ANNUAL PERFORMANCE REPORT

SEVERN TRENT WATER

2025/26





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- Robust assurance
- Ownership and accountability
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- Transparency and public accountability

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TAKING CARE OF ONE OF LIFE'S ESSENTIALS

This Annual Performance Report ('APR') covers the year from 1 April 2025 to 31 March 2026 and is our first APR to be published in the 2025-30 period known as Asset Management Plan 8 ('AMP8').

ADDITIONAL REGULATORY PUBLICATIONS

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

- Our PR24 Business Plan
- Our APR data tables

STATUTORY PUBLICATIONS

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

- Severn Trent Plc Annual Report and Accounts for the year ended 31 March 2026
- Severn Trent Water Limited Annual Report and Accounts for the year ended 31 March 2026
- Pollution Incident Reduction Plan
- Gender and Ethnicity Pay Gap Report
- Customer Vulnerability Strategy
- Severn Trent Community Fund Annual Review

WELCOME TO THE SEVERN TRENT WATER ANNUAL PERFORMANCE REPORT 2025/26

This is my first report as Chief Executive, and it comes at a defining moment for Severn Trent and our sector. We are in a new regulatory period shaped by improving service levels for customers, evolving policy reform, and the growing pressures of climate change and population growth. Against this backdrop, our purpose - to take care of one of life's essentials - has never been more important. It guides how we deliver resilient, high-quality services while protecting the environment and supporting the communities we serve.

I am incredibly proud of the progress we have made in my first year. We have started AMP8 with real momentum, accelerating delivery of our £14.9 billion investment programme - the largest in our history - and investing a record £1.9 billion into our assets this year alone. This investment is already translating into tangible outcomes: we have improved performance across our operational measures demonstrating the strength of our execution and our focus on customers and the environment.

We have also made a meaningful difference for our customers and communities. This year, we supported more than 330,000 households through our affordability schemes - our largest ever support package - which is on track to help one in six households by 2030. Alongside this, we continue to invest in skills, jobs and opportunities across our region, reinforcing our role as a driver of social and economic value.

Leakage is now at its lowest ever level, outperforming targets for the eighth consecutive year, while storm overflow spills have reduced by 41% and total pollutions have been significantly reduced reflecting the scale and impact of our environmental investments. Environmental leadership remains central to our strategy. We are making strong progress towards net zero operational emissions by 2030, expanding renewable energy generation and investing in nature-based solutions that enhance biodiversity and strengthen long-term resilience. These outcomes matter deeply, as they represent real improvements in river health and in the resilience of our services for the future.

Looking ahead, I am optimistic about the opportunities before us. With a strong strategy, a dedicated team, and a clear focus on delivery, we are well placed to meet the challenges of this regulatory period - creating lasting value for our customers, communities, investors and the environment.



James Jesic
Chief Executive
Severn Trent Water Limited

ABOUT US

As one of the largest regulated water and wastewater companies in England and Wales, Severn Trent Water serves around 4.6 million households and businesses. Covering the heart of the UK, our area stretches from the Bristol Channel to the Humber and from Shropshire to the East Midlands.

We are regulated by Ofwat, the economic regulator for the water sector in England and Wales. Every five years we work with our customers to develop a new business plan which is assessed and agreed by Ofwat. Companies' business plans, as part of a five-yearly price review, set out their plans for investment, performance improvements and the potential impact on customers' bills for the upcoming AMP.

Our AMP8 Business Plan is the most ambitious in our history, and it was rated 'outstanding' by Ofwat. Our £14.9 billion investment is around twice that approved for AMP7 and will see us enter a new era of growth – delivering nominal Regulatory Capital Value ('RCV') growth of 64% across the AMP. By accelerating our investments, we will deliver significant progress, at speed, in areas our customers care about most, meaning they'll see the benefits as early as possible in the AMP.

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.**





Wastewater customers only

Water and wastewater customers

2025/26 OVERVIEW AND PERFORMANCE HIGHLIGHTS

Overview

65% (80%)
of performance measures green

1.94 billion (2 billion)
litres of drinking water supplied each day

3.15 billion (3.22 billion)
litres of wastewater treated each day

4.6 million (4.6 million)
households and businesses served

11,000 (7,942)
average number of employees during the year

*brackets indicate 2024/25

DELIVERING OUTCOMES OUR CUSTOMERS CARE ABOUT

Achieved our leakage target
for the eighth year in a row

41% year-on-year
reduction in spills from storm overflows

3rd place
on D-MeX

9,000
new sensors installed at high-risk pollution locations

Over 3,000
storm overflow reduction solutions delivered

EPA 4*
Highly confident of EPA 4* for a seventh consecutive year

65%
of performance commitments achieved

20% reduction
in internal sewer flooding

21% reduction
in customer complaints

Pollution incidents
reduced by a third

12% reduction
in external sewer flooding

Upgraded 75
sewage pumping stations

You can read more about our performance in the Performance Summary section.

OUR STRATEGY

Introduction to our strategy

Our strategy to be 'performance driven, sustainability led' acknowledges our relentless drive to deliver the performance that our stakeholders expect, in a sustainable way.

We serve a diverse range of customers with different cultures, interests and experiences. Our region includes some of the most affluent areas of the country as well as some of the most deprived. There are several large urban areas in our region, yet we also serve predominantly rural counties and communities. It is a region which is characterised by, and benefits from, its diversity.

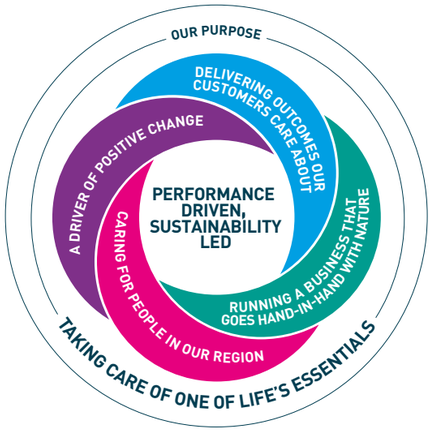
Our corporate strategy

Outcomes
- Investing for the long term
- Resilient to a changing future
- Putting the customer first
- Right first time every time

Nature
- Actively improving the places we touch
- Creating opportunities to enjoy nature
- Valuing our most precious natural resources
- Managing our impact on nature and climate change

People
- Helping our own people thrive
- Supporting our suppliers
- Creating opportunities in our communities
- A force for good for our customers

Change
- A role model for others
- Collaborating widely to support innovation
- Creating a market that works for everyone



Our purpose
Taking care of one of life's essentials

Driven by our strategy
Performance driven, sustainably led

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 operations in the communities we work and live in.

OUR BUSINESS MODEL

Our purpose

At Severn Trent, we are driven by our purpose – taking care of one of life's essentials. United behind a clear social purpose, we work together to deliver positive outcomes for our customers, colleagues, regulators, the communities we serve and the environment we depend on.

Now more than ever, we recognise that caring for one of life's essentials truly matters to the families, businesses and communities we serve. That's why our values – Having Courage, Showing Care, Taking Pride and Embracing Curiosity – are so important to us. To be a company people can trust, protect the environment, support our communities and deliver the best value service, we must all live our values by 'Doing the Right Thing', every day – the Severn Trent way.

Our business model in action

Collect raw water
We collect water from reservoirs, rivers and underground aquifers across our region.



Clean raw water
Our groundwater and surface water treatment works clean raw water to the highest standards, producing consistently high-quality drinking water.



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



Customers enjoy our services
4.6 million households and businesses use our services, delivered by a team of over 11,000 employees, and supported by our contact centres, always ready to help.



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



Clean wastewater
We carefully screen and treat wastewater at 934 treatment works, to meet stringent environmental standards.



Recycle water to the environment
We safely return treated water to rivers and watercourses.



Green energy
The green energy we generate through our Infrastructure Services and regulated water and wastewater business activities contribute to meeting our net zero targets and keeping our energy costs down.



ANNUAL PERFORMANCE REPORT

HIGHLIGHTS



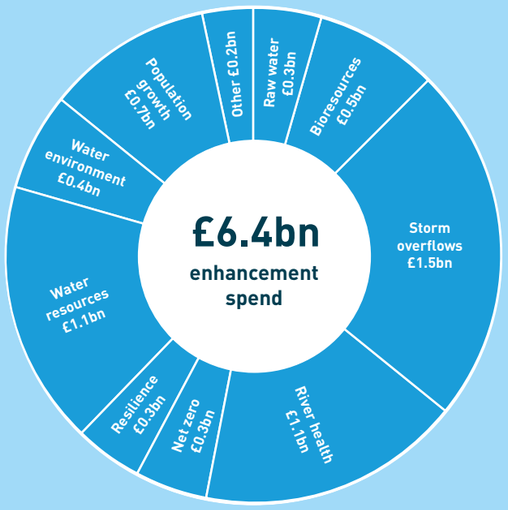
A STRONG START TO **AMP8**

Every five years, water companies in England and Wales develop business plans setting out how they intend to deliver for customers and the environment over the next AMP. Our full plans and Ofwat's Final Determinations are available on our website.

Our biggest ever enhancement investment

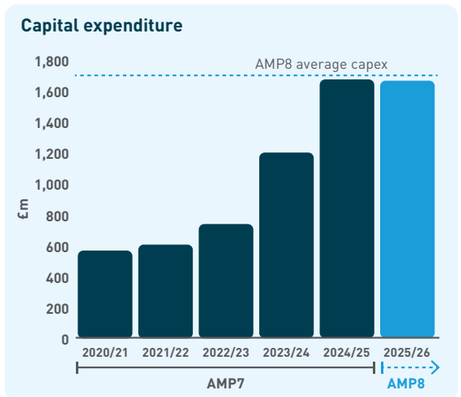
Building on our strong operational and environmental track record, in AMP8 our largest ever enhancement programme will allow us to make significant progress in areas our customers care about most, including:

- Accelerating the improvement of river health, so we account for just 2% of Reasons for Not Achieving Good Status ('RNAGs') in our region by 2030.
- Delivering at least 14.8% reduction in leakage and replacing around 1,400 km of water mains.
- Strengthening water resilience to ensure we can meet customer demand during hot weather.
- Scale investment into water treatment and biosolids to address per and polyfluoroalkyl substances ('PFAS'); and
- Supporting growth in our region through investment in 69 waste treatment works.



Affordability and support

- We remain committed to keeping bills affordable, while delivering record investment. We will begin and end AMP8 with the second lowest bill in England and our £575 million affordability package will support one in six customers with their bill by 2030. Additionally, we will support 100,000 people through our 10-year Societal Strategy and our Community Fund will continue into the next AMP.
- Our Business Plan has a high level of customer support, with an 81% acceptability rating – the highest in the sector – according to CCW research on Ofwat's Draft Determinations.



Organisational readiness

Our Business Plan is intentionally ambitious, and our investment and work in AMP7 has positioned us strongly to deliver in AMP8:

- Our in-house Design Team unlocks digital and automation capabilities;
- Our Plug and Play delivery model drives speed and efficiency on critical asset types;
- A broad and diverse supply chain provides resilience and flexibility; and
- Stepping up our capital expenditure to £1.67 billion in the final year of AMP7 meant we were already at our AMP8 run-rate.

DELIVERING OUTCOMES OUR CUSTOMERS CARE ABOUT

In the first year of AMP8, we have delivered strong progress in the outcomes that matter most to our customers, achieving some of our best operational and environmental performance to date. We have continued to strengthen the resilience of our networks while improving service delivery and reducing environmental impact across our region.

We delivered strong performance in sewer flooding, reducing internal incidents by 20% year-on-year and outperforming our regulatory targets for both internal and external flooding. We also achieved a 35% reduction in total pollution incidents and delivered a 41% reduction in storm overflow spills, reflecting the impact of sustained investment, improved operational response and proactive network management.

We have also maintained our industry-leading position on leakage, outperforming our target for the eighth consecutive year. Our three-year rolling average of 342.3 Ml/d is better than our target of 352.4 Ml/d, demonstrating the continued effectiveness of our leakage strategy and our ability to manage network integrity despite challenging weather conditions. Alongside this, we exceeded our biodiversity targets, delivering a net gain of over 500 biodiversity units through habitat creation, restoration and partnership working.

We have continued to deliver high-quality drinking water for our customers, achieving our best ever Compliance Risk Index ('CRI') performance and maintaining strong levels of customer satisfaction with water quality. While we did not meet our target for supply interruptions this year, underlying performance continues to improve over the longer term, reflecting sustained investment in network resilience and strengthened incident response.

Improving experience for our customers

While operational performance remains strong, we recognise that customer experience continues to be an important area of focus. Our Customer Measure of Experience ('C-MeX') performance highlights the need to further improve how customers experience our services, even where underlying performance has improved.

During the year, we reduced complaints by 45% compared to two years ago and strengthened our operational response, including faster attendance to incidents and improved issue resolution. We have also continued to invest in our customer contact capability, enhancing digital channels and expanding our operational capacity to improve response times and first-time resolution.

We remain focused on ensuring that every customer interaction is managed effectively, with clear communication and a consistent, high-quality experience, particularly during periods of disruption.

Building resilience for the future

We remain committed to delivering reliable services while balancing affordability and long-term sustainability. Throughout the year, we have continued to invest in our networks, improve operational resilience and expand the use of data and technology, including smart metering, to better manage demand and identify issues earlier. We also successfully met all of our Price Control Deliverables ('PCD') targets in the first year of AMP8, demonstrating strong execution of our investment programme.

We have delivered improvements in wastewater emissions through increased renewable energy generation and more efficient treatment processes, supporting our broader ambition to reduce environmental impact and contribute to net zero.

Looking ahead, our priority remains the same: delivering consistent, high-quality services, improving customer experience and strengthening resilience. Through continued investment, innovation and a clear focus on the needs of our customers and the environment, we are well positioned to deliver strong performance throughout AMP8.

CARING FOR PEOPLE IN OUR REGION

Caring for people is central to our purpose. This year, we accelerated our Wonderfully You Diversity & Inclusion ('D&I') Strategy.

Building our future skills

We continue to invest in the people who power our business today, and those who will shape it in the years ahead. Our priority is building the skills, capability and experience our sector will need over the long term. This ensures we can continue delivering brilliant customer service and fulfilling our role as a purposeful Company.

Much of this work involves addressing sector-wide skills gaps. Through schools' outreach, employability programmes, work placements and internships, we are widening access to careers in water and strengthening our future talent pipeline. These initiatives provide support to individuals to develop the confidence, skills and opportunities needed to secure sustainable work – whether within Severn Trent or beyond. As a result, they also support our commitment to help 100,000 people out of water poverty.

This year, we delivered high-quality early career experiences, hosting 85 paid interns and placement students, and offering unpaid work experience to over 800 young people. During the year, we supported students from Hereward College which provides further education for young people with a range of complex disabilities and learning difficulties.

Our in-house Academy enables us to adapt training in line with regulatory and technological change. Its flexible facilities provide safe, practical environments where colleagues can develop essential skills to serve our customers and communities effectively.

In the last 12 months, 944 of our colleagues have achieved promotions and a further 869 have moved roles within the business, growing their skills and embracing new challenges. This represents 18% of our workforce. A further 39 colleagues have been promoted to Business Leader positions.

An inclusive place to work

Our approach to inclusion is values-led and centred on individuals. We recognise how different backgrounds, experiences and perspectives strengthen our performance and decision-making. Through inclusive leadership practices, targeted development, inclusive policies and colleague-led networks, we foster a culture where people are supported to thrive and contribute at their best. We are placed in the top 5% of energy and utility companies for engagement and inclusion.

The final FTSE Women Leaders Review for the 2021–2025 cycle recognised our continued progress. As of 31 March 2026, women represented 62.5% of our Board and 44.1% of senior leaders, placing us fourth overall for women on the Board and in the top quartile for senior leadership representation.

As part of our statutory reporting obligations, we also provide a gender breakdown across our senior management and wider workforce. As of 31 March 2026, our Executive Committee comprised four female and five male members (44.4% and 55.6% respectively). Across our broader senior leadership population, 23 colleagues (53.49%) were male and 20 (46.51%) were female. Across the wider organisation, female representation stood at 29.16% (3,026 colleagues), with male representation at 70.84% (7,351 colleagues).



Rewarding and looking after our people

Fairly rewarding our people

We are committed to ensuring our people are rewarded fairly and share in the success they help create. All colleagues participate in our employee bonus plan, aligning everyone with key organisational objectives and recognising collective achievement. Our defined contribution pension scheme further supports long-term financial wellbeing by trebling employee contributions up to 15% of salary.

Looking after our people

Over the past year, we continued to build on our strong foundations in health, safety and wellbeing, ensuring colleagues feel supported, protected and able to work with confidence every day.

We maintained a strong safety performance, achieving a Lost Time Incident ('LTI') rate of 0.11 per 100,000 hours worked. As we prepared for the increased activity of AMP8, we launched Everybody Safe. This is a refreshed, company-wide approach designed to strengthen our safety culture and equip colleagues and contractors with the tools and clarity needed to work safely in complex environments. Colleague feedback has been central to this work, with health and safety scoring 9.2 out of 10 in our annual engagement survey.

We have continued to evolve our health and safety framework, updating our Group Policy, strengthening process safety capability and enhancing assurance processes across teams. This includes more consistent standards, improved oversight and closer integration between operational and specialist teams.

We also progressed improvements across our estate, including enhancements to electrical safety, lightning protection and chemical gas store security. These ensure our working environments remain safe, resilient and compliant.

We are also contributing to wider sector progress, working with Water UK to share insight and best practice in areas such as work-related violence and reporting of incidents with the potential for serious harm. This collective approach supports faster learning across the sector and helps improve safety outcomes for everyone.

Looking ahead, our priority remains the same: creating a safe, supportive and well cared-for environment where every colleague can perform at their best.



CARING FOR PEOPLE IN OUR REGION

Fair pay and working conditions

As an accredited Living Wage Employer, we also require all suppliers to pay the real Living Wage and to meet clear, prompt payment expectations. We aim to pay 95% of our small suppliers within 30 days, and for the period to 31 March 2026 our average payment time was 40 days. The increase in average days reflects transitional impacts associated with implementing our e-invoicing solutions. We are actively monitoring the situation as we embed the system.

In April 2024, we became an accredited Living Hours Employer. This includes ensuring contracts reflect actual hours worked, offering at least 16 hours a week (with flexibility to request fewer), and providing a minimum of four weeks' notice for changes to working patterns.

Supporting our customers who need us most

Keeping bills affordable remains a priority for us. Our average combined household bill continues to be the second lowest in England, with the 2026/27 bill expected to be around £587 per year.

We continue to expand access to our broad range of support schemes, including the Big Difference Scheme, WaterSure and the Customer Assistance Scheme, ensuring customers can receive help when they need it most. Alongside financial support, we are committed to identifying and assisting customers who require additional help. We have now registered 11.8% of our customers on our Priority Services Register, enabling them to receive tailored communication, personalised assistance and priority support during incidents. We continue proactive outreach to make sure we can identify and support those who would benefit.

Social mobility index

We have once again been recognised as one of the country's top performing companies for improving social mobility. For the seventh consecutive year, we have been placed in the top 10 on the Social Mobility Index, ranking second overall, something we are immensely proud of.

Community Fund

In 2020 we decided to support local charities and community groups with over £20 million of support planned in the ten years from 2020. Since launching our Severn Trent Community Fund, we have awarded over £11 million to around 900 organisations, helping to strengthen communities and enhance local environments.

In 2025/26, the Fund distributed £1.8 million to 92 organisations. As part of our commitment to social mobility, we also ringfence £50,000 each year for a dedicated bursary programme delivered in partnership with the Social Mobility Foundation, supporting disadvantaged young people to access education and career opportunities.





SOCIAL IMPACT – DELIVERING LONG-TERM SOCIAL IMPACT ACROSS OUR REGION

Our Social Impact Strategy is built on a clear ambition: to tackle the underlying causes of water poverty by improving affordability, developing skills and creating pathways into employment across the communities we serve. Since launching in November 2022, the strategy has evolved into a coherent, place-based model that supports customers at every stage – from immediate financial pressure to long-term economic resilience.

Affordability as the foundation

Affordability remains the most significant challenge facing many of our customers. We currently support over 300,000 customers through our financial support schemes, a figure expected to rise to 700,000 by the end of AMP8.

Supporting aspiration and skills from an early age

Since launching our Social Impact Strategy in 2022, we have supported over 20,000 pupils across Birmingham, Coventry, Derby and Leicester. They have taken part in Discovery Days, work experience and benefited from our delivery in schools, including 19 multi-year school partnerships in areas of high deprivation. This early engagement helps build skills, raise career awareness and create clear pathways into work experience, employability programmes and our early talent routes.

Pathways into employment

Practical exposure to the workplace plays a critical role in improving employability. We have pledged to deliver 500 work experience placements annually, prioritising young people without existing networks and pupils from our partner schools.

We have exceeded that ambition by providing over 800 face-to-face work experience places and a further 900 virtual placements this year.

Joining Severn Trent through LEAP

LEAP is a two-day employability programme delivered with the Job Centre Plus, supporting unemployed candidates to navigate the recruitment process.

Driving inclusive recruitment and job creation

Our contact centres in Leicester and Edgbaston have already created over 180 new roles in the first year of AMP8. We have widened access by removing academic entry requirements for apprenticeships where feasible and all graduate degree grades. We fully utilise our apprenticeship levy, prioritising job creation, having drawn down 3.4% more than last year.

Our approach is recognised by partners such as Coventry City Council and the West Midlands Combined Authority, and we recently achieved a 'Gold' charter mark from the Social Recruitment Advisory Group, alongside a Social Value Award.

Flagship Programmes

LEAP (Learning, Employability & Preparation)

400+

participants since September 2024.

c.22%

conversion into Severn Trent employment.

84 hires

made to date, in the first recruitment wave.

Big Boost Job Fairs

6 job fairs

held in Coventry, Birmingham, Leicester and Derby.

c.3,000

attendees heard about jobs with Severn Trent, our supply chain and other regional employers.

88%

felt more confident with their job search after attending.

Care experienced programme

Delivered

through a 12 employer consortium, which we lead as regional convener.

38

young people took part in the programme last year with an 87% completion rate.

Job Rotation (with Coventry City Council)

12-week

paid placements designed to build meaningful work experience.

50

participants, 64% Not in Education, Employment, or Training ("NEET") prior to joining.

49%

went on to achive positive outcomes.

Youth Trailblazer (WMCA)

8-week

paid placements for young people who are NEET.

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

We rely on the natural environment to deliver our services to customers, and we know that climate change brings uncertainty. This presents both risk and opportunity. As we build momentum across our investment programme, our focus is on building resilience in a changing future. As a result, our capital value will grow, our activities will become more carbon efficient and our capability to respond to extreme weather will increase.

Our climate and nature strategies

Our culture embraces nature as a partner. We rely on it to deliver our services, through using water resources, supporting biodiversity, and to build natural flood defences and nature-based solutions for our treatment processes. Our strategies centre on three key pillars:

1. Investing for resilience and adapting to climate change

Climate change increases flood risk, water scarcity and drought pressures. We learn from these events and model how impacts may change in future. This builds our resilience in uncertainty and helps us plan for different scenarios. Analysing impacts from the 2025 drought has further informed refinements to our approach. Better site level data is helping us to direct investment to vulnerable areas; and we are using asset-specific scenario work (on sewers, boreholes and distribution service reservoirs) to risk-assess our asset health measures.

2. Climate change mitigation and our Net Zero Transition Plan

Our Net Zero Transition Plan included in our Severn Trent Plc Annual Report and Accounts sets out our Paris aligned pathway to net zero. We plan to invest £295 million this AMP to support delivery of our near term targets. Preparations are underway to mobilise resources and roll out novel technologies at scale. Our emissions may rise as we scale up investment, but we expect to hit our 46% reduction target in Scope 1 and 2 emissions by 2031 on a 2019/20 baseline.

We continue to share lessons learned from our Net Zero Hub and industry forums. We chair the Water UK Energy Managers Forum and co-chair the Water Carbon Network. As our 2026 targets reach maturity, we are delivering a new set of ambitions and implementation plans that will reflect SBTi guidance when finalised in 2027. These will challenge us to go further in reducing our environmental impact and will incorporate ambitions to address Scope 3 emissions.



3. Protecting and enhancing nature and the environment

We continue to focus on nature positive solutions that will support habitat recovery by 2030:

Habitat Enhancement

We exceeded our previous target to improve 5,000 hectares of land, enhancing 16,200 hectares in AMP7. We recognise the importance of targeted biodiversity improvement in increasing resilience to climate change, as well as the wider benefits to the environment. We are now targeting 15% Biodiversity Net Gain ('BNG') on all capital and infrastructure projects that require ecological appraisals. This exceeds the UK Environment Agency target of 10%. We are also working in partnership with the National Forest, investing nearly £1 million in the management of 600 hectares, funding landowner grants, habitat improvements and ecological monitoring.

Aligning to the Global Biodiversity Framework

As we explore nature transition planning, we continue to challenge our business with performance targets on nature and learn from other businesses on their approaches to nature positivity.

We are an active member of the GFI water sector working group, working closely with the WWF-UK to develop guidance on Nature Positive Transition Pathways which supports private sector action on nature in the UK.

Our biodiversity enhancement

This map shows the areas where we have already positively impacted the environment across our region, improving biodiversity in a range of habitats and locations. These habitats deliver multiple benefits, including carbon sequestration, flood mitigation, improved water quality, and reduced operational risks from extreme weather. We are committed to doing more in AMP8.

Grassland and scrub also support healthy soils, which are essential for sustainable land management and in reducing pollution run-off from land (diffuse pollution).

We work with third parties on moors, heathlands and peatlands, which all help regulate and filter water, prevent erosion and store carbon. Their restoration cuts greenhouse gas emissions, improves river resilience and improves raw water quality.



A DRIVER OF POSITIVE CHANGE

Get River Positive

Since launching Get River Positive in 2022, we have remained focused on reducing our impact on river systems and contributing to their long-term resilience, guided by five pledges that shape our ambition and actions.

Over the past year, we have continued to make strong progress. We remain committed to investing in innovative, sustainable approaches and welcome increased scrutiny of river health and the drive for stronger environmental protection, which align with our ambitions.

Our AMP7 commitments are complete and we are using the learnings to work on the next phase, which we will deliver by 2030. We will outline new targets and ambitions in the next annual report, including our progress against them.

To find out more about how we are making a difference to rivers in our region, subscribe to our newsletter here.

Pledge One: Ensure storm overflows and sewage treatment works do not harm rivers

We continue to invest in our storm overflow spill reduction programme, targeting improvements where they deliver the greatest benefit for river health.

Since launching the programme in 2024, we have completed more than 3,000 upgrades, delivered by a dedicated team completing an average of 21 schemes each week. These range from increased stormwater storage capacity to new treatment solutions and network interventions that reduce storm overflow spills. Our data is now beginning to evidence the impact of this work. Defra recognised this progress in its Storm Overflow Discharge Reduction Plan Progress Report (December 2025), confirming that we exceeded our regulatory targets and ended 2025 with an average of 16 discharges (September 2024 to August 2025).

We have worked hard this year to reduce the annual average spill number further to 15. This large scale engineering programme along with drier weather, has delivered a 41% improvement in spill frequency performance in 2025 compared to 2024.

Reducing harm

Across the UK, only a small proportion of waterbodies meet good ecological status. In 2024/25 we reduced our contribution to RNAGs (Reasons for Not Achieving Good Ecological Status) to 10.8%, with a further reduction to below 9% in 2025/26. We have addressed our impacts on 181 waterbodies and remain on track to achieve no more than 2% of RNAGs from our treatment works and storm overflows by 2030.

In 2025, we cut phosphorus released from our treatment works by over 38%. As climate pressures intensify, we remain focused on minimising river impacts and strengthening long-term environmental resilience.

Ready for extreme weather

The past year saw a range of weather extremes, from drought conditions to almost double the rainfall in November 2025 compared with 2024. During Storm Claudia, some areas received a month's rainfall in six days, yet our network recorded 32 spills per millimetre of rain, compared with 168 during Storm Babet in 2023. This reduction demonstrates the effectiveness of our investment in improving resilience and reducing spills.

Pledge Two: Create more opportunities for everyone to enjoy the region's rivers

Pledge 2 focuses on improving the quality of the local environment and creating opportunities for people to enjoy our rivers and visitor sites.

The quality of the local environment directly influences the wellbeing of the communities we serve, and rivers are central to this. Creating opportunities to access rivers and our visitor sites remains a priority.

We are focusing on increasing opportunities for people to enjoy natural spaces while continuing to enhance the environments we look after. Our visitor sites provide high-quality blue green spaces for local communities, and we continue to invest in making these spaces accessible, safe and enjoyable.

Following the success of our first supervised open water swimming trial at Carsington Water in 2024, we worked with our onsite sailing operator – who achieved Beyond Swim accreditation – to enable regular managed swim sessions in 2025. We also partnered with an event organiser to plan a triathlon at the site. However, unprecedented dry weather during spring and summer 2025 led to significantly reduced water levels, and all planned activities were cancelled to protect participant safety and maintain experience standards.

Our commitment to these activities remains unchanged and we plan to progress events at Carsington Water and expand, with similar opportunities across additional sites from 2026 onwards.

Bathing water designations in Shropshire

In May 2024, Ludlow, Shrewsbury and Ironbridge were designated as bathing water sites, reflecting long standing community commitment. These sites are now monitored by the Environment Agency during the bathing season.

Through PR24, we have secured funding to assess what it will take to meet bathing water standards in a way that is sustainable, proportionate and affordable for customers. Work in Shrewsbury and Ironbridge is progressing through Ofwat's gated process, while in Ludlow improvements are already underway.

We continue building the evidence base through catchment studies and partnerships to address wider pressures and identify effective, long term solutions.



A DRIVER OF POSITIVE CHANGE

Pledge Three: Support others to improve and care for rivers

Collaboration remains central to restoring river health, recognising that no single organisation can deliver this alone. By working with communities, environmental partners and other sectors, we are able to drive greater, more lasting impact across our catchments.

We continue to support community-led initiatives through our Community Fund, including investment in projects that enhance river health and enable more effective local action, such as equipment for river clean-ups.

Partnership with farmers is a key priority. Through our Severn Trent Environmental Protection Scheme ('STEPS'), we provide funding, advice and practical support to reduce agricultural pressures on rivers. In 2025, the scheme was expanded to reach more farms, with 474 applications received across 320 farms in 45 catchments. To date, we have invested nearly £1.5 million in on-farm measures to improve water quality.

Our River Rangers play an important role on the ground, carrying out asset inspections, monitoring water quality and supporting restoration activity. Over the past year, they completed more than 6,600 riverside inspections and engaged directly with over 1,600 people, helping to build understanding, strengthen relationships and support collective action for healthier rivers.



Pledge Four: Enhance rivers and create new habitats so wildlife can thrive

Protecting and restoring nature remains at the heart of our approach, with biodiversity guiding how we manage water and care for the environments we depend on. We go beyond compliance, recognising that healthy ecosystems are essential to a sustainable future, and continue to invest in innovative, nature-based solutions to support recovery by 2030.

Following Ofwat's Final Determination and the introduction of a common Biodiversity Net Gain ('BNG') framework, we have strengthened our approach to delivering measurable biodiversity improvements. Our ecology team has expanded, with 11 new specialists driving habitat restoration, developing Biodiversity Action Plans across our sites, and leading benchmarking work with The Wildlife Trust.

We have significantly exceeded our targets in 2025/26, creating and enhancing over 31 km of habitat on third-party land, supported by strong partnerships with local farmers. We have also surpassed our Great Big Nature Boost commitment, improving 16,200 hectares of land against an original 5,000 hectare target, and planted over 1 million trees towards our 1.3 million pledge by 2027.

We remain committed to maintaining these gains, funding ongoing habitat management and working with partners to ensure long-term ecological benefits are secured.



Pledge Five: Be open and transparent about our performance and plans

Over the year, we strengthened our commitment to openness and transparency in several key areas.

We continued to develop the work we do with our Get River Positive Advisory Panel. We welcome a new agricultural representative, Martin Lines, CEO of Nature Friendly Farming and also introducing Steve Frost, a new member from The Angling Trust, after Stuart Singleton-White left the organisation. The panel's expertise and constructive challenge play an important role in shaping and scrutinising our work to support healthier rivers. They help ensure that we stretch ourselves operationally and remain focused on fulfilling our pledges and our ambition to go further than just regulatory requirements.

We have continued to improve transparency and accessibility of information for our customers and stakeholders. Our storm overflow map has been enhanced to provide clearer updates on planned and completed improvements at each Combined Sewer Overflow ('CSO'), helping communities track progress in the areas that matter most to them.

We have also strengthened our reporting of Event Duration Monitoring ('EDM') data, moving from annual to quarterly publications and now providing monthly 'stop–start' data. This gives a more timely and detailed view of network performance. In 2025, EDM monitors operated on average 96.3% of the time, supported by ongoing investment to maintain and improve data reliability.

In addition, we published our Open Data Strategy, improving the accessibility, quality and usability of our datasets through better documentation, standardised formats and richer context. Collaboration with customers, stakeholders and industry partners remains central to building trust and supporting a more transparent water environment.

Continuous water quality monitoring

We continued preparing for the rollout of our Continuous Water Quality Monitoring Programme, a key requirement of the Environment Act 2021, providing a clearer long-term picture of river health upstream and downstream of our assets.

In 2025/26, we built delivery capability, including testing technologies, securing sites, and developing systems to manage data. By 2030, we plan to install approximately 1,000 monitors across 500 priority locations.

Monitors will track key indicators such as temperature, turbidity, ammonia, pH and dissolved oxygen, supporting ecological baselines and future investment. We also support citizen science through partnerships to strengthen local understanding of river health.



While no single organisation can secure the future of our rivers alone, we remain committed to playing our full part by reducing our own impact, investing in long-term solutions and working collaboratively with those who share our ambition. Through continued partnership, innovation and transparency, we will keep driving improvements that support healthier, more resilient waterways for the communities we serve.

OUR APPROACH TO BOARD LEADERSHIP, TRANSPARENCY AND GOVERNANCE

OUR APPROACH TO BOARD LEADERSHIP, TRANSPARENCY AND GOVERNANCE

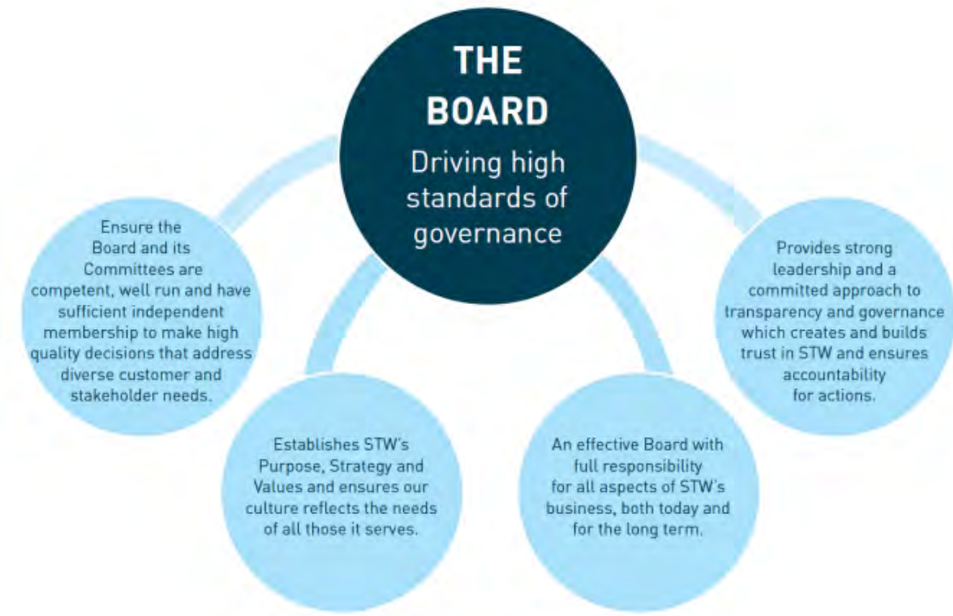
Transparency remains a fundamental principle within our sector. We are committed to delivering for all stakeholders – particularly our customers – by upholding the highest levels of corporate governance and providing clear, meaningful reporting. The Board formally considers customer outcomes in all major decisions, including investment, dividend and remuneration decisions. The Board considers the impact of its decisions on key stakeholders, including customers, employees, the environment, local communities and investors, to support long-term sustainable success.

We regularly review our reporting on board leadership and governance to identify ways that our reporting can be further enhanced, and feedback from our stakeholders is welcomed.

Ofwat's Board Leadership, Transparency and Governance framework ('BLTG'), which came into effect in April 2019, reinforces the important role of effective corporate governance and strong board leadership in driving high standards and the proper discharge of functions. Severn Trent Water Limited's Licence requires the Company to meet the BLTG objectives and to explain in an effective, accessible and clear manner how this has been achieved.

The Board is satisfied that all objectives under the BLTG have been met during 2025/26; this section of the report provides further detail and outlines how the Company continues to deliver for its customers and other stakeholders.

In addition to the dedicated governance arrangements described above, as a subsidiary of a FTSE 100 listed Company, the Company has chosen to apply the highest standard of corporate governance in line with the principles of the 2024 UK Corporate Governance Code (the '2024 Code'). The **Severn Trent Water Limited Annual Report and Accounts 2025/26** (the 'Annual Report') outlines the way in which the Company has voluntarily applied the principles of the 2024 Code during the year.



This section references a number of documents and reports that provide further detail to support our statements. You can find more detailed information about both the Severn Trent Water and Severn Trent Group (the 'Group') policies on our websites.

We provide relevant cross references throughout this section and the wider Annual Performance Report.

Documents available at severntrent.com

- Severn Trent Plc Annual Report and Accounts
- Our Group Company Structure
- Severn Trent Water Limited Articles of Association
- Severn Trent Water Limited 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
- Severn Trent Water Code of Practice

OBJECTIVE 1: 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.

i. 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 recognises the importance of the Company's purpose, strategy, values and culture in building and maintaining trust and delivering long-term success in order to ensure strong performance delivery for customers and the environment, both now and over time.

Our company purpose – 'taking care of one of life's essentials' – together with our supporting values – 'having courage, embracing curiosity, showing care and taking pride' – were developed together with our people and customers to ensure they reflect the critical role we play as a provider of an essential public service.

Since its launch in 2020, we continue to be guided by our purpose in all that we do. It forms the foundation on which we have built meaningful and long-standing relationships with our customers and wider stakeholders.



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 strive to 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, strategy and values are consistent with, and support, our culture of Doing the Right Thing.

Our culture is embodied by everyone in our business – from the boardroom to the frontline – every day, in the decisions they make and the actions they take. The Board recognises the need for the Company's culture to be performance driven, transparent and inclusive to ensure that we deliver our strategy for the benefit of our customers, communities and the environment. Organisational culture is also a key ingredient in attracting and retaining the talent we need to deliver for our customers and broader stakeholders, both now and in the future. Our inclusive culture celebrates diversity and inclusion in all its forms, and embraces individuals' contributions, no matter their age, gender, race, ethnicity, disability, sexual orientation, social background, religion or beliefs.

The Board, and individual Directors, are committed to acting with integrity and demonstrating a strong tone from the top in promoting the desired culture, which is why Board members participate in the relevant mandatory e-learning modules alongside colleagues, covering topics including Doing the Right Thing, Anti-Bribery and Anti-Fraud, and Modern Slavery Awareness.

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

iii. 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.

iv. 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.

The Board, and individual Directors, ensure that the Company's strategy, values and culture are consistent with its purpose. Our Board is supported by the Severn Trent Governance Framework, which underpins effective decision-making and oversight, and ensures that our culture of Doing the Right Thing is consistently reflected across the business. The Framework enables regular monitoring of the Company's values and culture to confirm alignment with our purpose and to take action where needed. It is also subject to periodic review to ensure it remains appropriate and fit for purpose. The Board holds the CEO and the Executive Committee to account for creating and fostering a positive culture and continually assesses that the necessary culture exists to deliver our strategic goals and deliver for customers. This is supported by a programme of dedicated agenda topics at Board and Committee meetings, complemented by direct interactions with the workforce through our Company Forum and by meeting our employees in person throughout the year. Directors are therefore able to demonstrate a strong tone from the top and draw on their experiences first-hand.

Company purpose and culture, talent development and people strategy are discussed at Board meetings throughout the year. The Board receives an annual update on culture and diversity and remains focused on building a workforce that reflects our local communities and supports under-represented groups. This is supported by the following dedicated agenda items:

Employee engagement surveys

The Board reviews the results of the annual employee engagement survey to assess how engaged our workforce is compared to our peers and global utilities. For 2025/26, employee engagement was 8.8 out of 10 (2024/25: 8.6). The survey assesses our employees' perception of how the Company's values link to our purpose and support positive behaviours throughout our organisation. The Board places great emphasis on understanding the outputs of engagement surveys and ensuring that resultant actions are monitored through to completion.

Workforce policies and practices

The Remuneration Committee and Board review, at least annually, the Company's workforce policies and practices to ensure they remain consistent with the Company's purpose, values and culture and support its long-term sustainable success.

Employee voice and engagement

In addition to the above, our Board spends a significant amount of time engaging with colleagues through a range of mechanisms designed to promote open, two-way dialogue and provide meaningful insight into the Company's culture.

- **Company Forum:** our formal workforce engagement mechanism, bringing together employee and Trade Union representatives with Board members. It provides a structured opportunity for the Board to hear first-hand views on workplace issues, business priorities and employee experience.
- **Site visits**: undertaken throughout the year to enable Board members to meet colleagues in their working environments, observe day-to-day operations, and see how our values and culture are reflected in practice across different parts of the business.
- **Meet Our Board events:** informal sessions where colleagues are invited to engage directly with Directors, ask questions, and gain a clearer understanding of the Board's role and priorities. These events help build visibility and approachability of the Board.
- **Colleague Network groups:** Board members attend meetings of our four colleague networks (LGBTQ+, Ethnicity, Disability and Women's Network), providing an opportunity to hear directly about progress on diversity and inclusion, understand the lived experiences of colleagues, and consider how these insights should shape future Board discussions.

This robust programme of activity enables our Board to satisfy itself that policies, practices and behaviours throughout the business are aligned with our purpose and culture. This assessment is informed by employee engagement survey results, feedback from workforce engagement activity, and culture indicators including confidence to speak up. No misalignment was identified during the year and, as such, no corrective action was required to be taken.

Further details of how our Board monitors culture and engages with employees are included throughout the Strategic Report of the Annual Report. A statement from our Board on how the Company has set its aspirations and performed for all those it serves can be found in our Board Statements section of this APR.

WHISTLEBLOWING

As outlined above, at Severn Trent we foster a culture of trust, honesty and openness. We are proud of our approach to whistleblowing and the open and transparent culture within our business, which encourages reporting of potential wrongdoing, the support we give to whistleblowers and the investigation of concerns.

The Company has established procedures by which all employees may, in confidence, report any concerns. Our Whistleblowing Policy, 'Speak Up', sets out the ethical standards expected of everyone who 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 or HR Team, and through our confidential and independent whistleblowing helpline and online channel, 'Safecall'. All investigations are carried out independently with findings being reported directly to the Audit and Risk Committee.

In line with our culture of continuous improvement, we establish learnings and potential trends from whistleblowing reports and share lessons learned across the business to embed improvements where necessary. We evaluate our whistleblowing processes, both internally and externally, to ensure their continued effectiveness. The Board has reviewed these arrangements again this year 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. The findings from these reviews frequently identify many examples of good practice within the Company's approach.

Rebuilding trust is one of the most important things in our sector and upholding the highest levels of corporate governance is a key component of that. The Board sets the right tone from the top and ensures that the Company's desired culture is embedded at all levels of the Company.

OBJECTIVE 2: THE APPOINTEE HAS AN EFFECTIVE BOARD WITH FULL RESPONSIBILITY FOR ALL ASPECTS OF THE APPOINTEE'S BUSINESS FOR THE LONG TERM.

Our Board has full responsibility for overseeing all aspects of the Company's business, including setting the Company's strategy. This enables the Board to discharge its oversight of the Company's performance for stakeholders, both now and over time, and hold management to account. The Board provides constructive challenge to management, particularly on performance, risk and long-term resilience.

Within the Group, subsidiary company boards are managed through designated and well-defined governance processes. In particular, the relationships between Severn Trent Water Limited and our other Severn Trent Plc Group businesses are monitored and reviewed to ensure their continued appropriateness, and operate on an arm's length basis. This section of our report describes the tailored governance arrangements in place for Severn Trent Water Limited.

i. 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.

As a regulated entity within the Group, the Severn Trent Water Limited Board operates its own, distinct, tailored governance arrangements and dedicated Schedule of Matters Reserved to its Board. Our Matters Reserved to the Board document outlines the Board's responsibility for all aspects of the Company's business, including specific matters outlined within its Instrument of Appointment.

The Board has full responsibility for all aspects of the Company's business, including the freedom to set, and have accountability for, all aspects of the Company's strategy to support performance delivery for all stakeholders. The Board is responsible for reviewing the Matters Reserved to the Board and the latest review took place in March 2026. The Board determined that the Schedule contained areas appropriate to require Board involvement, including in relation to strategy, performance oversight, matters outlined within the Company's Instrument of Appointment, structure and capital, regulatory and financial reporting, controls and communication with stakeholders. The Schedule of Matters Reserved to the Board is available on our website.

There are no matters relating to the Company's regulated activities contained within the Severn Trent Plc Board's Schedule of Matters Reserved to its board.

ii. 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 Company's Governance Framework comprises the Board, Executive Committee and their respective committees. The Governance Framework is illustrated below and shows the relationship between the Board, its Committees and the Executive and how decisions flow through the organisation.

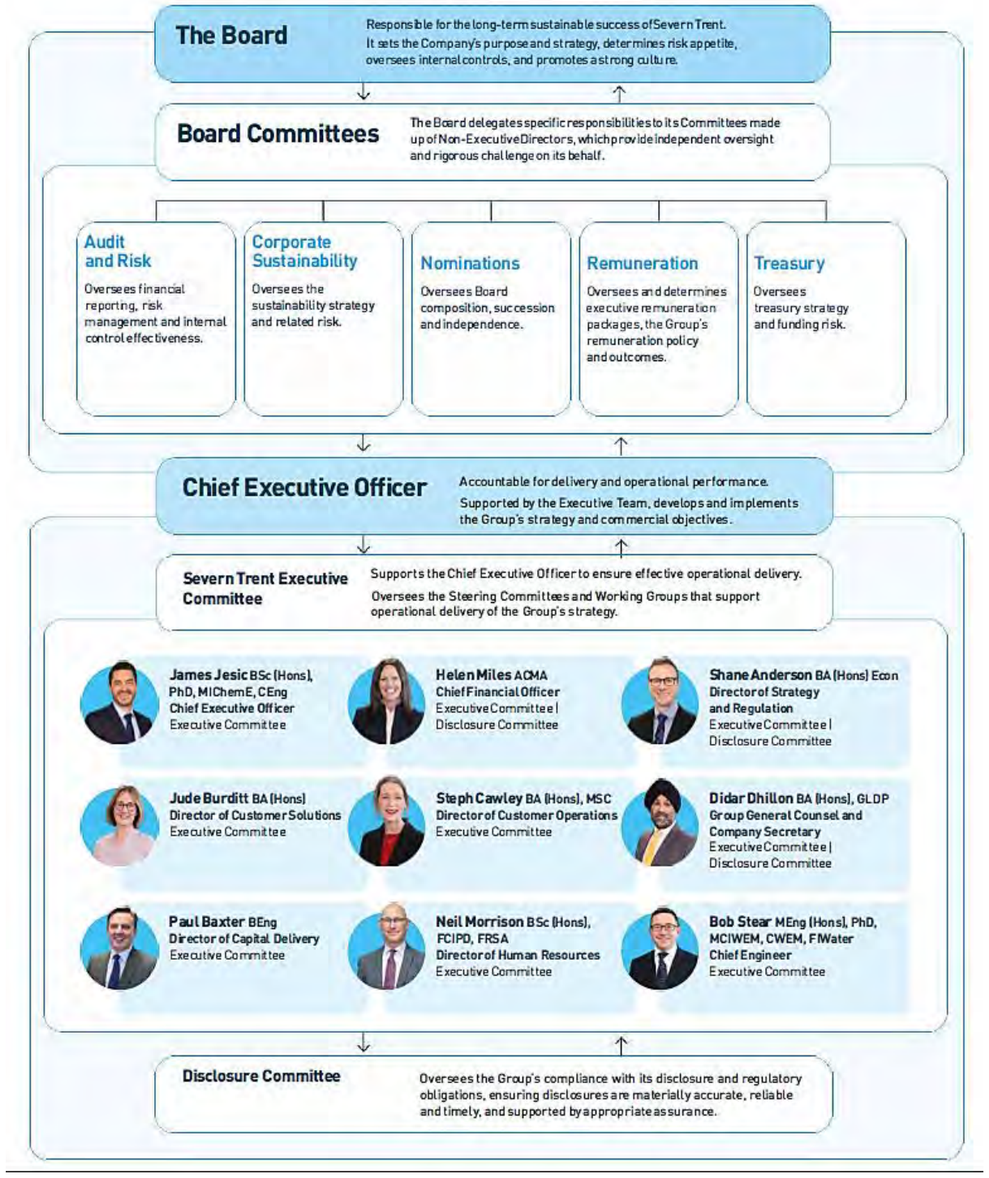
The Board delegates certain roles and responsibilities to its various Committees. The Committees assist the Board by discharging their delegated duties responsibly, and making any necessary recommendations to our Board in line with their respective Terms of Reference.
The Board reserves, for its own determination, matters of strategic and regulatory importance and reviews the Terms of Reference for each Committee on an annual basis. The Governance Framework is also subject to periodic review to ensure that it remains appropriate.

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 accountability for delivery of the Company's strategy, whilst also setting a strong tone from the top in promoting the Company's desired culture and holding management to account for the Company's performance for customers and the environment.

Membership of the Severn Trent Water Limited Board is the same as the Group's ultimate parent company, Severn Trent Plc. This arrangement is considered appropriate as the Company's regulated activity represents approximately 88% of the Severn Trent Group's revenues. As such, these arrangements increase the efficiency and effectiveness of the Company's corporate governance arrangements. As outlined above, 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 colour coded agendas and minutes by Company Secretariat and advised in their meetings by the Company Secretary.

Governance Framework

Strong governance underpins the delivery of our strategy, reflecting our commitment to accountability, responsible decision-making and long-term sustainable performance. The framework reflects the Board's overall responsibility for governance, internal controls and transparent reporting embedded in our well-established culture of Doing the Right Thing.



iii. 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.

As outlined above, the tailored governance arrangements and Schedule of Matters Reserved to the board we have in place ensure that our Board 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 judgment.

We have a Conflict of Interest Policy in place for all Severn Trent Plc Group companies, which ensures that each individual company Board and their Committees consider potential conflicts at the outset of every meeting. As part of our usual oversight and monitoring processes, individual company Boards also formally review the authorisation of any potential conflicts of interest every six months, with any identified conflicts being recorded in the Conflicts of Interest Register.

Should a conflict ever arise, the Directors would be responsible for acting (and taking decisions) in accordance with Section 172 of the Companies Act 2006, by acting in a way they consider, in good faith, would be the most likely to promote the success of the Company. No material conflicts of interest were identified during the year.

A copy of the Conflicts of Interest Policy can be found on our website.

OBJECTIVE 3: THE BOARD OF THE APPOINTEE'S LEADERSHIP AND APPROACH TO TRANSPARENCY AND GOVERNANCE ENGENDERS TRUST IN THE APPOINTEE AND ENSURES ACCOUNTABILITY FOR THEIR ACTIONS

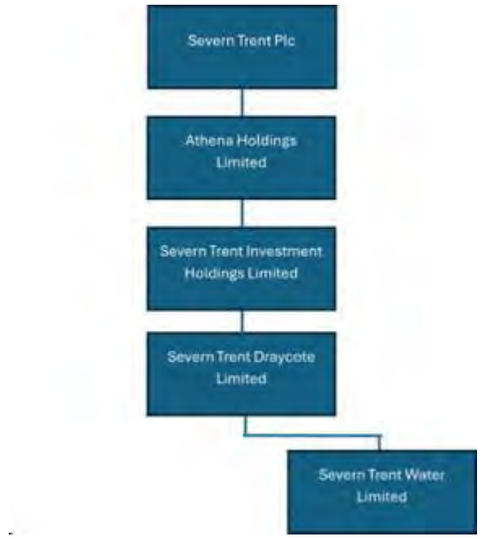
i. An explanation of group structure.

Severn Trent Water Limited is the principal operating subsidiary of Severn Trent Plc, which is listed on the London Stock Exchange and is a constituent of the FTSE 100 Index.

In addition to the objectives under Ofwat's Framework, Severn Trent Water Limited has chosen to apply the principles of the 2024 Code to its governance arrangements where appropriate and reasonably practicable to do so. Further details of how the 2024 Code principles and provisions were applied during the year are set out in the Annual Report.

The immediate parent company of Severn Trent Water Limited is Severn Trent Draycote Limited, which has held 100% ownership since 2011. There have been no changes to the ownership structure during the year, and there are no plans for any changes.

The full Severn Trent Group ownership structure can be viewed on our website.



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

The Severn Trent Water Limited Dividend Policy, including how we have applied our Policy, core principles and recent licence modifications, is set out in the Regulatory Statements and Dividends sections.

The Board has considered a range of factors in recommending our dividend this year, including the Company's performance delivery for customers and the environment, both now and over time, the broader performance of the Company and the long-term financial resilience of the Company. This includes explicit consideration of customer outcomes and service performance alongside financial metrics. You can read more about the process that the Board undertook to assess the Company's performance in the Dividend in the Round section.

iii. 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 future success of the business and the ways in which these risks are managed, monitored and mitigated are set out in the **Annual Report**.

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. Details of Board and Committee membership, number of times met and attendance at each meeting is set out on the following page:

Board and Committee Meeting Attendance 2025/26

Director	Board (inc. strategy day)	Audit and Risk Committee	Corporate Sustainability Committee	Nominations Committee	Remuneration Committee	Treasury Committee
Christine Hodgson	7/7	-	4/4	4/4	6/6	-
Liv Garfield	5/7	-	-	-	-	-
James Jesic	2/7	-	-	-	-	-
Helen Miles	7/7	-	-	-	-	-
Kevin Beeston	1/7	-	-	-	1/6	-
Sharmila Nebhrajani	7/7	-	4/4	4/4	6/6	-
Tom Delay	7/7	-	4/4	4/4	-	-
Sarah Legg	7/7	6/6	4/4	4/4	-	5/5
Richard Taylor	7/7	6/6	-	4/4	6/6	5/5
Nick Hampton	7/7	6/6	-	4/4	6/6	5/5

Changes to Board composition in the 2025/26 financial year: James Jesic was appointed to the Board on 1 January 2026 and Liv Garfield retired from the Board on 31 December 2025. Kevin Beeston retired from the Board on 30 April 2025.

Further detail on the Board members, including details of their career backgrounds, relevant skills, Committee membership, tenure and external appointments can be found within their individual biographies in the Annual Report.

v. 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 is subject to rigorous scrutiny from the Severn Trent Plc Remuneration Committee that operates on behalf of all Group companies, including Severn Trent Water Limited, as outlined in the Governance Framework. Our Remuneration Policy is aligned to our purpose, strategy and values to incentivise performance delivery for customers and the environment, both now and over time.

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 strategy can be found within the Regulatory Statements and Executive Remuneration sections.

Details of our Remuneration Policy are also set out within the Executive Remuneration section, explaining how the criteria for awarding short and long-term performance elements are substantially linked to our performance and are rigorously applied.

In addition to our Remuneration Policy, and the criteria for awarding short and long-term performance-related remuneration in overseeing remuneration outcomes, the Remuneration Committee ensures that performance is assessed in the round and over time through a number of lenses, incorporating a variety of stakeholder perspectives, as set out in more detail in the Executive Remuneration section.

OBJECTIVE 4: 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.

The Board places great emphasis on ensuring that meetings are well run, in order that they can make high quality decisions for the mutual benefit of the Company's stakeholders. The Chair, supported by the Company Secretary, invests a significant amount of time preparing for each Board meeting, through developing a carefully tailored agenda and Board forward programme that covers all aspects of the Company's strategy, values and culture, performance delivery for customers and the environment and matters outlined within the Matters Reserved to the Board. Flexibility in the programme is important to permit key items to be added to any agenda, so that the Board can focus on evolving and important matters at the most appropriate time.

To ensure sound information flows to the Board, meetings are supported by high-quality reports that provide a transparent account of the Company's performance. Papers are circulated well in advance of the meeting to ensure that Directors have adequate time to review the materials. A typical Board meeting will comprise the following elements:

- Dedicated customer, community and health and safety 'moments'.
- Written reports from the Chairs of Board Committees including key discussion points and particular matters to bring to the Board's attention.
- At least half of the Board's agenda is dedicated to performance oversight, ensuring that the Board is effective in discharging its oversight of the Company's performance and is able to constructively challenge on areas of focus where necessary.
- Deep dive reports into areas of particular strategic and / or performance-related importance, to evaluate progress, provide insight and, where necessary, hold management to account and decide on appropriate action.
- Dedicated sections relating to regulatory matters reserved for the Board, stakeholder engagement risk and legal / governance updates.

Time is set aside at the end of every Board meeting for the Chair to hold a private meeting with Non-Executive Directors, this provides the opportunity for further discussion on key agenda items and any other matters without the Executive Directors and management present.

Ahead of most Board meetings, the Non-Executive Directors meet informally, sometimes with the wider Board, Company Secretary or key stakeholders. These sessions strengthen relationships, encourage open discussion and enhance decision-making.

Across the year, some Board meetings take place at operational sites, complemented by a programme of other additional site visits outside of the formal Board schedule, giving Directors the opportunity to observe the Company's operations first hand and meet colleagues to gain further insight into our culture.

i. 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.

The Board and its Committees benefit from a broad range of backgrounds, skills and strengths. Full biographies and the Board skills matrix for each Director can be found in the Annual Report.

The skills matrix 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. To ensure effective performance oversight, the Board places great emphasis on ensuring sufficient customer and stakeholder expertise on the Board as a whole. As outlined in the skills matrix, 75% of the Board possess customer expertise.

The skills matrix is reviewed at least annually to make sure it continues to meet business needs, today and in the future. It is aligned with our strategic priorities, to ensure the Board remains fully equipped to deliver our strategy and purpose, and provide challenge to the Executive Committee.

ii. Independent Non-Executive Directors are the largest single group on the board.

As at 31 March 2026, the Board comprised the Chair (who was considered independent on appointment), five Independent Non-Executive Directors and two Executive Directors. During 2025/26, Independent Non-Executive Directors formed the largest single group on the Board.

iii. 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, Christine Hodgson, is a Non-Executive Director, who was considered independent at appointment on 1 April 2020.

The roles of Chair and Chief Executive are separately held and their responsibilities are well defined, set out in writing in the Charter of Expectations, and regularly reviewed by the Board. 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 Severn Trent Plc Nominations Committee, and as part of the annual Board Performance Review. Details of the division of responsibilities can be found in the Charter of Expectations document, available on our website.

iv. 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, its Committees and individual Directors is reviewed annually, with an externally facilitated review every three years as required by the 2024 UK Corporate Governance Code. The review considers the balance of skills, experience, independence and knowledge on the Board and its Committees, their diversity, how stakeholder needs are addressed and how the overarching objectives are met.

Board Performance Review Cycle

During the year, the Board completed its 2025/26 internal performance review, the third year of its three year evaluation cycle. The review considered the effectiveness of the Board and its Committees, including the quality of challenge and decision making, the culture of open dialogue, and how effectively Directors and the Executive Team work together to deliver the Company's strategic objectives.

The review also assessed Board composition, including the balance of skills, experience, independence and diversity, and how these support effective collaboration and robust discussion. Diversity is recognised as a key contributor to Board effectiveness, bringing a range of perspectives and constructive challenge.

The Board's three year performance review cycle is aligned with the 2024 Code and the Corporate Governance Institute's Principles of Good Practice, supporting continuous improvement in Board effectiveness, composition and diversity.

2025/26 Board Performance Review Findings

The review confirmed that the Board continues to operate effectively, with strong strategic debate, constructive challenge and a positive, values-led culture. Directors highlighted high-quality information flows, supported by site visits and external speakers at meetings, and a strong working dynamic between the Board, Executive Directors and Senior Management.

The Board's strategic focus, collaboration with the Executive Team and engagement across the organisation were all viewed as key strengths. Stakeholder engagement remains robust, particularly with regulators, government and the workforce. Committees were assessed as highly effective with strong Chair leadership, and relationships around the Board table continue to be open and constructive.

The review concluded that, whilst the Board was operating very effectively, there was scope for minor areas of improvement and more information on the Board's action plan for 2026/27 can be found in the Annual Report. The Board will continue to oversee the progress made in relation to the agreed actions to ensure their timely completion.

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

All 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. Decisions on appointments are a Matter Reserved to the Board.

Throughout the year, the Board and the Nominations Committee dedicated significant time to succession planning to ensure the Board maintains the right balance of skills, experience, and diversity, while fostering effective challenge. A practical example of this process is illustrated in the adjacent schematic, which led to Nick Hampton joining the Board on 4 April 2025. Nick subsequently succeeded Kevin Beeston as Senior Independent Non-Executive Director on 1 May 2025.

We develop a detailed, tailored induction for each new Non-Executive Director. Full details of the induction process are presented in the Annual Report.

vi. 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.

In line with Ofwat's fit and proper requirements and its expectations regarding the suitability of individuals appointed to the boards of regulated water companies, we ensure that all proposed Non-Executive Directors participate in Ofwat's pre-appointment meeting process. This enables Ofwat to understand the candidate's background and experience, and ensures the individual is fully aware of the responsibilities and regulatory standards associated with serving as a Non-Executive Director in the sector.

Consistent with this approach, all Non-Executive Director candidates proposed for appointment to the board meet with Ofwat ahead of formal appointment.

Fit and Proper Person Test

Severn Trent Water Limited complies with Ofwat's "fit and proper person" requirements for all directors and has established a structured Fit and Proper Person Test ('FPPT') framework which applies to all new appointments and existing directors on an ongoing basis, in line with Ofwat's published Rule and guidance.

