09% | | 2.926 | 2.926 |
| | 0.88% | 0.96% | | 31.880 | 31.880 |
| | 0.96% | 1.05% | | 34.806 | 34.806 |

1F - FINANCIAL FLOWS

Year ended 31 March 2023

We recognise the importance of providing transparency to our customers and stakeholders in how we earn returns and share performance with investors. The financial flows measure sets out how the returns we have earned compare between the actual company structure and the notional structure assumed in the Final Determination ('FD').

Return on Regulated equity ('RoRE'), which is a key element of financial flows shows, our combined performance on totex, customer ODIs and financing against the base return allowed in the Final Determination. The table below outlines the key components of RoRE:

| | 2022/23 | AMP to date |
|---|---------|-------------|
| | % | % |
| Base return (including fast track reward) | 3.9% | 4.1% |
| Financing | 7.6% | 3.6% |
| Totex | 0.0% | 0.0% |
| Retail | (0.1%) | (0.2%) |
| ODI (including C-MeX and D-MeX) | 0.7% | 1.3% |
| Land sales | 0.0% | 0.1% |
| Regulatory return for the year | 12.1% | 8.9% |

We have delivered a strong annual and cumulative RoRE performance this year despite the external macroeconomic challenges facing the sector and economy as a whole. We have outperformed the FD by 8.2% in the year and 5.0% over the AMP. Performance has been generated through continued strong performance on ODIs, and financing, reflecting our continued low cash interest cost and the impact of higher inflation in the year compared to Ofwat's Final Determination assumption.

To note that the financing and operational performance cumulative columns in table 1F are incorrectly referencing the 2022-23 regulatory equity values rather than the cumulative regulatory equity values. We've corrected the references in our submission of table 1F to ensure the table produces the correct values.

We discuss the key components of RoRE and financial flows below. All values are stated in 2017-18 prices.

BASE REGULATED EQUITY RETURN

The FD base equity return of 3.9% represents the base notional return before post financeability adjustments.

FINANCING

Our AMP7 financing strategy of maintaining a low level of index-linked debt and moving to a greater weight of low-cost fixed rate debt has enabled us to maintain an

overall low cash interest cost. Higher inflation than the FD assumption of 2% has further helped in reducing our real cost of debt to a negative rate of 2.5%, which is 4.6% lower than the FD. Due to higher inflation in the year, we have also seen a small cost of £3.4 million relating to higher accretion on RPI/CPI swaps on cost of debt than in prior years. We have made a minor adjustment to prior year's hedging instruments to remove the impact of cross currency swaps, which were incorrectly included. The revisions have no impact on the cumulative RoRE to 2021-22.

Variance on tax

We continue to outperform the FD tax allowance (£24 million), mainly due to benefitting from the superdeduction 130% tax allowance and having a lower profit before tax than assumed in the FD. As per the guidance we have also removed tax relief related to green recovery of £4.6m. There was no benefit in the year relating to group relief.

OPERATIONAL PERFORMANCE

The operational performance component of financial flows covers performance on wholesale totex, retail costs and ODIs.

Wholesale totex

Our wholesale totex performance is explained in detail in table 4C. Cumulative totex performance continues to be in

line with the FD totex allowance after adjusting for timing differences related to the growth activity of our WINEP programme and the real options additional expenditure for Amber Water Framework Directive schemes.

As mentioned in our APR in 2020-21, we think the allocation of business rates and abstraction charges over the AMP published in the Financial Flows data file isn't quite correct. At the FD, business rates and abstraction charges were profiled over the AMP using the % allocations taken from the cost sharing model. The published FD data, however, assumes that the annual allocation of the allowance is evenly spread over the 5 years. We think to ensure that companies report annual performance correctly against the FD allowance, Ofwat should use the % allocations in the cost sharing model to allocate business rates and abstraction charges over the AMP.

Retail household cost performance

Retail performance is explained in further detail in table 2C. Our retail performance has marginally improved this year, where retail costs are now £2.6 million higher than the FD compared to £3.6 million in 2021-22. While we continue to deliver efficiencies on our retail operating costs, we have maintained our spending on higher debt management costs to continue reducing our underlying bad debt charge.

ODI performance

We continue to perform strong on ODIs, with 79% of our measures green and delivering net ODI outperformance of £27 million (including D-Mex and C-Mex). We have delivered exceptional performance across a number of measures including our biodiversity programme, best ever performance on drinking water quality complaints and persistent low pressure, alongside a strong performance on public sewer flooding and pollution incidents. However, we underperformed on external sewer flooding, supply interruptions and CRI during the year.

ACTUAL PERFORMANCE ADJUSTMENT FOR 2015-20

The actual performance adjustment of 1.0% relates primarily to our sector leading ODI performance earned over 2015-20. To reduce the impact on customer bills over AMP6, we deferred part of the ODI rewards (on average £33 million per year) until AMP7.

TOTAL SHAREHOLDER RETURN

During the year, our combined financial and operational performance has generated £309 million in additional returns for shareholders. Including the base return of £142 million, actual performance adjustment for 2015-20 (£33 million) and the growth in the RCV from inflation (£387 million) results in total shareholder returns of £839 million for the year, equivalent to 23.1%. Of the total shareholder returns earned, we have distributed 10.0% and retained 13.1% within the business.

CURRENT TAX RECONCILIATION

Year ended 31 March 2023

The cash tax charge for the year ended 31 March 2023 was lower than the standard rate of corporation tax in the UK.

The differences to the standard rate of corporation tax and the reconciliation to the current tax charge allowed in price limits are outlined in the below table:

| | Actual £m | FD £m | Variance £m |
|---|--------------|-------------|----------------|
| Profit on ordinary activities before tax | 137.0 | 268.7 | -131.7 |
| Tax at the standard rate of corporation tax in the UK 19% | 26.0 | 51.1 | -25.0 |
| Tax effect of expenditure not (taxable) / deductible in determining taxable profits | -11.4 | -1.0 | -10.4 |
| Capital allowances in excess of depreciation | -24.2 | -15.1 | -9.1 |
| Other temporary differences | 11.1 | -1.8 | 12.9 |
| Impact of change in tax rate | 0.0 | -3.5 | 3.5 |
| Group Relief - Current Year | 0.0 | 0.0 | 0.0 |
| Impact of outcome delivery incentives | 0.0 | 0.0 | 0.0 |
| Current tax charge before prior year adjustments | 1.5 | 29.7 | -28.2 |
| Prior year adjustment | 2.1 | 0.0 | 2.1 |
| Current tax charge after prior year adjustments | 3.6 | 29.7 | -26.1 |
| Add: Tax relief re: Green Recovery | -4.6 | 0.0 | -4.6 |
| Current tax charge after prior year adjustments and Green Recovery | -1.0 | 29.7 | -30.7 |

The current tax charge for the appointed business was lower than the total tax charge allowed in price limits due to the net impact of the following:

- The FD profit before tax was higher than the profit before tax within the appointed business;
- Expenditure that is not deductible for tax purposes has reduced from the level assumed within the FD tax charge. This difference includes the permanent benefit that arises from the additional 30% deduction included in the super deduction;
- Capital allowances in excess of depreciation within the appointed business are higher than the level forecast within the FD. Part of this difference relates to the impact of the super deduction;
- A prior year adjustment within the appointed business of £2.1 million reflecting differences between estimated tax in the accounts compared to actual tax returns submitted; and
- The FD was calculated based on an expected reduction to the main tax rate from 19% to 17%. The actual tax rate has remained at 19% resulting in an increase in the tax charge when compared to the FD.

The main factors that will impact future tax charges will include:

- Any changes in tax rates or allowances;
- The level of capital expenditure in the appointed business;
- Fair value movements on derivative financial instruments;
- Fair value movements on investments; and
- Any other changes in tax legislation or practice not reflected in the FD.

In March 2021 the UK Government announced its intention to increase the rate of corporation tax to 25% with effect from 1 April 2023. The new law was substantively enacted on 10 June 2021. The deferred tax liability at 31 March 2023 was calculated at the rate of 25%. The UK Government also announced the introduction of a capital allowance ‘super deduction’ which gives an in-year capital allowance of 130% on the cost of plant and machinery qualifying for the relief and an acceleration of capital allowances on the cost of assets qualifying for special rate allowances. The introduction of these changes mean that STW is eligible to claim more capital allowances in the current year.

We are committed to paying the right amount of tax at the right time. As well as corporation tax on profits, which is included in the tax charge in our accounts, we incur a range of taxes, charges and levies imposed by Government agencies, including business rates, employer’s national insurance and environmental taxes.

NOTES TO THE REGULATORY ACCOUNTS

1. REGULATORY REPORTING

The regulatory accounts as reported on pages 94 to 131 should be read in conjunction with the financial review set out from pages 148 of the consolidated Severn Trent Water Limited Annual Report and Accounts 2023 to aid understanding of the performance of the business.

A) DIFFERENCES IN RECOGNITION AND MEASUREMENT BETWEEN STATUTORY AND REGULATORY FINANCIAL ACCOUNTS

i) Borrowing costs

Borrowing costs where directly related to the construction of an asset are capitalised in the statutory accounts. These amounts are not capitalised in the regulatory financial reporting statements in accordance with the RAGs.

ii) Treatment of the defined benefit pension costs

The statutory accounts include the full cost and net deficit of the Severn Trent Water Group’s defined benefit pension schemes, whereas the regulatory accounts include only Severn Trent Water’s share of the costs and net deficit. This creates a difference in operating costs and net finance costs in the income statement, actuarial gains and losses in other comprehensive income, and the retirement benefit obligation on the balance sheet. A difference in deferred tax has also arisen as a result of this accounting treatment.

B) DIFFERENCES IN PRESENTATION BETWEEN STATUTORY AND REGULATORY FINANCIAL ACCOUNTS

i) Revenue and cost classification

Certain items which are netted off against operating costs within the statutory accounts are grossed up and shown as revenue for regulatory reporting. This includes developer contributions for administration costs incurred in relation to new connections and recharges for costs of repair from damages. Other items such as income from renewable energy incentives are shown as revenue in the statutory accounts and negative operating costs for regulatory reporting. In the 2022/23 statutory accounts infrastructure renewals income has been shown as revenue. In the regulatory accounts we show this as operating costs.

ii) Cash flow presentation

Grants and contributions received are presented as operating cash flows in the statutory accounts but as investing cash flows in the regulatory accounts.

C) DIFFERENCE IN PRESENTATION OF SPECIFIC ITEMS REQUIRED TO BE SEPARATELY DISCLOSED IN THE REGULATORY FINANCIAL STATEMENTS

- i) Profit or loss on disposal of fixed assets and non-operating income are included in operating costs in the statutory accounts but are shown as separate line items in the regulatory financial statements.
- ii) Interest income and costs relating to defined benefit pension schemes are included in finance income or cost respectively in the statutory accounts but are shown as other interest expense in the regulatory accounts.
- iii) The capex creditor and deferred income from grants and contributions and adopted assets included within trade and other payables in the statutory accounts are shown as separate items in the regulatory accounts.
- iv) Intra-group loans due in more than one year recorded as trade receivables in the statutory accounts are reclassified to investments. All other non-current trade and other receivables are reclassified to current assets.

D) PRICE CONTROL SEGMENTS

The regulatory accounts have been prepared in accordance with RAG 2.09 ‘Guideline for classification of costs across the price controls’.

The section 2 data tables have been prepared in accordance with our Accounting Separation Methodology Statement which can be found at stwater.co.uk. Our methodology statement explains the basis for allocation of operating and capital expenditure and has been updated for changes to the requirements in the year. Wherever possible, direct costs and assets have been directly attributed to price controls. Where this is not possible, appropriate cost allocations have been applied as described in the methodology. Material changes to the allocation approach compared to the previous year are documented in the methodology statement.

2. ACCOUNTING POLICIES

A) BASIS OF PREPARATION

The regulatory financial statements are separate from the statutory financial statements of the Company. They have been prepared on a going concern basis as set out on page 77 of the consolidated Severn Trent Water Limited Annual Report and Accounts 2023.

The regulatory financial statements have been prepared in accordance with Condition F of the Instruments of Appointment of the Water and Sewerage Undertakers and the Regulatory Accounting Guidelines as issued by the WSRA.

B) REVENUE RECOGNITION

Turnover represents income receivable from regulated water and waste water activities, excluding value added tax.

Turnover includes an estimate of the amount of mains water and waste water charges unbilled at the year end. The accrual is estimated using a defined methodology based upon a measure of unbilled water consumed by tariff, which is calculated from historical billing information. There have been no changes in methodology in the year.

The Water Industry Act 2014, Chapter 1 A ‘Licensing of Water Suppliers’ describes the duties imposed on a water and sewerage undertaker and the licence conditions involved. Regulated activities are consequently those activities that are necessary in order for the appointee to fulfil the functions and duties of a water and sewerage undertaker.

Non-appointed income primarily consists of tankered trade waste income, car park income, farm sales and marketing income.

Turnover is not recognised in respect of unoccupied properties. Properties are classified as unoccupied when:

- The Company is informed that a customer has left a property and it is not expected to be reoccupied immediately;
- New properties are connected but are not occupied;
- Properties are disconnected following a customer’s request; or
- The identity of the customer is unknown.

The following activities are undertaken to ensure properties classified as unoccupied are in fact not occupied:

- Where the Company is informed that the customer has left a property and the property is expected to be occupied by someone else, a welcome letter is sent to the property encouraging the occupier to contact the Company.
- If there is no response to the welcome letter within two months a void letter is sent to the property explaining that we have classified the property as empty and may schedule the property for disconnection.
- Meter readings are taken for metered unoccupied properties; where consumption is recorded, a letter is sent to the property.
- Inspections are organised throughout the year by geographical area.

C) BAD DEBTS

Provisions are charged to operating costs to reflect the company’s assessment of the risk of non-recoverability of debtors based on the lifetime expected credit losses for future receivables.

Write offs in relation to court or debt recovery costs are not included.

Debt can only be written off if it is a legitimate charge against the debtor (if it is considered that part or all of the debt is incorrect or unsubstantiated, then such elements are dealt with through the issue of a credit note) and if one of the following criteria is met:

- The customer does not have any assets or has insufficient assets on which to levy execution;
- The customer is bankrupt and no dividend has been, or is likely to be, received;
- The customer has died without leaving an estate or has left an insufficient estate on which to levy execution and the Company has been unable to prove its case in court; or
- All available economic options for collection of the debt have been pursued or that debt recovery procedures have proved to be ineffective or uneconomic to continue.

Uneconomic circumstances are those where, following the application of debt recovery procedures:

- the customer could not be traced without incurring an unreasonable degree of expenditure; or
- the Company has an insufficiently sound case to justify further expenditure on debt recovery procedures; or
- the likelihood of recovering the debt is so small in particular circumstances that further expenses on debt recovery cannot be justified.

The above write off rules apply primarily to customers to whom the Company has ceased to provide a service. Only in exceptional circumstances is debt relating to continuing customers considered for write off.

D) OTHER ACCOUNTING POLICIES

All other accounting policies applied to the regulatory financial reporting accounts are set out in note 2 of the consolidated Severn Trent Water Limited Annual Report and Accounts 2023, including the capitalisation policy which is outlined within the property, plant and equipment accounting policy note. Full details of the capitalisation policy are outlined in the Accounting Separation Methodology Statement.

E) CURRENT COST ACCOUNTING

Although there is no longer a requirement to produce full current cost financial statements, the requirement to disclose summary current cost financial results has been retained in the Wholesale current cost financial performance table.

The capital maintenance charge has been calculated using current cost depreciation values in the current cost fixed asset register which is indexed annually and adjusted for additions. Infrastructure renewals expenditure for below ground assets is included in operating costs.



