

ANNUAL PERFORMANCE REPORT

2023/24



SEVERN
TRENT

WONDERFUL ON TAP

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WELCOME TO THE SEVERN TRENT WATER ANNUAL PERFORMANCE REPORT 2023/24

At Severn Trent, we are firmly focused on delivering for our customers and wider stakeholders, whilst upholding the highest levels of corporate governance and demonstrating transparency in our reporting in a way that is meaningful for our stakeholders. Our Annual Performance Report reflects this commitment and I'm pleased to share our report for the year ended 31 March 2024, which provides a detailed update on our performance over the year.

Our report details the significant progress we have made in a range of areas, including our best ever performance on a number of key metrics – such as supply interruptions, blockages and leakage, our confidence in achieving 4* 'industry-leading' status from the Environment Agency for the fifth year, achievement of our upgraded 10,000 hectare biodiversity commitment a year early, and reaching a significant milestone in our journey to net zero.

Whilst there have been vast areas of good performance – 76% of our performance commitments and six of our seven Environmental Performance Assessment ('EPA') measures have met or exceeded their target – there are nonetheless areas where we want to improve. We are very conscious of the overall reputation of the water sector and the need to make more progress even faster. We want to deliver faster improvements on areas such as Combined Sewer Overflows ('CSOs') and pollutions, where we have set bold targets to drive performance improvements at the pace our stakeholders expect, and this report details our work to improve 900 individual storm overflows – over a third of our total – in the next year alone. You can read more on page 11.

Our culture of innovation continues to support our operational performance and delivery of our ambitious sustainability goals. Our 'open innovation' approach, involving other global companies, sector peers, suppliers and industry partners, enables us to share the learnings of our projects with the wider sector to maximise benefits for customers and the environment. It also builds on our own research and development. To bring this activity to life, we have signposted a series of 'Innovation Spotlights' through this report.

In putting together this year's report, we have sought to provide:

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

We continue to enhance our reporting in consideration of stakeholder feedback and welcome any feedback on our disclosures.



Christine Hodgson
Chair
Severn Trent Water Limited



Liv Garfield
Chief Executive
Severn Trent Water Limited

TAKING CARE OF ONE OF LIFE'S ESSENTIALS

WONDERFUL ON TAP



This Annual Performance Report ('APR') covers the year from 1 April 2023 to 31 March 2024 and is our fourth APR to be published for the 2020-25 period (known as 'AMP7').

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

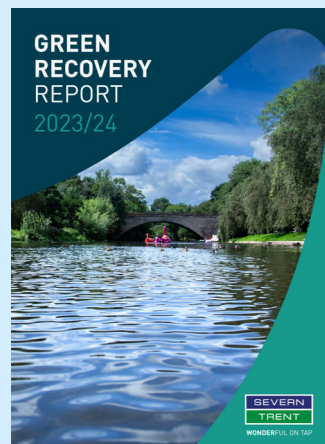
Every five years, water companies in England and Wales put together their plans for the future. We talk to our regulators, Government and, most importantly, our customers to find out what's important to them.

Our PR24 Business Plan covers the AMP8 period 2025-30, but the changes we are making will have a positive impact for decades to come.



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

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



Our Green Recovery Report for the year ended 31 March 2024. This is a standalone report which details the progress in the year of the six schemes within our Green Recovery Programme.

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

STATUTORY PUBLICATIONS

In addition to our regulatory publications, we publish a number of statutory reports 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 2024.



The Severn Trent Water Limited Annual Report and Accounts for the year ended 31 March 2024. Where disclosures in the ARA fulfil the requirements of the APR, we have included a cross reference to the relevant section for further information.

OTHER PUBLICATIONS

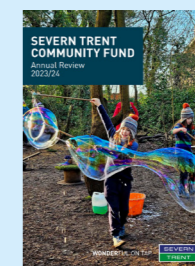
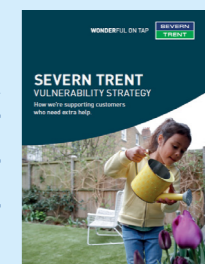


Severn Trent Plc Sustainability Report for the year ended 31 March 2024.



Get River Positive Report

Customer Vulnerability Strategy



Severn Trent Community Fund Annual Review

ABOUT US

As one of the 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 to be 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 Asset Management Plan ('AMP'). We have been working on our plans for the period 2025-30 ('AMP8') and submitted these to Ofwat in late October 2023.

Our Draft Determination is expected on 11 July 2024 and Ofwat will issue its Final Determination on 19 December 2024.

This APR covers our performance for the fourth year of AMP7 in line with Ofwat's guidance. It provides clear and transparent information on progress against the delivery of our customer commitments, service levels, costs and financial and environmental performance.

Severn Trent Water Limited is the principal subsidiary of Severn Trent Plc. The full ownership structure of the Company within the Severn Trent Group can be found on the Severn Trent Plc website at severntrent.com.



- Wastewater customers only
- Water and wastewater customers

2023/24 OVERVIEW AND PERFORMANCE HIGHLIGHTS

Overview

76%

of performance measures green

1.9 billion

litres of drinking water supplied each day

3.3 billion

litres of wastewater treated each day

4.6 million

households and businesses served

1,874

new employees during the year



Delivering water that is good to drink and is always there

Wastewater taken safely away

Customer, community and environment

10.8%

Reduction in leakage since 2020 – reaching our lowest ever levels

Zero

Serious pollution incidents in 2023

Bills just over £1 per day

One of the lowest average bills in England and Wales

27%

Best ever supply interruptions performance with a 27% year-on-year improvement

Confident of 4*

EPA status for the fifth consecutive year

£2.1m

Donated through our Community Fund this year

95%

Reduction in low pressure property days since 2020

Lowest

Ever number of sewer blockages at 28,000

11,554

Hectares of land with improved biodiversity since 2020

You can read more about our performance in the Performance Summary section from page 22.

OUR STRATEGY

Introduction to our strategy

Our strategy to be 'performance driven, sustainability led' acknowledges our relentless drive to deliver performance that our customers and broader stakeholders expect, in a sustainable way. We are guided by our purpose – 'taking care of one of life's essentials' – which forms the foundation on which we have built meaningful and long-standing relationships with our customers and stakeholders. Our values – 'Having Courage', 'Embracing Curiosity', 'Showing Care' and 'Taking Pride' – underpin our purpose and reflect the deep connection that we have with our customers and communities.

Our Corporate Strategy

DELIVERING OUTCOMES OUR CUSTOMERS CARE ABOUT

Investing for the long term
Resilient to our changing climate
Putting the customer first
Right first time every time

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

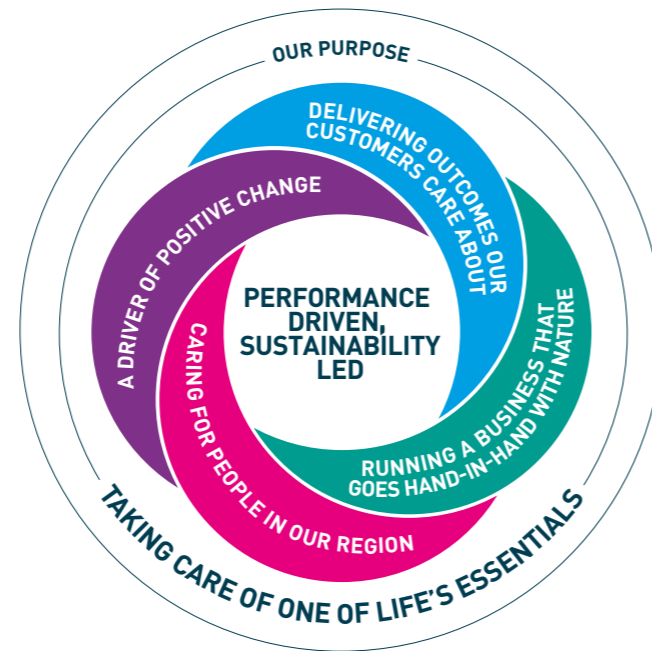
Actively improving the places we touch
Creating opportunities to enjoy nature
Valuing our most precious natural resources
Always thinking about our impact

CARING FOR PEOPLE IN OUR REGION

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

A DRIVER OF POSITIVE CHANGE

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



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.



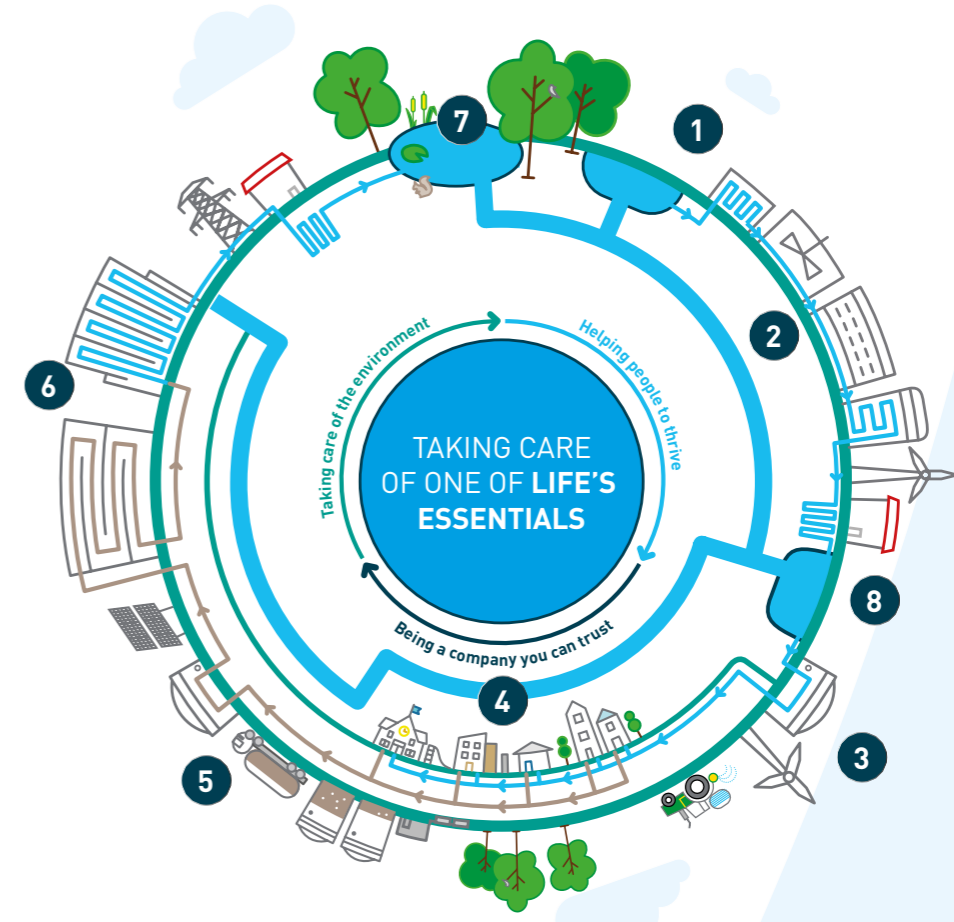
Taking Pride

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

What we do

We provide clean water and wastewater services and develop renewable energy solutions through our businesses. In the course of providing these services, we create social and environmental value.



- 1 Collect raw water**
We collect water from reservoirs, rivers and underground aquifers across our region.
- 2 Clean raw water**
Our groundwater and surface water treatment works clean raw water to the highest standards, making it safe to drink.
- 3 Distribute clean water**
Our network of pipes and our enclosed storage reservoirs bring a continuous supply of clean water direct to our customers' taps.
- 4 Customers enjoy our services**
4.6 million households and businesses use our services, delivered by a team of over 7,900 employees, and supported by our contact centres, always ready to help.
- 5 Collect wastewater**
Our network of sewers and pumping stations collect wastewater from homes and businesses and take it to our wastewater treatment works.
- 6 Clean wastewater**
Wastewater is carefully screened and treated in our wastewater treatment works to meet stringent environmental standards.
- 7 Recycle water to the environment**
We safely return treated water to rivers and watercourses.
- 8 Green energy**
The green energy that we generate contributes to meeting our net zero targets and keeping our energy costs down.

**ANNUAL
PERFORMANCE
REPORT
HIGHLIGHTS**





DELIVERING OUTCOMES OUR CUSTOMERS CARE ABOUT

Everyone in Severn Trent, from the frontline to the boardroom, 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 an outstanding experience for them.

76% of measures met or exceeded target

Confident of 4* EPA status for the fifth consecutive year

Reducing supply interruptions remains a priority, particularly for our vulnerable customers. We are pleased that our significant investment over the past few years has helped us deliver our best ever performance at 6 minutes and 40 seconds, reflecting a 27% improvement from last year.

We achieved our lowest ever leakage levels last year at 398 ML/d and are on track to achieve our commitment to reduce leakage by 15% by 2025 and 50% by 2045 (from our three-year average baseline set in 2019/20). We are finding and fixing more leaks than ever before which is helping us drive down leakage and in 2023/24 we fixed around 10,000 more leaks than we did in 2022/23.

We are disappointed not to have delivered against our stretching targets for sewer flooding this year, but nonetheless expect to be frontier in the sector. The last 12 months have seen some of the most challenging weather conditions in our history with sustained rainfall and flash floods resulting in a significant increase in hydraulic flooding incidents across our region. Despite this we expect to once again achieve the highest possible rating in the Environment Agency's ('EA') annual Environmental Performance Assessment ('EPA'). This would make it the fifth consecutive year of 4* EPA status which is something no company has ever before achieved. The EPA is a rigorous measure of our performance, consisting of seven individual metrics which become progressively more stretching every year. You can read more about what is included in the EPA, and our performance against each of the measures, in our Performance Summary.

Our performance this year includes no serious pollutions, defined by the EA as pollutions which could have a significant impact on the environment. Preventing serious pollutions is a priority for every single person in our organisation and while pleasing to have achieved zero serious pollutions this year, it is something we remain absolutely focused on maintaining. More broadly on river health, our overall impact is best measured by the Reasons for Not Achieving Good Status ('RNAGS') attributable to us, as recorded by the EA. Based on our assessment, we have reduced our share of RNAGS to 14% and are committed to reducing that share to 10% in the next 12 months.

Our sustained investment has driven a number of improvements, which makes the Barlaston pollution particularly disappointing. This year the Company was fined £2 million for a serious pollution that occurred in 2020, following a pollution at our wastewater treatment site in Barlaston. Our operational failings meant that there was a risk of environmental harm, and that is unacceptable to everyone at Severn Trent. We took valuable lessons from this pollution and have put in place measures to prevent pollutions of this nature happening again. To demonstrate how seriously we take this pollution, we have included a dedicated section within our APR, which sets out our response to the event, lessons learned and action taken to prevent pollutions caused by events of this nature in the future.

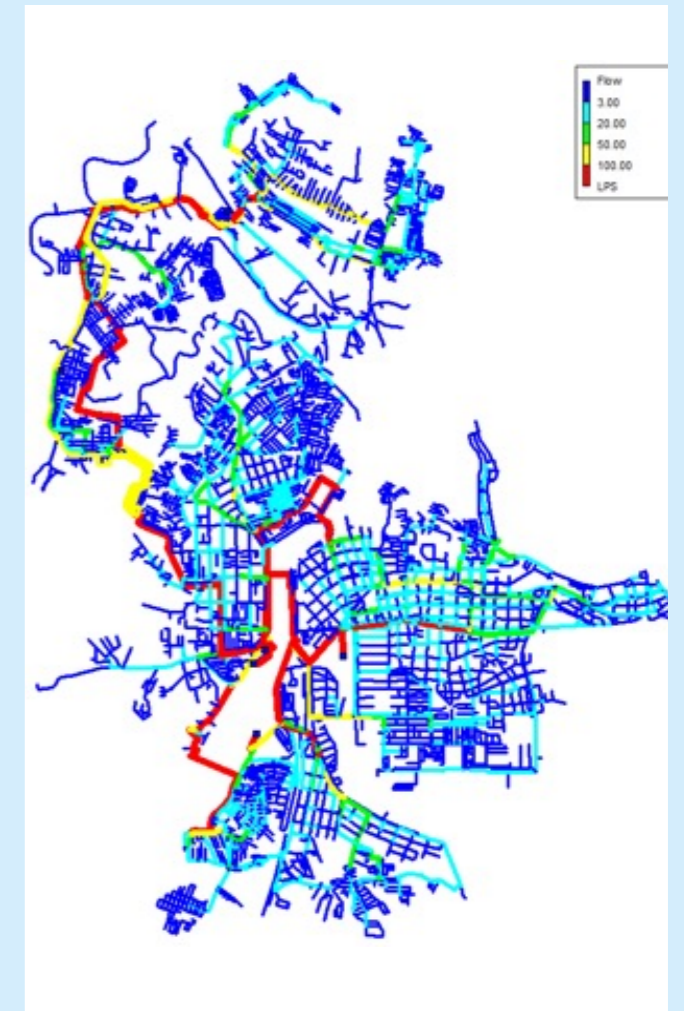
INNOVATION SPOTLIGHT – DARK FIBRE LEAKAGE DETECTION

We are focused on delivering improvements in areas our customers tell us they really care about. We have delivered our best ever leakage performance this year, however we know we can do more and continue to identify and implement solutions to support leakage reduction.

The benefits of fibre leak detection have previously been demonstrated within the water industry, however uptake of this technology has been low due to the disruption of laying new fibre either above or within water mains and the associated cost impacts.

Our project investigated the use of unused optical fibre strands ('Dark Fibre') within the existing cable networks to identify leaks, pressure changes, temperature, vibrations and sound inside our pipes. By 'listening' out for any of these changes, this technology has potential to act as an early warning system across our network, helping us to pinpoint where issues are and ensure we can carry out repairs quickly, minimising impacts for customers. The trial successfully proved that leaks can be monitored and detected using dark fibres, with high accuracy – within a range of +/- 0.5m from the Dark Fibre.

Dark Fibre leakage detection has potential to provide low cost, rapid and accurate leak detection and enable repairs to be completed quickly to minimise impacts for customers. This is an Ofwat Innovation Fund project and we are sharing the learnings of this project with the sector.





CARING FOR PEOPLE IN OUR REGION

A force for good for customers

In May 2022, we announced a £30 million affordability package allowing us to help a further 100,000 people to reduce their water bill by up to 90% through our social tariff. By 2025, our financial support schemes will be supporting about 315,000 of our customers, in line with the number of customers assessed as living in water poverty in our region. Approximately 260,000 of our customers are benefiting from support on their bills already.

We aim to reach out to as many customers as possible to find those who might need additional support from us and we now have over 9% of our customers signed up to our Priority Services Register ('PSR'), an increase of around 20% on the prior year. Our PSR ensures those who need additional support are prioritised during an incident so we can provide them with bespoke communication and a personalised service.

Community Fund

In our PR19 Business Plan, we pledged to create a new Severn Trent Community Fund that donates 1% of Severn Trent Water's annual profits after tax (more than £10 million over five years) to good causes in our region. In 2023/24, the Fund awarded over £2 million, to over 100 organisations. Since the Fund's inception, we have awarded nearly £10 million to organisations across our region. You can read more about our Community Fund in our dedicated Community Fund Annual Report which is available on our website, stwater.co.uk.

Societal Strategy

On 22 November 2022, we launched our 10-year Societal Strategy, with the objective of helping up to 100,000 people in our region, giving them improved chances in life and tackling the underlying causes of poverty. We are passionate about helping households across our region and will achieve this by working closely with communities and partner organisations.