The Company applies a risk-based approach to the FPPT, tailoring the nature and extent of due diligence and verification to the role requirements. Assessments are informed by formal self-declarations and supported by independent verification checks, including searches of relevant public registers and review of regulatory and publicly available information, together with professional references and Board-level consideration. Information provided is verified as far as reasonably practicable, and the assessment process and conclusions are documented in accordance with the Rule.

The Company applies the FPPT framework on a continuing basis, including annual re-assessment. Directors are required to notify the Company of any material changes relevant to the FPPT standards, and such matters are assessed in accordance with the principles of reasonableness and proportionality. Based on the assessments undertaken during the year, the Board is satisfied that all directors meet the requirements of Ofwat's Fit and Proper Person Test and remain fit and proper to carry out their duties.

vii. There is a majority of independent members on the audit, nomination and remuneration committees and the audit and remuneration committees are independently led.

Membership of all Board Committees comprises Independent Non-Executive Directors only, other than the Chair of the Board, who were considered Independent on appointment. More information on the Committees can be found in the respective Committee Reports in **the** **Severn Trent Plc Annual Report and Accounts 2025/26**.

PERFORMANCE SUMMARY

CUSTOMER PERFORMANCE COMMITMENTS

Our services are an essential part of customers' lives. We take this responsibility seriously and strive to keep water flowing and continuously take wastewater away, whilst working with our customers to manage demand. Everyone in Severn Trent is focused on ensuring the very best experience for our customers, whatever the circumstances. Our ambition is to ensure that every customer interaction is dealt with in a timely manner and that we deliver the best possible experience.

Performance Commitment	Units	Performance Commitment Level ('PCL')	Performance Achieved	PCL Met	ODI Payment (£m)
Internal Sewer Flooding	Incidents Per 10,000 Sewer Connections	1.54	1.21	✓	8.464
External Sewer Flooding	Incidents Per 10,000 Sewer Connections	15.29	14.46	✓	5.842
Water Supply Interruptions	Average Property Minutes	00:05:00	00:05:41	×	-1.115
Compliance Risk Index	Score	0.00	1.24	×	0.000
Customer Contacts About Water Quality	Contacts Per 1,000 Resident Population	1.04	1.02	✓	0.123
Customer Measure of Experience	Score	-	62.04	-	-22.990*
Developer Measure of Experience	Score	-	88.29	-	10.727
Business and Retailer Measure of Experience	Score	-	78.44	-	1.196

*Based on UKCSI January 2026 data provided by Ofwat on 1 July 2026.

SEWER FLOODING – INTERNAL AND EXTERNAL

Sewer flooding remains one of the most distressing service failures customers can experience, so we have continued to prioritise prevention, rapid response and long-term mitigation. This year we met our stretching PCLs for both internal and external sewer flooding, demonstrating one of our strongest starts to an AMP.

We delivered our best-ever internal sewer flooding performance, improving by 20% year-on-year, while external sewer flooding reduced by 12% compared with last year. This reflects stronger operational response, proactive prevention and enhanced customer support across the wastewater network.

A key driver was the strengthening of our operational response. Following the insourcing of Waste Infra Response Teams, we increased frontline resource, redesigned shift patterns and embedded a single solver operating model with crews of one person in smaller vans for specific jobs to increase resource availability, enabling us to improve our speed of response. These changes improved attendance times and helped contain external flooding before it spread to multiple properties. Average response time for suspected external sewer flooding reduced from around 83 hours to approximately 48 hours, contributing to a 25% reduction in multi-property events.

Internal sewer flooding also benefited from improved resourcing, routing and shift availability. Average attendance time for suspected internal flooding reduced by 10% to below four hours. Weekly executive-level reviews of every internal flooding incident helped identify root causes, escalate actions and reduce repeat events, supporting our strongest internal performance on record.

We also increased proactive network maintenance, including CCTV surveys, sewer cleansing and defect remediation targeted at flooding hotspots and blockage risk areas. This reduced avoidable flooding by resolving issues before they affected customers and also supported pollution performance. Our continued work with our partner service, Environmental Compliance and Services ('ECAS') has helped reduce fats, oils and greases entering the network, maintaining downward pressure on blockage related flooding.

We progressed a targeted repeat flooding programme, using analysis of AMP7 repeat internal and combined internal/external incidents to deliver property-specific mitigation. This included property-level protection, network upgrades and localised storage where hydraulic capacity was constrained, reducing repeat risk across many identified properties.

We introduced flooding community liaison officers to support customers during periods of high demand, coordinate with local authorities and review existing flood resilience measures. Late in the year, we also established a dedicated Repeat Flooding Reduction Team, operational from May 2026, to undertake root cause analysis and implement permanent remedies at pace.

Heavy rainfall can materially affect sewer flooding performance. Although the second half of the year brought sustained wet weather and several high intensity events, the improvements made across our wastewater network helped limit the impact compared with previous years.

Overall, we delivered significant progress on both internal and external sewer flooding through investment, faster response, stronger governance and improved operational resilience. This provides a robust foundation for further improvement through AMP8.

WATER SUPPLY INTERRUPTIONS

Water Supply Interruptions is a key measure of our operational resilience and reflect our ability to maintain continuity of supply and minimise disruption to customers. While we have not met our PCL this year, our performance is comparable with the improving trend seen over recent years.

Performance during the year was significantly influenced by adverse weather conditions. Storm Goretti in January 2026, which caused multiple power failures at treatment sites and booster stations, as well as difficulties in accessing burst mains in rural areas, alone contributed around 30 seconds to the overall performance outcome of 5 minutes and 41 seconds. In addition, prolonged hot and dry weather during the summer months led to increased ground movement, which contributed to a higher number of burst mains and subsequently water supply interruption events.

The impact of these conditions is reflected in the volume of interruption events, which increased by 95% during July and August with 490 events compared to 251 the previous year. Similarly, the total duration (ODI impact) of the number of large supply interruption events, those greater than 15 seconds including large scale storm events, increased by approximately 90% compared with the previous year. This year those events contributed 1 minute 33 seconds to our overall performance, whereas the same type of events contributed 49 seconds in the previous year. These increases demonstrate the challenges posed by the severe weather conditions experienced during the year and the resulting pressures placed on the network.

Despite this short-term pressure during the summer, underlying performance remains improved relative to previous years. This year the total duration (ODI impact) of the large supply interruption events is approximately 36% lower than in 2023/24, demonstrating the continued effectiveness of our long-term investment and operational improvements in reducing both the frequency and severity of interruptions. While the overall performance outcome has increased compared with the previous year, this longer-term improvement trend demonstrates the progress that has been made in strengthening network resilience and managing the impact of interruptions when they occur.

Our response to interruptions continues to focus on rapid restoration of supply, effective customer communication, and targeted investment in network resilience. This includes proactive management of high-risk assets, improvements in network configuration, and enhanced operational response capabilities to mitigate the impact of incidents when they occur.

Performance this year reflects the impact of extreme and variable weather conditions on supply resilience. Notwithstanding this, the longer-term downward trend in supply interruptions demonstrates sustained improvement. The challenges experienced during the year reinforce the importance of continuing to strengthen network resilience and enhance incident response capabilities to deliver consistent performance against our PCLs in AMP8.

COMPLIANCE RISK INDEX ('CRI')

CRI is a key measure of drinking water quality compliance, as defined by the Drinking Water Inspectorate ('DWI'), and reflects the risk to water quality arising from treatment works performance and customer tap sampling. A lower risk score indicates better performance.

Despite missing our PCL, we are pleased to report that our CRI performance for this year is 1.24, representing our best ever performance and a significant 88% improvement on the previous year's performance of 10.32. This demonstrates a strong step forward in reducing risk and maintaining high standards of drinking water quality for our customers.

Performance improvements have been driven by a combination of strengthened operational control and targeted interventions following our disappointing performance in 2024. A CRI action plan was developed and implemented, including detailed audits of high-risk sites and delivery of a wide range of improvement activities. These actions focused on addressing known risks and improving overall site resilience, including enhancements to operational processes, asset condition and site standards such as fixing hatches and tightening up hygiene protocols on site.

Customer tap compliance reached its best level recorded, contributing a CRI score of just 0.78, reflecting improved control and consistency in water quality at the point of use. Asset performance across water treatment works also improved, with limited impact from works failures during the year. While there were two compliance failures at Strensham Water Treatment Works ('WTW') these occurred on a lower flow stream and had a comparatively reduced impact, when compared to the previous year, at a CRI score of only 0.39 for the two failures combined. Other asset related failures were minor and collectively contributed a small proportion of total CRI performance.

CUSTOMER CONTACTS ABOUT WATER QUALITY

The quality of our customer's drinking water remains fundamental to our purpose. We are committed to delivering safe, clean and wholesome water that meets all UK regulatory standards, is free from harmful substances, and is acceptable to customers in terms of appearance, taste and odour.

During the year, we continued to outperform our PCL for customer contacts about water quality as we did every year during AMP7, recording a total of 9,111 contacts this year. This reflects sustained improvements in the quality of water delivered to our customer's taps and the effectiveness of our ongoing operational and asset management activities.

Our performance is underpinned by a continued focus on proactive network management and targeted operational interventions, supporting the reduction of issues that may give rise to customer contacts. This includes maintaining a strong emphasis on water quality monitoring, rapid response to emerging risks, and continued mains cleansing and flushing activity.

Looking ahead to the remainder of AMP8, we will continue to prioritise year-on-year reductions in water quality contacts. This will be supported by an enhanced and targeted flushing programme, alongside strengthened proactive maintenance of the network. We are also progressing the use of advanced design tools and network analytics to better identify priority areas, enabling earlier intervention and minimising potential customer impact.

We remain committed to delivering industry leading performance in drinking water quality. Through continued investment, innovation and proactive management of our network, we aim to further reduce customer issues and ensure a consistently high quality experience for our customers.

CUSTOMER MEASURE OF EXPERIENCE ('C-MEX')

C-MeX is the water industry's customer satisfaction measure, overseen by Ofwat, and based on independent surveys capturing customer views across four components: Water, Waste, Retail and Experience. This year we achieved a C-MeX score of 62.04, placing us 11th in the sector.

We are not satisfied with our performance and are determined to improve our customer's experience of our service. This starts with continued investment in operational performance, customer contact capability and ensuring we focus on what matter to the individual customer at all stages of their journey.

Water

Performance in Water has improved over the year and we have maintained a stable upper middle-tier position. Variability in quarterly rankings has reduced, reflecting more consistent service delivery. Customer engagement has strengthened through the rollout of our refreshed 'Keeping Customers Informed' initiative, supporting more proactive communication. Telephony customer satisfaction has also improved, supported by increased focus on digital channel performance.

Waste

In Waste, targeted investment in additional response crews has improved speed of attendance and issue resolution. This has supported strong performance during periods of extreme weather and heavy

rainfall in December and January, typically the most challenging period for the network. These improvements have contributed to a 45% reduction in complaints over the last two years, demonstrating the impact of enhanced operational responsiveness.

To further improve performance, we are establishing a specialist Waste capability within our customer contact function, supported by enhanced technical training to improve first-time diagnosis and resolution. In addition, we are expanding flood management capability through the creation of a dedicated Customer Flooding Performance Team. This team will strengthen network diagnostics, reduce repeat incidents, and support the identification of sustainable, long-term solutions, working closely with field teams to improve outcomes for customers and the environment.

Retail

In Retail, we have continued to improve customer contact channels and first-time resolution. Investment during the year is expected to deliver further benefits in customer experience. Migration to the Kraken billing platform is progressing, with less than 4,000 of the most complex accounts, such as those involving debt or bespoke tariffs, left to transition.

We have also expanded our operational capacity through the opening of a fourth fully insourced customer contact centre in Edgbaston, strengthening both capability and resilience within our Retail operations while creating more jobs for local people within our region.

Experience

Results from the customer experience survey confirm that affordability, environmental impact, and water quality remain key priorities for our customers. In response, we are increasing our focus and transparency in these areas, including strengthening affordability support, improving communication of environmental performance, and highlighting investment in technology to enhance resilience and reduce leakage.

Through initiatives such as the 'It's In Our Nature' campaign and continued service improvements, we are aligning our delivery with the priorities of the communities we serve based on their feedback.

DEVELOPER MEASURE OF EXPERIENCE ('D-MEX')

D-MeX is the industry measure of developer satisfaction, overseen by Ofwat, and based on feedback from developers on their experience of engaging with water companies on new connection services. D-MeX also contains an element of service metrics which include measures around timely completion of work.

For AMP8, Ofwat has updated the D-MeX methodology, meaning that results are not directly comparable with previous years. Notwithstanding this change, we have maintained our position as one of the leading performers in the sector, achieving a score of 88.29. Our performance this year demonstrates continued delivery of a consistent, high-quality experience for developer customers.

We continue to adopt a customer-centric approach, recognising the diverse and evolving needs of our developer base. Our service model is designed to provide a tailored and responsive experience, including the development of long-term relationships with larger developers and key industry stakeholders, alongside enhanced support for smaller or transactional customers.

We are also progressing investment in our digital service offering, enabling customers to engage with us more easily and through their preferred channels. This supports improved accessibility, greater transparency, and more efficient handling of customer enquiries and applications.

We remain committed to further improving the experience we deliver to developer customers. Through continued investment in service capability, relationship management and digital transformation, we are focused on sustaining strong performance and delivering a high-quality, consistent service aligned with customer expectations.

BUSINESS AND RETAILER MEASURE OF EXPERIENCE ('BR-MEX')

BR-MeX is the new measure of non-household customer and retailer experience, combining feedback from business customers ('B-MeX'), retailers ('R-MeX'), and operational performance through Market Performance Framework ('MPF') metrics. This is the first year it has been measured by the industry.

As the first year of AMP8, our focus has been on embedding the BR-MeX framework, strengthening our operating model and improving service delivery across all components. This has included restructuring teams, introducing clearer accountability, and increasing engagement with both retailers and business customers. These improvements have supported a significant recovery in performance over the year, moving from a potential bottom half of the table position to a top half, 7th place finish.

Business Customer Experience ('B-MeX')

B-MeX represents the largest component of the measure and remains our primary area of focus for improvement. During the year, we introduced a dedicated case management approach for business customer contacts relating to operational incidents. This includes early engagement, end-to-end ownership of cases, proactive communication and follow-up at resolution to assess customer experience.

This approach has strengthened accountability and improved visibility of customer journeys, enabling closer working with operational teams and better prioritisation of customer needs. As a result, performance improved through the year, with a four point increase between Q2 and Q3 and stabilisation in Q4.

We have also enhanced our incident management processes to ensure earlier identification of affected customers and more proactive communication, reducing the need for customers to contact us. Further investment is planned through expansion of case management capability and the introduction of a dedicated customer journey manager to embed continuous improvement across the end-to-end experience.

Retailer Experience ('R-MeX')

R-MeX is based on feedback from retailers following their experience of working with us and is measured through biannual surveys. As this is a new performance commitment, initial performance reflected the need to strengthen engagement and service delivery.

In response, we have reshaped our operating model to provide a more structured and customer-focused approach. This includes the introduction of dedicated retailer account managers, with tailored support for key accounts and regular service reviews to discuss performance, priorities and improvement actions.

We have also increased direct engagement with retailers, including face-to-face visits across the market and the development of bespoke improvement plans aligned to individual retailer priorities. These actions have led to a marked improvement in survey results, with significantly higher scores achieved in the second half of the year compared to the first.

While performance has improved, R-MeX remains influenced by external factors, including the relatively small number of respondents and the subjective nature of retailer feedback. We will continue to strengthen relationships and service delivery to drive further improvement.

Market Performance Framework ('MPF')

MPF metrics assess the quality and timeliness of our operational service to retailers, including address data (M12) and service level agreement ('SLA') performance (M15 and M18).

We have delivered strong performance across MPF metrics during the year, consistently operating at a high level relative to the sector.

- Address Data (M12): Significant investment has been made to improve the accuracy of data. Through collaboration with delivery partners and enhanced governance, we have reduced the volume of data exceptions from approximately 195,000 records to around 1,500. This has enabled us to achieve leading performance in the market since November and establish a robust process for maintaining data quality going forward.
- SLA Performance (M15 and M18): Improvements in process control, daily performance monitoring and enhanced operational focus have resulted in high levels of SLA compliance, consistently achieving performance above 99% in recent months. This has been supported by strengthened reporting, proactive prioritisation of work and increased accountability within operational teams.

These MPF improvements also support improved R-MeX outcomes, as strong operational performance and responsiveness are key drivers of retailer satisfaction.

Overall, BR-MeX performance has improved significantly over the year, reflecting a step change in focus, operating model and customer engagement. While MPF performance is strong and R-MeX has improved in the second half of the year, B-MeX remains the key driver of future performance. We are focused on building on the progress made, particularly through continued investment in case management, customer experience design and operational alignment to deliver further improvements in AMP8.

ENVIRONMENTAL PERFORMANCE COMMITMENTS

We safeguard the natural resources we use and enjoy, and we work in partnership to improve the rivers and habitats that provide them. The natural environment is critical to our business; by working with it we not only improve biodiversity across our region, but we also encourage nature to do some of the hard work for us.

Performance Commitment	Units	Performance Commitment Level ('PCL')	Performance Achieved	PCL Met	ODI Payment (£m)
Leakage	Percentage Reduction From 3-Year Average Ml/d Baseline	21.0%	23.3%	✓	12.387
Per Capita Consumption	Percentage Reduction From 3-Year Average l/p/d Baseline	3.0%	-0.3%	×	-6.591
Business Demand	Percentage Reduction From 3-Year Average Ml/d Baseline	-2.5%	3.7%	✓	3.937
Biodiversity	Biodiversity Units Per 100 Km2 of Company Area	0.00	1.38	✓	14.369
Operational Greenhouse Gas Emissions (Wastewater)	Percentage Reduction From 2024/25 tCO2e Baseline	-4.82%	8.37%	✓	5.661
Operational Greenhouse Gas Emissions (Water)	Percentage Reduction From 2024/25 tCO2e Baseline	-3.81%	-6.28%	×	-0.877
Capital Carbon	Percentage Reduction From tCO2e Design Baseline	-	29.61%	-	-
Total Pollution Incidents	Incidents Per 10,000 Sewer Network (EA Version)	25.02	19.03	✓	13.881
Serious Pollution Incidents	Number of Incidents	0	2	×	-1.557
Storm Overflows	Average Number of Spills	18.80	16.35*	✓	8.137
Discharge Permit Compliance	Percentage Compliance	100.00%	99.32%	×	0.000
Bathing Water Quality	Weighted Percentage of Bathing Water Status	0.0%	0.0%	✓	0.000
River Water Quality (Phosphorus)	Percentage Reduction in Phosphorus Emitted	37.87%	38.15%	✓	Reputational

*This is not the performance level used to calculate ODI payments. For the ODI payments calculation, Average Monitored Spills (AvMS) + Unmonitored Storm Overflows Adjustment for Payments (USOAP) is used which does not apply an adjustment for monitoring downtime providing the monitoring uptime PCL has been met. Our performance level used to calculate ODI payments for Storm Overflows is 14.88.

LEAKAGE

Leakage remains a key measure of our operational performance and reflects our ability to effectively manage network integrity, reduce water losses and improve long-term resilience.

We are pleased to have outperformed our PCL this year which we have now achieved for the last eight years in a row. This demonstrates our strong track record of delivery and sustaining year-on-year reductions in leakage. Our three-year average performance achieved 342.3 Ml/d against a PCL of 352.4 Ml/d, maintaining positive progress towards our long-term commitments of over a 30% reduction by 2030 and 50% reduction by 2045, relative to our three-year average baseline from the period of 2017/18 to 2019/20.

Performance during the year was shaped by significant seasonal challenges. A prolonged period of hot, dry weather during the summer, followed by a severe freeze–thaw event in winter, drove substantial ground movement and increased leakage breakouts. We experienced the highest number of burst mains on record during summer 2025, with winter breakout volumes also exceeding those seen in the previous year. Despite these pressures, our strong focus on proactive leakage management and particularly find-and-fix activity including rapid response to burst mains, has enabled us to deliver a further year-on-year reduction this year.

We maintained a high level of operational activity, completing around 48,000 repairs during the year which is our highest ever annual total, representing an increase of 6% compared with the previous year. This reflects continued enhancement of our detection and response capability.

Pressure management remains a key driver of sustainable leakage reduction. During the year, we installed over 1,600 additional pressure controllers across the network, building on the approximately 900 in place at the end of last year. Through these interventions, we have implemented Enhanced Pressure Control ('EPC') across over 1,900 areas, which is contributing to our leakage reduction. In addition to reducing leakage, early evidence indicates that improved pressure control is contributing to a reduction in burst frequency by limiting pressure variability.

Our mains renewal programme has also progressed well this year. As part of our commitment to renew 1,389 km of pipework over the AMP, we have replaced 220 km of mains, through our in-house design and delivery capability which this year was supported by contracted resource. This targeted replacement of high-risk assets will support sustained improvements in network performance benefiting leakage.

We have continued with the expansion of our smart metering programme carrying out more installs this year. We now have approximately 575,000 smart meters installed across domestic and commercial properties, providing valuable data to support speedy leakage identification and demand management. We plan to install over one million smart meters during AMP8, further enhancing our ability to target both leakage and consumption.

We have delivered strong leakage performance, outperforming our PCL despite challenging operating conditions. Through sustained investment in detection, repair, pressure management and network renewal, supported by increased use of data and smart technology, we are well positioned to maintain our downward trajectory and deliver our long-term leakage reduction commitments.

PER CAPITA CONSUMPTION ('PCC')

PCC is a key measure of water efficiency and reflects our ability to support customers in reducing the amount of water they use, helping them to save money.

This performance commitment is designed to incentivise us to help customers reduce their water consumption. Reducing PCC supports a more sustainable long-term supply demand balance and reduces the need for water abstraction, benefiting the environment and protecting natural resources. Despite all of the great work we have done focused on water conservation, unfortunately this year we did not meet our PCL falling short of the required reductions with our annual average of 134.2 l/p/d.

During the year, we delivered a range of targeted demand reduction activities, achieving measurable savings across multiple initiatives. A total of over 10,000 home water efficiency checks were completed, delivering savings of over 4 Ml/d. These visits focused on identifying and repairing internal leaks, achieving a fix rate of approximately 50% for affected customers.

We also continued the rollout of flow regulator valves, installing over 64,000 devices this year across customer properties, bringing our total installs since 2023 to over 87,000. These devices control flow to match customer needs, are designed to prevent unauthorised removal and have an expected lifespan of up to 15 years. This intervention delivered savings of nearly 2 Ml/d, demonstrating an effective and durable approach to reducing consumption.

Our education programme engaged with over 150,000 school children, supporting behavioural change and delivering an estimated saving of over 1 Ml/d. In addition, our environmental discount scheme enrolled 35 customers, contributing a smaller but positive saving in water usage.

The largest contribution to demand reduction has been through improved speed of response to continuous flow issues. By utilising smart meter data, we are able to identify potential leaks more quickly and alert customers earlier, enabling faster resolution. This has delivered a saving of over 6 Ml/d and represents a significant opportunity for continued improvement.

Our performance has been impacted by external factors, including the delayed introduction of mandatory national water labelling. Our PCL assumes that this policy would begin delivering benefits during the year; however, its absence has negatively impacted our overall PCC performance by approximately 1.5 Ml/d, with a growing impact expected in future years. We remain supportive of this policy as an important mechanism to encourage long-term reductions in water use.

We have delivered a broad programme of demand reduction activities, achieving meaningful reductions in consumption across a range of interventions. While performance has been affected by external policy dependency, we remain committed to reducing PCC through continued investment in water efficiency, smart technology and customer engagement, supporting long-term sustainability of water resources.

BUSINESS DEMAND

Business demand is a key measure of water efficiency in the non-household sector and reflects our ability to support business customers in reducing their water consumption.

This performance commitment is designed to incentivise us to promote water efficiency among business customers. Reducing non-household demand supports a more sustainable long-term supply demand balance and reduces the need for water abstraction, delivering benefits for the environment. We have delivered a range of significant initiatives this year which have helped us achieve our PCL with our

annual average of 341.0 Ml/d, a reduction of 3.7% from our three-year average baseline from the period of 2017/18 to 2019/20.

During the year, we delivered a range of targeted interventions to support demand reduction for our business customers. We completed over 500 non-household water audits, targeted by business type to maximise effectiveness. These audits focused on identifying opportunities for water efficiency and leak prevention, delivering savings through improved water management and repair activity.

We also introduced flow control valves for business customers, installing two units during the year. These devices regulate water flow to match operational requirements, reducing unnecessary consumption and minimising pressure fluctuations on the network. This intervention delivered small savings this year but as we begin to install more over the coming years we expect to see bigger savings from these devices, helping to provide a long-term solution to water usage reduction.

Our planned initiative to improve speed of response to continuous flow issues through earlier identification and customer notification was not implemented during the year due to challenges in aligning delivery across retailers. As a result, this activity is planned to begin next year representing a key opportunity for future demand reduction.

We have delivered targeted improvements in business demand through focused audit activity and the implementation of water efficiency technologies. While delivery has been partially constrained by delays in introducing enhanced response capability, we remain committed to expanding our programme and working collaboratively with retailers to unlock further demand reductions in AMP8.

BIODIVERSITY

Biodiversity is a key measure of our environmental performance and reflects our commitment to conserving and enhancing natural habitats across the land we manage.

This performance commitment is designed to incentivise the protection and enhancement of biodiversity in the delivery of our activities. Improvements in biodiversity deliver a wide range of benefits, including reduced extinction risk, increased resilience to climate change and water resource pressures, enhanced ecosystem services such as improved water quality, pollination, clean air, and benefits to physical and mental wellbeing.

We are pleased to report that we have outperformed our PCL this year, delivering a net increase of 512.54 biodiversity units. This reflects the successful implementation of our AMP8 biodiversity improvement programme and demonstrates our commitment to enhancing the natural environment.

All biodiversity projects are subject to independent verification through our expert panel, which provides oversight and assurance across the programme. The panel reviews the overall performance commitment approach, assesses project proposals, validates evidence of baseline establishment and project delivery and provides formal sign-off, ensuring that all outcomes meet required standards.

During the year, we have delivered biodiversity enhancements across a wide range of initiatives, including:

- Delivery of Severn Trent Environmental Protection ('STEP') Meadows (Phase 1)
- Hedge laying and planting across our landholdings
- Farmer-led improvements through the Hedge Rejuvenation Scheme
- Site-specific habitat enhancement projects such as Crankley Point and Witches Oak
- Expansion of community-focused initiatives, including Tiny Forests

The establishment of a retrospective baseline for sites surveyed in 2021/22 has been a key enabler of this performance. By applying a recognised approach consistent with those used for Biodiversity Net Gain ('BNG') in the wider open market, we have been able to accurately assess and capture improvements over time and maximise environmental benefits from these sites. Without the performance commitment being in place we would not have been able to do this and therefore the performance commitment has driven us to think innovatively and deliver additional environmental benefit this year.

Our baseline development has been supported using AiDASH technology, which combines satellite imagery and historical survey data to provide robust, evidence-based assessments of habitat condition. This approach has enabled us to efficiently scale our monitoring capability and ensure consistency across our asset base. Our methodology statement and process description template detail this process and have been reviewed by individuals at Natural England and Environment Agency who sit on the expert panel. The panel also includes a BNG expert who worked on the creation of the BNG metric and has advised its use commercially, including the use of the retrospective baseline processes we are using.

We have delivered strong biodiversity performance, exceeding our PCL this year and demonstrating a step change in our ability to measure and enhance natural capital. We have also strengthened our collaborative approach through partnership working, including investment of nearly £1 million with the National Forest to support the management of approximately 600 hectares of land. This includes funding for landowner grants, habitat restoration and ongoing ecological monitoring.

Through continued investment, innovative monitoring approaches and robust governance, we remain committed to delivering sustained improvements in biodiversity and supporting long-term environmental resilience.

OPERATIONAL GHG EMISSIONS – WATER AND WASTEWATER

Greenhouse gas ('GHG') emissions are a key measure of our environmental performance and reflect our ability to manage and reduce emissions arising from our operational activities. The majority of our emissions are in the wastewater business, driven by chemical and energy use, as well as process emissions (methane and nitrous oxide). However, this means that this is where most of the opportunities are for our Net Zero programme to target.

Our GHG performance across our operations reflects the differing impacts of external factors and operational initiatives across water and wastewater services. While water GHG emissions have been adversely affected by weather driven demand and enhanced treatment requirements, wastewater GHG emissions performance has benefited from strong delivery in renewable energy generation and process optimisation.

We remain committed to reducing operational emissions through continued investment in low-carbon technologies, renewable energy generation and improved operational efficiency, supporting our long-term ambition to achieve net zero while maintaining resilient services for our customers.

Water GHG Emissions

We have not met our PCL for water GHG emissions this year, with net emissions higher than our PR24 forecast. Performance has been significantly influenced by external factors, particularly the impact of extreme weather conditions.

Prolonged hot and dry weather during summer 2025 led to increased customer demand, requiring additional pumping across the network to maintain security of supply. This increased energy usage, resulting in higher associated emissions. Following this period, reservoir levels were significantly depleted, requiring further pumping activity to restore storage levels and ensure resilience ahead of the winter and subsequent summer periods. This included additional abstraction and transfer activity through key reservoirs, including Eggington feeding Foremark and Staunton Reservoirs, and Ambergate feeding Carsington and Ogston Reservoirs.

Operational emissions were also influenced by enhanced treatment requirements at Witches Oak WTW. As part of an upgrade to the site, it requires the use of virgin granular activated carbon ('GAC') when abstracting from the River Trent, in accordance with DWI requirements due to elevated Per- and Polyfluoroalkyl Substances ('PFAS') levels. This presents a unique challenge, as lower carbon regenerated GAC, which is used at other sites, is not suitable for this application.

The need for frequent GAC replacement is driven by both regulatory requirements and operational conditions, including the volume of water treated when abstraction from the River Trent is required. These abstraction decisions are determined by the Environment Agency ('EA'), particularly during drought conditions when restrictions are placed on the site's primary source from the River Derwent. As a result, the associated increase in emissions reflects the purchase of virgin GAC supporting this necessary operational activity to maintain compliance with drinking water standards and protect customer supply.

Wastewater GHG Emissions

We have outperformed our PCL for wastewater GHG emissions this year, achieving net emissions below our PR24 forecast. This strong performance reflects a combination of operational efficiency and generation of renewable energy.

A key driver of outperformance has been the retention of Renewable Gas Guarantee of Origin ('RGGO') certificates associated with biomethane export from four of our sewage treatment works, Minworth, Strongford, Finham and Stoke Bardolph. This process involves upgrading biogas produced from sewage sludge into high-quality methane, which is exported off-site as a renewable energy source.

Biomethane export delivers significant environmental benefits by capturing methane that would otherwise be released and converting it into a renewable fuel that displaces fossil energy, reducing overall emissions. The ODI framework has further incentivised increased biomethane export, supporting improved environmental outcomes.

Additional improvements have been delivered through the diversion of sludge from conventional digestion to advanced digestion at Thermal Hydrolysis Process ('THP') facilities. These processes maximise energy recovery and reduce process emissions when compared to conventional sludge treatment methods, contributing to overall emissions reduction.

During the year, we experienced a wetter than average winter, resulting in increased volumes of wastewater entering our treatment works. This led to higher operational demand at our sites, resulting in increased electricity and chemical use over winter. However, the emissions impact of this increased activity has been fully offset by the benefits of biomethane export and improved sludge treatment processes, resulting in a net reduction in emissions relative to our PCL.

CAPITAL CARBON

This performance commitment incentivises reductions in capital carbon against funded business-as-usual solutions, supporting lower emissions, low-carbon design and construction, better carbon data, alignment with PAS 2080 principles and progress towards net zero.

This is an end-of-period commitment measured cumulatively across AMP8, so this year reflects the first year position.

We are performing strongly and are well on track to meet the full AMP commitment to reduce capital carbon by 5% from design to build. Baseline emissions for projects delivered this year totalled 1,002.39 tonnes of Carbon Dioxide equivalent ('tCO2e'). Through carbon reduction initiatives, applicable projects were delivered at 705.56 tCO2e, a net reduction of 29.61%.

This reflects a portfolio approach to carbon management. Some projects increased emissions due to operational or resilience requirements, but these were more than offset by reductions elsewhere.

Key reductions came from design optimisation and material selection, including replacing higher-carbon materials such as iron pipework, removing carbon-intensive assets such as concrete tanks, and optimising structural designs where appropriate.

The Burton Lazars project made a significant contribution, saving 230 tCO2e through design optimisation. Detailed modelling showed that a 42m length of 150mm diameter pipe was not needed to meet operational objectives.

Further savings were delivered by replacing ductile iron pipework with high-density polyethylene ('HDPE') during outline design, following ground investigation data that confirmed plastic materials were more suitable and lower carbon for the site conditions.

This demonstrates the value of early design challenge and data-led decision making in delivering sustainable, lower-carbon infrastructure.

Overall, we have made strong early progress, significantly outperforming our AMP8 trajectory. Continued innovation, better data and alignment with industry best practice position us well to sustain long-term reductions in capital carbon.

POLLUTION INCIDENTS – TOTAL AND SERIOUS

Pollution incidents remain a key measure of our environmental performance and reflect our ability to effectively manage wastewater assets while protecting the environment and the communities we serve.

We are pleased to report that we have achieved our Total Pollution Incidents PCL this year with a year-on-year reduction of 35%. Additionally, we have achieved green on this metric against the Environmental Performance Assessment ('EPA'), as set by the EA. Our performance on total pollution incidents of 178 includes two serious pollution incidents at Lubbesthorpe and Cheslyn Hay. These two serious pollution incidents unfortunately mean we have not achieved our Serious Pollution Incidents PCL this year.

During the year, we have continued to strengthen our operational capability to prevent and mitigate pollution incidents. Our Waste Operational Control Centre Teams are now fully embedded, acting as the

central point of coordination for incident response and improving visibility, decision making and network control. In parallel, our Pollution Response Teams ('PRT') and Incident Response Teams ('IRT') are fully established and have played a critical role in reducing the impact of incidents, with multiple examples of successful early intervention preventing escalation.

We have further enhanced our proactive approach through the establishment of the Proactive Implementation and Maintenance Team ('PRIME'). This team is focused on reducing risk through targeted maintenance and rapid intervention, including the overhaul of pumping stations following incidents, proactive work at known high risk sites, and response to condition based alerts.

Innovation continues to support improvements in performance. This year, we developed and launched the Field Response Investigation Evidence and Data App ('FRIEDA'), which supports operational teams in capturing timely and high-quality evidence, enabling better assessment of environmental impact and more effective mitigation. We have also continued to invest in Storm Harvester, our predictive analytics tool, enhancing our ability to identify and respond to potential issues before they result in pollution incidents.

In addition, we have delivered an extensive programme of proactive sewer repairs targeting known defects and completed our largest ever sewer cleansing programme. These interventions have strengthened network resilience and reduced the likelihood of future incidents.

Looking ahead, reducing pollution incidents remains a key priority. We have further investment and improvement plans in place to continue improving environmental outcomes. We are also closely monitoring the EA's proposals to redefine pollution metrics. From next year, pollution performance across the sector will be managed under the EA's new reporting methodology for assessing water industry regulation incidents ('WIRI'), introducing stricter reporting requirements and revised assessment criteria. This is expected to increase incidents attributed to water companies, even where these have been driven by third party behaviours, including fly tipping, misuse of the sewer network, damaged assets and agricultural run-off, which will set a new baseline for future assessment.

While this introduces some uncertainty regarding future assessment and reporting methodology, our priority and commitment remains unchanged with our aim of preventing pollution from happening in the first place and improving outcomes for the environment, our customers and the communities we serve.

We have delivered strong environmental performance, achieved green EPA status and met our PCL. Through continued investment in innovation, proactive maintenance and operational capability, we are well positioned to continue delivering improved outcomes for the environment.

STORM OVERFLOWS

Storm overflows are a key indicator of environmental performance and are a measure designed to record how often sewers are overloaded and spill into a rivers, consistent with the design parameters of the wastewater network.

This performance commitment is designed to incentivise a progressive reduction in the adverse impacts of storm overflow discharges. Storm overflows should only operate in exceptional circumstances, and this measure encourages us to operate and maintain our assets in a way that protects both public health and the environment.

We are pleased to report that we have achieved our PCL this year, delivering a 41% reduction in storm overflow spills compared to the previous year. In addition, we achieved our monitoring uptime PCL, with 98.53% uptime across our storm overflow assets. This ensures a high level of data completeness and enables accurate reporting of performance, allowing us to earn full ODI outperformance payments based on monitored spill performance.

Our strong performance is underpinned by a comprehensive storm overflows programme, established two years ago, which has included a full review of our asset base to identify targeted, site-specific solutions. This approach has enabled us to move beyond traditional interventions and focus on reducing spills at source through a broader range of network and treatment works improvements.

To date, we have delivered over 3,000 interventions across our network. These include a combination of engineering and operational solutions such as surface water separation, increases in weir heights, pumping and flow control improvements, sewer upsizing, expansion of grey storage capacity, upgrades to treatment processes, and increasing flows directed to full treatment.

We have also accelerated regulatory delivery through targeted investment in capacity expansion across 15 treatment works, providing almost 40,000m³ of additional storage. This has significantly improved our ability to manage peak flows and reduce reliance on storm overflows during heavy rainfall events.

Innovation has played an important role in our approach, with the use of artificial intelligence to identify locations of sewer inflow and infiltration. This enables us to target root causes rather than symptoms, supporting reductions in both storm overflow spills and pollution incidents.

We have delivered strong performance, achieving our PCL and significantly reducing storm overflow spills through a combination of investment, innovation and proactive network management. We remain committed to continuing this progress, further reducing the environmental impact of storm overflows and supporting improved river health across our region.

DISCHARGE PERMIT COMPLIANCE

This year, we achieved compliance with 99.32% of discharge permit conditions across our water and wastewater treatment works in line with regulations set by the EA. While this performance is below our PCL and our ambition due to five failures during the year, it remains above the regulatory deadband of 99.00% and meets the requirement for green status against the EA's EPA, representing a level of performance considered acceptable by our regulators.

We have consistently maintained strong performance in this area, achieving compliance above 99.00% for the past seven years. This sustained delivery is a significant achievement, particularly given the designation of discharge permit compliance as a core performance metric within the EA's EPA.

Our reported performance aligns with the EA's EPA methodology (version 11, February 2024), ensuring consistency and transparency in reporting. Performance continues to be supported by a focus on operational excellence, robust process control, and proactive management of treatment assets.

We have maintained a high level of compliance, demonstrating strong and consistent environmental performance. While performance was below our PCL this year, we remain focused on continuous improvement through targeted investment and operational enhancements with the aim to achieve full compliance and deliver positive outcomes for the environment.

BATHING WATER QUALITY

2024 marked a major milestone for Shropshire's rivers, with Ludlow, Shrewsbury and Ironbridge officially designated as bathing waters following strong local community support. These locations are now monitored for bacteria by the EA. As newly designated sites, investment has not yet begun, and all three bathing waters are currently classified as poor.

The scale of work required in Shrewsbury and Ironbridge is substantial, with early assessments indicating potentially hundreds of millions of pounds of investment in the areas we are responsible for. As the designations were confirmed shortly before our PR24 plan was agreed, there was not enough time to develop specific plans or funding requirements. Our AMP8 PCL is therefore 0.0%, meaning no improvement in overall bathing water status is expected during the period. However, we are actively seeking to reduce our impact, supported by Ofwat's staged funding process once feasibility, cost and deliverability have been independently reviewed.

Over the past year, we have focused on building the evidence needed to inform long-term decisions. This has included desk-based studies and, from September 2025, on-the-ground investigations into drainage, river flows, bacteria sources and local ecology. This work will help identify realistic timescales and affordable solutions, while ensuring options for Shrewsbury and Ironbridge are sensitive to heritage, landscape and the local economy.

We are also progressing wider catchment improvements. In Ludlow, we have moved into the next phase of our Bathing Rivers programme, building on Green Economic Recovery investment. This includes ozone treatment at three sites, including Ludlow, as an advanced final treatment stage to further reduce bacteria and support water quality standards beyond current regulatory requirements. Treatment performance is closely monitored to ensure it remains effective and avoids unintended environmental impacts.

Improving river health is a shared responsibility. While we are addressing the elements we control, including storm overflows, sewer networks and sewage treatment works, we continue to work with partners on wider pressures such as agriculture, urban runoff and misconnections.

RIVER WATER QUALITY

River water quality is a key indicator of our environmental performance and reflects our role in improving the ecological health of rivers across our region.

This performance commitment incentivises reductions in phosphorus entering rivers from our activities. Phosphorus is a major contributor to rivers failing to achieve good ecological status, so reducing it is central to improving water quality and supporting aquatic ecosystems.

This year, we delivered further improvements through targeted investment and operational optimisation outperforming our PCL. A key driver has been the introduction of new and tighter discharge permits through WINEP, requiring enhanced phosphorus removal at wastewater treatment works and driving reductions in phosphorus loads.

Investment in phosphorus removal technologies and treatment upgrades has supported compliance with tighter requirements. Our process scientists have also optimised performance using operational data to refine chemical dosing and improve removal efficiency, enabling many sites to operate below permitted phosphorus limits.

We also expanded the permitted asset base during the year, introducing phosphorus permits at additional sites and increasing the scale of monitoring and control across the network.

Looking ahead, we will continue delivering WINEP schemes, implementing new and tighter permits, and improving treatment efficiency to support sustained phosphorus reductions and better river health.

Overall, we have made strong progress through investment, regulatory compliance and operational optimisation, and remain committed to delivering long-term environmental benefits through our phosphorus reduction programme.

ASSET HEALTH PERFORMANCE COMMITMENTS

Our assets are fundamental to the reliable delivery of water and wastewater services we provide. We take responsibility for maintaining and improving the condition of our infrastructure, ensuring it continues to perform effectively under a range of operating conditions. Across Severn Trent, we are focused on proactively managing our assets to reduce failure, minimise disruption and support long-term resilience. Our ambition is to deliver consistently strong asset performance through targeted investment and effective maintenance.

Performance Commitment	Units	Performance Commitment Level ('PCL')	Performance Achieved	PCL Met	ODI Payment (£m)
Mains Repairs	Number Of Repairs Per 1,000 Km of Water Network	116.7	125.0	×	0.000
Sewer Collapses	Number Of Collapses Per 1,000 Km of Wastewater Network	7.80	6.93	✓	1.131
Unplanned Outage	Percentage Of Peak Week Production Capacity	2.14%	1.33%	✓	2.622

MAINS REPAIRS

Mains repairs are a key indicator of the health and resilience of our water distribution network, reflecting how effectively we manage asset condition and respond to operational challenges.

Performance this year was significantly affected by extreme weather, including the hottest, driest summer on record and severe cold weather in December and January. These conditions increased ground movement and stress on the network, leading to more burst mains.

Performance was strong early in the year, supported by stable weather and continued network investment. From July, prolonged hot and dry conditions increased mains bursts, contributing around 13% of annual repairs. Elevated burst levels continued through August and September as ground conditions recovered more slowly than expected.

Burst activity increased again during winter due to freeze–thaw conditions. January was the most challenging month, with 1,169 repairs, representing around 19% of the annual total. The combined impact of extreme summer and winter weather meant we missed our PCL this year.

Despite these challenges, we maintained a strong operational response, completing timely repairs and minimising disruption for customers. We remain focused on proactive network management, targeted investment, pressure management and data-led intervention in high-risk areas.

SEWER COLLAPSES

Sewer collapses are a key indicator of wastewater network health and resilience, reflecting how effectively we maintain below-ground assets and prevent customer and environmental impacts.

This performance commitment measures sewer collapses that were not proactively identified and resulted in customer or environmental impacts. Lower collapse levels indicate stronger asset health and more effective proactive management.

Maintaining the sewer network remains a core priority, as collapses can cause customer disruption, flooding and environmental harm. This measure supports effective asset stewardship and long-term wastewater resilience. We are pleased to have outperformed our PCL this year, reflecting our continued focus on proactive inspection, maintenance and targeted intervention to improve service for customers and protect the environment.

Performance has been supported by structured asset management, including increased network surveying and condition-based assessment to identify defects before failure. This enables us to prioritise high-risk areas and carry out preventive repairs.

We will continue to invest in sewer asset health, including an additional £15 million to expand network surveying. This will support inspection of around 9,800 km of sewers, enable AI-driven analysis and improve visibility of long-term investment needs. We will also reline 172 km of sewer network as part of the programme. Overall, we delivered strong sewer collapses performance, outperforming our PCL and demonstrating effective asset stewardship. Continued investment in network insight, proactive maintenance and targeted intervention will help sustain wastewater network resilience for customers and the environment.

UNPLANNED OUTAGE

Unplanned outage measures the availability and resilience of our water treatment assets, reflecting our ability to maintain supply through effective asset management and operational control.

Our treatment works operate within defined water quality profiles based on raw water conditions. Where output varies within these limits, it is classified as planned outage. Unplanned outage is recorded where there is an uncontrolled reduction in output, for example from sudden raw water deterioration, disinfection failures or significant microbiological events. Operational Equipment Effectiveness ('OEE'), introduced at the start of AMP7, is now embedded across our operations and continues to support strong performance. OEE assesses asset performance across availability, productivity and quality

Applying OEE across our asset base allows us to compare similar assets, identify performance gaps and target interventions before deterioration affects service. Digital dashboards provide visibility from individual assets to wider asset groups, supporting proactive decision-making. We met our unplanned outage PCL this year achieving a performance level of 1.33% with around 13% of outages occurred at surface water treatment works and 87% at groundwater sites. Although AMP7 and AMP8 methodology changes limit direct comparison, our 1.33% performance was better than our AMP7 average of 1.40%, demonstrating sustained strong performance.

Overall, we delivered strong unplanned outage performance, supported by a mature asset management framework. Continued use of OEE, proactive monitoring and targeted intervention positions us well to sustain asset reliability and minimise customer disruption through AMP8.

IMPROVING CLARITY AND TRANSPARENCY

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Transparency and trust are two of the most important things in our sector. We are disappointed that trust in our sector has declined and are focused on engaging with our stakeholders to build back their trust in us. We strive to uphold the highest levels of corporate governance and demonstrate transparency in our reporting in a way that is meaningful for all of our stakeholders so they can hold us to account.

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.

OPERATIONAL GHG EMISSIONS – WATER AND WASTEWATER

Application of Baseline

Ofwat have stated that forecasted 2024/25 tCO2e data should be used as the baseline to calculate Outcome Delivery Incentive ('ODI') payments for both the water and wastewater GHG performance commitments, despite the fact that actual, assured data is now available for 2024/25.

In the performance commitment reporting definition it states that, *"The company shall ensure that its outcome delivery incentive payments only relate to real performance changes…"*. We actively engaged further with Ofwat on this as using a forecasted baseline rather than an actual baseline does not ensure ODI payments reflect real changes in performance, and we wrote to Ofwat on 19 May 2026 expressing our concerns with the approach taken.

We received a response from Ofwat on 30 June 2026 which stated, *"We have carefully considered your proposal and have decided not to amend the baseline. Companies are therefore required to use the forecast baseline as set out at final determination."*. While we do not agree this approach ensures ODI payments reflect real changes in performance and incentivise companies to provide less robust forecasts at future price reviews, we have submitted our performance and corresponding ODI payments using our PR24 forecasted 2024/25 baseline.

We have identified an unambiguous error with our GHG wastewater PR24 forecast. We identified an error in our 2023/24 data relating to natural gas consumption at the Finham Sewerage Treatment Works ('STW'), which has impacted our originally submitted PR24 2024/25 forecast which is now used in the performance calculation for the 2025-30 period. As a result of identifying this error, over the last two years we have been exchanging legal letters with our meter supplier.

The originally reported natural gas import for Finham STW was 8,591,140 kWh. Following retrospective validation of billing data, this has been corrected to 66,282,476 kWh.

This correction results in an underestimation of baseline emissions in our original submission of:

- 10,532.56 tCO2e from natural gas combustion
- 1,794.47 tCO2e from associated well-to-tank ('WTT') emissions
- Totalling 12,327.03 tCO2e

Consequently, the wastewater 2024/25 baseline requires adjustment to correct for this unambiguous error. Correcting for this error the baseline is revised from 359,486 tCO2e to 371,812.77 tCO2e.

This restatement ensures the baseline accurately reflects operational emissions and provides a robust and transparent basis for performance assessment. As the issue causing the meter recording error has now been resolved by making this correction it also ensures that a consistent methodology is being used for the purposes of setting PCLs and calculating performance.

As there is no mechanism for correcting this unambiguous error through our APR submission. We are now actively seeking to engage further with Ofwat to ensure this error is corrected.

COMPLIANCE STATUS FOR OTHER PERFORMANCE COMMITMENTS

Not all performance commitments have a compliance checklist however, we are fully compliant with no amber or red elements or components for any performance commitment that does have a compliance checklist other than Leakage and Business Demand. A full list of all performance commitments where all elements and components are green is below. This compliance has been fully assured by our third-party assurance partner Jacobs.

- Water Supply Interruptions
- Internal Sewer Flooding
- External Sewer Flooding
- Biodiversity
- Unplanned Outage
- Mains Repairs
- Sewer Collapses
- Per Capita Consumption
- Capital Carbon

LEAKAGE

Amber and Red Components and Elements on Compliance Checklist

We have no amber or red components on the Leakage compliance checklist. Additionally, we have no red elements on the compliance checklist, but we do have two amber elements. Detail of the reasons for non-compliance on these amber elements are below.

Element 10i

Description: Where the company has redefined lengths of pipe as trunk main, the estimated leakage from those additional lengths is not estimated using a Bursts and Background Estimates ('BABE') approach.

Reason for Non-Compliance: During the year, there has been a net increase of approximately 90 km of assets classified as upstream trunk mains. This primarily reflects the reconfiguration of a small number of non-operational District Metered Areas ('DMA') into upstream trunk main metered areas within non-flow balanced Water Resource Zones ('WRZ'). These assets fall within areas where leakage is estimated using the BABE methodology. The additional mains represent approximately 2% of the total network length within the BABE framework and are therefore not considered to have a material impact on reported leakage. We recognise that changes in asset classification require careful governance and have undertaken independent third-party assurance to ensure ongoing alignment with the intent of the

compliance requirement. We will continue to review network configuration changes as part of our routine processes, with a focus on minimising the need for reclassification and maintaining robust and consistent leakage estimation.

Element 11c

Description: Drop tests (12 hour duration depending on size) carried out every five or ten years. All valves checked for tight close; and losses through overflows investigated. Appropriate monitoring arrangements in place to control and minimise overflow events.

Reason for Non-Compliance: During the year, drop testing has been undertaken across service reservoirs in line with our inspection programme. However, the outputs from these tests have not yet been incorporated into the Service Reservoir (SR) losses model. The SR losses model was subject to a comprehensive update in 2024/25 as part of a wider programme of improvements. As a result, incorporation of this year's test results is being carried out as part of the next scheduled model update cycle to ensure consistency with the revised modelling approach. We recognise the importance of ensuring that the latest operational data is reflected in our modelling approaches. Updates to incorporate this year's drop test results are planned for next year (2026/27), ensuring the model continues to provide an accurate representation of reservoir performance and supports the effective identification and management of losses.

PER CAPITA CONSUMPTION ('PCC')

We are in the process of updating our billing system and as a result there is a small level of uncertainty in household consumption due to auto-enrolment of around 140,000 low usage customers through our metering programme. Due to this we have used an offline adjustment to establish a process for capturing a consumption estimate and there is a potential need to reassess this year's value next year once more data is available if there is a material difference. Our third-party assurance partner Jacobs has reviewed our approach and has agreed this is a low risk issue.

BUSINESS DEMAND

Amber and Red Components and Elements on Compliance Checklist

We have no amber or red components on the Business Demand compliance checklist. Additionally, we have no red elements on the compliance checklist, but we do have one amber element. Detail of the reason for non-compliance on this amber element are below.

Element 2c

Description: Average Supply Pipe Leakage ('SPL') deductions for externally metered business demand using company own data updated annually.

Reason for Non-Compliance: Our current approach to estimating SPL associated with externally metered business demand uses company-derived data, with non-household ('NHH') repairs included as an input to calculate a separate NHH leakage estimate. However, within the overall SPL calculation, repair data is currently applied on a combined basis and is not explicitly disaggregated between household ('HH') and NHH components. We recognise that this limits transparency in the derivation of average SPL deductions applied to externally metered business demand. Work is underway to refine the methodology to ensure that assumptions are clearly separated between HH and NHH components, improving both the granularity and accuracy of the resulting estimates. Due to the complexity of the required changes, this refinement has not been implemented in time to include this year and is expected to be completed and included next year. Once implemented, we anticipate an increase in estimated NHH SPL, with a corresponding reduction in reported business demand, reflecting a more accurate allocation of consumption and losses between components.

Baseline Update to Include Non-household Void Consumption

In our PR24 data tables submitted with our Draft Determination Representations in August 2024, we included our Business Demand three-year average baseline as 355.8 Ml/d which did not include void NHH consumption.

In October 2024 we received a query from Ofwat asking for confirmation of void consumption being include or excluded from the data tables submitted. Our response confirmed it is excluded from our Business Demand performance commitment data and included in the water balance table in the 'Water taken unbilled' line.

In December 2024 alongside the PR24 Final Determination publications, Ofwat updated the Business Demand reporting methodology to confirm that void NHH consumption should be included in reported performance for Business Demand. Therefore, to reflect this update to the reporting methodology and ensure our reported performance complies with the latest guidance, we have updated our three-year average baseline to 357.9 Ml/d.

Our updated baseline is calculated with updated values for the 2017/18, 2018/19 and 2019/20 reporting years to incorporate void consumption. The PR24 Business Plan values for these years were 351.0, 360.5 and 355.8 Ml/d, respectively, with a three-year average baseline of 355.8 Ml/d. Under the updated definition, the equivalent values reflected in APR data table 3D are, 351.9, 363.2 and 358.7 Ml/d, respectively, with a revised three-year average baseline of 357.9 Ml/d. The increase in values across these years reflects the inclusion of additional demand from NHH void properties.

The definitional update has also affected the presentation of more recent performance data. In the PR24 Business Plan, the reported 2023/24 value was presented on the basis of excluding void NHH consumption, with an actual of 347.6 Ml/d. Including void NHH consumption the 2023/24 value has been restated to 353.2 Ml/d as reported in APR data table 3D.

For 2024/25, values presented in the PR24 Business Plan were forecast, at 371.6 Ml/d, whereas APR data table 3D now reflects actual performance of 341.0 Ml/d. The difference between the forecast and the reported actual reflects the transition from forecast to actual outturn, alongside the application of including void NHH consumption.

Overall, these restatements ensure that both baseline values and ongoing performance are reported on a consistent and comparable basis, aligned to the reporting definition for Business Demand.

Reporting Year	PR24 Business Plan (Ml/d)	APR26 Data Table 3D (Ml/d)
2017/18	351.0	351.9
2018/19	360.5	363.2
2019/20	355.8	358.7
Three-year average baseline	355.8	357.9

INTERNAL AND EXTERNAL SEWER FLOODING

In two of Ofwat's publications, 'Final Determination adjusting for company actual ODI payments in 2024-25: Sector Overview' published in November 2025 and 'IN 26/02 Expectations for large water company annual performance reporting 2025-26' published in April 2026, it requested that we report and provide the following commentary regarding internal and external sewer flooding incidents.

Sewer Flooding from Assets Under Build Overs

This year there were 66 sewer flooding incidents of this nature, and we can confirm that all of these sewer flooding incidents have been included in our internal sewer flooding performance of 512 and not our external sewer flooding performance of 6,123. This classification of sewer flooding incidents is fully compliant with Ofwat's expectations set out in its reporting requirements for this year's APR. This data has been fully assured by our external assurance partner Jacobs.

Sewer Flooding due to Jetting or Backwashing

We can confirm there were a total of 54 sewer flooding incidents this year that occurred due to sewer jetting or backwashing. 18 of these were internal sewer flooding incidents which are included in our performance of 512 and 36 of these were external sewer flooding incidents which are included in our performance of 6,123. This data has been fully assured by our external assurance partner Jacobs.

STORM OVERFLOWS

Non-reportable Sites

In line with the reporting methodology for the Storm Overflows performance commitment our reportable asset value used to calculate average spill performance is taken as the total sites as of 1 January for each year. On 1 January 2025 we had 2,441 storm overflow sites.

Sites are permanently closed when interventions remove the need for the overflow, meaning the site can no longer spill and is no longer reportable. In 2025, there were 34 permanently closed sites within our total asset count of 2,441.

In line with Ofwat guidance, we do not retrospectively adjust the 1 January asset count. For uptime monitoring calculations of these 34 sites, we have assumed 100% monitoring for the remainder of the year from the point at which we permanently closed the site.

This process and data has been reviewed and assured by our third-party assurance partner Jacobs who agree with our approach in the treatment of non-reportable sites for the purposes of calculating monitoring uptime and have assessed the severity as a low reporting risk.

DRY DAY SPILLS ('DDS') (SPILLS AFTER 24 HOURS)

Reporting Methodology

There is a new reporting requirement in the APR data tables this year for the reporting of DDS on line 3E.7 which are spills after 24 hours and defined by the EA as a DDS. Guidance on the reporting definition in RAG 4.14 for this new line is limited to "The total number of dry day spills". Therefore, there are several different assumptions and interpretations of various guidance that can be made to infer how this line should be reported.

Our reporting of DDS for 2025 to the EA this year is a total of 1,610 which was fully assured and submitted in line with the guidance at the time of reporting. This number represents the total number of DDS rather than the number of sites with DDS. We have used this number as our reported value in the APR data tables for line 3E.7 to ensure consistency between reporting to different regulators.

1,610 is our cumulative monthly performance across 2025 and follows the EA guidance at the time of reporting for each individual month which is on the 28th however, applying the change that was in effect from November 2025 to the full year, results in a DDS value of 2,024.

The primary driver of the increase is the application of the "midnight to midnight" guidance clarification being applied to data for January to October 2025. This clarification confirmed that for days where rainfall levels reach the tigger to denote a 'wet day', the drain down day would start from the next midnight even if this was within a 24 hour period from the time the trigger was met. In our reported DDS figure of 1,610, the guidance had only been applied to submissions for November and December 2025 reflecting how we had been requested to report by the EA.

Additionally, a smaller number of movements occur following the submission of DDS data. These are subject to ongoing review throughout the reporting year. All DDS undergo multiple desktop reviews prior to submission; however, these reviews may have limitations in certain cases.

Further refinements may arise from post-submission site visits, where spill height amendments can be identified, particularly in complex chambers or wet wells. Where such updates are confirmed, they are retrospectively applied to in-year data.

We also operate processes to infill data that was not available at the time of initial submission, which may result in further revisions. In addition, our ongoing detailed assurance activities throughout the year may identify adjustments that contribute to changes in reported DDS data after submission.

VARIATIONS FROM ODI Q4 SUBMISSIONS

River Water Quality

Our reported performance for River Water Quality this year is a 38.15% reduction in phosphorus emissions which outperforms our PCL of 37.87%. In our Q4 ODI submission we have reported this value as a positive number in line with how targets have been set in the Final Determination and how they are presented in Key Dataset 1.

In the APR data tables, there are formulas that automatically calculate the percentage reduction but based on our inputs the outcome is a negative value of -38.15% as reported on APR lines 3A.25 and 3E.26. The difference of 38.15% in our Q4 ODI submission and -38.15% in the APR data tables arises from the calculation approach applied within the APR template, which expresses reductions as negative values. We believe this is an error in the formula within the APR data tables as a negative reduction represents an increase in emissions however, we have achieved a net reduction in in phosphorus emissions this year.

This difference from our Q4 ODI submission does not represent a change in underlying performance, but rather a difference in how the result is calculated and displayed within the APR data tables. Both values therefore represent the same level of performance and demonstrate that we have outperformed our PCL this year.

Compliance Risk Index ('CRI')

In our Q4 ODI submission on 30 April 2026 we reported a CRI score of 1.40 which reflected the latest available data we had from the Drinking Water Inspectorate ('DWI') at the time of reporting. Following submission of this year's Q4 ODI return, we have received our final CRI score from the DWI bringing the

reporting process for 2025 to a close. The DWI have confirmed our final performance for 2025 as 1.24 which is a reduction of 0.16 from our Q4 ODI submission in April.

The principal driver of the movement between the Q4 submission and the final APR26 reported value relates to the "population affected" component applied to customer tap failures. Under the DWI reporting methodology, where an issue is evidenced as attributed to a customers' own internal plumbing or fittings, a reduced CRI score is applied by the DWI. Conversely, where this cannot be evidenced, the full customer zone population is applied within the CRI calculation, which can materially increase the reported score.

Following receipt of the DWI's final confirmed assessments for the reporting year, several population impact assumptions included within our Q4 ODI submission score of 1.40 were revised, resulting in a lower final CRI score than originally reported. The APR26 reported position therefore reflects the final confirmed DWI assessment and supersedes the provisional Q4 performance previously reported.

The change does not reflect a deterioration or improvement of underlying operational water quality performance during the year but instead reflects the normal reconciliation between provisional performance and the DWI's final confirmed application of the CRI reporting methodology.

Sewer Connections

In our Q4 ODI submission on 30 April 2026 we reported our sewer connections number as 4,214,087 which reflects our value reported in APR25. As mentioned within our submission, this was due to our updated sewer connections number not being available at the time of reporting. We now have our updated and assured sewer connections number for this year which is reported as 4,233,324 on line 4R.16 of the APR data tables. The difference between the Q4 reported value and our APR submission is due to availability of updated and assured data at the time of submission rather than a change in methodology or performance.

External Sewer Flooding

With reference to the above sub section of our Improving Clarity and Transparency section '*Sewer Connections*', our sewer connections number has been updated from our Q4 ODI submission reflecting our assured value for this year.

Sewer connections are used to report external sewer flooding performance on a normalised basis to allow for comparison and benchmarking between the industry. Therefore, an update to our sewer connections number has a small impact on our External Sewer Flooding performance when viewed on a normalised basis.

In the Q4 ODI submission, external sewer flooding performance was reported as 14.53 incidents per 10,000 sewer connections, based on a total of 4,214,087 sewer connections. This value was derived using sewer connections data consistent with APR25, as updated figures were not available at the time of submission.

As part of the year-end reporting process, sewer connections data has been updated and assured for APR26. The revised total number of sewer connections is 4,233,324, which is used as the normalising factor in the performance calculation.