2A - SEGMENTAL INCOME STATEMENT

Year ended 31 March 2023

| Line description | Residential Retail | Business Retail | Water resources | Water Network+ | Wastewater Network+ | Bioresources | Total |
|--|-----------------------|--------------------|--------------------|-------------------|------------------------|----------------|-------------------|
| | £m | £m | £m | £m | £m | £m | £m |
| 2A.1 Revenue - price control | 109.062 | 0.000 | 100.405 | 706.976 | 790.450 | 91.151 | 1,798.044 |
| 2A.2 Revenue - non price control | 0.030 | 0.000 | 6.065 | 7.706 | 0.809 | 0.019 | 14.629 |
| 2A.3 Operating expenditure - excluding PU recharge impact | -101.142 | 0.000 | -67.607 | -478.201 | -391.520 | -11.057 | -1,049.526 |
| 2A.4 PU opex recharge | -5.901 | 0.000 | -1.584 | 23.943 | -12.760 | -3.697 | 0.000 |
| 2A.5 Operating expenditure - including PU recharge impact | -107.043 | 0.000 | -69.191 | -454.258 | -404.280 | -14.754 | -1,049.526 |
| 2A.6 Depreciation - tangible fixed assets | -1.049 | 0.000 | -9.689 | -176.071 | -122.515 | -35.916 | -345.240 |
| 2A.7 Amortisation - intangible fixed assets | -7.726 | 0.000 | -0.081 | -22.048 | -0.005 | 0.000 | -29.860 |
| 2A.8 Other operating income | 0.000 | 0.000 | 0.012 | 1.120 | 1.124 | 0.000 | 2.256 |
| 2A.9 Operating profit | -6.726 | 0.000 | 27.521 | 63.425 | 265.583 | 40.500 | 390.303 |
| A Surface water drainage rebates | | | | | | | |
| 2A.10 Surface water drainage rebates | | | | | | | 0.554 |

2B - TOTEX ANALYSIS (WHOLESALE)

Year ended 31 March 2023

| Line description | Water resources | Water Network+ | Wastewater Network+ | Bioresources | Total |
|--|--------------------|-------------------|------------------------|---------------|------------------|
| | £m | £m | £m | £m | |
| A Base operating expenditure | | | | | |
| 2B.1 Power | 19.107 | 89.315 | 91.545 | -5.128 | 194.839 |
| 2B.2 Income treated as negative expenditure | -0.605 | -0.201 | -0.007 | -57.680 | -58.493 |
| 2B.3 Service charges/ discharge consents | 15.236 | 0.532 | 11.021 | 0.000 | 26.789 |
| 2B.4 Bulk Supply/Bulk discharge | 8.442 | 5.865 | 0.172 | 0.081 | 14.560 |
| 2B.5 Renewals expensed in year (Infrastructure) | 2.078 | 100.343 | 66.023 | 0.000 | 168.444 |
| 2B.6 Renewals expensed in year (Non-Infrastructure) | 0.002 | 0.718 | 1.601 | 0.000 | 2.321 |
| 2B.7 Other operating expenditure (including Location specific costs & obligations) | 17.108 | 170.023 | 169.887 | 74.444 | 431.462 |
| 2B.8 Local authority and Cumulo rates | 4.473 | 47.804 | 22.368 | 3.035 | 77.680 |
| 2B.9 Total base operating expenditure | 65.841 | 414.399 | 362.610 | 14.752 | 857.602 |
| B Other operating expenditure | | | | | |
| 2B.10 Enhancement operating expenditure | 1.991 | 6.174 | 3.971 | 0.000 | 12.136 |
| 2B.11 Developer services operating expenditure | 0.000 | 27.527 | 36.531 | 0.000 | 64.058 |
| 2B.12 Total operating expenditure excluding third party services | 67.832 | 448.100 | 403.112 | 14.752 | 933.796 |
| 2B.13 Third party services | 1.359 | 6.158 | 1.168 | 0.002 | 8.687 |
| 2B.14 Total operating expenditure | 69.191 | 454.258 | 404.280 | 14.754 | 942.483 |
| C Grants and contributions | | | | | |
| 2B.15 Grants and contributions - operating expenditure | 0.000 | -27.240 | -36.031 | 0.000 | -63.271 |
| D Capital expenditure | | | | | |
| 2B.16 Base capital expenditure | 12.356 | 123.894 | 94.000 | 35.654 | 265.904 |
| 2B.17 Enhancement capital expenditure | 23.398 | 166.723 | 173.708 | 0.000 | 363.829 |
| 2B.18 Developer services capital expenditure | 0.000 | 56.965 | 7.621 | 0.000 | 64.586 |
| 2B.19 Total gross capital expenditure excluding third party services | 35.754 | 347.582 | 275.329 | 35.654 | 694.319 |
| 2B.20 Third party services | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 2B.21 Total gross capital expenditure | 35.754 | 347.582 | 275.329 | 35.654 | 694.319 |
| E Grants and contributions | | | | | |
| 2B.22 Grants and contributions - capital expenditure | 0.000 | -22.559 | -13.004 | -0.345 | -35.908 |
| 2B.23 Net Totex | 104.945 | 752.041 | 630.574 | 50.063 | 1,537.623 |
| F Cash expenditure | | | | | |
| 2B.24 Pension deficit recovery payments | 10.379 | 36.856 | 29.991 | 9.670 | 86.896 |
| 2B.25 Other cash items | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 2B.26 Totex including cash items | 115.324 | 788.897 | 660.565 | 59.733 | 1,624.519 |

2C - COST ANALYSIS (RETAIL)

Year ended 31 March 2023

| Line description | | Residential | Business | Total |
|------------------|--|-------------|----------|---------|
| | | £m | £m | £m |
| A | Operating expenditure | | | |
| 2C.1 | Customer services | 33.485 | 0.000 | 33.485 |
| 2C.2 | Debt management | 8.135 | 0.000 | 8.135 |
| 2C.3 | Doubtful debts | 23.290 | 0.000 | 23.290 |
| 2C.4 | Meter reading | 5.086 | 0.000 | 5.086 |
| 2C.5 | Services to developers | | 0.000 | 0.000 |
| 2C.6 | Other operating expenditure | 17.750 | 0.000 | 17.750 |
| 2C.7 | Local authority and Cumulo rates | 0.492 | 0.000 | 0.492 |
| 2C.8 | Total operating expenditure excluding third party services | 88.238 | 0.000 | 88.238 |
| B | Depreciation | | | |
| 2C.9 | Depreciation (tangible fixed assets) on assets existing at 31 March 2015 | 0.332 | 0.000 | 0.332 |
| 2C.10 | Depreciation (tangible fixed assets) on assets acquired after 1 April 2015 | 0.724 | 0.000 | 0.724 |
| 2C.11 | Amortisation (intangible fixed assets) on assets existing at 31 March 2015 | 0.000 | 0.000 | 0.000 |
| 2C.12 | Amortisation (intangible fixed assets) on assets acquired after 1 April 2015 | 7.726 | 0.000 | 7.726 |
| C | Recharges | | | |
| 2C.13 | Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015) | 0.488 | 0.000 | 0.488 |
| 2C.14 | Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015) | -0.139 | 0.000 | -0.139 |
| 2C.15 | Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale | 5.696 | 0.000 | 5.696 |
| 2C.16 | Income from wholesale assets acquired after 1 April 2015 principally used by retail | -0.144 | 0.000 | -0.144 |
| 2C.17 | Net recharges costs | 5.901 | 0.000 | 5.901 |
| 2C.18 | Total retail costs excluding third party and pension deficit repair costs | 102.921 | 0.000 | 102.921 |
| 2C.19 | Third party services operating expenditure | 0.000 | 0.000 | 0.000 |
| 2C.20 | Pension deficit repair costs | 12.904 | 0.000 | 12.904 |
| 2C.21 | Total retail costs including third party and pension deficit repair costs | 115.825 | 0.000 | 115.825 |
| D | Debt written off | | | |
| 2C.22 | Debt written off | 21.182 | 0.000 | 21.182 |
| E | Capital expenditure | | | |
| 2C.23 | Capital expenditure | 7.590 | 0.000 | 7.590 |
| F | Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale | | | |
| 2C.24 | Demand-side water efficiency - gross expenditure | 2.884 | | |
| 2C.25 | Demand-side water efficiency - expenditure funded by wholesale | 2.884 | | |
| 2C.26 | Demand-side water efficiency - net retail expenditure | 0.000 | | |
| 2C.27 | Customer-side leak repairs - gross expenditure | 4.798 | | |
| 2C.28 | Customer-side leak repairs - expenditure funded by wholesale | 4.798 | | |
| 2C.29 | Customer-side leak repairs - net retail expenditure | 0.000 | | |
| G | Comparison of actual and allowed expenditure | | | |
| 2C.30 | Cumulative actual retail expenditure to reporting year end | 346.308 | | |
| 2C.31 | Cumulative allowed expenditure to reporting year end | 343.119 | | |
| 2C.32 | Total allowed expenditure 2020-25 | 575.352 | | |

Differences between total operating costs and retail costs allowed in the price limits.

HOUSEHOLD

Overall household retail costs of £103 million are £6 million (5.7%) higher than the Final Determination ('FD').

CUSTOMER SERVICES

Customer services costs are £2 million adverse to the FD. The FD assumed a significant drop in spend in AMP7, and this year's performance represents a closing of the gap to the FD while maintaining reliable service levels for our customers.

DEBT MANAGEMENT

This year we have maintained higher spending on debt management to continue our improvement on bad debt performance while mitigating impacts from the ongoing cost-of-living crisis. This has resulted in expenditure exceeding the FD allowance by £4 million, but has led to continued strong performance on bad debt.

DOUBTFUL DEBTS

Doubtful debts as a percentage of household revenue were 1.7%. This includes a partial release of the forward-looking provision held in relation to the cost-of-living crisis, which itself reflects successful mitigation through our debt management processes.

OTHER OPERATING EXPENDITURE

Other operating expenditure is £2 million favourable to the FD allowance. This is mainly through less Retail work being conducted by other business areas, similar to previous years in the AMP.

NON-HOUSEHOLD

In line with our FD, we have no costs in Non-household retail.

In 2016, we disposed of our non-household retail activities to Water Plus, and so no longer have any costs relating to Non-household activity.

The latest RAG guidance sets out that developers are often working directly with wholesalers rather than using a retailer as an intermediary. In this example, all costs should be classified as wholesale, and so there are no costs within non-household retail.



2D - HISTORIC COST ANALYSIS OF FIXED ASSETS

Year ended 31 March 2023

| Line description | | Residential Retail | Business Retail | Water resources | Water Network+ | Wastewater Network+ | Bioresources | Total |
|------------------|---|-----------------------|--------------------|--------------------|-------------------|------------------------|------------------|-------------------|
| | | £m | £m | £m | £m | £m | £m | £m |
| A | Cost | | | | | | | |
| 2D.1 | At 1 April 2022 | 48.978 | 0.000 | 586.485 | 6,740.652 | 7,815.933 | 995.334 | 16,187.382 |
| 2D.2 | Disposals | 0.000 | 0.000 | -3.994 | -3.925 | -7.515 | -21.785 | -37.219 |
| 2D.3 | Additions | 0.854 | 0.000 | 29.254 | 351.168 | 279.742 | 36.029 | 697.047 |
| 2D.4 | Adjustments | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 2D.5 | Assets adopted at nil cost | 0.000 | 0.000 | 0.000 | 0.000 | 99.253 | 0.000 | 99.253 |
| 2D.6 | At 31 March 2023 | 49.832 | 0.000 | 611.745 | 7,087.895 | 8,187.413 | 1,009.578 | 16,946.463 |
| B | Depreciation | | | | | | | |
| 2D.7 | At 1 April 2022 | -30.545 | 0.000 | -189.333 | -2,577.156 | -3,240.721 | -479.141 | -6,516.896 |
| 2D.8 | Disposals | 0.000 | 0.000 | 2.129 | 3.643 | 7.370 | 21.782 | 34.924 |
| 2D.9 | Adjustments | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 2D.10 | Charge for the year | -1.049 | 0.000 | -9.689 | -176.071 | -122.515 | -35.916 | -345.240 |
| 2D.11 | At 31 March 2023 | -31.594 | 0.000 | -196.893 | -2,749.584 | -3,355.866 | -493.275 | -6,827.212 |
| 2D.12 | Net book amount at 31 March 2023 | 18.238 | 0.000 | 414.852 | 4,338.311 | 4,831.547 | 516.303 | 10,119.251 |
| 2D.13 | Net book amount at 1 April 2022 | 18.433 | 0.000 | 397.152 | 4,163.496 | 4,575.212 | 516.193 | 9,670.486 |
| C | Depreciation charge for year | | | | | | | |
| 2D.14 | Principal services | -1.049 | 0.000 | -9.629 | -152.202 | -146.292 | -35.916 | -345.088 |
| 2D.15 | Third party services | 0.000 | 0.000 | -0.002 | -0.150 | 0.000 | 0.000 | -0.152 |
| 2D.16 | Total | -1.049 | 0.000 | -9.631 | -152.352 | -146.292 | -35.916 | -345.240 |

The net book value includes £1,166.3 million in respect of assets in the course of construction.

2E - ANALYSIS OF GRANTS AND CONTRIBUTIONS (WATER RESOURCES, WATER NETWORK+ AND WASTEWATER NETWORK+)

Year ended 31 March 2023

| Line description | | Fully recognised in income statement | Capitalised and amortised (in income statement) | Fully netted off capex | Total |
|------------------|---|--|--|---------------------------|---------------|
| | | £m | £m | £m | £m |
| A | Grants and contributions - water resources | | | | |
| 2E.1 | Diversions - s185 | 0.000 | 0.000 | 0.000 | 0.000 |
| 2E.2 | Other contributions (price control) | 0.000 | 0.000 | 0.000 | 0.000 |
| 2E.3 | Price control grants and contributions | 0.000 | 0.000 | 0.000 | 0.000 |
| 2E.4 | Diversions - NRSWA | 0.000 | 0.000 | 0.000 | 0.000 |
| 2E.5 | Diversions - other non-price control | 0.000 | 0.000 | 0.000 | 0.000 |
| 2E.6 | Other contributions (non-price control) | 0.000 | 0.000 | 0.000 | 0.000 |
| 2E.7 | Total | 0.000 | 0.000 | 0.000 | 0.000 |
| 2E.8 | Value of adopted assets | 0.000 | 0.000 | | 0.000 |
| B | Grants and contributions - water network+ | | | | |
| 2E.9 | Connection charges | 0.000 | 13.661 | 0.000 | 13.661 |
| 2E.10 | Infrastructure charge receipts - new connections | 0.000 | 7.639 | 0.000 | 7.639 |
| 2E.11 | Requisitioned mains | 0.000 | 18.165 | 0.000 | 18.165 |
| 2E.12 | Diversions - s185 | 5.792 | 0.000 | 0.000 | 5.792 |
| 2E.13 | Other contributions (price control) | 0.000 | 0.000 | 0.000 | 0.000 |
| 2E.14 | Price control grants and contributions before deduction of income offset | 5.792 | 39.465 | 0.000 | 45.257 |
| 2E.15 | Income offset | 0.000 | 16.906 | 0.000 | 16.906 |
| 2E.16 | Price control grants and contributions after deduction of income offset | 5.792 | 22.559 | 0.000 | 28.351 |
| 2E.17 | Diversions - NRSWA | 5.087 | 0.000 | 0.000 | 5.087 |
| 2E.18 | Diversions - other non-price control | 16.361 | 0.000 | 0.000 | 16.361 |
| 2E.19 | Other contributions (non-price control) | 0.000 | 0.000 | 0.000 | 0.000 |
| 2E.20 | Total grants and contributions | 27.240 | 22.559 | 0.000 | 49.799 |
| 2E.21 | Value of adopted assets | 0.000 | 0.000 | | 0.000 |

2E - ANALYSIS OF GRANTS AND CONTRIBUTIONS (WATER RESOURCES, WATER NETWORK+ AND WASTEWATER NETWORK+ CONT.)