We have made excellent progress since its launch, including:

- 5,413 students engaged with through schools;
- 94 students on short-term work experience 1-2 weeks;
- 79 students on long-term work experience 1-3 months;
- 1,629 people attending Big Boost careers fairs;
- 1,455 people attending employability events;
- 464 students on Discovery Days;
- 7,895 hours of volunteering; and
- 16 people mentored through the Trailblazers programme.

INNOVATION SPOTLIGHT – SUPPORTING CUSTOMERS - VULNERABILITY STRATEGY

To be truly impactful in our communities, we need to help more of our customers who need support today. Ofwat defines vulnerability as “a customer who, due to personal characteristics, their overall life situation or due to broader market and economic factors, is not having reasonable opportunity to access and receive an inclusive service which may have a detrimental impact on their health, wellbeing or finances”.

We developed our Customer Vulnerability Strategy during the year, which seeks to outline the support and services offered to customers in vulnerable situations, particularly those who need extra help accessing our services. The strategy sets out our approach to tackling holistic vulnerabilities, ensuring that our services are accessible for all – particularly those who need help – and we continue to push forward with our commitments to improve our offering within our region through associated programmes such as our Societal Strategy.

Our vulnerable customer project, which was part funded by the Ofwat Innovation Fund, used

behavioural science and design thinking methodology to determine the effectiveness of communication methods used to connect with vulnerable customers. The research and trials were conducted with real customers in Leicester, to establish the most effective approach to direct support to vulnerable customers in this area. The insights obtained were used to tailor customer journeys and communication channels to be more appropriate and effective. This has facilitated a step change improvement to engaging with hard-to-reach customers and communities and, crucially, ensure they have access to the support they need.

We have shared the learnings of this project with the sector and have published our Vulnerable Customer Playbook in an open access format to ensure that our learnings can be shared as widely as possible.

You can read more in our Customer Vulnerability Strategy, available on website, severntrent.com.





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

Great Big Nature Boost

In 2020 we announced our Great Big Nature Boost, one of the biggest programmes to support nature recovery across our region by 2027 and to plant 1.3 million trees. We said we would work to boost nature across 5,000 hectares of land by 2027 and, having exceeded our target ahead of schedule, in May 2023 we announced that we would be accelerating our target to 10,000 hectares by 2025. This means our work now accounts for more than c.2% of the entire nation's 2042 Nature Recovery Network target.

Since 2020, we have planted over 800,000 trees, delivered 72 Tiny Forests and have planted 600 acres of new woodland as part of the Commonwealth Legacy Forests. This takes us over halfway towards our 1.3 million target for tree planting by 2027.

Our net zero blueprint

Over the past year we have invested £40 million in transforming one of our largest sites, Strongford, to be a Net Zero Hub. All of the exciting new technology is installed and operational, and we expect it to be fully commissioned by the summer. Our Plan includes a proposal of £430 million to roll out the blueprint that Strongford has provided across our estate, to help achieve our operational net zero by 2030 commitment. We have also invested in increasing our energy generation capabilities, with the equivalent of 60% of our total consumption self-generated in the last 12 months. In June 2024, we hosted two virtual Net Zero Summits to share the approach we developed jointly with our partners Aarhus Vand and Melbourne Water in reducing process emissions at our Net Zero Hub. You can watch our Net Zero Summit [here](#).

INNOVATION SPOTLIGHT – TREATMENT WORKS RISK ANALYTICS

To support future resilience, we identify, trial, implement and run our assets more efficiently, predict network performance and identify problems before they materialise.

We are focused on delivering improvements in areas our customers tells us they really care about. As outlined in our Storm Overflow Improvement Plan, we are moving faster and further to improve river quality at pace through investing £1.1 billion between 2025 and 2030, and £4.4 billion up to 2050, to meet our targets at least five years earlier than the date set by the Government. In addition to the capital investments being made – including delivery of storm overflow interventions across 900 of our sites across our region by December 2024 which you can read more on page 12 – we have developed several Artificial Intelligence ('AI') tools to support our progress.

One of these tools is called "SWARM" which provides predictive risk analytics modelling capability at our wastewater treatment works. It leverages the power of AI to compare historic site overflow data against contributing factors such as rainfall, to predict where overflows are likely to occur in the future and create a prioritised list of sites for proactive management. The model also uses machine learning to improve its predictions over time.

SWARM enables us to predict the likelihood of operational issues at our wastewater treatment works, allow solutions to be prioritised and reduce the usage of storm overflows for the benefit of customers and the environment at the pace they expect.

INNOVATION SPOTLIGHT – CELLULOSE RECOVERY

We receive approximately 100,000 tonnes of cellulose into our treatment works per year, as toilet paper is approximately 80% cellulose.

As a company that values natural resources, we continually identify, trial and implement solutions to reduce our impact on the environment. We identified that cellulose recovery could help to reduce the carbon footprint of our sewage treatment works by up to 20%, increase the capacity of our treatment works, whilst also reducing the UK's reliance on virgin cellulose, which requires the cutting down of trees and processing of wood into pulp.

Working in partnership with Cirtec, a Dutch company specialising in cellulose recovery, we are installing the UK's first cellulose recovery plant at Strongford Sewage Treatment Works.

The material recovered at our site is suitable for use in several applications, including in asphalt, concrete and other building material. It can also be used as a feedstock for chemicals including acetic acid and polymers.

Cellulose recovery has potential to improve our treatment works capacity, provide revenue from a valuable construction and manufacturing raw material, whilst also having the potential to remove microplastics from wastewater final effluent. Whilst not specifically funded through the Ofwat Innovation Fund, we are sharing the learning from this project with the sector and wider stakeholders as part of our monthly Net Zero Working group sessions.





A DRIVER OF POSITIVE CHANGE

Get River Positive

In March 2022, alongside Anglian Water and Hafren Dyfrdwy, we launched Get River Positive, our five pledges to improve the health of rivers in our region. Our pledges set a benchmark for the water industry by going much further and much faster than ever before, and deliver our Environment Act commitments ahead of target. This section of our report provides an update on our progress over the past year to improve our region's rivers and highlights a few specific activities we will be working on in the near future. You can read more in our dedicated Get River Positive report, which is available on our website.

Our network:

3.3 billion litres of wastewater treated every day and manage **>92,800km** of pipes.

300 million data points about how our storm overflows are performing in a year.

100% of our storm overflows have event duration monitors, and we are now dual monitoring to ensure even higher operability.

Our progress:

We are investing **£450m** to improve river health and our wastewater network in 2024/25.

Increasing **sewer capacity** and **storage** to slow the flow of storm water during wet weather.

We continue to work with our **Advisory Panel** who oversee our progress against our river pledges. We expanded membership this year to **seven** experts.

Our efforts:

Moving **two** stretches of river towards bathing quality by **2025**.

Confident of highest **four-star rating** from the Environment Agency for the fifth year running for 2023.

Severn Trent is currently responsible for **14%** of RNAGS in our region and we are committed to achieving 0%.

10 River Rangers, working in communities and with partners to improve river health.

Green Recovery

In July 2021, Ofwat approved additional investment of £566 million (2017/18 prices) for our ambitious Green Recovery Programme. Nearly three years on, our projects are making excellent progress – already yielding substantial benefits for our customers, communities and the environment, and the learnings from the programme are informing our future strategic plans. The below table provides a summary on the progress we have made over the past year. You can read more in our dedicated Green Recovery Report, which is available on our website.

Goal	Progress
BATHING RIVERS Improve River Leam and River Teme water quality by upgrading three sewage treatment works, treating and reducing spills from storm overflows and installing river quality monitoring.	We have made good progress with the programme and are on track to deliver against our goal by March 2025. Detailed design of our sewage treatment works ozone disinfection upgrades is complete and we are progressing with off-site assembly of the plant which is quicker, more cost effective and supports equipment testing and commissioning. This programme has now been aligned to our Drainage and Wastewater Management Plan ('DWMP'), capturing recent statutory changes, and facilitating a further 15.9% reduction in spill volume from our original plan (over 230,000 m ³ per year). These changes also increase the length of river we will improve, to deliver even greater benefits for customers, communities and the environment, and we are working through the impacts of this with Ofwat.
PROTECTING CUSTOMER SUPPLY PIPES Replace up to 26,000 lead or leaking customer-owned supply pipes in Coventry and Bomere Heath, removing lead and reducing leaks by around 1 million litres a day.	We have delivered over 7,300 supply pipe replacements in Coventry, and have ramped up our delivery pace. We have completed more than 1,000 replacements for social housing properties, bringing benefit to customers who may be more financially vulnerable. Supply pipe replacements in Bomere Heath have also continued, with 35 out of an estimated 600 completed and we have begun a sampling programme to help identify any remaining lead pipes. We have shared our learnings from this project across the industry and continue to provide bespoke updates on our trials to other water companies.
WATER RESOURCES Increase water supplies by up to 93 ML/d using low-carbon-impact treatment, and share our knowledge with other water companies, supporting the sector's aim to achieve net zero operational emissions by 2030.	Our 31 floating wetlands were completed ahead of schedule. The floating wetlands biologically pre-treat the raw water before we abstract it, reducing the amount of traditional treatment required. Our Raw Water Abstraction and Transfer Project construction is on track to be completed ahead of schedule in October 2024, despite exceptional weather and flooding events during the last quarter of the year. We completed our innovative Ceramic Membrane Pilot Plant in December 2022 and it has been in operation over the last year, collecting critical data to support real-time optimisation of the new treatment works. Construction of our Witches Oak Water Treatment Works is also progressing well, with the main structures complete and the mechanical and electrical installation underway.
FLOOD-RESILIENT COMMUNITY Create the UK's first catchment-scale flood-resilient community in Mansfield, using an innovative 'nature-based' approach to reduce surface flooding risk.	We are installing Sustainable urban Drainage Systems ('SuDS') across Mansfield to absorb rainwater, providing additional storage capacity. We have facilitated more than 4,900m ³ of surface water storage through our interventions, provided rain gardens and bioretention tree pits with a capacity of almost 600m ³ and delivered more than 4,870m ² of permeable paving with an estimated 1,243m ³ of storage. We have had great success with bioswales and detention basins, providing storage capacity of 3,076m ³ . We have learned a huge amount about the actual costs of these types of retro-fitting SuDS and how to roll them out at scale. We have learned how, when and where retro-fitting SuDS is viable or not – something which had not been explored at scale before this programme. We believe this will help us, and others, in deploying SuDS in the right places in the future.
IMPROVING OUR REGION'S RIVERS Support environmental improvements to 500km of rivers, accelerating our Water Industry National Environment Programme ('WINEP') investment by three years.	We are ahead of schedule to deliver our WFD obligations, resulting in earlier improvements to our rivers. We are installing more chemical dosing systems, reedbeds and mechanical filters to reduce the amount of phosphorus in the rivers resulting from our wastewater operations. Our first 21 projects, reflecting over 47% of the programme, are in contract, and work has commenced on site at nine projects. This will deliver the majority of our 2025 obligations and result in a significant benefit to the related watercourses. We continue with our storm overflow assessment in line with the guidance outlined in the published Storm Overflow Assessment Framework.
SMART WATER METERS Help customers save water by installing over 157,000 smart water meters to individual household properties, giving customers instant access to their usage information.	We are working towards our goal to deliver the full programme ahead of March 2025, and have installed over 111,000 smart meters to date and have more than 60% of meters online transmitting data every day. The programme has provided valuable learnings in relation to meter connectivity and, in view of these learnings, we have improved our coverage to 77% through a number of activities including raising antennas. Over 76,000 customers have been welcomed and have access to the Smart Tracker platform, which displays the smart meter readings as well as lots of other helpful tools and water saving tips, and more than 27,900 customers have engaged.



OUR COMMITMENT TO IMPROVING STORM OVERFLOWS

Storm overflow spills are one of the biggest issues facing our sector today and we are firmly committed to reducing their usage as quickly as possible to meet the expectations of our customers and wider stakeholders. Over the next 25 years we will invest £4.4 billion to meet Government requirements at least five years early and we are accelerating our investment to deliver benefits for our customers and the environment as quickly as possible.



What are storm overflows?

On an average rainy day in England, about two million litres of rainwater will fall on every square kilometre. Our wastewater area covers more than 19,500 million km² and all that water needs to go somewhere. Every day, we take away 3.3 billion litres of wastewater from toilets, bathrooms and kitchens in homes and businesses. But wastewater also flows into our network because of drainage from roads, highways and public spaces, and flows through our 92,800 km network of pipes to one of our c.1,000 wastewater treatment works to be treated and safely returned to the environment. During periods of sustained rainfall, the volume of wastewater entering our network increases significantly and, as we have seen this year, weather patterns are changing and recently we saw some of the wettest months on record.

Like many other countries, the UK's sewerage system was designed as a combined system, with a single piped network which collects wastewater from homes and businesses and also collects rainwater from roofs, roads and other hardstanding areas. To mitigate the risk of flooding properties when there is too much water in the system, for example in periods of sustained rainfall, the combined sewerage system was designed with overflows which act as relief points during heavy rainfall allowing diluted flows to discharge into rivers and watercourses to protect customers' homes from flooding. We have 2,472 overflows within our wastewater system and these are made up of a mix of overflows on our network (commonly referred to as combined sewer overflows ('CSOs')) and those located on our wastewater treatment sites (commonly referred to as settled storm overflows ('SSOs')).

Each overflow is designed in accordance with a permit condition as outlined by the EA. The permits specify the conditions under which a spill is permitted ensuring no detrimental impact to the receiving watercourse. Whilst these overflows operate within permit conditions and serve an important purpose, our stakeholders care deeply about reducing their usage – and so do we. Our entire organisation is energised and focused on reducing our number of spills and we are determined to achieve our stretch ambition to halve our number of spills by 2030. We are investing and working hard to deliver the reductions we have committed to, while at the same time protecting customers' homes and businesses from flooding as we implement our enhancements.

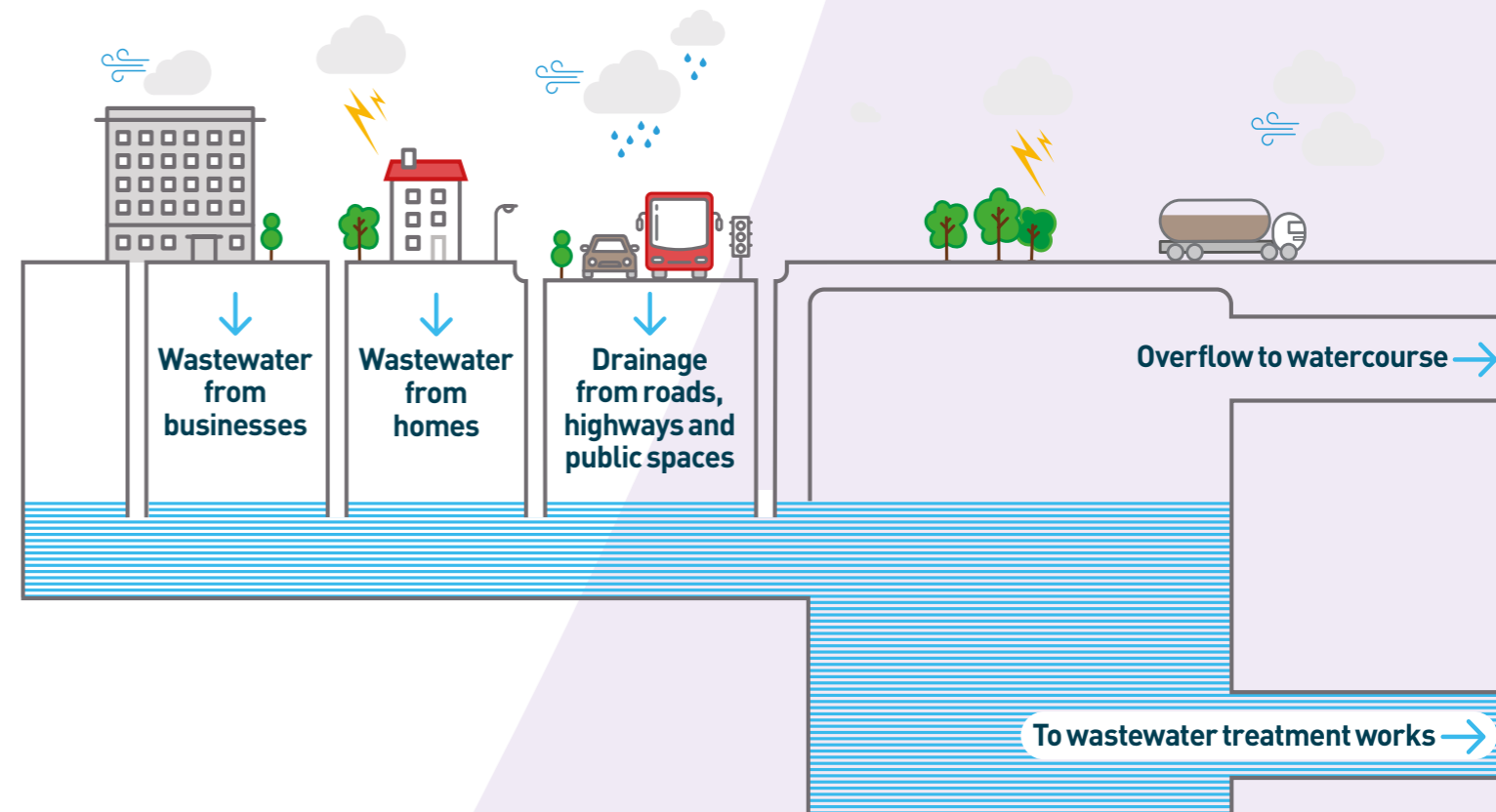
How do we monitor storm overflows?

How we monitor and report overflow performance is strictly defined by the EA, and every year all water and sewerage companies in England are required to formally submit performance data to the regulator. All of our storm overflows have Event Duration Monitors ('EDMs') installed which report the number of times they activate, when they are activating, and the length of time each overflow discharged. We were the first water company in England to install EDMs on 100% of our overflows and we are now dual monitoring to ensure even higher operability. Pulsing every 2-15 minutes and providing over 300 million data points per year, this insight is helping to inform our knowledge and prioritise what action and investment is needed. In addition to our EDMs, we also have thousands of early warning monitors fitted across our network which continually analyse changes in depth and/or flow so we can proactively identify any potential problems before they occur.

We take the delivery of our commitments incredibly seriously and we believe transparency is vital to demonstrate our progress to customers and broader

stakeholders. Our EDM data is subjected to several levels of internal and external assurance before it is reported to the regulators. To ensure we are being transparent with our customers and stakeholders we publish our annual EDM data on our website each year, which contains all the monitoring information from storm overflows across our region, and have developed a near real-time storm overflow map in an accessible format.

Our performance of 24.9 spills on average in 2023 (against 24.7 in 2021 and 18.4 in 2022) is not in line with the pace of progress that we want. An increase in utilisation of overflows was not unexpected given the higher levels of rainfall observed this year – being 35% more than in 2022 – however we were still disappointed in the increase. While we have felt its impact, weather cannot be an excuse for us or our sector – climate change is something we must all adapt to, and it is our job to protect our customers and the environment from its impact on our operations. The unprecedented weather this year has highlighted that we need to go further, move quicker, and find more creative and innovative approaches to meet the expectations of our stakeholders, in particular on storm overflow spills.





Ambitious investment plans

The Government sets stringent targets to protect the environment and specific deadlines to ensure no storm overflow is causing harm by 2045, with an interim target that 75% of overflows are improved by 2035. In addition, no storm overflow will be permitted to discharge above an average of 10 times per year by 2050, measured using EDMs.