Applying the updated sewer connections figure results in a revised external sewer flooding performance of 14.46 incidents per 10,000 sewer connections as reported on lines 3A.19 and 3C.6 in the APR data tables.

The change from the Q4 submission therefore reflects the update to the underlying normaliser rather than a change in the number of flooding incidents or underlying performance. Our absolute number of incidents remains unchanged from our Q4 ODI submission at 6,123 flooding incidents this year.

Internal sewer flooding performance also uses the sewer connections number in the calculation for reporting normalised performance however, there has been no change to our reported performance from our Q4 ODI submission which remains 1.21 with absolute performance of 512 flooding incidents.

Water Supply Interruptions

In our Q4 ODI submission, we reported our Water Supply Interruptions performance as 5 minutes 43 seconds, based on the application of water connections data aligned to our value of 3,795,159 from APR25. At the time of submission on 30 April 2026 our updated number of water connections was not available. We now have our updated and assured water connections which is 3,810,141 and applying this to the calculation of water supply interruptions performance our final position for this year is 5 minutes 41 seconds as reported on APR lines 3A.14 and 3C.10.

The change from the Q4 submission therefore reflects the update to the underlying water connections data used in the calculation, rather than a change in the underlying interruption minutes or operational performance. This ensures that the APR26 position is based on assured data and is consistent with final year-end reporting.

Developer Measure of Experience ('D-MeX')

In our Q4 ODI submission for the quantitative component of D-MeX, lines with no applicable data have been reported as 0% by default due to the automatic calculation driven by Ofwat's formula for these lines. However, in our APR data tables we have reported these lines as 'nil'.

The three lines this applies to are:

- **3B.W4** – SN2.2: % Bulk discharge offer letters issued to the applicant within target period - % completed in target time period;
- **3B.W5** – SN4.1: % of main laying schemes constructed and commissioned within the target period - % completed in target time period;
- **3B.W20** – WN4.2: % of testing supplies provided within target period - % completed in target time period.

This change from 0% to 'nil' does not impact our overall performance for the quantitative component of D-MeX which remains 99.61% when calculated using our Q4 reported performance and is our reported performance for line 3B.18 in the APR data tables.

There has been no change to underlying performance between the Q4 ODI submission and the APR26 data tables. The only difference relates to the presentation of zero values, where the Q4 ODI submission displays these as 0%, whereas the APR26 data tables present the same values as 'nil'. This difference reflects a formatting convention within the APR26 data tables rather than any change in data or performance, and both representations are equivalent.

ODI PAYMENTS CALCULATOR MODEL

PCL Restatement Selector

In the "PCL restatements" tab of Ofwat's ODI payments calculator model, the PCL override selector is set to 1 by default which mean PCLs are required to be entered into the model manually when

restatements are required. Ofwat have requested that companies set the selector to 0 which means PCLs cannot be overridden or restated and default PCLs already built into the model are used.

Despite Ofwat's request, to ensure the correct ODI payments have been calculated we have set the selector to 1 as the default PCLs for Business Demand are incorrect. PCLs for Business Demand are set in percentage units and ODI payments are calculated as the percentage reduction in consumption from a baseline level. Within the ODI payments calculator model the PCLs for Business Demand have been converted from a percentage to Ml/d value. However, as stated in sub section '*Baseline Update to Include Non-Household Void Consumption*' of our Improving Clarity and Transparency section, we have restated our baseline performance in Ml/d values to account for the inclusion of non-household void consumption. Therefore, the default PCLs within the ODI payments calculator model are incorrect as they do not include non-household void consumption resulting in a requirement to leave the selector set to 1 and allow for PCLs to be entered manually ensuring the correct ODI payments can be calculated.

Business Demand Baseline Impacting PCL Expressed as Ml/d

With reference to sub sections titled '*Baseline Update to Include Non-household Void Consumption*' and '*PCL Restatement Selector*' within our Improving Clarity and Transparency section regarding our Business Demand baseline, due to the way our Business Demand PCL has been calculated in the ODI payments calculator model we have been required to overwrite our PCL in the model. In the "PCL restatements" tab in cell 0217, we have input our PCL for Business Demand as 366.8 Ml/d which reflects the correct PCL from the Final Determination when applying the percentage reduction PCL of -2.5% as detailed in Key Dataset 1.

Leakage Enhanced Outperformance Threshold

Our enhanced outperformance thresholds across the 2025-30 period for Leakage are set as percentage value. These percentage values are rounded to one decimal place for the purposes of calculating ODI payments. Ofwat's ODI payments calculator model does not round these values to one decimal place and therefore the model is not calculating the correct ODI payment for Leakage as we have achieved the enhanced outperformance thresholds this year.

Our enhanced outperformance thresholds for Leakage this year is 21.5% however, in the ODI payments calculator model this value has been set to an unlimited number of decimal places with a value being used of 21.5493232418215%. This is causing an error in the model calculating our ODI payment for this year.

We have corrected this by inputting our enhanced outperformance threshold in cell 0503 of the 'PCL restatements' tab as 350.2 Ml/d which is the conversion to Ml/d from the 21.5% value. This ensures the model calculates the correct ODI payment of £12.387m for this year.

Water Supply Interruptions

In Ofwat's ODI payments calculator model the required input for Water Supply Interruptions in the "Inputs by Company" tab cell M297 requires the input to be expressed as MM:SS and references line 3A.14 of the APR as the required input. However, for the model to calculate the correct ODI payment for the performance commitment we have been required to input the value in decimalised minutes.

Our Water Supply Interruptions performance for this year is 05:41 when expressed in MM:SS which converts to our input used of 5.683 when expressed in decimalised minutes as required by the model.

Storm Overflows

The input for Storm Overflows performance in the ODI payments calculator model references line 3A.23 however, following Ofwat's letter dated 8 November 2024 regarding the clarification of how ODI payments should be calculated, 3A.23 is not the correct input for calculating ODI payments. 3A.23 comes straight from 3E.14 which applies an adjustment for monitoring downtime regardless of whether the uptime PCL has been met. Applying the logic outlined in Ofwat's letter, if companies have met or outperformed the uptime PCL then no adjustments should be made to performance for the purpose of calculating the ODI payments as 'unmonitored storm overflows adjustment for payments' ('USOAP') would be zero. There is no reportable line in the APR tables that calculates storm overflows performance for the purposes of calculating ODI payments. Therefore, we have used our own calculation as the input for Storm Overflows performance to ensure the model calculates our Storm Overflows ODI payments correctly. Our input value is 14.88 which is equal to our monitored spills performance with no uplift applied as we have achieved our uptime PCL with performance of 98.53%, outperforming our uptime PCL of 97.00%. This ensures the model calculates the correct ODI outperformance payment for Storm Overflows of £8.137m.

Customer Measure of Experience ('C-MeX')

In the "Inputs by Company" tab of Ofwat's ODI payments calculator model there is an input required for C-MeX ODI payments in £m. To calculate C-MeX ODI payments there are multiple datasets required, one being UKCSI data from which water company scores and the all-sector average are needed. Ofwat have stated that for each year of the 2025-30 period, UKCSI data from the July that follows the year should be used in the C-MeX ODI payments calculations. Therefore, the data needed to calculate our C-MeX ODI payment for this year was not available at the time of producing our APR. To provide an indicative value for the input to the ODI payments calculator model, in line with guidance received from Ofwat on 1 July 2026, we have used the latest available UKCSI data which is from January 2026. The values we have used in our calculation are the values provided by Ofwat on 1 July 2026.

Developer Measure of Experience ('D-MeX')

Developer Services revenue is needed to calculate the price control allocation split for D-MeX ODI payments into either Water Networks Plus or Wastewater Network Plus, which is done as a percentage allocation. During the 2020-25 period, APR lines 3D.4 and 3D.5 were used to report Developer Services revenue for water and wastewater respectively with guidance in RAG4 on how these values should be reported. There are no longer lines within the APR data tables that provide a Developer Services revenue split for water and wastewater. As a result, there is no guidance on how Developer Services revenue should be calculated for the purposes of allocating D-MeX ODI payments to Water Networks Plus and Wastewater Network Plus. Below shows how we have calculated Developer Services revenue to split our D-MeX ODI payment for this year into each price control for inputs to Ofwat's ODI payments calculator model in tab "Inputs by Company".

Water Networks Plus;

1. The sum of lines, 2E.1, 2E.10, 2E.11, 2R.5, 2R.6, 2R.7
2. Minus the value from 2E.2 as this is an income offset line
3. This equates to £35.594m which is 56% of our total Developer Services revenue

Wastewater Networks Plus;

1. The sum of lines, 2E.14, 2E.19, 2E.21, 2R.9, 2R.10, 2R.12

2. Minus the value from 2E.15 as this is an income offset line
3. This equates to £28.163m which is 44% of our total Developer Services revenue

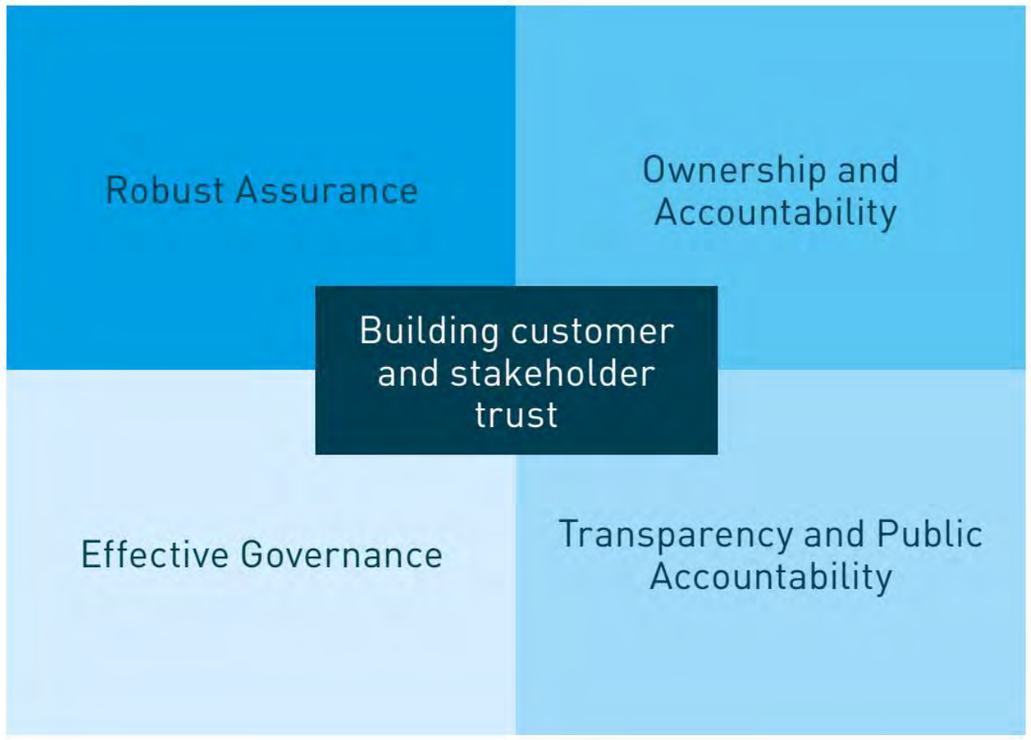
Applying these percentage allocations to our total D-MeX ODI outperformance payment of £10.727m results in £5.989m being applied to the Water Networks Plus price control and £4.738m to the Wastewater Networks Plus price control.

REGULATORY REPORTING

OUR APPROACH TO REGULATORY REPORTING

We know how important it is to our customers and wider stakeholders that our reporting contains reliable data and information. To give confidence that our publications have been well prepared and are consistent with our robust internal processes, we are open and transparent about the processes we follow for our reporting.

This section provides an overview of our regulatory reporting in relation to our APR, including the assurance framework and compliance processes employed. Our robust 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, these can be found along with the Company Performance and Direction Statement in the Board Statements section.



OUR PERFORMANCE REPORTING FRAMEWORK

We have a rigorous performance reporting framework which ensures that managers, senior leaders and Directors are responsible and accountable for delivering high quality data through robust processes and methodologies.

Our framework is underpinned by four main principles that provide consistency and clarity for our people, and allows flexibility to build and evolve with our Company and the environment in which 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 membership of which comprises Non-Executive Directors only), 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.

ROBUST ASSURANCE

We operate a three lines of assurance model which uses a risk-based approach to provide 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, that are lower risk, are targeted with first or first and second-line assurance only. This approach ensures we can continually reassess our assurance activity as risk is reduced in areas where mature and stable processes exist, and increased where new risks are emerging, resulting in a proportionate and appropriate assurance. Our three lines of assurance is explained in greater detail in our assurance approach in Appendix A.

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 weekly by the Executive Committee and at every Severn Trent Plc Board meeting. A non-exhaustive list of matters considered includes: Operational performance – with a focus on customer impacts and customer experience, C-MeX, ODIs, storm overflows, EPA measures, FFT compliance and WINEP delivery. The Board receives updates on the Company's performance, including performance against key targets and performance commitments, customer experience, environmental matters and health and safety, with at least half of every Board agenda being dedicated to performance oversight – with a focus on customer impacts and experience. The Board also receives updates on financial performance and detailed deep dives at each meeting that relate to areas of strategic importance. Read more in the 'Our Approach to Board Leadership, Transparency and Governance' section.

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').

Our 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 wastewater 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 an integral part of our Governance Framework designed to ensure that we identify and assess compliance with our statutory, regulatory, and legal obligations. As part of this process, each obligation is assigned to one or more owners across the business. We monitor over 150 obligations underpinned by over 2,500 reporting lines. Responsible managers and senior leaders are required 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 against another. Our highest areas of risk receive targeted focus in our compliance assurance plan.

Our Compliance Team oversees the Framework and ensure 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 their 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 Compliance 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, in addition to completing regular reviews of these controls. As part of the annual self-certification, we receive a declaration from each responsible manager, senior leader and Director to confirm compliance, or to inform us of any non-compliance (referred to as an exception).

Our 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. Our 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. In addition, this year the Compliance Team produced a Licence to Operate policy document, to further aid consistency of application, to be reviewed and shared with the Board annually.

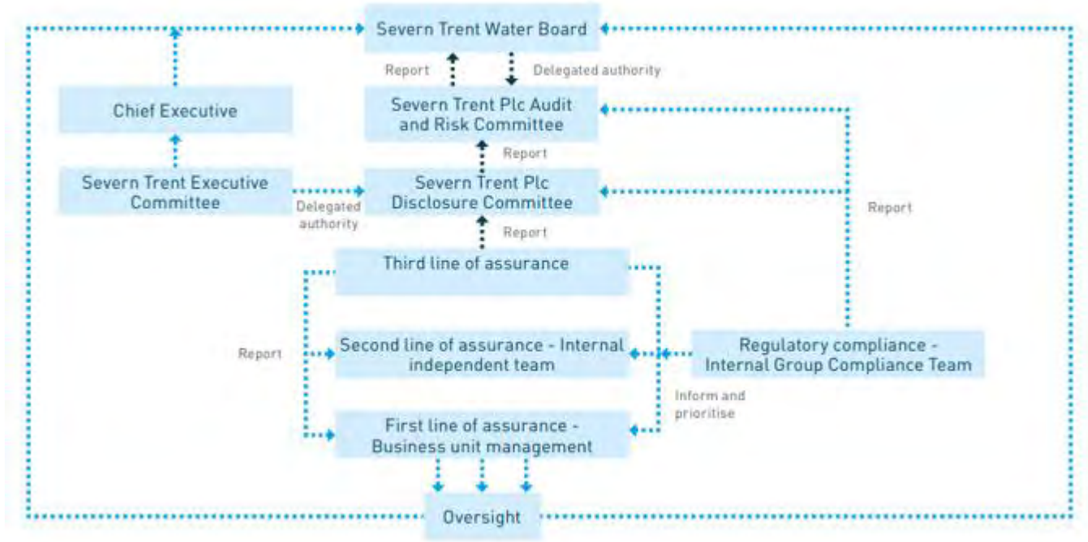
EFFECTIVE GOVERNANCE

The Board is supported by its Governance Framework, which is described in detail in the Our Approach to Board Leadership, Transparency and Governance section of this report. The Board delegates certain roles and responsibilities to its various Committees.

There is a high level of interconnectivity between our Governance Framework and well-established and robust assurance and performance reporting framework throughout our organisation, which provides confidence in the information and data we report in our **Annual Report** 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 Severn Trent Plc Audit and Risk Committee, which receives regular reports of the assurance conducted by the external auditors.

The Board retains ultimate responsibility for, and approves, the APR, including performance against performance commitments and associated ODIs.



TRANSPARENCY AND PUBLIC ACCOUNTABILITY

As a public service provider, it is important that we uphold the highest levels of corporate governance and demonstrate transparency in our reporting in a way that is meaningful for all of our stakeholders so they can hold us to account.

We evolve and update our reporting to make sure that it not only complies with our regulatory obligations but also responds to customer and wider stakeholder feedback. We outline our performance each year within our APR and hold ourselves to account where we do not meet our commitments, supported by robust oversight and constructive challenge by our Board. 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, and also report transparently on areas that our customers and wider stakeholders tell us are important to them and enhancing our reporting to meet their expectations.

We publish our APR so that everyone can see how we have performed and how we have performed against other companies with our sector. This relies on us making sure that we provide accurate, honest and objective information.

In addition to our APR, we publish additional information to ensure our Group structure is transparent and clear for our customers. This structure, which shows how the companies including Severn Trent Water Limited, Hafren Dyfrdwy and other associated companies are connected under the Severn Trent Group umbrella, can be found on our website.

BOARD STATEMENTS

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 the noted departures. 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 opposite).
- 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 arrangements to ensure we conduct the regulated company as if it were a public limited company separate from any other business.

Signed for and on behalf of the Board on 13 July 2026.



James Jesic
Chief Executive
Severn Trent Water Limited



Christine Hodgson
Chair
Severn Trent Water Limited



Sarah Legg
Chair
Severn Trent Plc Audit and Risk Committee

DEPARTURES FROM THE STATEMENTS

There is one departure for inclusion in this year's Risk and Compliance Statement. Relating to Emergency Overflows, detailed below. All departures regardless of materiality, are reviewed and scrutinised by our Executive Committee before being endorsed by our Board prior to publication – ensuring that all levels of the business are made aware of any significant risks or issues.

Departures - Environmental Permitting Regulations 2016
A Regulation 61 request was made by the Environment Agency requesting details of Severn Trent Water's Emergency Overflows ('EO's') estate and compliance with their respective environmental permits and updated Environment Agency guidance. This was a sector-wide request issued to all water and waste companies. The regulatory return submitted in February 2026 included 180 EOs that were identified as potentially non-compliant out of a total of 740 EO sites. Further detailed asset surveys and investigations are ongoing to better understand the performance of such EOs and to determine the extent of any non-compliance. It is acknowledged that MCERT monitors are not installed across the EO estate and are not due to be installed until completion of the UMON_6 programme at the end of AMP9.

OBSERVATIONS FROM THE STATEMENTS

There is one area where we are stating an observation. Observations are not exceptions, however we have elected to include this to ensure the highest levels of transparency for all of our stakeholders.

Observations
In late 2021, Ofwat and the Environment Agency each issued their own investigations into the wastewater industry to investigate compliance with certain wastewater regulatory and legal requirements (including Flow to Full Treatment ('FFT') compliance). We have continued to engage positively with both regulators to support their respective investigations. We are fully committed at every level of the organisation to making a positive impact on the environment and the communities we serve. We are delivering one of the most ambitious spill reduction programmes in the sector and we aim to halve the average number of spills across our estate by 2030. By April 2026, we had delivered more than 3,000 solutions and reduced our average spills by 41% year on year. We launched our Storm Overflow Map on our website in April 2024 to help provide all transparency of our operations and we continue to work towards achieving global best practice.

STATEMENT FROM NON-FINANCIAL ASSURER – JACOBS

Jacobs

Challenging today.
Reinventing tomorrow.

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8 June 2026

Attn: FAO Severn Trent Water Limited Board

Project name: 2025-26 Assurance Services
Project no: B2347104

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 2025-26 (APR26) submission, we were asked to review all the company's Performance Commitments (APR26 section 3 and additional reporting requirements) and cost assessment, Greenhouse Gas Emissions and Net Zero reporting data (within APR26 sections 2-8 and 11) using a risk- and sample-based approach.

We conducted our limited assurance in accordance with the International Standard on Assurance Engagements (UK) 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information ("ISAE (UK) 3000 revised"). The Standard requires that we obtain sufficient, appropriate evidence on which to base our conclusion. For the Greenhouse Gas audits, the assurance was performed in accordance with the International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements. For Capital Carbon, the assurance was performed in line with the principles of PAS2080.

Through a series of assurance audits and information exchanges, we have reviewed and tested the methodologies and processes on which the relevant statements in the APR26 are based, and we have considered the material accuracy of the performance data presented. Our findings have been discussed with management and will be presented to the Audit & Risk Committee on 30th June 2026.

On the basis of our audit work, we are satisfied that the information we reviewed, which supports and is included within the APR26, has been assembled using appropriate methodologies and processes and that the data provides a reliable representation of Company performance. We observed good evidence of engagement from the teams involved in producing the performance data, and of governance and programme management.

We have completed assurance for all of the company's Performance Commitments and Outcome Delivery Incentive payments, including the 9 Performance Commitments with a duty of care requirement[1] as listed below:

- Biodiversity
- River water quality
- Storm overflows
- Operational greenhouse gas emissions (wastewater)
- Operational greenhouse gas emissions (water)
- Business Demand
- Per capita consumption (PCC)
- Leakage
- Capital Carbon.

We provided our Letter of Reliance, which covers relevant assurance for AMP8 reporting to the company on 1st May 2026.

[1] PR24-final-determinations-Expenditure-allowances-Assurance-requirements-for-delivery-of-enhancement-schemes-appendix.pdf

Date: 8 June 2026
Subject: Independent Technical Assurance Statement

Jacobs

Our audits found the Performance Commitment reporting is in line with relevant guidance and that exclusions have been correctly applied.

We reviewed the company's compliance checklist for the Performance Commitments specified by Ofwat and report our findings below.

For **Leakage (LEA), Per Capita Consumption (PCC) and Business Demand (NHH)** - The company has maintained a robust water balance in year 1 of AMP8 despite the challenges due to weather and the change to the billing system; the water balance gap has increased slightly to 31 Ml/d (1.6% of distribution input) for APR26 but remains 'green' in the RAG compliance checklist. In the RAG compliance checklists, all components were confirmed as green for Leakage/PCC/Business Demand across all the measures, with a small number (3 in total) of amber elements within those components which we do not consider will materially impact the reported values.

For **Capital Carbon (CC)** – We assured this performance commitment in line with the principles of PAS2080. The company has complied with the requirements outlined in the FD. In the RAG compliance checklists, all components and elements were confirmed as green for this measure.

For **Water Supply Interruptions (WSI)** – The company has complied with the requirements outlined in the FD. In the RAG compliance checklists, all components and elements were confirmed as green for this measure.

For **Internal and External Sewer Flooding (ISF and ESF)** – The company has complied with the requirements outlined in the FD. In the RAG compliance checklists, all components and elements were confirmed as green for this measure.

For **Biodiversity (BIO)** – The company has complied with the requirements outlined in the FD. In the RAG compliance checklists, all components and elements were confirmed as green for this measure.

For **Unplanned Outage (UNO)** – The company has complied with the requirements outlined in the FD. In the RAG compliance checklists, all components and elements were confirmed as green for this measure.

For **Repairs to Burst Mains (MRP)** – The company has complied with the requirements outlined in the FD. In the RAG compliance checklists, all components and elements were confirmed as green for this measure.

For **Sewer Collapses (SCO)** – The company has complied with the requirements outlined in the FD. In the RAG compliance checklists, all components and elements were confirmed as green for this measure.

We note that the Board intends to include observations we noted during our review as clarifications in the APR submission.

Yours sincerely,

Jon Clyne
Senior Director, Infrastructure Regulatory Economics

ACCURACY AND COMPLETENESS OF DATA AND INFORMATION STATEMENT

Transparency is one of the most important things in our sector and we are focused on delivering for all of our stakeholders, particularly our customers, upholding the highest levels of corporate governance and demonstrating transparency in our reporting so our stakeholders can hold us to account.

We want our 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 provides transparent insight into our performance, our performance compared to other companies in the sector and provides critical information to direct and drive future improvements across the sector.

Trust takes time to build so it is important that the data we disclose across all of our publications, including this APR, provides transparent insight into our performance. This relies on us making sure that we provide accurate, honest and objective information, supported by our established, rigorous and robust assurance 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 Regulatory Reporting section and at Appendix A.

Effective Governance

Severn Trent Water Limited is the principal operating subsidiary of the FTSE 100 company Severn Trent Plc. However, as a distinct regulated entity within the Group, the Severn Trent Water Limited Board operates as such, with its own, tailored Governance Framework and Schedule of Matters Reserved to its Board. The matters reserved to the Board document outlines the Board's responsibility for all aspects of the Company's business, including specific matters outlined within its Instrument of Appointment.

The Board has full responsibility for all aspects of the Company's business, including the freedom to set, and accountability for, all aspects of the Company's strategy to support performance delivery for customers and the environment. To support the Board in discharging its duties, it 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 in the Our Approach to Board Leadership, Transparency and Governance section.

In addition to the dedicated governance arrangements described in this report, as a subsidiary of a FTSE 100 listed company, the Company has chosen to apply the highest standard of corporate governance in line with the principles of the 2024 UK Corporate Governance Code (the '2024 Code'). The **Annual Report** outlines the way in which the Company has voluntarily applied the principles of the 2024 Code during the year.

Our Board Engages and Challenges the Assurance Approach Taken

To support our Governance Framework, we have an established, rigorous and robust Assurance 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 built on the processes we have developed and implemented in previous years to provide accurate data.

We ensure that the highest 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 plan is provided regularly to the Audit and Risk Committee meeting. The Audit and Risk Committee ensures that 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 were required to submit a Board Statement to accompany the final wholesale charges. This submission was 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 regularly reviews the Company's assurance approach and takes action to ensure exceptions and weaknesses in the 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.

Our established risk based assurance framework shapes our assurance plan and ensures that weaknesses in assurance approaches are improved. Customer and stakeholder engagement, internal assessments including Licence to Operate, Enterprise Risk Management 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.

CONSIDERATIONS OF THE BOARD

The Board considers that the Company has applied the governance and assurance frameworks described both in this APR and the Annual Report. 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 wastewater undertaker is accurate and complete, except where indicated.

Signed for and on behalf of the Board on 13 July 2026.



James Jesic
Chief Executive
Severn Trent Water Limited



Christine Hodgson
Chair
Severn Trent Water Limited



Sarah Legg
Chair
Severn Trent Plc Audit and Risk Committee

REGULATORY STATEMENTS

REGULATORY STATEMENTS

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

DISCLOSURES REQUIRED BY RAG3

A. Link between directors' pay and standards of performance

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

The Board applied particular focus to the performance related executive remuneration during the year, in consideration of our performance in the round and over time, service delivery for customers and for the environment, the Company's long-term investment needs and financial resilience. Detailed information is presented in the dedicated Executive Remuneration section.

B. Disclosure of information to auditor

The Companies Act 2006 requires Directors to make a statement in the Company's Annual Report and Accounts regarding the provision of information to the auditor. RAG 3.16 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 distinct regulated entity within the Group, the Severn Trent Water Limited Board operates as such, with its own, tailored governance arrangements and schedule of matters reserved to its Board.

Detailed information on the governance arrangements in place for Severn Trent Water Limited can be found in the Our Approach to Board Leadership, Transparency and Governance section. Application of our AMP8 Dividend Policy in 2025/26 is presented in the Dividends section.

D. Our AMP8 dividend policy

The Company's dividend policy, approved by the Board is based on our belief that, in order to deliver successful outcomes, all stakeholders should share in the Company's success.

The dividend policy aligns with the requirements of Condition P and reflects the need to balance returns to investors with long-term financial resilience, delivery for customers, and environmental performance. In determining dividends, the Board considers financial performance, customer outcomes, regulatory obligations, and the long-term sustainability of the business. In particular:

- Customers benefiting from good value and additional investment to deliver better services;
- Enhancing the environment in which we operate;
- Employees being fairly rewarded for their hard work including through appropriate incentive-based bonuses;
- Investors earning a reasonable return on equity they have invested in the business; and
- Maintaining appropriate gearing and delivering strong financial resilience.

The Board applied particular focus on the proposed dividend during the year, in consideration of our performance in the round and over time, service delivery for customers and for the environment, the Company's long-term investment needs and financial resilience. Detailed information on the application of our AMP8 dividend policy in 2025/26 is presented in the Dividends section and summarised below.

The base dividend reflects the allowed return on regulatory equity.

Adjustments are applied to reflect ODI performance, totex performance, and financing impacts.

The Board applies discretion to ensure the final dividend appropriately reflects performance for customers and the environment, delivery against regulatory expectations, and the Company's financial resilience.

In determining the final dividend, the Board explicitly considered our outcome delivery incentive (ODI) performance, return on regulatory equity ('RoRE'), and delivery against performance commitments. The dividend outcome reflects performance in the round, including service delivery for customers and environmental outcomes.

Dividends paid during the year comprised of £150 million distributed to Severn Trent Draycote Limited. None of this total was used to service interest on intergroup loan arrangements.

The Board confirms that, in declaring the dividend for the year, it has complied with the requirements of Condition P and is satisfied that the dividend has been declared in accordance with the Company's dividend policy.

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 2025/26**.

The Directors have assessed the viability of the Company over a seven-year period to 31 March 2033, 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 2033.

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:

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

- 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;
- 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
- 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).

H. 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 Severn Trent Plc 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 Severn Trent Plc 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

We seek to declare profits in the country where the economic substance arises. Substantially all of the Group's revenues and profits are generated in the UK and are subject to UK tax. Details of the Group's overseas subsidiaries at 31 March 2026 are set out below:

- Lyra Insurance Guernsey Limited is a wholly owned subsidiary company incorporated in Guernsey. It was established to provide insurance services to the Group. The company is subject to the UK Controlled Foreign Company ('CFC') rules and therefore the Group incurs tax at the UK Corporation Tax rate on its profits. The presence there does not lead to a tax advantage.
- Athena Holdings Limited was set up during 2019 to diversify risk in the context of investment planning. It is a wholly owned company incorporated in Hong Kong and tax resident in the UK. It has no impact on the Group's overall tax position and does not lead to a tax advantage.

We do not use low tax jurisdictions to artificially manage the amount or timing of our tax liabilities. All of the Group's overseas subsidiaries are established for commercial purposes and details of these subsidiaries are briefly set out above and in our annual tax report, which is published on our website www.severntrent.com.

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 2026 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

We are delighted to have been awarded the Fair Tax Mark for the seventh year running. This much sought-after recognition demonstrates we are a company that is committed to managing our tax affairs responsibly and supporting measures aimed at tax transparency.

RING FENCING CERTIFICATE

Licence Condition P

Licence Condition P (ring fencing) requires 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 a suitable sufficiency statement 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 PwC and separately submitted to Ofwat.

PwC reviewed the Ring Fencing Certificate in conjunction with the completion of their audit of the Regulatory Financial Statements within the Company's regulatory accounts for the year ended 31 March 2026. PwC's report on its audit of the Regulatory Financial Statements sets out its responsibilities in relation to 'other information' which includes the Ring Fencing Certificate and is set out in the Regulatory Accounts for the Year Ended 31 March 2026 section.

In accordance with the requirements of the Water Services Regulation Authority, the Board confirmed that:

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 the **Annual Report**.

Management provides the Board with evidence that each of the factors set out above have been addressed when assessing whether the Company has sufficient resources to enable it to carry out its regulated activity for the next 12 months. The Board, through the Severn Trent Plc 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 Approach to Board Leadership, Transparency and Governance and Regulatory Reporting sections.

In providing these confirmations, the Directors have considered various factors as part of their assessment prior to signing this certificate, including but not limited to:

Financial resource and facilities	The Appointee's performance expectations against Final Determination 2025 – 2030, 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 2025/26 ARA. Investment requirements to deliver stretching performance commitments. The Appointee's compliance with financial covenants. The Appointee's financial position and net cash flow position at 31 March 2026 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 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 whether there are 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 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 wastewater 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. 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 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 is to attract high calibre candidates and retain employees with appropriate experience and knowledge.

Systems of planning and internal control	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 Severn Trent Plc 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. Business continuity plans, with particular focus applied to potential cyber events and large-scale power outages in response to global events during the year. 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	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. 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	There are no contracts that the Company is dependent on in order to carry out its regulated activity.
Material issues or circumstances	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 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.

OWNERSHIP, FUNDING AND CAPITAL STRUCTURES

Ownership structure

Severn Trent Water Limited supplies water and wastewater services, covering a region stretching from the Bristol Channel to the Humber and from Shropshire to the East Midlands. Severn Trent Water operates under an Instrument of Appointment (the 'Licence'), and our activities are regulated by Ofwat, the Environment Agency and the Drinking Water Inspectorate.

Severn Trent Water is the principal subsidiary of Severn Trent Plc, a publicly traded company listed on the London Stock Exchange. The full ownership structure of the Company within the Severn Trent Group can be found on the **Severn Trent Water website**.

The top shareholders as at 31 March 2026, alongside a prior-year comparison is as shown. It is disclosed in the **Severn Trent Plc Annual Report and Accounts 2025/26** on page 155.

Name of holder	Voting rights held (%)	
	2026	2025
Qatar Holding LLC	11.58	11.61
ClearBridge Group	3.48	3.13
Legal & General Investment Management	3.47	3.50
Atlas Infrastructure	3.47	3.96
Vanguard Group	2.75	4.56

Severn Trent Plc provides ultimate controller undertakings to ensure that Severn Trent Water can operate independently with the financial and operational resources needed to meet its regulatory obligations.

Severn Trent Water Board oversees our strategy, regulatory compliance, financial resilience and risk management. Details of Board members, the Executive Committee, governance structure and remuneration disclosures are available in the **Annual Report**.

Funding Structure

We finance our long-term investment programmes through a mix of:

- customer revenues (for services delivered and long-term recovery of asset improvements);
- debt financing via bonds, private placements and bank loans; and
- equity

Our treasury strategy prioritises:

1) Maintaining strong liquidity
2) Access to diverse and competitive funding markets
3) Managing interest-rate and counterparty risk
4) Maintaining an investment-grade credit rating.

The key categories of expenditure are available in tables 4J, 4K, 4L & 4M. A summary of 2025/26 and AMP-to-date performance are included in the APR table. Drivers for variances typically include the timing of capital programmes, efficiency performance and inflation impacts. The variance analysis and the commentary are provided alongside tables 4C, 4J, 4K, 4L & 4M.

A detailed breakdown of how customer water bills are spent is provided in our Annual Performance Report, on the **Severn Trent Water website** and within the Scheme of Charges in our **Regulatory Library – APR & Charges**.

Severn Trent Water is regulated by Ofwat, the economic regulator for the water sector in England and Wales. Every five years we work with our customers to develop a new business plan to be assessed and agreed by Ofwat. Severn Trent Water's business plans, as part of a five-yearly price review, set out our plans for investment, performance improvements and the potential impact on customers' bills for the upcoming Asset Management Plan.

Capital Structure

Severn Trent maintains a commitment to an investment grade credit rating and a sustainable gearing level, supported by its published financing strategy. All credit ratings (and outlook) are monitored for licence purposes throughout the year. The credit ratings as disclosed in table 4H is Fitch: BBB+ (stable) and Moody's: Baa1 (stable). There have been no changes in credit ratings in the year and up to reporting date.

Summary table showing a year-on-year comparison for RCV, total borrowings, net debt, regulatory gearing, return on regulated equity, total dividends declared (£) by the regulated company and dividend yield:

		2025/26	2024/25	2023/24	Reference
Regulatory Capital Value (RCV) - nominal year end prices	£m	15,203.251	13,517.963	11,885.573	RCV published by Ofwat
Total borrowings	£m	10,396.707	9,156.447	7,674.968	1E.3
Net debt	£m	9,638.661	8,473.321	7,248.807	1E.6
Regulatory gearing	%	63.40	62.68	60.99	1E.7
Return on regulated equity (RoRE)	%	9.31	8.79	8.48	4H.5
Total dividends declared by the regulated company	£m	150.000	191.429	297.600	1A.15
Dividend yield	%	2.70	3.79	6.42	4H.6

RCV has increased year-on-year reflecting continued totex investment across AMP7, including delivery of enhancement programmes and accelerated environmental and resilience investment. Growth in 2025/26 is consistent with the significant capital programme delivered towards the end of AMP7 and early AMP8 activities aligned with Ofwat's regulatory framework.

Total borrowings have increased broadly in line with RCV growth, reflecting the funding required to support the company's expanding capital programme. This includes increased issuance of debt to

finance infrastructure investment, environmental improvements and the delivery of long-term resilience schemes. Financing strategy remains aligned to efficiently funding regulatory investment while maintaining financial resilience.

Net debt has increased year-on-year, driven primarily by higher borrowings associated with the delivery of an expanded capital programme and continued investment in network resilience, environmental compliance and growth. This increase is consistent with the profile of RCV growth across the period and reflects timing of cash flows associated with capital expenditure.

Regulatory gearing has increased modestly over the period, reflecting higher net debt levels relative to RCV as the company funded significant capital investment through debt. The increase remains measured and consistent with maintaining an efficient capital structure in line with regulatory expectations whilst supporting the delivery of investment programmes.

RoRE improved between 2023/24 and 2024/25, reflecting stronger operational and financial performance and efficient cost delivery and ODI performance. RoRE has increased in 2025/26, following a modest improvement in 2024/25. The uplift reflects stronger overall performance, including delivery against outcome delivery incentives (ODIs), continued cost efficiencies and effective execution of the capital programme.

Total dividends have reduced over the period, reflecting a balanced approach to capital allocation with greater emphasis on retaining funds to support increased investment requirements and financial resilience. Dividend decisions remain aligned with the company's policy and take into account performance delivery, customer outcomes and long-term sustainability considerations.

Dividend yield has declined in line with the reduction in total dividends declared, reflecting a shift towards retaining earnings to fund the significant investment programme and support long-term growth. This aligns with the company's focus on strengthening financial resilience and delivering increased investment commitments for customers and the environment.

There has been no new equity investment into Company (e.g., ordinary share issuance from Severn Trent Plc) during the year. Dividends are paid by Company to ultimate shareholders.

The Board confirms that Company maintains strong liquidity, supported by committed credit facilities and access to long-term debt markets. The going concern and viability statements are published in the **Annual Report**.

A full schedule of our debt instruments and details of debt falling due in the next year can be found in APR Table 1E and 4B.

LICENCE CONDITION G STATEMENT

This Statement explains how the Company meets the six principles for customer care as set out in Licence Condition G, which was introduced in February 2024. We have also considered Ofwat's 'Service for All' objectives which underpin Licence Condition G (specifically Principle 5):

- Provide a high standard of service and support;
- Develop services that are inclusive by design;
- Identify customers who need extra help;
- Record their needs; and
- Develop vulnerable strategies.

We remain committed to keeping bills affordable for our customers while still making the investment needed to improve the services people rely on every day. We currently support over 300,000 customers through our financial support schemes and aim to increase this to 700,000 by 2030, equivalent to one in six customers. You can read more on this in the Performance Section.

We published our draft Vulnerability Strategy in June 2024 and considered Ofwat's feedback in developing our final **Vulnerability Strategy**, published in June 2025. Ofwat assessed each company against the 'Service for All' objectives. Severn Trent Water was considered good across all five objectives, along with one exemplary scoring for 'Record their needs'. Our Vulnerability Strategy still has room for a more ambitious approach, and we believe that a more data driven focus in AMP8 will allow us to broaden our reach of support within our customer base and positively impact more customers within the next five years.

Principle 1: The Appointee is proactive in its communications so that its customers receive the right information at the right time, including during incidents.

We aim to deliver a great experience for our customers in all that we do. We continue to work hard to minimise incidents on our network, but in the event that one occurs, our processes relating to customer communications are documented with clear roles and responsibilities for our teams during an incident. Our processes cover a wide range of topics for a range of customer journeys, including; incident triggers, incident management and playbooks, tailored customer communications in the event triggers are met, tailored incident support, a dedicated approach for vulnerable customers tailored to their circumstances and alternative supplies.

Our company-wide incident tracker records all decisions and actions taken across all departments within our control room and on site and provides a legal document for any Drinking Water Inspectorate ('DWI') reportable events. We have a suite of tailored messaging, that can be cascaded effectively to specific areas as required to proactively advise customers of issues that may be affecting their water supply. This messaging can be sent via text or voice message either proactively or reactively in response to an operational issue. Our network control room maintains regular contact with our Water Specialists (who work within our contact centres) to ensure that they are aware of any supply interruptions or ongoing issues, as well as ensuring that the **Incidents in my area webpage** is up to date with incident details.

Customers registered to our Priority Services Register ('PSR') and sensitive sites such as nurseries, schools, hospitals, care homes or prisons, receive advance notification of planned works, so that we can make appropriate alternative arrangements to maintain their supply. During unplanned incidents we identify priority customers and sensitive sites in the impacted area, contact them promptly to advise of any issues and provide alternative supplies as required to minimise disruption. In the event of a wastewater issue (blockage, floodings and pollutions) at such sites, we escalate to the highest priority to ensure the issue is resolved as quickly as possible.

The DWI completes regular technical audits of our customer call centres to review our receiving, responding, recording, and reporting of water quality consumer contacts and provides written feedback, which we use to further improve and enhance our approach. Their most recent audit in March 2024 concluded that 'The company has well developed mechanisms for informing customers of events either pro-actively or reactively'.

Principle 2: The Appointee makes it easy for its customers to contact it and provides easy to access contact information.

We offer a wide range of different channels of communication to suit our customers' needs and our dedicated Affordability Assistance team are trained to provide any extra help and support that may be needed. We also have a team of partnership specialists embedded across our communities to help increase awareness and support customers who may struggle to communicate over the phone or online with us.

We know how important it is for customers to be able to contact us whenever they need us and the **Contact Us** page on our website offers a range of communication channels including WhatsApp messaging, and 24/7 operational customer contact centre for water and wastewater emergencies. We also provide dedicated contact channels for billing, and water meters, and have easy to populate online forms in order that customers can report any issues in addition to our postal address. To ensure our written communication is accessible, we offer a range of formats including: large print, braille, audio, alternative colour paper, other languages and paperless.

Some customers might need someone to help them at times, which is where our nominee scheme helps make things easier. If a customer has dementia, suffers from anxiety, or there is anything else that makes managing their account with us difficult, they can appoint a nominee. We simply ask for them to give us details of a friend, relative or carer who they allow to speak to us on their behalf.

Our website uses the Recite Me accessibility software to provide customers with the tools needed to navigate and access our information. The communication toolbar allows visitors to customise the content into an easy-to-read format in a way that works best for the individual. The translation tool contains over 100 languages as well as tools to assist with visual impairments and learning difficulties such as dyslexia. AA-level compliance ensures that our digital services and websites are accessible to a broader audience, including people with disabilities. By adhering to WCAG guidelines, we can provide a seamless experience for all users, regardless of their circumstances and needs.

Principle 3: The Appointee provides appropriate support for its customers when things go wrong and helps to put things right.

We work hard to make sure that we deliver an excellent service to all our customers and are committed to taking responsibility and making things right when we get things wrong.

An example of this is our support to customers impacted by sewer flooding, which is one of the worst impacts our customers can experience. We have applied a significant amount of focus to reducing sewer flooding this AMP. Should an internal sewer flooding event occur, we provide customers with

the right support, tailored to their circumstances, with the objective of turning a negative experience into a more positive one.

Our support process is tailored to the root cause of the flooding and whether it's internal or external. Customers are supported by our team of Waste Customer Resolution Case Coordinators, a new role introduced in April 2021 to improve our customer service offering for those who suffer flooding.

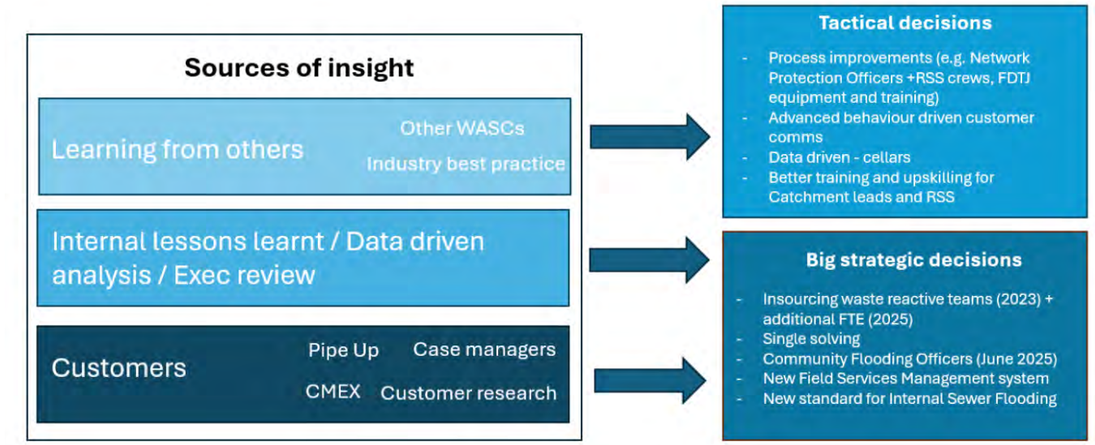
Our team of Customer Resolution Case Coordinators contact each customer who has experienced internal flooding within 24 hours of our crews visiting to share advice on the next steps, provide flood after care information and discuss any potential insurance company engagement. Before calling the customer, the team member will check whether the customer is on the PSR or has been flagged as vulnerable. As part of the conversation with the customer, the Customer Resolution Case Coordinator will acknowledge the experience the customer has gone through with empathy and care, answer any outstanding questions, check they received the flooding after care leaflet and discuss any key points with them. To ensure we provide the best possible service for customers, the Customer Resolution Case Coordinator's team chase any outstanding actions and track completion of the follow-on activity.

Once the required follow-on work is complete, the team will check the customer is happy that the issue has been resolved. Our Customer Resolution Case Coordinators support customers through the process until they can confirm they are "satisfied and happy to close". That might include going above and beyond in terms of providing a gesture of goodwill, covering their insurance excess or something as simple as flowers or an apology for any service failings. They also offer additional support and guidance on vulnerability and affordability, where the need is identified. This might involve liaising with other parts of the business such as the Care and Assistance team.

Our service is supported by legal guarantees such as **Guaranteed Standards Scheme** ('GSS') which ensures customers are entitled to minimum standards of services and requires us to provide payments to any affected customer if we fail to meet the required standard. We also have our own guarantees to make sure that we focus on services our customers have told us they value the most.

Principle 4: The Appointee learns from its own past experiences, and shares these with relevant stakeholders. The Appointee also learns from relevant stakeholders' experiences and demonstrates continual improvement to prevent foreseeable harm to its customers.

We recognise the importance of learning from others, from our own past experiences and working with external experts and organisations to develop our approach. We are dedicated to continuously enhancing our customer experience, especially in the aftermath of sewer flooding events. We leverage a diverse array of insights, from customer feedback to industry best practice, to ensure that the decisions we make at both a tactical and strategic level are well informed and effective. For example, our Executive Committee reviews flooding incidents on a regular basis, to learn from them, discuss insights from customers' experience and seeks out learning from other companies and organisations, in line with our culture of continuous improvement. A summary of how we have used various sources of insight to drive improvements for our customers is provided below:



To help inform this activity we also conduct regular customer research to understand customers' views on our service and their priorities for improvement. This includes research we commission through third party research agencies, research commissioned by others including the Consumer Council for Water ('CCW') and Ofwat, and through our customer research community, TapChat. We also track customer views through our "always on" customer tracker, which surveys 100 customers each week to understand their views on our service, including monitoring key KPIs such as customer satisfaction, value for money, affordability and service issues.

An example of improvement activity we have implemented in view of these learnings and customer insight is set out below:

Reducing flooding in cellars – lessons learned and customer insight led to us instigating a review of internal sewer flooding incidents that occurred within cellars. In response to the analysis, we made improvements to our decision tree in September 2024 to ensure that the contact centre employee asked if the customer had a cellar. If a customer called in with a blockage and they had a cellar, the call was treated as a high-priority job and a crew attended within four hours. These process improvements reduced floodings in cellars by 29% compared to the same time period in 2023/24.

Alongside these improvements, we instigated an internal initiative to gather data about cellars and their location within our region. We now have a robust dataset in relation to cellars which allows us to drive future improvements, and this has already been utilised for enhanced risk modelling for future proactive works programmes.

In addition to this insight, we have a programme of regular training in place to ensure our teams can identify any extra needs and support our customers in the best way. Some of our memberships include:

Sewer flooding eLearning – our Flooding Working Group identified that training often relied on peer-led training or on-the-job training. Therefore, we are developing and introducing sewer flooding E-Learning to further enhance the capabilities of our teams so they can best serve customers.

Business Disability Forum – through which we can access advice, support and learnings from the 500 organisations who have signed up, helping us to improve the experience of our disabled employees, candidates, and customers by removing barriers to inclusion.

Disability Confident – this is a government scheme designed to encourage employers to recruit and retain disabled people and those with health conditions. We are currently at Level 2 'Disability Confident Employer'. This ensures we stay up to date with advice and guidance to help and support those with disabilities.

Support The Sunflower – we recognise not all disabilities are visible and living with a disability can make daily life more demanding for many people, but it can be difficult for others to identify, acknowledge or understand the challenges you face. We have introduced sunflower lanyards, pin badges and identifying cards to give our employees that little bit of extra support, but to also embody this across Severn Trent so all employees, whether they are customer facing or not can recognise the importance of hidden disabilities.

We actively participate in regular CCW workshops, to share our knowledge and lessons learned across the industry.

To ensure continuous improvement in incident management, we hold companywide exercises annually to test our Strategic Incident Management Response Plan and lessons learned from these events are incorporated into an updated Plan.

Principle 5: The Appointee understands the needs of its customers and provides appropriate support, including appropriate support for customers in vulnerable circumstances, and including during and following incidents.

Our PSR allows us to tailor our support to customers' individual situations and needs on a temporary or permanent basis. We continue to grow our database of customers who need additional support, through continuous promotion and awareness of the scheme, partnerships, and the extension of data sharing across the utilities and telecoms sectors. Our nominee scheme supports customers who are impacted by something which makes managing their account with us difficult. The nominee scheme allows them to provide the details of a friend, relative or carer who they allow to speak to us on their behalf. We can even send information directly to the nominee if this is preferred so they can help make sure bills are up to date. In the event of a water emergency, we contact the nominee as well as the customer, in case they need any extra support.

- We review 'extra help' needs on a frequent basis to understand if customers' circumstances have changed.
- We are exploring more data sharing agreements to align with the 'tell us once' service.
- Our system can keep a record of the customers' extra help needs in one place, regardless of what the customer's issue is, whether it be an operational or a billing issue. This means we can tailor each conversation we have with them appropriately.
- During an incident, we are committed to keeping customers updated through messages, phone calls and updates on our website. In the unlikely event of a loss of water supply, we will deliver bottled water to customers signed up to our PSR.
- 'Core' PSR customers will receive a written notice to confirm their inclusion on the Priority Services Register along with confirmation of the services they will be provided in the event of an incident or emergency.

Our Customer Delivery teams have received vulnerable customer training to help identify when a customer may need extra help.

We have been working to establish partnerships in our communities and are proud of our work with Kidney Care UK ('KCUK'), which has supported us to raise awareness and promote our schemes and services to patients and families of those suffering from chronic kidney disease. One element of success is the renal unit visits we have been able to conduct alongside KCUK staff whilst patients are receiving dialysis treatment, enabling us to connect with our customers and have positive conversations about the support we can offer, identifying potential savings on our affordability schemes and signing up patients for our PSR.

You can read more about how we support customers in vulnerable circumstances in our **Vulnerability Strategy**.

Principle 6: As part of meeting principle 5 above, the Appointee provides support for its customers who are struggling to pay, and for customers in debt.

Beyond our commitment to excellent customer service, we never want our customers to fear their bill and our relentless focus on affordability support and customer advice continues. Our customers benefit from the second lowest bills in England and will continue to do so throughout AMP8. We also continually strive to eliminate water poverty through our range of bill reduction schemes and are dedicated to supporting our customers now and in the future through financial assistance schemes. We are developing a single application for all schemes making it easy to access extra help and we provide application assistance for those who need it. Our **online eligibility checker** makes it easy for customers to find the right support for their circumstances. Our AMP8 £575 million affordability package will allow us to support c.700,000 households by 2030, the equivalent of one in six customers – one of the largest support packages proposed in AMP8 by any water company in the UK.

Our customer bill support includes WaterSure bill cap scheme, Big Difference Scheme, Big Difference Scheme +, living alone reduced tariff, customer assistance scheme, payment breaks, Water Direct, and Matching Plus debt support. We also offer customers the ability to take control of the bills by switching to a smart water meter, enabling them to track usage on-line, and receive free home water efficiency checks. Full details of each scheme are presented the **Help with paying your bill** page on our website.

We have a dedicated team of customer specialists whose role is to engage with organisations and communities across our region and increase awareness of our vulnerability assistance schemes and services. We regularly visit foodbanks, community centres and outreach centres to raise awareness of the support available, provide help and assistance, and to engage with our customers.

We are proud of the many charities, organisations, and other authorities that we partner with to help and support our customers. We data share with the Department for Work and Pensions to enable us to identify customers in receipt of certain benefits who would be eligible for a bill reduction. This means we can automatically apply a discount to their bill without having to contact us or complete an application process.

Through partnership arrangements with housing providers, local authorities and charities, we can identify customers in financial hardship and streamline the process so they can access our support schemes more readily. These partnerships can also help remove barriers which may have prevented customers from previously accessing support.

In October 2023, we announced our exciting new partnership with Kraken Technologies to implement its industry-leading platform to drive improvements in customer experience and migration is due to

complete in summer 2026. This new platform will support us to deliver a new 'tell us once' approach to the suite of support available. Over the last 12 months, we have taken a proactive approach to identifying customers who might need financial support. We have worked collaboratively with our debt and data teams to identify customers in water poverty who would be eligible for our Big Difference Scheme ('BDS'). Using a combination of socio-demographic and financial data, we have been able to proactively enrol over 25,000 customers who had not yet applied directly themselves. We will continue to use data such as this, in collaboration with other teams across the business, to identify customers who could benefit from our support across AMP8 and will use this for either bespoke communication or further auto-enrol campaigns.

Within the last 12 months, our BDS offering has changed, moving away from an average bill model, to an actual consumption-based model with a fixed discount applied. This will not only allow us to extend our support to more customers, but will also enable us to promote the positive messaging of water efficiency as a way for our BDS customers to gain more financial control, helping to influence their consumption and in turn their spend.

A cohort of customers on our BDS scheme are also eligible for BDS+, our payment matching scheme where customers who pay their annual charges plus £60 towards their debt will receive a payment match from us on their anniversary of joining BDS+. In the last 12 months, over 70,000 customers have received a payment match towards their debt.

Over the last 12 months, our External Relationships team has worked closely with partners and community organisations across the region, particularly in Nottingham, Leicester and Derby focusing on minority ethnic customers, to help break down potential barriers in accessing water support. This has included a wider rollout of our fully translated leaflet promoting our support schemes, widening our scope of accessibility for our customers. This continues to receive positive feedback during our community events, especially the targeted Cost-of-Living events that we hosted specifically for these communities.

We operate various data share agreements with local authorities, charities, and organisations to enable us to proactively reach customers who may need our support. An example of one of these partnerships is with Nottingham Energy Partnership (NEP). This charity enables customers in fuel poverty (those unable to afford to pre-pay for their fuel or energy and as a result when their money runs out, they have no heating or means to cook hot food) to access financial support and practical advice needed to get back on their feet. By partnering with NEP, these customers can also benefit in a reduction on their water bill through our auto-enrolment directly onto BDS.

It is our desire to continue to forge similar partnerships to enable us to reach the proportion of customers who may not typically engage with us directly or may be prevented from accessing support directly themselves due to problems completing application forms, such as digital exclusion.

During AMP8 we are working to develop and deliver a new Affordability Strategy. This will sit alongside our Vulnerability Strategy (which has a strong debt management focus) and will support Licence Condition G. Our Affordability Strategy will focus on the following four key areas:

- Data-driven outreach;
- 'Single Application' view;
- A comprehensive communication strategy; and
- Charity partnerships.

OUR APPROACH TO OPEN DATA

Our **Open Data Strategy** outlines our vision to make data available and accessible publicly to provide visibility and demonstrable value to our customers, wider stakeholders and society. We believe our open data strategy fosters a spirit of transparency, innovation and efficiency that drives the sector forward and are confident in the value being delivered to consumers, wider stakeholders, society and the environment.

Our Approach

The open data landscape is evolving, and our processes to balance security and risk with openness and opportunity must evolve as well. We aim to drive a culture that enables trust and transparency, ownership, collaborative working and sharing best practice across the water industry.

Our open data initiatives are driven by company and industry challenges, as well as the goal of improving transparency in our reported business performance. We recognise the value of opening our data and have established processes for making data available.

We will apply data availability, quality and usability checks that assess data for its completeness, accuracy, consistency, reliability, timeliness and validity to ensure that our data sources are monitored and fit for use. Through this we are supporting the sector's ambition to enhance the ease of use of our data and encourage continuous improvement, better data architectures, reduce data redundancy and manage emerging security risks.

We have developed shared 'Open Data Guiding Principles' that promote a common approach to open data delivery.

Our Commitment

We are committed to making our data easy to access, well-documented and reusable while welcoming feedback and working with stakeholders to continually seek out improvement. We want people to get the maximum benefit from the data we share and we will:

- make sure that published datasets are easily accessible, relevant, well-described, documented, and provided in suitable formats with appropriate licenses;
- establish feedback channels to help improve our open datasets;
- ensure our datasets adhere to industry standards by adding open data licenses and making sure files are machine-readable and in standard formats for easy interpretation and broader re-use;
- provide clear and concise documentation to support end users of our data;
- continue to actively communicate our progress to keep our stakeholders informed and engaged; and
- use a standardised approach to develop rich and relevant contextual information, especially for complex datasets.
- As our open data capability matures, we will continue to make and share updates to our strategy.

Stream

Sector-wide open data initiative 'Stream', a working collective of 11 water companies backed by the Ofwat Innovation Fund, is working to unlock the potential of water data to benefit customers, society and the environment. This initiative has co-created an Open Data Framework that provides the capabilities required to unlock the value of water sector data, and in December 2023 established an **Open Data Portal** for sharing water company data sets. Severn Trent are actively engaged in sharing data through the portal, working with the Stream Use Cases and Market Needs advisory group to establish the priority order for release of future data sets based on value to consumers, wider stakeholders, society and the environment; and the Stream Technical Requirements advisory group to ensure these are underpinned by a common set of data standards and supporting contextual information (metadata) to ensure that the data is understandable and easy to use and process.

To date we have published our APR, Domestic Water Quality, Raw Water Reservoir Levels and Water Company Boundary data and Sewer Catchment Boundary data through Stream as open datasets. Through our Get River Positive pledges and Advisory Panel, we are continuing to drive transparency and openness, and we are pleased to continue to release our Storm Overflow hourly status data as a machine-readable API on the National Storm Overflow Hub, hosted by Stream. This data supports our **Storm Overflow Map** which is already accessible on our website.

APR26 data tables are available in the **Regulatory Library** on our website and can also be accessed on the **Stream Open Data Portal** with the following attributes:

- The APR data tables are published in a machine-readable format (as CSV text files) alongside the Excel spreadsheets to make it easier for interested parties to download, process and analyse the information contained in them.
- A complete set of supporting contextual information, aligned with the Stream-agreed metadata standards to help understand the format and meaning of the APR data.
- An open data licence (CC BY 4.0) to help understand what, if any, restrictions exist on the use of this data.
- Publishing additional datasets alongside the APR tables, we have created a five-year dataset for a selection of datapoints relating to Performance Commitments. This allows users to see trends without having to download and manipulate separate files.
- The provision of a data user help function to support with any data related queries when trying to access or use this data.

Our Open Data Maturity Assessment

Through Stream, as a sector, we are working collaboratively to standardise our approach to measuring and reporting on our Open Data maturity. This includes establishing a consistent methodology for assessment, agreeing on the frequency of assessment, and defining how we will report on outcomes of the assessment.

A standardised maturity framework will help us drive greater value from open data by enabling us to identify areas for improvement across the sector, share lessons learned, and adopt best practices. This will ensure that our open data is fit for purpose and meets the needs of its users. By providing a clear understanding of our current position, the assessment will help prioritise efforts with the greatest impact, supporting better decision-making, improved transparency, and increased use and reuse of water sector data. Ultimately, this collaborative approach will ensure that open data delivers meaningful benefits to our customers, society, and the environment, as well as the organisations publishing it.

Our Open Data Roadmap

The table below outlines our schedule for planned open data releases for 2026/27. This data will be published with an open licence to encourage information to be freely used. As members of the water sector wide Stream programme, we actively review Stream use cases and add them to our roadmap as they are selected for publishing.

Timescale	Description	Frequency
Q1 2026/27	Inclusion of the latest investment plans and schemes on our Storm Overflow Map	Annually
	Raw Water Storage: Annual updated levels of raw water availability/reservoir levels	Annually
	EDM data: Unassured start and stop times for spills from our event duration monitors (Website)	Monthly
	Annual Performance Report Data: APR 2026	Annually
	Domestic Water Quality datasets: Drinking water quality from across our region	Annually
Q2 2026/27	EIRs: Frequently asked questions (FAQ) section of our website as an effective solution to inform interested parties about the common themes	Annually
	EDM data: Start and stop times for spills from our event duration monitors (Stream)	Annually
	Open Data Maturity Assessment: Developing a standardised maturity framework with Stream and the Open Data Institute	Annually
Q3 2026/27	Domestic Consumption: Aggregated domestic consumption data across lower layer super output areas	Annually
	Night-flow Monitoring: Net night flow measurements aggregated for DMAs	Annually
	Water and Waste Boundaries: Our regional zonal Water and Waste boundary maps	Annually
	Sewerage Boundaries: Geographical Drainage Wastewater Management boundaries within our region	Annually
Q4 2026/27	Reasons for Not Achieving Good Status (RNAGs) Map: A visual map and dataset with the RNAGs allocated to us to visualise the progress we are making in terms of reducing our waste RNAGs to achieve our <2% by 2030 target	Annually
	EDM data: Annual Return Event Duration Monitor annual data for spills	Annually

EXECUTIVE REMUNERATION

EXECUTIVE REMUNERATION AT SEVERN TRENT

The Executive Directors of Severn Trent Water Limited mirror those of Severn Trent Plc. Severn Trent Plc is listed on the London Stock Exchange and is therefore subject to the associated comprehensive transparency and disclosure regulations on executive remuneration reporting. In accordance with RAG 3.16, paragraph 4.14, where a company reports some or all of the required information in its annual report, it may cross reference to the relevant section of that report in its annual performance report rather than duplicating these disclosures. While we present some information within this report in order to enhance reader understanding, a significant amount of additional information on our approach to all aspects of executive remuneration is also included on pages 118 to 152 of the **Severn Trent Plc Annual Report and Accounts 2025/26**.