Year ended 31 March 2023

| Line description | Fully recognised in income statement £m | Capitalised and amortised (in income statement) £m | Fully netted off capex £m | Total £m |
|---|--|--|---------------------------------|----------------|
| C Grants and contributions - wastewater network+ | | | | |
| 2E.22 Receipts for on-site work | 0.000 | 3.318 | 0.000 | 3.318 |
| 2E.23 Infrastructure charge receipts - new connections | 0.000 | 8.446 | 0.000 | 8.446 |
| 2E.24 Diversions - s185 | 2.677 | 0.000 | 0.000 | 2.677 |
| 2E.25 Other contributions (price control) | 0.000 | 2.636 | 0.000 | 2.636 |
| 2E.26 Price control grants and contributions before deduction of income offset | 2.677 | 14.400 | 0.000 | 17.077 |
| 2E.27 Income offset | 0.000 | 1.396 | 0.000 | 1.396 |
| 2E.28 Price control grants and contributions after deduction of income offset | 2.677 | 13.004 | 0.000 | 15.681 |
| 2E.29 Diversions - NRSWA | 2.407 | 0.000 | 0.000 | 2.407 |
| 2E.30 Diversions - other non-price control | 30.947 | 0.000 | 0.000 | 30.947 |
| 2E.31 Other contributions (non-price control) | 0.000 | 0.000 | 0.000 | 0.000 |
| 2E.32 Total grants and contributions | 36.031 | 13.004 | 0.000 | 49.035 |
| 2E.33 Value of adopted assets | 0.000 | 99.253 | | 99.253 |
| Line description | Water resources £m | Water network+ £m | Wastewater network+ £m | Total £m |
| D Movements in capitalised grants and contributions | | | | |
| 2E.34 Brought forward | 2.648 | 484.881 | 310.425 | 797.954 |
| 2E.35 Capitalised in year | 0.000 | 22.559 | 13.004 | 35.563 |
| 2E.36 Amortisation (in income statement) | -0.049 | -12.578 | -3.288 | -15.915 |
| 2E.37 Carried forward | 2.599 | 494.862 | 320.141 | 817.602 |

2F - RESIDENTIAL RETAIL

Year ended 31 March 2023

| Line description | Revenue £m | Number of customers 000s | Average residential revenues £ |
|---|------------------|-----------------------------|--------------------------------------|
| A Residential revenue | | | |
| 2F.1 Wholesale charges | 1,287.203 | | |
| 2F.2 Retail revenue | 109.062 | | |
| 2F.3 Total residential revenue | 1,396.265 | | |
| B Retail revenue | | | |
| 2F.4 Revenue recovered ('RR') | 109.062 | | |
| 2F.5 Revenue sacrifice | 0.000 | | |
| 2F.6 Actual revenue (net) | 109.062 | | |
| C Customer information | | | |
| 2F.7 Actual customers ('AC') | | 4,165.282 | |
| 2F.8 Reforecast customers | | 4,126.448 | |
| D Adjustment | | | |
| 2F.9 Allowed revenue ('R') | 106.171 | | |
| 2F.10 Net adjustment | -2.891 | | |
| E Other residential information | | | |
| 2F.11 Average residential retail revenue per customer | | | 26.184 |

2G - NON-HOUSEHOLD WATER REVENUES BY TARIFF TYPE

Year ended 31 March 2023

This table is no longer required following the disposal of our non-household retail activities to Water Plus in 2016.

2H - NON-HOUSEHOLD WASTE WATER REVENUES BY CUSTOMER TYPE

Year ended 31 March 2023

This table is no longer required following the disposal of our non-household retail activities to Water Plus in 2016.

2I - REVENUE ANALYSIS

Year ended 31 March 2023

| Line description | | Household | Non-household | Total | Water resources | Water network+ | Total |
|---|---|-----------|---------------|-----------|---------------------|----------------|---------|
| | | £m | £m | £m | £m | £m | £m |
| A Wholesale charge - water | | | | | | | |
| 2I.1 | Unmeasured | 354.570 | 2.898 | 357.468 | 48.002 | 309.466 | 357.468 |
| 2I.2 | Measured | 273.327 | 174.352 | 447.679 | 52.403 | 395.276 | 447.679 |
| 2I.3 | Third party revenue | 0.000 | 2.234 | 2.234 | 0.000 | 2.234 | 2.234 |
| 2I.4 | Total wholesale water revenue | 627.897 | 179.484 | 807.381 | 100.405 | 706.976 | 807.381 |
| Line description | | Household | Non-household | Total | Wastewater network+ | Bioresources | Total |
| | | £m | £m | £m | £m | £m | £m |
| B Wholesale charge - wastewater | | | | | | | |
| 2I.5 | Unmeasured - foul charges | 259.694 | 5.004 | 264.698 | 218.488 | 46.210 | 264.698 |
| 2I.6 | Unmeasured - surface water charges | 83.507 | 3.486 | 86.993 | 86.993 | 0.000 | 86.993 |
| 2I.7 | Unmeasured - highway drainage charges | 25.676 | 0.104 | 25.780 | 25.780 | 0.000 | 25.780 |
| 2I.8 | Measured - foul charges | 192.211 | 124.157 | 316.368 | 271.427 | 44.941 | 316.368 |
| 2I.9 | Measured - surface water charges | 70.386 | 85.353 | 155.739 | 155.739 | 0.000 | 155.739 |
| 2I.10 | Measured - highway drainage charges | 27.832 | 2.547 | 30.379 | 30.379 | 0.000 | 30.379 |
| 2I.11 | Third party revenue | 0.000 | 1.644 | 1.644 | 1.644 | 0.000 | 1.644 |
| 2I.12 | Total wholesale wastewater revenue | 659.306 | 222.295 | 881.601 | 790.450 | 91.151 | 881.601 |
| C Wholesale charge - additional control | | | | | | | |
| 2I.13 | Unmeasured | 0.000 | 0.000 | 0.000 | | | |
| 2I.14 | Measured | 0.000 | 0.000 | 0.000 | | | |
| 2I.15 | Total wholesale additional control revenue | 0.000 | 0.000 | 0.000 | | | |
| 2I.16 | Wholesale Total | 1,287.203 | 401.779 | 1,688.982 | | | |
| D Retail revenue | | | | | | | |
| 2I.17 | Unmeasured | 47.832 | 0.000 | 47.832 | | | |
| 2I.18 | Measured | 59.857 | 0.000 | 59.857 | | | |
| 2I.19 | Retail third party revenue | 1.373 | 0.000 | 1.373 | | | |
| 2I.20 | Total retail revenue | 109.062 | 0.000 | 109.062 | | | |
| E Third party revenue - non price control | | | | | | | |
| 2I.21 | Bulk supplies - water | | | 8.458 | | | |
| 2I.22 | Bulk supplies - wastewater | | | 0.166 | | | |
| 2I.23 | Other third party revenue - non price control | | | 2.927 | | | |
| E Principal services - non price control | | | | | | | |
| 2I.24 | Other appointed revenue - non price control | | | 3.078 | | | |
| 2I.25 | Total appointed revenue | | | 1,812.673 | | | |

2J - INFRASTRUCTURE NETWORK REINFORCEMENT COSTS

Year ended 31 March 2023

| Line description | | Network reinforcement capex | On site/site specific capex (memo only) |
|------------------|--|-----------------------------|---|
| | | £m | £m |
| A | Wholesale water network+ (treated water distribution) | | |
| 2J.1 | Distribution and trunk mains | 16.608 | 0.000 |
| 2J.2 | Pumping and storage facilities | 0.452 | 0.000 |
| 2J.3 | Other | 0.000 | 0.000 |
| 2J.4 | Total | 17.060 | 0.000 |
| B | Wholesale wastewater network+ (sewage collection) | | |
| 2J.5 | Foul and combined systems | 2.542 | 0.000 |
| 2J.6 | Surface water only systems | 0.215 | 0.000 |
| 2J.7 | Pumping and storage facilities | 0.081 | 0.000 |
| 2J.8 | Other | 0.000 | 0.000 |
| 2J.9 | Total | 2.838 | 0.000 |

2K - INFRASTRUCTURE CHARGES RECONCILIATION

Year ended 31 March 2023

| Line description | | Water | Wastewater | Total |
|------------------|--|-------|------------|-------|
| | | £m | £m | £m |

| | | | | |
|-------------|--|---------------|--------------|---------------|
| A | Impact of infrastructure charge discounts | | | |
| 2K.1 | Infrastructure charges | 7.639 | 8.446 | 16.085 |
| 2K.2 | Discounts applied to infrastructure charges | 3.939 | 1.418 | 5.357 |
| 2K.3 | Gross infrastructure charges | 11.578 | 9.864 | 21.442 |

| | | | | |
|-------------|--|----------------|---------------|----------------|
| B | Comparison of revenue and costs | | | |
| 2K.4 | Variance brought forward | -8.240 | 5.158 | -3.082 |
| 2K.5 | Revenue | 7.639 | 8.446 | 16.085 |
| 2K.6 | Costs | -17.060 | -2.838 | -19.898 |
| 2K.7 | Variance carried forward | -17.661 | 10.766 | -6.895 |

The variance between cost and revenue for water is £17.6 million, this includes £8.2 million of brought forward variance not factored into charges as per charging rules. This gives in year variance of £9.4 million. This is mainly due to £3.9 million of environmental discount given, £3.4 million volumes lower than forecast and (£1.0) million of charges being set on five year forecast not in year spend in-line with Ofwat charging rules.

The variance between cost and revenue for waste water is £10.8 million, this includes £5.2 million of brought forward variance not factored into charges as per charging rules. This gives in year variance of £5.6 million. This is mainly due to £1.4 million of environmental discount given, £2.8 million volumes lower than forecast and £8.4 million of charges being set on five year forecast not in year spend in-line with Ofwat charging rules.

2L - ANALYSIS OF LAND SALES

Year ended 31 March 2023

| Line description | | Water resources £m | Water network+ £m | Wastewater network+ £m | Total £m |
|------------------|--|-----------------------|----------------------|---------------------------|-------------|
| 2L.1 | Land sales - proceeds from disposals of protected land | 0.012 | 0.947 | 0.853 | 1.812 |

During the year, there were sixteen disposals of protected land, all of which were below the reporting threshold. There was no transfer of land from appointed business to associate companies during the year.

2M - REVENUE RECONCILIATION (WHOLESALE)

Year ended 31 March 2023

| Line description | | Water Resources £m | Water Network+ £m | Wastewater Network+ £m | Bioresources £m | Total £m |
|--|--|-----------------------|----------------------|---------------------------|--------------------|-------------|
| A Revenue recognised | | | | | | |
| 2M.1 | Wholesale revenue governed by price control | 100.405 | 706.976 | 790.450 | 91.151 | 1,688.982 |
| 2M.2 | Grants and contributions (price control) | 0.000 | 28.351 | 15.681 | 0.000 | 44.032 |
| 2M.3 | Total revenue governed by wholesale price control | 100.405 | 735.327 | 806.131 | 91.151 | 1,733.014 |
| B Calculation of the revenue cap | | | | | | |
| 2M.4 | Allowed wholesale revenue before adjustments (or modified by CMA) | 95.602 | 664.602 | 734.162 | 87.527 | 1,581.893 |
| 2M.5 | Allowed grants and contributions before adjustments (or modified by CMA) | 0.000 | 23.138 | 19.359 | 0.000 | 42.497 |
| 2M.6 | Revenue adjustment | 2.353 | 22.430 | 35.379 | 4.907 | 65.069 |
| 2M.7 | Other adjustments | 1.979 | 13.520 | 22.306 | -0.011 | 37.794 |
| 2M.8 | Revenue cap | 99.934 | 723.690 | 811.206 | 92.423 | 1,727.253 |
| C Calculation of the revenue imbalance | | | | | | |
| 2M.9 | Revenue cap | 99.934 | 723.690 | 811.206 | 92.423 | 1,727.253 |
| 2M.10 | Revenue recovered | 100.405 | 735.327 | 806.131 | 91.151 | 1,733.014 |
| 2M.11 | Revenue imbalance | -0.471 | -11.637 | 5.075 | 1.272 | -5.761 |

2M - REVENUE ANALYSIS AND WHOLESALE CONTROL RECONCILIATION

Year ended 31 March 2023

DIFFERENCE BETWEEN ALLOWED AND ACTUAL REVENUE UNDER THE WHOLESALE CONTROL

The total allowed revenue for 2022/23 was £1,727.3 million with actual revenue of £1,733.0 million being £5.7 million higher.

However, included in the wholesale revenue is £3.9 million of 3rd party revenue which is excluded from the FD allowances. Adjusting out the 3rd party revenue from actuals gives the following true comparison between FD and actuals.

| Calculation of the revenue imbalance | Water Resources | Water network+ | Waste network+ | Bio-resources | Total wholesale |
|--------------------------------------|-----------------|----------------|----------------|---------------|-----------------|
| Revenue cap | 99.934 | 723.690 | 811.206 | 92.423 | 1,727.253 |
| Revenue Recovered | 100.405 | 733.092 | 804.489 | 91.151 | 1,729.137 |
| Revenue imbalance | -0.471 | -9.402 | 6.717 | 1.272 | -1.884 |

DEVELOPER SERVICES

Water revenue for grants and contributions is £5.2 million above the allowance due to additional volumes of new connections than forecast. In waste the FD allowances were above our anticipated volumes and therefore we have recovered £3.7 million less revenue.

CORE BILLED REVENUE

Water Resources and Water Network+

Water Resources revenue of £100.4 million is £0.47 million (0.5%) higher than the revenue cap.

Water Network+ core billed revenue of £704.7 million is £4.2 million (0.6%) higher than the revenue cap.

This is due to higher than expected residential consumption, thought to be due to continued working from home vs our forecast of return to pre covid position by year end, bringing voids into charge at year end (including back billing to earlier months) and the hot summer.

WASTE NETWORK+

Waste Network+ revenue of £788.8 million is £3.0 million (0.4%) lower than the revenue cap, and bioresources revenue of £91.2 million is £1.3 million (1.4%) lower than allowance. The network plus difference is due in part to the £0.6 million of surface water draining rebates for incorrectly billed customers, and in part due to reductions in other water company billing as forecasts for customers billed by South Staffordshire had been incorrectly included with inflated consumption values which did not occur in actuals.

2N - RESIDENTIAL RETAIL - SOCIAL TARIFFS

Year ended 31 March 2023

| Line description | Revenue | Number of customers | Average amount per customer |
|---|---------|---------------------|-----------------------------|
| Units | £m | 000s | £ |
| DPs | 3 | 3 | 3 |
| A Number of residential customers on social tariffs | | | |
| 2N.1 Residential water only social tariffs customers | - | 5.337 | - |
| 2N.2 Residential wastewater only social tariffs customers | - | 43.932 | - |
| 2N.3 Residential dual service social tariffs customers | - | 121.208 | - |
| B Number of residential customers not on social tariffs | | | |
| 2N.4 Residential water only no social tariffs customers | - | 299.863 | - |
| 2N.5 Residential wastewater only no social tariffs customers | - | 683.238 | - |
| 2N.6 Residential dual service no social tariffs customers | - | 3,011.704 | - |
| C Social tariff discount | | | |
| 2N.7 Average discount per water only social tariffs customer | - | - | 147.086 |
| 2N.8 Average discount per wastewater only social tariffs customer | - | - | 132.728 |
| 2N.9 Average discount per dual service social tariffs customer | - | - | 279.850 |
| D Social tariff cross-subsidy - residential customers | | | |
| 2N.10 Total customer funded cross-subsidies for water only social tariffs customers | 0.623 | - | - |
| 2N.11 Total customer funded cross-subsidies for wastewater only social tariffs customers | 4.387 | - | - |
| 2N.12 Total customer funded cross-subsidies for dual service social tariffs customers | 26.259 | - | - |
| 2N.13 Average customer funded cross-subsidy per water only social tariffs customer | - | - | 2.041 |
| 2N.14 Average customer funded cross-subsidy per wastewater only social tariffs customer | - | - | 6.033 |
| 2N.15 Average customer funded cross-subsidy per dual service social tariffs customer | - | - | 8.382 |
| E Social tariff cross-subsidy - company | | | |
| 2F.16 Total revenue forgone by company to fund cross-subsidies for water only social tariffs customers | 0.162 | - | - |
| 2N.17 Total revenue forgone by company to fund cross-subsidies for wastewater only social tariffs customers | 1.444 | - | - |
| 2N.18 Total revenue forgone by company to fund cross-subsidies for dual service social tariffs customers | 7.661 | - | - |
| 2N.19 Average revenue forgone by company to fund cross-subsidy per water only social tariffs customer | - | - | 30.354 |
| 2N.20 Average revenue forgone by company to fund cross-subsidy per wastewater only social tariffs customer | - | - | 32.869 |
| 2N.21 Average revenue forgone by company to fund cross-subsidy per dual service social tariffs customer | - | - | 63.205 |
| F Social tariff support - willingness to pay | | | |
| 2N.22 Level of support for social tariff customers reflected in business plan | - | - | 8.967 |
| 2N.23 Maximum contribution to social tariffs supported by customer engagement | - | - | 13.450 |

Lines 2N.4-2N.6 have been prepared as the number of residential customers not on social tariffs.