Aligned with these requirements, we have developed our Storm Overflow Action Plan ('SOAP'), to ensure every storm overflow we are responsible for meets the targets set by the Government – ahead of required timescales. In our investment plans for the next five years we set ourselves the most ambitious targets in the sector for minimising the use of CSOs, with targets that go further and faster than the Government targets.

Meeting our target of an average of 20 spills by December 2025 is a priority, and we are determined to achieve our stretch ambition to halve our number of spills between now and 2030. Our whole organisation is energised and focused on this activity, and we have made good progress with the procurement of thousands

of assets, utilising some of the £1 billion of funding our investors contributed last October to help us accelerate our five-year investment plan. This investment will have a dramatic reduction on the use of CSOs once the new assets are installed by the end of the year. Overall, we expect these capital works to benefit 900 sites, representing over 40% of all CSOs that spilled last year.



We are investing £1.1 billion between 2025 and 2030, and £4.4 billion up to 2050, to meet targets at least five years earlier than the date set by our regulators.



Accelerating our progress in 2024/25

After months of engineering trials, resource recruitment, procurement for new kit such as tanks and internal team education, on 17 May 2024, we announced our accelerated programme of capital investment to deliver almost 1,000 improvements across c.900 storm overflow sites by the end of the year. To ensure we make demonstrable progress on our investment programme, at the pace our stakeholders expect, we have assembled a dedicated team of hundreds of people working across hundreds of sites to focus on spills. By the end of this year we will deliver a combination of enhancements as follows:

- installing c.700 storage solutions at our treatment works and network assets. These assets will allow us to capture and store more flows during periods of high rainfall and dramatically reduce spills at those sites;
- c.25 submerged aerated filter ('SAF') treatment units that will enable us to expand the treatment capacity through the additional processes, dramatically reducing spills into the environment;

- c.70 reed beds that will provide for nature-based treatment of sewage at the storm route for smaller sites, and prevent untreated sewage entering rivers;
- nearly 200 enhancements at specific CSOs on our network, which will enable us to increase the flow of sewage to our treatment works, reducing the potential for a spill into the river;
- over 100 flap valves that will prevent river ingress into our network, which would otherwise overload the capacity of our sewers with river water; and
- c.8,000 water butts will be supplied to 10 communities to trial at scale surface water separation.

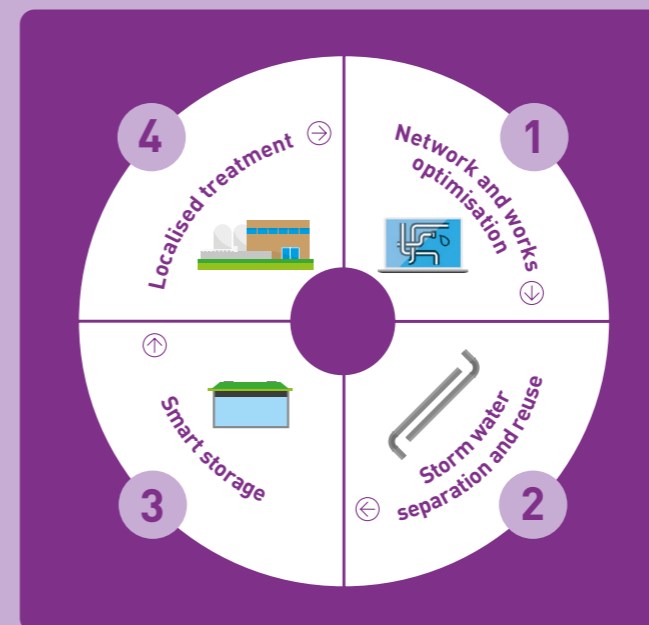
This activity is being supported by international partnerships, an international solutions scouting programme and a guaranteed innovators payment scheme, to support the development and implementation of innovative solutions at pace.

INNOVATION SPOTLIGHT – ZERO SPILLS HUB

CSO spills are a challenge shared by other wastewater companies internationally. As such, we have been learning how others have approached spill reduction, including Aarhus Vand in Denmark. While traditional approaches including separating combined sewers have an important role to play, it is also clear that emerging smart interventions, when used in the right combination, can help to

drive down spills and have the potential for faster deployment than larger capital schemes.

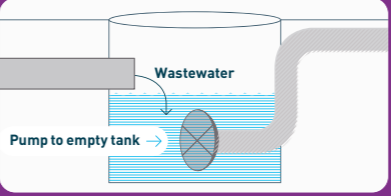

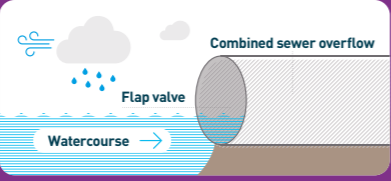
Our Zero Spills Hub in Nottingham incorporates this learning and is a testing ground for innovative approaches for spill reduction of the type we are planning to deploy in 2024/25. It is designed to act as a catalyst for progress in four areas:



1. Using learning from artificial intelligence ('AI') to optimise flows and capacity in our existing infrastructure.
2. Reconfiguring networks, slowing storm water flows and trialling new commercial rainwater harvesting and re-use schemes with learnings from Singapore and Australia.
3. Managing storm water using AI enabled temporary and permanent storage and nature-based solutions.
4. Creating new treatment options within river catchments as well as at works. Engaging communities in enhancement development.



Examples of how the enhancements we will deliver are explained in the table below. To bring to life the scale and pace of our progress, we have included some case studies of schemes delivered since our announcement in May 2024.

Investment	Solution – how it works
<p>New storage capacity, including large-scale storm tanks and smaller modular solutions, including SAFs, that can be deployed at scale.</p> <p>Water butts supplied to customers' homes across 10 communities to reduce surface water.</p>	 <p>Storm tanks hold wastewater back during severe weather events before returning it to our treatment works when rainfall has subsided and capacity to treat is available.</p>
<p>Nature-based treatment, such as reed beds</p>	 <p>Reed bed systems help treat increased wastewater flows during severe weather events, reducing the treatment required when rainfall has subsided and capacity to treat is available.</p>
<p>Installation of solutions to optimise assets, such as flap valves and enhancement at specific CSOs.</p>	 <p>Flap valves work as a safety mechanism during periods of severe weather, by stopping river inundation into our treatment works when river levels are high.</p>

To deliver these improvements we are growing our business. This year we redesigned sections of wastewater operations, insourced c.400 people into our customer waste teams, and as part of our new accelerated programme, we will be using our supply chain to deliver spill reductions as they work on our wider environmental programme.

This complex, large-scale activity will be overseen by our dedicated CSO programme, which reports directly into our Executive Committee on a weekly basis, to deliver our investment plan as quickly as possible. We intend for the first 900 sites to have received investment by the end of the year, enabling us to rapidly reduce the use of CSOs once in operation. This important activity will be supported by data and innovation, including our Zero Spills Hub in Nottingham to trial innovative technologies at pace to work towards zero spills, which we will be sharing with the wider sector and have already hosted a number of companies to share our approach.

Everyone in Severn Trent is committed to this programme and reducing our usage of storm overflows, which is why every employee in the organisation is incentivised through our annual bonus - 15% of which is linked to delivering CSO enhancements at pace and reducing their usage. We have made excellent progress this year, and a summary of our progress to date is set out below, including case studies of schemes completed to bring the scale and pace of our activity to life.

Over 250 interventions have been completed so far including:

- more than 20 enhancements at specific CSOs to increase the hydraulic capacity of our network, reducing the potential for spills;
- nearly 100 valves have been installed that will prevent river ingress (fluvial flooding) into our network when river levels are high;
- twenty storage solutions have been delivered; and
- c.150 enhancements at sewage treatment sites to repurpose existing assets, optimise pumps and assets to increase the hydraulic capacity and increase storage capacity at our sites during periods of heavy rain.

In addition to this activity, over 500 sites have been surveyed for enabling work to accelerate the installation of storage and treatment enhancements. In readiness for this activity:

- we have identified over 25 sites where Submerged Aerated Filters ('SAFs') can be deployed. Manufacture and delivery of these units is underway;
- over 550 storage tanks have been sourced; and
- ordered 30 new reed beds to provide nature-based treatment of sewage at the storm route for smaller sites.

When installed, these enhancements will increase the storage capacity and allow us to treat more during periods of heavy rain.

Innovation is playing a key role in our ambitious programme, we are installing smart water butts at customer homes in key areas and the use of AI and smart control panels, designed and developed in house, are helping us enhance the operation of our network.

Our new internally developed Solutions Tracker allows us to prioritise, track and coordinate the solutions for every one of our storm overflows.

Alongside this we have engaged our colleagues across the Company with a dedicated communications plan outlining specific initiatives such as Adopt an Outfall. This has increased the understanding across the Company on the importance and impact of storm overflows, including the part our people can play.

CASE STUDY – VALVE INSTALLATION

At Kingsland Bridge in Shrewsbury, we have raised the height of the wall inside a chamber and installed a 'check flex' non-return valve.

This new valve acts as a barrier between the combined sewer and the river, preventing water from the River Severn entering the sewer when in flood conditions and reducing the risk of overloading the system.

CASE STUDY – REPURPOSING EXISTING ASSETS

At Huthwaite Wastewater Treatment Works we identified storage tanks that could be modified for use as storm tanks to increase the site's resilience to exceptional flows.

Within a two week period, the storm tanks were commissioned – and the following weekend there were exceptional flows into the works, as a consequence of exceptionally wet weather. The tanks operated effectively by increasing the site's capacity, preventing a storm overflow spill.



CASE STUDY – NEW STORAGE

Conventional liquid storage tanks used within the sector have long installation lead times and can be complex to install at our smaller sites. We have developed a new modular approach that can be deployed at scale, even at our smallest sites.

The two new auxiliary storm tanks at Braunston wastewater treatment works have increased the work's capacity by 100,000 litres. These tanks hold wastewater back during severe weather events before returning it to our treatment works when rainfall has subsided and capacity to treat is available.



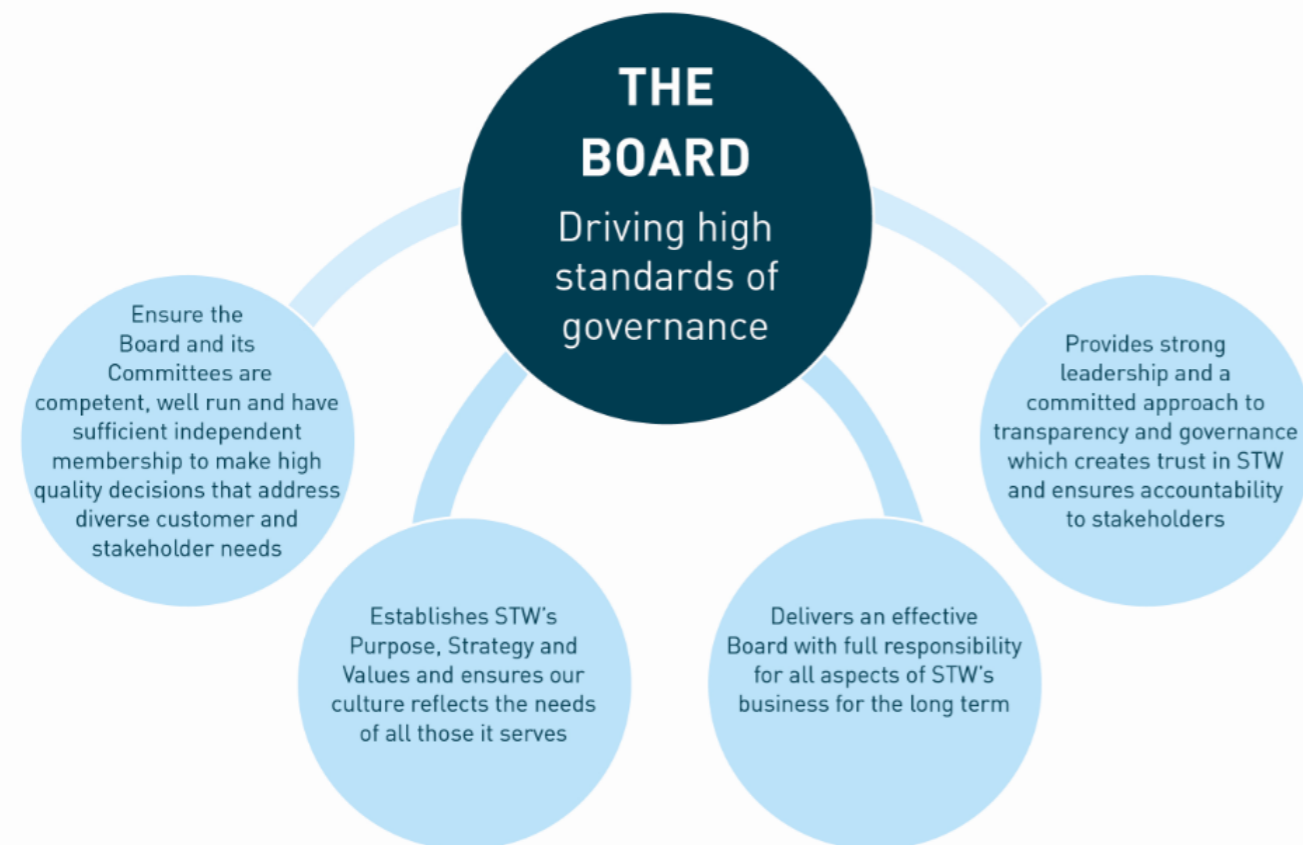
OUR APPROACH TO BOARD LEADERSHIP, TRANSPARENCY AND GOVERNANCE

OUR APPROACH TO BOARD LEADERSHIP, TRANSPARENCY AND GOVERNANCE

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.

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

Ofwat’s 2019 Board leadership, transparency and governance framework (the ‘BLTG’), sets out the important role of effective corporate governance and strong board leadership in driving high standards and securing the proper discharge of functions. Severn Trent Water’s (‘STW’) Licence requires the Company to meet the BLTG objectives and 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 2023/24; this section of the report provides further detail and outlines how the Company continues to deliver for its customers and other stakeholders.



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 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
- Regulatory Reporting and Assurance Approach
- 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’ – and 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 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 what their age, gender, race, ethnicity, disability, sexual orientation, social background, religion or belief.

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 complete the same mandatory e-learning

modules as 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, and a summary of how the Board discharges this responsibility is provided below.

Our Governance Framework enables the Board to monitor and assess the Company’s values and culture to satisfy itself that behaviours throughout the business are aligned with the Company’s purpose and to take corrective action where misalignment is found. This framework ensures that the Board is effective in both making decisions and maintaining oversight, whilst ensuring that every part of our business – from the Boardroom to the frontline – embodies our well-established culture of Doing the Right Thing. 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 facilitated through dedicated agenda updates at Board and Committee meetings, complemented by direct interactions with the workforce through our Company Forum and in 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. In addition to this, the Board’s oversight of the Company’s culture is supported by the below dedicated agenda topics:

Annual employee engagement survey

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. 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 our employee engagement survey and the dedicated workforce policies and practices assessment conducted by the Board, the Board spends a significant amount of time engaging with the workforce through various company-wide initiatives to get a direct understanding of the 'employee voice'. Employee voice means different things to different people and, as such, we use multiple employee engagement initiatives to ensure the views and perspectives of our people are fully understood. We have a combination of collective and direct employee feedback mechanisms that focus on two-way inclusive dialogue across the business. These include:

Company Forum: Our chosen workforce engagement mechanism, the Company Forum, provides an opportunity for employee and Trade Union representatives to meet with Board members on a regular basis, helping them to stay connected to the direction of the Company and be involved in business decisions. Members of the Board and Executive Committee attend the Company Forum on a rotational basis, so each Director has the opportunity to listen directly to what employees have to say and for our employees to hear about the matters that the Board is reviewing and considering. Agendas are comprehensive and varied, so attendance at the Company Forum deepens the Board's understanding of day-to-day operations, the practical execution of strategy and the culture of the organisation. It ensures that views from a diverse cross section of the workforce – in terms of seniority, gender, ethnicity, tenure of employment and job types – are considered in Board discussions and decision making, and each meeting generates wide-ranging exchanges of opinion and insight. Directors provide feedback to the Board as a whole through dedicated written reports tabled at subsequent Board meetings.

Ask Our Board events: Every year we hold a dedicated 'Meet Our Board' event, which is attended by Non-Executive Directors only, without management present, to provide the Board with an independent view of the Company's culture from our people. This year's session involved 25 graduates and apprentices from a wide range of business areas. Board members and attendees reported that the informal structure of the session provided an informal and trusting approach to engaging with each other.

Employee advisory groups: Board members attend meetings of the four employee advisory groups – LGBTQ+, Ethnicity, Disability, and Women in STEM and Ops – to meet members of our workforce directly and hear about the progress made against our diversity and inclusion plans across the business. Directors provide feedback to the Board as a whole at subsequent Board meetings and the outputs from these sessions are used to shape future Board agenda topics and employee updates.

Leadership events: Board members are invited to attend leadership events that are held during the year, to hear directly the key messages we are sharing with our managers about our Company's strategy, current performance and future plans. The events also bring our leaders together to build networks and provide opportunities for collaboration and development of solutions for the challenges we face as a business.

Site visits: Board members frequently undertake site visits to gain further insight into our culture by meeting colleagues whilst observing the Company's operations in action. Our values are brought to life in the way colleagues behave in carrying out their roles. Board members use these opportunities to observe the commitment and dedication of our people in delivering our essential services to customers and communities, whilst also gaining a practical understanding of the systems and processes we have in place to support our workforce and deliver consistent operational performance. These direct interactions with employees allow our Board to understand first-hand the culture of our organisation and matters of focus identified by our workforce.

Through attendance at many of our employee engagement initiatives, Directors can monitor and assess the Company's values and culture to satisfy themselves that the culture and behaviours throughout the business are aligned with our purpose. No misalignment was identified during the year.

You can read more about these activities within the [Severn Trent Plc Annual Report and Accounts 2023/24](#).

The statement from the Board focusing on how the Company has set its aspirations and performed for all those it serves can be found in the Board Statements section.

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 that encourages reporting of potential wrongdoing, the support we give to whistleblowers and through our 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 are 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 customers and the environment, both now and over time, and hold management to account.

Within the Group, subsidiary company boards are managed through designated 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. 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 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. 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 accountability for, all aspects of the Company’s strategy to support performance delivery for customers and the environment. The Board is responsible for reviewing the Matters Reserved to the Board and the latest review took place in March 2024. 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.