The UK water sector continues to operate under a high degree of scrutiny from regulators, customers and the media, reflecting the critical role it plays in delivering an essential service. In this context, Severn Trent recognises the importance of building and maintaining trust through transparency, accountability and consistent delivery of performance outcomes. We were therefore supportive of recent updates to the RAGs aimed at strengthening transparency in remuneration reporting across the sector, which we believe will improve consistency in disclosures and support in the rebuilding of public trust in the sector at a time when it is so vitally needed.

2025/26 marked the first year of AMP8 and a significant step-up in ambition for Severn Trent. We delivered another strong year of performance, demonstrating sector-leading outcomes across a broad range of operational, environmental and financial metrics. This included continued progress on environmental performance, where the business remains highly confident of achieving the maximum 4* rating under the Environment Agency's framework for an unprecedented seventh consecutive year, alongside a significant improvement in combined sewer overflow performance, a reduction in total pollution incidents and sustained low levels of leakage. Financial performance also remained robust, with operational efficiency supporting strong outperformance against regulatory expectations and underpinning the investment required to deliver long-term improvements for customers and the environment.

Consistent with the broader performance of the business, our delivery against the stretching targets set for the specific metrics within the annual bonus and long-term incentive plan ('LTIP') has been particularly strong in 2025/26. Further details of this are set out on pages 119 to 120 of the of the **Severn Trent Plc Annual Report and Accounts 2025/26**.

It is against this backdrop of strong overall performance that we were disappointed to have triggered Ofwat's Performance Related Pay Prohibition Rule (the 'PRP Rule') for 2025/26. Despite very strong overall environmental performance, Severn Trent did not technically meet the environmental standard within the rule, as a result of two Category 1 pollution incidents during 2025. The Company did not agree that the incidents met the threshold for Category 1 classification and formally appealed the assessments, however, those appeals were unsuccessful. This prevented us paying any bonus in relation to 2025/26 to those Executive Directors who were in place at the relevant time (Liv Garfield and Helen Miles).

While Severn Trent respects and fully complies with the regulatory framework, this experience highlights the importance of continuing to evolve the regime so that it better addresses persistent performance failures, rather than penalising organisations demonstrably delivering sector-leading performance in the round.

Looking ahead, we remain clear that remuneration frameworks across the sector must continue to support the attraction and retention of high-calibre leadership capable of delivering the significant investment and operational improvements required over AMP8. For Severn Trent, this has informed the development of a new Remuneration Policy for 2026, which was approved at our Annual General Meeting on 9 July 2026, receiving strong shareholder support, with 98.25% in favour of the proposal. The Policy rebalances incentives towards longer-term performance, reducing the maximum annual bonus opportunity while increasing the emphasis on long-term share-based rewards. It also strengthens Executive Director shareholding requirements, and reinforces alignment with customers, the environment and investors. The re-balanced packages will support our objective of ensuring market competitive reward to reflect the scale and complexity of the business and an ongoing focus on sustained sector-leading performance. Further detail on the changes being made as part of the 2026 Remuneration Policy can be found below and on pages 122 to 126 of the **Severn Trent Plc Annual Report and Accounts 2025/26**.

In the remainder of this section, we set out:

- Details of our Group Remuneration Policy (the 'Policy'), its focus on the long term and an explanation of how the structures of our short-term and long-term incentive schemes are aligned to delivery for customers and the environment;
- Details of the mechanisms in place to ensure that Executive Director PRP outcomes are appropriate and justifiable, and enable the Remuneration Committee (the 'Committee') to override the formulaic outturns if needed;
- The impacts of Ofwat's PRP Rule on the remuneration of our Executive Directors in the year;
- Disclosure of remuneration received by Executive Directors of Severn Trent Water Limited from other Group companies during 2025/26;
- An overview of how we will apply the new Remuneration Policy for 2026/27;
- How we ensure the targets we set are stretching; and
- Details of how Executive Director PRP is funded by investors.

OUR REMUNERATION POLICY IS DESIGNED TO FOCUS ON THE LONG TERM

Executive pay is subject to rigorous scrutiny from the Severn Trent Plc Remuneration Committee, which operates on behalf of all Group companies, including Severn Trent Water Limited. The Committee is advised by appointed independent advisers, and the Committee's decisions are published as part of the **Severn Trent Plc Annual Report and Accounts 2025/26**. Matters of relevance to Severn Trent Water Limited are disclosed within the dedicated **Severn Trent Water Limited Annual Report and Accounts 2025/26**, ensuring full transparency about our Executive Director pay decisions for our customers, the environment, and wider society.

The Group's Remuneration Policy is designed with the following key objectives in mind:

- To ensure the Executive Directors have a long-term focus on strong and sustainable performance for the benefit of all stakeholders, through the use of shareholding requirements, deferral mechanisms and holding periods;
- To foster a culture of high performance throughout the organisation through the alignment of performance measures in the all-company bonus;
- To strive for excellent performance that leads the sector and that is recognised by our regulators, customers, and other stakeholders as doing so; and
- To attract, retain and motivate its leaders to deliver on our performance objectives for customers, communities, and the environment.

The Company's remuneration framework embeds our values and ensures that our Executive Director remuneration arrangements can be clearly articulated and justified to internal and external stakeholders.

Under the new Policy, around 80% of our Executive pay potential is variable in nature, based on stretching targets that are set each year by the Committee, ensuring that our Executives are only rewarded for strong performance and service improvements for our customers and the environment.

In line with the principle of encouraging long-term focus on strong and sustainable performance, 50% of any Executive Director annual bonus is awarded in shares that are deferred for three years (until the shareholding requirement is met), and 100% of LTIP awards are in shares that are subject to a three-year performance period and a further two-year holding period.

In addition, from 2026/27, the Executive Directors are subject to enhanced shareholding requirements of 400% and 350% of salary for the CEO and CFO respectively. Through personal investment and the retention of Severn Trent Plc shares acquired as a result of discretionary awards vesting and options being exercised under the Severn Trent Plc share plans, the Executive Directors have significant personal shareholdings. Should an Executive Director leave, they are also contractually required to hold shares for at least two years after leaving the Company.

OUR INCENTIVE SCHEMES ARE ALIGNED TO DELIVERY FOR CUSTOMERS AND THE ENVIRONMENT

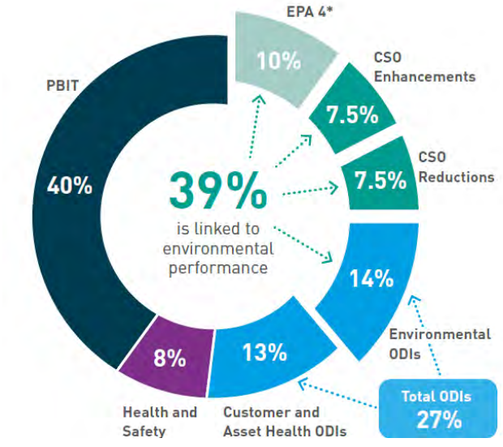
We operate two main incentive plans, our annual bonus, and our LTIP. Both of our incentive plans are designed to be stretching and reward delivery for our customers, communities and the environment.

Annual Bonus Scheme

The Company's annual bonus is structured so that the majority of the reward (60%) is based on a combination of service performance (Customer ODIs), health and safety performance (Lost Time Incidents), and environmental performance, including specific targets around Combined Sewer Overflows ('CSOs'), in recognition of the Company's commitment to improvement in this area, in line with stakeholder expectations.

No changes were made to the structure of the bonus for 2025/26, however the new suite of ODIs set by Ofwat for AMP8 had the effect of increasing the environmental proportion of the bonus, due to an increase in the proportion of environmental ODIs, which made up just over a half of our total ODIs. This meant that 14% of the bonus related to environmental ODIs, which, when combined with the 10% for EPA 4* and 15% for CSO measures, resulted in 39% of the annual bonus being linked to measures directly relating to environmental performance and river health, as shown in Figure 1.

Figure 1: 2025/26 Annual Bonus Structure



We strongly believe that all our employees play a part in delivering exceptional performance and generating long-term value for our customers and communities, which is why we operate our bonus at all levels across the Group. Although the all-company bonus is paid from the regulated business, in recognition of the strong focus on executive pay across the sector, all Executive Director bonuses and long-term incentive awards are charged to and funded by our ultimate parent company, Severn Trent Plc. These costs are therefore borne by shareholders rather than customers.

Long-Term Incentive Plan

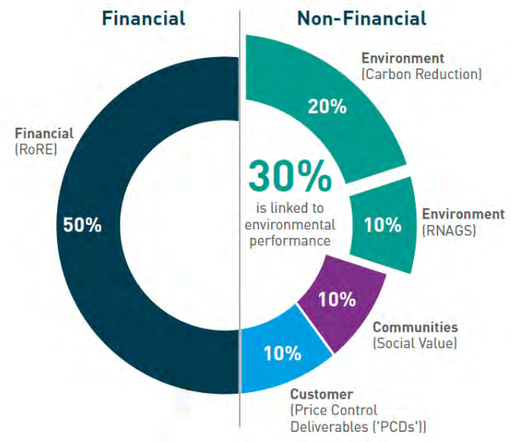
Our LTIPs operate over a three-year period. In line with normal practice for UK-listed companies, awards are granted each year, and vest three years later subject to the performance delivered over the three-year performance period for that award.

For awards granted in 2024 onwards, the LTIP has consisted of an equal balance of financial and non-financial metrics. The financial element is determined by our Return on Regulated Equity, which we consider to be a strong composite measure that incentivises long-term performance and delivery for stakeholders, providing strong alignment between the long-term financial and operational performance of the Group and potential long-term performance related rewards for management.

While RoRE is a financial measure, the component elements include service levels for customers (ODIs), cost efficiency (totex) and financing. In so doing, these measures contribute to positive outcomes for customers both now, through supporting strong performance delivery, and over time, through sustained service delivery and challenging targets on cost and financing.

The non-financial element consists of a selection of environmental, customer and community measures to ensure the interests of all our stakeholders are considered. Figure 2 sets out each of the metrics, and associated weightings, within the 2025 LTIP.

Figure 2: 2025 LTIP Structure



HOW WE ENSURE THAT EXECUTIVE DIRECTOR REMUNERATION OUTCOMES ARE APPROPRIATE

We are confident that the design of our PRP schemes, and the stretching nature of the targets set by the Committee, mean that Executive Director remuneration outcomes reflect quality service delivery for customers, communities and the environment. However, we recognise that on rare occasions there could be factors requiring consideration that are not included in the design of PRP schemes. Because of the long-term focus of our PRP, the Committee has mechanisms to both ensure that Executive Director PRP is appropriate and justifiable, and to enable discretion to be applied as required to reflect performance in the round.

Assessment of performance in the round

In overseeing remuneration outcomes, the Committee ensures that performance is assessed in the round, and over time, through a number of lenses, to incorporate a variety of stakeholder perspectives. In addition, the Committee also considers relevant reports and guidance from Ofwat in assessing the achievement of standards of performance. In so doing, the Committee assesses the extent to which formulaic incentive outturns are justifiable and explainable in the context of overall performance for customers, communities and the environment. It also considers other factors, including regulatory investigations, environmental compliance beyond the measures contained in the incentive schemes, health and safety performance, treatment of the wider workforce and societal matters such as support for our local communities.

This review is supplemented by a report from our independent remuneration advisers, Alvarez & Marsal, which provides an objective and external perspective on the PRP outcomes for the year.

We set out the process and factors that the Committee has assessed as part of their review of performance in the round for the year in question on page 129 of the **Severn Trent Plc Annual Report and Accounts 2025/26**.

Recognising the range of stakeholders that read this report, who may not be a familiar with our overall reporting framework, we have provided this information in the following table. This table summarises the key data points that the Committee consider as part of their annual assessment of performance in the round.

The Committee's Assessment of performance in the round for 2025/26:

Factors considered by our Committee	
Delivery for customers	With 27% of the 2025/26 annual bonus structure based on ODI performance, and the financial rewards of ODIs flowing into the Company's RoRE performance, customer performance metrics are embedded within the formulaic calculation of Executive remuneration. In assessing Performance in the Round, the Committee considered the Company's performance across all of its performance commitments both over time and relative to the performance of other water and sewerage companies ('WaSCs'). While our overall ODI reward is a strong indicator of customer performance, the Committee looks wider, considering performance on individual ODIs, such as leakage, internal floodings and C-Mex, as well as progress on broader customer initiatives, including technology investment to improve the customer experience.
Environmental performance	For 2025/26, environmental measures made up 39% of the annual bonus, through a combination of environmental ODIs (10%), EPA 4* rating (10%) and CSO measures (15%). Beyond the formulaic outturn, the Committee considered the Company's performance against a broad range of environmental performance indicators, supported by deep dives into the following key areas: - The Environment Agency's overall EPA framework, including Company performance against all of the measures that make up the EPA rating, both in year and over time. - CSO performance, including improvement activity underway and planned. - Progress against the Company's stated environmental commitments, including the Get River Positive pledges, and the Company's ambition to be net zero for operational emissions by 2030.
Financial performance and resilience	Whilst 40% of the 2025/26 bonus is based on Group PBIT performance, and this subsequently feeds into the RoRE performance that influences the LTIP outturn, not all measures of the Company's financial performance are readily visible in this top-level number. The Committee therefore considered other factors when assessing the Company's financial performance including gearing and financial resilience, progress on capital investment plans and RCV growth.
Impact on our communities	The Committee considered the long-term value creation for the mutual benefit of our customers and communities, supported by deep dives into the following key areas: - Affordability, and the role the Big Difference Scheme has played in supporting customers. - The impact the Severn Trent Community Fund has had in supporting community initiatives. - Progress achieved on our Social Impact Strategy, which aims to support 100,000 people at risk of water poverty over 10 years.
Alignment to wider workforce	In addition to the Committee's annual update on workforce policies and practices, the Committee considered the alignment between Executive remuneration outcomes and the wider workforce experience, supported by the following key areas: - Assessment of employee policies and benefits, including performance management, talent programmes and skills development. - Internal and external benchmarks of employee experience – including maintenance of the Company's best ever employee engagement score and very high Sharesave participation rates. - Health and safety performance, including our people, supply chain and the customers and communities we serve.
Stakeholder relationships	The Committee reviewed the strength and status of the Company's relationships with key stakeholders, including its regulators, regional MPs, local business forums and shareholders.

Following the review, the Committee concluded that the overall formulaic outcomes of the annual bonus and LTIP were appropriate, justifiable and explainable, and that the Policy had operated as intended.

Malus and clawback

In the event the Committee determines that wider company performance requires an adjustment to formulaic performance-related pay outturns, they can do so using malus and clawback provisions, which feature as part of all our incentive scheme rules. These provisions allow the Committee to reduce or recoup any past incentive payments from individual Executives if we later learn of information that was material to the incentive scheme outcome after the time of the award. Substantial use of deferral mechanisms in both the ABS and LTIP, as outlined above, aids our ability to operate malus and clawback as required.

As part of changes to our Remuneration Policy in 2026, we have updated the scheme rules for both the annual bonus and the LTIP to include a specific clause, whereby any of the events described in Ofwat's Rule can invoke the malus and clawback provisions. This can be found in the Remuneration Policy on page 148 of the **Severn Trent Plc Annual Report and Accounts 2025/26**.

OFWAT RULE ON PROHIBITION OF PRP

We have considered each of the standards within Ofwat's Rule, as set out below, and concluded that Severn Trent did trigger the rule for 2025/26:

Standard	Severn Trent Assessment	Standard Met? CFO and former CEO	Current CEO
Consumer Matters	Severn Trent has not been found by Ofwat to have breached a principal statutory duty during the PRP year that would warrant a financial penalty, nor has Ofwat stated that it would have imposed such a penalty, but for Undertakings provided.	✓	✓
Environment	Although we are confident in achieving EPA 4* for an unprecedented seventh year in a row for our performance in 2025, due to two Category 1 pollution incidents being attributed to Severn Trent in 2025, we have not fully met the requirements of this standard for Executive Directors in role at the time of the incidents.	✗	✓
Financial Resilience	Our credit ratings with Fitch and Moody's were reaffirmed on stable outlook with no change and our credit ratings remained compliant with the license requirement throughout 2025/26.	✓	✓
Criminal Liability	We have not been convicted of any criminal offences during 2025/26, so the expectations of this standard have been met.	✓	✓

As a result of triggering the Rule in 2025/26, the PRP for our Executive Directors in role at the time of the pollution incidents (our CFO, Helen Miles, and our former CEO, Liv Garfield) will be impacted as follows:

- 2025/26 annual bonus payment will be prohibited in full;
- The vesting of the 2024 and 2025 LTIP awards will be reduced by at least one sixth each when they vest, in July 2027 and July 2028 respectively. This reflects Ofwat's guidance for a pro-rata reduction to rolling multi-year LTIP schemes; and
- The 2023 LTIP is out of scope of Ofwat's Rule as it was granted before 2024, so will not be subject to any adjustment.

In line with the requirements of the Ofwat Rule, our new CEO, James Jesic, is not subject to any prohibition, due to the triggering incidents occurring prior to his appointment as CEO.

Further information on the formulaic outturns and impact of PRP prohibition can be found in the table on page 128 of the **Severn Trent Plc Annual Report and Accounts 2025/26**.

SUMMARY OF EXECUTIVE DIRECTOR REMUNERATION OUTCOMES FOR 2025/26

Full details of 2025/26 performance and Executive Director remuneration outcomes are disclosed on pages 135 to 140 in the **Severn Trent Plc Annual Report and Accounts 2025/26**. However, in the interests of transparency, the following table provides in-year single figure remuneration outcomes for both the current CEO (for the period from 1 January 2026 to 31 March 2026) and the former CEO (for the period from 1 April 2025 to 31 December 2025), as well as the CFO, who was in role for the full year.

It is noted that only the fixed elements of pay and benefits are funded by customers of Severn Trent Water Limited. The variable elements, including the annual bonus and the LTIP, are paid for by investors. Further details are explained later in this section.

Executive Directors	Financial year ended 31 March	Salary (£'000)[1]	Benefits (£'000)[2]	Pension (£'000)[3]	Other (£'000)[4]	Fixed pay and benefits sub-total (£'000)	Annual bonus (£'000)[5]	LTIP standard element (£'000)	LTIP UQ element (£'000)	LTIP total (£'000)[6]	Variable remuneration sub-total (£'000)	Total remuneration (£'000)[7]
James Jesic CEO	**2025/26[8]**	**193.8**	**4.8**	**29.1**	**0.9**	**228.5**	**224.7**	**287.4**	N/A	**287.4**	**512.2**	**740.7**
	2024/25[8]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Helen Miles CFO	**2025/26**	**541.9**	**16.4**	**81.3**	**0.0**	**639.5**	**0.0**	**562.0**	**125.0**	**687.0**	**687.0**	**1,326.5**
	2024/25	498.0	16.5	74.7	0.0	589.2	499.0	343.8	119.1	462.9	961.9	1,551.1
Liv Garfield former CEO	**2025/26[9]**	**646.5**	**13.4**	**97.0**	**0.0**	**756.9**	**0.0**	**N/A**	**328.7**	**328.7**	**328.7**	**1,085.6**
	2024/25	829.6	18.9	124.4	0.0	972.9	831.2	1,314.9	313.3	1,628.2	2,459.4	3,432.3

1. Salaries are shown before the deductions of benefits purchased through the Company's salary sacrifice scheme, such as pension contributions.
2. Benefits include a green travel allowance of £15,000 p.a., family-level private medical insurance, life assurance worth six times salary and participation in an incapacity benefits scheme. This also includes benefit-in-kind relating to electric vehicles.
3. The Executive Directors' maximum pension contribution is aligned with the wider workforce at 15%. Neither of the Executive Directors accrued benefits under any defined contribution pension plans during the year or have participated in a defined benefits scheme whilst an Executive Director.
4. This figure relates to the difference between the market price and the discounted option price relating to a SAYE option granted during the financial year.
5. James Jesic's annual bonus is paid 50% in cash and 50% in shares, with the portion deferred into shares subject to continued employment for three years but with no further performance conditions attached.
6. For 2025/26, the value of the LTIP is based on the outcome of the standard element of the total potential 2023 LTIP vesting, plus the UQ element of the 2022 LTIP. For 2024/25, the value of the LTIP is based on the standard element of the total 2022 LTIP vesting, plus the UQ element of the 2021 LTIP. The prior year LTIP figure has been restated using the share price at the date of vesting and includes dividend equivalents in respect of vested shares.
7. The 2025/26 total remuneration figures include £125.0k for the CFO and £328.7k for the former CEO in respect of UQ performance for the 2022 LTIP, which is published one year in arrears and therefore relates to the 2024/25 remuneration figure. The figure for the CEO is not disclosed, as this was awarded to him prior to him becoming an Executive Director.
8. The single figure values for James Jesic reflect the amounts he has earned since he became an Executive Director, on 1 January 2026.
9. Liv Garfield stepped down from the Board on 31 December 2025. Her 2025/26 single figure amount therefore reflects what she had earned up to that point.

The table above reflects payments for 2025/26 in respect of Executive Director duties in accordance with the methodology used for our reporting as a listed company.

The only material year on year change to elements of remuneration was in relation to the annual bonus, which as noted earlier, was not paid to Helen Miles or Liv Garfield in respect of 2025/26, due to triggering Ofwat's PRP Rule in the year.

Liv Garfield stepped down as an Executive Director on 31 December 2025. Full details of the remuneration arrangements for Liv's exit, which are in accordance with the comprehensive disclosure requirements in place for UK listed companies, are described on page 135 of the **Severn Trent Plc Annual Report and Accounts 2025/26**.

REMUNERATION RECEIVED FROM OTHER GROUP COMPANIES

As set out in the updated RAGs, we are required to disclose whether an Executive Director has received any form of additional remuneration from other Group companies, including the value of that remuneration, the activities it related to, and whether any of it was performance related.

Helen Miles served as an Executive Director for the whole of 2025/26. All of Helen's remuneration in the year related to that role and is fully disclosed on page 135 of the Severn Trent Plc Annual Report and Accounts 2025/26.

Liv Garfield stood down as Executive Director on 31 December 2025. Full details of the remuneration she received whilst an Executive Director, and once she stepped down from the Severn Trent Plc Board, are disclosed on page 135 of the Severn Trent Plc Annual Report and Accounts 2025/26.

James Jesic undertook an Executive Director role on the Board of Hafren Dyfrdwy, a wholly owned subsidiary of Severn Trent Plc. He did not receive any additional fixed remuneration for this role, however a recharge of James' Severn Trent salary for the period (amounting to £46,252 for the year) was made to the accounts of Hafren Dyfrdwy based on his time spent on Hafren Dyfrdwy. James received a PRP payment of £3,365 based solely on the annual performance of Hafren Dyfrdwy for 2025/26, and pro-rated to reflect only the period prior to his appointment as Severn Trent CEO (i.e. 1 April to 31 December 2025). This PRP payment was not impacted by Severn Trent triggering the PRP Rule for 2025/26 as it was based solely on the performance of Hafren Dyfrdwy, which did not trigger the Rule.

REMUNERATION FOR THE YEAR AHEAD

As signalled in last year's Annual Report and Accounts, the Severn Trent Remuneration Committee undertook a review of the Directors' Remuneration Policy during 2025/26, earlier than the usual triennial cycle. This reflected the increased scale and complexity of AMP8, alongside the importance of ensuring that the Policy remains capable of attracting, retaining and motivating a high-calibre leadership team in a challenging and evolving regulatory environment.

During the year, the Committee engaged extensively with shareholders, proxy advisers and the regulator on its proposals. Feedback received was thoughtful and constructive and has played an important role in shaping the final Policy which was approved by shareholders at our AGM in July.

The changes made as part of the review are evolutionary, not revolutionary, and are intended to ensure that the Policy remains appropriate to the scale, ambition and delivery challenges of AMP8, while continuing to align executive reward with long-term shareholder interests. The overarching objective of the Policy review was to strengthen the link between remuneration outcomes and sustained long term performance, without compromising the Company's commitment to responsible pay, robust governance and regulatory compliance.

Underpinning the changes being proposed is a robust and responsible approach to benchmarking. We considered market data for companies of similar size and complexity (FTSE 30-100), but critically we excluded those in financial services or with significant global exposure.

The targeted increase to LTIP awards ensures that total reward outcomes for exceptional performance will be more appropriately positioned against this market context, reflective of Severn Trent's upper-quartile scale within the peer group, but without increasing fixed pay or introducing alternative or less transparent structures. Further detail on our benchmarking approach can be found on page 124 of the **Severn Trent Plc Annual Report and Accounts 2025/26**.

The principal changes made to the Policy are:

- A reduction in the annual bonus maximum, from 120% to 100% of salary for the CEO and CFO
- A greater emphasis on long-term incentives, through an increase to LTIP award levels (to 400% of salary for the CEO and 350% for the CFO, from 200% and 175% respectively)
- An increase to minimum shareholding requirements, to 400% of salary for the CEO and 350% for the CFO (from 300% and 200% respectively)
- The removal of mandatory bonus deferral, once the relevant shareholding requirements are met

Further details of the 2026 Remuneration Policy, its implementation for 2026/27 and our approach to benchmarking, can be found on pages 122 to 126 in the **Severn Trent Plc Annual Report and Accounts 2025/26**.

During 2025/26, the Committee also spent a significant amount of time reviewing PRP structures, to ensure they remained optimally structured and balanced, and incentivise the leadership team to drive performance in the right areas for our broad range of stakeholders.

Having evaluated the structure of the bonus ahead of the new financial year, the Committee concluded that a minor rebalancing of metrics was required for 2026/27. Customer satisfaction levels across the water sector remain firmly in the spotlight, with the sector as a whole experiencing a recent decline. Severn Trent's lack of progress in this area also remains a frustration, so now therefore seems like an opportune moment to introduce a customer satisfaction metric to the bonus structure, which we have done in the form of repeat contacts, with a weighting of 10%. Repeat contacts occur where a customer has to get in touch with us more than once to resolve the same issue. This is a clear and measurable way of identifying poor customer service, and reflects how effective we are at providing first-contact resolution, which we believe is critical to driving improvements in customer satisfaction.

To make way for this new metric, we have decided to remove the EPA element from the bonus structure. Historically, the EPA provided a holistic assessment that well-managed companies could work towards, and felt they were able to influence outcomes through a focus on performance improvement. However, recent changes proposed by the Environment Agency have created much greater uncertainty, meaning the outcome on this element of the bonus could be heavily influenced by factors outside of management's control, reducing its effectiveness within the bonus structure.

Whilst the removal of the EPA metric reduces the environmental weighting in the bonus, we note that it remains significant, at 29%, and this allows us to increase the focus on customers, with 23% of the bonus now linked to customer metrics. All other elements of the bonus structure remain the same as in 2025/26.

Our LTIP structure was designed to deliver balanced outcomes for all our stakeholders, which has been achieved through an equal split between financial and non-financial measures.

The Committee reviewed the existing structure during the year and determined that it remains fit for purpose, so no changes have been made to the structure of the 2026 LTIP.

OUR INCENTIVE SCHEME TARGETS DRIVE STRETCHING PERFORMANCE

We have a robust process for setting and reviewing targets for the annual bonus and the LTIP, taking into consideration our Business Plan, long-term strategy (including our sustainability framework), stakeholder expectations and wider market/economic conditions. The Committee then reviews the proposed targets (including the underlying assumptions) to ensure they are suitably stretching, measurable, non-subjective and capable of being independently assured. The Committee's insistence on stretching targets means our annual bonus outturn as a percentage of maximum has been just 72% over the last five years, despite delivering strong performance for a range of stakeholders, including sector leading levels of ODI reward, achieving the prestigious EPA 4* rating for what we are confident will be seven years in a row, and delivering strong levels of financial performance and resilience.

On the LTIP, the maximum outturn for the Executive Directors is only achieved if Severn Trent's RoRE performance is upper quartile relative to that disclosed by other WaSCs, as assured and published by Ofwat.

The following table sets out the metrics and weightings we have included in our latest PRP schemes, the 2026/27 annual bonus and 2026 LTIP, along with how each metric aligns to our strategy and stakeholders. We also set out why we believe the targets associated with each metric are appropriately stretching.

Our corporate strategy



Stakeholder key

Customers	Communities	Shareholders and Investors	Sustainability and ESG
Employees	Suppliers and Contractors	Regulators and Government	

	Measures (weighting %)	Link to our strategy	Link to our stakeholders	Why it is important	How targets are stretching
2026/27 Annual Bonus	PBIT (40%)	O		PBIT is a key financial measure for Severn Trent, demonstrating our ability to control costs and deliver financial returns for our shareholders, which includes many of our employees.	Aligned to the stretching PBIT budget set by the Board, which requires delivery of significant year on year growth.
	ODIs (27%)	O N P C		Our ODIs are designed with customers to make sure our objectives align with things that matter most to them. They are agreed with Ofwat and aim to drive performance across customer and environmental measures.	Requires significant outperformance against Ofwat's own stretching performance expectations.
	CSOs (15%)	O N C		In line with Pledge 1 of our five river pledges, we will reduce the number of CSO spills and deliver advanced CSO enhancements, bringing benefits to the health of our region's waterways, now and into the future.	Targets set by reference to Severn Trent's CSO reduction plan, which is the most ambitious in the sector.
	Customer Satisfaction (10%)	O P C		This measure focuses on improving the customer experience by minimising the number of chase calls we receive. It is a clear and measurable way of identifying poor customer service.	Targets set by reference to historic performance, with stretch representing a 20% improvement on prior year.
	Health & Safety (8%)	P		We believe passionately that no one should be hurt or made unwell by what we do. This metric, which focuses on reducing LTIs, helps our people strive for improvements across all aspects of our operations, keeping themselves and those around them safe.	Target set by reference to external benchmarking, with an LTI rate that is considered industry leading.
2026 LTIP	RoRE (50%)	O N P C		RoRE is a key performance indicator for the water sector, reflecting the key opportunities that companies have (such as totex, financing and ODIs) to outperform the regulatory allowances set out in their Final Determinations.	Achieving maximum outturn requires significant outperformance against Ofwat's base return, and requires us to be upper quartile compared to the wider sector.
	Carbon Reduction (20%)	O N C		Companies have a huge responsibility to reduce their carbon emissions and our ambitions are significant. Focus on renewable energy generation and Scope 1 and 2 emission reductions is fundamental to our plan to reach operational net zero by 2030.	Targets aligned with our bold trajectory to achieve net zero operational carbon emissions by 2030, 20 years ahead of Government net zero targets.
	RNAGS (10%)	O N C		We take responsibility for the health of our region's rivers, and are delivering capital investment to reduce our impact on them, to help ensure our communities can enjoy them for generations to come.	Aligned to our ambition to significantly accelerate the improvement of river health, so our operations account for just 2% of RNAGS by 2030 (from 10.8% in 2025).
	PCDs (10%)	O N C		PCDs are agreed with Ofwat and designed as powerful incentives to ensure delivery of the outcomes we have committed to deliver for our customers and the environment in AMP8, such as increasing water resilience and improving river quality.	Maximum payout requires 100% of PCDs to be assessed as 'green' RAG status, as per our reporting to Ofwat.
	Social Value (10%)	O P C		Our Societal Strategy aims to address the underlying causes of poverty in our region in a landmark scheme designed to help people recognise their potential and improve their work prospects, as measured through the delivery of Social Value.	Aligned to our hugely ambitious programme to support 100,000 people out of water poverty over the next 10 years.

HOW EXECUTIVE DIRECTORS' PERFORMANCE-RELATED PAY IS FUNDED BY INVESTORS AND NOT CUSTOMERS

While the performance criteria for our annual bonus scheme are the same for all employees, the bonuses awarded to Executive Directors are paid and accounted for by Severn Trent Plc, which is listed on the London Stock Exchange. Executive Director bonuses are not charged to Severn Trent Water Limited.

Awards made to Executive Directors under our LTIPs are settled in shares of Severn Trent Plc. There is no cost to our regulated business. Severn Trent Plc's shareholders bear the cost of these transactions through the dilution of their existing holdings in Severn Trent Plc and, as such, these costs are not borne by customers.

The costs associated with the Executive Directors' bonuses and LTIPs in respect of the financial year 2025/26 are excluded from the 2025/26 regulatory accounts of Severn Trent Water Limited, specifically wholesale Totex reported in table 2B. As such, these costs are automatically excluded from the Totex customer cost sharing mechanism and will not therefore be paid for by customers of Severn Trent Water Limited.

DIVIDENDS

DIVIDENDS

This section of the report sets out our approach to dividends and how we have applied this during the year. The framework for the Board's consideration of dividends is formed by our AMP8 Dividend Policy and its four core principles, which took account of the licence modifications relating to dividends that took effect during the previous year.

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.

Dividends formed an important part of our PR24 plan, recognising that in order to deliver successful outcomes, all parties, including shareholders, must share in our success. Our plan embraced the changes set out by Ofwat to strengthen the financial resilience of the sector. For AMP8 we have updated the key principles that guide how we make decisions on dividends, to fully reflect the guidance set out by Ofwat.

The remainder of this section is set out in three parts:

Our AMP8 Dividend Policy – details how our dividend:

- Does not impair the ability of the company to finance the appointed business
- Takes account of service delivery for customers and the environment over time
- Rewards efficiency and the effective management of risks to the appointed business
- Is transparent

How the Board assesses performance –sets out the Board's process for assessing performance for customers and the environment over time and in the round.

How we have applied our Dividend Policy and core principles – describes in more detail how we have applied the framework in the year including the Board's assessment of performance in the round in relation to dividends and how the current year dividend:

- Is fair and balanced and takes account of service delivery for customers and the environment over time
- Rewards efficiency and the effective management of risks;
- Supports appropriate gearing and does not impair the ability of the company to finance the appointed business
- Promotes continued outperformance
- Is transparent and supported by the board's assessment and decision

OUR AMP8 DIVIDEND POLICY

The Company's Dividend Policy is based on our belief that, to deliver successful outcomes, all stakeholders should share in the Company's success, in particular:

customers benefiting from good value and additional investment to deliver better services;

enhancing the environment in which we operate;

- Employees being fairly rewarded for their hard work including through appropriate incentive-based bonuses
- Investors earning a reasonable return on more than £4 billion of equity they have invested in the company's parent – including two equity placings in the last AMP, raising £1.25 billion
- Maintaining appropriate gearing and delivering strong financial resilience

The Board applied particular focus to the proposed dividend during the year, in consideration of our performance in the round and over time, service delivery for customers and for the environment, the Company's long-term investment needs and financial resilience.

To bring the extensive and detailed nature of this assessment to life, the schematic overleaf sets out a summary of how the performance in the round process operates in practice, in providing the Board with a detailed assessment of all elements of the Company's performance, to facilitate robust scrutiny and consideration by the Board ahead of declaring dividends.

In addition to the performance in the round assessment, at PR19 we adopted four core principles that guide how we make decisions about dividends:

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 adjusted our RCV in the gearing calculation to take account of Green Recovery expenditure incurred that was not formally included in the RCV until the start of AMP8.

The Company also considers its published credit ratings and the outlook for the ratings and we will seek to retain stable ratings in AMP8. 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 considers any dividends planned and forecasts the outcome for key metrics over the period under review, including those that are key components of rating agencies' methodologies.

We recognise that funding material RCV growth requires an appropriate balance between equity and debt in order to maintain financial resilience. Our commitment to this was demonstrated in our approach to funding our Green Recovery programme in the previous AMP where we raised £1.25 billion of new equity.

DIVIDENDS WILL TAKE ACCOUNT OF SERVICE DELIVERY FOR CUSTOMERS AND THE ENVIRONMENT OVER TIME

Our main measures of service delivery for customers are Ofwat's final determination of our performance commitment (PC) levels and the associated Outcome Delivery Incentives (ODIs). We assess our performance in the round and over time.

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.

Efficiency is reflected in RoRE either through totex or financing outperformance. 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 (ERM) 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. Each of these risks is specifically considered by the Board whenever a dividend is proposed.

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 our APR 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.

HOW THE BOARD ASSESSES PERFORMANCE

How the Board Assesses Performance

Dividend decisions do not simply follow a formulaic outcome of performance measures but involve an assessment of "performance in the round" through several lenses. This assessment examines what is appropriate in the context of overall business performance for customers, the environment and wider stakeholders and considers several other factors, including regulatory investigations, environmental compliance and wider societal matters.

When assessing performance in the round we take account of performance across all PCs, and other relevant performance measures, taking a balanced view of performance. We give equal weight to under performance and over performance by ensuring that any ODI penalties are covered by outperformance payments before considering the inclusion of any performance related element in dividend distributions. We also look at performance across the range of performance measures when considering a performance related element in the dividend.

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

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 across the range of measures would support distribution of an enhanced dividend based on performance while less consistent delivery would require net rewards being retained until more consistent performance was established. By the same token, an isolated shortfall in performance after a sustained period of strong delivery might not result in a lower dividend, although the impact of the performance shortfall on customers would be carefully considered before any decision to sustain the dividend at previous levels was taken.

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 will consider our performance on matters such as operational resilience in the face of climate change, river health, storm overflow (SO) spills and any other matters that become the subject of public scrutiny, including performance against our statutory and regulatory obligations, in determining the appropriate level of dividend in any year.

The graphic opposite sets out how the Board assesses performance in determining dividend proposals.

Performance in the Round

Performance for customers

The Board considered the proportion of measures where targets were achieved and where targets were not achieved, and assessed the Company's performance across its performance commitments relative to other companies.

The Board undertook deep dives into challenging areas, which included investment plans for how performance could be improved – for example, the Board instigated specific reviews as follows:

- Deep dive on the Company's CMeX performance and improvement activity.
- Deep dive on AMP8 deliverability.
- Deep dive on the Company's Pollution Incident Reduction Plan.
- Deep dive on CSOs.
- Deep dive on the Company's EPA performance.

This reporting-based approach is supported by site visits to bring operational challenges to life and enable the Board to meet employees involved first hand.

Performance for the environment

Interests of the Company's employees

Robust assessment of the Company's commitment to its employees, supported by deep dives and consideration of impacts on employees as follows:

- Assessment of employee benefits, including talent management, career development and broader incentives.
- Health and Safety performance, including our people, supply chain and the customers and communities we serve.

In its assessment, the Board also considered the impact of the proposed dividend on employee shareholders, including the overwhelming majority of our employees who own Severn Trent shares, either directly or through our share plans – such as Sharesave, which over 70% of our employees participate in.

Performance for the communities we serve

Robust assessment of long-term value creation for the mutual benefit of our customers and communities, shareholders in our communities, the environment and our people, supported by deep dives into the following key areas:

- Affordability.
- Societal Strategy.
- Health and Safety performance.

This reporting-based approach is supported by meetings with our communities and employees to enable direct interaction with the Board.

Financial performance and resilience

Assessment and scrutiny of the proposed dividend in the context of Ofwat's PR19 methodology, subsequent guidance and Companies Act 2006 requirements, in particular that dividends may only be paid out of profits available for the purpose. This process included an assessment of the proposed historical dividends paid, in the context of the Company's:

- Ongoing liquidity and solvency to ensure the Company's ongoing financial resilience.
- Performance against its determination.
- Scrutiny of the various scenarios and sensitivities underpinning the Company's viability assessment, financial performance and resilience.

The assessment also considered the impact of the proposed dividend on the strength of the Company's covenant as the sponsor of its defined benefit pension schemes.

Legal and regulatory requirements

Consideration of legal requirements under the Companies Act 2006 and regulatory requirements as a regulated water and sewage company. The Board's assessment sought confirmation that:

- The Company has sufficient distributable reserves to pay the proposed dividend.
- The dividends declared will not impair the Company's ability to continue as a going concern.
- Ofwat's requirements relating to dividends paid by the Company are considered in this document.

Interests of shareholders and debt investors, and the need to act fairly between members of the Company

To make the investment needed, companies need committed long-term investors to fund the significant investment for AMP8 and beyond, improve service delivery for customers and the environment over time, whilst promoting intergenerational fairness. The Board's assessment included consideration of:

- Gearing impacts, in particular that dividends should support appropriate gearing to maintain the balance of risk between existing equity and debt investors.
- Attracting investment in the sector, recognising that dividends are a key factor in investment decisions for shareholders, which represent the main return to equity both now and to promote long-term investment into the sector.
- Investor expectations to earn a fair return on their investment and the higher risk taken by equity investors relative to debt investors.

Decision in determining whether a dividend should be paid

Following this assessment, in line with our formal dividend policy, the Board determined that the proposed dividend would not impact the financial health of the Company, nor its credit ratings.

The Board also considered that the proposed dividend was supported by the performance in the round for customers, communities and the environment, both now and over time. The Board therefore approved the proposed dividend of £359 million.

Inform future activity

1 Plan → 2 Measure → 3 Improve → 4 Review → 5 Monitor

All areas of performance, and stakeholder impacts, are considered in the Board's decision in determining whether a dividend should be paid.

HOW WE HAVE APPLIED OUR DIVIDEND POLICY AND CORE PRINCIPLES

This section explains how the Board applied the Dividend Policy and core principles in reaching its dividend decision for the year. It should be read together with the policy set out above, which describes the framework and principles applied by the Board.

DIVIDENDS WILL BE FAIR AND BALANCED, AND WILL TAKE ACCOUNT OF SERVICE DELIVERY FOR CUSTOMERS AND THE ENVIRONMENT OVER TIME.

As described in the policy above, the Board assesses performance for customers and the environment in the round and over time. In applying that approach this year, the Board considered performance across performance commitments, ODIs, environmental measures and wider stakeholder matters.

The Board also considered the wider matters identified in the policy, including operational resilience in the face of climate change, river health, CSO spills and performance against statutory and regulatory obligations.

During the year, we delivered strong performance across a number of key areas, demonstrating continued progress in operational delivery as well as driving positive customer and environmental outcomes.

We achieved our leakage target for the eighth consecutive year, maintaining a sustained focus on reducing water losses and improving network efficiency. Alongside this, we delivered a 41% year-on-year reduction in storm overflow spills, supported by the implementation of over 3,000 targeted interventions across our wastewater network. These actions have contributed to improved environmental outcomes and demonstrate the scale and pace of our storm overflow reduction programme.

Customer outcomes improved in several areas with strong performance in developer services, achieving 3rd place in the D-MeX measure. Performance improvements were also evident across our wastewater services, with a 20% reduction in internal sewer flooding and a 12% reduction in external sewer flooding.

Our environmental performance continues to strengthen, with pollution incidents reducing by a third compared with the previous year. This reflects the impact of targeted investment and proactive asset management, including the upgrade of 75 sewage pumping stations and the installation of 9,000 new sensors at high-risk locations to support earlier intervention and improved network visibility, alongside enhanced operational capability, monitoring and incident response.

While these results demonstrate significant progress in a number of areas, performance was not without challenges. We did not achieve all of our performance commitments during the year, including our targets for C-MeX, Water Supply Interruptions and per capita consumption (PCC). In C-MeX, we ranked 11th in the sector and incurred the maximum ODI underperformance payment, highlighting the need for further improvements to the customer experience we provide. We also experienced a 25% deterioration in Water Supply Interruptions performance compared with the previous year, reflecting the impact of extreme weather conditions on network resilience. In addition, despite significant improvements in overall pollution performance, we experienced two serious pollution incidents during the year.

Overall, we met 65% of our performance commitments during the year, reflecting solid delivery against a challenging operational backdrop. While there remain areas where further improvement is required, the progress made across leakage, environmental performance, wastewater services and developer experience provides a strong foundation for continued improvement throughout AMP8.

Detailed commentary on our performance against our performance commitments during the year is set out in the Performance Summary section. We set out below a summary of our performance in 2025/26.

Environmental performance

Our customers want us to be an environmental leader, and once again we are proud of our achievement against our environmental performance commitments.

In addition to our environmental performance commitments and ODIs (which are included in the performance for customers section above and in our Performance Summary section), we also consider our annual EPA rating, an independent assessment carried out by the Environment Agency for all water companies in England on a calendar year basis. This measures environmental performance across a range of water and wastewater measures and therefore in itself assesses environmental performance in the round.

To achieve 4* status, companies must have at least six of the seven metrics at green status and no metrics at red status.

We also look at our EPA performance over time when considering dividend distributions. Our EPA performance for AMP7 is summarised below:

Calendar year	2024	2023	2022	2021	2020
EPA rating*	4*	4*	4*	4*	4*

Our EPA rating for 2019, the final year of AMP6, was also 4* and we are confident that we will achieve EPA 4* for a seventh consecutive year for our 2025 performance. No other company has ever achieved more than three consecutive years at 4* status. This is against a background of increasingly challenging targets for serious and total pollutions.

Reduction of serious pollutions is a key measure of our environmental performance. Our serious pollutions performance for AMP7 to date is summarised below:

Calendar year	2024	2023	2022	2021	2020
Serious Pollution incidents (categories 1 and 2)	1	0	1	4*	1

** as a consequence of two water pipe bursts.*

We have invested significantly in preventing and responding to pollutions, focussing on the asset classes that have historically caused more pollutions. We are upgrading over 400 pumping stations and have built a 60 FTE team to respond to pumping stations issues and fix them in-house. On foul sewers we have increased our proactive repairs, significantly decreasing blockages and where we do have an issue, we have grown our reactive response teams to be on site immediately, supported by our new Pollution Response and Incident Response Teams to help mitigate environmental impact. We achieved a 35% reduction in total pollution incidents year-on-year, meeting our EPA target. However,

we were disappointed to have had two confirmed serious pollution events in 2025 and we know we can do better. It is worth noting the Environment Agency commended our prompt response and our mitigating actions and we have implemented findings from our detailed root cause analyses to help prevent future incidents.

Another key area of environmental performance for us is river health. We recognise that this really matters to our customers and communities. That's why we launched our five Get River Positive pledges in 2022, and we have made progress on each of them.

Financial year	2025	2024	2023	2022	2021
RNAGs	8.9%	10.8%	14%	16%	24%
CSO spills	14.9	25.4	25	18	25

We have committed that our operations will not be the reason for any stretch of river in the whole Severn Trent region to be classified as not achieving good status and we currently account for 8.9% of RNAGs in our region. We have achieved a steady reduction since we made our commitment in 2021 and are on track to meet our pledge.

Our ambition is to deliver the lowest level of storm overflow spills in the sector and to achieve the key requirements of the Government's Storm Overflows Discharge Reduction Plan ('SODRP') at least five years ahead of schedule. To meet this challenge, our spill reduction programme has now **delivered more than 3,000** individual interventions across 1,124 sites, targeting increased stormwater storage, enhanced treatment capacity, reduced stormwater ingress, and improved network optimisation. We continue to see strong and accelerating progress.

Performance highlights include:

- 14.9 average spills. A 41% reduction in spill frequency in 2025 versus 2024, demonstrating material year-on-year improvement with strong evidence that the interventions are delivering benefits during extensive wet weather
- 25,500 customers engaged through our water butt initiative, with 14,400 units installed, reducing surface water impact on 84 storm overflows
- 241 storage tanks delivered (new installations and refurbishments), significantly increasing our network storage capacity
- Deployment of 94 smart controllers across 19 catchments, improving real-time network management and flow transfer
- 354 sections of pipework refurbished to reduce infiltration and improve system resilience
- Enhanced control systems across 479 sites to mitigate river backflow and reduce spill risk
- Hydraulic modelling completed at 763 sites, enabling targeted raising of spill points at 165 overflows
- A further 1,214 solutions identified for delivery in 2026, ensuring a robust and sustained pipeline of improvements

We recognise the importance of transparency in reporting our CSO performance and we continue to enhance our live Event Duration Monitor ('EDM') map, which provides real-time status updates for all storm overflows across our region. Recent improvements include the addition of our storm overflow plans to each CSO location, outlining both the interventions delivered to date and the future programme of work aimed at reducing spill frequency.

Over the past 12 months, the EDM operability team has focused on reducing the number of grey (inoperable) pins displayed on the EDM map, a key driver in strengthening customer trust. This targeted approach has resulted in performance routinely exceeding our target of fewer than 25 grey pins. In addition, we have introduced a new dark blue pin to indicate river inundation at flooded locations, providing customers with a clearer insight into asset status during severe weather events.

DIVIDENDS WILL REWARD EFFICIENCY AND THE EFFECTIVE MANAGEMENT OF RISKS TO THE APPOINTED BUSINESS

As set out in the policy, the Board considers efficiency and effective risk management as part of its dividend assessment. In applying this principle for the year, the Board considered the Company's RoRE performance, totex and financing outperformance, and the principal risks most relevant to the Appointed Business.

The Board specifically considered risks relating to sustainable funding of the defined benefit pension scheme and maintaining sufficient liquidity to meet funding requirements, and concluded that the dividend was reasonable in relation to those risks.

DIVIDENDS WILL NOT IMPAIR THE ABILITY OF THE COMPANY TO FINANCE THE APPOINTED BUSINESS

The policy above explains how the Board assesses financial resilience before approving dividends. In applying that principle this year, the Board considered the Company's financial position, prospects, gearing, liquidity, credit ratings and the funding requirements of the AMP8 investment programme.

As well as the absolute level of debt, the mix between floating rate, fixed rate and index-linked debt is an important consideration in determining the Company's financing strategy. Higher levels of index-linked debt bring short-term cash benefits, because a portion of the finance cost is 'rolled up' into the debt principal. But this has the effect of transferring solvency risk from current to future stakeholders at the time that the debt has to be repaid. Higher levels of fixed rate debt increase the cash cost of interest but benefit from inflation eroding the real value of the liability. The Company's debt structure is the result of its strategy on this matter and the benefits or costs that accrue as a result, including the de-gearing impact of inflation, form part of the Company's performance. In recent periods of higher inflation, the Company's strategy of holding a lower level of index-linked debt than others in the sector has led to higher financing outperformance, which has been retained or reinvested into the Company.

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 of BBB-. 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 Board also considered the need to maintain an appropriate balance between equity and debt to support RCV growth and financial resilience. This included the Group parent's recent equity raisings, of which £600 million has been invested as equity in the Company and the remainder is available as needed.

At 31 March 2026 the key metrics were:

Metric	2026	2025
RCV gearing (%)	63.6	62.8
Credit rating	BBB+	BBB+
Credit rating outlook	Stable	Stable
Period cash flow requirements funded for (months)	16	18

DIVIDENDS WILL BE TRANSPARENT

Consistent with the transparency principle in the policy above, this document provides further disclosures on how the Board's dividend decision aligns with the policy, including how delivery for customers and the environment has been taken into account.

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. We have split our financing outperformance between the element arising from inflation higher than assumed in the Final Determination and 'underlying outperformance'. The table adjacent shows that the outperformance arising from the impacts of inflation on financing have been reinvested in totex.

£m	Base return	ODIs & PCDs	Totex (Wholesale + Retail)	Financing			Voluntary sharing arrangements	RoRE	AMP7 b/f	Total
				underlying performance	inflation	other				
Opening retained return	–	–	–	–	–	–	–	–	562	562
Index to 25-26 prices	–	–	–	–	–	–	–	–	583	583
25-26 returns earned	328	79	1	54	130	–	(26)	566	–	566
Reinvestment	–	–	–	–	–	–	26	26	(26)	–
Dividends paid	–	–	–	–	–	–	–	–	–	–
Dividends proposed	–	–	–	–	–	–	–	–	(173)	(173)
Returns retained	**328**	**79**	**–**	**54**	**130**	**–**	**–**	**592**	**384**	**976**

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.

Dividends paid and proposed	£m
Dividends proposed not paid brought forward	359
Dividends paid in the year	(150)
Dividends paid after the year end	(209)
Dividends proposed in relation to the year	173
Dividends proposed not paid carried forward	173

At the previous year end, the Board proposed a dividend to distribute the remaining base return, ODI rewards and underlying financing outperformance amounting in total to £359 million. The Company paid £150 million of this in January 2026 and the remaining £209 million in June 2026. This left £552 million of financing outperformance retained by the company.

A key factor in determining the timing of the payment of the £359 million was the Company's financial position and its prospects, in particular, the RCV gearing ratio. This took into account factors that might impact the RCV gearing ratio including:

- The availability of up to £400 million equity, which has already been raised from external shareholders by the Group parent company;
- The AMP8 capital programme to be delivered;
- The impact of our Get River Positive pledges and other investment needed to reduce CSO spills and our share of RNAGS in our region; and
- Our plans, agreed with the Trustee, to fund our defined benefit pension obligations.

At the balance sheet date, after taking account of the £150 million dividend paid during the year, the Company's retained distributable reserves under the Companies Act amounted to £2,286 million.

THE BOARD'S ASSESSMENT AND DECISION

The Board has proposed a dividend of £173 million representing a yield of 3.2% on the company's regulatory equity of £5,385 million (in nominal prices). Our RoRE in the year, based on the actual capital structure, was 14.2%.

The Board took into account Ofwat's guidance that a dividend yield of 4% is reasonable for a company that is performing in line with its determination and where the company has adequate levels of financial resilience and that shareholders could expect to earn a higher return where a company delivers great performance.

We have set out above our assessment of the Company's performance in the round and over time in relation to customers, the environment and other stakeholders that the Board has considered in its dividend decisions.

The Board considered that the dividend proposed of £173 million is supported by the Company's performance for customers and the environment over time.

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

REGULATORY ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2026

INDEPENDENT AUDITORS' REPORT TO THE WATER SERVICES REGULATION AUTHORITY (THE WSRA) AND THE DIRECTORS OF SEVERN TRENT WATER LIMITED

OPINION

We have audited the tables within Severn Trent Water Limited and its subsidiaries (the "Company")'s Annual Performance Report for the year ended 31 March 2026 ("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 cashflows (table 1D), the net debt analysis (table 1E), the 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 historic cost analysis of tangible fixed assets (table 2D), the analysis of developer services income (table 2E), the residential retail (table 2F), the revenue analysis and wholesale control reconciliation (table 2I), the infrastructure charges reconciliation (table 2K), the analysis of land sales (table 2L), the revenue reconciliation (wholesale) (table 2M), the household affordability support (table 2N), the historic cost analysis of intangible fixed assets (table 2O), the third party services revenue (table 2P), the analysis of diversions income (table 2R) and the related notes.

We have not audited the cash collection performance rates – residential retail (table 2H), Outcome performance tables (3A to 3J) and the additional regulatory information in tables 4A to 4AD, 5A, 6A to 6F, 7A to 7L, 8A to 8D, 9A and 11A to 11B.

In our opinion, Severn Trent Water Limited's Regulatory Accounting Statements have been prepared, in all material respects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.10, RAG 2.10, RAG 3.16, RAG 4.14 and RAG 5.07) and the accounting policies, set out on page 90.

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, 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 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.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of UK adopted international accounting standards ("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 80 to 108 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK 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:

- Testing the mathematical integrity of the cash flow forecasts and the models supporting these forecasts and reconciling them to Board approved budgets;
- Assessing the key assumptions the directors have applied in developing their base case and severe but plausible downside scenarios;
- Assessing the accuracy of the cash flow forecast prepared in the prior years so as to obtain evidence over the ability of the directors to prepare accurate forecasts;

- Obtaining an understanding of the terms of the Severn Trent plc group's financing and available credit facilities including the related financial covenants;
- Reviewing the directors' analysis of both liquidity and covenant compliance to ensure there is sufficient liquidity and no forecast covenant breaches during the going concern period;
- Assessing the extent of mitigating actions that could be taken by the directors, if necessary, to increase liquidity or to avoid a covenant default; and
- Assessing the appropriateness of the disclosures within the financial statements relating to going concern.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

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 49, 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.

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 their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks 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 WRSA, UK Companies Act and corporate 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:

- Discussions among the engagement team covering the potential for material misstatements due to error or fraud, the risks associated with related parties and emphasis on the need to maintain professional scepticism throughout the engagement;
- Inquiries of the directors and others within the entity, including those outside of finance, as to their knowledge, awareness and concerns regarding fraud, or breaches in laws and regulations;
- Identification and testing of journal entries that met our risk criteria and incorporating an element of unpredictability in the nature, timing and extent of audit procedures performed;
- Testing significant accounting estimates and judgements made by the directors and assessing whether these included any bias;
- Reading the minutes of the Board meetings to identify any inconsistencies with other information provided by management;
- Reviewing internal audit reports insofar as they related to the financial statements;
- Reviewing legal expense accounts to identify items which may indicate the existence of material legal claims;
- Reviewing the Material Litigation Report; and
- Reviewing correspondence with regulatory authorities.

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 Severn Trent Water Limited 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 Severn Trent Water Limited 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 Severn Trent Water Limited and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Severn Trent Water Limited 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 Severn Trent Water Limited 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 2026 on which we reported on 13 July 2026, 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.



PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

13 July 2026

1A – INCOME STATEMENT

Year ended 31 March 2026

	Line description	Statutory	Adjustments: Differences between statutory and RAG definitions	Adjustments: Non-appointed	Adjustments: Total adjustments	Total appointed activities
		£m	£m	£m	£m	£m
1A.1	Revenue	2,588.280	-82.409	-26.719	-109.128	2,479.152
1A.2	Operating costs	-1,733.713	48.017	27.705	75.722	-1,657.991
1A.3	Other operating income	2.833	-0.521	0.000	-0.521	2.312
1A.4	**Operating profit**	**857.400**	**-34.913**	**0.986**	**-33.927**	**823.473**
1A.5	Other income	0.000	44.736	0.000	44.736	44.736
1A.6	Interest income	142.064	-91.300	0.000	-91.300	50.764
1A.7	Interest expense	-438.070	-46.020	0.000	-46.020	-484.090
1A.8	Other interest expense	0.000	-6.624	0.000	-6.624	-6.624
1A.9	**Profit before tax and fair value movements**	**561.394**	**-134.121**	**0.986**	**-133.135**	**428.259**
1A.10	Fair value gains/(losses) on financial instruments	27.399	0.000	-61.812	-61.812	-34.413
1A.11	**Profit before tax**	**588.793**	**-134.121**	**-60.826**	**-194.947**	**393.846**
1A.12	**UK Corporation tax**	**-7.793**	**0.000**	**-0.247**	**-0.247**	**-8.040**
1A.13	Deferred tax	-136.856	33.530	0.000	33.530	-103.326
1A.14	**Profit for the year**	**444.144**	**-100.591**	**-61.073**	**-161.664**	**282.480**
1A.15	Dividends	-150.000	0.000	0.000	0.000	-150.000
A	Tax analysis					
1A.16	Current year	1.045	0.000	0.247	0.247	1.292
1A.17	Adjustment in respect of prior years	6.748	0.000	0.000	0.000	6.748
1A.18	**UK Corporation tax**	**7.793**	**0.000**	**0.247**	**0.247**	**8.040**

B	Analysis of non-appointed revenue	Non-appointed £m
1A.19	Imported sludge	1.699
1A.20	Tankered waste	15.478
1A.21	Other non-appointed revenue	9.542
1A.22	**Revenue**	**26.719**

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

Line description	Adjustments: Capitalisation of interest and related depreciation	Adjustments: Share of Group pension scheme	Reclassifications: External power, gas and sludge products income	Reclassifications: IR Income	Reclassifications: Repair of damages	Reclassifications: GSS & Non-GSS Payments	Reclassifications: P&L on disposal	Reclassifications: Non operating income and deferred credits	Reclassifications: Pension interest	Total differences
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	-	-	-43.901	-21.628	0.476	2.919	-	-20.275	-	-82.409
Operating costs	9.403	0.420	43.901	-	-0.476	-2.919	-2.312	-	-	48.017
Other operating income	-	-	-	-	-	-	2.312	-2.833	-	-0.521
Operating profit	9.403	0.420	-	-21.628	-	-	-	-23.108	-	-34.913
Other income	-	-	-	21.628	-	-	-	23.108	-	44.736
Interest income	-	-	-	-	-	-	-	-	-91.300	-91.300
Interest expense	-144.120	-	-	-	-	-	-	-	98.100	-46.020
Other interest expense	-	0.176	-	-	-	-	-	-	-6.800	-6.624
Profit before tax and fair value movements	-134.717	0.596	-	-	-	-	-	-	-	-134.121
Fair value gains/(losses) on financial instruments	-	-	-	-	-	-	-	-	-	-
Profit before tax	-134.717	0.596	-	-	-	-	-	-	-	-134.121
UK corporation tax	-	-	-	-	-	-	-	-	-	-
Deferred tax	33.679	-0.149	-	-	-	-	-	-	-	33.530
Profit for the year	**-101.038**	**0.447**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**-100.591**

1B - STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2026

Line description		Statutory	Adjustments			Total appointed activities
			Differences between statutory and RAG definitions	Non-appointed	Total adjustments	
		£m	£m	£m	£m	£m
1B.1	Profit for the year	444.144	-100.591	-61.073	-161.664	282.480
1B.2	Actuarial gains on post-employment plans	29.868	-5.543	0.000	-5.543	24.325
1B.3	Other comprehensive income	-23.277	0.000	0.000	0.000	-23.277
1B.4	**Total Comprehensive income for the year**	**450.735**	**-106.134**	**-61.073**	**-167.207**	**283.528**

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	Total differences
	£m	£m	£m	£m
Profit for the year	-100.591	-	-	-100.591
Actuarial gains on retirement benefit obligations	-	-7.391	1.848	-5.543
Other Comprehensive Income	-	-	-	-
Total	**-100.591**	**-7.391**	**1.848**	**-106.134**

1C - STATEMENT OF FINANCIAL POSITION

Year ended 31 March 2026

Line description		Statutory	Adjustments			Total appointed activities
			Differences between statutory and RAG definitions	Non-appointed	Total adjustments	
		£m	£m	£m	£m	£m
A	Non-current assets					
1C.1	Fixed assets	14,837.429	-569.323	-4.136	-573.459	14,263.970
1C.2	Intangible assets	244.597	0.000	0.000	0.000	244.597
1C.3	Investments - loans to group companies	12.659	-12.659	0.000	-12.659	0.000
1C.4	Investments - other	1,796.118	0.000	-1,796.118	-1,796.118	0.000
1C.5	Financial instruments	99.809	0.000	0.000	0.000	99.809
1C.6	Retirement benefit assets	0.000	0.000	0.000	0.000	0.000
1C.7	**Total non-current assets**	**16,990.612**	**-581.982**	**-1,800.254**	**-2,382.236**	**14,608.376**
B	Current assets					
1C.8	Inventories	18.732	0.000	-0.209	-0.209	18.523
1C.9	Trade & other receivables	829.087	12.659	1.985	14.644	843.731
1C.10	Financial instruments	24.253	0.000	0.000	0.000	24.253
1C.11	Cash & cash equivalents	758.046	0.000	0.000	0.000	758.046
1C.12	**Total current assets**	**1,630.118**	**12.659**	**1.776**	**14.435**	**1,644.553**
C	Current liabilities					
1C.13	Trade & other payables	-837.039	157.126	0.000	157.126	-679.913
1C.14	Capex creditor	0.000	-139.443	0.000	-139.443	-139.443
1C.15	Borrowings	-451.846	0.000	0.000	0.000	-451.846
1C.16	Financial instruments	-0.689	0.000	0.000	0.000	-0.689
1C.17	Current tax liabilities	-4.125	0.000	0.000	0.000	-4.125
1C.18	Provisions	-39.159	0.000	0.000	0.000	-39.159
1C.19	**Total current liabilities**	**-1,332.858**	**17.683**	**0.000**	**17.683**	**-1,315.175**
1C.20	**Net Current assets**	**297.260**	**30.342**	**1.776**	**32.118**	**329.378**
D	Non-current liabilities					
1C.21	Trade & other payables	-2,208.563	2,155.296	0.000	2,155.296	-53.267
1C.22	Borrowings	-10,036.298	0.000	0.000	0.000	-10,036.298
1C.23	Financial instruments	-86.928	0.000	0.000	0.000	-86.928
1C.24	Retirement benefit obligations	-20.600	-4.209	0.000	-4.209	-24.809
1C.25	Provisions	-32.607	0.000	0.000	0.000	-32.607
1C.26	Deferred income	0.000	-958.137	0.000	-958.137	-958.137
1C.27	Deferred income - adopted assets	0.000	-1,214.842	0.000	-1,214.842	-1,214.842
1C.28	Preference share capital	0.000	0.000	0.000	0.000	0.000
1C.29	Deferred tax	-1,586.319	143.383	0.000	143.383	-1,442.936
1C.30	**Total non-current liabilities**	**-13,971.315**	**121.491**	**0.000**	**121.491**	**-13,849.824**
1C.31	**Net assets**	**3,316.557**	**-430.149**	**-1,798.478**	**-2,228.627**	**1,087.930**
E	Equity					
1C.32	Called up share capital	601.113	0.000	0.000	0.000	601.113
1C.33	Retained earnings & other reserves	2,715.444	-430.149	-1,798.478	-2,228.627	486.817
1C.34	**Total Equity**	**3,316.557**	**-430.149**	**-1,798.478**	**-2,228.627**	**1,087.930**

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

	Adjustments					
	Capitalisation of interest	Share of Group pension scheme	Non-current trade receivables reclassification	Capital creditor reclass	Deferred income reclass	Total differences
	£m	£m	£m	£m	£m	£m
Non-current assets						
Fixed assets	-569.323	-	-	-	-	-569.323
Intangible assets	-	-	-	-	-	-
Investments - loans to group companies	-	-	-12.659	-	-	-12.659
Investments - other	-	-	-	-	-	-
Financial instruments	-	-	-	-	-	-
Retirement benefit assets	-	-	-	-	-	-
Total non-current assets	**-569.323**	**-**	**-12.659**	**-**	**-**	**-581.982**
Current assets						
Inventories	-	-	-	-	-	-
Trade & other receivables	-	-	12.659	-	-	12.659
Financial instruments	-	-	-	-	-	-
Cash & cash equivalents	-	-	-	-	-	-
Total current assets	**-**	**-**	**12.659**	**-**	**-**	**12.659**
Current liabilities						
Trade & other payables	-	-	-	139.443	17.683	157.126
Capex creditor	-	-	-	-139.443	-	-139.443
Borrowings	-	-	-	-	-	-
Financial instruments	-	-	-	-	-	-
Current tax liabilities	-	-	-	-	-	-
Provisions	-	-	-	-	-	-
Total current liabilities	**-**	**-**	**-**	**-**	**17.683**	**17.683**
Net Current assets	**-**	**-**	**12.659**	**-**	**17.683**	**30.342**
Non-current liabilities						
Trade & other payables	-	-	-	-	2,155.296	2,155.296
Borrowings	-	-	-	-	-	-
Financial instruments	-	-	-	-	-	-
Retirement benefit obligations	-	-4.209	-	-	-	-4.209
Provisions	-	-	-	-	-	-
Deferred income	-	-	-	-	-958.137	-958.137
Deferred income - adopted assets	-	-	-	-	-1,214.842	-1,214.842
Preference share capital	-	-	-	-	-	-
Deferred tax	142.331	1.052	-	-	-	143.383
Total non-current liabilities	**142.331**	**-3.157**	**-**	**-**	**-17.683**	**121.491**
Net assets	**-426.992**	**-3.157**	**-**	**-**	**-**	**-430.149**
Equity						
Called up share capital	-	-	-	-	-	-
Retained earnings & other reserves	-426.992	-3.157	-	-	-	-430.149
Total Equity	**-426.992**	**-3.157**	**-**	**-**	**-**	**-430.149**

1D – STATEMENT OF CASHFLOWS

Year ended 31 March 2026

	Line description	Statutory	Adjustments: Differences between statutory and RAG definitions	Adjustments: Non-appointed	Adjustments: Total adjustments	Total appointed activities
		£m	£m	£m	£m	£m
A	Operating activities					
1D.1	Operating profit	857.400	-34.913	0.986	-33.927	823.473
1D.2	Other income	51.910	-27.311	0.000	-27.311	24.599
1D.3	Depreciation	468.187	-9.403	0.000	-9.403	458.784
1D.4	Amortisation – developer services and diversions income	-20.137	20.137	0.000	20.137	0.000
1D.5	Changes in working capital	-18.370	0.000	-0.986	-0.986	-19.356
1D.6	Pension contributions	-65.600	0.000	0.000	0.000	-65.600
1D.7	Movement in provisions	-23.187	-0.420	0.000	-0.420	-23.607
1D.8	Profit on sale of fixed assets	-2.312	0.000	0.000	0.000	-2.312
1D.9	**Cash generated from operations**	**1,247.891**	**-51.910**	**0.000**	**-51.910**	**1,195.981**
1D.10	Net interest paid	-328.619	0.000	0.000	0.000	-328.619
1D.11	Tax received	34.073	0.000	0.000	0.000	0.000
1D.12	**Net cash generated from operating activities**	**953.345**	**-51.910**	**0.000**	**-51.910**	**901.435**
B	Investing activities					
1D.13	Capital expenditure	-1,866.645	0.000	0.000	0.000	-1,866.645
1D.14	Developer services and diversion income	0.000	51.910	0.000	51.910	51.910
1D.15	Disposal of fixed assets	3.912	0.000	0.000	0.000	3.912
1D.16	Other	0.000	0.000	0.000	0.000	0.000
1D.17	**Net cash used in investing activities**	**-1,862.733**	**51.910**	**0.000**	**51.910**	**-1,810.823**
1D.18	**Net cash generated before financing activities**	**-909.388**	**0.000**	**0.000**	**0.000**	**-909.388**
C	Cashflows from financing activities					
1D.19	Equity dividends paid	-150.000	0.000	0.000	0.000	-150.000
1D.20	Net loans received	1,134.334	0.000	0.000	0.000	1,134.334
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**	**984.334**	**0.000**	**0.000**	**0.000**	**984.334**
1D.23	**Increase in net cash**	**74.946**	**0.000**	**0.000**	**0.000**	**74.946**

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

	Adjustments: Depreciation on capitalised interest	Adjustments: Grants and contributions adjustment	Reclassifications: Share of Group pension scheme	Reclassifications: Infrastructure renewals income	Reclassifications: Non-operating income reclass	Total differences
	£m	£m	£m		£m	£m
Operating activities						
Operating profit	9.403	-	0.420	-21.628	-23.108	-34.913
Other income	-	-51.910	-	21.628	2.971	-27.311
Depreciation	-9.403	-	-	-	-	-9.403
Amortisation – developer services and diversions income	-	-	-	-	20.137	20.137
Changes in working capital	-	-	-	-	-	-
Pension contributions	-	-	-	-	-	-
Movement in provisions	-	-	-0.420	-	-	-0.420
Profit on sale of fixed assets	-	-	-	-	-	-
Cash generated from operations	**-**	**-51.910**	**-**	**-**	**-**	**-51.910**
Net interest paid	-	-	-	-	-	-
Tax paid	-	-	-	-	-	-
Net cash generated from operating activities	**-**	**-51.910**	**-**	**-**	**-**	**-51.910**
Investing activities						
Capital expenditure	-	-	-	-	-	-
Developer services and diversion income	-	51.910	-	-	-	51.910
Disposal of fixed assets	-	-	-	-	-	-
Other	-	-	-	-	-	-
Net cash used in investing activities	**-**	**51.910**	**-**	**-**	**-**	**51.910**
Net cash generated before financing activities	**-**	**-**	**-**	**-**	**-**	**-**
Cashflows from financing activities						
Equity dividends paid	-	-	-	-	-	-
Net loans received	-	-	-	-	-	-
Cash inflow from equity financing	-	-	-	-	-	-
Net cash generated from financing activities	**-**	**-**	**-**	**-**	**-**	**-**
Increase in net cash	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

1E - NET DEBT ANALYSIS

Year ended 31 March 2026

	Line description	Fixed rate	Floating rate	Index Linked RPI	Index Linked CPI/CPIH	Total
		£m	£m	£m	£m	£m
A	Interest rate risk profile					
1E.1	Borrowings (excluding preference shares)	6,709.159	1,350.203	1,236.677	1,100.668	10,396.707
1E.2	Preference share capital	-	-	-	-	0.000
1E.3	Total borrowings	6,709.159	1,350.203	1,236.677	1,100.668	10,396.707
1E.4	Cash					-3.274
1E.5	Short term deposits					-754.772
1E.6	Net Debt					9,638.661
B	Gearing					
1E.7	Gearing					63.399%
1E.8	Adjusted Gearing					63.399%
C	Interest					
1E.9	Full year equivalent nominal interest cost	299.289	72.247	78.082	52.177	501.795
1E.10	Full year equivalent cash interest payment	299.289	72.247	26.300	15.349	413.185
D	Indicative interest rates					
1E.11	Indicative weighted average nominal interest rate	4.461%	5.351%	6.314%	4.740%	4.826%
1E.12	Indicative weighted average cash interest rate	4.461%	5.351%	2.127%	1.395%	3.974%
E	Time to maturity					
1E.13	Weighted average years to maturity	9.625	3.724	26.076	17.548	12.334

The below table shows the reconciliation from borrowings within Table 1C to borrowings in Table 1E:

	Total	Notes
	£m	
Current borrowings	451.846	Table 1C Line 15
Non-current borrowings	10,036.298	Table 1C Line 22
Borrowings (Table 1C)	**10,488.144**	IFRS measurement basis
Less: Fair value accounting adjustments	-4.390	
Less: Exchange Adjustments and unhedged debt	-79.200	
Add: Premium/discount and issuance costs	33.253	
Less: Accretion on index linked swaps	-41.100	
Borrowings (Table 1E)	**10,396.707**	Table 1E Line 1 notional value basis

1F - FINANCIAL FLOWS (PRICE BASE - 2022/23 CPIH AVERAGE)

Year ended 31 March 2026

	Line description	12 Months ended 31 March 2026						Average 2025-30					
		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	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	%	%	%	£m	£m	£m
A	Regulatory equity												
1F.1	Regulatory equity	5,747.499	5,747.499	4,762.557	-	-	-	5,747.499	5,747.499	4,762.557	-	-	-
B	Return on regulatory equity												
1F.2	Return on regulatory equity -real	5.62%	4.65%	5.62%	323.073	267.708	267.708	5.62%	4.65%	5.62%	323.073	267.708	267.708
C	Financing												
1F.3	Impact of movement from notional gearing	-	0.96%	0.48%	-	55.364	22.702	-	0.96%	0.48%	-	55.364	22.702
1F.4	Variance in corporation tax	-	0.00%	0.00%	-	0.000	0.000	-	0.00%	0.00%	-	0.000	0.000
1F.5	Group relief	-	0.00%	0.00%	-	0.000	0.000	-	0.00%	0.00%	-	0.000	0.000
1F.6	Cost of debt	-	2.38%	3.29%	-	136.672	156.677	-	2.38%	3.29%	-	136.672	156.677
1F.7	Hedging instruments	-	0.10%	0.12%	-	6.008	6.008	-	0.10%	0.12%	-	6.008	6.008
1F.8	**Return on regulatory equity including Financing adjustments**	**5.62%**	**8.10%**	**9.51%**	**323.073**	**465.752**	**453.095**	**5.62%**	**8.10%**	**9.51%**	**323.073**	**465.752**	**453.095**
D	Operational performance												
1F.9	Totex out / (under) performance	-	-0.22%	-0.27%	-	-12.737	-12.737	-	-0.22%	-0.27%	-	-12.737	-12.737
1F.10	ODI out / (under) performance	-	1.16%	1.39%	-	66.415	66.415	-	1.16%	1.39%	-	66.415	66.415
1F.11	C-Mex out / (under) performance	-	0.00%	0.00%	-	0.000	0.000	-	0.00%	0.00%	-	0.000	0.000
1F.12	D-Mex out / (under) performance	-	0.00%	0.00%	-	0.000	0.000	-	0.00%	0.00%	-	0.000	0.000
1F.13	BR-Mex out / (under) performance	-	0.00%	0.00%	-	0.000	0.000	-	0.00%	0.00%	-	0.000	0.000
1F.14	Retail out / (under) performance	-	0.16%	0.20%	-	9.410	9.410	-	0.16%	0.20%	-	9.410	9.410
1F.15	PCD - time incentives	-	0.06%	0.07%	-	3.191	3.191	-	0.06%	0.07%	-	3.191	3.191
1F.16	Return exceptional items	-	0.00%	0.00%	-	0.000	0.000	-	0.00%	0.00%	-	0.000	0.000
1F.17	Other exceptional items	-	0.06%	0.07%	-	3.290	3.290	-	0.06%	0.07%	-	3.290	3.290
1F.18	**Operational performance total**	**-**	**1.21%**	**1.46%**	**-**	**69.569**	**69.569**	**-**	**1.21%**	**1.46%**	**-**	**69.569**	**69.569**
1F.19	**RoRE (return on regulatory equity)**	**5.62%**	**9.31%**	**10.97%**	**323.073**	**535.321**	**522.664**	**5.62%**	**9.31%**	**10.97%**	**323.073**	**535.321**	**522.664**
1F.20	RCV Indexation	3.45%	3.45%	3.45%	198.481	198.481	164.467	3.45%	3.45%	3.45%	198.481	198.481	164.467
1F.21	Voluntary sharing arrangements	-	-0.40%	-0.48%	-	-22.956	-22.956	-	-0.40%	-0.48%	-	-22.956	-22.956
1F.22	**Total shareholder return**	**9.07%**	**12.37%**	**13.95%**	**521.554**	**710.846**	**664.176**	**9.07%**	**12.37%**	**13.95%**	**521.554**	**710.846**	**664.176**

	Line description	12 Months ended 31 March 2026						Average 2025-30					
		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	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	%	%	%	£m	£m	£m
E	Dividends												
1F.23	Gross Dividend	4.00%	2.31%	2.79%	229.900	132.667	132.667	4.00%	2.31%	2.79%	229.900	132.667	132.667
1F.24	Interest Receivable on Intercompany loans	-	0.00%	0.00%	-	0.003	0.003	-	0.00%	0.00%	-	0.003	0.003
1F.25	**Retained Value**	**5.07%**	**10.06%**	**11.16%**	**291.654**	**578.176**	**531.506**	**5.07%**	**10.06%**	**11.16%**	**291.654**	**578.176**	**531.506**

1F – FINANCIAL FLOWS

Year ended 31 March 2026

Return on Regulatory Equity (RoRE), a component of financial flows, shows how we have performed relative to the base return set in the Final Determination (FD). It brings together the key drivers of performance over the year, including delivery of our investment programme (totex), outcomes for customers through Outcome Delivery Incentives (ODIs), and financing.

The financial flows analysis provides transparency on how operational and financial performance translate into shareholder returns. Performance is presented under both the notional capital structure assumed by the regulator and the company's actual capital structure, enabling comparison between assumed and realised financing outcomes. The analysis also reflects the impact of inflation and sets out the value distributed to shareholders alongside the proportion retained within the business after shareholder-funded affordability support and dividend payments.

The table below summarises RoRE for 2025/26 on both a notional and actual capital structure basis.

	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
	%	%
Base return (including QAA reward)	5.6%	5.6%
Financing	2.5%	3.9%
Totex	(0.2%)	(0.3%)
Retail	0.2%	0.2%
ODI	1.2%	1.4%
Time incentive PCD	0.1%	0.1%
Other	0.0%	0.1%
Regulatory return for the year ('RoRE')	9.3%	11.0%
RCV inflation	3.5%	3.5%
Total Shareholder returns	12.8%	14.5%
Affordability support	(0.4%)	(0.5%)
Dividends	(2.3%)	(2.8%)
Retained value	10.1%	11.2%

Our RoRE shows that we have made a strong start to AMP8, with outperformance of 5.7% relative to the FD, including the QAA reward. This was driven primarily by financing performance, reflecting the benefits of our strategy of maintaining lower index-linked debt than assumed in the FD. Performance was also supported by strong delivery against our ODI and PCD targets, generating £66 million of rewards (excluding MeXes), with 65% of ODI measures in reward.

All values are stated in 2022-23 prices unless otherwise indicated.

BASE REGULATED EQUITY RETURN

The FD base equity return of 5.6% shown in the table comprises the 5.3% base return set out in the FD and an additional 0.3% Quality Ambition Assessment (QAA) reward. The QAA reward was awarded at PR24 in recognition of the quality and ambition of our business plan

FINANCING PERFORMANCE

The financing component of financial flows covers performance on corporation tax and financing.

Financing

Financing performance reflects our AMP8 strategy of maintaining a lower proportion of index-linked debt and raising new debt during the year at rates below the iBoxx index. As cost of debt performance is assessed in real terms, higher CPIH inflation than assumed in the FD has also been a factor in our real cost of debt being below the allowed level (2.0%).

This has resulted in outperformance of £143.0 million under the notional capital structure and £163.2 million under the actual capital structure, including the impact of interest rate swaps. Cost of debt performance includes a £6.0 million benefit from interest rate swaps, of which £1.0 million relates to accretion on RPI/CPI swaps, as reflected in interest charges within the income statement of the **Annual Report**.

Variance on tax

The tax variance has been calculated in line with Ofwat's email of 9 June 2026, which stated that where companies have a zero tax allowance, tax outperformance is not expected to be reflected in Table 1F, particularly where it relates to the utilisation of tax losses and there is uncertainty over timing. As we expect to utilise tax losses over the AMP, we have sought further clarification from Ofwat on how this guidance should be applied in these circumstances.

Applying the RAG 4.14 methodology would result in a tax RoRE contribution of 2.65% for 2025–26, consistent with the approach used throughout AMP7. However, as Ofwat's email was received after the announcement of the Group Plc results, the tax variance included in those results was prepared on the RAG 4.14 basis

No losses were surrendered in the year.

OPERATIONAL PERFORMANCE

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

Wholesale totex

Our wholesale totex performance is explained in detail in Table 4C. Adjusting for timing differences, performance is 1.2% above the FD allowance, which after cost sharing equates to totex of £12.7 million above the FD. This is mainly driven by base cost pressures, including increased tankering to support drought resilience and reduce pollution risk, partly offset by lower business rates and broadly neutral performance across abstraction charges and discharge consents. Enhancement expenditure is also affected by timing, including Green Recovery carry-forward costs and phasing differences across standard enhancement, IED, bathing rivers, WINEP investigations and SRO programmes. These timing differences are expected to unwind over the remainder of the AMP, with underlying performance remaining broadly in line with the FD allowance.

Retail household costs

Retail performance is set out in Table 2C. Overall, an underspend of £9.4 million was delivered relative to the FD allowance. This reflects a combination of cost pressures and efficiencies across the business. Customer service costs were £6.6 million above allowance, driven by increased demand associated with price changes and wider macroeconomic conditions.

These pressures were partially offset by £2.4 million lower other operating expenditure, reflecting reduced internal recharges. Debt management costs of £9.3 million were broadly in line with expectations, supported by continued improvements in collection processes and systems. Depreciation increased, including £12.3 million of amortisation on newer technology assets, following a reassessment of their useful economic lives

ODI performance

Performance was strong across a number of key operational areas during the year, supporting improved outcomes for customers and the environment.

We achieved our leakage target for the eighth consecutive year and reduced storm overflow spills by 41%, supported by over 3,000 targeted interventions. Customer outcomes also improved, with complaints reducing by 21%, internal sewer flooding by 20%, and external sewer flooding by 12%.

Environmental performance strengthened, with pollution incidents reducing by one third, supported by targeted investment in infrastructure and monitoring.

Overall, we met 65% of performance commitments, resulting in a net ODI outperformance payment of £66 million (excluding C-MeX, D-MeX and BR-MeX).

Time incentive PCD performance

We made a strong start to AMP8 delivery through mains renewal and metering programmes, the only PCDs with year-one targets. Delivery exceeded expectations, with 219.9 km of mains replaced and more than 236,000 meters installed.

Early delivery was also achieved on storm overflows and phosphorus removal programmes, with almost all year-two baseline activity for storm overflows completed in year one. In total, timing incentives of £3.192 million were generated across these PCDs.

Other performance

In accordance with the guidance, we have included the C-MeX penalty of £0.256 million and D-MeX reward of £2.574 million for 2024–25 performance, as reported in the ODI determination published in November 2025. These are recognised within other exceptional items (in 2022–23 prices), together with land sales of £1.1 million, adjusted on a 50:50 cost-sharing basis.

VOLUNTARY SHARING ARRANGEMENTS

For AMP8, we have committed to a comprehensive affordability package of £50 million to support customers who struggle to pay. This includes bill reductions through social tariffs, support to address customer debt, and access to charitable hardship funding and wider financial assistance.

We have made significant progress against this commitment in 2025–26, providing £26 million of shareholder-funded support (£23 million in 2022–23 prices) as reported in table 2N and set out in table 4Z. Delivery has been primarily through the Big Difference Scheme, which reduces bills based on household income, and debt payment matching, which supports customers in reducing arrears by matching payments against outstanding balances, helping to lower ongoing bills and reduce existing debt.

TOTAL SHAREHOLDER RETURN

Our combined financial and operational performance generated £255 million of additional returns for shareholders in the first year of the AMP. Including the base return of £268 million, shareholder-funded affordability support of £23 million, and £164 million of RCV growth from inflation, total shareholder returns for the year were £664 million, equivalent to 13.9% under the actual capital structure.

Of these returns, 2.8% was distributed to shareholders, with the remaining 11.2% retained within the business.

CURRENT TAX RECONCILIATION

Year ended 31 March 2026

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.

The current tax charge after prior year adjustments for the year ended 31 March 2026 was lower than the standard rate of corporation tax in the UK. The differences are explained below:

Current Tax Reconciliation

	£m
Profit on appointed ordinary activities before tax and fair value movements	428.3
Tax at the standard rate of corporation tax in the UK 25%	107.1
Tax effect of expenditure not (taxable) / deductible in determining taxable profits	-3.3
Capital allowances in excess of depreciation	-286.2
Other temporary differences	4.7
Tax losses carried forward	179
Group relief - current year	0.0
Appointed current tax charge before prior year adjustments	1.3
Prior year adjustment	6.7
Appointed current tax charge/(credit) after prior year adjustments	8.0

The differences between the appointed corporation tax charge/(credit) to the current tax charge allowed in price limits are outlined in the table below:

	£m
Current tax charge/(credit) per Final Determination	(185.8)
Increase in profit before taxation	11.1
Other permanent differences	2.2
Increase in capital allowances in excess of depreciation	-11
Tax losses carried forward	179
Other temporary differences	5.8
Prior year adjustments	6.7
Appointed current tax charge/(credit) after prior year adjustments	8.0

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

- The Final Determination ('FD') profit before tax was lower than the profit before tax within the appointed business
- Expenditure that is not deductible for tax purposes has increased from the level assumed within the FD tax charge
- Capital allowances in excess of depreciation within the appointed business are higher than the level forecast within the FD
- A prior year adjustment within the appointed business of £6.7 million reflecting differences between estimated tax in the accounts compared to actual tax returns submitted

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
- Any other changes in tax legislation or practice not reflected in the FD.

At the Spring Budget 2023, the Government replaced the super deduction regime with 'full expensing' for 3 years from 1 April 2023, giving an in-year capital allowance of 100% on the cost of qualifying plant and machinery. In the Autumn Statement on 22 November 2023, the Government made this change permanent with a 100% first year allowance for main rate assets and 50% first year allowance for special rate (including long life) assets. The introduction of these changes means that Severn Trent Water is eligible to claim more capital allowances in the current year.

In 2024-25, group relief surrenders reported within our APR was £25.1 million to other group companies, however once the tax returns had been finalised group relief was subsequently amended to £17 million.

During 2025-26, there is a current tax charge totalling £1.3 million in the period which will be offset by claiming losses from other group companies. Losses from the non-appointed business of £0.2 million have been allocated against the profits of the company. The losses claimed from other group companies will be at the headline rate of corporation tax, so overall there is no financial impact in relation to the losses received. Full payment will be settled in 2027-28 once the corporation tax computations and returns have been finalised and submitted to HMRC.

NOTES TO THE REGULATORY ACCOUNTS

REGULATORY REPORTING

The regulatory accounts as reported in this section should be read in conjunction with the financial review set out in the **Severn Trent Water Limited Annual Report and Accounts 2025/26** 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 Regulatory Accounting Guidelines (RAGs).

ii) Treatment of the defined benefit pension costs

The statutory accounts include the full cost and net deficit of the Severn Trent 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 2025/26 statutory accounts infrastructure renewals income has been shown as revenue. In the regulatory accounts we show this as other income.

Compensation payments to customers under the Guaranteed Standards Scheme (GSS) and non-GSS scheme are netted against customers' bills in revenue within the statutory accounts. In the regulatory accounts they are grossed up as operating costs.

ii) Cash flow presentation

Developer services and diversions income 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 developer services and diversions income 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 2.10 'Guideline for classification of costs across the price controls'.

Section 2 data tables have been prepared in accordance with our cost allocation principles which 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 principles.

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 in the **Severn Trent Water Limited Annual Report and Accounts 2025/26**

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 wastewater activities, excluding value added tax.

Turnover includes an estimate of the amount of mains water and wastewater 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 wastewater 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, visitor experience income, farm sales, billing commission, introducer revenue from plumbing and drainage insurance (Homeserve), commercial data services income and burst pipes over private property.

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; or
- the customer is bankrupt and no dividend has been, or is likely to be, received; or
- 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**, including the capitalisation policy which is outlined within the property, plant and equipment accounting policy note.

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.

F) INVESTMENT IN SEVERN TRENT TRIMPLEY LIMITED

The Company holds 49% of the equity share capital of Severn Trent Trimpley Limited. The majority 51% share is held by Severn Trent Investment Holdings Limited the parent company of the Company's holding company, Severn Trent Draycote Limited. The investment is classified as a financial asset measured at fair value through profit and loss because the investment does not give rise to cash flows that are solely payments of principal and interest.

The investment represents a 49% stake in a company that holds a single asset, a loan note receivable bearing a market rate of interest. Interest receivable from the loan note and tax payable thereon are the only other transactions that the investment incurs.

The investment and revaluation gain is recorded as non-appointed in the balance sheet and income statement respectively.

2A – SEGMENTAL INCOME STATEMENT

Year ended 31 March 2026

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	172.639	0.000	169.873	1100.736	853.239	156.913	**2,453.400**
2A.2	Revenue – non price control (principal services)	0.000	0.000	1.532	0.291	0.232	0.000	**2.055**
2A.3	Revenue – non price control (third-party services)	0.000	0.000	8.703	12.674	2.115	0.206	**23.698**
2A.4	Operating expenditure – excluding PU recharge impact	-140.349	-0.229	-63.468	-502.389	-449.934	-49.094	**-1,205.463**
2A.5	PU opex recharge	-3.601	0.000	-1.754	28.757	-20.157	-3.245	**0.000**
2A.6	Operating expenditure – including PU recharge impact	-143.950	-0.229	-65.222	-473.632	-470.091	-52.339	**-1,205.463**
2A.7	Depreciation – tangible fixed assets	-0.783	0.000	-12.144	-186.525	-171.883	-41.866	**-413.201**
2A.8	Amortisation – intangible fixed assets	-12.292	0.000	-0.355	-32.723	-0.057	-0.002	**-45.429**
2A.9	Other operating income	0.000	0.000	0.725	0.381	1.206	0.000	**2.312**
2A.10	**Operating profit**	**15.614**	**-0.229**	**103.112**	**421.202**	**214.761**	**62.912**	**817.372**

2B – TOTEX ANALYSIS (WHOLESALE)

Year ended 31 March 2026

	Line description	Water Resources	Water Network+	Wastewater Network+	Bioresources	**Total**
		£m	£m	£m	£m	**£m**
A	Gross operating expenditure					
2B.1	Operating expenditure – Total wholesale	65.222	473.632	470.091	52.339	**1,061.284**
B	Developer services & diversions income (opex)					
2B.2	Developer services income (opex)	0.000	0.000	0.000	0.000	**0.000**
2B.3	Diversions income (opex)	0.000	9.326	11.438	0.000	**20.764**
C	Net operating expenditure					
2B.4	Operating expenditure – Total wholesale (net)	65.222	464.306	458.653	52.339	**1,040.520**
D	Gross capital expenditure					
2B.5	Capital expenditure – Total wholesale	57.851	642.532	1,162.380	71.147	**1,933.910**
E	Developer services & diversions income (capex)					
2B.6	Developer services income (capex)	0.000	31.080	17.539	0.000	**48.619**
2B.7	Diversions income (capex)	0.000	0.000	0.000	0.000	**0.000**
F	Net capital expenditure					
2B.8	Capital expenditure – Total wholesale (net)	57.851	611.452	1,144.841	71.147	**1,885.291**
G	Net total expenditure					
2B.9	Net totex	123.073	1,075.758	1,603.494	123.486	**2,925.811**
H	Cash expenditure					
2B.10	Pension deficit recovery payments	14.240	14.240	14.240	14.240	**56.960**
2B.11	Equity issuance costs	0.000	0.000	0.000	0.000	**0.000**
2B.12	Other cash items	0.000	0.000	0.000	0.000	**0.000**
2B.13	**Totex including cash items**	**137.313**	**1,089.998**	**1,617.734**	**137.726**	**2,982.771**

2C – COST ANALYSIS (RETAIL)

Year ended 31 March 2026

Line description		Residential	Business	Total
		£m	£m	£m
A	Operating expenditure			
2C.1	Customer services	47.103	0.000	**47.103**
2C.2	Debt management	9.271	0.000	**9.271**
2C.3	Doubtful debts	41.164	0.229	**41.393**
2C.4	Meter reading	5.879	0.000	**5.879**
2C.5	Other operating expenditure	22.153	0.000	**22.153**
2C.6	Local authority and Cumulo rates	0.539	0.000	**0.539**
2C.7	**Total operating expenditure excluding third party services**	**126.109**	**0.229**	**126.338**
B	Depreciation			
2C.8	Depreciation (tangible fixed assets) on assets existing at 31 March 2015	0.080	0.000	**0.080**
2C.9	Depreciation (tangible fixed assets) on assets acquired after 1 April 2015	0.702	0.000	**0.702**
2C.10	Amortisation (intangible fixed assets) on assets existing at 31 March 2015	0.000	0.000	**0.000**
2C.11	Amortisation (intangible fixed assets) on assets acquired after 1 April 2015	12.292	0.000	**12.292**
C	Recharges			
2C.12	Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	0.366	0.000	**0.366**
2C.13	Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	-0.037	0.000	**-0.037**
2C.14	Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	3.395	0.000	**3.395**
2C.15	Income from wholesale assets acquired after 1 April 2015 principally used by retail	-0.123	0.000	**-0.123**
2C.16	**Net recharges costs**	**3.601**	**0.000**	**3.601**
2C.17	Total retail costs excluding third party and pension deficit repair costs	142.784	0.229	143.013
2C.18	Third party services operating expenditure	0.000	0.000	**0.000**
2C.19	Pension deficit repair costs	14.240	0.000	14.240
2C.20	**Total retail costs including third party and pension deficit repair costs**	**157.024**	**0.229**	**157.253**
D	Debt written off			
2C.21	Debt written off	30.583	0.000	30.583
E	Capital expenditure			
2C.22	Capital expenditure	0.455	0.000	0.455
F	Comparison of actual and allowed expenditure			
2C.23	Cumulative actual retail expenditure to reporting year end	142.784		
2C.24	Cumulative allowed expenditure to reporting year end	151.504		
2C.25	**Total allowed expenditure - current AMP**	**817.454**		

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

CUSTOMER SERVICES

Customer Service costs are £6.6 million adverse to the FD. This is due to higher than anticipated demand from customers driven by price rises and macro environmental factors.

DEBT MANAGEMENT

Debt management costs are in line with the FD. A slightly lower spend has been driven by a focus on migrating customers to a new billing system, whilst ensuring the underlying bad debt performance is maintained.

DOUBTFUL DEBTS

Doubtful debts as a percentage of household revenue remained at 2.1%, which is in line with prior year, showing bills have remained affordable despite tariff increases for our customers.

METER READING

Meter Reading costs are in line with the FD.

OTHER OPERATING EXPENDITURE

Other operating expenditure is £2.4 million favourable to the FD. This is primarily attributed to a reduction in retail work undertaken by other business areas, consistent with 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.

The £0.229 million of business write-offs are linked to the non-household customer debt before the customers moved to Water Plus. The agreement was only for accounts which were still active and went to Water Plus. This left outstanding commercial debt with Severn Trent Water to finish collecting. The debt was largely provided for except the remaining £0.229 million which we have now fully provided for. These are only for active debt which went to Water Plus and not final debt. We were mostly provided for on final debt and as sufficient time has now passed, we deem the remaining £0.229 million irrecoverable.

2D – HISTORIC COST ANALYSIS OF TANGIBLE FIXED ASSETS

Year ended 31 March 2026

Line description		Residential Retail £m	Business Retail £m	Water resources £m	Water Network+ £m	Wastewater Network+ £m	Bioresources £m	**Total £m**
A	Cost							
2D.1	At 1 April	49.831	0.000	680.018	7,996.907	10,096.932	1,058.592	**19,882.280**
2D.2	Disposals	0.000	0.000	-0.069	-5.694	-15.357	0.000	**-21.120**
2D.3	Additions	0.123	0.000	49.907	584.200	1,160.524	71.152	**1,865.906**
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	175.029	127.388	0.000	**302.417**
2D.6	At 31 March	49.954	0.000	729.856	8,750.442	11,369.487	1,129.744	**22,029.483**
B	Depreciation							
2D.7	At 1 April	-32.744	0.000	-214.108	-2,928.073	-3,642.241	-548.499	**-7,365.665**
2D.8	Disposals	0.000	0.000	0.069	5.369	7.863	0.000	**13.301**
2D.9	Adjustments	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
2D.10	Charge for year	-0.783	0.000	-12.144	-186.525	-171.883	-41.866	**-413.201**
2D.11	At 31 March	-33.527	0.000	-226.183	-3,109.229	-3,806.261	-590.365	**-7,765.565**
2D.12	**Net book amount at 31 March**	**16.427**	**0.000**	**503.673**	**5,641.213**	**7,563.226**	**539.379**	**14,263.918**
2D.13	**Net book amount at 1 April**	**17.087**	**0.000**	**465.910**	**5,068.834**	**6,454.691**	**510.093**	**12,516.615**
C	Depreciation for year							
2D.14	Third party services	0.000	0.000	0.000	-0.055	0.000	0.000	**-0.055**
D	Third party services at 31 March							
2D.15	Cost at 31 March - third party services tangibles	0.000	0.000	-0.171	4.528	0.000	0.000	**4.357**
2D.16	Depreciation at 31 March - third party services tangibles	0.000	0.000	0.171	-3.037	0.000	0.000	**-2.866**
2D.17	Net book amount at 31 March - third party services tangibles	0.000	0.000	0.000	1.491	0.000	0.000	**1.491**

The net book value includes £3,396 million in respect of assets in the course of construction.

2E – ANALYSIS OF DEVELOPER SERVICES INCOME

Year Ended 31 March 2026

Line description		Income relating to opex spend £m	Income relating to capex spend £m	**Total £m**
A	Developer services income - water network+ (price control)			
2E.1	Infrastructure charge receipts – water	0.000	14.004	**14.004**
2E.2	Income offset – water	0.000	2.265	**2.265**
2E.3	Environmental incentives for more water efficient developments - water	0.000	-0.016	**-0.016**
2E.4	Environmental component for more water efficient developments - water	0.000	1.072	**1.072**
2E.5	Infrastructure charge receipts – after impact of income offset and environmental incentives (water)	0.000	12.795	**12.795**
2E.6	Connection charges - water (Welsh companies only)	0.000	0.000	**0.000**
2E.7	Requisitioned mains (Welsh companies only)	0.000	0.000	**0.000**
2E.8	Other Developer services income - water network+ (price control)	0.000	3.756	**3.756**
2E.9	**Total Developer services income - water network+ (price control)**	**0.000**	**16.551**	**16.551**
B	Developer services income - water network+ (non-price control)			
2E.10	Connection charges - water (English companies only)	0.000	11.561	**11.561**
2E.11	Requisitioned mains (English companies only)	0.000	2.968	**2.968**
2E.12	Other developer services income - water network+ (non-price control)	0.000	0.000	**0.000**
2E.13	**Total Developer services income - water network+ (non-price control)**	**0.000**	**14.529**	**14.529**
C	Developer services income - wastewater network+ (price control)			
2E.14	Infrastructure charge receipts – wastewater	0.000	12.953	**12.953**
2E.15	Income offset - wastewater	0.000	0.095	**0.095**
2E.16	Environmental incentives for more water efficient developments - wastewater	0.000	-0.012	**-0.012**
2E.17	Environmental component for more water efficient developments - wastewater	0.000	0.826	**0.826**
2E.18	Infrastructure charge receipts – after impact of income offset and environmental incentives (wastewater)	0.000	13.672	**13.672**
2E.19	Other developer services income - wastewater network+ (price control)	0.000	0.000	**0.000**
2E.20	**Total Developer services income - wastewater network+ (price control)**	**0.000**	**13.672**	**13.672**
D	Developer services income - wastewater network+ (non-price control)			
2E.21	Receipts for on-site work	0.000	3.867	**3.867**
2E.22	Other developer services income - wastewater network+	0.000	0.000	**0.000**

2E.23	Total Developer services income – wastewater network+ (non-price control)	0.000	3.867	3.867

2F – RESIDENTIAL RETAIL

Year ended 31 March 2026

Line description		Revenue	Number of customers	Average residential revenues
		£m	000s	£
A	Residential revenue			
2F.1	Wholesale revenue	1,797.263	-	-
2F.2	Retail revenue	172.639	-	-
2F.3	Total residential revenue	1,969.902	-	-
B	Retail revenue			
2F.4	Revenue Recovered ('RR')	172.639	-	-
2F.5	Revenue sacrifice	1.899	-	-
2F.6	Actual revenue (net)	174.538	-	-
C	Customer information			
2F.7	Actual customers ('AC')	-	4,204.100	-
2F.8	Reforecast customers	-	4,136.691	-
D	Adjustment			
2F.9	Allowed revenue ('R')	188.764	-	-
2F.10	Net adjustment	14.226	-	-
E	Other residential information			
2F.11	Average household retail revenue per customer	-	-	41.516

2G – NON-HOUSEHOLD REVENUES BY TARIFF TYPE

Year Ended 31 March 2026

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

2H – CASH COLLECTION PERFORMANCE RATES – RESIDENTIAL RETAIL

Year Ended 31 March 2026

Line description		% Revenue collected				
		2025-26	2026-27	2027-28	2028-29	2029-30
A	All customers					
2H.1	Collection rates for bills raised in 2025-26 - all customers	86.3%	92.3%	94.0%	95.1%	95.7%
2H.2	Collection rates for bills raised in 2026-27 - all customers		89.1%	93.6%	94.8%	95.7%
2H.3	Collection rates for bills raised in 2027-28 - all customers			89.1%	93.6%	94.8%
2H.4	Collection rates for bills raised in 2028-29 - all customers				89.1%	93.6%
2H.5	Collection rates for bills raised in 2029-30 - all customers					89.1%
B	Measured customers					
2H.6	Collection rates for bills raised in 2025-26 - measured customers	86.9%	93.3%	94.8%	95.8%	96.3%
2H.7	Collection rates for bills raised in 2026-27 - measured customers		89.3%	94.6%	95.7%	96.3%
2H.8	Collection rates for bills raised in 2027-28 - measured customers			89.3%	94.6%	95.7%
2H.9	Collection rates for bills raised in 2028-29 - measured customers				89.3%	94.6%
2H.10	Collection rates for bills raised in 2029-30 - measured customers					89.3%
C	Non-Measured customers					
2H.11	Collection rates for bills raised in 2025-26 - non-measured customers	85.6%	91.1%	93.0%	94.2%	94.9%
2H.12	Collection rates for bills raised in 2026-27 - non-measured customers		88.9%	92.6%	94.1%	95.0%
2H.13	Collection rates for bills raised in 2027-28 - non-measured customers			88.9%	92.6%	94.1%
2H.14	Collection rates for bills raised in 2028-29 - non-measured customers				88.9%	92.6%
2H.15	Collection rates for bills raised in 2029-30 - non-measured customers					88.9%

2I – REVENUE ANALYSIS AND WHOLESALE CONTROL RECONCILIATION Year Ended 31 March 2026

Line description		Household £m	Non-household £m	Total £m	Water resources £m	Water network+ £m	Total £m
A	Wholesale charge – water (price control)						
2I.1	Unmeasured	472.095	4.049	**476.144**	68.927	407.217	**476.144**
2I.2	Measured	541.497	250.432	**791.929**	100.946	690.983	**791.929**
2I.3	Third party revenue	0.000	2.536	**2.536**	0.000	2.536	**2.536**
2I.4	**Total wholesale water revenue**	**1,013.592**	**257.017**	**1,270.609**	**169.873**	**1,100.736**	**1,270.609**

Line description		Household £m	Non-household £m	Total £m	Wastewater network+ £m	Bioresources £m	Total £m
B	Wholesale charge – wastewater (price control)						
2I.5	Unmeasured - foul charges	271.194	4.621	**275.815**	207.784	68.031	**275.815**
2I.6	Unmeasured - surface water charges	64.060	5.947	**70.007**	70.007	0.000	**70.007**
2I.7	Unmeasured - highway drainage charges	26.723	0.403	**27.126**	27.126	0.000	**27.126**
2I.8	Measured - foul charges	300.152	143.320	**443.472**	354.590	88.882	**443.472**
2I.9	Measured - surface water charges	83.669	68.480	**152.149**	152.149	0.000	**152.149**
2I.10	Measured - highway drainage charges	37.873	2.453	**40.326**	40.326	0.000	**40.326**
2I.11	Third party revenue	0.000	1.257	**1.257**	1.257	0.000	**1.257**
2I.12	**Total wholesale wastewater revenue**	**783.671**	**226.481**	**1,010.152**	**853.239**	**156.913**	**1,010.152**

D	Wholesale charge - Additional Water Control (price control)			
2I.13	Unmeasured charges - additional water control	0.000	0.000	**0.000**
2I.14	Measured charges - additional water control	0.000	0.000	**0.000**
2I.15	Third party revenue - additional water control	0.000	0.000	**0.000**
2I.16	**Total wholesale additional water control revenue**	**0.000**	**0.000**	**0.000**
E	Wholesale charge - Additional Wastewater Control (price control)			
2I.17	Unmeasured charges - additional wastewater control	0.000	0.000	**0.000**
2I.18	Measured charges - additional wastewater control	0.000	0.000	**0.000**
2I.19	Third party revenue - additional wastewater control	0.000	0.000	**0.000**
2I.20	**Total wholesale additional water control revenue**	**0.000**	**0.000**	**0.000**
2I.21	**Wholesale Total**	**1,797.263**	**483.498**	**2,280.761**
F	Retail revenue			
2I.22	Unmeasured	50.096	0.000	**50.096**
2I.23	Measured	122.543	0.000	**122.543**
2I.24	Retail third-party revenue	0.000	0.000	**0.000**
2I.25	**Total retail revenue**	**172.639**	**0.000**	**172.639**

2K – INFRASTRUCTURE CHARGES RECONCILIATION

Year Ended 31 March 2026

Line description		Water £m	Wastewater £m	Total £m
A	Comparison of revenue and costs			
2K.1	Variance brought forward	0.000	0.000	0.000
2K.2	Revenue	14.004	12.953	26.957
2K.3	Costs	-31.637	-4.023	-35.660
2K.4	Variance carried forward	-17.633	8.930	-8.703
B	Analysis of variance movement in year			
2K.5	Revenue impact of charge element which corrects previous years variance	0.000	0.000	0.000
2K.6	Difference in billable developer activity against forecast in year	-1.242	-5.315	-6.557
2K.7	Difference in infrastructure reinforcement activity against forecast in year	-4.632	5.907	1.275
2K.8	Variance movement in year	**-5.874**	**0.592**	**-5.282**

The variance between cost and revenue for water is £-17.6 million and for waste is £8.9 million. This is due to the phasing of connection volumes for which costs and income are reviewed across the full AMP.

Based on the guidance in RAG 4.14, we have made certain assumptions:

2K.5 – it is zero for year 1 of the AMP8.

2K.6 – this is the variance of net infra charges versus FD. Negative number represents under recovery versus the FD.

2K.7 – this is the variance of reinforcement spend versus FD. Negative number represents additional spend versus FD.

2K.8 – £5 million additional to be recovered over years 3-5 of the AMP. Annual update of scheme of charges reflects full AMP view of income and expenditure.

2L – ANALYSIS OF LAND SALES

Year Ended 31 March 2026

Line description		Water resources	Water Network+	Wastewater Network+	Total
		£m	£m	£m	£m
A	Land sales – proceeds from disposals of protected land				
2L.1	**Land sales – proceeds from disposals of protected land**	**0.722**	**0.270**	**0.258**	**1.250**

Eleven disposals of protected land occurred during the year, with none exceeding the £1 million reporting threshold.

2M – REVENUE RECONCILIATION (WHOLESALE)

Year Ended 31 March 2026

Line description		Water resources	Water Network+	Wastewater Network+	Bioresources	**Total**
		£m	£m	£m	£m	**£m**
A	Revenue recognised					
2M.1	Wholesale revenue governed by price control	169.873	1,100.736	853.239	156.913	**2,280.761**
2M.2	Developer services income (price control)		16.551	13.672		**30.223**
2M.3	Diversions income (price control)	0.000	9.326	7.740		**17.066**
2M.4	Total revenue governed by wholesale price control	169.873	1,126.613	874.651	156.913	**2,328.050**
B	Calculation of the revenue cap					
2M.5	Allowed wholesale revenue before adjustments (or modified by CMA)	164.389	1,069.405	885.742	157.062	**2,276.598**
2M.6	Allowed developer services income before adjustments (or modified by CMA)		31.398	25.826		**57.224**
2M.7	Allowed diversions income before adjustments (or modified by CMA)		12.150	9.543		**21.693**
2M.8	Revenue adjustment	0.000	0.000	0.000	0.000	**0.000**
2M.9	Other adjustments	0.000	0.000	0.000	0.000	**0.000**
2M.10	**Revenue cap**	**164.389**	**1,112.953**	**921.111**	**157.062**	**2,355.515**
C	Calculation of the revenue imbalance					
2M.11	**Revenue imbalance**	**-5.484**	**-13.660**	**46.460**	**0.149**	**27.465**
D	AMP8 revenue adjustments					
2M.12	Uninvoiced revenue due from retailers	0.000	0.000	0.000	0.000	**0.000**
2M.13	Competitively Appointed Provider charges	0.000	0.000	0.000	0.000	**0.000**

Difference between allowed and actual revenue under the wholesale control

The total allowed revenue for 2025/26 was £2,355.5 million with actual revenue of £2,328.1 million being £27.5 million lower.

DEVELOPER SERVICES

For developer services and diversions water revenue is £17.7 million lower, and waste revenue is £14.0 million lower. Along with lower connections than planned, reinforcement costs are also lower earlier in the AMP, and in particular the non-s185 diversions are lower which is reflective of the decreased volume of work and is in line with reduced expenditure.

CORE BILLED REVENUE

Water Resources and Water Network+

Water Resources revenue of £169.9 million is £5.5 million (3.3%) higher than the revenue cap.

Water Network+ wholesale revenue of £1,100.7 million is £31.3 million (2.9%) higher than the revenue cap.

This is primarily driven by higher than anticipated daily consumption across measured water properties, leading to increased revenue generation against the cap.

Wastewater Network+

Wastewater Network+ wholesale revenue of £853.2 million is £32.5 million (3.7%) lower than the revenue cap, reflecting adjustments to surface water drainage charges following data cleanse activity on our customers.

Bio-resources revenue is of £156.9 million is £0.1 million (0.1%) lower than the revenue cap.

2N – HOUSEHOLD AFFORDABILITY SUPPORT

Year Ended 31 March 2026

	Line description	Revenue	Number of customers	Average amount per customer
		£'000	000s	£
A	SOCIAL TARRIFS			
A	Number of residential customers on social tariffs			
2N.1	Residential water only social tariffs customers		11,800	
2N.2	Residential wastewater only social tariffs customers		78,899	
2N.3	Residential dual service social tariffs customers		221,127	
A	Number of residential customers not on social tariffs			
2N.4	Residential water only no social tariffs customers		307,551	
2N.5	Residential wastewater only no social tariffs customers		608,369	
2N.6	Residential dual service no social tariffs customers		2,976,355	
A	Social tariff discount			
2N.7	Average discount received by each water only social tariffs customer			200.67
2N.8	Average discount received by each wastewater only social tariffs customer			399.95
2N.9	Average discount received by each dual service social tariffs customer			384.20
A	Social tariff cross-subsidy – residential customers			
2N.10	Total funding from customers to support water only social tariffs	2,367.940		
2N.11	Total funding from customers to support wastewater only social tariffs	31,555.771		
2N.12	Total funding from customers to support dual service social tariffs	84,956.638		
2N.13	Average funding from customers to support each water only social tariffs customer			7.41
2N.14	Average funding from customers to support each wastewater only social tariffs customer			45.91
2N.15	Average funding from customers to support each dual service social tariffs customer			26.57
A	Funding from shareholders to support social tariffs			
2N.16	Total funding from shareholders to support water only social tariffs	0.000		
2N.17	Total funding from shareholders to support wastewater only social tariffs	0.000		
2N.18	Total funding from shareholders to support dual service social tariffs	0.000		
2N.19	Average funding from shareholders to support each water only social tariffs customer			0.00
2N.20	Average funding from shareholders to support each wastewater only social tariffs customer			0.00
2N.21	Average funding from shareholders to support each dual service social tariffs customer			0.00
A	Social tariff support – willingness to pay			
2N.22	Maximum amount customers are willing to pay to support social tariffs.			63.69
A	Shareholder Contribution			
2N.23	Total funding from shareholders to support household debt matching schemes	640.140		
2N.24	Number of unique household customers that benefitted from the funding from shareholders to support debt matching schemes		10,658	
2N.25	Total funding from shareholders to support all other household affordability schemes, excluding social tariffs and debt matching	25,315.415		
2N.26	Number of unique household customers that benefitted from the funding from shareholders to support all other household affordability schemes, excluding social tariffs and debt matching		44,953	
2N.27	Total funding from shareholders to support all affordability schemes			25,955.555
B	WATERSURE TARRIFS			
B	WaterSure tariffs			
2N.28	Number of unique customers on WaterSure		15,857	
2N.29	Total reduction in bills for WaterSure customers who paid the average household bill	6,232.293		
2N.30	Average reduction in bills for WaterSure customers who paid the average household bill			393.03

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 by offering discount to average household bill of qualifying customers. The total number of customers in receipt of a social tariff has increased over the last twelve month period with c.332k customers supported through our various schemes in 2025/26. Further information is available on our website.

2O – HISTORIC COST ANALYSIS OF INTANGIBLE FIXED ASSETS

Year Ended 31 March 2026

Line description		Residential Retail £m	Business Retail £m	Water Resources £m	Water Network+ £m	Wastewater Network+ £m	Bioresources £m	**Total £m**
A	Cost							
20.1	At 1 April	119.863	0.000	3.112	483.310	42.867	1.624	**650.776**
20.2	Disposals	0.000	0.000	0.000	-0.033	0.000	0.000	**-0.033**
20.3	Additions	0.332	0.000	1.750	62.768	2.169	0.033	**67.052**
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**	**120.195**	**0.000**	**4.862**	**546.045**	**45.036**	**1.657**	**717.795**
B	Amortisation							
20.7	At 1 April	-109.657	0.000	-0.781	-282.907	-34.401	-0.023	**-427.769**
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	-12.292	0.000	-0.355	-32.723	-0.057	-0.002	**-45.429**
20.11	**At 31 March**	**-121.949**	**0.000**	**-1.136**	**-315.630**	**-34.458**	**-0.025**	**-473.198**
20.12	**Net book amount at 31 March**	**-1.754**	**0.000**	**3.726**	**230.415**	**10.578**	**1.632**	**244.597**
20.13	**Net book amount at 1 April**	**10.206**	**0.000**	**2.331**	**200.403**	**8.466**	**1.601**	**223.007**
C	Amortisation for year							
20.14	Third party services	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
D	Third party services at 31 March							
20.15	Cost at 31 March - third party services intangibles	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
20.16	Amortisation at 31 March - third party services intangibles	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
20.17	**Net book amount at 31 March - third party services intangibles**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

2P – THIRD PARTY SERVICES REVENUE

Year Ended 31 March 2026

Line description		Water Resources £m	Water Network+ £m	Wastewater Network+ £m	Bioresources £m	**Total £m**
A	Third-party services - price control					
2P.1	Non potable water (not bulk supplies) revenue	0.000	0.000	0.000	0.000	**0.000**
2P.2	Rechargeable revenue - Fluoridation	0.000	2.002	0.000	0.000	**2.002**
2P.3	Rechargeable revenue - Fire hydrant install & repair	0.000	0.441	0.000	0.000	**0.441**
2P.4	Rechargeable revenue - third-party damage	0.000	0.015	0.461	0.000	**0.476**
2P.5	Rechargeable revenue - build over	0.000	0.000	0.563	0.000	**0.563**
2P.6	Other rechargeable revenue	0.000	0.078	0.233	0.000	**0.311**
2P.7	**Total third-party revenue (price control)**	**0.000**	**2.536**	**1.257**	**0.000**	**3.793**
B	Third-party services - non-price control					
2P.8	Bulk supplies revenue	7.952	9.976	2.115	0.206	**20.249**
2P.9	Reservoir operating agreements revenue	0.375	0.000	0.000	0.000	**0.375**
2P.10	Other excluded charge revenue	0.376	2.698	0.000	0.000	**3.074**
2P.11	**Total third-party revenue (non-price control)**	**8.703**	**12.674**	**2.115**	**0.206**	**23.698**
C	Third-party services					
2P.12	**Total third-party services revenue**	**8.703**	**15.210**	**3.372**	**0.206**	**27.491**

2R – ANALYSIS OF DIVERSIONS INCOME

Year Ended 31 March 2026

	Line description	Income relating to opex spend	Income relating to capex spend	Total
		£m	£m	**£m**
A	Diversion income – water resources (price control)			
2R.1	s185 diversions income – water resources	0.000	0.000	**0.000**
2R.2	NRSWA diversions income – water resources	0.000	0.000	**0.000**
2R.3	Non-s185 diversions income – water resources	0.000	0.000	**0.000**
2R.4	Total diversions income – water resources	0.000	0.000	**0.000**
B	Diversion income – water network+ (price control)			
2R.5	s185 diversions income – water network+	5.221	0.000	**5.221**
2R.6	NRSWA diversions income – water network+	1.981	0.000	**1.981**
2R.7	Non-s185 diversions income – water network+	2.124	0.000	**2.124**
2R.8	Total diversions income – water network+	9.326	0.000	**9.326**
C	Diversions income – wastewater network+ (price control)			
2R.9	NRSWA diversions income – wastewater network+	0.014	0.000	**0.014**
2R.10	Non-s185 diversions income – wastewater network+	7.726	0.000	**7.726**
2R.11	Total diversions income – wastewater network+	7.740	0.000	**7.740**
D	Diversions income – wastewater network+ (non price control)			
2R.12	s185 diversions income – wastewater network+	3.698	0.000	**3.698**

COST ALLOCATION PRINCIPLES

Our approach to accounting separation applies the general principles set out in RAG 2.10 and RAG 5.07. Ofwat has set out the following general principles which we are required to comply with.

Principle	At Severn Trent Water
Transparency	Our accounting separation methodology is transparent. Direct costs to price controls are identifiable and can be traced back to our SAP ledger. Methodologies for allocated costs are captured in Process Description Templates ('PDTs') which demonstrates compliance with cost allocation principles.
Causality	We have applied the activity-based approach identifying the services that cause the cost (and revenues) to be incurred, to ensure the allocation approach is meaningful.
Non-discrimination	Cost allocation bases are as objective as possible and where possible we have demonstrated that internal charges are consistent with the prices charged to external third parties.
Objectivity	Cost allocation bases are as objective as possible and are not designed to favour any price controls or associated companies.
Consistency	We have been consistent in our cost allocation methodology. Any changes made are outlined below.
No cross subsidy between price controls	In line with the separate binding price controls introduced in 2014, costs are compliant with RAG 5 'Guideline for transfer pricing in the water and sewerage sectors.' All recharges to/from associated companies can be demonstrated at an arm's length.
Principal use	Where possible assets and associated depreciation are directly attributed to the relevant price control and applied the principal use guidance for shared assets.

Information used to populate the tables originates from our SAP system which is interfaced with Tagetik (consolidation) and Business Warehouse (BW) systems. Financial reports are retrieved from these systems to produce the APR. The company's systems for producing disaggregated cost and asset data have not changed in the reporting year.

Recharges to/from associated companies

The process to allocate costs between price controls begins after services supplied by/to the appointee have been recharged. The recharges can vary from ad-hoc costs to recurring charges. Ad-hoc or one-off expenses are recharged via an intercompany process usually within the month they are incurred. For recurring charges there is an established management recharge process which is undertaken on a quarterly basis to transfer to/from associated companies.

An overhead charge is added to this to account for the indirect costs associated with the activity. This is a percentage calculation which takes the expenditure on support functions over the total expenditure (excluding financing costs) undertaken within the business. Where management and general (M&G) assets are utilised in the provision of the service, a use of asset recharge is separately calculated and recharged.

Recharges to/from Hafren Dyfrdwy

Severn Trent Water and Hafren Dyfrdwy operate together across the English-Wales border and therefore provide services for one another as appointed businesses. Severn Trent Water records the costs for operational activities undertaken in Powys by Severn Trent Water employees and recharges to Hafren Dyfrdwy and Hafren Dyfrdwy records the costs for operational activities undertaken in Chester by Hafren Dyfrdwy employees and recharges to Severn Trent Water.

Costs are recharged automatically through time booked to work orders based on the functional location of the asset (FLOC) worked on at a rate calculated to include direct and indirect manpower and non-manpower costs. If the asset has a Hafren Dyfrdwy FLOC, then an appropriate Hafren Dyfrdwy cost centre will incur the costs for the job. The rate is reviewed annually by the relevant finance operational team business partner. Any other costs booked to the work order not included in the rate (e.g. materials) will follow the same process.

Severn Trent Water and Hafren Dyfrdwy have an intra-group Corporate Service Agreement (CSA) reviewed annually for providing general and support services which are recharged between the two companies in accordance with requirements of RAG 5. The CSA between Severn Trent Water and Hafren Dyfrdwy governs the recharge of the agreed manpower/FTE cost of providing the corporate services as permitted by RAGs. Each associate company (Severn Trent Water/Hafren Dyfrdwy) requires the other company to provide services in accordance with the terms and conditions of the CSA and agreed FTE requirements. These services comprise of Finance, General Counsel, Group Commercial, HR, STEC, Technology and other support activities. The central overheads are recharged as part of the CSA which is based on support function costs and the total number of FTEs supported by these functions in order to work out the rate per FTE to be applied in the recharges between Severn Trent Water and Hafren Dyfrdwy. The time and costs of relevant support function management (tech experts, business leads and strategic leads) of each associate company (Severn Trent Water/Hafren Dyfrdwy) are included in the central overheads recharge.

Segmental income statement – Revenue (tables 2A, 2F, 2M and 2I)

The wholesale/retail charges are determined as part of the Charges Submission process. Agreed tariffs are assigned a unique code which maps them to a customer type. Each code is mapped to a GL account and a cost centre which is directly assigned to either wholesale water, wastewater charges or retail household revenue.

Non-price control revenue and third-party revenue are driven from general ledger accounts which captures the financial values from the receivables billing ledger. Separate general ledger codes are created for each non-price control and third-party revenue stream. Each revenue stream is assigned to an income category using the guidance in the income categorisation table included in Appendix 1 of RAG 4. Third party services revenue is reported in table 2P.

Table 2M performs the reconciliation of the revenue collected in year with the allowed revenue from the FD, setting out the imbalance between the two where one exists.