We support our low-income households with the Big Difference Scheme social tariff. If customers qualify, we offer up to a 90% discount of the average household bill. Further information is available on our website.

The total number of customers in receipt of a social tariff has increased significantly over the last 12-month period. In May 2022 STW announced a commitment to add an additional 100,00 customers to our social tariff, Big Difference Scheme, by March 2025, increasing our overall support to 315k customers. We are well on track to achieve this commitment.

20 - HISTORIC COST ANALYSIS OF INTANGIBLE FIXED ASSETS

Year ended 31 March 2023

| Line description | Residential Retail | Business Retail | Water Resources | Water Network+ | Wastewater Network+ | Bioresources | Total |
|---|--------------------|-----------------|-----------------|-----------------|---------------------|---------------|-----------------|
| | £m | £m | £m | £m | £m | £m | £m |
| A Cost | | | | | | | |
| 20.1 At 1 April 2022 | 114.531 | 0.000 | 0.197 | 412.503 | 38.435 | 1.619 | 567.285 |
| 20.2 Disposals | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 20.3 Additions | 6.887 | 0.000 | 0.502 | 31.849 | 0.427 | 0.000 | 39.665 |
| 20.4 Adjustments | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 20.5 Assets adopted at nil cost | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 20.6 At 31 March 2023 | 121.418 | 0.000 | 0.699 | 444.352 | 38.862 | 1.619 | 606.950 |
| B Amortisation | | | | | | | |
| 20.7 At 1 April 2022 | -92.718 | 0.000 | -0.024 | -231.341 | -34.381 | -0.022 | -358.486 |
| 20.8 Disposals | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 20.9 Adjustments | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 20.10 Charge for year | -7.726 | 0.000 | -0.081 | -22.048 | -0.005 | 0.000 | -29.860 |
| 20.11 At 31 March 2023 | -100.444 | 0.000 | -0.105 | -253.389 | -34.386 | -0.022 | -388.346 |
| 20.12 Net book amount at 31 March 2023 | 20.974 | 0.000 | 0.594 | 190.963 | 4.476 | 1.597 | 218.604 |
| 20.13 Net book amount at 1 April 2022 | 21.813 | 0.000 | 0.173 | 181.162 | 4.054 | 1.597 | 208.799 |
| C Amortisation for year | | | | | | | |
| 20.14 Principal services | -7.726 | 0.000 | -0.081 | -22.048 | -0.005 | 0.000 | -29.860 |
| 20.15 Third party services | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 20.16 Total | -7.726 | 0.000 | -0.081 | -22.048 | -0.005 | 0.000 | -29.860 |



ADDITIONAL REGULATORY INFORMATION

3A - OUTCOME PERFORMANCE - WATER PERFORMANCE COMMITMENTS (FINANCIAL)

G08 - Persistent Low Pressure.
As per the consolidated PR19 final determinations, low pressure days includes days accrued by both residential and non-residential properties.

3B - OUTCOME PERFORMANCE - WASTEWATER PERFORMANCE COMMITMENTS (FINANCIAL)

C05 - Satisfactory sludge use and disposal
Severn Trent can confirm that our reported performance for this PC complies with EPA version 3.

3C - CUSTOMER MEASURE OF EXPERIENCE (‘C-MeX’)

No additional commentary relating to this data table.

3D - DEVELOPER SERVICES MEASURE OF EXPERIENCE (‘D-MeX’)

No additional commentary relating to this data table.

3E - OUTCOME PERFORMANCE - NON FINANCIAL PERFORMANCE COMMITMENTS

No additional commentary relating to this data table.

[Data tables can be accessed through our Regulatory Library on the Severn Trent Water website.](#)

3F - UNDERLYING CALCULATIONS FOR COMMON PERFORMANCE COMMITMENTS (WATER AND RETAIL)

No additional commentary relating to this data table.

3G - UNDERLYING CALCULATIONS FOR COMMON PERFORMANCE COMMITMENTS (WASTEWATER)

G01 – Water Supply Interruptions

Previously we have reported ALL properties that were interrupted regardless of duration. Therefore the figures for properties interrupted for equal to or greater than three hours are as follows:

Year 1 (2020/21): 122,531

Year 2 (2021/22): 124,657

3H - SUMMARY INFORMATION ON OUTCOME DELIVERY INCENTIVE PAYMENTS

No additional commentary relating to this data table.

3I - SUPPLEMENTARY OUTCOMES INFORMATION

No additional commentary relating to this data table.

[Data tables can be accessed through our Regulatory Library on the Severn Trent Water website.](#)

ADDITIONAL REPORTING REQUIREMENTS

| Code | Measure | Commentary |
|------|---|---|
| A02 | Reducing residential gap sites | As reported in APR21, we have a rigorous process that has been correctly implemented to identify and bill newly built properties, which has been audited by Jacobs. |
| D01 | C-MeX | We offer a range of contact channels for our customers which exceed the minimum of five channels as set out by Ofwat. Customers can contact us by the following methods: letter, email, telephone, WhatsApp, Livechat, Apple chat, short message service ('SMS') and social media [Facebook direct message, Twitter direct message, Instagram direct message]. |
| D02 | D-MeX | As part of our year end assurance activities we have utilised our standard three lines of assurance processes to ensure that our performance is an accurate reflection against the selected Water UK metrics in D-MeX. We confirm we have not found any material issues as a result of this process. |
| E02 | Priority services for customers in vulnerable circumstances | PSR reach: The % split across the PSR membership categories A to E is forecast to continue as Year 3 end and no changes to the weighting in Year 4. The forecast will be reassessed at the end of Year 4 to enable sampling of new campaigns and continued PSR activity. PSR data-checking: We monitor for operational purposes PSR membership month-on-month. Over the year we have had 106,874 customers added and 22,753 removed. Third parties are not utilised to support attempted contact activity at present, as such all activity is direct from STW and reported in our attempted contacts measure. |
| F08 | Green communities | Third line assurance of the Performance Commitment was undertaken by our auditors, Jacobs, which included confirmation of the adherence to the reporting methodology and as noted by the BEST Moderation Board Action Decision Log, there is no double counting against the Biodiversity or Water Framework Directive ODIs for the three schemes being claimed. |
| G05 | Unplanned Outage | This measure has been through our independent 3rd line assurance and we are compliant against all AMP7 methodology components. |
| G06 | G06 - Risk of severe restrictions in a drought | We carried out an update of the 25-year (2020/21 to 2044/45) average risk. This average risk update applied only to the year in question (i.e. not any update to previous years or years after the year in question). The reported risk, as assured externally, remains unchanged from the previous year, and in line with our Performance Commitment target for Year 3 of AMP7. A balance sheet of supply-demand changes does not accompany this text commentary as there is no change in terms of performance from the previous year or the Performance Commitment target. |
| G07 | Speed of response to visible leaks | We categorise a leak as significant if it has one or more of three criteria. <ul style="list-style-type: none">• Categorised as an urgent response at point of contact;• Categorised with one of our six supply interruption job codes at point of contact; and/or• Repaired using a '2 hour urgent' notice with the council (also known as a 2U or 2E notice). After exclusions, the number of leaks that fell into the significant category was 8,306. The number of leaks that fell into the non-significant category was 3,639. If a leak doesn't meet any criteria to be classified as 'significant' then the leak will fall into the 'non-significant' pot. We do not categorise the non-significant pot any further. Other than they are not an urgent response, nor a supply interruption, nor were repaired using an urgent notice. As the manual exclusions are such a small number and we categorise the majority of leaks as significant. In line with our reporting definition, we exclude 'non-2U' customer reported, network leaks that require a third party to provide special or unusual permission or where a third party's equipment needs checking, supporting, isolating or removing to make it safe for us to repair the leak. |
| H03 | Farming for Water | Cumulative progress against our internal Key Performance Indicators are recorded monthly, and presented at the internal Water Non-Infra Service Area Comm cell. However, the Farmscoper model used to update these results is run at variable frequency across the year (biannually as a minimum) with progress against our targets only changing after a model run. The frequency of model runs is driven by the large amount of resource required to set up and undertake each model run (which can take several weeks). Furthermore, the catchment measures which are fed into Farmscoper are completed by farmers at varying timescales throughout the year. As such there may be periods where model runs are not required due to the lack of new data, or conversely where large inputs of data would warrant running the model at a shorter timescale to understand the impact of measures. At the end of Year 3, the Company is ahead of target having delivered 23 catchment schemes which have met their end of AMP targets. A further nine catchment scheme are on track to meet their end of AMP targets. 16 catchment schemes are still working towards their KPI targets. |



4A - WATER BULK SUPPLY

Year ended 31 March 2023

No additional commentary relating to this data table.

4B - ANALYSIS OF DEBT

Year ended 31 March 2023

No additional commentary relating to this data table.

4C - IMPACT OF PRICE CONTROL PERFORMANCE TO DATE ON RCV

Year ended 31 March 2023

Data tables can be accessed through our [Regulatory Library on the Severn Trent Water website](#).

TABLE 4C COMMENTARY

WHOLESALE POSITION (LINES 1-14)

Our Wholesale totex variance is £56 million favourable to the Final Determination (FD) for 2022/23. Cumulatively this results in a £92 million variance AMP to date. Our commentary below discusses the variance to the FD for each price control, considering scope, timing and efficiency variances for each. As required, we have excluded the Green Recovery expenditure, as recorded in table 4U from table 4C. Additionally we have treated the Water Framework Directive ‘real options mechanism,’ as a timing adjustment within table 4C. This is explained by price control below.

Water Resources

In the year, we have spent £74 million a proportion of this relates to the continued investment in our borehole maintenance programme, a key element to maximise the availability of water in supply during the summer months. Additionally, we’ve seen increased pressure on operational expenditure such as energy cost which are factoring into the price control expenditure. We’ve therefore spent approximately £14 million more than the FD at a totex level.

Cumulatively the price control is underperforming compared to the FD by £59 million, due to continued investment in the borehole maintenance programme.

We have recognised an additional £2.2 million relating to the Green Recovery programme, which we have removed from the actual totex in line 2 as required by the RAGS.

Water Network Plus

In Water Network Plus, we have once again taken the decision to invest above the FD in customer driven programmes. An example of this is our outperformance in delivery of meters in the water business. We are reporting in year performance of £118 million above the FD. Delivering nearly 40,000 more meters than the target, which has leakage and Per Capita Consumption benefits getting to provide a more accurate view of customer consumption.

An increase of job volumes in leakage detection activities has led to a rise in like for like renewal expenditure as part of our programme to reduce leakage by 15% across the AMP. Additionally, there has been an increase of operational expenditure with pressure on energy and chemicals cost which factor into the price control overspend compared to the FD.

We have seen no specific scope changes in the year, this is heavily dependent on there being no additional statutory obligations coming into place. Cumulatively the price control is underperforming compared to the FD by £232 million. The reasons for this are noted above.

We have recognised an additional £58.2 million relating to the Green Recovery Programme, which we have removed from the actual totex in line 2 as required by the RAGS.

Wastewater Network Plus

We’ve seen an outperformance compared to the FD of £53 million in Wastewater Network Plus. As we progress through AMP7, we continue to divert any efficiencies in our wastewater programme (relative to the FD), into our water service. We’ve invested in our capital schemes to support our sewer sensor commitments and made significant progress moving our Water Industry National Environment Programme (‘WINEP’) in to contract.

Underspend is partially offset by the increased pressure on the operating expenditure with higher chemical and energy costs compared to the profile set in the FD.

We still anticipate unwinding our year 2 timing adjustment later in the AMP to properly reflect delay in delivery compared to the FD on elements of the WINEP programme. For this reason, we do not intend to apply any further timing adjustments in year regarding the Wastewater Networks Programme.

We have recognised an additional £18.8 million relating to the Green Recovery Programme, which we have removed from the actual totex in line 2 as required by the RAGS.

TABLE 4C COMMENTARY (CONT.)

Bioresources

Finally, efficiency of £23 million in Bioresources is primarily driven by continued investment which means we are able to self-generate a good proportion of energy ourselves, therefore creating upside in self-supply and external power sales due to high energy prices. This is in line with of the final decision by Ofwat (published in ‘Bioresources cost allocation – Energy generation and odour control final decision’ in October 2021) that the price charged to other price controls for energy exported to (treated as negative expenditure in the Bioresources price control) should be benchmarked against the price that the business unit would have paid to import energy from an internal source.

We have also continued to unwind, the timing adjustment made in year 1 relating to accelerated spend in Thermal Hydrolysis Plants, unwinding £14.4 million in the year. Cumulatively the price control is outperforming. This is driven by our commitment to deliver the additional thermal hydrolysis plants within AMP7 which are exceeding our initial cost estimates.

TOTEX BUSINESS RATES AND ABSTRACTION LICENCES (LINES 15-21)

Business rates and abstraction licences

Within the year business rates are £5.7 million below the assumed level in the FD and cumulatively £0.9 million million above the FD AMP to date.

TOTEX NOT SUBJECT TO COST SHARING (LINES 22-24)

Totex not subject to cost sharing for Severn Trent consists of two opex cost groups, third party & non S185 diversions (net of grants and contributions) and two capex elements; the Interconnector programme and income offset payments. Lower spend on the Interconnector programme reflects ongoing programme efficiencies delivered on the original strategic resource option projects. Income offset payments are lower than the FD but we note the FD allowance for income offset was greater than the value we submitted in our PR19 plan.

4D - TOTEX ANALYSIS
(WATER RESOURCES AND WATER NETWORK+)

Year ended 31 March 2023

No additional commentary relating to this data table.

[Data tables can be accessed through our Regulatory Library on the Severn Trent Water website.](#)

4E - TOTEX ANALYSIS
(WASTEWATER NETWORK+ AND BIORESOURCES)

Year ended 31 March 2023

No additional commentary relating to this data table.

4F - MAJOR PROJECT EXPENDITURE BY PURPOSE
(WHOLESALE WATER)

Year ended 31 March 2023

No additional commentary relating to this data table.

4G - MAJOR PROJECT EXPENDITURE BY PURPOSE
(WHOLESALE WASTE WATER)

Year ended 31 March 2023

No additional commentary relating to this data table.

4H - FINANCIAL METRICS

Year ended 31 March 2023

No additional commentary relating to this data table.

4I - FINANCIAL DERIVATIVES

Year ended 31 March 2023

No additional commentary relating to this data table.

[Data tables can be accessed through our Regulatory Library on the Severn Trent Water website.](#)

4J - BASE EXPENDITURE ANALYSIS
(WATER RESOURCES AND WATER NETWORK+)

Year ended 31 March 2023

No additional commentary relating to this data table.

4K - BASE EXPENDITURE ANALYSIS
(WASTEWATER NETWORK+ AND BIORESOURCES)

Year ended 31 March 2023

No additional commentary relating to this data table.

4L - ENHANCEMENT EXPENDITURE
(WATER RESOURCES AND WATER NETWORK+)

Year ended 31 March 2023

No additional commentary relating to this data table.

4M - ENHANCEMENT EXPENDITURE
(WASTEWATER NETWORK+ AND BIORESOURCES)

Year ended 31 March 2023

No additional commentary relating to this data table.

4N - DEVELOPER SERVICES EXPENDITURE
(WATER NETWORK+)

Year ended 31 March 2023

No additional commentary relating to this data table.

4O - DEVELOPER SERVICES EXPENDITURE
(WASTEWATER NETWORK+ AND BIORESOURCES)

Year ended 31 March 2023

No additional commentary relating to this data table.