- 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.](#)

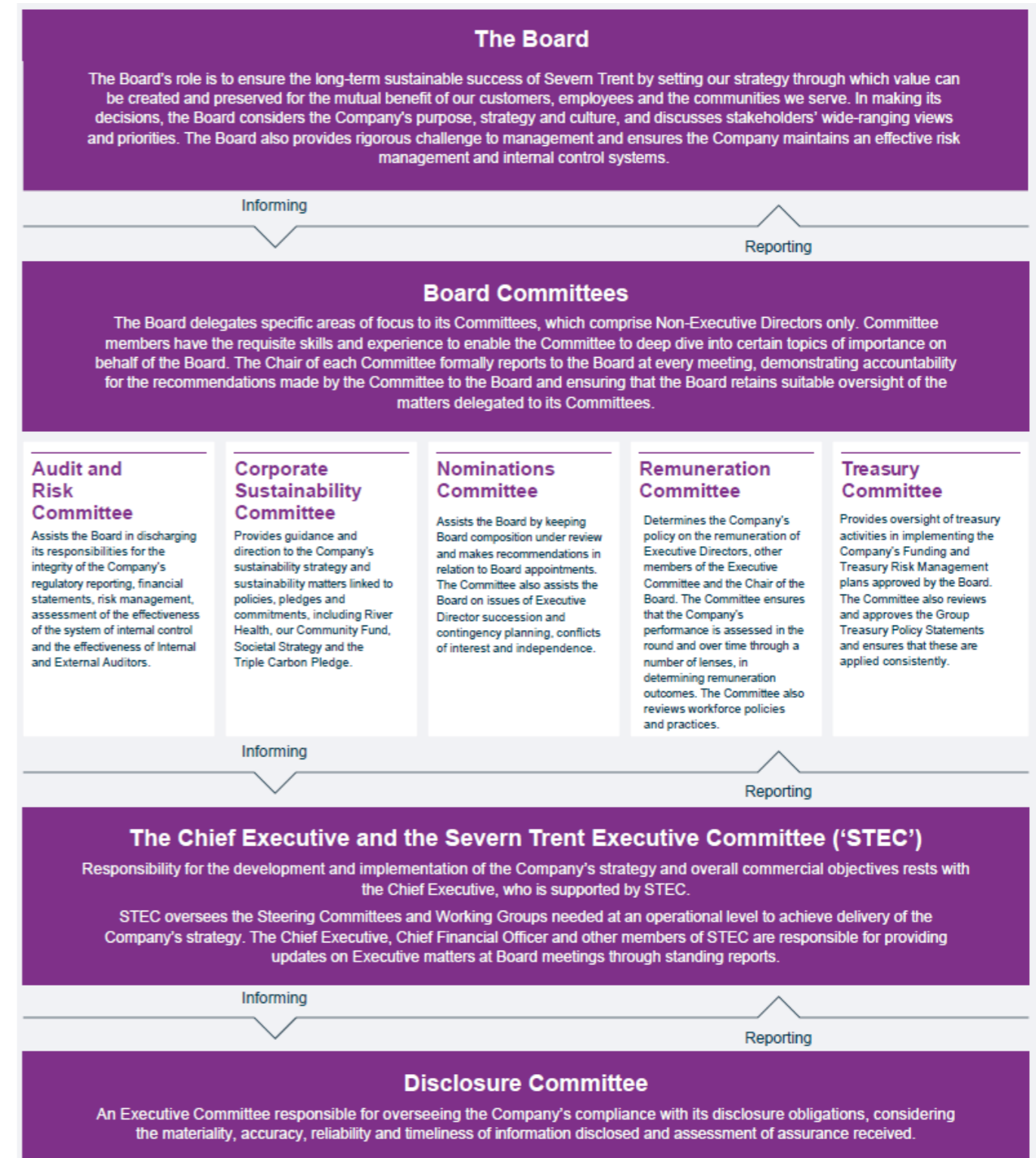
The Company’s Governance Framework comprises the Board, Executive Committee and their respective Committees. The way in which each of these Committees report to the Board is outlined in the schematic opposite.

The Board delegates certain roles and responsibilities to its various Committees. The Committees assist the Board by fulfilling their roles and responsibilities, focusing on their specific activities, reporting to the Board on decisions and actions taken, and making any necessary recommendations to the Board in line with their respective 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 Board of Severn Trent Water Limited is the same as the Group’s ultimate parent company, Severn Trent Plc. This arrangement is considered appropriate as STW’s regulated activity represents approximately 91% 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.



- 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 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 judgement.

We have a Conflict of Interest Policy in place for all Group companies, which provides each individual company Board and their Committees should consider potential conflicts at the outset of every meeting. Individual company Boards also formally review the authorisation of any potential conflicts of interest every six months with any conflicts being recorded in the Conflicts of Interest Register.

Should a conflict 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.

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 and the ownership structure of Severn Trent Water Limited can be found 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. You can read more about the process that the Board undertook to assess the Company's performance in the round in the Dividend 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 is set out on pages 78 to 86 in the [Severn Trent Water Limited Annual Report and Accounts 2023/24](#).

- iv. 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 below:

Board and Committee Meeting Attendance 2023/24

Director	Role	Board (inc. Strategy Day)	Audit and Risk Committee	Corporate Sustainability Committee	Nominations Committee	Remuneration Committee	Treasury Committee
Christine Hodgson	Chair	10/10	-	4/4	5/5	5/5	-
Liv Garfield	Chief Executive	10/10	-	-	-	-	-
James Bowling	Chief Financial Officer (until 6 July 2023)	4/4	-	-	-	-	-
Helen Miles	Chief Financial Officer (from 6 July 2023)	10/10	-	-	-	-	-
Kevin Beeston	Senior Independent Non-Executive Director	10/10	5/5	-	5/5	5/5	5/5
John Coghlan	Independent Non-Executive Director (until 31 December 2023)	8/8	4/4	-	3/3	-	3/3
Tom Delay	Independent Non-Executive Director	10/10	-	4/4	5/5	-	-
Sarah Legg	Independent Non-Executive Director	10/10	5/5	4/4	5/5	-	5/5
Sharmila Nebhrajani	Independent Non-Executive Director	10/10	-	4/4	5/5	5/5	-
Gillian Sheldon	Independent Non-Executive Director (until 14 May 2024)	10/10	5/5	-	4/4	5/5	5/5

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 on page 129 in the [Severn Trent Water Limited Annual Report and Accounts 2023/24](#).

- 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, as outlined in the Governance Framework above. 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 in the within the Regulatory Statements and Executive Remuneration sections.

Details of our Remuneration Policy are also set out within the Regulatory Statements 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.

Following the Remuneration Committee's assessment of performance in the round for 2023/24, it determined that, following consideration of the Company's wider performance in the round, it would not be appropriate to override the formulaic outcomes of either the 2021 LTIP or the 2023/24 annual bonus due to performance in the year. However, due to the judgment that was delivered in respect of the Barlaston pollution which occurred in

2019/20, the Remuneration Committee considered it appropriate to apply downwards discretion to the CEO's 2023/24 annual bonus outcome, reducing the EPA 4* performance measure from full vesting, to zero.

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 Board and Committee 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 with 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' at the outset of the meeting, led by the CEO.
- Written reports from the Chairs of Board Committees on the proceedings of those meetings, including the key discussion points and particular matters to bring to the Board's attention.
- Following every Company Forum, a report on the topics discussed is circulated and the Directors who attended that particular session add further context at the Board meeting.
- At least half of the Board's agenda is dedicated to performance oversight, including dedicated reports from the CEO, CFO, Customer Operations Director, Director of Capital and Commercial Services and Director of Customer Solutions at every Board meeting. This dedicated 'Performance Review' section on the agenda ensures that the Board is effective in discharging its oversight of the Company's performance for customers and the environment, 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. Examples during the year include: storm overflows, AMP8 Deliverability and the Company's Customer Vulnerability Strategy. Examples of matters considered throughout the year can be found on pages 135 and 136 in the [Severn Trent Water Limited Annual Report and Accounts 2023/24](#).
- Dedicated sections on the agenda relating to regulatory matters reserved for the Board, stakeholder engagement – including the workforce and organisational culture, 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, which provides the opportunity for discussion on key agenda items and other matters without the Executive Directors and management present.

On the evening before most scheduled Board meetings, all the Non-Executive Directors meet either by themselves, or together with the entire Board and the Company Secretary, or with Executive Committee members. This time is usefully spent enabling Board members to build a rapport with each other and a relationship on a personal level, share external views and consider issues impacting the Company, resulting in better Board dynamics and decision making.

Board meetings are also held at operational sites throughout the year, complemented by a programme of site visits outside of the formal Board schedule, to allow Directors to observe the Company's operations in action and meet colleagues to gain further insight into our culture and enhance their understanding of the organisation.

- 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 wide range of backgrounds and strengths. Full biographies for each Director can be found on page 129 in the [Severn Trent Water Limited Annual Report and Accounts 2023/24](#).

The Board skills matrix on page 130 in the [Severn Trent Water Limited Annual Report and Accounts 2023/24](#) 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.

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

As at 31 March 2024, the Board comprised the Chair (who was considered independent on appointment), five Independent Non-Executive Directors and another two Executive Directors. During 2023/24, Independent Non-Executive Directors formed the largest single group on the Board.

- 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 Board Effectiveness evaluation. Details of the division of responsibilities can be found in the Charter of Expectations document, available on our website.

- iii. **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 are reviewed annually, with an externally facilitated review every three years as required by the 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.

An externally facilitated review of the performance of the Board and its committees was conducted this year.

The Severn Trent Plc Nominations Committee appointed Ffion Hague of Independent Board Evaluation ('IBE') who, having carried out the previous externally facilitated review during 2020/21, was well placed to observe, and comment on, the progress made over the last three years. Neither Ffion Hague nor IBE have any other connection with the Company or individual Directors.

IBE's independent review concluded that the Board performs very well, with positive feedback received from both within and outside the Board. The review highlighted that it was evident that the Board feels highly accountable to all stakeholders and that the Board placed a strong emphasis on ensuring that it considered views from and issues affecting customers, employees, regulators and other key stakeholders in its discussions and decision making. There is a culture of trust between Board members, which encourages open and honest discussions and leads to constructive challenge of the Executive Committee and senior management. As a follow on from this independent evaluation, the Chair met individually with each Board member to discuss their performance and the SID also met with the Chair to give feedback on her performance.

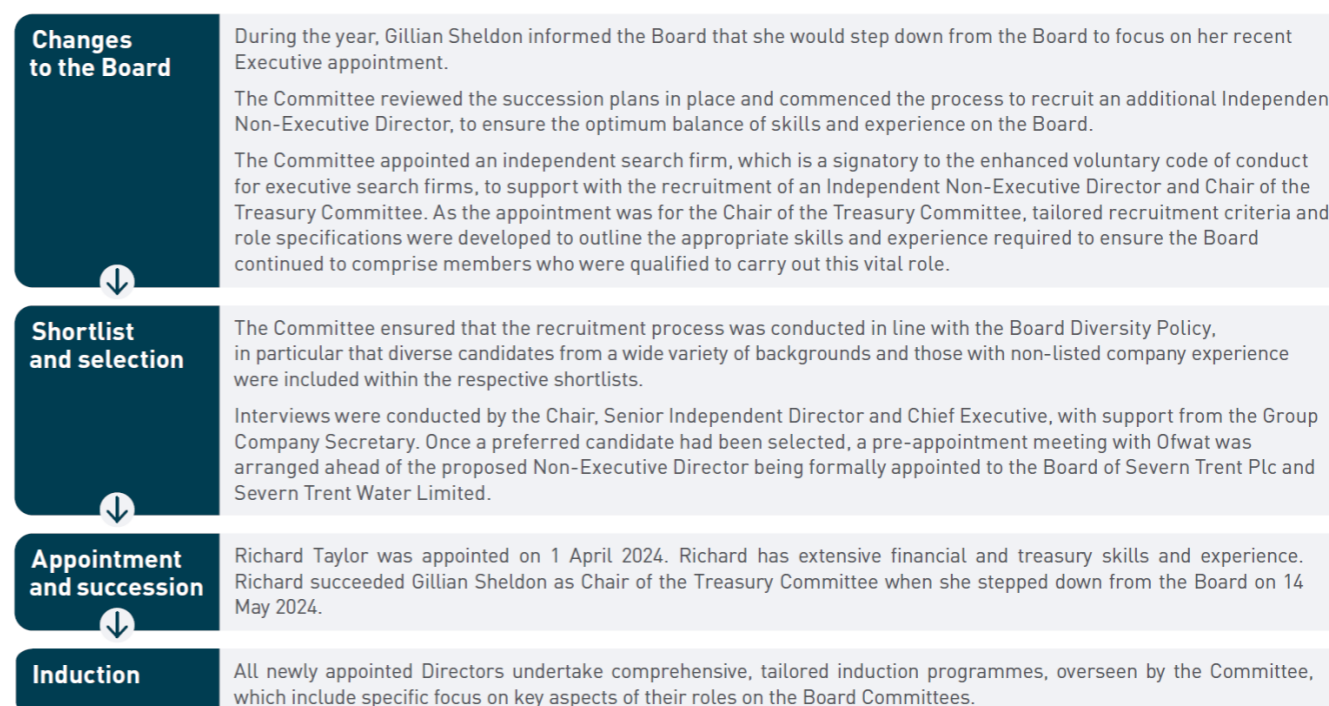
The review concluded that, whilst the Board was operating very effectively, there was scope for minor areas of further improvement and more information on the Board's action plan for 2024/25 can be found on page 146 of the [Severn Trent Water Limited Annual Report and Accounts 2023/24](#). The Board will continue to oversee the progress made in relation to the agreed actions to ensure their timely completion.

- iv. **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.

The Board and the Nominations Committee spent a significant amount of time considering Board succession during the course of the year to ensure that the Board has the right mix of skills and experience, as well as the capability to provide effective challenge and promote diversity. An example of the Committee's succession planning activity in action is set out in the adjacent schematic, which resulted in Richard Taylor being appointed to the Board on 1 April 2024. Richard succeeded Gillian Sheldon as Chair of the Treasury Committee when she stepped down from the Board on 14 May 2024.

We develop a detailed, tailored induction for each new Non-Executive Director. Full details of the induction process are presented on page 143 of the [Severn Trent Water Limited Annual Report and Accounts 2023/24](#).



- v. **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.**

All Non-Executive Directors proposed for appointment meet with Ofwat as part of the pre-appointment process to ensure there is a clear understanding of the responsibilities attached to being a Non-Executive Director in the water sector. This process was followed for Richard Taylor during the year, ahead of his appointment.

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

Membership of all Board Committees comprises Independent Non-Executive Directors only, other than the Chair of the Board who was considered Independent on appointment. More information on the Committees can be found in the respective Committee Reports in the [Severn Trent Water Limited Annual Report and Accounts 2023/24](#) and in the [Severn Trent Plc Annual Report and Accounts 2023/24](#).

In addition to the dedicated governance arrangements described above, as a subsidiary of a FTSE100 listed Company, the Company has chosen to apply the highest standard of corporate governance in line with the principles of the 2018 UK Corporate Governance Code (the '2018 Code'). The [Severn Trent Water Limited Annual Report and Accounts 2023/24](#) outlines the way in which the Company has voluntarily applied the principles of the 2018 Code during the year.

PERFORMANCE SUMMARY

We are focused on delivering positive outcomes for our customers and the environment and reporting transparently on our performance in a way that is meaningful for our stakeholders.

This section of our report sets out how we have performed during the year against each of our AMP7 performance commitments.

CUSTOMERS AND COMMUNITIES

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, from the Boardroom to the frontline, 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 an outstanding experience.

This section of our report sets out how we have performed for our customers and communities during the year against each of our AMP7 performance commitments as follows:

Performance Commitment	Units	Performance Commitment Level	Performance Achieved	PCL Met	ODI Payment (£m)
Reducing residential void properties	Number	167,548	117,358	✓	7.980
Reducing residential gap sites	Number	688	715	✓	Reputational
Reducing business void and gap site supply points	Number	50	3,077	✓	0.636
Value for money	Percentage	64.0	60.0	✗	Reputational
Help to pay when you need it	Percentage	42	56	✓	Reputational
Priority services for customers in vulnerable circumstances	Percentage	8.9	9.2	✓	Reputational
Customer measure of experience ('C-MeX')	Rank	-	11th	✗	(2.080)
Developer Services measure of experience ('D-MeX')	Rank	-	1st	✓	3.193

Additional Reporting Requirements are set out for Residential gap sites, Priority services, C-MeX and D-MeX in the Additional Regulatory Information section.

WE STRIVE TO HAVE THE LOWEST POSSIBLE BILLS

REDUCING RESIDENTIAL VOID PROPERTIES ✓

An important part of keeping bills as low as possible is to make sure anyone who should be paying for their water is doing so.

Over the last 12 months we have improved our process for identifying voids and reduced void property volumes. For example, we found that mailshots were getting very few positive results, so we have stopped these to ensure we are delivering best value for our customers, by only spending money where the activity is achieving results.

In 2023/24 we achieved our third consecutive year of significant reductions in residential void properties, exceeding our target by 30%.

As part of this process, we monitor the debt performance of properties brought into charge.

REDUCING RESIDENTIAL GAP SITES ✓

This year we have beaten our target of 688 and have brought 715 residential properties into charge. We undertook a new, innovative approach this year, led by our Data Science team to match Address Base Premium records to our billing records. While this found some gap sites, it also confirmed that the remaining pool of gap sites is getting smaller and harder to find because of our success in finding these earlier in the AMP.

A key cause in gap sites is where a very small proportion of houses are not correctly brought into charge at new developments. To ensure consistency with our previous reporting, we have continued to include this type of gap site in the figure reported. Further detail, including a breakdown of the numbers, is provided in the Improving Clarity and Transparency section.

REDUCING BUSINESS VOID AND GAP SITE SUPPLY POINTS ✓

The principle that everyone who should be paying for their water is doing so also applies to our non-household customers and we continue to work with retailers to identify non-household void properties and gap sites in order to bring these customers into charge. In the last 12 months, we brought 3,077 business properties into charge, meaning we have significantly outperformed against our performance commitment level of 50. This is broadly in line with our 2022/23 performance despite retailers having exhausted the easier options available in the market. Retailers are now having to work harder, processing more challenging applications which means the number of applications has remained lower than our best annual performance this AMP of 9,620 (2021/22).

VALUE FOR MONEY ✗

Listening to our customers' views on value for money helps us to better understand factors such as affordability, reputation, and the quality of service we provide. The value for money performance commitment is assessed and determined by the results of a quarterly customer tracking survey. Our performance has deteriorated since last year, with 60% of customers surveyed saying they think their bill is good value for money, down from 64.4% (2022/23). This is the first time we have failed to achieve our target on this measure so far this AMP, having achieved it for the previous three years. We are engaging with our customers to understand the drivers for this and developing plans to improve customers' perception on this measure.

A SERVICE FOR EVERYONE

HELP TO PAY WHEN YOU NEED IT ✓

To be truly impactful in our communities, we need to help more of our customers who need support today. Our average combined bill remains one of the lowest in the country (£419 or around £1.15 per day). Our average bills are £29 a year lower than the industry average, and £85 a year lower than the highest and we will continue to offer one of the lowest bills in AMP8. Even though our bills are low, some customers have difficulty paying and we make it clear to our customers that we do not want anyone struggling to pay.

Of those customers who need additional support, we now help 56% of them, well above our target of 42%. Our current performance is also ahead of our 2024/25 target of 43% and is an increase from 52% this time last year. This means we are now supporting approximately 260,000 customers and by 2025 our financial support schemes will be supporting around 315,000 of our customers.

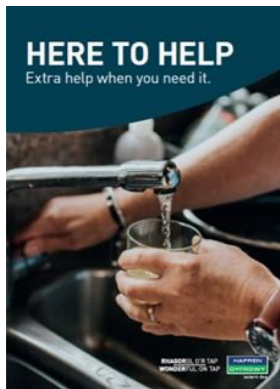
PRIORITY SERVICES FOR CUSTOMERS IN VULNERABLE CIRCUMSTANCES ✓

Our Priority Service Register ('PSR') supports our customers with special requirements to ensure those who need additional support are prioritised during an incident and are provided with bespoke communications and a personalised service. We aim to reach out to as many customers as possible to find those who might need additional support from us.

Our 'priority services for customers in vulnerable circumstances' performance commitment is made of three metrics: those we have attempted to contact ('Attempted'); those we have actually contacted ('Actual') and those that are registered ('Reach'). All three targets must be hit to meet our commitment on this measure, and we are pleased to have achieved our target on all three metrics this year and have done so every year of AMP7.