Base Operating Expenditure – Wholesale (table 2B)

Price control	Business unit
Water resources	Water resources
Water network	Raw water distribution
	Water treatment
	Treated water distribution
Wastewater network	Sewage collection
	Sewage treatment
Bioresource	Sludge transport
	Sludge treatment
	Sludge disposal

The allocation of operating expenditure is through the assignment of cost centres into direct business units which occurs at the same time that the price control assignment is carried out. Where possible direct costs to price controls are identified by cost centre and allocated automatically through the system after a review from the relevant finance business partners.

Cost centres which are identified as being shared between price controls are allocated to a business unit by using either the same cost driver used to allocate at price control level or by a different cost driver if more appropriate. All shared cost driver's methodology is captured in PDTs reviewed bi-annually by the relevant finance business partner justifying the compliance of the cost driver to principles set out in RAG 2.10. A summary of the drivers used for operating expenditure is shown below.

Operating expenditure	Expenditure type	Price control	Business unit allocation
Power	Power	Water network	Allocated is based on a combination of direct allocation and Average Pumping Head (APH) apportionment using volumes pumped.
		Wastewater network	Direct assignment based on the activity site. For co-located sites, in the absence of a sub-meter, the electricity bill is allocated between sewage treatment and sludge treatment based on the Site Energy Management Plan (SEMP).
	Internally generated electricity	Water and wastewater networks	Cost credit – direct to price control where it was generated (sludge treatment). Cost expense – direct to price control where electricity was utilised at market rates.
Income treated as negative operating expenditure	Renewable energy obligation certificates	Water and wastewater networks	Allocation based on Gwh generated –
			Water – 100% water resources (hydro generation). Wastewater – 100% sludge treatment.
	Bio methane sales	Bioresources	100% sludge treatment.
	Sludge sales	Bioresources	100% sludge disposal.
Local authority rates	Local authority rates and cumulo rates.	Water network	Based on the proportion of gross Modern Equivalent Asset Value (MEAV) value of infrastructure and non-infrastructure assets assigned to each water business unit.
		Wastewater network	Waste rates using the rateable value allocated for assets by the valuation office assigned on a largely direct method to sewage treatment and sludge treatment.
Service charges	Abstraction charges	Water resources	100% water resources.
	Discharge consents	Water and wastewater networks	100% water treatment and 100% sewage treatment.
	Surface water network	Wastewater network	100% sewage collection.
Bulk supply	Raw water supplies	Water network	100% raw water distribution

	Treated water supplies	Water resources and water network	Other suppliers to be pro-rated based on the associated company Tables splits between water resources & water network.
Renewals expenses in the year (infrastructure and non-infrastructure)		Water and wastewater networks	Refer to Capital expenditure section which applies the same process
Chemicals	Chemical Costs	All wholesale price controls	Direct assignment to cost centre which is assigned to business unit based on their activities.
• Routine repair and maintenance • Fines and Penalties • Investigations • GSS and non-GSS Payments	• Employment costs • Hired and contracted services • Materials and consumables • Fines and penalties • Payments to customers	All wholesale price controls	Directly allocated to business units by the use of cost centres which are assigned to business units. Where other costs relate to more than one business unit, they are allocated between the business units by: •identifying specific cost drivers by retrieving the relevant management information •allocation of management and supervisory costs in line with allocation methodology of direct teams •appropriate full-time equivalent (FTE) cost driver depending on the operational area the costs are supporting.
• Finance, Regulation and Procurement • Insurance • HR • Training • CEO, Corporate affairs and Governance • IT&T • Property management (business support)	General and support expenditure: • Employment costs • Insurance • Ofwat licence fees • Software, Hardware and telecommunications • Property maintenance, rates and power costs		Refer to general and support section

Third party expenditure (table 2B)

Expenditure for third party activities is allocated after all base operating expenditure has been allocated across price control and business units. Each third-party activity will have a separate PDT and wherever possible will provide direct assignment to a price control and business unit. Bulk water supplied to other companies is allocated using base operating expenditure tables 4J and 4K. Third party services expenditure is reported in tables 4AA and 4AB.

Base Operating Expenditure – Retail (table 2C)

Costs associated with the relevant cost centres are downloaded from the financial ledger and used as the starting point for the allocation of costs to activities. Where cost centres do not have teams aligning to discrete retail activities, the initial allocation of costs into retail activities e.g. billing or payments handling have been apportioned based on an appropriate driver. The apportioned costs to the retail activities are subsequently allocated to retail household and non-household referring to RAG 2 guidance.

In addition, there are certain costs which are recorded outside of the retail operational teams but which are included in the retail price control for regulatory reporting. These costs are identified and

transferred from the relevant areas of the business. Where a shared cost driver exists between retail and wholesale an appropriate driver is used based on the guidance.

Retail transfers to and from other business areas

Distribution Services Technicians (DSTs) – The activities associated with investigatory visits in relation to water incidents sit within the wholesale water teams. However, first time visits for issues that are on a customer property (where no further work is undertaken) and where there was no network issue found are considered retail activities. The cost of initial inspections has been taken from time and materials booked for these jobs. Direct overhead costs are then attributed to the jobs. The costs relating to these jobs are transferred to retail within the Customer Services activity.

Water Efficiency Team – The majority of the demand side water efficiency initiatives are performed in a wholesale operational cost centres. The total expenditure of the Water Efficiency cost centre is transferred to retail and allocated 100% to Demand side water efficiency initiatives. The total of the expenditure transferred from wholesale together with the efficiency expenditure incurred within retail is compared to the retail water efficiency baseline for costs. Any expenditure above the baseline is considered to be wholesale expenditure in relation to meeting wholesale outcomes. This element is therefore transferred back to wholesale and assigned 100% to Treated Water Distribution.

Customer Side Leaks – The activities in relation to fixing customer side leaks are undertaken by the wholesale water teams. They are identifiable and are captured in Workforce Management. The costs of the initial visit and follow up visit along with the associated FTE are transferred to retail and allocated 100% to Customer Side Leaks.

Retail team responsibilities and allocation to activities

Business Area	Team(s) / activity	Cost allocation/driver
Resource planning	Provides support to internal call centre teams in all aspects relating to resource planning.	The resource planning cost centres are allocated to activities based on the overall allocations of the other cost centres. For example, call centres costs are allocated based on the call volumes.
Customer Strategy	The bad debt expense is also recorded in this area and directly allocated to doubtful debts. Teams consist of: External relationships – deal with vulnerable customers Debt strategy team – activity based debt management	Doubtful debt provision - 100% to doubtful debts. Annual contribution to the Severn Trent Trust Fund - directly allocated to the Charitable Trust Donations retail activity within Customer Services.
	CARMS team - debt collection system admin team Partner accounts team - management of third-party contracts for customer service and debt management agencies	The cost of paying third parties to administer our social tariff schemes is directly allocated to the Vulnerable Customer Schemes retail activity within Customer Services The Partner Account Manager is a single cost centre. The activities within this cost centre relate to billing, payments handling, debt management, non-network enquiries and complaints. The split of the costs is based on a management analysis of costs and their relation to business units.
Customer Contact	This department comprises our customer contact centres and associated back-office teams which have responsibilities in respect of billing, payment handling, debt management (inbound/outbound contact), meter reading and non-network enquiries and complaints and network enquiries and complaints.	The COSC and Customer Services costs comprise two cost centres relating to customer contact regarding enquiries and complaints around our network, billing and payment handling. The split of the costs is based on a management analysis of costs and their relation to business units. COSC is a contact centre for any calls relating to the network. Costs predominantly relate to manpower and are allocated to business activity network enquiries & complaints. There are also back-office teams responsible for liaising with customers administering applications. The costs are directly allocated to Vulnerable Customer Schemes. The complaints team responsible for management and resolution of account queries and complaints are allocated based on volumes.

Customer Experience	Ensures that dealing with Severn Trent is an experience that meets and exceeds expectations for all customers whatever their individual needs. This includes mapping and detailing quality processes, and management of customer complaints.	Costs and activity volumes within this cost centre are driven by volumes of customer complaints.
Metering	The Billing Enquiries teams deal with investigation and resolution of customer's bill queries in each region, undertaken by field-based engineers.	100% non-network enquiries and complaints.
	Metering Scheduling team plan and schedule the Customer Service Resolution Advisors (CSRAs) field work, for the three billing enquiries teams.	100% non-network enquiries and complaints.
	Customer Performance Team/ Contract Performance/ Field Performance are back-office teams responsible for liaising with the customer for new meter installations and replacements.	100% non-network enquiries and complaints.
	The Meter reading team are costs relating to planning, scheduling and execution of meter reads.	100% meter reading.
	The IRM Team Manager cost centre containing the costs of the metering contract - installation, repairs & maintenance of water meters.	100% treated water distribution.

Allocation to Household (HH) / Non-household (NHH)

Severn Trent Water disposed its non-household retail business to Water Plus. All costs are recorded in household and relate to household except we are reporting a debt written off in non-household for 2025/26 in table 2C. Further information can be found on page 90.

General and support expenditure (table 2B)

General and support costs are identified in the ledger by cost centre. These central functions do not specifically relate to water, waste or retail and therefore follow RAG 2 guidance in allocating based on an FTE allocation percentage. This includes Finance, Assurance and Procurement, Human Resources, Directors, General Counsel, Technology, Property Operations For Facility Managed Sites and Group Life Insurance expenditure. FTE's are assigned to individual cost centres based on their role, each with an allocation driven by the activity purpose. To ensure a true reflection of the FTE allocation all operational drivers are completed first before the general and support allocations can be completed.

Other Support functions not allocated by FTE and using a more appropriate driver include the following:

- Transport – Based on the number of vehicles used across the business
- Stores – Based on the volume of transactions recharged out to the business
- Motor Insurance - Based on the number of vehicles used across the business
- Strategy and Regulation – Split across the price controls based on RAG 2 guidance
- Material damages and business interruption insurance – Based on company asset base

A proportion of general and support expenditure is also allocated to third party and non-appointed based on the core activities in the year. A summary of the allocations for support functions are shown below.

Support area	Water resources	Water network +	Waste network +	Bioresources	Retail household	Non-appointed
Directors	2.2%	40.5%	40.0%	4.7%	11.7%	0.9%
General counsel	2.2%	40.5%	40.0%	4.7%	11.7%	0.9%
Human resources	2.2%	41.9%	36.6%	4.5%	10.6%	4.2%
Strategy& regulation	10.9%	32.8%	32.8%	10.9%	12.5%	0.1%
Finance, Procurement, & Insurance	2.2%	40.6%	39.7%	5.2%	11.4%	0.9%
Technology	2.2%	39.3%	38.9%	4.6%	14.1%	0.9%
Property– Facility managed sites	2.6%	43.9%	29.7%	3.4%	19.5%	0.9%
Transport& Stores	1.1%	61.4%	29.2%	5.4%	1.4%	1.5%

Capital expenditure (table 2B)

Capital expenditure and income is mapped by a Business Plan Line (BPL) attributed to water resources, water networks, waste networks, bioresources or management and general. The price control BPL assignment is determined by reference to the nature of the spend in the BPL against the regulatory assets, activities and boundaries outlined in RAG 4. Each BPL consists of a series of individual projects as part of overall capital programme and is aligned to a regulatory driver which can have a one-to-one or one-to-many relationship. An annual review of mappings is performed for the current year end. Where it is deemed that the mapping requires updating due to a change to the delivery of the project since the initial mapping (due to change in scope or solution), the regulatory assignments are updated.

M&G expenditure is allocated as below:

Capex spend	Price control/business unit allocation
IT projects - retail IT spend	Allocated entirely to retail.
IT projects – wholesale IT spend	Based on company-wide FTE.
Transport projects	Based on the number of vehicles
Property projects	Based on the FTE allocation at each site.

Labour and overhead absorption rates ('Burdening')

Operational and support function overhead directly attributable to capital delivery are capitalised within the capital programme, principally comprising employment-related costs.

The value of such costs is determined through detailed time and cost analysis undertaken within each respective function.

Developer services & diversions (tables 2B, 2E, 2K and 2R)

All developer services and diversion income and expenditure is mapped by a BPL attributed to water networks or waste networks. The price control BPL assignment is determined by reference to the nature of the spend in the BPL with each BPL consisting of a series of individual projects.

Diversions are contributions received from local authorities, highway authorities and private companies to divert water mains or sewers which are fully recognised in the income statement as IRE income. Developer services income received including infrastructure charge receipts, connection charges and requisitioned mains received from developers are capitalised and amortised against depreciation.

Specific BPLs relate to infrastructure network reinforcement costs where the investment driver relates to managing supply demand balance specifically in relation to growth.

BPLs identified as water infrastructure network reinforcement growth lines are:

- Network reinforcement off-site capex - local reinforcements, hydraulic capacity (undersized assets) and strategic growth reinforcements
- On-site capex – new development and new connections expenditure.

A further categorisation of the expenditure is made into distribution and trunk mains and pumping and storage facilities where the former is all infrastructure expenditure, and the latter is non-infrastructure. This categorisation is derived from the purpose mapping for each project which identifies if the spend is infrastructure (below ground) or non-infrastructure (above ground) related.

Our existing waste structure only has one network reinforcement growth BPL, therefore an analysis of projects to identify the on-site and off-site expenditure is conducted by a subject matter expert.

- Network reinforcement off-site capex - local reinforcements and strategic growth reinforcements
- On-site capex – requisitions and on-site adoptions expenditure.

A further categorisation of the expenditure is made into sewage collection (foul, combined and surface water only systems) and pumping and storage facilities where the former is all infrastructure expenditure and the latter is non-infrastructure. This categorisation is derived from the purpose mapping for each project which identifies if the spend is infrastructure (below ground) or non-infrastructure (above ground) related.

APR table 2K performs the infrastructure charges reconciliation which takes the revenue and costs from tables 2E, 4J and 4K.

Cash expenditure (table 2B)

Pension deficit recovery payments are allocated evenly across price control as there is no relationship between the amounts paid in deficit reduction contributions and the price controls or upstream services. The contributions do not depend on any current activities of Severn Trent Water which drive those costs. Contributions to the pension scheme do not represent a cost of employees' current service, rather they are to fund the shortfall between contributions made previously plus the investment return on those assets, and the value at the last actuarial valuation date of the liabilities accrued by the members of the scheme. Some of those members have already retired and are in receipt of their pensions, some have not yet retired but are no longer employed by Severn Trent Water and some remain employed by Severn Trent Water although likely not in the roles they were in when the benefits were accrued.

Tangible and intangible fixed assets (table 2D and 2O)

The tangible and intangible fixed assets are allocating assets from the fixed asset register to price control using a combination of cost centres and profit centres and allocating the Work In Progress (WIP) to price control via analysis of projects.

The full historical cost fixed asset register is downloaded into excel. Each asset has a cost centre assigned to it. Additional attributes are added to the data to enable the completion of the asset tables:

- Infrastructure/non-infrastructure classification - this classification is based on the asset class code given to the asset

- Income/expenditure classification - as the fixed asset tables excludes capital income (which is reclassed to deferred income in the balance sheet), all income asset class codes are excluded from the table
- Intangible/Tangible classification - Table 2D is only applicable for tangible assets, Table 2O is applicable for intangible assets
- The profit centre that the cost centre is assigned to is added to the register by looking up to a cost centre download provided by management accounting. This is used to determine the price control and the relevant business unit for (M&G) assets.

M&G principal user assignments

The percentages from the G&S opex allocations are applied to determine the principal user to be identified. This is the business unit with the highest percentage allocation. Where the finance business partner believes that the asset principal user is different from the opex percentages or where there is no opex activity in the cost centre, the principal user identified by the finance business partner is used instead.

Principal user cannot change year on year so once it has been assigned this is permanent. Recharges to/from calculations for Table 2A are then determined by multiplying the relevant depreciation by the opex cost drivers

Management and general assets are assigned to a principal user using the following bases:

Business area	Basis of assignment
Information systems	Using IS business area costings and FTE assignment
Transport	On the number of vehicles
Property services	Based on the FTE allocation at each site
Visitor sites	Assigned to Water Resources

Work in progress

The WIP ledger is extracted with line-by-line detail of the projects. Each project includes water/waste/bio resources descriptor. Water resources and networks split has been determined by comparison of the projects against their assigned BPL which are water resources or water network BPLs. The ledger outlines the closing allocation in WIP. The movement in WIP across price controls is determined by subtracting against the opening WIP balance by price control.

A final true up exercise is performed comparing the capital expenditure additions to the fixed asset additions. Differences arise between the two where a project has been assigned to a particular price control and capitalised in a cost centre which is not assigned to the same price control. The capital expenditure position is identified as the final position and differences are accounted for in WIP additions movement.

Analysis of land sales (table 2L)

Proceeds from disposal of protected land is the net proceeds, after the deduction of all offsetting costs from disposals of protected land.

Changes in allocation methodology

With the new requirements to report our base operating expenditure at a more granular levels split between cost categories in APR tables, we have adopted a change in our reporting system.

Previously the mapping of our cost categories were solely achieved by general ledger accounts with a one-to-one mapping of the account to the cost category. General and support costs would previously be allocated to other operating expenditure using the cost centre hierarchy. To meet the new requirements, we have updated our internal hierarchy to allow the mapping of cost centres to the different cost categories introduced this year which consist of the general and support expenditure such as human resources which we are now required to report separately. This is in addition to one-to-one mapping of general ledger accounts to the cost categories.

Where it is not possible to allocate costs directly to price controls, we look to keep the methods of apportionment as consistent as possible. Following are some of the key changes in our cost allocation drivers and methodology in the year.

Operating expenditure	Nature of change
Procurement	In line with RAG 2.10, the allocation of procurement costs has moved from the weighted cost of contracts to FTE.
Third Party	Improved reporting of third-party expenditure: identifying building over agreements, trade effluent applications and records management.
Non-appointed	Improved the reporting of our non-appointed expenditure identifying burst pipes over private property.
Security and Resilience	Identified a more direct approach linking security and resilience to the capital expenditure that they support.
Bulk Supply	In line with RAG 2.10 we have updated the allocation of raw water bulk supplies to raw water distribution, with a greater proportion of cost for treated water now allocated to water treatment. Where possible we have used data provided by the exporting company to drive the allocation of costs.
Expenditure for sewage collection upstream services	Updated the allocation for foul, highway drainage and surface water drainage using the length of public sewers. Due to limited data availability, we have used certain assumptions to determine the allocations of the associated expenditure.

ADDITIONAL REGULATORY INFORMATION

3A - OUTCOME PERFORMANCE - ALL PERFORMANCE COMMITMENTS

Year ended 31 March 2026

Ofwat has asked companies to report, for each performance commitment, the expected full-AMP ODI payment forecast within table 3A. In line with our approach during AMP7, we are not able to provide full-AMP ODI payment forecasts for individual performance commitments. As a FTSE 100 listed company, publishing this level of disaggregated, market-sensitive information, particularly given that APR data must be published on our website, could have implications for our share price. We therefore continue to provide market guidance at an aggregated level, rather than at individual performance commitment level. As a result we have left column 5 in table 3A blank.

3B – UNDERLYING DATA - MEASURES OF EXPERIENCE PERFORMANCE COMMITMENTS

Year ended 31 March 2026

No additional commentary relating to this data table.

3C - UNDERLYING CALCULATIONS AND SUPPLEMENTARY DATA - CUSTOMER FACING PERFORMANCE COMMITMENTS

Year ended 31 March 2026

No additional commentary relating to this data table.

3D – UNDERLYING CALCULATIONS AND SUPPLEMENTARY DATA - DEMAND COMMON PERFORMANCE COMMITMENTS

Year ended 31 March 2026

No additional commentary relating to this data table.

3E – UNDERLYING CALCULATIONS AND SUPPLEMENTARY DATA - ENVIRONMENTAL COMMON PERFORMANCE COMMITMENTS

Year ended 31 March 2026

No additional commentary relating to this data table.

3F – UNDERLYING CALCULATIONS- ASSET HEALTH COMMON PERFORMANCE COMMITMENTS

Year ended 31 March 2026

No additional commentary relating to this data table.

3G – UNDERLYING CALCULATIONS- COMPLIANCE BASED COMMON PERFORMANCE COMMITMENTS

Year ended 31 March 2026

No additional commentary relating to this data table.

3H – UNDERLYING CALCULATIONS AND SUPPLEMENTARY DATA- BESPOKE PERFORMANCE COMMITMENTS

Year ended 31 March 2026

No additional commentary relating to this data table.

ADDITIONAL REPORTING REQUIREMENTS FOR PERFORMANCE COMMITMENTS

DEVELOPER MEASURE OF EXPERIENCE ('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. In addition, we undertake proportionate in-year assurance and each quarterly data submission undergoes two lines of assurance followed by leadership oversight prior to provision to Ofwat.

We confirm we have not found any material issues through these processes. We have an internal escalation process should there be any challenge around SLA interpretation, to include senior leadership, and a Water UK led New Connections Network to draw on. It is also worth noting that Ofwat wrote to all companies during 2025 asking to articulate the methodologies and assurances in place to satisfy themselves of compliance. We responded comprehensively and Ofwat were satisfied with our response with no further action required. There have been no material changes to our processes since this time.

BUSINESS AND RETAILER MEASURE OF EXPERIENCE ('BR-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 BR-MeX metrics. As a Wholesaler, we have undertaken proportionate assurance to ensure that our performance against the BR-MeX measures provide a fair and accurate reflection of our performance for the year.

For the majority of metrics, performance data is derived from established external data sources, MOSL and Ofwat, in which we rely on this as our primary source of data and evidence. Appropriate checks have been applied to confirm that data received is complete, consistent with expectations, and aligned with BR-MeX metric definitions. Where we feel this misaligns, we raise challenges to MOSL and Ofwat through the correct channels.

Assurance activity has been carried out independently across two separate internal teams, each undertaking their own review and verification of inputs, assumptions and outputs. This included comparison of methodologies, challenge of results, and high level trend analysis. The outputs from both teams were consistent and aligned, providing confidence in the robustness of the reported performance. Senior oversight was applied to confirm that the final submission represents a reasonable and accurate view of performance for the reporting year.

WATER SUPPLY INTERRUPTIONS

The company reports, alongside its performance, the proportion of interruption start and stop times informed by each data source (customer contact, pressure and flow data, modelled data, and valve operation data). This information is derived from records held at the individual line of interruption level. For each interruption, the data source(s) used to determine the start time and stop time are explicitly recorded in the underlying data set. Where more than one data source informs a start or stop time for a given interruption (event), this is captured at a granular level, enabling appropriate attribution. The level of detail retained allows the company to aggregate and report, across all interruptions, the proportion of start and stop times informed by each data source, in line with the reporting requirement. This data reflects lines of interruption where there was an impact to customer supplies.

Start Evidence	Total Lines of Interruption	Sum Of Property Minutes	Percentage of ODI Total Impact
Customer Contact	712	4,659,257	21.5%
Pressure and flow data	8,221	143,54,902	66.3%
Valve Operation	835	2,652,222	12.2%
Modelled Data	0	0	0%

End Evidence	Total Lines of Interruption	Sum of Property Minutes	Percentage of ODI Total Impact
Customer Contact	36	180,050	0.08%
Pressure and flow data	8,988	19,403,631	89.6%
Valve Operation	743	2,082,700	9.6%
Modelled Data	1	0	0%

STORM OVERFLOWS

There are no new sites identified in the reporting year that will be carried forward into the next reporting year. All sites and overflows identified and confirmed as operational during the reporting year are included in the current year's reportable lists.

There are 30 sites identified in 2024 and included in the 2024 regulatory return, which have continued to be reportable in the 2025 regulatory return.

There are zero sites identified in the previous reporting year as being not connected to its system, all sites are made non reportable in the reporting year.

There are 24 sites closed in the reporting year that are still subject to a permit.

There are three sites closed that have had the permit surrendered with the EA.

UNPLANNED OUTAGES

We report out current Peak Week Production Capacity ('PWPC') in Ml/d using telemetry data either from real world maximum weekly flows or capacity testing. The PWPC for each site is reviewed annually, capacity testing is carried out on five year rolling programme using a risk-based approach. Where a PWPC is amended or realised from a capacity test, it is applied in the next performance year.

Both planned and unplanned outages are subject to 100% first-line and second-line assurance checks to confirm start time, end time, total duration and total reduction in production (Ml/d). This is evidenced

using telemetry data supported with work logs and operational evidence. The % loss of PWPC for unplanned outages was 1.33%, with planned outage performance 1.81%. The submission is assured up to third-line with an independent external auditor.

Sites are grouped together into water resource zones, and data for planned and unplanned outages can be split accordingly. AMP8 has seen the inclusion of Water Quality outages within the unplanned outage total, with the capture of root cause this can be separated if required.

SEWER COLLAPSES

This year, we reported 47 occasions where a sewer pipe failure resulted in customer contact or an unplanned escape of wastewater and was resolved through spot repair or relining. These events are reported separately from sewer collapses in line with Ofwat RAG requirements. We have seen an increase due to promoting non dig repairs to enable quicker resolutions of issues and cost savings.

BUSINESS DEMAND

Severn Trent Water is exploring all available options for water efficiency in collaboration with non-household water users, their retailers, third parties such as Waterwise and contractors. To coordinate our engagement efforts we have now created a dedicated Business Demand Engagement Specialist role. This role is focused solely on working collaboratively with water supply licensees (retailers) and other third party organisations to identify, develop and deliver water efficiency opportunities.

To evidence this collaboration, the Annex 2 pro forma has been completed and issued as a Word document to all 18 retailers and one relevant third-party with whom the company has engaged. These parties have been asked to review the company's description of the engagement to confirm that it is an accurate reflection of collaborative activity and to provide any additional commentary where appropriate. Business contact details have also been documented in line with the Annex 2 requirements.

This year we have issued 19 Annex 2 forms and have received a total of 14 responses which has been shared with Ofwat alongside our APR.

No variances are expected between the company's data and the data recorded in the Central Market Operating System ('CMOS'), as the data used for reporting is sourced directly from CMOS. This ensures full consistency and alignment between company submissions and CMOS records.

PER CAPITA CONSUMPTION

We expects no differences between our annual WRMP update to the EAand our APR. The annual WRMP uses the assured APR data therefore, both reports use the same water balance outputs and same water demand results.

LEAKAGE

We report updated trunk mains length annually and the data is assured by our external assurance partner Jacobs. Changes to the baseline are scrutinised for plausibility and accuracy.

BIODIVERSITY

As part of the December 2025 RAG4.14 publication, Ofwat requested that companies report the number of Biodiversity surveys completed within the reporting period as well as the cost per survey.

This year, 127 surveys were completed costing a total of £0.140m (£140,028.84), or an average of £0.001m (£1,102.59) per survey. Alongside our APR we have provided a breakdown of all 127 surveys for Ofwat.

69 of these surveys were delivered by in-house ecologists and subject matter experts using remote sensing tools and on-site surveys. This has meant it has been difficult to quantify the true costs of the surveys as timesheets are not held. As we have a framework of nine ecological consultancies, the average costs were taken for their Biodiversity Enhancement Plan production. For future reporting we endeavour to update our reporting process to accurately capture this data.

CAPITAL CARBON

Of the projects we have put forward, none have any known additional environmental consequences as a result of the design decisions taken.

MAINS REPAIRS

Repairs to burst mains are reported as the number of repairs to burst mains per 1,000 kilometres of treated water mains. This includes both proactive and reactive repairs where there is a loss of water from the pipe, and excludes communication and supply pipes.

Performance in this year reflects our continued focus on maintaining asset health across the network and responding effectively to both emerging and reactive issues. We have maintained focus on proactive interventions through active leakage control activities, while maintaining a responsive service for customer-reported bursts.

Drivers of performance

Our approach continues to focus on a combination of:

- Proactive repairs, driven by active leakage control and targeted intervention on at-risk assets
- Reactive repairs, responding to customer-reported bursts and operational incidents

Performance in the year reflects a combination of underlying asset condition, weather patterns, and network pressures. We continue to manage these factors through targeted maintenance, improved monitoring, and optimisation of repair activities.

Consistent with the performance commitment definition, all qualifying repairs involving loss of water are included within the measure, ensuring that reported performance reflects the full scope of mains repair activity.

Data consistency and methodology

We have maintained a consistent methodology for identifying and recording mains repairs in line with the PR24 definition. this includes:

- Capturing all repairs where there is a loss of water from treated water mains
- Excluding third-party damage where costs are recoverable
- Ensuring adopted mains are included from the point of adoption

Our assurance processes ensure that all reported repairs are supported by verifiable records and are subject to internal and external validation in line with our regulatory reporting framework.

Mains length (denominator)

Mains length is defined as the total length of pipes conveying treated water around the distribution network, excluding communication and supply pipes, and forms the denominator for the repairs to burst mains performance commitment.

For 2025/26:

- PR24 forecast mains length: 48,374.5 km
- APR26 actual mains length: 48,282.3 km

This represents a variance of 92.2 km, equivalent to 0.191% below the PR24 forecast.

This variance is below the 1% threshold set out in the performance commitment definition for reporting material changes to mains length.

As such, the difference is not considered material and does not require further adjustment or restatement. The reported mains length for APR26 is considered consistent with the PR24 definition and provides an appropriate basis for normalising the repairs to burst mains performance measure.

SEWER COLLAPSES

Sewer collapses are reported as the number of collapses per 1,000 kmof sewer network. The measure captures structural failures that result in an impact on service to customers or the environment and require repair or replacement to reinstate normal service.

Performance this year reflects our continued focus on maintaining the condition and resilience of our wastewater network and responding effectively to asset failures where they occur.

Drivers of performance

Performance during the year has been influenced by a combination of asset condition, environmental factors and network loading. Our approach continues to focus on:

- Targeted maintenance and renewal activities, aimed at reducing the likelihood of structural failure
- Monitoring and inspection programmes, enabling early identification of asset deterioration
- Responsive operational intervention, ensuring collapses impacting customers or the environment are resolved promptly

In line with the performance commitment definition, only collapses resulting in a service or environmental impact and requiring repair or replacement are included within the reported measure.

Data consistency and methodology

We have applied a consistent methodology for identifying and reporting sewer collapses in accordance with the PR24 definition. This includes:

- Reporting collapses where there is a structural failure of the pipe resulting in a service or environmental impact
- Excluding proactively identified failures and third-party damage
- Recording collapses in the reporting year in which the service impact is identified

Our processes ensure that all reported incidents are supported by verifiable records and are subject to internal and external assurance in line with our regulatory reporting framework.

Sewer length (denominator)

Sewer collapses are normalised using sewer length, defined as the total length of the wastewater network including sewers transferred under the Private Sewer Regulations 2011.

For 2025/26:

- PR24 forecast sewer length: 93,591 km
- APR26 actual sewer length: 93,210 km

This represents a variance of 381 km, equivalent to 0.407% below the PR24 forecast.

This variance is below the 1% threshold set out in the performance commitment definition for reporting material changes to sewer length.

As such, the difference is not considered material and does not require further adjustment or restatement. The reported sewer length for APR26 is considered consistent with the PR24 definition and provides an appropriate basis for normalising the sewer collapses performance measure.

INTERNAL SEWER FLOODING AND EXTERNAL SEWER FLOODING

SEWER CONNECTIONS

As part of our continued focus on improving clarity and transparency in our regulatory reporting, we have reviewed the basis of our wastewater customer and sewer connections data used for performance commitment normalisation.

Internal and external sewer flooding performance are reported as the number of incidents per 10,000 sewer connections and, as such, the accuracy of the sewer connections denominator is critical to ensuring that reported performance reflects underlying operational outcomes rather than data or methodological changes. This denominator is common to both measures and therefore consistency and accuracy are critical to both performance commitments.

IDENTIFICATION OF HISTORIC DUPLICATION

As disclosed in APR25, we identified an issue in our wastewater customer data whereby approximately 57,000 customers were double counted. These customers were recorded as being billed by Severn Trent for highway drainage while also being billed by other water companies for water and wastewater services. This resulted in an overstatement of wastewater connected properties of approximately 1.4%.

We corrected this issue in APR25 and restated prior-year performance to ensure consistency in reporting and alignment with the definition of sewer connections. As this correction only impacted the

normalising value, there was no change to the underlying number of internal sewer flooding incidents previously reported.

IMPACT ON PR24 FORECAST AND APR26 REPORTING

While this issue was identified and corrected within APR25, the PR24 business plan forecast for 2025/26 continued to reflect the historic position prior to correction.

For 2025/26:

- PR24 forecast sewer connections: 4,296,301
- APR26 actual sewer connections: 4,233,320

This results in a variance of 62,981 connections, equivalent to 1.466% lower than the PR24 forecast.

In line with the performance commitment definition, where the number of sewer connections differs by more than 1% from that expected in the business plan, we provide an explanation of the drivers of this variance.

The variance is primarily driven by the removal of previously double counted connections and therefore represents a data correction and alignment to the definition of sewer connections, rather than a change in the number of properties served or in the underlying customer base.

LIKE-FOR-LIKE COMPARISON

On a like-for-like basis, excluding the impact of the previously identified double counting, the underlying variance between the PR24 forecast and APR26 actual sewer connections would be below the 1% reporting threshold.

This demonstrates that the reported variance is not indicative of a material divergence from the forecast position but instead reflects a correction to historic data to ensure accuracy and consistency with the PR24 methodology.

SENSITIVITY OF VARIANCE TO CORRECTION OF HISTORIC DUPLICATION

To further illustrate the impact of the historic double counting on the reported variance to the PR24 forecast, we have assessed the sensitivity of the variance to the scale of the adjustment made to sewer connections.

Based on the PR24 forecast position:

- A reduction of approximately 20,300 connections would result in a variance of 0.9980% relative to the forecast
- A reduction of approximately 20,200 connections would result in a variance of 1.0003%, i.e. marginally above the 1% reporting threshold

This demonstrates that a correction in the region of approximately 20,200 to 20,300 connections represents the point at which the variance would cross the 1% threshold.

The correction applied, following identification of the duplication in APR25, is approximately 57,000 connections, which is materially higher than this threshold range. As such:

- The reported variance of 1.466% is predominantly driven by the scale of the historic double counting
- The level of duplication identified is more than double the magnitude required to move the variance above the 1% threshold

On a like-for-like basis, excluding this duplication, this analysis provides further assurance that the underlying variance between PR24 forecast and APR26 actual sewer connections would remain below the 1% reporting threshold.

ALIGNMENT TO PERFORMANCE COMMITMENT DEFINITION

This adjustment ensures that sewer connections are reported in line with the PR24 definition as the average number of total properties connected to the sewerage system during the reporting year, including connected void properties and excluding any duplication.

Consistent with the requirements of the performance commitment:

- The correction improves the accuracy of the denominator used to normalise internal sewer flooding performance
- It ensures that comparisons between years are on a consistent and robust basis
- It provides transparency where a change in sewer connections has a material impact on the reported measure

IMPACT ON PERFORMANCE REPORTING

As this correction affects only the number of sewer connections:

- There is no impact on the number of internal or external sewer flooding incidents reported
- The impact is limited to the normalised performance (incidents per 10,000 sewer connections)
- The adjustment ensures that reported performance is not artificially improved through an overstated denominator

This approach is consistent with the requirement that outcome delivery incentive performance should reflect underlying operational performance rather than definitional, methodological or data changes, and ensures that the normalised internal and external sewer flooding measures remain representative of true service performance.

SUMMARY

The difference between PR24 forecast and APR26 actual sewer connections is therefore attributable to the correction of historic double counting identified in APR25. The underlying position, when considered on a like-for-like basis, remains consistent with expectations and does not indicate a material change in the number of connected properties or service provision.

We have disclosed this adjustment, together with supporting sensitivity analysis, to ensure transparency and to support accurate interpretation of our reported internal sewer flooding.

4A – WATER BULK SUPPLY

Year ended 31 March 2026

This table is a nil return, as Severn Trent Water does not have any trades that qualify under the RAG 4.14 definition.

4B – ANALYSIS OF DEBT

Year ended 31 March 2026

No additional commentary relating to this data table.

4C – ACTUAL EXPENDITURE AGAINST COST ALLOWANCES BY COST SHARING RATE

Year ended 31 March 2026

Correction of allowance allocation between price controls

In our 20 May 2026 query, we highlighted that the £101 million Strategic Resource Options (SRO) allowance in the Financial Flows data file appears to be misallocated. It has been apportioned between the water resources (WR) and water network (WN) price controls, whereas it should be wholly allocated to water resources. This is consistent with our business plan and reflects the PR19 treatment, under which all existing projects were fully allocated to water resources, and therefore should be carried forward into AMP8 on a consistent basis.

Accordingly, we have adjusted the totex allowances in the Financial Flows file to ensure that cost-sharing allocations between the two water controls properly reflect the underlying funding of the allowance, as follows.

SRO Allocation – (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	AMP total
Financial flows file						
SRO – WR	6.86	8.47	3.05	1.84	1.60	21.82
SRO - WN	20.65	27.49	15.17	10.62	5.70	79.63
SRO - Total	27.51	35.96	18.22	12.46	7.30	101.45
SRO correction allocation						
SRO – WR	27.51	35.96	18.21	12.46	7.30	101.44
SRO - WN	-	-	-	-	-	-
SRO - Total	27.51	35.96	18.21	12.46	7.30	101.44

This results in the following updated standard enhancement totex allowances:

Impact on Standard Enhancement (£m)

	2025-26	2026-27	2027-28	2028-29	2029-30	AMP TOTAL
FINANCIAL FLOWS FILE						
WR	70.10	71.59	70.57	61.24	72.14	345.64
WN	210.88	232.35	351.54	352.64	257.51	1,404.92
TOTAL	280.98	303.94	422.11	413.88	329.65	1,750.56
CORRECTED ALLOWANCES						
WR	49.46	44.10	55.40	50.63	66.43	266.02
WN	231.52	259.84	366.71	363.26	263.22	1,484.55
TOTAL	280.98	303.94	422.11	413.89	329.65	1,750.57

The following commentary on our totex performance versus the Final Determination allowance reflects these changes.

Standard base (rows 1 – 11)

Standard base costs were £55 million above the allowance. Primarily driven by increased tankering expenditure to assist with drought resilience and to reduce pollution risks in the wetter months at the end of the year.

Of the £1,565.3 million standard base spend, £15.3 million has been classified as disallowable costs relating to environmental fines (£13.1 million) and customer compensation payments (£2.2 million).

Business rates (rows 12 – 17)

Business rates were £7.0 million lower than the allowance in the year, reflecting our policy of works consolidation to urban areas which has resulted in the closure of several works coupled with multipliers that have inflated less than the FD allowance.

Abstraction charges and discharge consents (rows 18 – 23)

Abstraction charges and discharge consents were broadly in line with final determination allowances, with abstraction charges £0.6 million lower than the allowance and discharge consents were £1.1 million lower than the allowance.

Standard enhancement (rows 24 – 33)

Standard enhancement costs were £77.1 million higher than the allowance in the year, which includes £167.9 million of carried forward costs for Green Recovery projects, which we highlighted in APR25.

As planned, we have excluded these costs as variance due to timing expenditure, resulting in an underlying expenditure of £90.8 million lower than the allowance, driven by timing of expenditure on enhancement programmes versus the final determination profile. We expect this to unwind over the course of the AMP, and therefore underlying performance is broadly neutral to the allowance.

We explain more about our delivery programme, including the acceleration of delivery across a number of programmes, in our AMP8 Delivery Plan Update on our website.

25:25 enhancement (rows 34 – 45)

Enhancement costs with 25:25 sharing include IED, enhanced engagement schemes (Wanlip treatment works growth and resilience interconnector projects) and two bathing river projects. In total, this category of costs was £104.5 million lower than the allowance, driven predominantly IED (£70.4 million) and bathing rivers (£33.9 million). The IED variance is driven by timing of expenditure versus the final determination profile, which we expect to unwind over the course of the AMP.

40:10 enhancement (rows 46 – 56)

Enhancement costs with 40:10 sharing consists of expenditure related to continuous water quality monitoring ('CWQM') projects and WINEP investigations. Overall, costs were broadly in line with the allowance, CWQM costs £5.1 million higher than the allowance offset by WINEP investigations costs £6.7 million lower than the allowance. We overall anticipate WINEP investigations costs to exceed the allowance for the AMP, and therefore we expect this variance to unwind over the course of the AMP.

SRO (rows 57 – 67)

SROs were £11.1 million lower than the allowance in the year. This was driven by the two new projects for AMP8; Notts Mine and West Midlands Raw Water Storage. These projects were phased in line with the existing SRO projects in the final determination, and we expect this to recover over the remainder of the AMP.

Totex not subject to cost sharing (rows 68 – 72)

Totex not subject to cost sharing was £15.3 million lower than the allowance in the year, predominantly driven by lower Developer Services costs of £20.0 million and lower New Roads and Street Works Act ('NRSWA') diversions and other non-section 185 costs of £17.1 million. There was corresponding lower revenue on these items not included in this table.

This was partially offset by costs higher than the allowance in the following areas:

- Disallowable costs of £15.3 million relating to environmental fines and customer compensation payments
- Third party costs of £3.6 million, predominantly driven by bulk water
- Section 185 diversions of £1.5 million
- Shareholder funded element of innovation fund projects of £1.4 million

4D – TOTEX ANALYSIS (WATER RESUORCES AND WATER NETWORK+)

Year ended 31 March 2026

No additional commentary relating to this data table.

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

Year ended 31 March 2026

No additional commentary relating to this data table.

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

Year ended 31 March 2026

No additional commentary relating to this data table

4G – MAJOR PROJECT EXPENDITURE BY PURPOSE (WHOLESALE WASTEWATER)

Year ended 31 March 2026

No additional commentary relating to this data table.

4H – FINANCIAL METRICS

Year ended 31 March 2026

Lines 4H.15 and 4H.16 – In accordance with RAG 4.14, the interest cover metrics are calculated using the interest paid element of net interest paid reported in 1D.10.

Breakdown of interest paid on borrowings	2025/26
Interest paid (used in the above interest cover ratios)	379.2
Interest received and similar income	-50.6
Net interest paid as reported in 1D.10	328.6

The breakdown of interest paid and interest received has been taken directly from Severn Trent's

statutory accounts. Note that interest paid comprises of £375.4 million interest paid on borrowings and £3.8 million of interest paid on finance leases.

4I – FINANCIAL DERIVATIVES

Year ended 31 March 2026

No additional commentary relating to this data table.

4J – BASE EXPENDITURE ANALYSIS - WHOLESALE WATER

Year ended 31 March 2026

Power

Overall power expenditure remained broadly stable year-on-year across water resources and water networks with higher consumption offsetting the decreases in power prices. Large sites experienced a modest year-on-year reduction in variable power prices of £5/MWh, primarily driven by a £23/MWh decrease in the wholesale weighted average hedged price. This reduction was partially offset by an £18/MWh increase in variable passthrough ('PTC') costs. In addition, standing charges have fallen by £5 million due to lower Capital Markets ('CM') levy and Transmission Network Use of System ('TNUoS') costs. Meanwhile, small sites have seen a more significant year-on-year price decrease of £136/MWh, driven by a £113/MWh reduction in the weighted average hedged price and a further £23/MWh decrease in the PTC hedged price.

Consumption increased across water treatment and raw water distribution, driven mainly by higher pumping activity during summer conditions and early drought mitigation measures to maintain supply and protect reservoir levels. Higher consumption on large sites of 49GWh was mostly seen across water treatment sites. Raw water distribution has increased £3.3 million year-on-year driven by increases in consumption due to pumping at Ambergate and Eggington reservoirs.

Rates, Abstraction charges and Bulk supply

Total expenditure on rates has increased £1.4 million across wholesale water with £0.6 million increase against 4J.6 local authority and cumulo rates and £0.8 million assigned to 4J.25 property management business support. Abstraction charges increased £0.7 million against water resources due to higher Environment Agency charges.

Bulk supply expenditure increased by £2.8 million driven by higher tariff rates. For 2025/26 we have improved the cost allocation process for bulk supply costs in line with RAG 2 which has resulted in a change between the upstream services of water networks and water resources.

Infrastructure Renewals Expenditure ('IRE')

Infrastructure renewal expenditure decreased by £0.3 million to £61.6 million in 2025/26 primarily driven by a decrease in mains renewal spend. Raw water distribution saw increases in spend of £0.5 million on the repair and maintenance of raw water aqueducts.

Other expenditure

Other operating expenditure across wholesale water increased by £27.5 million year-on-year with £13.8 million increase in water treatment and £8.9 million increase in treated water distribution. Year-on-year movements are primarily driven by continued investment in technology, increases in material costs and higher hired and contracted expenditure.

Gross employment costs allocated to 4J.13, 4J.15, 4J.16, 4J.21, 4J.23, 4J.24, 4J.25 and 4J.26 have increased across wholesale water by £52.2 million driven by a step up in total FTE to support growth, basic pay increases (4%) and higher national insurance costs with the rate increase to 15%. This is offset by an increase in capitalised employment costs driven by a higher percentage of capital work being completed with efficiencies in opex and IRE work mostly seen in 4J.13 routine repair and maintenance. The general and support gross employment costs relating to finance, regulation and procurement costs, HR, CEO, corporate affairs and governance also increased in line with the above which partially offsets with increased burdening. Staff training costs allocated to 4J.22 increased £1.8 million driven by the step up in total FTE.

4J.13 routine repair and maintenance expenditure includes material and consumables, hired and contracted and net employment costs to support with providing essential operational maintenance. Job volumes supporting with repair and maintenance are higher than 2024/25 contributing to higher materials and hired and contracted expenditure. This is largely driven by higher mains burst levels over the summer and the freeze-thaw seen in January. Mains burst jobs increased significantly year-on-year and are typically more expensive than the average unit cost across water networks. Origin no-dig has been used throughout 2025/26 to address leaks whilst avoiding the need for costly operations such as excavation, backfill and reinstatement. This has helped to offset cost increases due to the pay rise and agreed contract inflation.

Materials and consumables increased £7.9 million across wholesale water with £1.0 million allocated against water resources to support with the catchment and biodiversity WINEP deliverables. Elsewhere increases in vehicle and plant parts and fuel to support with the increased volume of jobs seen across water networks increased expenditure allocated to treated water distribution, while water treatment saw increases with additional materials to support with the drought during the summer of 2025. Hired and contracted services included increases in external vehicle repairs and maintenance (£3.2 million), hiring of pumps (£0.7 million), hiring of vehicle and plant (£1.8 million) and expenditure for road closures and diversions (£1.1 million) all allocated to 4J.13.

Allocated to 4J.13 also includes increases in tankering. During the dry periods expenditure was higher to assist with drought resilience and maintaining reservoir levels with higher reactive and planned tankering of £2.4 million across water networks. Water treatment costs increased due to higher clean water sludge processing (£1.8 million) with the Trimpley water treatment site undergoing a project to remove the by-product of water treatment.

There are also higher building and ground maintenance (£1.0 million) and electrical, mechanical and instrumentation maintenance (£1.7million) allocated to 4J.13 and 4J.25 property management to meet standards.

Technology expenditure assigned to 4J.24 has increased significantly across wholesale water driven by continued investment into technologies such as Kraken, additional software support and maintenance and licences due to business growth. Software expenditure increased £6.6 million, licenses £5.3 million and cloud storage £1.1 million.

Fines and investigations

Fines and investigations of £5.4 million consist of Highway Agency reinstatement inspection fees (£1.3 million), Highway Agency penalty charges (£0.6 million), Section 74 fines (£1.2 million) and £2.5 million increase in the provision for abstraction licence breach currently under investigation with EA which includes the associated legal fees.

Non-GSS compensation payments

Non-GSS compensation payments of £0.5 million consist of gesture of goodwill payments to customers for disruption of services that are not considered part of the GSS criteria including customer complaints and billing.

Base capital expenditure

Base capital expenditure across water resources and water networks has increased by £239.7 million year-on-year to remain on track for delivering AMP8.

Treated water distribution saw an increase of £162.1 million across 2025/26 with £39.6 million increase against 4J.32 infra capital expenditure driven by higher mains renewal costs which did not see a full year of costs with the project starting in September 2024. The remaining increase against 4J.33 non-infrastructure capital expenditure is driven by higher boundary box expenditure (£79.3 million) with higher job volumes which offsets slightly with enhancement expenditure as prior year costs were split between base and enhancement. Increased expenditure of property maintenance (£15.9 million), service reservoir and towers (£9.9 million) and drought maintenance (£6.3 million) have also led to higher base capital expenditure on non-infrastructure assets.

Water treatment has increased by £73.3 million primarily driven by the major upgrade at the Strensham Water Treatment Works with expenditure of £35.8 million on the ultraviolet treatment project providing resilience upgrades to support future demand. Other major rebuilding at treatment works has started to maintain baseline treatment performance leading to increased expenditure including at the Rodway treatment site (£2.9 million). Management and general assets including transport have increased year-on-year by £16.5 million and potable tanks maintenance has increased by £5.8 million.

Expenditure on technology across water networks have increased £17.2 million year-on-year with increased spend due to the ramp up of capitalised hardware purchases, and new information system projects for AMP8 including customer enhancements to support with business growth.

Developer services and Diversions expenditure

Developer services and diversions operating expenditure has decreased by £7.9 million year-on-year primarily driven by a reduction in HS2 activity which offsets the same amount of lower infrastructure revenue. Developer services and diversion capital expenditure has increased £24.5 million year-on-year driven by increases in network reinforcement costs with £16.0 million for strategic growth reinforcement projects including Breamfield rebuild (£6.7 million) and High Tor strategic growth (£7.9 million), as well as increases in local reinforcements projects of £5.3 million. This is slightly offset with lower expenditure on requisition mains of £3.3 million in line with reduced activity across 2025/26.

Third Party expenditure

Third party expenditure across wholesale water has increased by £1.8 million which is driven by higher fluoridation costs with fluoridating chemicals driving the increase and higher bulk supply costs of £1.6 million in line with the increased volumes and new retailers supplied for non-household business.

Fire hydrants repair and maintenance

Severn Trent Water has an undertaking to carry out repairs and maintenance of Local Fire Authorities' (LFA) fire hydrants in its treated water distribution network.

The Severn Trent Fire Liaison Team (FLT) provides a dedicated point of contact for 15 LFAs across the Severn Trent and Hafren Dyfrdwy regions. We maintain regular daily communication with these services and attend monthly Chief Fire Officer meetings within our operational areas.

The primary objective of the FLT is to ensure the effective management of the fire hydrant repair and maintenance process. This includes preventing repairs from exceeding the 60-day Service Level Agreement (SLA), which is measured from the official Fire Service order number for hydrants on existing mains.

Repair and maintenance jobs are mainly reactive based on reported leaks on hydrants which are identified for repair. Activities include inspections, replacing faulty parts, renewing hydrants and testing equipment. There are some proactive jobs raised by the LFAs or identified by Severn Trent Leakage teams each year.

Operational costs for repair and maintenance of fire hydrants are captured on work orders. These include direct materials used in carrying out the repair and maintenance plus a charge for manpower using a calculated hourly rate which contains but is not limited to direct operational management costs, vehicle costs, consumables and workforce PPE. In addition to operational repair and maintenance, general and support overheads are calculated and applied based on the total expenditure, in order to recover central costs.

The salary costs of the FLT are also treated as direct expenditure to be recharged due to the provision of administration support around the repair and maintenance process. Key responsibilities of the FLT include monitoring and validating work completed within SAP to ensure that hydrant repairs meet LFA expectations and are delivered to the correct specification. Where works are identified as incomplete or non-compliant, the FLT ensure these are rebuilt and rescheduled accordingly.

Invoices to cover all the direct and indirect costs are raised to the LFAs for the works completed. The FLT work to recover associated income from Fire & Rescue Services.

The FLT collaborate closely with Scheduling Teams and Network Operations to drive continuous improvement in Fire Service performance, with processes and standards aligned with key legislation and guidance, including:

- Water Industry Act
- National Guidance Document
- Fire & Rescue Services Act
- Model Agreement.

The total number of hydrants installed in the year were 1,868.

4K – BASE EXPENDITURE ANALYSIS - WHOLESALE WASTEWATER

Year ended 31 March 2026

Power

Power expenditure allocated to 4K.1 Power and 4K.25 Property business support across wholesale waste decreased £8.9 million year-on-year primarily driven by the reduction in price slightly offset with higher consumption across 2025/26. Wastewater networks decreased £17.7 million while bioresources increased £8.8 million. The variances between the price controls are partially driven by the sludge liquor recharge previously shadow reported in AMP7. For 2025/26 we have recharged £4.6 million of power from Wastewater network to Bioresources for the costs of handling and treating sludge liquors.

Price is also driving the movement with large sites seeing a year-on-year reduction in variable power prices of £5/MWh, primarily driven by a £23/MWh decrease in the wholesale weighted average hedged price. This reduction was partially offset by an £18/MWh increase in variable PTC costs. In addition, standing charges have fallen by £5 million due to lower CM levy and TNUoS costs. Meanwhile, small sites have seen a more significant year-on-year price decrease of £136/MWh, driven by a £113/MWh reduction in the weighted average hedged price and a further £23/MWh decrease in the PTC hedged price.

Power consumption increased across wholesale waste driven by significantly wetter autumn and winter periods. Periods of high rainfall led to increased inflows entering sites over shorter timeframes, placing additional demand on treatment capacity and operational resources.

Sludge treatment power expenditure increased £8.8 million year-on-year partially due to the sludge liquor recharge with the remaining increase due to price of self-generated income and a reduction in volume generated leading to a higher reliance on external supplies.

Negative expenditure and Abstraction charges

Negative expenditure allocated to sludge treatment increased £0.9 million driven by Biomethane Renewable Heat Incentive (RHI) and Demand Management income. Abstraction charges increased £5.9 million across wastewater network with year-on-year increases in permit costs and a discharge levy of £2.0 million applied by EA. Rates and bulk supply costs remained consistent year-on-year.

IRE

Infrastructure renewal expenditure across wastewater networks decreased by £5.5 million driven by a decrease in planned demand and services project (PDaS) of £4.0 million as a higher proportion of capital works are completed.

Other expenditure

Other operating expenditure across wholesale waste increased by £60.9 million year-on-year with sewage collection driving the increase with £43.8 million. This is primarily driven by higher net employment costs, tankering and the hiring of plant and vehicles. We have improved the cost allocation approach for sewage collection expenditure at an upstream service.

Gross employment costs allocated to 4K.13, 4K.15, 4K.16, 4K.21, 4K.23, 4K.24, 4K.25 and 4K.26 increased across wholesale water by £42.3 million driven by a step up in total FTE to support growth, basic pay increases (4%) and higher national insurance costs with the rate increase to 15%. This is partially offset from an increase in capitalised employment costs driven by a higher percentage of capital work being completed. This is mostly seen in 4K.13 routine repair and maintenance as customer job volumes are down 2% year-on-year driven by a reduction in external flooding related jobs. General and support gross employment costs relating to finance, regulation and procurement costs, HR, CEO, corporate affairs and governance also increased in line with the above which partially offsets with increased burdening.

4K.13 routine repair and maintenance expenditure includes material, consumables and hired and contracted services including tankering. Materials, consumables, vehicle and plant parts increased £2.4 million, while tankering increased £12.4 million across wholesale waste, including £6.3 million against sewage collection. 2025/26 was significantly wetter with the more volatile conditions experienced during the autumn and winter months leading to higher reactive and planned tankering. Periods of intense rainfall led to higher and more rapid inflows into the wastewater network, increasing the frequency of reactive events and the need for tankering to manage system capacity and prevent any potential pollutions incidents. The hire of vehicle and plant increased by £6.1 million with £3.3 million increase in sewage treatment expenditure driven by significant increase in pump hire costs as we opted for an over pumping solution rather than a more expensive tankering approach which also saw multiple screw pump failures leading to additional pump hire costs. Sludge treatment hire of vehicle and plant increased £1.9 million due to additional hires at Strongford and Barnhurst treatment works. Sludge recycling costs increased £1.8 million due to higher volumes of sludge disposed and recycled during the year alongside further travelling to land banks. Other hired and contracted services increased by £4.9 million which is mostly against sewage collection to support our waste networks team with additional resourcing to support the waste resilience programme.

Chemicals costs assigned to 4K.14 increased across wastewater network by £1.0 million primarily driven due to increases in both ferric sulphate and caustic usage to support the introduction of quality schemes going live in 2025/26. Technology expenditure assigned to 4K.24 has increased across wholesale waste driven by continued investment into technologies such as Kraken with license costs increasing £3.3 million and software support and maintenance £1.0 million. Other drivers increasing total expenditure also include higher regulatory and statutory fees of £2.3 million assigned to 4K.15 and bad debt increase of £2.0 million.

Fines and investigations

Fines and investigations of £8.1 million consist of Highway Agency reinstatement inspection fees (£0.7 million), Highway Agency penalty charges (£0.4 million), Section 74 fines (£0.3 million) and £6.3 million of investigations by EA which include legal fees for each. We have paid fines in the year for investigations by EA including £1.5 million for the investigation at Blackminster sewage treatment works, £0.7 million for Barston treatment works and £0.6 million for Upton sewage pumping station. Investigation costs of £0.4 million consist of internal legal support and hired and contracted expenditure.

Non-GSS compensation payments

Non-GSS compensation payments of £1.1 million consist of gesture of goodwill payments to customers for disruption of services that are not considered part of the GSS criteria including customer complaints and billing.

Base capital expenditure

Base capital expenditure across wholesale wastewater increased by £181.5 million year-on-year to remain on track for delivering AMP8.

2025/26 saw more focus on pollutions and sewer network projects as part of our pollution incident reduction plan within waste network as total sewage collection expenditure increased by £100.8 million driven by increased spend in pollution maintenance (£47.8 million), sewer flooding hydraulic base spend (£23.4 million) and sewage pumping stations expenditure (£13.0 million). Major expenditure on projects included pro-active interventions to remove defects in the network before they cause pollutions such as pump replacements to full site refurbs of mechanical and electrical equipment.

Sewage treatment increased £50.0 million driven by increased expenditure on sewage treatment works (£30.8 million) and expenditure to meet Dry Weather Flow (DWF) compliance (£14.4 million). DWF compliance saw increases in expenditure at treatment works including at Hodsock (£4.3 million), Wellsbourne (£3.4 million) and Pitts Mill (£3.3 million). Sludge transport increased £23.4 million driven by the significant vehicle replacement plan underway including £8.0 million on replacing heavy goods vehicles.

Developer services and Diversions expenditure

Developer services and diversions operating expenditure has decreased by £1.1 million year-on-year primarily driven by a reduction in HS2 activity which offsets the same amount of lower infrastructure revenue. Developer services and diversion capital expenditure has remained consistent year-on-year.

Third Party expenditure

Third party operational expenditure has remained consistent year-on-year which saw a reduction in rechargeable repair of damages expenditure offset by the recognition of building over agreements for building over sewer networks.

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

Year ended 31 March 2026

Enhancement expenditure is reported in table 4L (Water Resources and Water Network+). Expenditure in the reporting year has decreased by £212.3 million to £271.4 million. The AMP8 transitional expenditure in 2024/25 was £152.7 million which is to bring forward the construction of the AMP8 schemes in the final year of the AMP7 in order to deliver the programme over next five years.

Expenditure is mostly driven by our commitment to delivering smart metering programme, resilience of networks, water quality, SEMD and supply demand balance improvements aiming to ensure water supplies are resilient and they can withstand and recover from disruptions from extreme weather and climate changes.

The last three columns in these tables represent cumulative expenditure and cumulative allowed expenditure on all schemes across the AMP. These columns compare actual expenditure against allowed expenditure at PR24. Costs for the year are reported in year prices, and costs from previous years are inflated using financial-year average CPIH.

EA/NRW environmental programme (WINEP/NEP)

4L.1 – 4L.3 Biodiversity and conservation – Expenditure has increased by £1.1 million as compared to 2024/25. This is due to enhancement opex relating to expenditure on schemes listed in WINEP/NEP to deliver biodiversity improvement across 15,000 hectares in the region by 2030.

The actual expenditure is £0.8 million lower than the allowed expenditure due to AMP8 delivery phasing, with biodiversity schemes requiring early design, land agreements and ecological approvals before physical delivery. Activities in 2025/26 focused on planning and optimisation, supported by strong biodiversity performance, indicating efficient delivery rather than reduced outputs.

4L.4 – 4L.9 Eels/fish entrainment screens and Eels/fish passes – Expenditure has decreased by £1.8 million as compared to 2024/25. This is due to reduction of £1.5 million relating to Shelton Eels scheme for which majority of the expenditure incurred in last year of AMP7 to comply with the regulation.

The actual expenditure is £0.4 million lower than allowed expenditure as delivery is dependent on site-specific approvals and integration with wider asset upgrades, resulting in lower initial expenditure. It is also due to timing of construction delivery, with schemes in early design and regulatory consent stages. Spend is expected to increase as schemes move into build phase in later AMP years.

4L.10 to 4L.12 Invasive Non Native Species – Expenditure has slightly decreased by £0.2 million as compared to 2024/25 due to completion of required expenditure in last year of AMP7. The negative capex of £0.003 million reported in 2025/26 relates to the release of prior-year accruals.

The actual expenditure is £0.3 million lower than allowed expenditure as activities are investigation-led in early AMP years with implementation measures phased later.

4L.13 to 4L.15 Drinking Water Protected Areas – Expenditure has decreased by £1.6 million as compared to 2024/25. This is due to completion of catchment management expenditure in 2024/25 amounting to £1.5 million resulting in lower spend. The negative capex reported relates to the release of prior-year accruals. Final costs were lower than originally estimated, resulting in a net credit during 2025/26.

The actual expenditure is £0.3 million lower than allowed expenditure as the programme is at an early delivery stage focused on catchment planning and targeting interventions. Capital delivery is scheduled for later AMP years following regulatory alignment.

4L.16 to 4L.18 Water Framework Directive ('WFD') – Expenditure has decreased by £1.7 million as compared to 2024/25. This is due to decrease in expenditure relating to number of AMP7 WFD measure schemes for catchment management and other WINEP related obligations.

The actual expenditure is £12.9 million higher than allowed expenditure due to accelerated start of WFD-related schemes in AMP8 year 1, compared with the FD profile. We have prioritised river quality improvements, consistent with environmental commitments and strong first-year WINEP performance. There has been substantial progress in river health improvements and nutrient reduction, supported by a fast start to AMP8 environmental programmes. The overspend also reflects front loading of capital delivery ahead of regulatory deadlines, facilitated by readiness of schemes carried forward from AMP7. This represents timing acceleration rather than scope increase with spend expected to normalise over the AMP.

4l.19 to 4L.21 Wetland creation – This is a new line for 2025/26 for which we don't have the actual and allowed expenditure.