[Data tables can be accessed through our Regulatory Library on the Severn Trent Water website.](#)

4P - EXPENDITURE ON NON-PRICE
CONTROL DIVERSIONS

Year ended 31 March 2023

No additional commentary relating to this data table.

4Q - DEVELOPER SERVICES -
NEW CONNECTIONS, PROPERTIES AND MAINS

Year ended 31 March 2023

No additional commentary relating to this data table.

4R - CONNECTED PROPERTIES,
CUSTOMERS AND POPULATION

Year ended 31 March 2023

AVERAGE CUSTOMER VOLUMES

Total Residential customers (excluding voids) have increased by c 1.2% since the prior year to 4,379,840. Of this increase, 0.8% was due to bringing voids into charge. The movement in voids was weighted towards the end of the year, and therefore this average change in voids is lower than the total movement in the year.

We implemented a new voids policy this year, in an effort to ensure that those who can (and should) be paying for water are doing so, enabling us to expand the reach of our social tariff. In this way we were able to increase the number of customers supported.

In addition, South Staffs Water updated their billing system in the year, and as such have done a review of their customer data resulting in a drop in unmeasured customers they are reporting as billed on our behalf from the volumes reported in the prior year.

Total Commercial customers have increased by c.200 in the year, but this is offset by an increase in voids of over 1,000, resulting in lower volumes of customers in charge.

We are working with retailers to understand where we have customers using water but showing as void with the aim to reduce voids down again next year.

WATER CUSTOMERS AT YEAR END

Cattle Troughs

Previously, we had not removed the cattle troughs from the total customers in the table. The total cattle trough customers (included in HH since market opening) are 513 in charge and 672 in void. These have been removed from the current year reporting. More detail can be seen in the ‘Improving Clarity and Transparency’ section.

Smart Meters

Our Green Recovery Programme continues to install smart meters with c.50,000 now connected (excludes any in void) an increase from around 5,000 last year end.

For the billed by meter type data, where a property has more than one meter, we have selected the newest meter installation as the primary meter, (this should also be the most advanced meter type, as per the revised guidelines). This ensures no double counting of properties.

[Data tables can be accessed through our Regulatory Library on the Severn Trent Water website.](#)

4R - CONNECTED PROPERTIES, CUSTOMERS AND POPULATION CONT.

Year ended 31 March 2023

Below minimum bill and ‘other’ unbilled

We have investigated the small (<100) volume of below minimum bill water customers we had at the end of last year, and have found that these were customers with an invalid water service provision (i.e. they were not actually water customers). We have therefore closed those accounts in our billing system and as such are reporting zero below minimum bill this year.

The total volume of ‘other unbilled’ has risen from c.12,000 to c.18,000. This is due to the programme to bring voids into charge. As this ramped up towards year end (after we received new government data on occupancy in February) some of the accounts identified and flagged as active in the last two weeks of the year were not billed as at 31 March, increasing the volume of unbilled other at year end. We expect this to drop again in the 2023/24 year. Other reasons for these accounts are:

- Customer query
- System generated query
- Account in probate
- New connection not yet billed

To calculate population and household growth, CACI Ltd provided us with an estimate of the household water occupancy rates at an individual property level from the Ocean Database, based on the 2011 census, and matched to data provided from the company’s billing system. The billing system data provided enabled the occupancy rates to be split out for measured and unmeasured customers. This was aggregated to provide Water Resource Zone level and Company occupancy data.

Applying the occupancy rate to the reported property numbers for measured and unmeasured customers provided a baseline household population.

An adjustment was made to include hidden and transient population (derived from consultant analysis), who are connected to the water supply and using water but are not included in the Census population and are therefore not included in the population derived from the CACI occupancies.

4R.29

To calculate non-resident population a study was undertaken to determine the non-resident population, which includes people staying at second addresses for holiday purposes and short stay visitors such as domestic night and foreign night visitors. The domestic day visitors and daily commuters are explicitly excluded.

Evidence has been drawn from a mix of Census data, survey and administrative sources, in addition to published research. Data has been gathered for a range of geographical areas including national, regional, local authority areas, postal areas and Census output areas. The population estimates were presented as ‘Low’, ‘Medium’ and ‘High’ totals, reflecting the uncertainty associated with the process. The Medium range was chosen for each operating area, i.e. Severn Trent Water and Hafren Dyfrdwy, and the population data was proportionally allocated at catchment level in line with the population count for each site to represent the non-resident population.

4S - GREEN RECOVERY EXPENDITURE (WATER RESOURCES AND WATER NETWORK+)

Year ended 31 March 2023

- “Green Recovery Supply pipes” in lines 4S.1 and 4S.2 map to lines 4L.85 and 4L.86.
- “Decarbonising Water Resources” in lines 4S.4 and 4S.5 map to lines 4L.32 and 4L.33.
- “Green Recovery Smart Metering” in lines 4S.7 and 4S.8 map to lines 4L.42, 4L.48, 4L.60 and 4L.43, 4L.49, 4L.61 respectively.
- “Hampton Loade” in line 4S.10 maps to 4L.64.

[Data tables can be accessed through our Regulatory Library on the Severn Trent Water website.](#)

4T - GREEN RECOVERY EXPENDITURE (WASTEWATER NETWORK+ AND BIORESOURCES)

Year ended 31 March 2023

- “Green Recovery Mansfield Flood Resilience” in lines 4T.1 and 4T.2 map to lines 4M.51 and 4M.52.
- “Bathing Rivers” in lines 4T.4 and 4T.5 map to lines 4M.81, 4M.83, 4M.85 and 4M.82, 4M.84, 4M.86 respectively.
- “WINEP” in line 4T.7 maps to lines 4M.16, 4M.35 and 4M.44.

4U - IMPACT OF GREEN RECOVERY ON RCV

Below we discuss the financial position of the Green Recovery Programme. More detail on the specific schemes can be found in our standalone Green Recovery Report on our website.

WATER RESOURCES

This year we are reporting £2.227 million of expenditure which is £1.194 million adverse to the final determination. We consider this variance is all due to timing as the majority of the expenditure on the raw water component of the Church Wilne scheme is completed. As such we have adjusted the entire variance for timing which leaves the price control cumulatively £0.08 million favourable to the determination.

WATER NETWORK+

In line with Water Resources, the slower than anticipated start to the Decarbonising Water Resources programme has led to a £12 million underspend in 2021/22 due to timing. We have reported a further £11.767 million underspend in 2022/23 however we are not adjusting any of this as a timing adjustment. As noted in our Green Recovery Report the supply pipe programme is delivering behind target. In total we are forecasting to deliver around half of the original 26,000 supply pipe replacements and, at the same time, the programme has started slower than we anticipated. As such we are recognising the full 2022/23 variance

as efficiency due to a reduction in scope. The smart metering programme is progressing well and is on track to deliver the full allowance of meters in 2024/25. We have not made any adjustments for the smart metering programme. Cumulatively this leave the price control £31.571 million adverse to the final determination at this point in the AMP, of which £19.804 million is due to timing and £11.767 million is due to scope reduction.

WASTEWATER NETWORK+

The Wastewater Network+ price control is collectively £31.076 million under the FD in 2022/23. In line with the approach taken last year we are booking a further £0.817 million underspend due to the removal of one WFD point leaving a further £1.634 million to be booked in the remainder of the AMP for this reduced scope. We’re also recognising a further £3.946 million of underspend due to reductions in scope of the SOAF programme where we do not expect to complete any additional investigations this AMP. This cost is based on the allowed unit rate per SOAF investigation level agreed in the final determination. Cumulatively this leaves the price control £53.341 million favourable to the final determination of which £47.782 million is due to timing.

[Data tables can be accessed through our Regulatory Library on the Severn Trent Water website.](#)

5A - WATER RESOURCES ASSET AND VOLUMES DATA

Year ended 31 March 2023

No additional commentary relating to this data table.

5B - WATER RESOURCES OPERATING COST ANALYSIS

Year ended 31 March 2023

No additional commentary relating to this data table.

6A - RAW WATER TRANSPORT, RAW WATER STORAGE AND WATER TREATMENT DATA

Year ended 31 March 2023

| | |
|---|---|
| 6A.13-6A.27 Seven works with ‘Simple disinfection’ treatment were not used this year, but have not been decommissioned (Rednal, Bestwood, Much Wenlock and Waveley Road. Emergency sources - Burbury Park, Newton Place, Lizard Mill) | One works with simple physical ‘W1’ treatment not used in reporting year - Watery Lane. One works with complex ‘W4’ treatment not used in reporting year - The Crescent emergency source. |
|---|---|

6B - TREATED WATER DISTRIBUTION - ASSETS AND OPERATIONS

Year ended 31 March 2023

We can confirm that Total annual leakage reported in 6B is used for performance reporting three year average and annual WRMP.

[Data tables can be accessed through our Regulatory Library on the Severn Trent Water website.](#)

6C - MAINS, COMMUNICATION PIPES AND OTHER DATA (WATER NETWORK+)

Year ended 31 March 2023

No additional commentary relating to this data table.

6D - DEMAND MANAGEMENT - METERING AND LEAKAGE ACTIVITIES

Year ended 31 March 2023

Severn Trent are utilising AMR and AMI data to monitor and understand the true impact of Severn Trent customers switching an unmeasured to a measured bill. We have identified an initial impact of 18% for AMR and 16% for AMI reduction over a 60 day period after the switch compared to the previous industry standard 10% assumption resulting in average 55 litres per property per day reduction compared to 40 litres per property assumption as per the industry assumption. This figure was based on 2,623 out of 6,790 switchers for 2022/23 where we has suitable measurable data. Going forward AMI data should allow us to specifically understand short term and long term impacts of the customer behaviour after the switch.

Smart Metering Programme
Severn Trent utilise two “Smart metering technologies”. AMR & AMI. AMR meters are meters using automated meter reading (‘AMR’) technology. This enables consumption data to be read remotely without having to directly access the meter or property for a manual reading. AMI meters are meters using advanced metering infrastructure (‘AMI’)technology. This enables consumption data to be read remotely without having to directly access the meter or property for a manual reading.

Severn Trent are utilising AMR and AMI data to monitor and understand the true impact of Severn Trent customers switching an unmeasured to a measured bill. We have identified an initial impact of 18% for AMR and 16% for AMI reduction over a 60 day period after the switch compared to the previous industry standard 10% assumption resulting in average 55 litres per property per day reduction compared to 40 litres per property assumption as per the industry assumption. This figure was based on 2,623 out of 6,790 switchers for 2022/23 where we has suitable measurable data. Going forward AMI data should allow us to specifically understand short term and long term impacts of the customer behaviour after the switch.

The current scope of our Green Recovery smart metering programme is to install 157K smart meters across Coventry and Warwickshire. This includes new

installations at previously unmetered properties and upgrades of existing basic / AMR meters.

Data Communications Network Technology - We’ve chosen to use a LoRaWAN data communications network. The Network infrastructure is built and owned by a third party. Typically deployed by utilising upper tier and local authority assets (Properties, street furniture etc) agreed via Wayleave contracts each organisation. As a result, installation roll out plans for AMI meters are dependent on agreements being reached to build Network infrastructure.

Hourly consumption data and various alerts are collected from our smart meters four times per day via the AMI (LoRaWAN) network. This allows for swift identification of continuous flows, and in-turn a much quicker intervention than with our existing meter estate. We forecast our combination of communications network and meter hardware technology will meet our target of 15-year asset life.

Enabling a LoRaWAN open protocol network across our region will also provide opportunities for other sensors (Such as sewer loggers, acoustic loggers etc) to utilise the network capabilities. This creates the ability to provide an affordable and efficient strategic move into smart networks across our region.

Meter Hardware Technology - The technology solution we are using offers data collection via both a LoRaWAN AMI data communications network and AMR drive-by concurrently. This is beneficial as it allows us to deploy meters in areas where network coverage is not yet in place, whilst still obtaining billing reads and continuous flow alerts.

Our chosen hardware is a ‘plug-and-play’ solution, proven to work at depths of up 1m with both meter and cable paired in the factory. As there are no additional components to install, an external installation within a boundary box is straightforward and less time consuming - helping us to keep installation costs down.

6D - DEMAND MANAGEMENT - METERING AND LEAKAGE ACTIVITIES CONTINUED

Business Plan Commitments

Severn Trent have a business plan commitment to install a minimum of 410,649 across AMP7 through a combination of proactive and optant (customer request) installations. With the conclusion of Year three we are well on track to achieve this target. The install programme will support the identification of leaks and will help reduce leakage. For the renewals our business plan covers the replacement of stopped, faulty and damaged water meters, this enables accurate metered billing to actual meter readings instead of estimates, thus meeting customer expectation. Accurate meter data also provide benefits to our void properties process.

Value reported in 6D.23 is the difference between Total Leakage reported at APR22 and APR23. Total leakage

in this line includes leakage benefit from all metering, including Green Recovery smart meter delivery. Green Recovery benefit is reported separately in line 10B.

The WRMP/PR24 leakage forecasts align to reported leakage performance up to and including AR22. Therefore they include impact and benefit from smart metering. The WRMP/PR24 leakage forecasts assume a trajectory from last available outturn at data lockdown. This is currently AR22 performance to the required 15% target by 2024/25, and the forecasts from this point onwards will reflect the final WRMP plan leakage reductions. Currently AR23 leakage data is not included in draft WRMP. This will be updated in due course.

6F - WRMP ANNUAL REPORTING ON DELIVERY - NON-LEAKAGE ACTIVITIES

Year ended 31 March 2023

Thornton to Cropston is on track to achieve 7.5 ML/d in year 4 as per our current plan and Strelley to Redhill is on track to achieve 25ML/d as per current plan in year 5.

WRMP19 outlined AMP7 activities to target 16.7ML/d saving in customer demand. For Yr3 annual we are claiming 6.727ML/d with a cumulative Yr1-3 saving of 14.337ML/d. End of Amp trajectory is 23.207ML/d which

is above the 16.7WRMP19 target by 6.507ML/d. Our annual budget and activity was increased in Yr3 for water efficiency, with the aim to address some of the performance gap on the PCC ODI caused by COVID-19. A decision was made to increase our budget to £2.6 million in order to increase our HWEC activity and a demand campaign with a budget of £0.5 million.

7A - FUNCTIONAL EXPENDITURE (WASTEWATER NETWORK+)

Year ended 31 March 2023

No additional commentary relating to this data table.

[Data tables can be accessed through our Regulatory Library on the Severn Trent Water website.](#)

7B - LARGE SEWAGE TREATMENT WORKS - (WASTEWATER NETWORK+)

Year ended 31 March 2023

No additional commentary relating to this data table.

7C - SEWER AND VOLUME DATA (WASTEWATER NETWORK+)

Year ended 31 March 2023

7C.15 - When interpreting 'Structurally refurbished', the actual length is taken from our work management system (SAP) and entered by contractors within capital delivery and operations workstreams. The actual length is the length that has been replaced or refurbished and not the distance between manholes. The term structurally refurbished is any length that has been rehabilitated which improves the structural grade of the pipe. The actual numbers are based on what the contractors input and are cross referenced to validate throughout the reporting year as per our assurance process.

7D - SEWAGE TREATMENT WORKS DATA (WASTEWATER NETWORK+)

Year ended 31 March 2023

7D.17 - No tightened or new P consents taken on during 22/23 financial year either via CAPEX or OPEX solutions.

7D.18 - No tightened or new N consents taken on during 22/23 financial year either via CAPEX or OPEX solutions.

7D.19 - Single site with tightened consent in 22/23 financial year following CAPEX scheme investment. No additional tightened/new sanitary consents via OPEX only solution in calendar year.

7D.20 - No tightened or new microbiological consents taken on during 22/23 financial year either via CAPEX or OPEX solutions.

7E - ENERGY CONSUMPTION AND OTHER DATA - (WASTEWATER NETWORK+)

Year ended 31 March 2023

No additional commentary relating to this data table.

7F - WINEP PHOSPHORUS REMOVAL SCHEME COSTS AND COST DRIVERS - WASTEWATER NETWORK+

Year ended 31 March 2023

No additional commentary relating to this data table.