We now have over 9% of our customers signed up to our PSR, an increase of around 20% on the prior year. Currently, our PSR includes over 380,000 households, an increase of over 60,000 households in the past year.

Metric	Unit	Performance Commitment Level	Actual Performance Level	Performance Commitment Level met
Reach	Percentage	8.9	9.2	✓
Attempted	Percentage	35.0	41.3	✓
Actual	Percentage	90.0	98.8	✓



CUSTOMER VULNERABILITY STRATEGY

In addition to our focus on our PSR, our Customer Vulnerability Strategy seeks to outline the support and services offered to customers in vulnerable situations, particularly those who need extra help accessing our services. Our Strategy sets out our approach to tackling holistic vulnerabilities, ensuring that our services are accessible for all – particularly those who need help – and we continue to push forward with our commitments to improve our offering within our region through associated programmes such as our Societal Strategy. You can read more on our website.

AN OUTSTANDING EXPERIENCE

CUSTOMER MEASURE OF EXPERIENCE ('C-MEX') ✖

Everyone in Severn Trent, from the Boardroom to the frontline, 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 an outstanding experience for them. Whilst we are making many improvements, it has been a mixed year on customer experience, and we are disappointed that our C-MeX score ranked us 11th in the sector (2022/23: ninth). We have made good progress in many areas this year, and to explain this more fully, we have included an update on the component measures that contribute to our overall C-MeX score, which is determined by performing customer surveys across four core areas of experience, water service, waste service and retail service.

Experience - we saw an improving performance throughout the year as we built trust and satisfaction with our customers and communities. We took a county approach, engaging on a more local, targeted level and delivering campaigns that combined both behaviour change and brand messaging that struck a chord with our customers.

Water service - we have seen an improving trend throughout the year as a result of our focus on customer engagement and communications, such as improving customer touchpoints, our approach to proactive messaging to keep our customers informed and significantly reducing the need for customers to contact us more than once for the same issue. During the year we implemented our new Customer Inspector model, providing customers with a dedicated technical expert to oversee their job through to completion and keep them informed throughout the process. We have also refreshed our approach to resolving customer-side leakage, with a focus on improving customer journeys and increasing customer support.

Waste service - In 2023 we completed the insourcing of c.400 people into our Waste Networks teams. Insourcing of this scale is an organisational challenge, and this has impacted our Q3 and Q4 waste score. However, we expect the impact of this insourcing activity to be short term while our new colleagues complete their training and upskilling as they embed into the organisation. We anticipate seeing benefits in our waste performance over the next 12 months.

Retail service - we have seen an improving trend throughout the year as a result of our focus on proactive customer communication, through targeted text, e-mail and phone messaging throughout customers' interactions with us, such as checking whether they have any unresolved queries, or directing them towards our financial support schemes, where appropriate.

Our waste C-MeX scores were also impacted by the exceptionally wet weather this year and our ability to deal with the large volume of jobs it created. This is explained in detail within the 'wastewater taken safety away' chapter. 2023 was 35% wetter than 2022 and we had seven named storms between September and December alone, including Storm Babet which brought with it the wettest period on record.

We recognise there is more to do and have set ourselves an ambition to achieve a top three C-MeX position. To achieve this ambition, we have invested in the following:

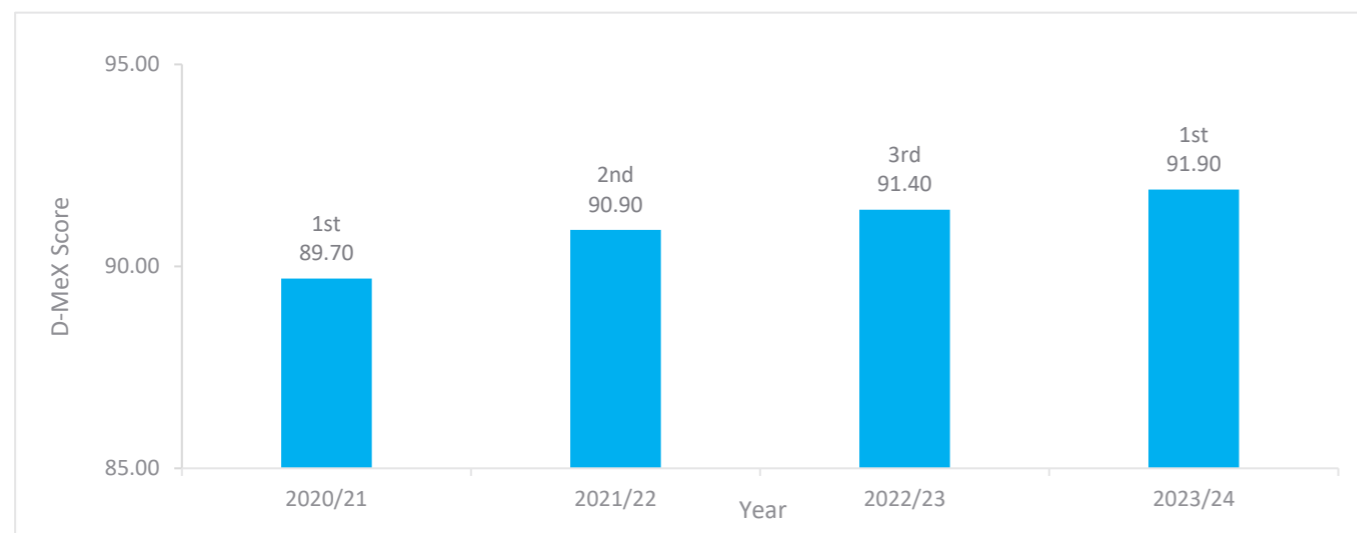
- Insourcing into our Waste Customer Networks team is described earlier in this section. Since onboarding, our new colleagues have been completing training and upskilling to enable future efficiency. As outlined earlier, as they embed into the organisation, we anticipate seeing improvements in our waste performance.
- In October 2023, we announced that we would be migrating our customer platforms to Kraken - an innovative, world-class system that we expect to deliver significant benefits across multiple business areas. We are confident that partnering with Kraken will help to accelerate the timeline for meeting our AMP8 customer experience priorities and help to revolutionise how we deliver our billing service to our customers.
- Implementation of a new Customer Inspector Programme within water described earlier in this section. As well as supporting further performance improvements in water, this team provides quality advice and support to our customers – helping them reduce their water usage, reduce their bills and support our plan to reduce household water consumption.
- County Cup: In January 2024, we launched our County Cup Champions initiative for all Severn Trent Water employees. The County Cup is an organisation wide initiative that allocates every one of our c.8,000 employees to a county team, with the objective of improving customer experience by having a regional focus and, in doing so, achieving sustained improvements in customer service. By focusing on measures we know are important to our customers, all of our employees will be able to play their part in improving services provided to our customers and communities. This activity is supported by a local customer engagement approach, including local media and social media coverage, so we can tailor our communications to the communities we serve.

DEVELOPER MEASURE OF EXPERIENCE ('D-MEX') ✓

We want to deal with every customer interaction in a timely manner and deliver an outstanding experience for all. And that includes our Developer Services customers. We are delighted to again be recognised as the leading company for D-MeX (our measure of developer experience) with our best ever score of 91.90, ranking us in first place. Our goal is to continue to lead the market and be the easiest company to deal with. Despite tough competition between companies, we perform consistently well and have proven we can deliver frontier performance.

To achieve this, we have continued to work hard on understanding our customers and their expectations as they change over time to ensure we can provide a high quality, tailored service.

Our historical D-MeX performance



GOOD TO DRINK

Our water treatment works ('WTWs') clean raw water to the highest standards, making it safe for our customers to drink whenever they need it. This section of our report sets out how we have performed on our AMP7 performance commitments as follows:

Performance Commitment	Units	Performance Commitment Level	Performance Achieved	PCL or Regulatory Deadband Met	ODI Payment (£m)
Water quality compliance	Score	0.00 (deadband 2.00)	6.19	✘	(8.217)
Water quality complaints	Number	9,500	7,696	✓	4.500
Farming for water	Number	End of AMP	8	-	End of AMP
Protecting schools from lead	Number	End of AMP	86	-	End of AMP

Additional Reporting Requirements for Farming for water are set out in the Additional Regulatory Information section.

WATER QUALITY COMPLIANCE ('CRI') ✘

Water quality standards in the UK are some of the highest in the world and whilst our performance benchmarks well against global peers, we are disappointed to have missed our Compliance Risk Index ('CRI') score this year, driven by asset failures at one of our largest water treatment works, Strensham. A dedicated team has been

established to identify root causes and develop mitigation activities, including the deployment of ultraviolet ('UV') technology, as well as reviewing options to accelerate longer term asset and process improvements.

In 2023, total sample failures were down nearly 13% from last year (122 from 140 in 2022/23), our lowest ever number of sample failures in a calendar year since the beginning of CRI in 2014 (excluding COVID-19 years). Our CRI performance this year was 6.19, a slight deterioration from 5.65 in 2022/23.

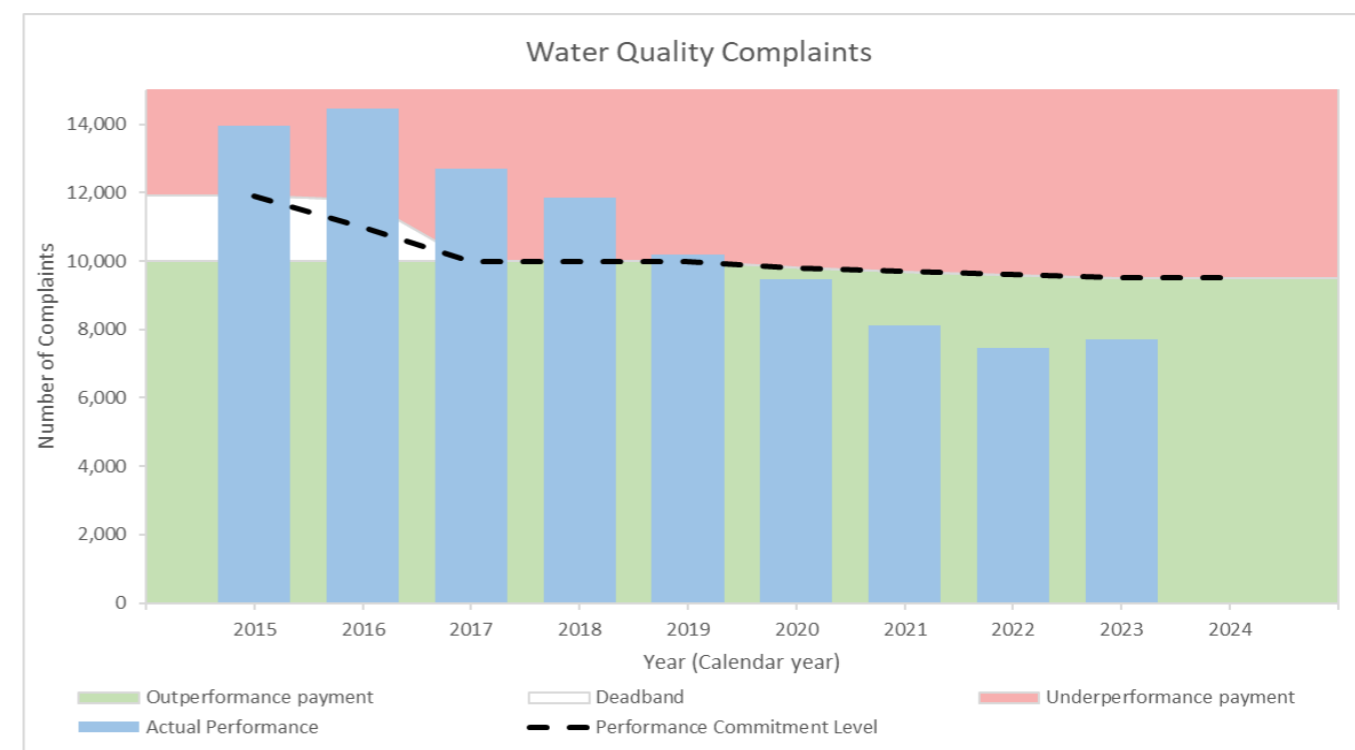
WATER QUALITY COMPLAINTS ✓

We want our customers to be delighted with their water whenever they use it. We have already achieved a step change in the performance of water quality complaints (nearly halved over the last seven years), and we are pleased that we have sustained that performance level for this year – 19% better than target.

This year, we had a total of 7,696 drinking water quality complaints, which was less than our regulatory target, meaning we have now achieved our target for every year of AMP7. We remain confident that we can achieve our end of AMP target of 9,500.

Our mains cleansing and flushing programme continues to progress well and we have stepped up our activity this year having flushed 1,256 district metered areas (a 25% increase on last year). We have developed automated designs using network analytics, meaning we can produce instant flushing plans during water quality events to reduce impacts for customers, and deliver proactive messaging to customers when undertaking flushing in their area. We are also providing more guidance for customers to self-diagnose issues on our website.

Our historical Water Quality Complaints performance



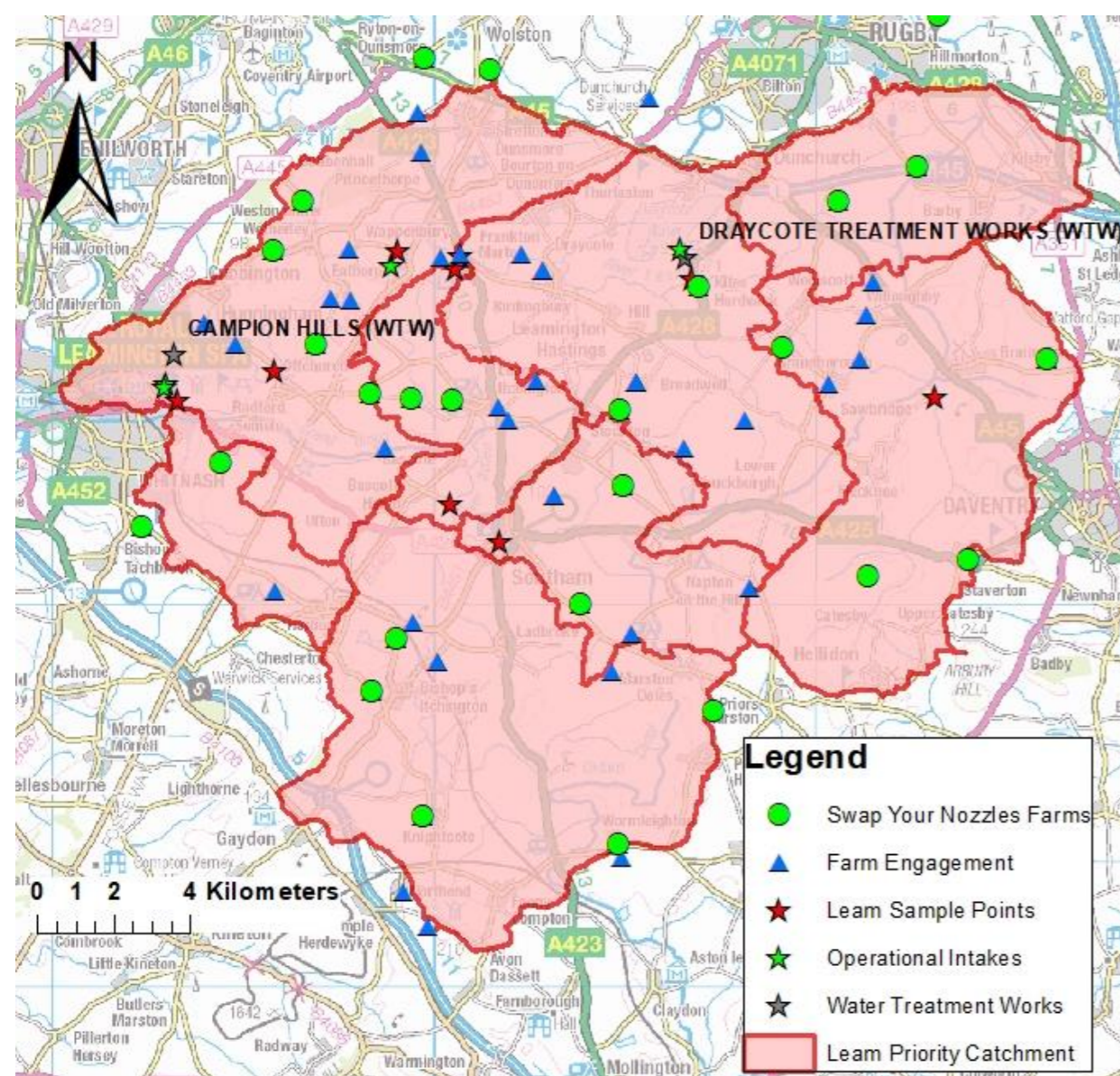
FARMING FOR WATER

This performance commitment measures the number of catchment schemes where we have improved control of raw water quality risk from specific pollutants, by engaging with farmers and changing farming practices.

After delivering 23 catchments by 2022/23, this year we have delivered a further eight, bringing our cumulative total to 31, outperforming our end of AMP Performance Commitment Level ('PCL') of 16 catchments.

FARMING FOR WATER – THE LEAM PRIORITY CATCHMENT MANAGEMENT

Monitoring of raw (untreated) water entering our WTWs in the Leam catchment identified pesticides as the main water quality risk. To prevent the works from being overwhelmed and keep treatment costs low, it is essential that the pesticide concentration in the rivers supplying our WTWs be as low as possible. This is where our catchment work comes in.



A map of the River Leam catchment showing the Severn Trent operational intakes and water treatment works as well as the River Leam catchment sample points, farms involved in SYN, and farms engaged with.

Working with farmers

The Severn Trent Environmental Protection Scheme ('STEPS') offers farms funded options to reduce their impact on water quality and the environment. Pesticide priority items have the greatest impact on reducing pesticides in watercourses. In the Leam catchment we have funded 10 pesticide sprayer handling areas, 26 arable grass margins and 29 farmer innovation items.

Sprayer handling areas are constructed spaces where operators fill a pesticide sprayer. They have a sloping floor and drain that collects and directs spills through a biofilter; deactivating the chemicals.

Arable grass margins are 6 meter wide grass strips along field perimeters, which prevent sprayers applying pesticides along the field edge, adjacent to a watercourse. They also 'catch' run-off and spray drift, preventing it entering watercourses.

Farmer innovation items are options that allow farmers to propose management changes to farm more efficiently. In the Leam catchment, farmers often apply for technology upgrades such as GPS navigation on sprayers; preventing overlapping spray runs and over-application which poses a risk for watercourses. Since 2020, we have offered nearly £600,000 in grants to farmers in the Leam catchment, across 163 STEPS items by engaging with 188 farms over 500 separate occasions. Furthermore, the 'Swap Your Nozzles' webinar series, delivered by an industry expert outlining dangers of pesticide misapplication, was attended by 41 farmers in the catchment who ordered 34 sets of low drift nozzles. These nozzles reduce pesticide drift from the target crops into neighbouring sites or watercourses. To monitor the impact of these schemes, we carry out monthly sampling in the Leam; we have analysed over 1,200 water samples.

Benefits delivered through our approach

Total pesticide load in the Leam catchment has decreased by 303 kg since 2020. Our monthly catchment sampling has shown a 31% reduction in Flufenacet (a pesticide used on crops like wheat, barley and potatoes) in the catchment over the past two years. Similarly, the pesticide Carbetamide, a pesticide used on crops like winter oilseed rape and winter beans, has decreased by 99% in the catchment over the past five years.