4L.22 to 4L.24 Trade effluent discharge flow monitoring – The actual expenditure is £1.6 million lower than allowed expenditure as delivery is dependent on integration with wider network monitoring strategies, with rollout scheduled later in AMP8 following completion of design and system integration.

4L.25 to 4L.27 25 year environment plan – The actual expenditure is £1.5 million lower than allowed expenditure as reflects early-stage programme mobilisation, including feasibility and prioritisation work with capital interventions planned for subsequent years.

4L.28 to 4L.39 Investigations – Expenditure has increased by £6.1 million as compared to 2024/25. This is because of higher expenditure in the first year of AMP8 due to initiation of new WINEP investigations into no deterioration, environmental obligations, water resources and other related studies/surveys before commencement of various projects. Also, in 2024/25, the expenditure was lower as majority of investigations have been completed in earlier years of AMP7 to comply with the statutory obligations.

The actual expenditure is £3.9 million higher than allowed expenditure which is due to front-loading of investigations and modelling activities enabling acceleration of later stage delivery. Overall, it reflects profiling of investigation types with front-loading of investigative activity, supporting efficient delivery of AMP8 outcomes.

Supply-demand balance

4L.41 to 4L.43 Supply-side improvements delivering benefits in 2025-2030 – Expenditure has decreased by £41.8 million as compared to 2024/25. This is predominantly due to reduction in Green Recovery expenditure relating to Church Wilne water treatment by £60 million for which most of the expenditure completed in 2024/25. This is offset by an increase in Strelley to Redhill Pipeline project spend in 2025/26.

The actual expenditure is £4.0 million higher than the allowed expenditure due to early deployment of major infrastructure schemes. They are in development and consenting stages and delivery is expected to ramp up as projects progress to construction.

4L.44 to 4L.46 Demand-side improvements delivering benefits in 2025-2030 – Expenditure has slightly increased by £0.2 million as compared to 2024/25 which is due to increase in water efficiency spend relating to household flow valve installations.

The actual expenditure is £0.7 million higher than allowed expenditure which is due to faster deployment of efficiency measures which have shorter delivery timelines.

4L.47 to 4L.49 Leakage improvements delivering benefits in 2025-2030 – Expenditure has increased by £1.4 million as compared to 2024/25. This year has seen particularly strong progress in leakage which, with an 8% year-on-year reduction to our three-year average, is now at its lowest ever level, and we remain firmly on track to achieve our 31.6% leakage reduction target by 2030 from a 2020 baseline. 17% of water into supply is currently lost through leakage and 'no-dig' techniques are now used on 44% of our communication pipe repairs. To date, we have deployed more than 650,000 smart meters across our network, enabling us to detect leaks and provide guidance to our customers on how to address them.

The actual expenditure is slightly lower than allowed expenditure by £0.5 million which is due to phasing of schemes and projects as compared to FD. Delivery is expected to ramp up as projects progress in future.

4L.50 to 4L.52 Internal interconnectors delivering benefits in 2025-2030 – Expenditure has decreased by £7.4 million as compared to 2024/25. This is due to completion of AMP7 schemes as they were in delivery stage, resulting in higher spend in 2024/25. The AMP8 schemes are in early stages due to which there is lower expenditure in 2025/26. Some of the key projects are Hathersage to Worksop Pipeline, Carsington to Tittesworth and Tittesworth to Greasley Road. We expect the expenditure to ramp up in later AMP years future.

The actual expenditure is £35.1 million lower than allowed expenditure which reflects reprofiling of network interconnector schemes as they are complex, multi-site infrastructure investments requiring detailed design and planning consents. Delivery has been deferred to later years of AMP8, consistent with typical asset lifecycle phasing. Whilst interconnector investment remains critical to achieving high levels of supply resilience, expenditure will increase in later AMP years as schemes progress to construction. Refer to table 6F commentary

4L.53 to 4L.55 Supply demand balance improvements delivering benefits starting from 2031 – Expenditure has decreased by £11.5 million as compared to 2024/25. This is due to completion of AMP7 spend in prior year and higher transitional spend in 2024/25 to bring forward the AMP8 related expenditure across multiple projects. We are ramping up the expenditure in later years of AMP8.

The actual expenditure is £30.0 million higher than nil allowed expenditure which is relating to AMP8 projects recognised as enhancement expenditure to enhance the supply-demand balance in the longer term (providing benefits from 2031 onwards).

4L.56 to 4L.58 Strategic resource options – Expenditure has increased by £10.5 million as compared to 2024/25. This is due to increase in expenditure relating to Grand Union Canal amounting to £6.9 million, Rudyard Reservoir Augmentation SRO by £2.6 million and Nottinghamshire Mine Water by £0.4 million.

The actual expenditure is £16.2 million higher than allowed expenditure due to front loading of spend reflecting feasibility, early works and development of large strategic schemes aligned to growth and long-term supply requirements. This is pertaining to major project expenditures for Grand Union Canal, Rudyard Reservoir Augmentation SRO and Nottinghamshire Mine Water.

Metering

4L.60 to 4L.90 Metering – Expenditure has decreased by £20.5 million as compared to 2024/25. The smart meter infrastructure costs for 2024/25 was £28.4 million as compared to £9.7 million in 2025/26. This is due to increase in spend associated with accelerated and transitional AMP8 schemes

resulting in higher capital expenditure in 2024/25. The higher smart meter infrastructure costs relating to Kraken integration in 2024/25 amounted to £13.9 million as compared to £9.8 million in 2025/26. The Green Recovery expenditure has decreased by £5.8 million as compared to 2024/25 due to completion of Green Recovery smart metering programme. The negative capex reported within 4L.75 relates to the release of prior-year accruals associated with Green Recovery and AMP8 accelerated metering activities. Final costs were lower than originally estimated, resulting in a net credit during 2025/26.

The actual expenditure is £44.3 million higher than allowed expenditure as we have outperformed the smart metering expenditure with installation of around 230,000 smart meters this year, providing more accurate insight for our customers on their water usage. Year 1 delivery targets have all been achieved, and we have been able to deliver additional returns from the accelerated delivery of metering. Metering is one of top three outperforming PCDs in 2025/26.

Water quality improvements

4L.91 to 4L.93 Improvements to taste, odour and colour (grey solutions) – Expenditure has increased by £2.0 million as compared to 2024/25 due to increase in spend relating to Hatton Warwickshire project.

We have reported expenditure of £3.2 million with no allowed expenditure as we deem this as enhancement for which we are required to meet regulations and deliver improvements to benefit our customers. The expenditure relates to improvements to consumer acceptability of the drinking water (relating to colour, taste and odour) using grey solutions.

4L.97 to 4L.99 Addressing raw water quality deterioration (grey solutions) – Expenditure has slightly decreased by £0.8 million as compared to 2024/25 due to reduction across number of schemes and projects relating to PFAS, algae, disinfection, nitrates removal and arsenic.

The actual expenditure is £10.3 million higher than allowed expenditure which is due to earlier than profiled delivery of treatment based interventions addressing raw water quality deterioration driven by accelerated asset upgrades, treatment works improvements and alignment with tightening regulatory requirements. This is also due to investment in treatment capabilities and pollution prevention, use of advanced treatment technologies indicating front-loading of deliverable schemes.

4L.100 to 4L.102 Addressing raw water quality deterioration (green solutions) – Expenditure has increased by £3.2 million as compared to 2024/25 which is due to higher spend on AMP8 schemes relating to green solutions. Some of these pertain to Far Baulker (£2.6 million), Cresswell (£2.1 million) and Rednal (£0.7 million). This is offset by decrease of £2.4 million due to completion of AMP7 scheme which is not categorised as green solution anymore.

The actual expenditure is £6.1 million higher than allowed expenditure which is nil. This is due to early deployment of catchment and nature-based solutions which are recognised as enhancement expenditure in accordance with guidance in RAG 4.14.

4L.103 to 4L.117 Lead communication and supply pipes – Expenditure has decreased by £34.0 million as compared to 2024/25. This is predominantly due to reduction in Green Recovery expenditure by £34.0 million relating to completion of supply pipes in 2024/25.

The actual expenditure is £2.8 million lower than allowed expenditure due to time-sensitive deployment dependent on customer engagement and logistics. It is likely to accelerate later in the AMP with increased rollout.

Water Resilience

4L.119 to 4L.125 Water resilience – Expenditure has decreased by £112.8 million as compared to 2024/25. This is because of higher expenditure in prior year as schemes entered into the delivery phase in the final year of AMP7. This is driven by the G10 Resilient supplies commitment with schemes Trimpley to Hampton Loade (£18.4 million), DVA Bamford (£13.9 million), Boughton Chester Resilience (£14.1 million), Bromsgrove groundwater and WRMP remediation (£4.6 million), all increasing in expenditure in 2024/25 as projects entered delivery phase in the final year of AMP7.

In addition, to comply with DWI regulations, increased expenditure for our project at Bamford (£21.3 million total spend) incurred to support resilience of run to waste and electrical infrastructure in 2024/25. Expenditure was higher for boundary box installs with £44.0 million reported as work was completed in year five of AMP7, whereas the work has started on boundary box installations in 2025/26 which we expect to increase in the coming years.

The actual expenditure is £7.9 million higher than allowed expenditure due to earlier than profiled delivery of resilience related enhancement activities compared to the FD allowance. Key drivers of variance are acceleration of early-stage resilience interventions. Expenditure has been brought forward into AMP8 year 1, including network and asset resilience improvements. This reflects a proactive approach to improving operational resilience and risk mitigation, particularly in response to asset health considerations. Initial AMP8 activity has focused on programme mobilisation, feasibility and design finalisation, and early delivery of priority schemes. These activities have higher upfront costs, resulting in early overspend. There is significant planned investment in water resource and system resilience with a strong emphasis on network robustness and service continuity.

Water SEMD and Cyber

4L.126 to 4L.128 SEMD – Security – Expenditure has increased by £1.2 million as compared to 2024/25. This is mainly due to recognition of enhancement opex in 2025/26 amounting to £0.8 million. It is relating to additional headcount being recruited to fulfil the roles as part of the SEMD project from April 2025 to March 2026. There was no additional or incremental headcount in 2024/25.

The actual expenditure is £7.4 million higher than allowed expenditure which is due to early deployment of schemes reflecting prioritisation of security and resilience risks.

4L.132 to 4L.134 Security – cyber – Expenditure has increased by £3.2 million as compared to 2024/25. This is due to new AMP8 projects relating to security upgrades, integrations and transformations in 2025/26. Some of these projects relate to Windows 11 integration (£1.4 million), ZTA Site Network Upgrades (£1.3 million) and various cyber security upgrades (£0.5 million).

The actual expenditure is £2.3 million higher than allowed expenditure as a result of accelerated investment reflecting increased focus on cyber resilience, supported by sector risk environment.

Reservoir Safety

4L.139 to 4L.141 Reservoir Safety – Expenditure has slightly decreased by £1.6 million as compared to 2024/25 which is due to completion of AMP7 related schemes in 2024/25 resulting in higher spend in prior year.

The actual expenditure is £13.3 million lower than allowed expenditure due to profiling differences in the delivery of reservoir safety enhancement schemes with expenditure lower than the FD allowance in AMP8 year 1. Reservoir safety schemes are typically large, complex capital interventions, including structural enhancements and compliance-driven upgrades. In 2025/26, a number of schemes were in design, investigation or procurement stages, rather than construction. Accordingly, expenditure is back-end loaded across the AMP, with peak construction spend expected in later years.

Reservoir safety investments require detailed statutory inspections, independent engineer sign-off, compliance with Reservoirs Act requirements. These processes introduce longer lead times before construction expenditure is incurred contributing to lower spend in early AMP years. Delivery is expected to accelerate and align with FD allowances over the AMP period.

Other enhancement

4L.142 to 4L.144 Addressing Low Pressure – Per RAG 4.14 'Addressing low pressure is not included as only a very limited number of companies have investment in this area'. We have followed guidance to recognise as a freeform line as the expenditure does not meet the definition of any other line, reporting spend of £0.3 million in 2025/26. Expenditure has decreased by £0.8 million as compared to 2024/25 due to increase in spend in last year of AMP7 as schemes were in delivery stage, whereas in 2025/26 the schemes are in early stage in terms of the spend and we expect the expenditure to increase in coming years.

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

Year Ended 31 March 2026

Enhancement expenditure is reported in table 4M (Wastewater Network+ and Bioresources). Expenditure in the reporting year has increased by £13.2 million to £973.4 million. The AMP8 transitional expenditure in 2024/25 was £292.5 million which is to bring forward the construction of the AMP8 schemes in the final year of the AMP7 in order to deliver the programme over next five years.

The increase is mostly driven by investments and interventions that have enabled us to achieve a 35% year-on-year reduction in pollution incidents to 178 in 2025. We have invested in waste with focus on building in-house capabilities, strengthening resilience and our response times when we have an issue. The Pollution Incident Reduction Plan ('PIRP') for 2026-2030 published in March 2026 sets out the trajectory to 2030, aligned with our 25-year plan for improving and maintaining our drains and wastewater systems. For sewage pumping stations, treatment works, foul sewers, rising mains and combined sewer overflows we are investing in power resilience, prevention of blockages, asset failure and structural defects.

Storm overflows remain a critical focus, and with the support of our supply chain, we have now implemented over 3,000 solutions. We are seeing the benefits of our proactive investments in the previous regulatory period. In 2025, average spills reduced by 41% to 15 spills per storm overflow asset, outperforming our regulatory target and earning £10 million in reward.

The last three columns in these tables represent cumulative expenditure and cumulative allowed expenditure on all schemes across the AMP. These columns compare actual expenditure against allowed expenditure at PR24. Costs for the year are reported in year prices, and costs from previous years are inflated using financial-year average CPIH.

EA/NRW Environmental programme (WINEP/NEP)

4M.1 to 4M.3 Event Duration Monitoring at intermittent discharges – Expenditure has increased by £0.7 million as compared to 2024/25. This is due to completion of most of the AMP7 spend in prior year and ramp up of AMP8 related expenditure in 2025/26 relating to flowmeter and EDM.

Actual expenditure has increased by £0.6 million as compared to allowed spend of £0.5 million due to acceleration of Event Duration Monitoring roll-out and early start of regulatory monitoring requirements.

4M.4 to 4M.6 Flow monitoring at sewage treatment works – Expenditure has increased by £9.4 million as compared to 2024/25. This is due to completion of most of the AMP7 spend in prior year and ramp up of AMP8 related expenditure in 2025/26 relating to Universal Monitoring "UMON" flow monitoring.

Actual expenditure has decreased by £0.2 million compared to allowed spend of £28.4 million due to minor efficiencies and optimisation in monitoring delivery.

4M.7 to 4M.9 Continuous river water quality monitoring – Expenditure has increased by £2.8 million as compared to 2024/25. This is due to completion of AMP7 spend in prior year and ramp up of AMP8 related expenditure in 2025/26 relating to river quality monitoring, data platform replacements and upgrades.

Actual expenditure has increased by £5.1 million as compared to nil allowed due to accelerated rollout of continuous river water quality monitoring systems.

4M.10 to 4M.24 MCERTs monitoring - Actual expenditure is nil as compared to £2.7 million of allowed spend due to timing of permitting activity deferred to later AMP years.

4M.25 to 4M.27 Schemes to increase flow to full treatment – Expenditure has decreased by £13.6 million as compared to 2024/25. This is mainly due to completion of AMP7 spend in prior year as they were in delivery stage resulting in higher spend in 2024/25 as compared to 2025/26. Some of these schemes relate to Gotham Sewage Treatment Work (£5.6 million), Duffield Sewage Treatment Work & Storm Compliance (£4.4 million) and Atherstone Sewage Treatment Work (£3.8 million).

Actual expenditure has increased by £7.2 million as compared to nil allowed spend due to accelerated start of schemes to increase flow to full treatment.

4M.28 to 4M.30 delivery of equivalent storage provided by STW grey/hybrid storm overflow solutions – Expenditure has increased by £11.6 million as compared to 2024/25. This is due to completion of majority of AMP7 spend in prior year and ramp up of AMP8 related expenditure in 2025/26 across multiple storm spill reduction storage schemes. The activities focussed on the high-risk elements of a wastewater recycling sites, including inlet screws, screens, and sites with no monitoring. We carried out 31/32 inlet screw pump improvements, helping to mitigate the risk of future pollution from these assets. Further 92 sites were surveyed for monitors and 50 deployed by year end to further aid reducing pollution risk through final effluent monitoring. We remain focused on delivering on the

wastewater outcomes that impact customers. The insourcing of our reactive wastewater services has delivered benefits in flooding metrics, and we have strengthened our waste operating model resulting in faster response times.

Actual expenditure was £153.8 million lower than the £222.1 million allowed spend, reflecting the deferral of large, complex storage schemes that remain in the early design and approval stages.

4M.31 to 4M.33 Delivery of equivalent storage provided by STW green only storm overflow solutions – Expenditure has decreased by £11.1 million as compared to 2024/25. This is due to completion of AMP7 spend and recognition of higher transitional spend amounting to £22.5 million to bring forward the AMP8 investment in 2024/25. Due to timing and profiling of projects, the expenditure is lower in 2025/26 and we expect to see an increase in future years.

Actual expenditure has increased by £11.3 million as compared to nil allowed expenditure due to early initiation of green storm overflow solutions.

4M.34 to 4M.36 Equivalent storage provided by network grey/hybrid storm overflow solutions – Expenditure has increased by £15.3 million as compared to 2024/25. This is due to completion of AMP7 spend in prior year, ramp up of AMP8 related expenditure in 2025/26 across multiple storm spill reduction schemes and carry over of AMP7 related expenditure. Storm overflows remain a critical focus, and with the support of our supply chain, we have now implemented over 3,000 solutions. We are seeing the benefits of our proactive investments in the previous regulatory period. In 2025, average spills reduced by 41% to 15 spills per storm overflow asset, outperforming our regulatory target and earning £10.0 million in reward.

Actual expenditure has increased by £88.5 million compared to nil allowed spending which is due to acceleration of network storage solutions where schemes were ready for delivery.

4M.49 to 4M.57 Chemical removal, emerging contaminants monitoring, investigations, options appraisals – Expenditure across these lines have reduced by £2.8 million as compared to 2024/25. This is mainly due to completion of AMP7 spend in prior year as they were in delivery stage resulting in higher spend in 2024/25 as compared to 2025/26, offset by ramp up in AMP8 related WINEP investigations. It mainly pertains to reduction in spend relating to Hixon STW AMP7 scheme.

Actual expenditure has decreased by £0.8 million as compared to allowed expenditure of £2.8 million which is due to timing of chemical treatment schemes in early development stages.

4M.58 to 4M.63 Treatment for total nitrogen removal and nitrogen technically achievable limit monitoring, investigation or options appraisal – Expenditure across these lines have increased by £21.2 million as compared to 2024/25. This is due to ramp up of expenditure in 2025/26 as compared to AMP8 transitional spend of £2.0 million in prior year. Some of the key nitrogen schemes are Barston (£15.8 million) and Blymhill (£5.4 million) sewage treatment works.

Actual expenditure has decreased by £1.1 million compared to £24.3 million allowed expenditure as a result of timing differences in the delivery of nitrogen-related investigations and modelling activities.

4M.64 to 4M.66 Treatment for phosphorus removal – Expenditure has decreased by £171.7 million as compared to 2024/25. This is due to completion of multiple AMP7 schemes in 2024/25 as they were in the delivery stage. There was also a completion of Green Recovery schemes (£34.4 million) which resulted in higher spend in 2024/25. In addition, there was a recognition of transitional spend amounting to £44.9 million to bring forward the AMP8 investment in 2024/25. Overall, the programme has made a strong start. We are spending broadly in line with Final Determination assumptions, delivering outputs on time and, in several cases, ahead of profile. Due to timing and profiling of projects, the expenditure is lower in 2025/26. We expect to see an increase in future years of AMP8.

Actual expenditure has increased by £135.6 million as compared to £72.9 million allowed spend which is due to accelerated and early start of phosphorus removal schemes ahead of profile.

4M.67 to 4M.69 Treatment for nutrients (N or P) and/or sanitary determinants, nature-based solution – Actual expenditure is nil as compared to £1.5 million of allowed expenditure for 2025/26. This is due to timing differences with catchment-based solutions phased after initial planning stages. We expect to see an increase in expenditure in future years of AMP8.

4M.70 to 4M.72 Treatment for tightening of sanitary parameters – Expenditure has decreased by £26.8 million as compared to 2024/25. This is due to completion of multiple AMP7 schemes so expenditure remained high to ensure delivery of the schemes to support regulation requirements in 2024/25. The reduction in expenditure relates to Burntwood (£3.8 million), Redditch – Spernal (£6.6 million), Hinckley (£11.2 million) and Nuneaton Hartshill (£3.4 million) sewage treatment works as they were in the delivery stage in 2024/25. In addition, there was a recognition of transitional spend amounting to £8.2 million to bring forward the AMP8 investment in 2024/25. There has also been an increased AMP8 expenditure in 2025/26 as schemes started to incur the spend and they are in initial stages of project lifecycle.

Actual expenditure has increased by £34.0 million as compared to allowed expenditure of £3.7 million which is due to early start of AMP8 schemes to meet tightening sanitary standards.

4M.73 to 4M.81 Catchment management – Expenditure across these lines have decreased by £6.7 million as compared to 2024/25. This is due completion of AMP7 schemes in 2024/25 as they were in the delivery stage. In addition, we are not promoting any AMP8 activity for catchment management habitat restoration.

Actual expenditure has decreased by £4.5 million as compared to £4.9 million of allowed expenditure which is due to timing and early stages of schemes with limited activity.

4M.82 to 4M.84 Septic tanks – Expenditure has slightly decreased by £0.2 million as compared to 2024/25.

Actual expenditure has decreased by £1.2 million compared to £1.6 million allowed spend due to timing and third party dependencies and early-stage program development with delivery expected to ramp up in later AMP years consistent with the AMP lifecycle

4M.85 to 4M.87 Microbiological treatment - bathing waters, coastal and inland – Actual expenditure is nil as compared to £52.9 million allowed spend which is due to timing relating to extended design, approval and permitting timelines.

4M.94 to 4M.105 Investigations – Expenditure across these lines have slightly increased by £0.9 million as compared to 2024/25. This is due to ramp up of expenditure across various schemes in 2025/26 as compared to AMP8 transitional spend of £23.2 million in prior year. We are spending broadly in line with Final Determination assumptions, delivering outputs on time and, in several cases, ahead of profile. We would expect to see an increase in future years of AMP8.

Actual expenditure has increased by £3.1 million as compared to £28.1 million allowed expenditure which is due to front-loading of investigations to support AMP8 readiness.

EA/NRW Environmental programme bioresources (WINEP/NEP)

4M.119 to 4M.137 Bioresources enhancement (sludge treatment) – Expenditure across these lines have slightly increased by £0.2 million as compared to 2024/25. This is due to increase in expenditure in 2025/26 relating to Strongford Dryer-Pelletiser resulting in slightly higher spend as compared to prior year. Overall, the expenditure has remained consistent year on year.

Actual expenditure has decreased by £48.0 million as compared to allowed expenditure of £51.9 million due to timing of sludge storage schemes and reprofiling of bioresources projects reflecting early stage of programme lifecycle with limited construction activity.

Other enhancement

4M.138 to 4M.140 Growth at sewage treatment works (excluding sludge treatment) – Expenditure has increased by £144.3 million as compared to 2024/25. This is due to ramp up of expenditure across various schemes in 2025/26 as compared to AMP8 transitional spend of £62.2 million in prior year. Growth spend of £130 million are AMP8 projects i.e. Lutterworth and Wanlip Green Recovery Sewage Treatment Works. The remaining increase relates to carryover WINEP projects. Building on the momentum already established, we are delivering asset upgrades, expanding our wastewater treatment works and increasing capacity to better manage periods of heavy rainfall and strengthen storm resilience by 2028. The investment will see an increase in treatment capacity of around 50% as the local population grows towards the 2038 planning horizon, delivering tangible benefits for customers and the environment earlier than planned.

Actual expenditure has increased by £37.3 million compared to £229.9 million allowed expenditure due to accelerated growth investment in sewage treatment works.

4M.141 to 4M.143 Reduce flooding risk for properties – Expenditure has decreased by £97.5 million as compared to 2024/25. This is due to completion of multiple AMP7 schemes in 2024/25 as they were in the delivery stage. There was also a completion of Green Recovery Mansfield Flood Resilience scheme in 2024/25 which resulted in reduction in spend by £44.7 million. We remain focused on delivering on the wastewater outcomes that impact customers. This year, internal sewer flooding performance reached its lowest-ever level, with a 20% year-on-year improvement, while external sewer flooding incidents reduced by 12%. The insourcing of our reactive sewerage services has delivered benefits in flooding metrics, and we have strengthened our waste operating model resulting in faster response times. We have installed additional monitoring across our waste network and are using artificial intelligence to monitor and identify sewer blockages and asset health issues, enabling us to make proactive interventions. This is driving efficiency in our operations and delivering benefits for customers. Also, with the help of our flooding liaison team, who work closely with local communities, we have been able to improve on-the-ground response and customer experience.

4M.144 to 4M.146 First time sewerage – Expenditure has increased by £0.9 million as compared to 2024/25. This is due to ramp up of expenditure across various schemes in 2025/26 and carry over of AMP7 spend. Some of the key schemes relate to Lichfield Road Willenhall S101A (£0.2 million), Illshaw Heath, Solihull S101A (£0.2 million), Marton Pool S101A, Worthen (£0.2 million) and Prestwood House Stourbridge S101A (£0.1 million).

Actual expenditure has decreased by £2.5 million as compared to allowed expenditure of £5.3 million which is due to timing of the projects. We expect the expenditure to increase in future years of AMP8.

4M.147 to 4M.149 Sludge enhancement (growth) – Expenditure has increased by £1.2 million as compared to nil in 2024/25. This is due to new AMP8 schemes relating to growth of sludge treatment assets starting to incur spend in 2025/26.

4M.150 to 4M.152 Odour and other nuisance – The credit of £0.1 million relates to an incentive payment received from our contract partner in relation to a block project.

4M.153 to 4M.158 Resilience – Actual expenditure is nil as compared to £3.4 million allowed by Ofwat which is due to timing of resilience schemes.

4M.162 to 4M.164 – Expenditure has increased by £3.2 million as compared to £1.8 million in 2024/25. This is due to ramp up of expenditure across various AMP8 schemes in 2025/26 as compared to transitional spend of £1.8 million in prior year. These AMP8 projects relate to security upgrades, integrations and transformations in 2025/26. Some of these projects are Windows 11 integration (£1.4 million), ZTA Site Network Upgrades (£1.3 million) and various cyber security upgrades (£0.5 million).

Actual expenditure has increased by £3.6 million as compared to £1.3 million allowed expenditure which is due to accelerated cyber investment.

4M.165 to 4M.167 Greenhouse gas reduction (net zero) – Expenditure has increased by £16.5 million as compared to £0.2 million of transitional spend in 2024/25. This is due to ramp up of expenditure across various schemes in 2025/26, mainly relating to Strongford (£14.0 million), Net Zero Digital Twins wastewater recycling (£1.3 million) and Process Monitoring Optimisation year 1 (£0.9 million).

Actual expenditure has decreased by £29.8 million compared to £46.5 million allowed expenditure due to timing and profiling of projects' spend.

4M.168 to 4M.170 PR19 Green Recovery carryover – Expenditure has increased by £106.6 million as compared to 2024/25. This carry over relates to storm tank storage, network storage and ozone disinfection reported in freeform lines in prior year for Green Recovery.

Actual expenditure has increased by £149.7 million compared to nil allowed expenditure due to AMP7 Green Recovery carryover into AMP8.

4M.171 to 4M.173 Industrial Emissions Directive – Expenditure has increased by £8.5 million as compared to £8.2 million of transitional spend in 2024/25. This is due to ramp up of expenditure across various schemes in 2025/26 and carry over of AMP7 spend. Some of the key projects relate to Worcester IED (£2.1 million), Strongford IED Compliance (£0.4 million), Netheridge IED (£0.6 million), Monkmoor IED (£0.3 million), Minworth IED (£0.2 million) and increase in various other schemes in current financial year.

Actual expenditure has decreased by £70.4 million compared to £87.1 million allowed expenditure due to timing and approvals for IED schemes.

The overall overspend reflects accelerated investment in environmental and growth programmes in AMP8 year 1, supported by insourced delivery capability and supply chain readiness. This is offset by expected deferral of large complex capital schemes such as sludge, IED and net zero programmes which are in early design and approval stages and will ramp up in later years of the AMP. Overall, the variance represents timing and acceleration effects rather than scope changes.

4N – DEVELOPER SERVICES EXPENDITURE (WATER AND WASTEWATER NETWORK+)

Year Ended 31 March 2026

No additional commentary relating to this data table.

4O – DIVERSIONS EXPENDITURE (WATER AND WASTEWATER NETWORK+)

Year Ended 31 March 2026

No additional commentary relating to this data table.

4P – INFRASTRUCTURE NETWORK REINFORCEMENT PROJECTS

Year Ended 31 March 2026

Network reinforcement sees a combined forecast of £260m across AMP8. Split between £99m in water and £161m in In line with wastewater. In line with other forecasts presented in the APR and our PCD Delivery Plan, we have represented costs in 2022/23 price base. We have used the latest forecast, in 2022/23 prices, as the factor to determine schemes over £5m.

We note that the excel table 4P was not clear how the location and asset type section of the table should be populated. As such we have endeavoured to include the relevant information and left cells blank where necessary.

Wastewater network reinforcement	Total Spend (£m)	Capital Delivery Commentary
SE Coalville Sewerage Long Term Strategy	6.13	Feasibility on going. Currently reviewing linkages between the Network Reinforcement Programme and the WINEP CSO sites to drive delivery efficiency.
Nuneaton Strategic Sewerage Growth	6.68	Project is currently in design with a notional pumping station and rising main upsize solution. Currently reviewing linkages between the Network Reinforcement Programme and the WINEP CSO sites to drive delivery efficiency.
Thorpebury SUE Growth	5.56	Project is currently in design. Severn Trent are currently optimising the solution split between upsizing pumping stations and rising mains, and providing additional network sewer storage.
Rugby SW Sewerage Growth AMP8	6.21	Project is in Contract with Avove for Delivery. The scheme includes an upsizing of the pumping station, a dual rising main and additional network storage. The project is due to commence this summer.
Longbridge Strat Sewerage Growth AMP8	7.01	Project is within design, and a notional solution has been defined, involving additional network storage and rationalisation of existing pumping station performance.
Solihull Growth AMP8	7.83	Currently in Pre-Promotion stage – Review of best value solution in progress
Keresley Growth	5.50	Currently in Pre-Promotion stage – Review of best value solution in progress
West Gainsborough Growth	5.35	Currently in Pre-Promotion stage – Review of best value solution in progress

In addition, the following projects were identified in the PR24 submission as being more than £5m solutions but latest forecasts suggest the solution will be below the £5m threshold.

Scheme	Update
Walsall food processing	Applicant has withdrawn, scheme no longer required
Throckmorton Airfield, Pershore	No change compared to the FD assumption but scheme not yet confirmed.
Gamston Park Village, Tollerton	Scheme progressing though detailed design, latest cost estimates are less than £5m based on initial scope.
Lutterworth SUE Magna Park	No change compared to the FD assumption but scheme not yet confirmed.
Rugeley Power Station	Scheme progressing though detailed design, latest cost estimates are less than £5m based on initial scope.
Bingham Sewerage Growth	Scheme progressing though detailed design, latest cost estimates are less than £5m based on initial scope.
Balderton Catchment Sewerage Growth	Scheme progressing though detailed design, latest cost estimates are less than £5m based on initial scope.

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

Year ended 31 March 2026

4Q.9-11

Year on year growth activity is solely determined by New Appointments and Variations ('NAVs'), we have seen an expected significant increase due to continued NAV prevalence within the market. We are reliant upon the NAVs to inform us of their new property connections in a timely manner.

4Q.14-15

The year on year decrease for the 'Length of new mains' reflects the significant increase in NAV activity across the region and the change in market conditions. Our PR24 forecast was 35km (4Q.14) and 93km (4Q.15), whilst it is not easy to forecast how much physical pipe will be required across all developments and we are unaware of lengths of mains laid by NAVs, the decrease does align with the significant increase reported on data lines 4Q.9-11 that shows more NAV property numbers reported to us than last year.

4Q.16

As of the start of the scheme in April 2025, we have had 1,170 properties that have applied for the scheme and been assessed by either through desktop or physical on-site audit – of those, the numbers reported are properties that met the qualifying conditions with the developer customer therefore having received the relevant incentive payments. Developers are undergoing a learning journey to ensure they can demonstrate that the qualifying conditions are met. The numbers reported are the number of properties where an EIS payment has been made to a developer customer between 01/04/2025 and 31/03/2026

4R - CONNECTED PROPERTIES, CUSTOMERS AND POPULATION

Year ended 31 March 2026

Average Customer Volumes

Residential properties

Total residential customers (excluding voids) have increased by 0.3% since the prior year to 4,204,100 properties. The year-on-year increase in total customers is driven by new connections offset by a slight increase in voids, we have had c.9,000 properties fall into void this year.

Business properties

Total connected business customers have decreased by c.7,400 properties in the year. This is due to an increase in c.1,900 deregistration's during the year outweighing new connections, which was driven by a deregistration initiative by WaterPlus in the financial year. Also total voids have increased on average by c.5,500 year-on-year, driven by the 2024/25 financial year vacancy incentive programme not continuing into the 2025/26 financial year.

The proportion of measured business billed properties has remained flat at 88% year-on-year.

Water Customers At Year End

Cattle Troughs

Due to the directive by Ofwat to deduct cattle troughs from the total customers, we began reporting on this as of the 2022/23 financial year. Total cattle trough customers this year are 550 in charge and 560 in void totalling 1,110, down from 1,141 in the previous year. While these are not material movements and are in line with our expectations. These have been removed from the current year reporting in line with Ofwat guidelines.

Smart Meters

We continue to install Advanced Metering Infrastructure ('AMI') smart meters with c.416,000 now installed for measured properties (excluding any in void), which represents an increase from the 279,000 from last year end. In total, we have c.615,000 connected properties measured and unmeasured which have a smart meter installed.

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.

Below Minimum Bill and 'Other' Unbilled

As with last year, we are reporting zero below minimum bill customers this year.

The total volume of 'other unbilled' has reduced this year from c.25,000 to c.17,000 in the residential line due to a reduction in the backlog of "change of responsibilities" not yet billed from financial year 2024/25. Some other reasons for unbilled accounts are as follows:

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

Business Properties

Within measured business properties, the proportion of AMI meters has increased to 9%, with Basic and Automated Meter Reading ('AMR') meters reducing from 100% to 91%. These movements are because of Basic meters no longer being installed and there is a growing preference for AMI over AMR meters.

4R.29

New study undertaken using a mix of 2021 Census, survey and administrative sources, in addition to published research which returned an increased value for non-resident population. This new study includes a wealth of new statistics that have been released, including revised visitor survey methodologies and updated visitor statistics.

4R.30-32

Same process as AR25. Occupancy at property level derived by post codes provided by Severn Trent. Occupancy rates split by measured and unmeasured provided back to Severn Trent applied to billing system property counts to derive population.

The CACI Ltd unmeasured occupancy decreased from 2024/25, meaning population decreased. This is unexpected as we would expect population to increase year on year, this is still being investigated

with CACI Ltd. Measured occupancy increased resulting in the increase of properties in both categories. As a result of the unmeasured occupancy decrease, total population decreased also.

No update made to Hidden and Transient population for 2025/26.

4V – MARKET-TO-MARKET OF FINANCIAL DERIVATIVES ANALYSED BASED ON PAYMENT DATES

Year ended 31 March 2026

No additional commentary relating to this data table.

4W – DEFINED BENEFIT PENSION SCHEME (ADDITIONAL INFORMATION)

Year ended 31 March 2026

In the year there was an identified unfunded contribution resulting in £1.5 million obligation. This is for certain former employees who were made redundant and received an enhanced pension as part of their redundancy package. The company has an additional liability to meet their enhanced benefits. This is not an explicit pension scheme, however it does constitute a pension provision. Therefore, the £1.5 million unfunded obligation is a reconciling item between the value of the schemes deficit in table 4W and the value of the pension provision on the balance sheet (table 1C).

4Z - HOUSEHOLD BILL REDUCTION SCHEMES, DEBT, GUARANTEED STANDARDS SCHEME PAYMENTS AND PRIORITY SERVICE REGISTER DATA

Year ended 31 March 2026

No additional commentary relating to this data table.

4AA AND 4AB - THIRD-PARTY SERVICES WATER AND WASTEWATER EXPENDITURE

Year ended 31 March 2026

No additional commentary relating to this data table.

4AC AND 4AD - BASE EXPENDITURE ANALYSIS – WATER AND WASTEWATER ASSET REFURBISHMENT AND REPLACEMENT

Scope and overview of approach

We have completed tables 4AC and 4AD to reflect the scope of the relevant asset classes and the specific intervention definitions as set out in the guidance for:

- **tranche 1 priority asset classes** for which historical maintenance expenditure was reported in the 2025 Workload and Expenditure Data request (service reservoirs, water towers, other network storage[1], boreholes, RGFs, settlement tanks, trickle filters, ASP and gravity sewers); and
- **two additional asset classes** (water mains and rising mains).

The APR tables 4AC and 4AD require reporting of only 'refurbishment' and 'replacement' maintenance capex (either capitalised or expensed)[2]. We note that the tables do not include 'repair' and 'other' capex categories or any maintenance opex (except for expensed capex which is also reported in APR table 4J/4K as opex). This means that these reported values will necessarily be a subset of the full maintenance costs incurred on those specified asset classes (as previously reported in the 2025 Workload and Expenditure submission).

We have adopted a pragmatic and strategic approach to completing these tables for this reporting year. This is because:

- we do not currently record maintenance costs or workload activities according to the specific definitions required; and
- there has been limited time to establish and embed processes to systematise the collection of this data.

We consider that the tiered approach that we have followed (see Figure 1) seeks to make best use of available data, supplemented where necessary by reasonable assumptions and allocations, to provide a transparent and proportionate response to the requirement. Table 1 shows which method has been used for each asset class.

[1] Note: slight change in categorisation from the 2025 WL&E submission to 'Other Network Storage'

[2] Note: only 'refurbishment' expenditure is required for gravity sewers and rising mains and workload is mapped to Table 7C. Refurbishment and replacement categories are required for water mains expenditure, and workload is mapped to Table 6C.

Figure 1: Overview of tiered approach to data reporting for Tables 4AC and 4AD

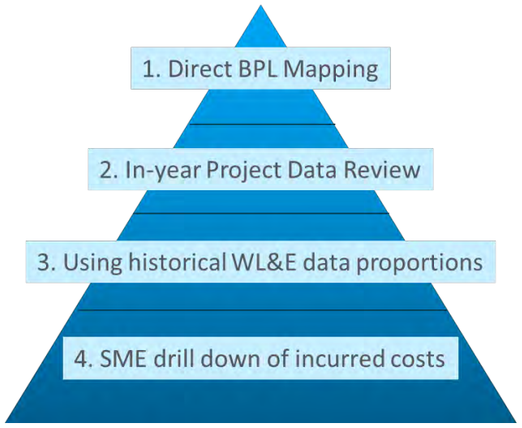


Table 1: Approach used to complete Tables 4AC and 4AD by asset type Required asset class	Tier 2 Review of internally reported project data	Tier 3 Use of prior WLE data proportions to isolate required cost lines	Tier 4 Subject matter expert drill down of incurred costs
Service reservoirs	✓		
Water towers	✓		
Other network storage	✓		
RGFs	✓		
Boreholes	✓		
Water mains	✓		
Settlement tanks		✓	
Trickle filters		✓	
ASP		✓	
Gravity sewers	✓		✓
Rising mains	✓		✓

Tier 2 approach: Review of internally reported project data

Our internal accounting policy allocates capital maintenance between capitalised and expensed expenditure and our internal reporting of capital maintenance (capitalised or expensed) places all costs to a project reference. Projects are then allocated to one or more Business Plan Line (BPL) codes which describe in more detail the assets and/or costs drivers associated with the project. It is these BPL codes that allow project expenditure to be reported in APR table 4J-4M.

However, our existing BPL codes do not allow us to isolate costs to the specific asset classes or interventions required for reporting in the new APR table 4AC and 4AD. Therefore, we have used BPL codes to narrow down the costs and projects to those that could contain expenditure relating the required asset class. Subject matter experts have then reviewed the projects to isolate the proportion of the internally reported costs that relate to the required asset classes and maintenance intervention types – in accordance with the definitions required.

To identify number of workload interventions that have been completed in the reporting year we have followed the following high level approach:

- For Service Reservoir projects, we have assumed an intervention where the 'reservoir back into supply date' falls within the reporting year.
- For more strategic '5 stage' projects, we have assumed one intervention per project where the stage 4 completion date falls within the reporting year.
- For higher frequency 'block' projects, we have assumed one intervention per site where costs have been incurred within the reporting year.

Tier 3 approach: Using historical Workload and expenditure data proportions for reporting

Where the BPL codes are not sufficiently discerning or the number of identified projects are very large, isolating costs and workload values from internally reported data was not considered feasible. This was the case for the three identified wastewater treatment asset classes (settlement tanks, ASPs and trickle filters). In these cases, we have taken a proportionate, assumptions-based approach relying on the data submitted in the November 2025 workload and expenditure data request. We have then used this data to infer the proportion of expenditure and workload that has been incurred in 2025/26.

- We have calculated the required historical expenditure reported in the 2025 workload and expenditure submission as a proportion of total sewage treatment capital maintenance expenditure. This has been completed for both a 5 year (AMP7) average and for the full timeseries for the submitted data. These averages have been calculated on a real basis using CPIH. We have applied these expenditure proportions to total capital maintenance sewage treatment expenditure for 2025/26. This 2025/26 expenditure is from APR Table 4K.
- We have then calculated workload reported in the 2025 submission as a proportion of expenditure reported in the 2025 submission for both a five year average and full period average. This provides an interventions per £ value. We have applied these workload proportions to the 2025-26 expenditure values to infer workload values by asset and intervention type.

- Subject matter experts confirmed planned AMP8 work and how this compares with previous investment. Where the AMP7 period is analogous to AMP8 we have used the five year average inferred workload and expenditure values. Where this is not the case we have used the full timeseries average.

The expenditure and number of interventions outputted from this assumptions-based approach have been verified by subject matter experts to sense check their appropriateness and provide confidence that the approach leads to sensible outputs.

Tier 4 approach: Subject matter expert drill down of incurred costs

When allocating expenditure for gravity sewers and rising mains, there were instances where the information reported on our existing BPL codes did not provide enough information to isolate the required costs and workload activity. In these instances, additional information has been reviewed including contractor cost trackers and more detailed internal reports to identify relevant expenditure and interventions to be reported. This type of detailed review has been undertaken for:

- Gravity sewer refurbishment – expensed (reactive and proportion of proactive work);
- A proportion of proactive gravity sewer refurbishment – capitalised; and
- Reactive rising main refurbishment – expensed.

Assurance

We have undertaken three lines of assurance on these new data table lines for Tables 4AC and 4AD. This has included an external process audit to review and challenge our approach for this data submission, as well as our normal assurance framework for financial APR tables. This has ensured we have had independent challenge for this new process.

Assumptions made to report this data

The completion of these APR tables has required the application of a number of assumptions. These assumptions have been applied consistently to provide a reasonable and transparent basis for completing the tables in the absence of fully disaggregated source data aligned to the reporting requirements, as set out below.

Asset class definition assumptions

Network storage assets

Where network storage assets have individual cells that can be drained down and operated separately they have been reported separately.

When reporting against the 'other network storage' category, we have included contact tanks and final water storage assets to be consistent with the 2025 workload and expenditure data request.

Gravity sewers

When reporting against the "gravity sewers" category, we have included expenditure directly related to sewer rehabilitation and have removed expenditure on any associated activities, such as sewer manhole activity.

The 2025 workload and expenditure submission included only direct costs associated with rehabilitation of the sewer lengths reported in APR table 7C. These costs did not include any enabling costs that were 'upstream' of these interventions, such as CCTV surveys and cleanse work needed to identify and prioritise proactive interventions. These costs are material and typically reported in the same projects in our internal reporting. We included direct and indirect costs in our 2026 sewer rehab cost change reopener business case, and are including both direct and indirect costs for sewer rehabilitation in this APR submission.

Expenditure assumptions

Inclusion of base expenditure only

Data reported is exclusively base expenditure (capital maintenance). We have removed expenditure that is enhancement expenditure in its entirety and where expenditure is proportionally allocated to enhancement.

Overheads

Reported costs include both corporate and project-specific overheads. Corporate overheads are systematically allocated within financial systems and reflected in project costs. Project specific overheads are also captured directly within project level records and are included in the reported values.

Interaction with tables 6C and 7C

As per the guidance, when reporting expenditure for "water mains", "gravity sewers" and "rising mains" we have aligned with data reported in tables 6C and 7C respectively. Maintenance expenditure associated with lengths reported this year has been included. Where work is underway but not yet complete and hence not reported in tables 6C and 7C this year, we have still included relevant expenditure incurred this year. We consider that this is consistent with the other asset classes.

Workload intervention assumptions

Distinction between repair and refurbishment intervention categories

Tables 4AC and 4AD only require 'refurbishment' and 'replacement' workload and expenditure to be reported, which differs from the 2025 workload and expenditure data request that included 'repair' and 'other' categories. The boundary between 'repair' and 'refurbishment' activities is not always clear cut. We have applied a consistent set of asset class specific assumptions to differentiate between the intervention types and to exclude expenditure associated with the 'repair' and 'other' categories.

Historic percentage inferred data assumptions

Where we used proportions from the 2025 workload and expenditure data request (Tier 3), we are fundamentally assuming that these inferences are relevant to 2026 costs. This requires us to assume that the workload and expenditure data reported as part of the 2025 data request is accurate and a good representation of values for 2025/26. This data was reported in November 2025 following a robust process that was subject to third line assurance. We have also made sure to consider the timeseries of workload and expenditure data that we use (the last five years to use the most current data, or the full 10 years if the five year view is likely to be less representative).

Nevertheless, this additional layer of assumptions will necessarily impact on the quality of the reported data.

5A - WATER RESOURCES ASSET AND VOLUMES DATA

Year ended 31 March 2026

5A.1-3

Variations across the reporting lines is due to a managed production shift from impounding to pumped storage and river sources due to the dry drought year, therefore a volumetric decrease can be seen for impounding reservoirs and a increase in pumped storage and river abstraction.

5A.11

The number of river abstractions has increased from six to seven, due to the addition of the intake source from Rothley Brook into Cropston Water treatment works.

5A.12

The number of groundwater works has dropped from 101 to 100, as in the financial year Wellesbourne WTW and Westwood WTW have been out of supply this year while Eastwall WTW is back in supply, resulting in a net change of one works.

5A.20

Seven pumping stations were out of service for the year, this results in an overall net change of seven pumping stations.

5A.22

A slight increase of 1,746 metres can be observed for the financial year, following the new inlet support main for Thornton to Cropston resulting in an extra 1,084 metres of pipe length and a further 661 metres of pipe length added to Ambergate to Ogston following DVA survey work.

5A.23

An increased Abstraction flow has driven an increase in abstraction head, flow has increased across the portfolio of sites, notably Ambergate (55Ml/d).

No estimation methods are used to calculate the raw water abstraction average pumping head data.

5A.24

The dry and hot summer resulted in increased water demand and therefore higher pumping requirements during the reporting year, which leads to higher energy requirements from water sites.

6A - RAW WATER TRANSPORT, RAW WATER STORAGE AND WATER TREATMENT DATA

Year ended 31 March 2026

6A.6

There has been a small increase in raw water transport flow associated with our works accounting for an increased average pumping head performance. No estimation methods are used to calculate the raw water transport head data.

6A.7

There has been an increase in raw water transport energy consumption as seen by the increase in water demand due to the warm summer, which resulted in an increased energy consumption.

6A.13-6A.27

Treatment works – treatment type analysis

One works (Lizard Mill) has moved out from treatment type 'Simple disinfection' as the license has been revoked and the works abandoned.

One Works (Woodfield) has moved into treatment type 'W4' from 'W1' following installation of UV treatment.

Two works (Copley and Far Baulker) have moved into treatment type 'W5' from 'W4' following installation of UV treatment at Copley which also has enhanced water treatment and installation of UV treatment at Far Baulker which also has ion exchange treatment.

Treatment works – Water treated flows

For groundwater W3 works the flow data for water treated has decreased due to the reduced reservoir storage levels at Bamford between July-September as well as Tittesworth being out of supply during this period.

Treatment works not used in reporting year

Six works with 'Simple disinfection' treatment were not used this year in this category but have not been decommissioned (Rednal, Bestwood, Much Wenlock and Waveley Road, Emergency sources: Burbury Park and Newton Place).

One works with simple physical 'W1' treatment not used in reporting year: Watery Lane.

Four works with complex 'W4' treatment not used in this year in this category: Green Lane, Wellesbourne, Westwood and The Crescent emergency source.

6A.29

Reported peak week production capacity ('PWPC') is associated with the AMP8 disinfection scheme at Far Baulker BPS treating both Rufford and Far Baulker water.

6A.30

Reported PWPC associated with five Bacteriological/Crypto catchment management schemes endorsed by DWI for twin-track approach catchment and treatment risk mitigation.

6A.32

One treatment works (Far Baulker) required remedial action because of raw water deterioration.

6A.34

To calculate the average pumping head for water treatment DAF recirculation flows are assumed to be 10% of the average daily flow unless actual data is available. Filter backwash flows are assumed to be 0.5% of the average daily flow unless actual data is available.

6A.35

Water treatment energy consumption has increased from last year because of the increased water demand due to the warm summer.

6B - TREATED WATER DISTRIBUTION - ASSETS AND OPERATIONS

Year ended 31 March 2026

6B.21 and 6B.22

Total number of service reservoirs and water towers have decreased due to sites mothballed within the reporting year.

6B.24

We have several hundred distribution pumping stations which vary in size, therefore it is not economically viable to measure the differential head at all these sites. Where no flow, pump, system curve or telemetry data is available a different approach is taken to calculate the volume x lift.

6B.27

The total number of treated water distribution exports has significantly increased from last year due to 105 new NAV's added.

6B.35

Total annual leakage reported in 6B is derived from the same leakage data that is used in both leakage performance reporting (as an input to the three-year average calculation) and annual WRMP reporting.

6C - MAINS, COMMUNICATION PIPES AND OTHER DATA (WATER NETWORK+)

Year ended 31 March 2026

6C.3

Significant year on year reduction for length of mains renewed due to the change in strategic direction to renew more non-preferred pipe. This is to improve the asset health of our water network which is critical to reduce burst mains and deliver our leakage target. The conditions grades are determined based on two cohorts, bursts on non-preferred materials and bursts on preferred materials. However, it's worth noting that burst frequency is only a partial indicator of asset health. Improvements in burst performance can occur without renewal through other operational interventions such as network optimisation and operation controls. Renewal need may arise from factors not reflected in burst data, such as water quality or material risk.

6C.4

The reduction of the length of new potable mains relate to the shift in activities in 4Q.14 and 4Q.15 relating to NAV's, new mains are in part driven by developer demand which leads to fluctuation in volume.

6C.23

We have seen a significant decrease in the number of lead pipes replaced this year following the completion of the Green Recovery supply pipes scheme in AMP7 which accounted for over 8000 replacements in last year's performance. Following completion of the Green Recovery programme the reported lead performance is in line with the start of AMP7.

6C.25

Previously, low-pressure performance was measured using our AMP7 bespoke "low pressure days" methodology, assessing pressure at the main against a 15m head threshold, with properties added after 25 breaches over a rolling five years.

The revised approach adopts Ofwat's standard, measuring pressure at the master stop tap ('MST') against a 10m head threshold, with properties added after six breaches within a single year. This shift, lowering thresholds, shortening the assessment period, and measuring closer to customers, along with improved asset data, has driven the increase in properties on the low-pressure register.

6D - DEMAND MANAGEMENT - METERING AND LEAKAGE ACTIVITIES

Year ended 31 March 2026

Smart Metering Programme

Severn Trent has transitioned to the predominant installation of Advanced Metering Infrastructure ('AMI') meters, with a reduced reliance on legacy Automated Meter Reading ('AMR') technology. AMI meters provide enhanced capability, enabling remote data collection via communications networks, while AMR meters support limited localised reads where still in use.

Severn Trent's smart metering network uses a combination of Long-Range Wide Area Network ('LoRaWAN') and Narrow Band Internet of Things ('NBIoT') technologies to transmit meter data back to central systems, enabling reliable and flexible communication across different geographic areas and network conditions. LoRaWAN supports long-range, low-power connectivity in areas with challenging coverage, while NB-IoT provides enhanced capacity and resilience via the mobile network. We ended 2025/26 with 4,484 connected meters recognised under the PCD definition.

Metering activities include new installations for previously unmetered properties, replacement of existing meters, and upgrades to AMI, delivered through both proactive programmes and customer optant requests. Customer-led demand for free optional meters has continued to increase year-on-year. The out-turn number of household free meter installations during 2025/26 is 48,639, of these installations 48,230 utilise AMI (smart-enabled) meters, reflecting our commitment to transition to a predominantly smart meter estate.

We have installed a further 133,190 selective meters during 2025/26, including 131,449 new household AMI meter installations. We have also upgraded 42,038 existing household meters and 8,950 existing non-household meters from basic or AMR to AMI meters during 2025/26.

For Severn Trent, metering activities deliver critical benefits in supporting WRMP objectives, including reductions in per capita consumption ('PCC') and leakage through enhanced data capture and proactive leak detection. These interventions collectively delivered a benefit of 8.17 Ml/d, arising from a combination of customer switching to measured billing and improved speed of response in identifying and resolving continuous flow.

These benefits also enable more targeted operational interventions, improved customer engagement and lower overall demand, contributing to long-term water resource resilience and regulatory performance commitments

The costs reported in lines 6D.1, 6D.2 and 6D.3 do not agree with costs reported in lines 4L.62, 4L.65 and 4L.68 respectively. This is because throughout this year, metering costs were assigned on to relevant capital codes based on the type of install (e.g. proactive, reactive, install, exchange etc.). For operational purposes the majority of materials costs were allocated onto one code. For the purposes of APR reporting these costs were allocated out to the other capital projects based on the install and exchange volumes in the year due to which the costs reported in 4L lines do not agree with relevant lines in 6D. Additionally, costs for a portion of the activity completed in the year (contributing to the reported volumes) were not recognised in costs through work orders, due to still being reviewed, validated and processed by the team at period end. An accrual is made for these costs to ensure the completeness of costs at the year-end. This accrual is made to one code and again allocated out based on volume activity splits in the year.

Business Plan Commitments

We continue to encourage customers to switch to measured bills and our smart meter data shows that this switch tends to result in lower overall per-household consumption.

In addition to 54,000 customers opting to switch to a measured bill, our Universal Metering program commenced this year with over 174,000 customers transitioned to a measured bill and we continue to monitor the water savings and customer impacts of this process. This customer set for this process has been bought forward from the original start due in 2027/28.

We are continually utilising our growing smart meter data to learn about our customer behaviours, so customers and our teams are alerted earlier to continuous flow issues, enabling faster leak detection and repairs, delivering a significant impact to the length of time those leaks last.

6E – LEAKAGE ACTIVITY

Year ended 31 March 2026

6E.4

The value reported in 6E.4 is the difference between Total Leakage reported at APR25 and APR26. Total leakage in this line includes leakage benefit from all reduction activities. The WRMP/PR29 leakage forecasts align to reported performance. We report the spot year leakage figure from the APR in the WMRP Annual Review. We also quote the three year rolling average performance vs target in a performance commitments section of the WRMP Annual Review.

6F - WRMP ANNUAL REPORTING ON DELIVERY – NON-LEAKAGE & METERING ACTIVITIES

Year ended 31 March 2026

The reported expenditure within table 6F is reported within the 2022-23 prices and is therefore different to the expenditure reported within table 4L. Table 6F is populated for all the schemes included within the WRMP24 compared to table 4L which includes the expenditure for schemes outside of the WRMP24 or schemes from the last AMP which have incurred costs in the current reporting year.

Supply-side and internal interconnectors

Projects are currently within the optioneering and outline design stages and are on track to deliver benefits as outlined within the WRMP and Business Plans.

We are no longer proceeding with the Strensham WTW scheme to be delivered in AMP8. The benefits that were associated with this scheme will be delivered through the Draycote WTW expansion and Homesford Lead removal schemes. The spend associated with this scheme in 2027-28 relates to trialling of new technology that is required information for the when the scheme eventually is resumed.

Household demand-side improvements

With ongoing hot and cold weather events we have continued to support customers in driving down their water consumption through further understanding our customers consumption patterns and the providing targeted improvement activities. These activities include over 10,200 Home Water Efficiency visits focusing on identification of leaks and achieving a fix on more than 50% of these visits as well as install water efficiency devices.

Our education program delivered water efficiency lessons to 151,000 school children and our Environmental Discount Scheme.

Non-Household demand-side improvements

Our Business Demand activities have continued from last AMP, with improved efficiencies and effectiveness. We have performed 976 non-household water audits over a wide range of business,

continually developing a greater understanding of businesses we supply. In addition to this we have also started our Flow Control Valve program with two installed delivering 0.285 Ml/d and aim to install more.

While we have developed a great starting relationship with retailers we will continue to enhance our collaboration, aiming to deliver a similar leak detection and repair process utilising smart meters that we have with our household customers.

7A - FUNCTIONAL EXPENDITURE - (WASTEWATER NETWORK+)

Year ended 31 March 2026

No additional commentary relating to this data table.

7B - LARGE SEWAGE TREATMENT WORKS - (WASTEWATER NETWORK+)

Year ended 31 March 2026

No additional commentary relating to this data table.

7C - SEWER AND VOLUME DATA (WASTEWATER NETWORK+)

Year ended 31 March 2026

7C.1-2

One s101A scheme has been completed in the reporting year, this is the Yoxall project. This s101A scheme contains 11 connected duty properties.

7C.14

Increase in our meterage performance this year is due to the start of the new AMP funds.

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.

7C.28

The reporting line is the number of storm overflows Consistent with the PR24 performance commitment and is auto calculated as the sum of the APR lines 7C.23-7C.27. For our performance commitment we have reported the number of overflows as the sum of the APR lines 7C.23-7C.25, as for the performance commitment we have excluded the storm overflows which are pending investigation or closed in the previous reporting year.

7D - SEWAGE TREATMENT WORKS DATA (WASTEWATER NETWORK+)

Year ended 31 March 2026

7D.17

The population equivalent provided relates to the delivery of 10 CAPEX schemes which take on new or tightened Phosphourus permit conditions aligned to the PR24 WINEP within the reporting year.

There are no additional permits which have been taken on with OPEX only solutions within the reporting year.

7D.18

There are no sites that have taken on new or tightened N consents within the reporting year.

7D.19

The population equivalent provided relates to the delivery of five CAPEX schemes which takes on new or tightened Sanitary permit conditions aligned to the PR19 WINEP within the reporting year.

There are no additional permits which have been taken on with OPEX only solutions within the reporting year.

7D.20

There are no sites that have taken on new or tightened microbiological treatment consents within the reporting year.

7D.22

No schemes have been delivered in year 1 hence the nil return reported within the table and a significant decrease in the reported performance compared to last year.

7E - ENERGY CONSUMPTION AND OTHER DATA (WASTEWATER NETWORK+)

Year ended 31 March 2026

7E.2

There are no Designated Coastal Bathing Waters in the Severn Trent England area. There are four inland bathing waters: Colwick Country Park, River Severn in Shrewsbury, River Severn at Ironbridge and River Teme in Ludlow.

7E.3-5

We have seen a decrease in energy consumption this year for Sewage Collection as we have seen a reduction of prolonged wet weather periods compared to the year before and therefore a reduced amount of flow in the network to pump compared to the prior year.

Sewage Treatment slight year on year increase in energy consumption is attributed to additional assets to maintain environmental compliance.

7E.7

Operational demand changes year on year, as we saw a 20% rise in reported "sewer smell investigations" since the prior financial year, which has also increased the volume of incoming complaints for sewer smells. Historically fluctuating numbers with no real trend, subject to impact by weather, commercial activity, and external factors.

Scheme Delivery

Several lines included within table 7E are submitting a nil return as work is expected to be completed later in the AMP, which is in line with our company business plan.

7F - WINEP PHOSPHORUS REMOVAL SCHEME COSTS AND COST DRIVERS - WASTEWATER NETWORK+

Year ended 31 March 2026

Costs are extracted from a centralised dataset ('CPLD') using a key identifier such as project reference, with missing entries defaulted to zero, and then standardised by deflating to a common base year (2022-23) using appropriate inflation indices to ensure consistency.

Overall, this method apportions costs by linking scheme or site-level data to a validated central dataset and applying consistent inflation adjustments to normalise values, rather than relying on manual cost estimation. The table includes a mix of site-specific delivery assumptions and broader planning assumptions. These generally relate to future permit compliance being achieved through completion of AMP7, AMP8 or Green Recovery schemes, optimisation of existing treatment processes, works closures with flow transfers to receiving sites, and development of new treatment solutions where multiple options are being considered. In some cases, population equivalent changes reflect site closures, flow rerouting, or growth-related updates. Site-specific phosphorus compliance is expected to be delivered through a range of approaches including chemical dosing optimisation, EBPR, electrocoagulation, reactive media, final effluent discharge relocation, and other scheme-specific interventions. Where costs have been apportioned across sites with multiple permit drivers, this has been based on the current preferred design scenario, delivery assumptions, and the anticipated primary driver of investment. A few schemes have not been completed for the type of solution as a single solution has not been selected yet. The OPEX data values have been consolidated under a holding code to represent the total across the AMP for all schemes.

7G - WINEP SANITARY PARAMETERS SCHEME COSTS AND COST DRIVERS - WASTEWATER NETWORK+

Year ended 31 March 2026

Costs are extracted from a centralised dataset (CPLD) using a key identifier such as project reference, with missing entries defaulted to zero, and then standardised by deflating to a common base year (2022-23) using appropriate inflation indices to ensure consistency.