[Data tables can be accessed through our Regulatory Library on the Severn Trent Water website.](#)

8A - BIORESOURCES SLUDGE DATA

Year ended 31 March 2023

8A.4
The data for this line is recorded by loggers at each site. These loggers record the date, time, driver, volume, and suspended solids of each load. This is what is used to then determine the data for 8A.4

8A.10 – 8A.18
8A.10|8A.11|8A.12|8A.13 - Planned distances are taken from Paragon planning software, Paragon uses HERE mapping (updated annually) and is specifically for HGV’s. 8A.16 - Straight line distance is calculated by “BIO” IT system. Road distances are estimates based on conversion from straight line distance using “Paragon” vehicle routing software.

8A.1 & 8A.2
No sludge treated by 3rd party - therefore no double counting is included in these numbers.

8A.4
The estimate is based on transaction records of every entry from our JRP loggers which is listed as non-appointed liquid waste. This data includes the volume and suspended solids content which is then used to calculate the ttds of non-appointed loads.

8B - BIORESOURCES OPERATING EXPENDITURE ANALYSIS

Year ended 31 March 2023

No additional commentary relating to this data table.

8C - BIORESOURCES ENERGY AND LIQUORS ANALYSIS

Year ended 31 March 2023

No additional commentary relating to this data table.

8D - BIORESOURCES SLUDGE TREATMENT AND DISPOSAL DATA

Year ended 31 March 2023

No additional commentary relating to this data table.

[Data tables can be accessed through our Regulatory Library on the Severn Trent Water website.](#)

9A - INNOVATION COMPETITION

Year ended 31 March 2023

In the financial year 2022/23, £6.328 million has been collected from customers. We have an obligation to fund projects or compensate companies as innovation competition funding is ordered, and so we have provided for the full amount. This funding is to be used for the sole purpose of the innovation competition.

10A - GREEN RECOVERY DATA CAPTURE ADDITIONAL ITEMS

Year ended 31 March 2023

No additional commentary relating to this data table.

10B - GREEN RECOVERY DATA CAPTURE OUTCOME PERFORMANCE

Year ended 31 March 2023

No additional commentary relating to this data table.

10C - GREEN RECOVERY DATA CAPTURE OUTCOME PERFORMANCE

Year ended 31 March 2023

No additional commentary relating to this data table.

10D - GREEN RECOVERY DATA CAPTURE OUTCOME PERFORMANCE

Year ended 31 March 2023

10D.7 - Number of Water meters installed – The APR22 submission included new meter installations and meter renewals, however as per the definition for the performance commitment we should only be reporting on new installations only and this has been update in the table for last year. The performance commitment excludes all green recovery figures, therefore remains unchanged.

[Data tables can be accessed through our Regulatory Library on the Severn Trent Water website.](#)

10E - GREEN RECOVERY DATA CAPTURE RECONCILIATION MODEL INPUT

Year ended 31 March 2023

10E.28 - Proactive lead supply pipe replacement and repair/replacement of leaking supply pipes in Coventry and Bomere Heath trial areas: The APR22 reported number has been update to 101 following further checks and controls as part of APR23 reporting.

11A - OPERATIONAL GREENHOUSE GAS EMISSIONS

Year ended 31 March 2023

11A.3 - Process and fugitive emissions: Reported values are based on our measured and calculated emissions and taken through third line assurance

11A.29 - Chemicals: GAC included

11A.33 to 36 - Scope 3 emissions GHG type CO2/CH4/ N20/Other types: Scope 3 emissions split not reported as unable to split a number of scope 3 emissions by greenhouse gas type due to lack of breakdown in emissions factors. To avoid sub-totals not matching totals, we have chosen to exclude reporting on a subset of the data

11A.39 - Exported Renewables: Sold REGO's and RGGO's this year so no netting benefit reported

11A.48 - Green Tariff Electricity: Not reported, benefits shown in Scope 2 market based reporting

11A.49 - Capital Projects (Cradle to gate): Not reported but will work to provide this granular level of detail in future years

11A.50 - Capital Project's - (Cradle to build) - Majority calculated from spend factors. This includes all capital expenditure

11A.51 - Purchased Goods and Services - Calculated from a combination of spend (68%) and CAW (32%) data (i.e. Chemicals). We have removed chemicals to avoid double counting. This category covers operational spend with third parties excluding that related to outsourced tankering and energy related activities.

[Data tables can be accessed through our Regulatory Library on the Severn Trent Water website.](#)



GREENHOUSE GAS (‘GHG’) EMISSIONS REPORTING FOR 2022/23

SUMMARY OF PERFORMANCE

This appendix provides reporting for operational emissions and for the first time embedded emissions. Our Group emissions have fallen by 24% against a 2019/20 baseline for our Science Based Target (SBTi) of 46% reduction by 2031 on a 2019/20 baseline, driven predominantly by moving to 100% renewable electricity from our suppliers. Our use of natural gas remains high due to the deployment of Thermal Hydrolysis sludge treatment process at a number of large sites. This process produces better quality sludge digestate and more renewable energy but requires high temperatures. This is balanced by a reduction in our process emissions, which continue to make up the majority of our Scope 1 emissions at 84%. Even though we are processing higher volumes of sludge, approximately 57% of our sludge is now being treated using advance digestion which has approximately half the emission factor of traditional anaerobic digestion.

While we believe it will be possible to outperform our SBT reduction target for Scope 1 and 2 operational emissions by 2030/31, we show that it will not be a linear journey. The step change in effort and investment required between now and 2030 to deliver the next phase of reduction will require innovation at scale in the next 18 months, followed by a strong delivery programme in the second half of the decade. The additional challenge we will face along the way is implementing the required reduction interventions that not only cope with today’s demand, but the incremental demand on our business that comes from population growth, increased water quality standards and resilience of water supply.

MEASURING AND UNDERSTANDING OUR PROCESS EMISSIONS

For the second year running we are using our own methodology to calculate process emissions from sewage and sludge using data collected from our assets which reflects the latest science. This has resulted in a substantial increase in our reported total process emissions with our emissions being reported as 339,979 tCO2e versus an industry estimated value based on the Carbon Accounting Workbook (‘CAW’) v17 value of 133,029 tCO2e. It is clear from our evidence that the longstanding UKWIR Carbon Accounting Workbook methodology - which uses population equivalent and sludge volumes - underestimates our emissions and that is why we have chosen to move away from this method.

We have continued to improve our understanding of process emissions by gathering more evidence from our industry-leading monitoring programme. Our method for estimating process emissions reflects guidance from the IPCC which highlights the need to improve on broad emission factors by taking measurements at the facility-specific level. As of April 2023 the process emissions monitoring program has grown to monitor a total of nine STW sites responsible for 40% of our estimated nitrous oxide emissions. This data will give us an insight into long term seasonal and diurnal profiles as well as any variation caused by processes on site and confirms that the emissions factors are more closely aligned to the IPCC factors than the CAW factors. Over the next year, further monitoring is being deployed to continue building the breadth and longevity of the dataset. In addition to this, we have also completed biogas leak surveys on sites responsible for 65% methane emissions as part of leakage find and fix program (‘LDAR’).

We are sharing the results of our programme and our approach across the sector to help us achieve a consistent methodology which better reflects emissions from our processes and will allow us to show the benefits of our improvement work. Our new methodology increases our baseline number by 57% meaning a steeper reduction is required to meet our 2030 operational net zero and Science-Based Targets.

For Scope 2, whilst we have used more electricity, we have benefitted from reduced grid emissions for location based factors. The new line in table 11A for reporting green tariff electricity is zero as we purchase renewably backed electricity which is reflected in our market emissions Scope 2 line. Also, for the first time this year we have included electric vehicle data from our onsite charge points, while small this source will grow as we roll out our 100% low carbon fleet by 2030.

We also export renewable electricity and energy to the grid and this year we have chosen to use the proceeds from our REGO (Renewable Energy Guarantee of Origin) certificates to fund further investment in our decarbonisation program to reduce Scope 1 emissions, rather than using them to net off some emissions.

Finally, this year we are including additional emissions data on chemicals (included granular activated carbon emissions) as specified in the RAG, operational waste (biosolids disposal), taken from the CAW and energy production and extraction calculated using data from the CAW and using Business, Energy and Industrial (‘BEIS’) factors. We have removed the chemical values reported in line 11A.29 from our purchased goods and services to avoid double counting, as per the guidance.

EXPLANATORY STATEMENT ON REPORTING

We have a strong track record of operational carbon reporting, disclosure and reduction. We first began to inventorise and report our carbon emissions in 2002 and have reported consistently on our operational carbon emissions since 2007. This year, in the Severn Trent Plc Annual Report and Accounts and Sustainability Report, we continue to report progress against our 2030 Triple Carbon Pledge target including our net operational greenhouse gas emissions and a wider range of Scope 3 emissions from our supply chain. We are working with our suppliers and driving change in our supply chain through progress on our Scope 3 engagement SBT (currently 44% of our supply chain have committed to setting SBT’s and a full explanation is included in our ARA.) Our fifth Task Force on Climate Related Disclosures (‘TCFD’) disclosure is also included in our Severn Trent Plc ARA.

Our targets and ambitions are set at a Group level, and Severn Trent Plc is our most important business unit for emissions reporting. When reporting at appointed business level we include admin emissions within the waste/water totals, splitting the admin emissions equally between them.

We follow the principles of the International GHG protocol and Defra guidance in our carbon accounting and use the industry standard CAW for our reporting with exceptions outlined. This tool is reviewed and updated annually to reflect changes in guidance and emissions factors. We are involved in workshops to influence improvements in the tool and share our findings regarding our industry leading emission factor research. Our approach to Scope 1 and Scope 2 emissions is to use the financial control boundary. This means we report on emissions from the assets we own.

Assuring our data

Our data and processes are subject to external assurance every year. This year Jacobs undertook this work and completed a full audit of our Scope 1, 2 and 3 data in line with the principals of the ISO 14064-3 International standard for GHG emissions and found our processes for reporting are consistent with reporting requirements the GHG Protocol.

Having held the Carbon Trust Standard continuously since 2009 (which is an external recognition of our approach to measuring, reporting and reducing carbon emissions) we achieved Advancing Tier of the Carbon Trust pilot Route to Net Zero Standard in 2021/22 – this certification recognises the progress of an organisation on its journey to net zero. This included assurance to ISO 14064 International standard for GHG emissions for our

Scope 1 and 2 and a small portion of our Scope 3 data. We are in the process of verifying our 2022/23 footprint with the Carbon Trust to maintain our accreditation. We have also reported and publicly disclosed emissions and climate change data to the Carbon Disclosure Project (‘CDP’) every year since 2006 and in 2022 achieved a leadership score, A-.

EXPLANATORY STATEMENT ON REPORTING OF EMBEDDED EMISSIONS AT SEVERN TRENT

Reporting embedded emissions is mandatory for the first time this year and table 11A has a line for capital projects (11A.50) and purchase goods and services (11A.51). The reported figures for these lines are largely calculated using emission factors on spend categories. The factors are developed by expert consultants Small World Consulting based on ‘environmentally extended input output analysis’.

For the purposes of reporting, we have defined all capital spend as 11A.50 capital projects. While the option has been given to provide cradle to build or cradle to gate, we have only reported cradle to build this year due as our capital projects are primarily reported from spend analysis and the factor represents cradle to build. By using spend analysis we are only able to account for emissions within year for projects which span multiple years.

We have carried out our baseline quantification of these emissions using capital expenditure data and we also use a capital carbon calculator to measure embedded emissions for some schemes. Enhancements to this have improved the accuracy of the data and we have mandated its use with our teams and partners. Where possible we have substituted values from our in-house carbon calculator tool for projects which were constructed entirely in the financial year 2022/23. We intend to build on this by using the carbon calculator for projects which span multiple years. However, most of the schemes that have gone through the carbon calculator have yet to begin construction. We have calculated an emission of circa. 178kt CO2e for 2022/23 but this is based on spend data using sector emissions factors from an environmentally extended input–output analysis model and at the supplier level, so has not split out the values between construction and maintenance activities. It is our intention to further develop our carbon calculator so that it covers a wider range of activities such as maintenance and embed it in our decision-making processes to drive emission reductions as well as allow for more granular reporting in 2023/24. For purchased goods and services we have used spend emission factors on all our OPEX spend and removed the emissions calculated for chemicals (line 11A.29) to avoid double counting.

We consider our reporting of embedded carbon as category RED. While we calculate a crude level of emissions from extended input-output analysis and have our data third line assured from our external auditors, Jacobs and the Carbon Trust, we do not meet a

recognised standard for reporting embedded emissions. Our carbon tools follow the principals outlined in the PAS2080 standard and therefore as we move to reporting from the tool, we will improve our RAG status.

Strengths

- Clear and ambitious Group targets on greenhouse gas emissions (2030 Triple Carbon Pledge and Science-Based Targets).
- Strong leadership commitment and support from stakeholders, shareholders and customers.
- Strong track record of GHG accounting, reporting and reduction.
- Collaborative approach with the UK water industry and beyond, ensuring consistency and sharing of best practice.
- Best practice energy management approach following the principles of ISO50001 with dedicated expertise and efficiency investment.
- We lead the sector in renewable generation across our appointed and non-appointed businesses, including in food waste generation and major investments in advanced digestion.
- We lead the sector in our approach to measuring and understanding process emissions - our most significant Scope 1 emissions source.

- We have invested £164 million in renewable energy and vehicles and reducing operational net zero and since April 2020.
- We implemented an internal carbon tax at the beginning of 2022/23, at a rate of £18/tonne CO2e, across all directorates which has raised funds of £5.2 million that are being invested in our net zero programme.
- We have an approximate baseline quantification for capital goods and services using expenditure based on Environmentally Extended Input-Output methodology.
- We have made progress implementing the use of a carbon calculator which allows us to quantify and compare carbon emissions of different solutions. This is now standard across our capital projects and we will lead to increased insight over future years.
- Use of increasing data set in actual measurement of process emissions.

Weaknesses

- Process emissions are calculated from a relatively small data set and extrapolated up with some broad assumptions. Our confidence grade for this line is therefore low at C5. NB this compares to the CAW confidence grade for process emissions of B2 which does not reflect its accuracy.
- It is not possible to report Scope 3 by emission gas type. We have provided data from the CAW in lines 11A.33-11A.35 which excludes chemicals, disposal of waste, purchased electricity and purchased heat.
- We have made some progress in implementing the use of the carbon calculator for capital projects, however due to the complexities of data gathering only projects which were constructed within the financial year were used in end of year reporting. The values make up a tiny amount (less than 1%) of our Scope 3 and our capital projects number is primarily made up of spend assessment.

- This year we are not reporting cradle to gate as our capital projects are primarily reported from spend analysis and the factor represents cradle to build. As the carbon calculator is more widely used the data will be available. Our split for water and waste is a ratio derived from capital spend for 21-22 (table 4D.11 and 4E.11).
- We recognise that embedded emissions (purchase goods and services and capital projects) is largely based on broad emission factors provided from our consultant Small World Consulting. We would like to move to more specific factors and ultimately activity data. This relies on our supply chain to mature in their carbon reporting.
- We have not consistently used carbon as a decision making factor in capital selection to date. We generally focus on lowest whole life cost which, while often aligned with lowest carbon cost, is not always.

Opportunities

- Our own data-gathering of process emissions shows that significant improvement in data is needed to accurately reflect the emissions from our assets and operation and enable improvements to be made. Deeper insights from undertaking our own monitoring of process emissions confirms that our process emissions are substantially higher than previous existing industry estimates within the Carbon Accounting Workbook.
- Deeper and more accurate understanding allows us to target our investment more effectively to reduce emissions. We have therefore focused heavily in research and development in this area and recognise this as an opportunity.
- The increased focus and ambition on greenhouse gas emissions presents opportunities as outlined in our TCFD disclosure in the Severn Trent Plc Annual Report and Accounts on pages 39 to 57.
- Government policy to achieve net zero across the economy presents opportunities for us to move quicker.
- As markets change, we will be able to take advantage of new technologies and products to reduce our emissions cost-effectively. This has been seen most successfully in electricity, the only sector of the economy to see successful decarbonisation over the past decade and we are seeing similar changes in transport options as manufacturers improve their products.