PROTECTING SCHOOLS FROM LEAD

As part of an industry-wide approach to address the risk from lead in drinking water supplies, all water companies are working with stakeholders such as the Drinking Water Inspectorate ('DWI'), Ofwat, Defra and public health teams. Although lead supply pipes in schools are the responsibility of others, we proactively work with schools and local authorities to help them. We are committed to helping schools remove lead and we are on track with our delivery plan.

This year we have helped 86 schools, including taking water samples and carrying out full inspections on internal plumbing to help identify any sources of lead, and making recommendations where needed, to improve the quality of the water.

In addition, we carry out external inspections between our water main and the school boundary. Since the beginning of the AMP, where we have found lead communication pipes through these external investigations, we have replaced them. So far this AMP, we have replaced 80 pipes outside schools' boundaries.

WATER ALWAYS THERE

Our services are an essential part of our customers’ lives. We take this responsibility seriously and strive to keep water flowing and continuously take wastewater away, so our customers can rely on us, every single day. This section of our report sets out how we have performed on our AMP7 performance commitments as follows:

Performance Commitment	Units	Performance Commitment Level	Performance Achieved	PCL Met	ODI Payment (£m)
Water supply interruptions	Average property minutes	00:05:23	00:06:40	✘	(1.395)
Leakage	MI/d 3-Year Average	399.3	398.0	✓	0.423
Per capita consumption	l/p/d 3-Year Average	130.0	131.4	-	End of AMP (on track)
Mains Repairs	Nr/1000km	118.4	97.9	✓	3.219
Unplanned outage	%	2.34	1.94	✓	0.000
Risk of severe restrictions in a drought	%	56.2	56.2	✓	Reputational
Speed of response to visible leaks	Days	4.6	3.3	✓	1.395
Persistent low pressure	Property days	17,664	985	✓	7.739
Abstraction Incentive Mechanism	MI	0	-21	✓	0.003
Resolution of low pressure complaints	%	94	97.3	✓	0.248
Number of water meters installed	Number	74,145	162,316	✓	9.082

Additional Reporting Requirements for risk of severe restrictions in a drought, unplanned outage, and speed of response to visible leaks are set out in the Additional Regulatory Information section.

WATER SUPPLY INTERRUPTIONS ✘ (although our best ever performance)

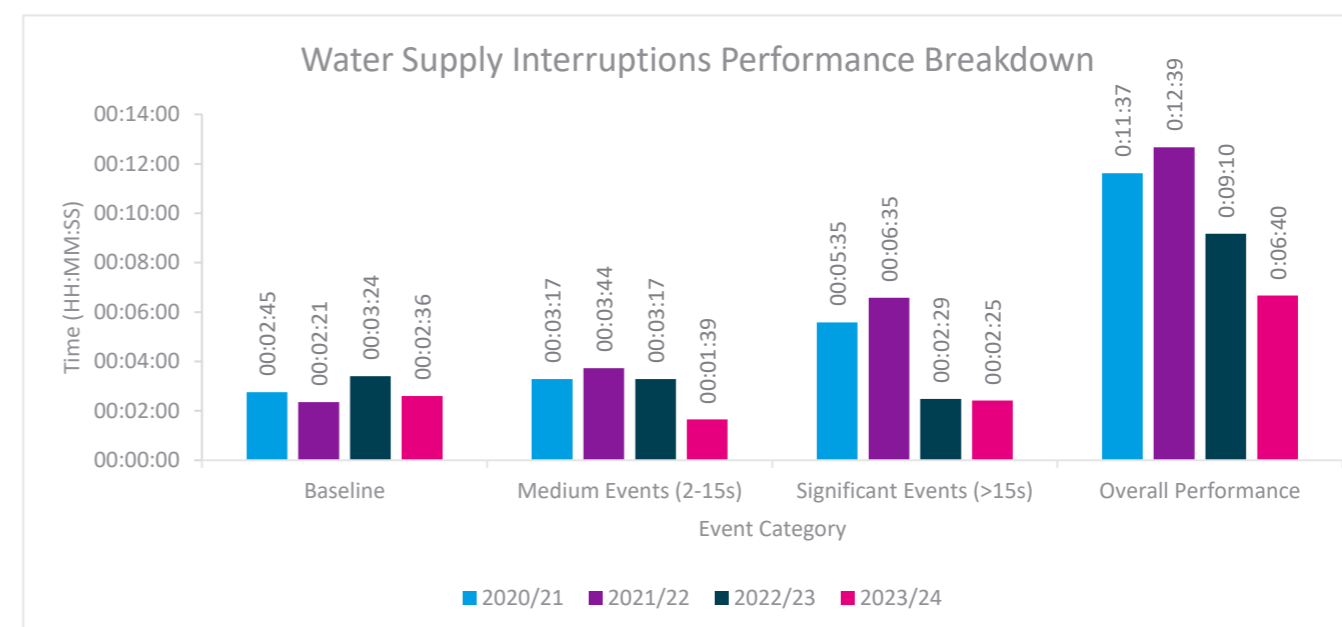
Reducing supply interruptions remains a priority given the direct impact any loss of supply has on our customers. We are pleased that our significant investment over the past few years has helped us deliver our best ever performance at 6 minutes and 40 seconds. Whilst this is above our Final Determination, it reflects a 27% improvement from last year and our continued investment has put us on a positive trajectory for the remainder of AMP7.

Our investment in our water network and our culture of continuous improvement also enabled us to navigate the hot weather conditions last summer with zero hot weather-related supply interruption events, despite the hottest June since Met Office records began. We have applied learnings from this to other areas of our business, including our approach to storm events.

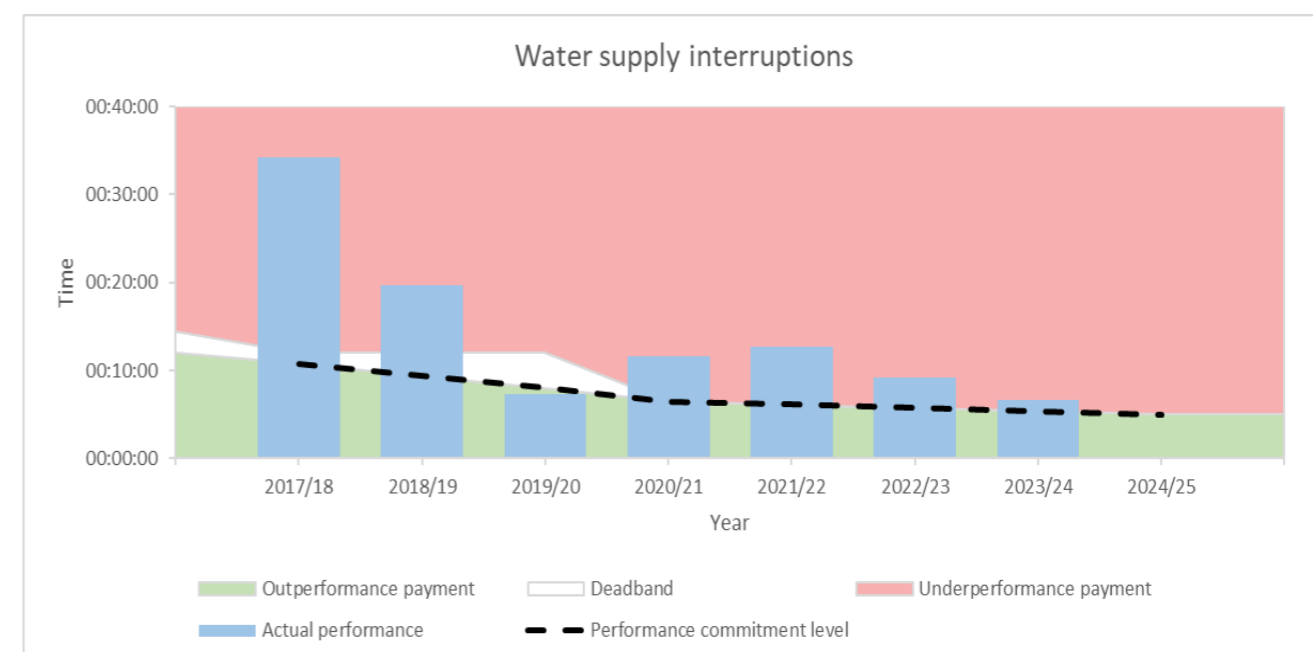
The growth of our Network Response Team and Trunk Main Repair Team has been a key driver of our positive performance, with more teams out in the field, minimising the time our customers go without supply. Our Academy facilitates the continual training and upskilling of our colleagues, improving our effectiveness and helping us to learn from each event we resolve.

Last year, we achieved a significant improvement in the impact from outlier events (events causing over 15 seconds of ODI impact), and we have sustained the reduction this year, with outlier events causing a much smaller impact to overall performance compared to the first two years of the AMP.

Breakdown of Water Supply Interruption performance



Our historical Water Supply Interruption performance



LEAKAGE ✓

We are pleased to report a year-on-year annual leakage reduction of over 30 MI/d, bringing us to our lowest ever annual levels of leakage at 380.7 MI/d. We are incredibly proud of our performance in this area, having achieved our target for 12 out of the last 13 years. So far this AMP, we have reduced leakage by 10.8%, putting us on track to achieve our commitment to reduce leakage by 15% by 2025 and 50% by 2045 (from our three-year average baseline set in 2019/20).

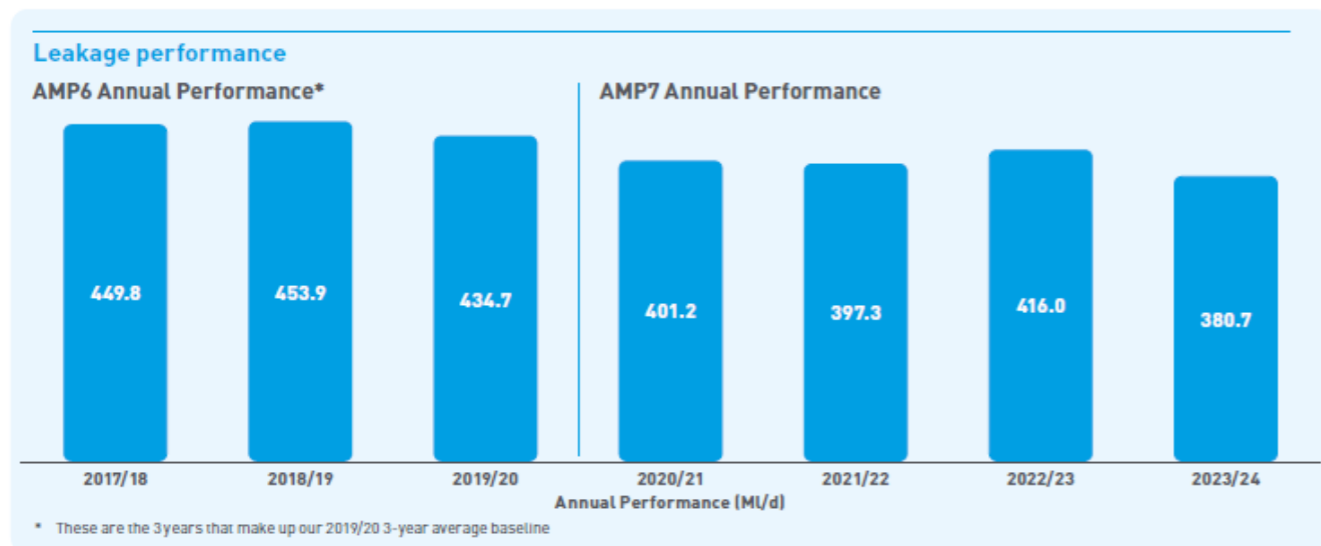
We are finding and fixing more leaks than ever before, which is helping us to drive down leakage. We are repairing significant visible leaks faster than ever, with an average time to complete the full end-to-end job of 3.3

days. This includes the time it takes to reinstate and clear the site after the leak is fixed. In 2023/24 we fixed around 10,000 more repairs on the prior year, carrying out around 57,000 repairs this year.

Our leakage reduction activity is supported by our smart metering programme. Smart meters enable us to proactively identify potential leaks, mitigating risks to customers' properties and, crucially, help customers to save money on their water bills, all whilst reducing our overall level of leakage. We have accelerated our activity and we are on track to install more than 400,000 smart meters this AMP.

Our ongoing engagement with customers to reduce their demand also continues to yield positive results.

Our historical Leakage performance



PER CAPITA CONSUMPTION (on track to deliver 2024/25 commitment)

We maintain a positive, continual dialogue with our customers, engaging with them directly on demand management through our water efficiency programme. With the help of our customers, our aim is to achieve Per Capita Consumption ('PCC') of 122 litres per day by 2038 and 110 litres per day by 2050 against our current annual performance of 126.2 litres per person, per day (l/p/d) and 131.4 l/p/d on a three-year average. With our improving year-on-year trend we are now below our three-year average baseline set in 2019/20 and we are confident that we will meet our year five target of a 3.5% reduction from our baseline.

Our water efficiency programme has delivered a number of customer benefits this year, including water efficiency advice through nearly 22,000 home water efficiency visits; delivering water efficiency products, such as water saving shower heads; and over 22,500 customers have signed up to our water survey platform ('Get Water Fit') this year. Providing customers with meters reduces customer demand and therefore our core metering programme has also supported our PCC improvement with over 450,000 meters installed so far this AMP.

Our teams engage with thousands of customers every year to make them aware of how they can save water and reduce their bills, through a range of channels to maximise our reach and our engagement with them.

MAINS REPAIRS ✓

If our assets are not appropriately maintained this can cause an increase in the number of water mains failures which could lead to increased leakage and disruption to customer supplies. This performance commitment ensures we maintain the appropriate levels of investment in our water infrastructure network to reduce the likelihood of water mains failures and disruption for our customers. The measure of success on this performance

commitment is a reduced number of mains repairs, which demonstrates a lower number of asset failures. We achieved our lowest ever number of mains failures this year, carrying out 4,705 repairs, reflecting a 24% year-on-year improvement and our best ever performance on this measure.

Our progress has been supported by our 'Calm Network' approach - optimising and managing pressure to stabilise the water network and make it less likely to fail.

Our proactive mains renewal programme is also providing asset health benefit for the longer term. In 2023/24 we renewed 91.5 km of our water network which is over double the length we renewed in the first year of AMP7.

UNPLANNED OUTAGE ✓

We have outperformed against our performance commitment level in all four years of AMP7. This year, our unplanned outage performance is 1.94% versus a performance commitment level of 2.34%, demonstrating that we are appropriately maintaining and improving the asset health of our non-infrastructure water assets for the benefit of current and future generations.

RISK OF SEVERE RESTRICTIONS IN A DROUGHT ✓

This performance commitment measures our resilience to severe restrictions in a 1 in 200-year drought. It is measured as the percentage of the customer population at risk of experiencing severe restrictions in a 1 in 200-year drought, on average, over 25 years. We have achieved our target of 56.2% again this year, supported by our Water Resources Management Plan (2019), new supply schemes and demand management activities such as leakage reduction and managing customer demand.

SPEED OF RESPONSE TO VISIBLE LEAKS ✓

As outlined earlier in this section, we are now repairing significant visible leaks faster than ever before, with an average time to complete the full end-to-end job of 3.3 days, including the time it takes us to reinstate and clear the site after we fix the leak. Not only does fixing leaks faster help save our precious water but it also minimises disruption for our customers.

Our progress has been supported by the use of data and technology to inform decisions and prioritise our resources both internally and with our supply chain partners.

PERSISTENT LOW PRESSURE ✓ / RESOLUTION OF LOW PRESSURE COMPLAINTS ✓

We have delivered our best ever low pressure complaints performance this year, with a 77% year-on-year improvement in the number of property days when our customers experience low pressure. Our performance is now at 985 property days, against a performance commitment of 17,664, reflecting a 95% improvement from our baseline position at the start of AMP7. You can find more detailed information in our section on Additional Regulatory Information.

In addition to this, we delivered a year-on-year improvement in first-time low pressure complaint resolution, with over 97% of issues resolved on the first visit.

ABSTRACTION INCENTIVE MECHANISM ✓

The abstraction incentive mechanism ('AIM') performance commitment aims to reduce abstraction of water at environmentally sensitive sites when flow or levels are below an agreed trigger point. This trigger will usually be

related to the point at which damage could be caused and is intended to prevent or minimise the negative impacts.

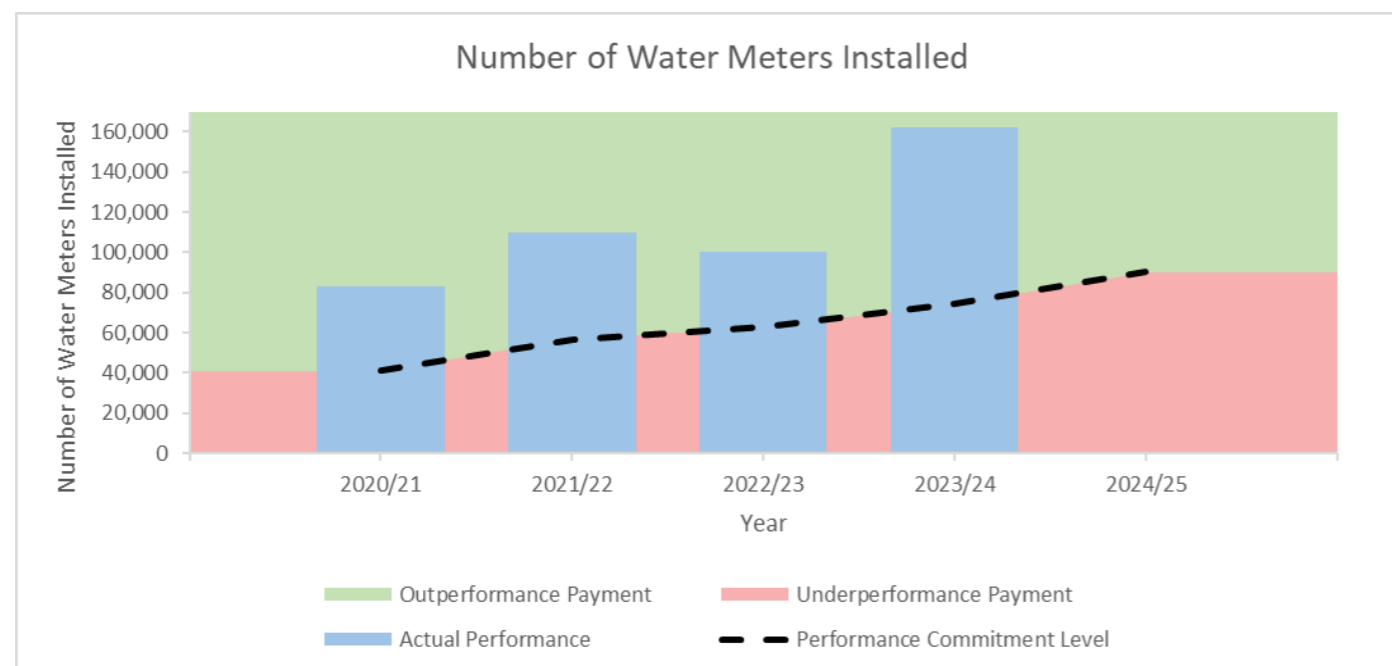
We have two sites for AIM this AMP (Highgate and Dunhampton). The trigger was met at our Dunhampton site during the year, and we successfully reduced abstraction at this site by 21 ML.