Overall, this method apportions costs by linking scheme or site-level data to a validated central dataset and applying consistent inflation adjustments to normalise values, rather than relying on manual cost estimation. The table includes a mix of site-specific delivery assumptions and broader planning assumptions. These generally relate to future permit compliance being achieved through completion of AMP7 or AMP8, optimisation of existing treatment processes, works closures with flow transfers to receiving sites, and development of new treatment solutions where the final approach is still being confirmed. In some cases, population equivalent changes reflect site closures, flow rerouting, or growth-related updates. Site-specific permit compliance is expected to be delivered through increasing capacity within treatment stages, discharge relocation changes, and other scheme-specific interventions. Where costs have been apportioned across sites with multiple permit drivers, this has been based on the current preferred design scenario, delivery assumptions, and the anticipated primary driver of investment. The OPEX data values have been consolidated under a holding code to represent the total across the AMP for all schemes.

7H - WINEP NITROGEN REMOVAL SCHEME COSTS AND COST DRIVERS - WASTEWATER NETWORK+

Year ended 31 March 2026

Costs are extracted from a centralised dataset using a key identifier such as project reference, with missing entries defaulted to zero, and then standardised by deflating to a common base year (2022-23) using appropriate inflation indices to ensure consistency.

Overall, this method apportions costs by linking scheme or site-level data to a validated central dataset and applying consistent inflation adjustments to normalise values, rather than relying on manual cost estimation. The table includes a mix of site-specific delivery assumptions and broader planning assumptions

7I – GROWTH AT STW SCHEME COSTS AND COST DRIVERS - WASTEWATER NETWORK+

Year ended 31 March 2026

No additional commentary relating to this data table.

7J – INDUSTRIAL EMISSIONS DIRECTIVE SCHEME COSTS AND COST DRIVERS - BIORESOURCES

Year ended 31 March 2026

No additional commentary relating to this data table.

7K - WINEP STORM OVERFLOW SCHEME COSTS AND COST DRIVERS - WASTEWATER NETWORK+

Year ended 31 March 2026

No additional commentary relating to this data table.

8A - BIORESOURCES SLUDGE DATA

Year ended 31 March 2026

8A.1-2

No sludge treated by third party - therefore no double counting is included in these numbers.

8A.4

Tankered Domestic contribution calculated through measuring total solids and volume through JRP loggers at every site. These loggers record the date, time, driver, volume, and suspended solids of each load. Tankered Trade contribution calculated through multiplying volume of waste received and lab measured solids as recorded on our sample database.

This data includes the volume and suspended solids content which is then used to calculate the thousand tonnes of dry solids of non-appointed loads.

A year on year reduction is seen for the total of sewage sludge produced due to decrease in volumes received for domestic solids, average solids concentration and tinkered trade waste as a result of site restrictions from storm conditions and operational issues.

8A.6-8

Increase seen this year for total sludge disposed is a result of catch up from the harvest year 2025 and growth.

8A.10-18 Road distance yearly variations

The increase seen this year in the total measure of intersiting work done by tanker is a result of a combination of factors such as :

- The continued increase in sludge production with commissioning of chemical dosing schemes and tighter permits increasing export frequency;
- The continued closure and decommissioning of Harshill and Hinckley digestion plants leading to export of indigenous sludges;
- Delay in de-watering plant installation at Hartshill;
- Average distance per load increasing;
- Combination of digestion plant decommissioning, digester refurbishments and silo pump issues.

The increase for the intersiting work by truck is due to several factors such as the commissioning of Hartshill de-watering plant, increased sludge imports at Brancote and improved asset maintenance and reliability at Coleshill.

The increased tonnages and increased distances results in the increase also seen for the total measure of work done in sludge disposal operations by truck, as well as an increase in average kilometres due to landback restrictions.

8A.10-18 Road distance calculations

8A.10, 8A.11, 8A.12 and 8A.13 - Planned distances are taken from Paragon planning software. Paragon uses HERE mapping (updated annually) and is specifically for HGV's.

8A.14, 8A.15 and 8A.18 - Nil return as no recycling activities using tankers and pipelines.

8A.16 and 8A.17 – Straight-line distance is calculated by "BIO" IT system. Road distances are calculated from straight line distance using "Paragon" vehicle routing software.

8C - BIORESOURCES ENERGY AND LIQUORS ANALYSIS

Year ended 31 March 2026

8C.1-6

More accurate fleet fuel reporting has led to an increase in fuel reported for bioresources electricity reporting. Energy generation has decreased this year due to asset unavailability throughout the year resulting in a decrease in the energy generation and energy exported reporting lines.

8C.18

A year on year reduction is due to Increase in fleet fuel reporting values, which is not metered.

8D - BIORESOURCES SLUDGE TREATMENT AND DISPOSAL DATA

Year ended 31 March 2026

8D.1-7

No significant process changes for the reporting period, variances observed this period relate to the closure of smaller conventional sites (Toton, Hartshill and Hinckley) and increased focus and

optimisation of THP sites. This has resulted on a year on year decrease for conventional AD and increase in advance AD.

9A - INNOVATION COMPETITION

Year ended 31 March 2026

The spend on innovation competition projects is reported in table 9A. Severn Trent processes and systems have been set up so that the funding and spend on innovation competition projects is accounted for, controlled and reported separately to business-as-usual activities funded through totex.

Severn Trent has made all of the payments in full requested by Ofwat, via MOSL, into the innovation fund. Payments into the fund are reported and assured in Table 9A.

11A - OPERATIONAL GREENHOUSE GAS EMISSIONS

Year ended 31 March 2026

Greenhouse gas emissions reporting for 2025/26

Within Table 11A, Severn Trent Water Gross Operational Emissions (market-based) show an increase of 77% compared to data submitted 2024/25. This increase does not reflect a deterioration in operational performance. It is primarily driven by a 205% increase in reported process emissions, which is a direct result of updated emission factors within the Carbon Accounting Workbook ('CAW'). These updated factors align with the 2019 IPCC Refinement to the Guidelines for National Greenhouse Gas Inventories, leading to higher reported emissions for the same underlying activity data.

As such, the increase observed in Table 11A is methodological rather than operational in nature. The Group continues to make tangible progress in reducing real world emissions and remains on track to deliver its long-term decarbonisation commitments.

For Severn Trent Water, there were several notable movements during the year:

- Disposal of waste emissions reduced by 43% compared to 2024/25. This change is primarily due to updated emission factors in CAW v20, reflecting the UKWIR (2023) biosolids to land findings and alignment with the 2019 IPCC Refinement, rather than changes in operational activity.
- Business travel and fleet transport emissions increased year on year. This increase is primarily attributable to improvements in data categorisation as well as an increase in the number of vehicles in the fleet, by insourcing more vans for mains renewal.
- Electricity related emissions decreased for location based emissions overall despite an increase in total electricity consumption, driven by continued decarbonisation of the UK electricity grid. Overall electricity imports increased by 8%; however, ongoing grid decarbonisation resulted in an 8% reduction in associated emissions.

For the first time this year, Severn Trent Water retained the Renewable Energy Guarantees of Origin ('REGOs) associated with electricity exported from its hydro-electric assets in England and Renewable Gas Guarantees of Origin (RGGOs) associated with biomethane export at four major sewage treatment sites. Retention of these REGOs and RGGOS resulted in a reduction of 46,163 tCO_2e from gross emissions, contributing to a lower net emissions position. It should be noted that, despite this benefit, overall hydro-electric generation during 2025/26 was significantly lower than in 2024/25 due to prolonged drought conditions experienced during the summer months.

Severn Trent Water continues to report the benefit of sourcing electricity through a 100% REGO-backed renewable tariff. This is reflected in market-based emissions reporting and supports the company's ongoing commitment to sustainable energy procurement.

Explanatory Statement on Reporting

This APR is based on the outputs using CAW v.20 of the industry standard Carbon Accounting Workbook (CAW). This version was the most recent available as of the 31 March 2025.

Assuring Our Data

The Group's non-financial assurer, Jacobs, were engaged to perform independent limited assurance in accordance with the International Standard on Assurance Engagements 3410 on greenhouse gas statements ('ISAE3410') over Severn Trent Water GHG processes and data.

The Group have also reported and publicly disclosed emissions and climate change data to the Carbon Disclosure Project ('CDP') every year since 2006, and in 2025 achieved A-list status.

Scope 3 Emissions

Despite increased expenditure in line with planned business investment, Scope 3 emissions have decreased by 3% compared to the previous year. This reduction is primarily attributable to decarbonisation across the UK, particularly in grid electricity and cement production. The effects of decarbonisation are evident in the capital goods category where despite increased investment, emissions decreased by 16% compared to the previous year.

Reported emissions from the use of sold products category, which includes sludge to land and propane, have also decreased by 43% compared to the previous year. This reduction is primarily driven by a methodological update, reflecting improved accuracy from newly available scientific data. Chemical emissions have been removed from 11A.46 and reported in 11A.26 as per the guidance.

Explanatory Statement on Reporting of Embedded Emissions at Severn Trent

For Embedded emissions, where a capital carbon calculator is available the emissions data is sourced on a pro-rata basis for the relevant reporting year. In cases where no calculator exists, a spend-based calculation methodology is applied. The number of available calculators continues to grow, supported by the bespoke Capital Carbon ODI, and efforts will be maintained to further expand tool coverage in future.

For the first time, we disclose both components of lines 11A.44 and 11A.45, distinguishing between cradle-to-gate and cradle-to-build emissions. Several methodologies were assessed to enable this split; however, the selected approach utilises the underlying data curves from the newly developed capital carbon calculator. Specifically, one of each 'default' asset type was pulled from the calculator with an average % for cradle-to-gate being determined. We recognise that, as data quality continues to

improve, and the number of carbon tools available continues to grow, this methodology may be further refined and enhanced over time.

We categorise our reporting of embedded carbon as Amber against the provided RAG guidelines. This classification reflects our belief that we successfully meet three out of the four criteria. We continue to strive for excellence and are actively working towards fulfilling all the categories to further improve our performance.

Amber Criteria	Criteria met?	Justification
Provision of embedded emissions data as it relates to capital projects (cradle-to-gate or cradle-to-build).	Y	Embedded emissions data has been provided from cradle-to build
Clear evidence of external verification by an appropriately qualified party as it relates to the use of standards and frameworks, and quality of data.	N	Whilst we engage Jacobs to assure our GHG data aligned with ISAE3000, we do not receive verification in alignment with UKAS.
Engagement with one recognised standard, framework, or approach for managing and reporting on embedded emissions.	Y	BS EN 15978:2011 methodology has been adhered to so as to divide carbon calculation into distinct lifecycle stages and allow for cradle-to-build classification. PAS2080 is also utilised within the calculation process with specific recommendations given as to reduction avenues. Emissions Factors used are sourced from industry accepted sources (CESMM, Defra and the Bath Inventory of Carbon and Energy).
Complete and detailed SWOT analysis referring to embedded emissions.	Y	SWOT analysis below

Strengths

Operational Emissions:

- **Net Zero commitment:** The Group are targeting to achieve net zero operational emissions by 2030, with science based targets in place. Long standing carbon reporting (over 10 years) demonstrates sustained emissions reduction progress. The Group ambition extends to net zero across Scopes 1, 2 and 3 by 2050, including a 30% methane intensity reduction by 2033.
- **Low carbon energy generation:** Ongoing generation of hydro-electricity and biomethane, reported as offsets in the ARA where certificates are retained, reducing reliance on grid emissions.
- **Robust process emissions measurement:** Use of a bespoke N_2O emission factor based on data from a small number of operational sites, supported by internal and external monitoring.
- **Sector leading innovation:** Leading approach to measuring and understanding process and fugitive emissions (our largest Scope 1 source), supported by significant investment in the Net Zero Hub and secured funding for future emission reduction activities.
- **Strong governance and assurance:** Dedicated Data & Insights team enhances data quality, insight and cross functional working. Frequent data collection supports in year decision making. Strong assurance framework includes quarterly internal checks, with key datasets independently 3rd party assured.
- **Leadership and collaboration:** Strong leadership commitment with stakeholder, shareholder and customer support. Active collaboration across the UK water sector, including technical leadership in development and improvement of the CAW

Embedded Emissions:

- **Comprehensive reporting:** We report all relevant categories of Scope 3. Our reporting captures all financial spend across the business and is aligned with the latest 2025 EEIO output emission factors. For chemical emissions, we collect volumetric data that is third-party verified and traceable to source data, enhancing the accuracy and robustness of our reporting.
- **Supplier engagement:** We reached a significant milestone, with 71% of suppliers across the Group committing to set their own net zero target based on the principles of SBTi, demonstrating strong progress in our decarbonisation journey. While we recognise that it will take time for these organisations to implement the necessary programmes to achieve their targets, their commitments represent a crucial step toward reducing Scope 3 emissions.
- **Improving the capital carbon calculator:** We have invested in the calculator to improve measurement capability. It will also support more consistent, transparent assessment of embodied emissions in projects. The 2025/26 period recorded the highest number of calculators used in reporting, indicating a clear improving trend.

Weaknesses

Operational Emissions:

- **Process emissions methodology limitations:** Process emissions in Table 11A are reported using the CAW, for which the emission factors were uplifted this year to IPCC 2019 guidance to support peer comparability. However, further refinement is needed to better reflect different onsite configurations, address missing process elements, and incorporate evolving emission factor science.
- **Incomplete Scope 3 gas split:** The CAW is currently unable to report certain Scope 3 categories by gas type (lines 11A.29–11A.32), resulting in gaps in methane and CO_2e attribution.
- **Potential activity data gaps:** While reporting is consistent for captured data, there is a risk that the reporting excludes unknown activity streams which become relevant as operations grow and change e.g. HVO use in fleet.
- **Manual data handling:** Heavy reliance on manual Excel based data collection and CAW input increases effort and the risk of transcription errors, mitigated by assurance controls.

Embedded Emissions:

- **Increased investment expenditure for AMP8:** While decarbonisation efforts will continue across all sectors, this higher level of investment is anticipated to drive an increase in emissions associated with purchased goods and services and capital goods.

- **Emission factors:** We recognise that embedded emissions (purchase goods and services and capital projects) are largely based on broad emission factors provided from our consultant, Small World Consulting. We aim to move to more specific factors and ultimately activity data. Currently the emission factors used for purchased goods and services, are not supplier specific. For capital goods, we use one specific emission factor that covers all of construction works and does not break it down to granular level.

Opportunities

Operational Emissions:

- **Process emissions monitoring:** Onsite monitoring enables trend identification, assessment of intervention effectiveness, and more accurate reporting of process emissions performance
- **Opportunities for reduction:** Innovation is central to our net zero strategy. Through the Net Zero Hub, we are trialling and deploying technologies to reduce our most material emissions. During AMP8, £295m is being invested across wastewater sites to deploy solutions including MABR, digital twin modelling, and cover-and-treat technologies to reduce N_2O, alongside methane mitigation through monitoring, covers, and active gas capture.

Embedded Emissions:

- **Software exploration:** In 2026/27, we will be piloting new software with Ditch Carbon. Ditch Carbon provides AI-enabled tools that deliver supplier-specific emission factors. This solution will enhance the accuracy of Scope 3 reporting, support improved forecasting, and provide greater visibility of the actions suppliers are already taking to reduce emissions.
- **Growth in use of carbon calculators:** Although we have seen an increase in the number of capital carbon calculators developed and deployed this year, representing a positive step forward, emissions from the calculators are still relatively low. As these processes become further embedded, we expect continued growth in both the development and use of calculators to support year-on-year reporting. We recognise that a significant proportion of emissions associated with capital works continues to be captured using spend-based methodologies which reduce the ability to track real activity-based carbon reductions.
- **Introduction of the bespoke Capital Carbon Outcome Delivery Incentive ('ODI')**: We expect the ODI to significantly support data collection efforts and drive emissions reductions throughout AMP8.

Threats

Operational Emissions:

- **Upward pressures:** Climate change, population growth, tighter water quality standards and supply resilience requirements are driving significant investment needs. Evolving standards may require more carbon-intensive treatment processes, increasing emissions risk.
- **Dependence on third-party alignment:** Delivery of net zero and Science Based Targets depends on suppliers, regulators and government adopting aligned ambitions. This is particularly critical for Scope 3 emissions, where lower-carbon options may be higher cost, higher risk, or immature.

Embedded Emissions:

- **Activity-specific data:** Limited supplier engagement will make it difficult to capture activity data, therefore limiting he potential to move towards more accurate supplier specific emission factors.

11B – NET ZERO ENHANCEMENT REPORTING DATA

Year ended 31 March 2026

Net Zero Challenge Fund

Our focus in the first year of AMP8 has been preparing for effective and efficient delivery and benefits evaluation from our net zero investments in greenhouse gas abatement. This falls into three key areas:

- Establishing baseline emissions at sites where net zero interventions are planned to take place
- Capturing detailed technical specifications from our AMP7-funded trial work to feed into AMP8 projects
- Preparing the market and supply chain for investment and delivery

Establishing baseline emissions

We made a good start in AMP7 by deploying nitrous oxide (N20) monitors that were funded from our base allowance at several key sites, but it was imperative that we started AMP8 with pace by adding to these in order to establish baselines for more sites. This is especially important at those sites that would be receiving AMP8 investment in GHG reduction to establish as long-term a baseline as possible.

We've installed 23 new N20 monitors at 21 sites using a combination of the liquid phase monitoring that we successfully developed and deployed in AMP7, and new gas phase monitoring technology from a new supplier to the UK market. These monitors were installed during year one and the data flows from them started to come online at the start of year 2. We've reviewed, redesigned and aligned the calculations and dashboards that manage this data in line with the Assed Data Transformation Programme to make sure that we have future-proofed this activity.

We're on track to have delivered over half of our total AMP8 monitoring commitments by the end of year 2. This means we will have installed, and will be collecting baseline data from, N20 monitors at all sites that are expected to receive greenhouse gas abatement assets and larger control systems, and means that approximately 65% of our wastewater treatment measured by population served will be actively establishing baseline data at least a year in advance of interventions.

A large amount of work continues to take place to deepen our understanding of the monitoring data from the sites we monitored that were funded from our AMP7 base allowance including how much it varies within year and from year-to-year.

We continue to learn a lot about emissions measurements and have shared our knowledge at conferences and through industry knowledge networks, including the 2026 European Wastewater Management conference where we hosted a visit for the industry to Strongford where we showed the

development of our solutions in practice. We presented a range of technical papers including a deep dive session into the Net Zero Hub to complement the visit.

We discussed our monitoring programme as part of Singapore Water Week.

We are a key member of the cross-industry Process Emissions Action Community working group and our in-house experts have authored sections of the 2026 publication Low N2O Design Guidance to Minimise N2O Risks.

We have also worked as part of the Global Water Research Coalition on the upcoming publication 'A Practical to Monitor and Quantify Nitrous Oxide Emissions from Full-Scale Wastewater Treatment Plants'.

We've experienced challenges along the way with measurement methods and calculations, which we have talked about in these sessions and publications, but there are no risks that currently threaten progress of our investments and GHG reductions.

Capturing technical specifications

In our PR24 proposals we were really clear that we wanted to build on the work we had undertaken at our Strongford Net Zero Hub, Spernal Resource Recovery & Innovation Centre (R2IC) and other sites. The continuing development of technologies from these underpins everything and our key activity in this area has been to produce technical specifications to allow us to:

1. Capture lessons learnt
2. Share knowledge across the organisation, especially with our Design and Delivery teams who were not closely involved in the trial work but will be delivering the scaled solutions
3. Effectively and efficiently procure and install equipment

The range of technical specifications that have been produced this year for all of the schemes included in the net zero challenge fund is outlined in the table below, by scheme.

Scheme	Materials produced
All schemes	GHG abatement equipment asset class strategy
Cover & Treat	Tank covers technical specification
ASP Intensification	MABR section added into the ASP design manual
	MABR process design guidance
Active Gas Capture	Vacuum degassing technical specification
Digital Twin	Site Readiness Assessments
	System Integrator Partner Framework specifications
	Modelling Partner Framework specifications
Process Optimisation	Monitors specification for gas and liquid phase N_2O monitors
	Trial specifications are in production for a range of optimisation interventions

Our Plug & Play team in capital delivery have investigated productization of tank covers and ASP intensification ancillary equipment. We're also continuing to explore the most effective N_2O treatment technologies at our trial sites in order to feed the latest learning and developments into the live AMP8 programme and projects.

Preparing the market and supply chain

We've embarked on the largest programme of GHG reduction investment that the water industry has ever seen. The technologies we will be installing haven't been deployed at this scale before, so it is essential that our design and delivery teams, the supply chain at all tiers and the market is ready and we have diligently prepared for these investments.

We've onboarded our design & delivery teams for this programme of work and set up both a new executive-sponsored Net Zero Steering Group to oversee AMP8 delivery, and a tactical Net Zero Working Group with business leader representatives from all functions.

We've worked with our capital commercial and delivery teams to identify the best models for project delivery across different tiers of supply chain contractors. Integrated Project Teams (IPTs) have been set up for two of our largest investment projects at Coleshill and Minworth to progress outline design work at pace which contributes significantly to blueprinting ASP Intensification solutions.

We've developed robust commercial specifications and engaged with the market to test and refine requirements. In doing so we're building a clear picture of supplier capability and capacity. We've set up commercial arrangements with two monitoring suppliers, engaged the market for feedback on our tanks covers specification and issued a tender for these. We continue to engage the market for technology options for N_2O treatment and vacuum degassing in advance of tendering in these areas.

Net Zero Base Cost Adjustment

This year we invested in boiler replacements with heat pumps, and electric vehicle charging infrastructure. Our programmes are taking shape and much of the work during the financial year was on optioneering.

SUPPLEMENTARY DISCLOSURES

Year ended 31 March 2026

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
Reservoirs Ltd (loan)	3.560	5.70%	113.628
Reservoirs Ltd (lease)	21.217	1.90%	262.514
Leasing Ltd (loan)	2.350	4.75%	305.041
Leasing Ltd (lease)	4.766	5.10%	167.032

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
Leasing Ltd (lease)	0.864	5.10%	93.282

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 Ltd	–	Cost	0.029
Pass through of management charges	Severn Trent Connect	–	Cost	0.008
Pass through of management charges	Etwall Land Ltd	–	Cost	0.169
Pass through of management charges	Midlands Land Portfolio Ltd	–	Cost	0.909
Pass through of management charges	Severn Trent Plc	–	Cost	6.346
Pass through of management charges	Severn Trent Green Power Ltd	28.923	Cost	2.697
Pass through of management charges	Severn Trent Wind Power Limited	3.052	Cost	0.058
Pass through of management charges	Severn Trent Services Operations UK Ltd	29.229	Cost	0.966
Pass through of management charges	Severn Trent Property Solutions Ltd	7.157	Cost	0.021
Pass through of management charges	Severn Trent Retail and Utility services Ltd	–	Cost	0.035
Pass through of management charges	Severn Trent Services (Water and Sewerage) Ltd	5.847	Cost	0.032
Pass through of management charges	Watertight management Ltd	1.499	Cost	0.003
Pass through of management charges	Industrial water jetting system holdings limited	3.546	Cost	0.004
Pass through of management charges	Hafren Dyfrdwy Cyfyngedig	55.841	Cost	1.851
Retail support services	Hafren Dyfrdwy Cyfyngedig	55.841	Cost	0.410
Wholesale support services	Hafren Dyfrdwy Cyfyngedig	55.841	Cost	2.256
Bulk water supplies	Hafren Dyfrdwy Cyfyngedig	55.841	Tariff	6.211
Records management	Severn Trent Data Portal Ltd	–	Market tested	0.447
Sale of crops	Severn Trent Green Power Ltd	28.923	Market tested	0.420
Water operational services	Hafren Dyfrdwy Cyfyngedig	55.841	Cost	1.109
Wastewater operational services	Hafren Dyfrdwy Cyfyngedig	55.841	Cost	0.777
Tankering fleet services	Hafren Dyfrdwy Cyfyngedig	55.841	Cost	0.933
Wholesale charge	Water Plus Select Ltd	912.041	Tariff	237.905
Technology services	Hafren Dyfrdwy Cyfyngedig	55.841	Cost	1.707
Technology services	Severn Trent Services Operations UK Ltd	29.229	Cost	0.770
Lease Agreement	Severn Trent Green Power Ltd	28.923	Market tested	1.027
Lease Agreement	Severn Trent Wind Power Ltd	3.052	Market tested	0.027
				267.127

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	55.841	Tariff	1.813
Supply of electricity	Severn Trent Green Power Ltd	28.923	Market tested	6.770
Supply of electricity	Severn Trent Wind Power Ltd	3.052	Market tested	0.258
Pass through of management charges	Severn Trent Plc	–	Cost	0.494
Insurance Premium	Lyra	–	Cost	1.773
Wholesale support services	Hafren Dyfrdwy Cyfyngedig	55.841	Cost	0.408
Water operational services	Hafren Dyfrdwy Cyfyngedig	55.841	Cost	1.729
Wastewater operational services	Hafren Dyfrdwy Cyfyngedig	55.841	Cost	0.003
Retail support services	Hafren Dyfrdwy Cyfyngedig	55.841	Cost	0.019
				13.267

D) SERVICE PROVIDED TO THE NON-APPOINTED BUSINESS

Service	Basis of recharge	Value of recharge £m
Treatment of imported sludge	Direct and indirect costs	1.255
Treatment of tankered waste	Direct and indirect costs	11.427
Sewer blockages	Direct and indirect costs	1.785
Other water companies billing activities	Direct and indirect costs	1.650
Plumbing and drainage insurance introducer services	Direct and indirect costs	0.132
Farm sales	Direct and indirect costs	1.876
Community Dividend	Direct and indirect costs	2.116
Visitor experience & Forestry	Direct and indirect costs	0.373
Commercial Data Services	Direct and indirect costs	1.129
Burst pipes over private property	Direct and indirect costs	5.962
		27.705

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 corpora tax rate in the period (2024/25 - 25%).

Company	Turnover of associate in the period £m	Terms of supply	Value £m
Severn Trent Carsington Limited	-	Cost	25.498
			25.498

APPENDIX A - ASSURANCE APPROACH AND OUTPUTS

ASSURANCE APPROACH AND OUTPUTS

INTRODUCTION

This document outlines the assurance approach applied to our regulatory reporting, demonstrating how we ensure data is accurate, complete, and reliable. High-quality data underpins effective decision-making, regulatory confidence, and transparency for customers and stakeholders.

Our approach combines robust controls, independent review, and continuous improvement to provide confidence that reported information fairly reflects operational performance. Building and maintaining trust with customers remains central to our Assurance Framework, ensuring accountability for the services we deliver.

Our established and embedded Assurance Framework draws on recognised good practice, meets the regulatory reporting requirements and continues to evolve based on stakeholder feedback so that it remains effective, proportionate, and fit for purpose.

For AMP8, we have enhanced our approach and processes to reflect evolving regulatory requirements including Ofwat's Assurance requirements for the AMP8 Enhancement Programme. This has enabled the framework to support robust Board assurance regarding reporting to further develop stakeholder trust with an openness and transparency in accordance with our overall assurance principals.

ASSURANCE FRAMEWORK

We apply a risk based, three-lines of assurance model to shape an effective, and proportionate, assurance programme directing focus to areas of greatest reporting risk.

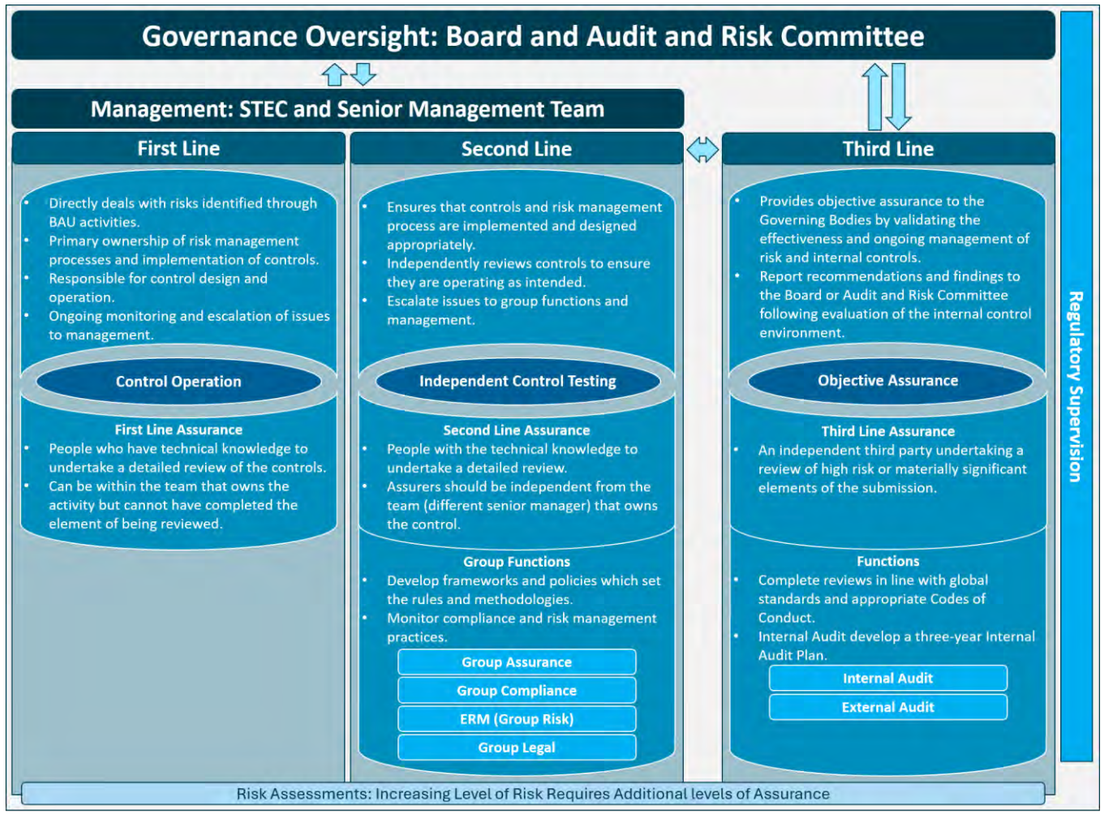
Assurance activities for each submission are continually reassessed as risks evolve through a structured risk assessment process to ensure our approach is focused and consistent. The risk assessment process determines the appropriate level of assurance. Higher-risk areas are subject to all three lines of assurance, while lower-risk areas are addressed through targeted first and/or second line assurance, ensuring a proportionate level of coverage.

The purpose of the three lines is to provide layered, independent challenge across the reporting process and data. Each line of assurance plays a distinct role in testing and confirming different aspects, together providing confidence in the accuracy, completeness and integrity of final outputs.

THREE LINES OF ASSURANCE

Our three lines of assurance model, shown overleaf, is proven and effective in delivering proportionate assurance. First, second, and third line assurance activities underpin the effective delivery of our assurance framework with value-add improvements to reporting processes and data preparation highlighted through the reviews and checks.

Our three lines of assurance model



First Line Assurance

Technical first line assurance is mandated by our assurance processes for every submission to ensure independent validation is completed prior to submission. First line activities are undertaken and embedded within the teams that are responsible for reporting the data so that colleagues with the right expertise conduct in-depth quality checks at the time the data is produced. First line assurers are responsible for completing relevant assurance and documenting evidence appropriately, confirming that checks and controls have been completed.

Second Line Assurance

For higher-risk areas, second line technical assurance builds on the first line assurance already completed. These activities are undertaken by a range of specialist teams across the business and encompass independent technical review and challenge of both processes and data, as well as financial, legal, and regulatory oversight. This includes confirming that first line assurance has been appropriately completed and that key risks have been effectively identified and addressed.

Second line assurers are required to be independent from those responsible for preparing the submission and performing first line assurance, while possessing the relevant technical expertise to

provide effective challenge. This ensures an appropriate level of objectivity and robustness in the assurance process.

Second line teams are responsible for carrying out thorough assurance activities and maintaining clear, auditable documentation to evidence their work. This includes reviewing the design and operation of key checks and controls to confirm that data and information are accurate, complete, and reliable, thereby supporting the integrity of our external reporting.

Third line Assurance

Our highest risk data, identified through the risk assessment process, is subject to third line assurance. Where third line assurance is required, the Group Assurance Team liaise with the reporting team and the chosen third line assurance provider to scope the audit requirements and arrange the third line sessions.

Third line activities are carried out by internal or external providers depending on the specialisation or the requirements set by our regulators. The expertise can be divided into the following categories:

- **Engineering/technical:** Where assurance requires an expert engineering or water industry technical background in the submission area
- **Regulatory:** Where challenge is required around the methodology used and assumptions against our regulatory requirements.
- **Commercial:** Specific assurance on the robustness of the cost proposals and efficiencies against best practice.
- **Data integrity and consistency**: Understanding the flow of data from source through to our final publications ensuring no data transposition errors are made.
- **Financial:** Used for areas requiring specific financial expertise, such as pensions and tax.
- **Model integrity:** Where a complex financial model is used and requires specialist external expertise to test and challenge.
-

The following details the activities for each of our third line providers.

INTERNAL AUDIT

Internal Audit is an independent assurance function accountable to the Board and Audit and Risk Committee, forming a key part of the Group's corporate governance framework. It is supported by co-source partners, providing access to specialist expertise, flexible resourcing, and robust independent challenge. This structure is regularly reviewed to ensure it continues to add value and support effective delivery of the audit plan.

The role of Internal Audit is to provide objective assurance that the Group's risk management and internal control systems are well designed and operating effectively. A three-year strategic planning cycle underpins an annual, risk-based audit plan, ensuring assurance coverage is focused on the areas of greatest risk. The Audit and Risk Committee reviews and challenges this plan to confirm alignment with the Group's key risks and appropriate depth and frequency of coverage.

Audit findings are reported to management and the Committee, with clear actions agreed to address any identified weaknesses. Management is responsible for timely remediation, with progress closely monitored by the Committee. Internal Audit also works closely with the External Auditor to ensure a coordinated approach to assurance.

An independent External Quality Assessment confirmed that Internal Audit is effective, independent, and highly regarded across the business. The Committee welcomed these findings and has incorporated improvement actions into an ongoing development plan.

The Committee recognises that internal controls provide reasonable, not absolute, assurance. Through regular review of audit findings and control effectiveness, it is satisfied that the Group's systems remain robust, with no material weaknesses identified. Internal Audit also provides independent, third-line assurance over key regulatory submissions, including the **Annual Report** and the APR, strengthening confidence in external reporting.

EXTERNAL AUDIT

In addition, we use external financial and technical auditors who are independent of the Company and provide objective assurance of our data and information.

PwC are our appointed statutory auditors, providing third line assurance of our financial data, including our APR (excluding the cash collection performance rates – residential retail (table 2H), Outcome performance tables (3A to 3J) and the additional regulatory information in tables 4A to 4AD, 5A, 6A to 6F, 7A to 7L, 8A to 8D, 9A and 11A to 11B).

Technical, non-financial assurance has been completed by Jacobs for 2025/26. Jacobs provided a staged approach to technical assurance over a wide range of our regulatory reporting including APR, PCDs, Wholesale Charges etc.

Process Review: Review the Process Description Templates ('PDTs') which set out the process followed to report against the regulatory requirements including dependencies, controls and risk.

Process Audit: Confirm that the process and controls are appropriate to ensure robust reporting to produce data that is consistent with the reporting requirements. Jacobs also confirm that any previously identified improvements and changes in processes from previous audits have been implemented correctly.

Data Audits: Data audits confirm that the data produced for submissions is consistent with the PDT and aligns with reporting guidance. Proportionate sample checks are completed to confirm that internal checks and controls have been completed and applied correctly, including tracing the data back to source.

When appointing external assurance partners a thorough review is undertaken of the skills and experience of the proposed audit team to ensure suitability for the required assurance work and where required, the curriculum vitae of the lead auditor is included with assurance reports.

The assurance applied by external providers complements our risk-based assurance framework which is, in part, informed by previous assurance findings, as well as emerging risk and stakeholder feedback.

Our third line assurance providers provide assurance findings directly to the relevant governance committee.

DUTY OF CARE

In line with Ofwat's PR24 Final Determination, our approach to third-party assurance ensures that independent assurers provide an actionable duty of care to Ofwat when required for defined measures. Duty of care requires our chosen independent assurers to be professionally and legally accountable for the quality, independence and robustness of assurance, to the company, but also directly to Ofwat.

We incorporate these requirements into our assurance arrangements by working closely with our third-line providers, including Jacobs, to ensure that assurance is delivered to the required professional standards, with appropriate independence, challenge and verification.

Our contracts and assurance scope documents are designed to support this duty of care through mechanisms such as, letters of reliance and clear expectations on quality, independence and evidence. This ensures that assurance outputs are robust, transparent and capable of being relied upon by both the Board and Ofwat.

By aligning with Ofwat's expectations, we reinforce the integrity of our assurance framework and provide confidence that all third-party assurance is credible, proportionate and supports high-quality regulatory reporting.

ASSURANCE PROCESS

Our end-to-end assurance process follows a structured, risk-based approach from initial risk assessment through to final submission and post-submission review. Each stage is designed to ensure that assurance activity is proportionate, clearly defined, consistently applied, and supported by documented processes. This end-to-end approach ensures that data is complete, accurate and fully assured prior to approval, with continuous improvement embedded throughout the process.

Our Assurance Process

Undertake Risk Assessment	Each individual measure has unique assurance requirements, and a risk assessment is completed to determine the reporting risk and, therefore, the required assurance activity.
Create assurance plan	The plan outlines who will be undertaking the assurance activities and when assurance will be undertaken. Assurers must have the necessary experience and technical knowledge to deliver the correct level of assurance to our internal standard.
Document the End-to-End Process	A clear, documented process from the source information to the final submission ensures it is repeatable and can be improved over time with documented dependency data sources.
Complete and Evidence assurance	The specific assurance activities are delivered in accordance with our three lines of assurance model to ensure the data is complete and accurate. Sampling checks and independent assurance challenge provide value add insight and any opportunity for identified enhancements to be applied.
Governance Signoff	✓ First and second line assurance findings and confirmation. ✓ Third line assurance findings and final assurance letter. ✓ Disclosure Committee, Audit and Risk Committee and Board approval (as required).
Final Checks and continuous improvement	Final data checks and e completed prior to submission to confirm the final submission. After submission, we complete a review of processes and data by gathering feedback to drive continuous improvement.

ROLES AND RESPONSABILITIES

The regulatory reporting landscape is significant and requires multiple stakeholders to work together to produce, assure and approve the submissions. Below are examples of the key roles across the business who are critical to successful delivery of assured and accurate submissions:

Accountable Manager: Each submission has an designated senior manager who is accountable for the accuracy of the information and completes sign-offs.

Responsible Manager: In addition to an accountable manager, each submission, or element of a submission, is assigned to a responsible manager who reviews and approves the data, process documentation and commentaries, forming an integral part of the assurance approach.

Reporting Team: The Reporting Team are responsible for producing and preparing the data in accordance with the documented process and in accordance with regulatory reporting requirements. We use Process Description Templates ('PDTs') to document the end-to-end process including checks and controls.

The team own the end-to-end reporting, even if reports and data flow through other teams. They are also responsible for maintaining effective internal controls and implementing corrective actions to address improvements identified during assurance activities.

Group Assurance Team: Provide independent oversight of adherence to the assurance framework and submission requirements to facilitate the delivery of high-quality, fully assured submissions. The

team will review the evidence and outputs of the first and second line assurance to ensure consistency and completeness.

The Group Assurance Team will liaise with the reporting teams to monitor improvement activities and resolve prior outstanding actions raised by assurance providers.

CONFLICTS OF INTEREST

Effective management of conflicts of interest is critical to maintaining the independence, integrity, and credibility of external assurance. A conflict of interest may arise where an assurance provider, or its wider organisation, has competing interests that could influence, or be perceived to influence, the objectivity of its assurance activities. This is particularly relevant, where assurance providers may also be involved in advisory, design, or delivery activities across similar areas.

To safeguard against these risks, a structured and transparent conflicts of interest management process is applied when appointing and overseeing external assurance providers. This process is designed to identify, assess, mitigate, and monitor actual, potential, or perceived conflicts, ensuring that assurance outcomes remain objective and reliable for Ofwat and other stakeholders.

When awarding our AMP8 technical assurance framework, conflicts of interest were specifically set out in the contract with Jacobs. Also, at the outset of each assurance engagement, a formal risk assessment is undertaken, which includes review of the assurance provider's proposal, alongside formal conflict of interest declarations and supporting evidence of their internal controls. Providers are required to confirm that no conflicts exist, or to clearly disclose any potential risks and associated mitigations.

To complement this, periodic validation will be performed on the provider's own conflict management processes, including training, declarations, and governance arrangements.

Where a potential conflict is identified, it is subject to further assessment to evaluate the nature, materiality, and potential impact of the conflict, and to recommend appropriate actions. These may include strengthening safeguards, requiring changes to the assurance team, implementing additional oversight, or, where necessary, appointing an alternative assurance provider. Significant matters may be escalated to senior leadership or relevant Committees to ensure appropriate oversight and transparency.

Once a mitigation strategy is agreed, it is formally implemented and communicated, with clear accountability for execution. The effectiveness of these measures is subsequently monitored throughout the assurance engagement and as part of ongoing contract management activities.

This structured approach ensures that conflicts of interest are proactively managed, supporting the independence and robustness of external assurance. In doing so, it reinforces confidence in the integrity of reported information, aligns with Ofwat's strengthened expectations for AMP8, and underpins trust with customers and stakeholders.

OUTCOME OF ASSURANCE

Annual Performance Report

The assurance of Annual Performance Report 2026 ('APR26') followed our Assurance Framework with External assurance of financial data is being carried out by PwC or Internal Audit, and non-financial data is being undertaken by Jacobs or Internal Audit.

Financial Assurance Overview

PwC 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 2024 Final Determination.

Non-financial assurance Overview

The technical assurance undertaken by Jacobs complements our wider risk-based assurance framework, which is informed by prior assurance findings, emerging risks, and stakeholder feedback. During the year, additional scrutiny was applied to reflect new reporting requirements associated with the transition into AMP8 ensuring that changes to methodologies, definitions, and processes were robustly embedded and consistently applied.

Jacobs adopted a staged approach to assurance across key APR performance commitments and non-financial data lines. Stages one and two focused on processes and documentation, with targeted coverage on new measures, areas subject to change, and higher-risk metrics. For stage one, this included detailed review of Process Description Templates (PDTs), which define how data is generated, controlled, and reported. Stage two included formal reviews conducted to confirm processes are in place to produce data that is consistent with Ofwat reporting requirements. Also ensuring process changes were clearly documented with roles, responsibilities, dependencies, risks, and mitigations clearly defined ensuring appropriate controls in place to support robust reporting.

Stage three focused on the outputs themselves, with data audit activity designed to validate the accuracy and integrity of reported information. This included confirming consistency between reported data and underlying PDTs, verifying completion of key controls, undertaking proportionate sampling, and ensuring that exclusions and adjustments were correctly applied. In addition, assurance was performed over the calculation of performance outcomes, including Performance Commitment incentives, to confirm alignment with Final Determination requirements.

Together, this structured and enhanced approach provides confidence that non-financial APR data is accurate, complete, and compliant with regulatory expectations, supporting transparent reporting to Ofwat and reinforcing trust with stakeholders.

APR - Assurance Plan

The assurance plan is summarised over the next few pages.

Regulatory accounts

Table Reference	Table Name	Methodology & Process	Data
1A	Income statement	PwC	PwC
1B	Statement of comprehensive income	PwC	PwC
1C	Statement of financial position	PwC	PwC
1D	Statement of cashflows	PwC	PwC
1E	Net debt analysis	PwC	PwC

1F	Financial flows	PwC / Jacobs	PwC / Jacobs
2A	Segmental income statement	PwC / Jacobs[1]	PwC
2B	Totex analysis (wholesale)	PwC / Jacobs[1]	PwC
2C	Cost analysis – retail	PwC / Jacobs[1]	PwC
2D	Historic cost analysis of tangible fixed assets	PwC	PwC
2E	Analysis of developer services income by price control	PwC	PwC
2F	Residential retail	PwC / Jacobs	PwC / Jacobs
2G	Non-household – revenues by tariff type	N/A	N/A
2H	Cash collection performance rates – residential retail	Internal Audit	Internal Audit
2I	Revenue analysis & wholesale control reconciliation	PwC	PwC
2K	Infrastructure charges reconciliation	PwC	PwC
2L	Analysis of land sales	PwC	PwC
2M	Revenue reconciliation - wholesale	PwC	PwC
2N	Household affordability support	PwC	PwC
2O	Historic cost analysis of intangible fixed assets	PwC	PwC
2P	Third party services revenue	PwC	PwC
2R	Analysis of diversions income by price control	PwC	PwC

[1] *Assurance of input opex allocations to price control / business unit.*

Performance summary

Table Reference	Table Name	Methodology & Process	Data
3A	Outcome performance – all performance commitments	Jacobs	Jacobs[1]
3B	Underlying data – measures of experience performance commitments	Jacobs	Jacobs
3C	Underlying calculations and supplementary data – customer facing performance commitments	Jacobs	Jacobs
3D	Underlying calculations and supplementary data – demand common performance commitments	Jacobs	Jacobs
3E	Underlying calculations and supplementary data – environmental common performance commitments	Jacobs	Jacobs / 2nd Line [2]
3F	Underlying calculations and supplementary data – asset health common performance commitments	Jacobs	Jacobs
3G	Underlying calculations – compliance based common performance commitments	Jacobs	Jacobs
3H	Underlying calculations and supplementary data – bespoke performance commitments	Jacobs	Jacobs

[1] *Assurance of the ODI model undertaken by Jacobs used for table 3A.*
[2] *2nd line assurance undertaken for the APR line 3E.7 'Pollution incidents – dry day spills'*

Additional regulatory information - service level

Table Reference	Table Name	Methodology & Process	Data
4A	Water bulk supply information	2nd Line	2nd Line
4B	Analysis of debt	Internal Audit	Internal Audit
4C	Actual expenditure against cost allowances by cost sharing rate	Internal Audit	Internal Audit
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	Jacobs / Internal Audit	Jacobs / Internal Audit
4I	Financial derivatives	Internal Audit	Internal Audit
4J	Base expenditure analysis - water wholesale	Internal Audit	Internal Audit
4K	Base expenditure analysis - wastewater wholesale	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	Site specific developer services expenditure - network+	Internal Audit	Internal Audit
4O	Diversions expenditure - network+	Internal Audit	Internal Audit
4P	Infrastructure network reinforcement projects	2nd line	Jacobs / Internal Audit
4Q	Developer services - new connections, properties and mains	2nd line	2nd Line / Jacobs
4R	Connected properties, customers and population	2nd Line / Jacobs	2nd Line / Jacobs
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
4Z	Household bill reduction schemes, debt, Guaranteed Standards Scheme (GSS) payments and Priority Service Register (PSR)	2nd line / Internal Audit	Jacobs / Internal Audit
4AA	Third-party services water expenditure	Internal Audit	Internal Audit
4AB	Third-party services wastewater expenditure	Internal Audit	Internal Audit
4AC	Base expenditure analysis – water asset refurbishment and replacement	Jacobs / Internal Audit	Internal Audit
4AD	Base expenditure analysis – wastewater asset refurbishment and replacement	Jacobs / Internal Audit	Internal Audit

Additional regulatory information - water resources

Table Reference	Table Name	Methodology & Process	Data
5A	Water resources asset and volumes data	2nd Line / Jacobs	2nd Line / Jacobs

Additional regulatory information - water network+

Table Reference	Table Name	Methodology & Process	Data
6A	Raw water transport, raw water storage and water treatment data	2nd Line / Jacobs	2nd Line / Jacobs
6B	Treated water distribution - assets and operations	2nd Line / Jacobs	2nd Line / Jacobs
6C	Water network+ - mains, communication pipes and other data	2nd Line / Jacobs	2nd Line / Jacobs
6D	Demand management - metering and leakage activities	2nd Line / Jacobs	Jacobs / Internal Audit
6E	Leakage activity	Jacobs / Internal Audit	Jacobs / Internal Audit
6F	WRMP annual reporting on delivery – excluding leakage and metering activities	2nd Line / Jacobs	Jacobs

Additional regulatory information - wastewater network+

Table Reference	Table Name	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	2nd Line / Jacobs
7D	Wastewater network+ - sewage treatment works data	2nd Line	Jacobs
7E	Wastewater network+ - other data including energy consumption and scheme delivery	2nd Line / Jacobs	2nd Line / Jacobs
7F	Wastewater network+ - WINEP phosphorous removal scheme costs	Jacobs	Jacobs
7G	Wastewater network+ - WINEP sanitary parameters scheme costs	Jacobs	Jacobs
7H	Wastewater network+ - WINEP nitrogen removal scheme costs	Jacobs	Jacobs
7I	Wastewater network+ - growth at Sewage Treatment Works scheme costs	Jacobs	Jacobs
7J	Bioresources – Industrial Emissions Directive (IED) scheme costs	Jacobs	Jacobs
7K	Wastewater network+ - WINEP storm overflow scheme costs	Jacobs	Jacobs

Additional regulatory information – bioresources

Table Reference	Table Name	Methodology & Process	Data
8A	Bioresources sludge data	2nd Line	Jacobs
8C	Bioresources energy and liquors analysis	2nd line / Internal Audit	Jacobs / Internal Audit
8D	Bioresources sludge treatment and disposal data	2nd Line	Jacobs

Additional regulatory information - innovation competition

Table Reference	Table Name	Methodology & Process	Data
9A	Innovation competition	Internal Audit	Internal Audit

Greenhouse gas emissions and net zero

Table Reference	Table Name	Methodology & Process	Data
11A	Greenhouse gas emissions reporting	Jacobs	Jacobs
11B	Net Zero enhancement reporting	2nd Line	Jacobs

APR - OUTCOME OF ASSURANCE

Jacobs assurance statement is provided in the Board statements section of the APR and PwC's audit report is provided the Regulatory Accounts section. Below an overview of the findings.

INTERNAL AUDIT FINDINGS

Internal Audit has confirmed they did not find any material issues and supporting evidence and answers to queries raised were provided.

PWC AUDIT OPINION

In our opinion, Severn Trent Water Limited's Regulatory Accounting Statements have been prepared, in all material respects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.10, RAG 2.10, RAG 3.16, RAG 4.14 and RAG 5.07) and the accounting policies, set out on pages 87 and 88.

JACOBS' ASSURANCE FINDINGS

Cost Allocation

Requirements	Assurance undertaken
We are required to publish regulatory accounts that, among other things, set out financial information: • On the allocation of costs 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 2.10 - Guideline for the classification of costs across the price controls' and 'RAG • 5.07 - Guideline for transfer pricing in the water and sewerage sectors'. 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 P). 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.	We asked Jacobs to review a sample of our cost allocation processes. The sample was selected based on the associated risk. The Jacobs scope covered: • The allocation of costs by price control and subsections of the value chain; • Non-appointed activity; and • Transactions between companies. 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: • Areas/activities that were being provided; • Costs associated with that activity which, for the PDTs reviewed, were operating costs; • How those costs are recharged, allocated and why; and • How our approach is compliant with the RAGs.

Assurance outcome
Jacobs concluded in relation to the items they reviewed: Based on our scope of work and the limited assurance undertaken, we did not find any material issues or misstatement. We consider that: • the company has a full understanding of, and meets all 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; • the company takes appropriate steps to undertake transactions entered into by the appointed; and • business, with or for the benefit of associated companies or other businesses or activities of the appointed business, at arm's length.

Performance Commitments

Requirements	Assurance undertaken
Jacobs reviewed the performance commitments set out in our PR24 Final Determination and the processes that were used to produce the figures for our performance commitments.	Jacobs scope of assurance work included reviewing the following: • The processes used to ensure they are robust, enabling risks to be identified, managed and reviewed; • Assumptions made as part of the process are appropriate; • Checking alignment to final determination 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 appropriately sourced, processed and reported in line with the relevant guidelines/reporting requirements;
- Undertaking proportionate sample checks; and
- Reviewing coverage and outputs of checks and controls.

Assurance outcome

Jacobs concluded in relation to the items they reviewed:

Based on our scope of work and the limited assurance undertaken, with the exception of Greenhouse Gas Emissions where you are seeking clarification from Ofwat, we did not find any material issues or misstatements. We consider that:

- Your processes and internal systems of control are sufficient to meet your regulatory obligations;
- Your processes for reporting Performance Commitments are in line with the guidance and exclusions have been correctly applied;
- You have ensured that your Outcome Delivery Incentive payments only relate to real performance changes and not definitional, methodological or data changes in Performance Commitments; and
- You have appropriate systems and processes in place to identify, manage and review your risks

APR Cost Assessment Data

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 2-11 non-financial measures.	The Jacobs scope covered: • Reviewing the processes used to ensure they are robust, enabling risks to be identified, managed and reviewed; • Assumptions made as part of the process are appropriate; • 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 appropriately sourced, processed and reported in line with the relevant guidelines/reporting requirements; • Undertaking proportionate sample checks; and • Reviewing coverage and outputs of checks and controls.

Assurance outcome

Jacobs concluded in relation to the items they reviewed:

Based on our scope of work and the limited assurance undertaken, we did not find any material issues or misstatements. We consider that:

- You have an understanding of, and meet your relevant statutory, licence and regulatory obligations in all material respects;
- Your processes and internal systems of control are sufficient to meet your regulatory obligations; and
- You have appropriate systems and processes in place to identify, manage and review your risks.

OTHER ASSURANCE ACTIVITIES

Wholesale Charges

Requirements	Assurance undertaken
The assurance requirements have been designed to evidence proof points and enable Board approval of the wholesale charges. The scope of the Internal Audit review was to provide confirmation that all assurance, including assurance by Jacobs, was completed in line with the Assurance Framework	The Jacobs scope covered: • The Company complies with its legal obligations relating to the charges set out in its charges schemes. • The charges comply with legal obligations and the relevant charging rules. • The Company has appropriate systems and processes in place to make sure that the information contained in the charges schemes is accurate. • The Company has consulted with relevant stakeholders, including the Consumer Council for Water ('CCW'), in a timely and effective manner on its charges schemes

Assurance outcome

Jacobs concluded in relation to the items they reviewed:

Based on our scope of work and the limited assurance undertaken, we did not find any material issues or misstatement. Subject to completion of your engagement with CCW through a written update, and updates for November CPIH and Ofwat's final Blind Year Adjustment, we consider that:

- The Company complies with its legal obligations relating to the charges set out in its charges schemes.
- The charges comply with legal obligations and the relevant charging rules.
- The Company has appropriate systems and processes in place to make sure that the information
- Contained in the charges schemes is accurate.
- The Company has consulted with relevant stakeholders, including CCW, in a timely and effective manner on its charges schemes

Internal Adit Concluded:

- Confirmed that all actions raised have been completed.
- Reviewed the assurance reports and confirmed that any material issues raised have been resolved.
- Reviewed the tick and tie process with Group Compliance and Assurance and confirmed completed. All queries were answered.
- Confirmed that the CPIH number from the ONS website has been correctly used in the charges model.
- Confirmed that the outputs of the FD and In Period Adjustments have been correctly used in the charges model.

Developer Charges

Requirements	Assurance undertaken
New connection charges are governed by rules and principles as set out by Ofwat in Charging Rules for New Connection Services (English undertakers). The Ofwat guiding principles require companies to set charges that are fair, stable, transparent, customer service focused and cost reflective.	The Jacobs assurance followed a risk based approach focusing on higher risk areas: • Infrastructure charges; • Mains requisitions charges; and • Tethering. A review of several documents were reviewed for compliance against Ofwat's charging rules.

Assurance outcome

Jacobs concluded in relation to the items they reviewed:

Based on the limited assurance undertaken, we did not find any material issues or misstatement. We consider that:

- The Company complies with its obligations relating to the charging rules;
- The charges comply with legal obligations and are consistent with the relevant charging rules;
- The Company has appropriate systems and processes in place to make sure that the information contained in the charging scheme, and the additional information covered is accurate; and
- The Company has assessed the effects of the new charges on customers' bills for a range of different types of development and has set out in its statement of significant changes instances where bill increases for particular developer types exceed 10 percent.

PCD Delivery Plan

Requirements	Assurance undertaken
Ofwat required water companies to submit a Delivery Plan as part of the Price Control Deliverable (PCD) reporting with a third line assured final version submitted on 12 August 2025.	In line with Ofwat's expectations set out in their assurance requirements, the Delivery Plan was reviewed to assess whether: • The Delivery Plan covers all enhancement schemes and areas of expenditure covered by PCDs. • The company has identified all PCDs for which interim milestones may be required. • The company has a "Delivery Plan" in place for the PCD areas where interim milestones have been Identified. • Interim milestones identified by the company are consistent with such plans. • There are movements of over one quarter in scheme target completion dates compared to original Business Plan, and, if so, the reason(s) for these movements.

Assurance outcome

Jacobs concluded in relation to the items they reviewed:

Based on our scope of work and the limited assurance undertaken, for the August 2025 delivery plan submission, we did not find any material issues or misstatement. We consider that:

- The Delivery Plan submission covers all base and enhancement schemes and areas of expenditure covered by the PCDs.
- The Company has identified all PCDs for which Interim Milestones may be required. Though not all schemes in each PCD (such as PCDWW5 and PCDW16b) have the full range of milestones from IM1 to IM6, we believe this is appropriate in those instances, for the reasons set out in Appendix A.
- The Company has a delivery plan in place in the PCD areas where Interim Milestones have been identified.
- The Interim Milestones identified by the company are consistent with the delivery plan.
- There are no movements of scheme target completion dates compared to the original business plan of more than one quarter.
- We agree with the Company's assessment of a Green RAG rating for each PCD.
- The scheme target completion dates in the delivery plan meet statutory and regulatory obligations.
- Where ongoing discussions are continuing with regulators this is identified below and has been flagged in the company commentary.
- The PCD outputs and expenditure forecast are consistent with the Company Delivery Plan.

Network and Information Systems Regulations (NIS-R)

Requirements	Assurance undertaken
The DWI require and annual assessment against the NIS-R requirements through the Cyber Assessment Framework (CAF). The Cyber Assessment Framework comprises of 39 Contributing Outcomes (COs). Each CO has a reportable status with associated commentary, defined by Indicators of Good Practice (IGP). The DWI have set a target for the RAG status of each CO to create the profile that they require for the water sector. This applies to all companies in the sector and the DWI do not require all COs to be green and the target profile contains a mixture of red, amber, and green.	The Jacobs scope covered: • A review of the completed CAF to confirm that the previously reviewed. • The documented processes were followed, controls have been implemented (including first and second line assurance). • Undertake sample checks and confirm that sufficient evidence is available, and can be traced back to source, for reporting compliance against each CO, including the associated commentary.

Assurance outcome

Jacobs assurance concluded:

- The processes to produce the NIS-R return are appropriate and consistent with the CAF reporting requirements.
- The processes are robust, enabling risks to be identified, reviewed, and managed.
- There are appropriate internal systems of controls and assurance checks to ensure the information reported is suitably accurate.
- The assumptions made as part of the process are appropriate, documented and the impact of alternative assumptions is understood.

Security and Emergency Measures Direction 2022 (SEMD)

Requirements	Assurance undertaken
The DWI requires an annual self-assessment relating to all National Infrastructure (NI) audits including Critical National Infrastructure (CNI)	The Jacobs scope covered: • A review of the RAG assessment. • Confirm adherence to the documented processes. • Data audits on the high-risk sections of the SEMD evidence with the teams undertaking the assessments. • Review the internal controls including 1st and 2nd line assurance.

Assurance outcome

Based on the scope of work and the limited assurance undertaken, Jacobs did not find any material issues or misstatement. Jacobs consider that:

- The Company has appropriate systems and processes in place to ensure that the information contained in the SEMD submission is accurate.

ASSURANCE PLAN 2026/27

The assurance plan sets out the targeted areas where we are expecting to implement our Assurance Framework over the next 12 months across our regulatory submissions. The assurance plan is dynamic and is continually refined where risks arise or where new submissions are identified.

The table below provides visibility of the targeted areas and an overview of the assurance providers.

Area	Context	Assurance Activity	Assurance Provider
PCD Progress Report 2025/26	This will be the first annual PCD progress report providing an update on the AMP8 enhancement programme.	- Internal first and second line assurance - Duty of care external assurance - Board approval	Jacobs
Annual Performance Report 2027 **(Including PC's and ODI's)**	Annual submission reporting the company's financial and operational performance against regulatory requirements and commitments	- Internal first and second line assurance - External assurance based on risk - Board approval	PwC, Jacobs & Internal Audit
Wholesale Charges 2027/28	Publication of our wholesale charges detailing the proposed tariffs for water and wastewater services, ensuring they are cost-reflective, transparent and compliant with charging rules.	- Internal first and second line assurance - External assurance based on risk Board approval	Jacobs, Internal Audit
Developer Charges 2027/28	Publication of our new connection and developer service charges for the upcoming financial year	- Internal first and second line assurance - External assurance based on risk - Board approval	Jacobs, Internal Audit
Network and Information Systems Regulations **(NIS-R)**	DWI submission reporting compliance against the NIS-R requirements to ensure the security and resilience of critical systems supporting drinking water supply.	- Internal first and second line assurance - External assurance based on risk - Board level sign-off	Jacobs
Security and Emergency Measures Direction (SEMD)	DWI regulated submission, on behalf of the Secretary of State and Welsh Ministers. Annual update of active compliance against requirements.	- Internal first and second line assurance - External assurance based on risk - Board overview (inform & update)	Jacobs
Strategic Resource Options (SRO's)	Overseen by RAPID, these are major water infrastructure projects to improved long-term resilience.	- Internal first and second line assurance - External assurance based on risk - Signoff based on individual submission	Various
Water Resource Management Plan 2029	Sets out a company's long-term strategy to balance water supply and demand, ensuring resilience to drought and growth	- Internal first and second line assurance - External assurance based on risk - Board approval	Jacobs
Drainage & Wastewater Management Plan – Cycle 2	long-term, statutory plan that sets out how the company will manage, maintain and invest in sewerage and wastewater systems to ensure resilient services and protect the environment.	- Internal first and second line assurance - External assurance based on risk - Board approval	Jacobs
PCD Progress Reports 2026/27	Annual PCD progress reporting to provide update on the AMP8 enhancement programme.	- Internal first and second line assurance - Duty of care external assurance - Board approval	Jacobs
Pollution Improvement Plan	Annual update on our rolling 5-year plan to reduce pollution incidents and protect the environment	- Internal first and second line assurance - Board approval	Internal Assurance

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