- Emerging markets for different carbon offsets potentially open up more ways to capture or reduce carbon and move investment into lower-carbon technologies.
- Considering PAS2080 standards could identify areas of improvement in our processes.
- Our growing data set will allow much more understanding on the choices available and will allow improved quantification and baselining.
- Including carbon as a decision-making factor may encourage more innovative thinking and options to be considered.
- As part of our SBTs we now have a number of suppliers signed up to introduce their own SBTs which should help drive down emissions in our supply chain. The majority of our suppliers are yet to set a SBT and those that already have will start to implement programmes towards achieving their targets.

Threats

- Increasing demands from a changing climate, population growth, increasingly water quality standards and resilience of water supply require a significant levels of investment which makes our challenge ever more difficult.
- Changing water standards may mean more carbon intensive processes are used.
- We cannot achieve net zero and Science-Based Targets alone. We need suppliers, stakeholders, Government and regulators working towards the same aims especially where lower carbon options are more costly or higher risk. This is especially true for our Scope 3 emissions.

- The additional administrative burden and any cost impact of this in our supply chain is yet to be understood.
- The relatively high uncertainty in quantification for embedded emissions means there is margin for error. Our constrained cost frameworks and low margin for risk on environmental and service requirements might not allow lowest carbon choices to be selected.

SUPPLEMENTARY DISCLOSURES

Year ended 31 March 2023

A) BORROWINGS AND INTERCOMPANY LENDING

Amounts paid to associated companies in the year and related payable balances at the year end are outlined below:

| | Amounts paid £m | Interest rate % | Payable balance £m |
|---------------------------------|--------------------|--------------------|-----------------------|
| Severn Trent Plc | 695.000 | 4.575% | - |
| Severn Trent Reservoirs Limited | 0.500 | 3.500% | 15.630 |
| Severn Trent Leasing Limited | 1.600 | 4.750% | 270.660 |

Amounts received from associated companies in the year and related receivable balances at the year end are outlined below:

| | Amounts received £m | Interest rate % | Receivable balance £m |
|---------------------------------|------------------------|--------------------|--------------------------|
| Severn Trent Plc | 766.500 | 4.575% | 154.500 |
| East Worcester Water Limited | 2.600 | 4.125% | - |
| Severn Trent Reservoirs Limited | 1.578 | 5.375% | - |
| Severn Trent Leasing Limited | 12.273 | 4.750% | - |

B) TRANSFER OF ASSETS/LIABILITIES, OMISSIONS, WAIVERS, GUARANTEES

There were no transfers of assets or liabilities to associated companies, no guarantees were issued in favour of associated companies.

There were no rights omitted to be exercised resulting in a reduction in the value of net assets of the Company and no waivers of any consideration, remuneration, or any other payment receivable by the Company.

C) SUPPLY OF SERVICES

Services supplied by the Appointee to associated companies are outlined below.

| Service | Company | Turnover of associate in the period £m | Terms of supply | Value £m |
|------------------------------------|---|---|--------------------|-------------|
| Pass through of management charges | Data Portal Limited | - | Cost | 0.028 |
| Pass through of management charges | Etwall Land Limited | - | Cost | 0.311 |
| Pass through of management charges | Midlands Land Portfolio Limited | - | Cost | 4.499 |
| Pass through of management charges | Severn Trent Plc | - | Cost | 1.676 |
| Pass through of management charges | Severn Trent Green Power Limited | 25.572 | Cost | 2.740 |
| Pass through of management charges | Severn Trent Services Operations UK Limited | 25.938 | Cost | 1.664 |
| Pass through of management charges | Severn Trent Wind Power Limited | 7.814 | Cost | - |
| Pass through of management charges | Severn Trent Connect Limited | - | Cost | 0.008 |
| Pass through of management charges | Hafren Dyfrdwy Cyfyngedig | 37.795 | Cost | 1.404 |
| Retail support services | Hafren Dyfrdwy Cyfyngedig | 37.795 | Cost | 0.277 |
| Wholesale support services | Hafren Dyfrdwy Cyfyngedig | 37.795 | Cost | 1.891 |
| Bulk water supplies | Hafren Dyfrdwy Cyfyngedig | 37.795 | Tariff | 3.405 |
| Bulk waste water supplies | Hafren Dyfrdwy Cyfyngedig | 37.795 | Tariff | 0.037 |
| Records management | Severn Trent Data Portal Limited | - | Market tested | 0.404 |
| Water supply and waste disposal | Severn Trent Services Defence Limited | 58.478 | Tariff | 0.043 |
| Sale of crops | Severn Trent Green Power Limited | 25.572 | Cost | 1.034 |
| Water operational services | Hafren Dyfrdwy Cyfyngedig | 37.795 | Cost | 1.061 |
| Waste water operational services | Hafren Dyfrdwy Cyfyngedig | 37.795 | Cost | 1.148 |
| Treatment of imported sludge | Hafren Dyfrdwy Cyfyngedig | 37.795 | Cost | - |
| Tankering fleet services | Hafren Dyfrdwy Cyfyngedig | 37.795 | Cost | 0.105 |
| Wholesale charge | Water Plus Select Limited | 731.309 | Tariff | 269.418 |
| Sale of property overages | Midlands Land Portfolio Limited | - | Market tested | 0.379 |
| Technology services | Hafren Dyfrdwy Cyfyngedig | 37.795 | Cost | 0.847 |
| Technology services | Severn Trent Services Operations UK Limited | 25.938 | Cost | 0.786 |
| | | | | 293.165 |

Services received by the Appointee from associated companies are outlined below.

| Service | Company | Turnover of associate in the period £m | Terms of supply | Value £m |
|------------------------------------|----------------------------------|---|--------------------|-------------|
| Bulk water supplies | Hafren Dyfrdwy Cyfyngedig | 37.795 | Tariff | 0.815 |
| Bulk waste water supplies | Hafren Dyfrdwy Cyfyngedig | 37.795 | Tariff | 0.039 |
| Management Recharge | Hafren Dyfrdwy Cyfyngedig | 37.795 | Market tested | 0.474 |
| Supply of electricity | Severn Trent Green Power Limited | 25.572 | Market tested | 6.673 |
| Supply of electricity | Severn Trent Wind Power Limited | 7.814 | Market tested | 0.290 |
| Pass through of management charges | Severn Trent Plc | - | Cost | 0.402 |
| Insurance Premium | Lyra Insurance | - | Cost | 1.131 |
| Water operational services | Hafren Dyfrdwy Cyfyngedig | 37.795 | Cost | 1.024 |
| | | | | 10.848 |

D) SERVICE PROVIDED TO THE NON APPOINTED BUSINESS

| Service | Basis of recharge | Value of recharge £m |
|---|--|-------------------------|
| Treatment of imported sludge* | Direct and indirect costs including use of asset and financing charges | 0.009 |
| Treatment of tankered waste | Direct and indirect costs including use of asset and financing charges | 8.864 |
| Property searches services | Direct and indirect costs including use of asset and financing charges | 0.018 |
| Sewer blockages | Direct and indirect costs only (assets provided by contractor) | 0.257 |
| Other water companies billing activities | Direct and indirect costs including use of asset and financing charges | 1.528 |
| Plumbing and drainage insurance introducer services | Direct and indirect costs including use of asset and financing charges | 0.219 |
| Rental income | Direct and indirect costs including use of asset and financing charges | 0.000 |
| Farm sales | Direct and indirect costs including use of asset and financing charges | 2.260 |
| Community Dividend | Direct and indirect costs including use of asset and financing charges | 2.264 |
| Covid sampling | Direct and indirect costs including use of asset and financing charges | 0.004 |
| | | 15.423 |

* Excluding services to Hafren Dyfrdwy already recorded in Supply of Services table

E) GROUP RELIEF CHARGES FOR TAX LOSSES

Payments are made between UK entities for the surrender of tax losses within the Severn Trent Group at the prevailing corporation tax rate in the period (2021/22 - 19%).

| Company | Turnover of associate in the period £m | Terms of supply | Value £m |
|--|--|--------------------|-------------|
| Severn Trent Leasing Limited | – | cost | 0.293 |
| Severn Trent Green Power (North London) Limited | 6.557 | cost | 0.002 |
| Severn Trent Green Power (Wallingford) Limited | 5.528 | cost | 0.222 |
| Severn Trent Green Power (Cassington) Limited | 4.665 | cost | 0.145 |
| Severn Trent Green Power (Hertfordshire) Limited | 2.796 | cost | 0.086 |
| East Worcester Water Limited | – | cost | 0.405 |
| Severn Trent Carsington Limited | – | cost | 2.268 |
| Midlands Land Portfolio Limited | – | cost | 0.250 |
| | | | 3.671 |

APPENDIX A:
APR ASSURANCE
APPROACH AND
OUTPUTS

APPENDIX A: ASSURANCE APPROACH AND OUTPUTS

In this appendix you will find:

THE APR ASSURANCE APPROACH

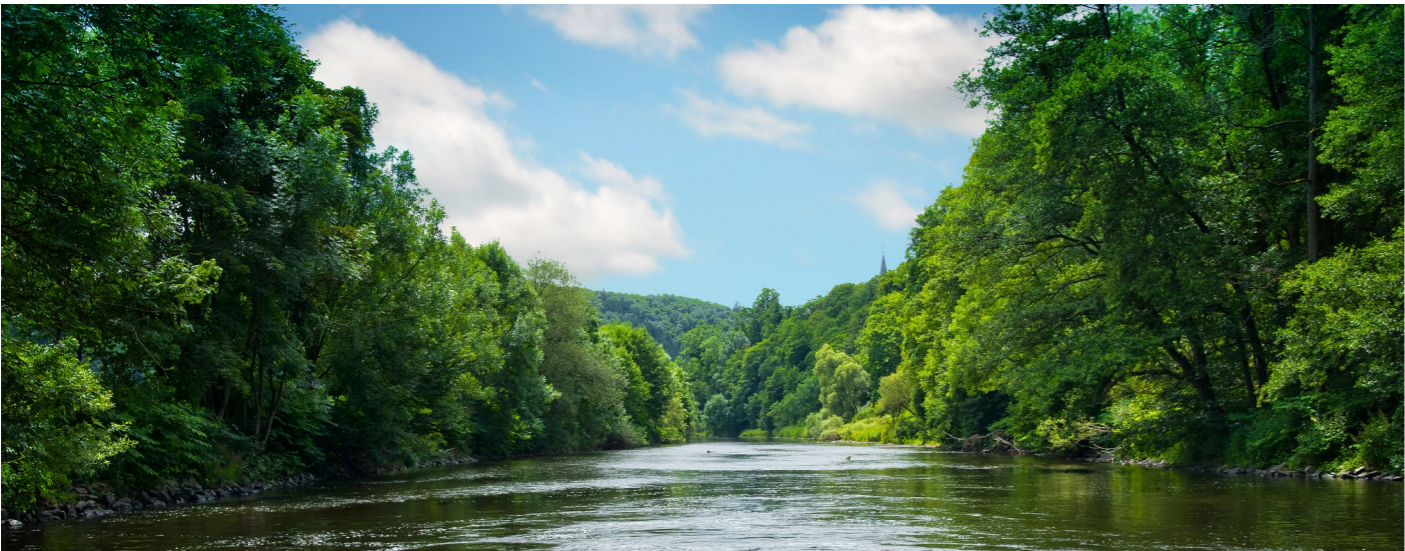
APR SPECIFIC GOVERNANCE APPROACH

HOW WE APPROACH APR ASSURANCE

OUTCOME OF ASSURANCE

A.1 THE APR ASSURANCE APPROACH

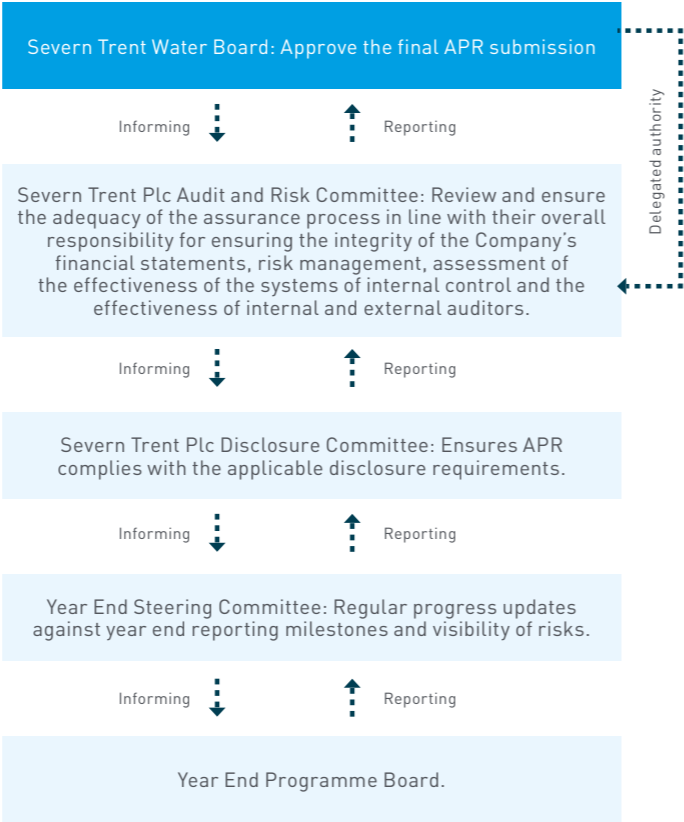
The 2022/23 APR assurance plan uses our established risk-based three lines of assurance approach to ensure it has been given the appropriate level of governance and assurance. You can read more about our Company governance and assurance framework in our [Regulatory Reporting and Assurance Approach Document](#).



A.2 APR SPECIFIC GOVERNANCE APPROACH

Our compliance framework incorporates Ofwat’s most recent APR and regulatory reporting requirements, the 2022/23 revised Regulatory Accounting Guidelines (‘RAGs’), and wider company duties.

The below diagram demonstrates the specific governance applied for the approval and publication of the APR.



A.3 HOW WE APPROACH APR ASSURANCE

Each line of the APR is risk assessed centrally using an established framework to ascertain the level of assurance required: first, second, or third line assurance. Once the level of assurance is identified, the Group Compliance and Assurance Team co-ordinates and schedules the full assurance programme throughout the year and at year end with data, methodology producers and assurance providers.

As part of the performance reporting, we are required to publish regulatory accounts that, among other things, set out financial information

- On the allocation of cost by price control and subsections of the value chain;
- On non-appointed activity; and
- On transactions between associated companies.

In reporting on the above, we are required to comply with Ofwat’s RAGs - in particular ‘RAG 2 - Guideline for the classification of costs across the price controls’ and ‘RAG 5 - Guideline for transfer pricing’. Over and above the RAGs, our Licence places an obligation on us to ensure that every transaction between the appointee and any associated company is at arm’s length, so that neither gives to nor receives from the other any cross subsidy (Condition F). This also applies to the appointed and non-appointed activity within the appointee.

We have a number of controls in place to ensure that we apply the requirements as set out by Ofwat. Cost allocation activities within our Finance Team are part of our established third line assurance processes.

A.3.1 First line assurance

A key part of our assurance framework is the first and second line assurance activities that are undertaken throughout the year.

Each line of our APR submission has been reviewed during first line assurance. This activity is undertaken by the teams responsible for reporting the data so that colleagues with the right expertise are conducting in-depth quality checks at the time the data is produced. They are also responsible for maintaining effective internal controls and implementing corrective actions to address process deficiencies if identified.

Each reporting line in the APR is assigned to a responsible manager who reviews and approves the data, process documentation and commentaries, forming an integral part of the assurance approach.

An approval process is followed with final sign off for both the data and commentary at Director level.

A.3.2 Second line assurance

For our higher risk measures, the second line assurers facilitate and monitor the implementation of effective practices, ensuring that the first line assurance is designed, implemented and operates correctly, confirming that documented processes have been followed. This includes a review of the checks and controls to ensure the integrity and reliability of the data and information we publish.