NUMBER OF WATER METERS INSTALLED ✓

An important part of keeping bills as low as possible is ensuring customers are aware of their usage. Providing customers with meters improves their awareness of their usage, supports demand management and leakage reduction. We have installed a further 162,316 meters this year through our core programme, more than double our annual PCL. In addition to this, we have been installing meters through our Green Recovery Programme and, new for this year, through Defra approved Transitional Expenditure funding for schemes in the Accelerated Infrastructure Delivery Project, we have installed or upgraded over 50,000 meters this year. Our accelerated activity means that in total we have installed around half a million meters already this AMP.

Through our Green Recovery Programme, we have continued fitting smart meters across Coventry and Warwickshire. As well as helping consumers learn about and manage their water use, smart meters help us to spot leaks early, understand demand patterns and plan more effectively. In the last two years we have fitted more than 100,000 smart meters as part of our Green Recovery Programme. You can read more in our dedicated Green Recovery Report on our website.

AMP7 Meter Installation performance (Core Performance Commitment)



WASTEWATER TAKEN SAFELY AWAY

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, so our customers can rely on us, every single day. This section of our report sets out how we have performed on our AMP7 performance commitments as follows:

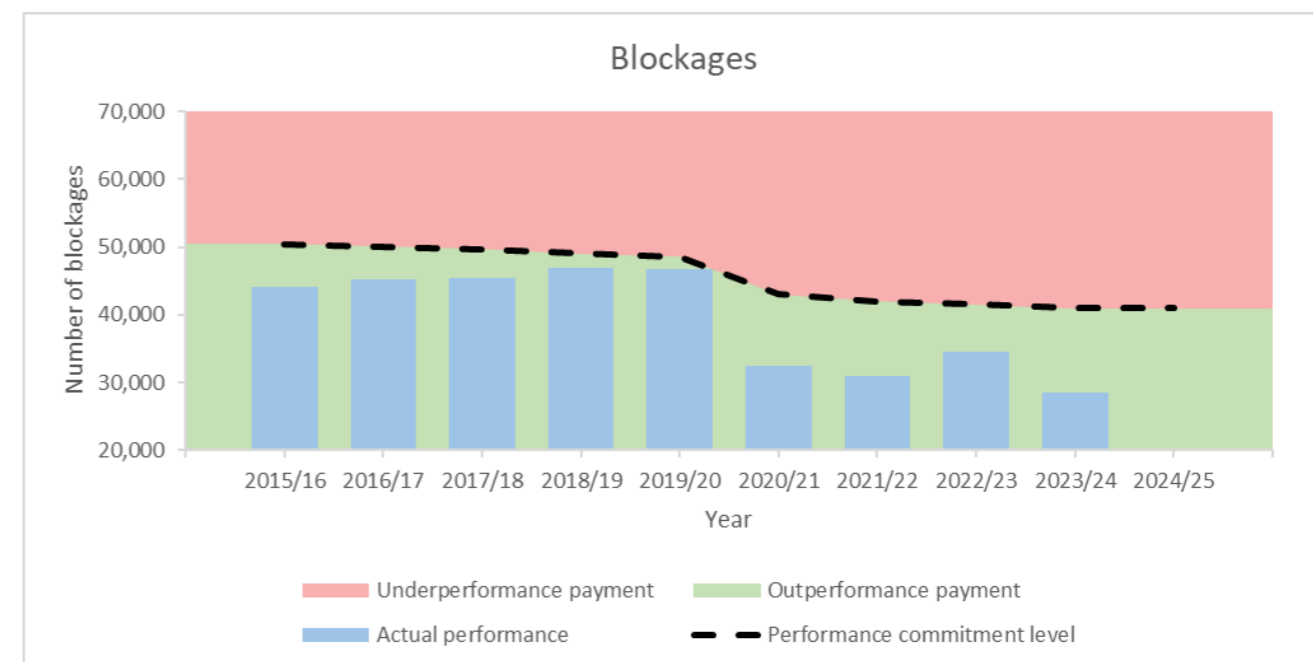
Performance Commitment	Units	Performance Commitment Level	Performance Achieved	PCL Met	ODI Payment (£m)
Sewer blockages	Number	41,000	28,547	✓	46.076
Inspiring our customers to use water wisely	Number	31,050	172,260	✓	1.046
Internal sewer flooding	Incidents per 10,000 sewer connections	1.44	1.67	✗	(5.198)
External sewer flooding	Number	3,456	6,721	✗	(79.013)
Public sewer flooding	Number	1,915	1,831	✓	1.033
Sewer collapses	Collapses per 1,000 km of sewer network	8.00	7.52	✓	0.166
Pollution incidents	Incidents per 10,000 km of sewer network	22.40	25.55	✗	(1.922)
Risk of sewer flooding in a storm	Percentage	3.99	5.05	✗	Reputational
Green communities	£m	0.120	0.207	✓	0.044

Additional Reporting Requirements for Green Communities are set out in the Additional Regulatory Information section.

SEWER BLOCKAGES ✓

This year we have achieved our best ever performance on sewer blockages of 28,547. This is a 17% improvement from last year and a 34% improvement from the end of AMP6. We have also outperformed against our target for 2023/24 by 30%.

Our historical Blockages performance



Our improvement in the reduction of sewer blockages has been supported by our successful partnership with Environmental Compliance and Services ('ECAS'). We engage with local food service establishments, visit them face-to-face and educate them on best practices when disposing of fats, oils, and greases ('FOG') which can develop into blockages.

And for our household customers, we focused on sharing how to prevent blockages through our customer education programme (see Inspiring our customers to use water wisely).

Earlier this year, we insourced around 400 colleagues into our Waste Customer Networks team. This team responds to blockages and sewer flooding incidents. This means we now have greater internal control over the quality of work delivered and we anticipate seeing benefits in our waste performance in the next 12 months, for example repeat blockages, which are leading cause of Flooding other causes ('FOC'), and an improved time to attend blockage jobs which means there is less chance that blockage will result in a sewer flooding incident.

You can find more detailed information in our Additional Regulatory Information section.

CUSTOMER EDUCATION ✓

Our inspiring our customers to use water wisely performance commitment comprises three topics that we educate our customers on as follows:

- Using wonderful water wisely (not wasting water).
- Knowing what not to put down the toilet and sink.
- Choosing tap water for a healthy you and a healthy environment (reducing plastics).

We cover different topics in different years and this year's topic covered wastewater, 'Knowing what not to put down the toilet and sink'. The performance commitment relates to customer behaviours when interacting with our network, across water and waste. This measures the number of customers agreeing to change one or more of the three target behaviours after participating in an engagement session as part of our education programme, with success being a higher number.

This year we have collected an amazing 172,260 pledges, each representing one individual that has committed to change their behaviour around using our network. This is the highest number of pledges we have ever had in a single year and brings our AMP7 total to over 415,000 commitments across the three topics.

This year we have repeated our education topic from year one, on using our wastewater service appropriately. The pledge for this year is to flush only the 3P's (paper, pee and poo) down the loo and not to pour any FOG down the sink. In year four we are making sure that only commitments gained from different individuals to those who gave those pledges in year one are counted. We are doing this by avoiding year groups that contain children who we educated three years ago and targeting different schools.

There are a small number of commitments that are difficult to trace in this way as the children have moved from primary to secondary schools. In these cases, we have excluded a proportion of the commitments based on feeder schools' data. For more detail on this see the Additional Regulatory Information section.

SEWER FLOODING - INTERNAL ✗, EXTERNAL ✗ AND PUBLIC ✓

Sewer flooding remains a key focus, and we are disappointed not to have delivered against our stretching targets this year. Hydraulic flooding incidents are significantly up year on year due to the sustained rainfall and high soil saturation causing flash floods in our region. In particular, Storm Babet and Storm Henk resulted in a large number of flooding incidents – for example, during Storm Babet there were over 10 times more floodings than in an average (non-storm) week. When it rains heavily or for an extended period, the extra water can overwhelm

sewer networks (hydraulic overloading). This overload can cause sewers to back up which can then lead to sewer flooding.

Our teams worked determinedly to keep our services operating efficiently and minimise the impacts felt for our customers and the environment. This year we implemented a 'first responder' strategy to enhance our capacity for handling incidents promptly; and a new vulnerable customer process, to ensure we are proactively identifying and prioritising our most at-risk customers.

Internal sewer flooding

In total, we had 710 internal sewer flooding incidents (1.67 per 10,000 sewer connections) compared with 698 in 2022/23 (1.65 per 10,000 sewer connections). This reflects a 1% increase in incidents per sewer connection, a slight deterioration in the face of extremely challenging weather. Our performance on blockages means there has been a year-on-year reduction in internal sewer flooding incidents caused by FOC, whereas the extreme wet weather has caused an increase in the number of internal sewer flooding incidents caused by hydraulic overloading. Overall, these have balanced each other out to result in internal sewer flooding performance broadly in line with last year.

External sewer flooding

Hydraulic flooding has impacted our external sewer flooding performance although we still remain frontier in the sector. The number of external sewer flooding incidents increased by 26% compared to last year, to a total of 6,721 incidents, comprising an increase in both hydraulic and FOC incidents. We saw more than 2.5 times the previous year's hydraulic related external sewer flooding incidents. External sewer flooding incidents driven by FOCs were up by about 13%. The reduction in blockages has not led to a reduction in external FOCs in the same way that it has for internal FOCs because the high volume of rainfall caused a high number of jobs to attend. In line with customer priorities, we prioritised attending internal sewer floodings over external, which increases the risk of external sewer floodings impacting neighbouring properties. To drive improvements in FOCs on external sewer flooding, we need to ensure a fast response, with a priority on internal sewer flooding and, as they have only recently been insourced, our insourced teams have not responded as quickly and as effectively as we would like. We have therefore seen an increase in FOC external sewer floodings. We expect to see an improvement in this measure moving forward as the benefits of our insourced waste network team are realised.

Public sewer flooding

We have outperformed our public sewer flooding target every year in AMP7 since the creation of the measure. This year we have outperformed our target by 4%, with 1,831 incidents. However, this represents a 20% increase on last year's performance of 1,526, indicating the significant impact of the extreme wet weather.

We are disappointed in our external sewer flooding performance this year, but we feel confident going forward. As our new insourced colleagues embed into the organisation, we anticipate seeing benefits in our waste performance in the next 12 months.

You can find more detailed information in our Additional Regulatory Information section.

SEWER COLLAPSES ✓

This performance commitment helps to maintain and improve the overall asset health of our wastewater network for the benefit of customers and the environment, both now and over time. This measures the number of sewer collapses per 1,000 kilometres of all sewers that have not been identified proactively by the company and causing an impact on service to customers or the environment, with success being a lower number. Our performance this year is broadly consistent with 2022/23, notwithstanding the impact of the exceptional

weather during the year. This year we had 698 sewer collapses, slightly up on 2022/23 when we had 665, achieving our performance commitment again this year, something we have achieved every year of AMP7.

POLLUTION INCIDENTS ✘ (missing our PCL for the first time in nine years)

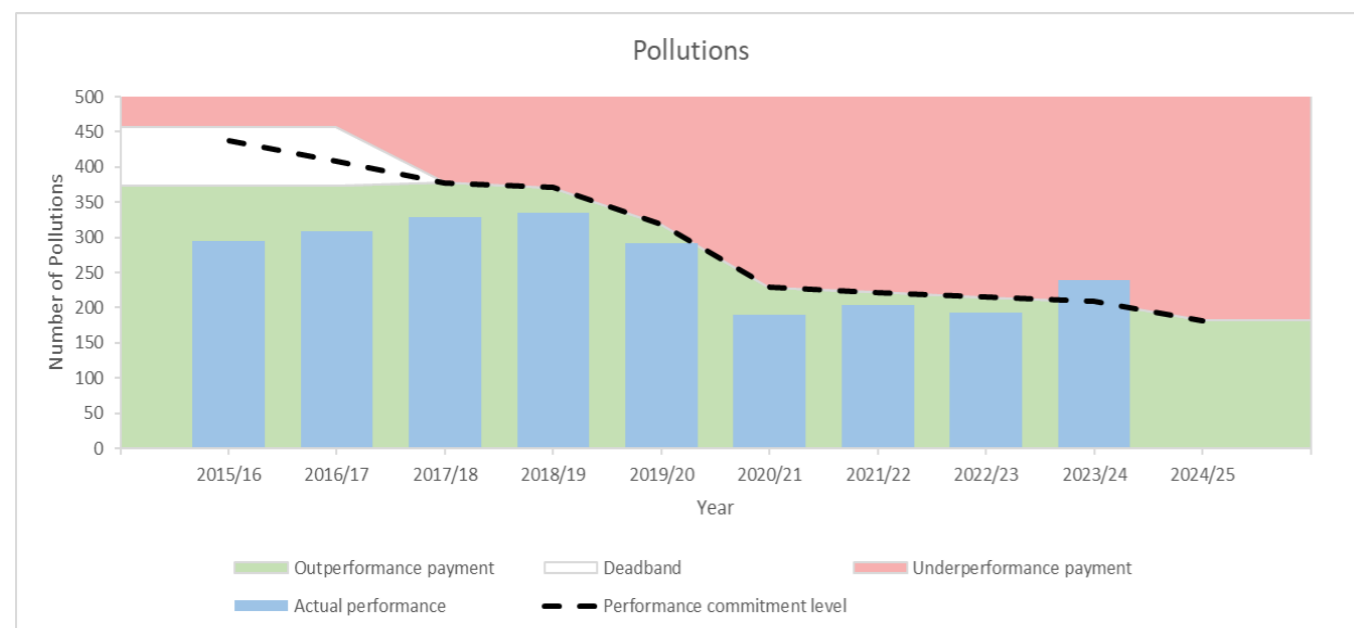
This performance commitment helps to reduce the number of pollution incidents to improve the quality of the environment. This measures the number of pollution incidents (categories 1 to 3 – with serious pollutions classified at category 1 or 2) per 10,000 kilometres of sewers, with success being a lower number.

In addition to this measure, our impact on the environment is closely regulated by the EA and we report our performance against Category 1, 2 and 3 events in the Environmental Performance Assessment ('EPA'), Category 3 being minor or minimal in its impact on the environment.

Whilst we achieved zero serious pollutions this year, the unprecedented weather has driven an increase in Category 3 pollution incidents: 239 this year compared with 193 in 2022.

Having consistently delivered on our Pollution Incidents PCL for the last eight years, we are disappointed not to have met our total target on pollutions this year with our 2023 performance reflecting a year-on-year increase of 24%. We know there is more we can do and we are confident that our substantial investment in our network over recent years will improve our performance.

Our historical Pollutions performance



When looking at our performance on a cumulative basis since the start of AMP6 when performance commitments were introduced, we have delivered performance at around 600 less than our cumulative PCL over the last nine years.

We continue to use detailed data and analytics to identify hot spots and high-risk areas where we can target our cleansing work to keep the sewerage network clear of obstructions and blockages. By using the information provided by our network monitors we have a greater understanding of the real-time conditions allowing us to act to prevent problems occurring.

Our Pollution Focus Group is in place to optimise current ways of working, and to implement improvements. Our approach ensures that events are prioritised and assessed at the right level within the organisation, to ensure a

consistent approach, prompt action taken and that potential learnings from events are cascaded throughout the Group in an expedient manner.

RISK OF SEWER FLOODING IN A STORM ✘

The purpose of this measure is to reduce flood risk during storm events, protecting customers and the environment from the disruption and impact associated with flood events. It also aims to reduce the cost of flood resilience for customers through a better understanding of flood risks and appropriate interventions.

We continue to use detailed data and analytics to improve our approach, including improving hydraulic sewer models to ensure they provide a better representation of what is happening across our sewerage catchments. Over the past 12 months we completed model maintenance to support AMP8 schemes (in particular storm overflow improvements) which will result in improved model confidence and improve the accuracy of our model and the representation of the risk.

In 2021/22 we notified Ofwat that we had identified an error regarding some catchment data that was not included when calculating our baseline performance from which our PCLs were set. This unambiguous error resulted in the percentage of population at risk at medium/high vulnerability being understated. As a result, our annual PCLs across AMP7 were set too low. We notified Ofwat as soon as we identified this error and asked them to consider updating our PCLs based on the corrected data however this was not accepted and our AMP7 targets remain in line with the PR19 Final Determination. We continue to report our performance with the data error corrected which has resulted in us missing our PCL each year of this AMP so far. Based on PCLs reflecting the corrected baseline performance we would have achieved our PCLs in every year of the AMP.

GREEN COMMUNITIES ✓

We are delighted to have delivered our Green Communities commitment, delivering over £0.2 million of increased natural capital in urbanised communities.

We have completed three schemes this year – two at schools in Leicestershire and one traffic calming scheme in Nottinghamshire, in collaboration with the respective county councils. These included schemes such as rain gardens, swales and Sustainable urban Drainage Systems ('SuDS').

SuDS and water management features provide wider benefits to customers than traditional drainage solutions, including improved water quality and biodiversity as well as providing more attractive landscapes.

BARLASTON POLLUTION

In February 2024, Severn Trent Water Limited was fined £2 million for a pollution that occurred at our wastewater treatment works in Barlaston in 2020. Our operational failings meant there was a risk of environmental harm, and this is unacceptable to everyone at Severn Trent, from the Boardroom to the frontline. The pollution occurred during storms and when the neighbouring river was in flood and, as a result, the actual level of environmental harm was low. We correctly reported the pollution to the EA and they agreed with the assessment at that time. The pollution was therefore included as a Category 3 pollution in our 2020/21 financial year reporting.

When the pollution was later prosecuted in February 2024, the Court, applying its sentencing guidelines, classified it as a Category 2 pollution based on the potential harm that could have arisen from the pollution whilst accepting there was no evidence of actual harm.

We took valuable lessons from this pollution and we have analysed in-depth the cause, and implemented a host of solutions, which has included additional investment. Throughout their investigation we worked with the EA and delivered a number of improvements to prevent pollutions of this nature occurring in the future.

There was Board-level oversight of the pollution event, including oversight of action taken and implementation of lessons learned to improve our approach moving forwards. To bring this activity to life, this case study sets out the high-level sequence of the event, our response to it and action taken to implement lessons learned to improve our preparedness for, and minimise the likelihood of, similar pollutions in the future.

The site is equipped with three large screw pumps which lift wastewater flows into the works to an elevated position to facilitate gravity flow to the rest of the works. They operate on an industry standard 'duty/assist/standby' arrangement, meaning there is one pump for normal flows, another available for times of heavy flow and a spare third ready-installed in the event of a pump failure.



Barlaston screw pumps

22 December 2019

One of the three screw pumps at the site failed. Our duty/assist/standby pumping arrangement meant there was no impact on our ability to deal with permitted flows. A request for a new gearbox for the failed pump was immediately made, with a delivery date of 4 March 2020. Contingency plans were subsequently initiated in the event of a second pump failure, although as we note below they proved to be insufficient.



14 February 2020

A second screw pump failed. We immediately contacted our reactive pump supplier for assistance and subsequently discovered that they did not have the necessary equipment that we required and expected. We recognise that our contingency planning was insufficient and this has been part of our post-incident lessons learned. We informed the EA and they attended the site for inspection later that day and undertook sampling of the river. When the second screw pump failed, we also identified that over the period 25 November 2019 to 14 February 2020 the weir that controls full flow treatment ('FFT') was set between 3 and 5% lower than permitted, diverting some of the flow to the site's storm tanks in order to manage an on-site flood risk. Whilst this had been done with good intentions, it was done outside of our operating procedures, without the knowledge of senior management and should not have happened. This breach of the site's permit meant that in wet weather the site's storm overflow will have discharged to the environment earlier than would otherwise have been permitted. We informed the EA of this issue as soon as it was identified.