Where it is identified that third line assurance is required, the Assurance Team liaise with the reporting teams to monitor improvement activities and resolve prior outstanding actions to ensure there are not any material issues.

A.3.3 Third line assurance

Our most critical areas are subject to third line assurance. Internal Audit provides comprehensive assurance based on the highest level of independence within the Company. In addition, we use external financial and technical auditors who are independent of the Company and provide objective assurance of our data and information.



The following details the activities for each of our third line providers.

Internal Audit

Internal Audit performed several checks as part of its assurance to ensure that:

- Processes followed were appropriate to produce the data required for our APR submission;
- Historical data used in the tables could be traced back to source or previously published information;
- Data was produced in line with the methodology documents and RAG 4 requirements (Guideline for the table definitions for the APR); and
- Data from the working files was aligned to the APR data tables to be submitted.

Deloitte financial audit opinion

Deloitte provided financial audit procedures over sections 1 and 2 of the APR data tables. These sections provide a baseline level of historical cost financial information and are aligned to our price controls and associated regulatory performance commitments and incentives set out in Ofwat's 2019 Final Determination.

As in previous years, Deloitte has informed Ofwat that a number of lines in Table 1F will not be subject an audit opinion. They have carried out agreed upon procedures on the following lines: 1F.9, 1F.16, 1F.17, 1F.20 and 1F.23. Deloitte have not performed any procedures on lines 1F.4, 1F.10, 1F.11, 1F.15, 1F.18 and 1F.19 as these are not within their scope.

Jacobs technical assurance

The technical assurance applied by Jacobs complements our risk-based assurance framework which is, in part, informed by previous assurance findings, as well as emerging risk, and stakeholder feedback. Jacobs provided a staged approach to technical assurance on the elements of the APR that are listed in the tables overleaf. Stages one and two focused on documentation and process largely focused on new measures or areas of change. During stage one, Jacobs reviewed the process description templates ('PDTs') which are followed to report against Performance Commitments ('PCs').

Stage two included formal reviews. The reviews ensure that:

- Processes are in place to produce data that is consistent with the RAGs, PC definition or non-financial data definition;
- Improvements and changes in processes from previous assurance rounds are clearly stated;
- Accountability and responsibility for each stage of the process is clear with dependencies, assumptions, risks and mitigations are identified; and
- There are appropriate checks and controls to ensure robust reporting.

Stage three focused on the data produced. The data audits involved:

- Confirming that the data produced is consistent with the PDT and aligns with reporting guidance;
- Confirming that internal checks and controls have been completed;
- Carrying out proportionate sampling checks;
- Confirming that exclusions have been applied correctly; and
- Ensuring that any rewards/penalties and data points are calculated in line with our Final Determination requirements. This focuses on the mechanistic calculation to give the gross reward/penalty position.

The assurance approach is summarised over the next few pages.

Regulatory Accounts

| | | Methodology & Process | Data |
|-----------------|--|--------------------------------|-------------------|
| 1A | Income statement | Deloitte | Deloitte |
| 1B | Statement of comprehensive income | Deloitte | Deloitte |
| 1C | Statement of financial position | Deloitte | Deloitte |
| 1D | Statement of cashflows | Deloitte | Deloitte |
| 1E | Net debt analysis | Deloitte | Deloitte |
| 1F ¹ | Financial flows | Deloitte / Jacobs | Deloitte / Jacobs |
| 2A | Segmental income | Deloitte / Jacobs ² | Deloitte |
| 2B | Totex analysis (wholesale) | Deloitte / Jacobs ² | Deloitte |
| 2C | Cost analysis- retail | Deloitte / Jacobs ² | Deloitte |
| 2D | Historic cost analysis of tangible fixed assets | Deloitte | Deloitte |
| 2E | Analysis of grants and contributions (water resources, water network+ and wastewater network+) | Deloitte | Deloitte |
| 2F | Residential retail | Deloitte / Jacobs | Deloitte / Jacobs |
| 2G | Non-household water - revenues by tariff type | 'N/A' | 'N/A' |
| 2H | Non-household wastewater - revenues by tariff type | 'N/A' | 'N/A' |
| 2I | Revenue analysis | Deloitte | Deloitte |
| 2J | Infrastructure network reinforcement costs | Deloitte | Deloitte |
| 2K | Infrastructure charges reconciliation | Deloitte | Deloitte |
| 2L | Analysis of land sales | Deloitte | Deloitte |
| 2M | Revenue reconciliation - Wholesale | Deloitte | Deloitte |
| 2N | Residential retail - social tariffs | Deloitte | Deloitte |
| 2O | Historic cost analysis of intangible fixed assets | Deloitte | Deloitte |

¹ See note on Deloitte financial audit opinion for 1F on page 95.

² Assurance of input opex allocations to price control / business unit.

Performance Summary

| | | Methodology & Process | Data |
|----|---|-----------------------|-------------------|
| 3A | Outcome performance - Water common performance commitments | 2nd line / Jacobs | 2nd line / Jacobs |
| 3B | Outcome performance - Wastewater common performance commitments | 2nd line / Jacobs | Jacobs |
| 3C | Customer measure of experience ('C-MeX') table | Jacobs | Jacobs |
| 3D | Developer services measure of experience ('D-MeX') table | 2nd line / Jacobs | 2nd line / Jacobs |
| 3E | Outcome performance - Non-financial performance commitments | 2nd line / Jacobs | Jacobs |
| 3F | Underlying calculations for common performance commitments - water and retail | Jacobs | Jacobs |
| 3G | Underlying calculations for common performance commitments - wastewater | Jacobs | Jacobs |
| 3H | Summary information on outcome delivery incentive payments | Jacobs | Jacobs |
| 3I | Supplementary outcomes information | 2nd line / Jacobs | Jacobs |

Additional regulatory information - service level

| | | Methodology & Process | Data |
|----|---|--------------------------|----------------|
| 4A | Water bulk supply information | 2nd Line | 2nd Line |
| 4B | Analysis of debt | Internal Audit | Internal Audit |
| 4C | Impact of price control performance to date on RCV | Jacobs | Jacobs |
| 4D | Totex analysis - water resources and water network+ | Internal Audit | Internal Audit |
| 4E | Totex analysis - wastewater network+ and bioresources | Internal Audit | Internal Audit |
| 4F | Major project expenditure for wholesale water by purpose | Internal Audit | Internal Audit |
| 4G | Major project expenditure for wholesale wastewater by purpose | Internal Audit | Internal Audit |
| 4H | Financial metrics | Internal Audit | Internal Audit |
| 4I | Financial derivatives | Internal Audit | Internal Audit |
| 4J | Base expenditure analysis - water resources and water network+ | Internal Audit | Internal Audit |
| 4K | Base expenditure analysis - wastewater network+ and bioresources | Internal Audit | Internal Audit |
| 4L | Enhancement expenditure - water resources and water network+ | Internal Audit | Internal Audit |
| 4M | Enhancement expenditure - wastewater network+ and bioresources | Internal Audit | Internal Audit |
| 4N | Developer services expenditure - water network+ | Internal Audit | Internal Audit |
| 4O | Developer services expenditure - wastewater network+ and bioresources | Internal Audit | Internal Audit |
| 4P | Expenditure on non-price control diversions | Internal Audit | Internal Audit |
| 4Q | Developer services – new connections, properties and mains | 2nd line | Jacobs |
| 4R | Connected properties, customers and population | 2nd Line / Jacobs | Jacobs |
| 4S | Green Recovery expenditure – water resources and water network+ | Internal Audit | Internal Audit |
| 4T | Green Recovery expenditure – wastewater network+ and bioresources | Internal Audit | Internal Audit |
| 4U | Impact of Green Recovery on RCV | Internal Audit | Internal Audit |
| 4V | Mark-to-market of financial derivatives analysed based on payment dates | Internal Audit | Internal Audit |
| 4W | Defined benefit pension scheme – additional information | Internal Audit | Internal Audit |

Additional regulatory information - water resources

| | | Methodology & Process | Data |
|----|---|--------------------------|-------------------|
| 5A | Water resources asset and volumes data | 2nd Line / Jacobs | 2nd Line / Jacobs |
| 5B | Water resources operating cost analysis | Internal Audit | Internal Audit |

Additional regulatory information - water network+

| | | Methodology & Process | Data |
|----|---|--------------------------|-------------------------|
| 6A | Raw water transport, raw water storage and water treatment data | 2nd Line / Jacobs | Jacobs / 2nd Line |
| 6B | Treated water distribution - assets and operations | Jacobs / 2nd Line | Jacobs / 2nd Line |
| 6C | Water network+ - Mains, communication pipes and other data | 2nd Line / Jacobs | Jacobs |
| 6D | Demand management - Metering and leakage activities | 2nd Line / Jacobs | Jacobs / Internal Audit |
| 6F | WRMP annual reporting on delivery | Jacobs | Jacobs |

Additional regulatory information - wastewater network+

| | | Methodology & Process | Data |
|----|--|---------------------------|---------------------------|
| 7A | Wastewater network+ - Functional expenditure | Internal Audit | Internal Audit |
| 7B | Wastewater network+ - Large sewage treatment works | 2nd Line / Internal Audit | 2nd Line / Internal Audit |
| 7C | Wastewater network+ - Sewer and volume data | 2nd Line / Jacobs | Jacobs |
| 7D | Wastewater network+ - Sewage treatment works data | 2nd Line | Jacobs |
| 7E | Wastewater network+ - Energy consumption and other data | 2nd Line / Jacobs | 2nd Line / Jacobs |
| 7F | Wastewater network+ - WINEP phosphorous removal scheme costs | Jacobs | Jacobs |

Additional regulatory information - bioresources

| | | Methodology & Process | Data |
|----|---|-----------------------|-------------------------|
| 8A | Bioresources sludge data | 2nd Line | Jacobs |
| 8B | Bioresources operating expenditure analysis | Internal Audit | Internal Audit |
| 8C | Bioresources energy and liquors analysis | 2nd Line / Jacobs | Jacobs / Internal Audit |
| 8D | Bioresources sludge treatment and disposal data | 2nd Line | Jacobs |

Additional regulatory information - innovation competition

| | | Methodology & Process | Data |
|----|------------------------|-----------------------|----------------|
| 9A | Innovation competition | Internal Audit | Internal Audit |

Green Recovery

| | | Methodology & Process | Data |
|-----|--|-----------------------|-------------------|
| 10A | Green Recovery data capture additional items | 2nd Line / Jacobs | 2nd Line / Jacobs |
| 10B | Water Common PCs relevant to Green Recovery reporting | Jacobs | Jacobs |
| 10C | Wastewater Common PCs relevant to Green Recovery reporting | 2nd Line / Jacobs | 2nd Line / Jacobs |
| 10D | Bespoke PCs relevant to Green Recovery reporting | 2nd Line / Jacobs | 2nd Line / Jacobs |
| 10E | Green Recovery data capture reconciliation model input | Jacobs | 2nd Line / Jacobs |

Carbon

| | | Methodology & Process | Data |
|-----|------------------------------------|-----------------------|--------|
| 11A | Greenhouse gas emissions reporting | 2nd line/Jacobs | Jacobs |

A.4 OUTCOME OF ASSURANCE

Our outcomes of assurance provide oversight of the assurance and audit activities completed by our third line assurance providers, both financial and non-financial. We have included letters of assurance from our technical assurers, Jacobs on page 74 of the APR. Deloitte provide an audit opinion on the Regulatory Accounting Statements on page 95 to 98.

Internal Audit outcome

Internal Audit has confirmed that [“we did not find any material issues and supporting evidence and answers to queries raised were provided.”

Deloitte audit opinion

Deloitte’s audit opinion confirms that:

“In our opinion, Severn Trent Water Limited’s Regulatory Accounting Statements have been prepared, in all material aspects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WRSA (RAG 1.09, RAG 2.09, RAG 3.14, RAG 4.11 and RAG 5.07) and the accounting policies (including the Company’s published accounting methodology statement, as defined in RAG 3.14 appendix 2.”

Jacobs’ assurance outcome

| Cost Allocation Requirements | Assurance undertaken |
|---|---|
| <p>We are required to publish regulatory accounts that, among other things, set out financial information:</p> <ul style="list-style-type: none">• On the allocation of costs by price control and subsections of the value chain;• On non-appointed activity; and• On transactions between associated companies. <p>Our Licence also places an obligation on us to ensure that every transaction between the appointee and any associated company is at arm’s length, so that neither gives to nor receives from the other any cross subsidy (Condition F). This also applies to the appointed and non- appointed activity within the appointee. Ofwat expects transactions between Severn Trent Water and Hafren Dyfrdwy to be at arm’s length.</p> | <p>We asked Jacobs to review a sample of our cost allocation processes. We selected the sample based on the associated risk. The Jacobs scope covered:</p> <ul style="list-style-type: none">• The allocation of costs by price control and subsections of the value chain;• Non-appointed activity; and• Transactions between companies. <p>Consistent with previous work in this area, Jacobs reviewed the documentation and processes with a focus on the consistency of the allocation approach with the RAGs. To that end, Jacobs sought to understand:</p> <ul style="list-style-type: none">• The areas/activities that were being provided;• The costs associated with that activity which, for the PDTs we reviewed, were operating costs;• How those costs are recharged, allocated and why; and• How our approach is compliant with the RAGs. |

Assurance outcome

Overall, with the exception of Network Control Response Team recharge to Hafren Dyfrdwy, based on our scope we consider:

- “the company has a full understanding of, and meets all of its relevant statutory, Licence and regulatory obligations in all material respects;
- the company has sufficient processes and internal systems of control to fully meet its requirements; and
- the company undertakes transactions entered into by the appointed business, with or for the benefit of associated companies or other businesses or activities of the appointed business at arm’s length.”

| Full-Year Performance Commitments (PCs) | |
|--|---|
| Requirements | Assurance undertaken |
| Jacobs reviewed the PCs set out in our Final Determination and the processes that were used to produce the figures on performance commitments. | <p>Jacobs' scope of assurance work included reviewing the following:</p> <ul style="list-style-type: none">• The processes used are robust, enabling risks to be identified, managed and reviewed;• Alignment to final determination definitions (including additional reporting requirements / reporting guidance / RAG guidance)• Methodology for applying exclusions is in line with reporting guidance• Data is competently sourced, processed and reported and fit for purpose.• Undertake proportionate sample checks• Coverage and outputs of checks and controls |

| Assurance Outcome |
|--|
| <p>We conclude that in relation to the items we reviewed:</p> <ul style="list-style-type: none">• <i>your processes and internal systems of control are sufficient to meet your regulatory obligations;</i>• <i>your processes for reporting performance commitments are in line with the guidance and exclusions have been correctly applied. We note that for supply interruptions (G01), leakage (G02) and per capita consumption (G03) you have made changes to the methodology based on your interpretation of the guidance. We consider that the guidelines could be open to alternative interpretation; and</i>• <i>you have appropriate systems and processes in place to identify, manage and review your risks.</i> <p>We note that the Board intends to include issues we noted during our review as clarifications or exceptions in the APR.</p> |

| Full-Year Non-Financial | |
|---|---|
| Requirements | Assurance undertaken |
| We continue to develop and improve our reporting processes. Throughout the year we have been monitoring progress against our higher risk measures and, at year-end, Jacobs carried out assurance against the majority of the section 4-11 non-financial measures. | <p>The Jacobs scope covered:</p> <ul style="list-style-type: none">• Reviewing the processes used to ensure they are robust, enabling risks to be identified, managed and reviewed;• Checking alignment to final determinations definitions (including additional reporting requirements / reporting guidance / RAG guidance);• Checking that the methodology for applying exclusions is in line with reporting guidance;• Ensuring data is competently sourced, processed and reported and fit for purpose;• Undertaking proportionate sample checks; and• Reviewing coverage and outputs of checks and controls. |

| Assurance outcome |
|---|
| <p>We conclude that in relation to the items we reviewed:</p> <ul style="list-style-type: none">• <i>your processes and internal systems of control are sufficient to meet your regulatory obligations;</i>• <i>your processes for reporting performance commitments are in line with the guidance and exclusions have been correctly applied.</i>• <i>you have appropriate systems and processes in place to identify, manage and review your risks.</i> |