15 February 2020

Temporary diesel pumps were installed as a mitigation measure, while we awaited delivery of the new gearbox. Storm Dennis then hit our region, bringing significant, heavy rainfall and severe flooding.



17 – 18 February 2020

By 17 February one of the larger over-pumps had been received, installed and was operational, enabling the site to receive approximately 2,600l/s, just below full FFT.

On 18 February, an engineer attended the site to programme the temporary pumps. This enabled complete control of the temporary pumping system, alongside the single screw pump. The works were thereafter capable of achieving FFT.

In immediate response to the pollution, we commenced an investigation which supported the EA's testing that the environmental impact had been minimal. An independent expert instructed for the court case provided a report to further support this.

We take all pollutions of this nature very seriously, at all levels of the Group, from the frontline to the boardroom. We pleaded guilty at the first available opportunity and accepted

responsibility for the failures. We have spent time reflecting deeply on the prosecution, including a review of prior investment, our processes and training, and actions that can be taken to ensure that pollutions of this nature do not occur in the future.

A summary of the interventions and activities put in place in response to the pollution are outlined below. All actions and remedial investment have been delivered.

Site learnings	Training	Management systems
<ul style="list-style-type: none"> Installed condition-based monitoring on screw pumps to proactively detect any potential issues emerging, allowing intervention before failure. 	<ul style="list-style-type: none"> Dedicated lessons learned stand-down for all wastewater treatment employees, supported by training and 'toolbox talks' on flow management. 	<ul style="list-style-type: none"> Implementation of an updated 'assets out' process, which triggers a risk assessment and mitigation plan from site managers in the event assets are out of service, with escalation to senior leaders and process scientists.
<ul style="list-style-type: none"> Bolstered critical spares supplies for screw pumps on site, including spare motors, gearboxes, bearings and Programmed Logic Controllers, to reduce repair timeframes. 	<ul style="list-style-type: none"> Guidance, flow standards and mandatory e-learning cascaded to the whole operational business. 	<ul style="list-style-type: none"> Implementation of dedicated proactive maintenance management, with a focus on reducing asset failures and increasing asset reliability.
<ul style="list-style-type: none"> Mandatory enhanced asset care package implemented to standardise routine operation and maintenance tasks. 	<ul style="list-style-type: none"> Dedicated Continual Professional Development events held for team managers and business leaders. 	<ul style="list-style-type: none"> New 'Asset Golden Measures' standard introduced for all wastewater employees, whereby each process stage is assessed against our asset standard and recorded. All issues and feedback are managed as part of our established comm cell system.
<ul style="list-style-type: none"> Bolstered contingency plans for temporary submersible pumping and tested the new arrangements. 	<ul style="list-style-type: none"> All wastewater teams taken through a dedicated knowledge assessment, facilitated by our in-house Academy team. 	
<ul style="list-style-type: none"> Deployment of new leadership at Barlaston, with responsibility for training the site team on contingency plans, escalation processes and expectations. 	<ul style="list-style-type: none"> Updated competency framework for all operators and maintenance personnel, cascaded to relevant teams. 	<ul style="list-style-type: none"> Installation of additional flow-related alarms and analytics, overseen by a dedicated Flow Process Team and Waste Network Control Team with visibility of performance across our estate.

A THRIVING ENVIRONMENT

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 our natural environment we not only improve biodiversity across our region, we encourage nature to do some of the hard work for us. This section of our report sets out how we have performed on our AMP7 performance commitments as follows:

Performance Commitment	Units	Performance Commitment Level	Performance Achieved	PCL Met	ODI Payment (£m)
Biodiversity (Water)	Hectares	762.1	8,035.9	✓	26.404
Biodiversity (Waste)	Hectares	69.0	3,518.2	✓	12.521
Treatment works compliance	%	100.00 (deadband 99.00)	99.46	✗	0.000
Satisfactory sludge use and disposal	%	100.00	100.00	✓	0.000

BIODIVERSITY – WATER AND WASTE ✓

This performance commitment is designed to conserve and enhance biodiversity, which will also deliver other benefits such as increased resilience to climate change and improved water quality.

We have achieved and exceeded our biodiversity target in every year of AMP7, surpassing our end of AMP7 target and delivering 10 times more than our AMP7 PCL by 2023/24. Last year, we doubled our ambition of improving biodiversity on 5,000 hectares of land by 2025, and this year surpassed that upgraded target, having improved 11,554 hectares of land. This means our work on biodiversity alone now accounts for more than 2% of the Government’s 2042 Nature Recovery Network target for the entire country.

Our commitment to the environment is evident in our belief that what is good for nature is good for water. We have seen this through improved land management, which not only delivers biodiversity and environmental improvements but also provides cost-effective protection against raw water deterioration and flooding of the wastewater network. Recent projects include the extension and continuation of the Moors for the Future peat bog restoration partnership project with the Peak District National Park.

Our progress has also received external recognition and we were awarded the best large-scale biodiversity project for our ‘Great Big Nature Boost’ at the Construction Industry Research and Information Association (‘CIRIA’) BIG Biodiversity Challenge awards. Our partnership also won the Climate Action award at the Chartered Institute of Ecologists and Environmental Managers Awards, with two others receiving commended and highly commended.

You can find more detailed information in our Additional Regulatory Information section.

NOTTINGHAMSHIRE WILDLIFE TRUST

Severn Trent have a vast portfolio of biodiversity partnership work. An example of which is our work with Nottinghamshire Wildlife Trust to improve biodiversity across 740 hectares in the Nottinghamshire area. The projects vary from working with landowners and farmers on nature recovery network interventions creating connectivity, to trailblazing species reintroduction of the beaver at their Idle Valley Nature Reserve.

Nottinghamshire Wildlife Trust have completed grazing management projects on grasslands to improve the diversity of species. In addition, there has been a focus on improving the vast wetlands and wet grasslands at the Idle Valley Nature Reserve. This work has been backed up by monitoring with Nottinghamshire providing resource dedicated to the surveying, monitoring and maintenance of the excellent habitat improvements across the county. As the partnership working has continued since 2020, we are now able to see real benefits and change brought by our biodiversity funding.

A sign of success at the beaver reintroduction project in the Idle Valley, is that the beavers have formed a breeding pair. Natural family dynamics are clear on the trail cameras which capture their activity at the Idle Valley Washlands. The project, although localised to the beaver enclosure, is a fantastic example of the benefits that this cornerstone species provides, including willow management and woodland thinning as they mimic the natural management this county would have been subjected to when the species were present hundreds of years ago.

Partnerships such as this example with Nottinghamshire Wildlife Trust help to support our biodiversity efforts in many ways. Working with an established nature conservation adds further credibility to our work on the individual projects and the wider portfolio of work, supporting our public commitments. The partnership also brings our nature conservation efforts to the forefront of our customers’ minds when visiting these beloved sites and seeing our partnership work for themselves. The biodiversity interventions will help to restore biodiversity, improve ecosystems and the services they provide to us, including the water cycle.



Photo © Kirsty James, taken from Nottinghamshire Wildlife Trust Website

TREATMENT WORKS COMPLIANCE ✖

Our strong compliance record extends beyond biosolids management. Across our water and wastewater treatment works, we met 99.46% of permit conditions - exceeding the regulatory deadband of 99.00%. This aligns with the reporting guidance provided by the EA for the Water and Sewerage Company EPA Methodology in May 2021.

SATISFACTORY SLUDGE USE AND DISPOSAL ✓

Biosolids applied to agricultural land provide valuable nutrients and benefit the structure of the soil. Our performance commitment for satisfactory sludge use and disposal protects the environment by ensuring that biosolids recycled to agricultural land are compliant with appropriate guidelines. For the fourth year in a row in this AMP, 100% of our sludge satisfactorily used or disposed of is compliant with the relevant guidelines (Version 3 of the Environment Agency's Water and Sewerage Company EPA methodology, May 2021).

DELIVERY AGAINST WATER FRAMEWORK DIRECTIVE ('WFD')

As part of our commitment to environmental improvement, we pursue opportunities beyond the minimum expectations. Our 'Improvements in WFD criteria' performance commitment focuses on achieving measurable enhancements in water body quality. Each point represents progress in the WFD classification score. For the benefit of the environment, we have accelerated additional schemes that reduce the impact of named substances identified through the Chemical Investigations Programme lead by UKWIR. These efforts are directly linked to the 'Rivers Need' improvements by the EA.

In the current AMP, we have successfully delivered 35 WFD points, demonstrating improvements by reducing our biological and chemical impact on water bodies.

OTHER ENVIRONMENTAL COMMITMENTS

Beyond the performance commitments outlined above, we also set out a summary of our performance against our EPA metrics and our River Pledges.

EPA METRICS

The EPA undertaken by the EA assesses and compares the performance of water companies in England against the metrics set out below. Despite the exceptional weather experienced during the year, we are pleased to have had no serious pollution incidents this year. We are highly confident that we will achieve the highest possible rating, 4*, in our annual EPA for 2023, making it five consecutive years. No other company has achieved more than three consecutive years.

EPA Metric	Green Target	Our 2022 Performance	Our 2023 Performance*	
Serious Pollutions	2 or fewer incidents	1	0	✓
Category 1-3 Waste Pollutions	201 or fewer incidents	193	239	✖
Discharge Permit Compliance	99.0%	99.3%	99.5%	✓
Self-reported pollutions	80% + PS & WwTW 90%	87%	89%	✓
WINEP Delivery	100%	100%	100%	✓
Supply Demand Balance Index	100	100	100	✓
Satisfactory Sludge Use and Disposal	>98.1%	100%	100%	✓

*Subject to Final Determination by the EA

Our EPA performance for AMP7 is summarised below.

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

We discuss our Pollution Incidents performance in the 'Wastewater taken safely away' chapter in this section

The sector EPA performance for 2022, being the last available sector report, is summarised below.

Company	Anglian Water	Northumbrian Water	Severn Trent Water	Southern Water	South West Water	Thames Water	United Utilities	Wessex Water	Yorkshire Water
EPA status	2*	3*	4*	2*	2*	2*	3*	2*	3*

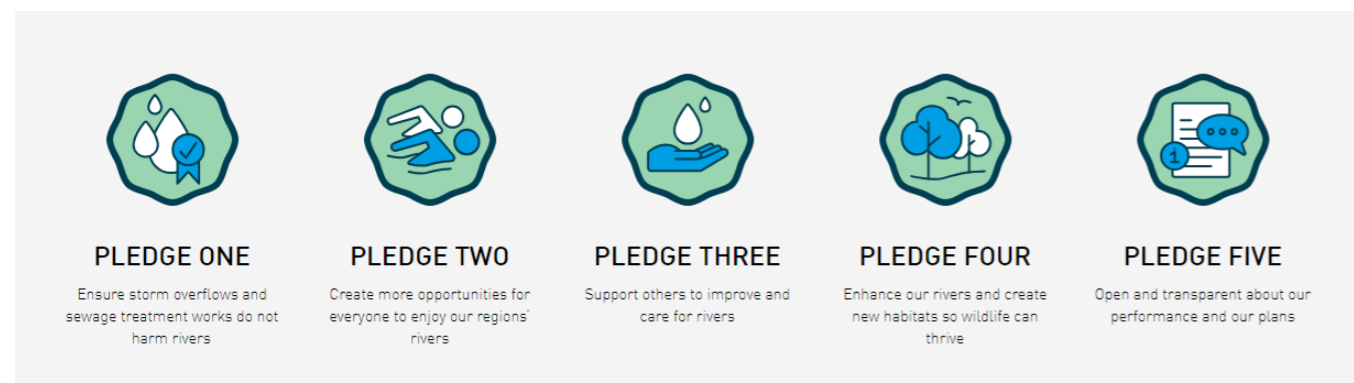
RIVER POSITIVE BY 2030

In March 2022, alongside Anglian Water and Hafren Dyfrdwy, we launched Get River Positive, our five pledges to improve the health of rivers in our region. Since then, we have delivered a number of important benefits. As well as making good progress on our pledges, we're also highly confident of being awarded the EA's highest four-star rating for Environmental Performance for an unprecedented fifth year in a row.

To accelerate our environmental plans even we are applying significant focus to improving our storm overflow performance. Storm overflow spills are one of the biggest issues facing our sector today and we are firmly committed to reducing their usage as quickly as possible to meet the expectations of our customers and wider stakeholders. We are investing £1.1 billion between 2025 and 2030, and £4.4 billion up to 2050, to meet targets at least five years earlier than the date set by our regulators utilising some of the £1 billion of funding our investors contributed last October to help us accelerate our 5-year investment plan. Read more in our highlights section.

Quite rightly, customers expect that their water company should not cause harm to the environment. We have committed that by 2030, our operations will not be the reason for any stretch of river in our region to be classified as unhealthy. Already, our share of impact on rivers is reducing, and today we believe we are responsible for 14% of Reasons for Not Achieving Good Status, ('RNAGS') in our operational area, with 86% attributable to other sectors and stakeholders.

Further detail on our progress against each of our pledges is set out below:



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

At Severn Trent we all take responsibility for the health of our rivers. We have made good progress and continued to reduce our impact on rivers. We believe we have reduced our contribution to RNAGS in our region's rivers to 14%, and it is our ambition to reduce RNAGS in our operational area to 10% by 2025.

By 2030, our goal is that our storm overflows will cause no harm to rivers. We plan to ensure our assets are responsible for less than 2% of RNAGS by 2030.

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

More people now see the value in their local rivers when it comes to health and wellbeing activities. We remain on track to deliver river quality improvements as part of our £78 million Green Recovery Bathing Rivers programme. We have begun installing innovative ozone treatment at three of our wastewater treatment sites – one in Shropshire and two in Warwickshire.

This is a pioneering process which aims to enhance the effluent quality of the normal sewage treatment process. We are the first UK water company to trial this technology and are excited to understand its effectiveness in removing micropollutants and pharmaceuticals.

Pledge Three: Support others to improve and care for rivers

Over the last year we have continued to engage with communities, schools and organisations across our region to support them in helping to improve river health. We are delighted to be working with the Shropshire Wildlife Trust to help restore and re-naturalise a section of the River Corve. In 1992, the channel was declared ecologically dead as a consequence of historical dredging; our funding will restore the channel, making it a vital habitat for trout, and provide an opportunity to reintroduce white clawed crayfish to support the downstream population at Stanton Lacy, in addition to broader biodiversity gains.

Our Community Fund has awarded over £256,000 over the last year to projects that help protect river health. The biggest award went to the Severn Rivers Trust's Black County River Schools project, which received nearly £200,000 for an education and physical infrastructure programme.

Our unique collaboration with the agricultural community has seen us support over 5,000 farmers in the last decade to help protect water quality through a range of schemes. Since launching our new package to promote regenerative farming practices in May 2022, we have awarded over 400 STEPS grants for on-farm improvements that help protect water quality and biodiversity – worth almost £5 million.

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

Our River Rangers are at the heart of the work we do to protect and enhance our rivers and to improve river health. Since January 2022, our River Rangers have been working closely with local stakeholders and communities, attending more than 280 meetings with partners and environmental groups to discuss river health. They have also completed over 7,000 river inspections to help inform our activity and deliver further improvements.

Since 2020, we have funded a wide range of projects with Nottinghamshire Wildlife Trust, improving over 600 hectares of river through this partnership. These projects focus on improving natural wetlands and wet meadows to provide diverse habitats and prevent flooding, as well as species-specific work such as the reintroduction of beavers and water voles to watercourses.

Every employee can spend two working days a year doing voluntary work and further support our Get River Positive pledges. Over the last year, more than 400 of our people, in partnership with local environmental groups, spent around 2,500 hours cleaning rivers, litter picking, removing non-native species and finding/removing a collection of larger items that don't belong in our waterways.

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

We strive to be more open and transparent about our performance. We published our Storm Overflow Action Plan in March 2024, which details our investment plans to improve storm overflows. Our Storm Overflow Map went live on 30 April 2024, providing near real-time storm overflow data, enabling our customers to see the current status of each storm overflow across our region.

We sought feedback from our independent Get River Positive Advisory Panel (the 'Panel'), alongside other interested stakeholders, to develop the map, to ensure it is meaningful for interested stakeholders and is easy to navigate. After a successful year, all members have agreed to remain on the Panel to help focus our AMP8 programme of investment running up to 2030. We have enhanced the Panel's membership to include more representation from river users, alongside land use and habitat experts.

Read more details about our Get River Positive journey in our [2024 Get River Positive Annual Report](#) on our website, where you can also find our Storm Overflow Action Plan. We are also contributing to the Water UK Storm Overflow Hub, which is due to launch in September 2024.

IMPROVING CLARITY AND TRANSPARENCY

IMPROVING CLARITY AND TRANSPARENCY

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.

A01 REDUCING RESIDENTIAL VOID PROPERTIES

DETAIL RELATING TO INVALID SERVICE PROVISIONS

In our 2021/22 APR we identified improvements in our reported voids number that clarified activity to reduce voids properties separately to improvements in data quality. Specifically, we identified a category known as 'invalid service provisions' ('ISPs') which are properties that no longer exist; for example, a single property that has been turned into flats or a house that has been demolished.

In the in-period ODI determination in November 2022, Ofwat confirmed that we should continue to report our performance including ISPs as our targets were set on this basis.

Accordingly, as outlined in the table below, we have ensured our reported number includes the actual ISPs we have currently identified and, that we do not claim outperformance incentives for the additional ISPs.

	2023/24
Performance Commitment Level	157,548
Void Properties	88,235
Invalid Service Provisions	29,123
Reported Performance	117,358

A02 REDUCING RESIDENTIAL GAP SITES

DETAIL RELATING TO NEW CONNECTIONS SITES

For this reputational only measure, properties that have been through the new connections process were included in prior years reporting as this is how the AMP7 performance commitment levels were originally set. Our Final Determination states that these properties should be excluded but for our 2023/24 APR we propose to continue reporting in line with how the PCLs were set to maintain consistency.

The breakdown of the reporting for APR24 is as follows:

	2023/24
Performance Commitment Level	688
Properties that had been through the new connection process	378
Properties that have not been through the new connection process	337
Reported Performance	715

B01 INSPIRING CUSTOMERS TO USE WATER WISELY

REPEAT OF YEAR ONE WASTE TOPIC

In line with our Final Determination, if a customer commits to change their behaviour in relation to more than one of the three pledges following a single education session, we will only count this as one customer commitment for the purposes of this measure. To support this, our education programme has annual themes, focussing on one topic each year and seeking just a single pledge. Therefore, a customer may attend separate education sessions over multiple years and make two or three pledges for different behaviours. In this circumstance we would count each pledge individually.

C01 TREATMENT WORKS COMPLIANCE

COMPLIANCE WITH EA/EPA REPORTING GUIDELINES

We hold a strong record of compliance, delivering 99.46% of the permit conditions across our water and wastewater treatment works. This continues to be a performance level better than our regulatory deadband of 99.00%. Our reported performance is in line with the reporting guidance for Water and Sewerage Company EPA Methodology released by the EA in May 2021.

C05 SATISFACTORY SLUDGE USE AND DISPOSAL

COMPLIANCE WITH EA/EPA REPORTING GUIDELINES

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

F01 INTERNAL SEWER FLOODING

FLOODING FROM EXTERNAL ASSETS

As part of a review of flooding incidents in 2023/24, we have identified 66 examples where an internal flooding has been recorded when, in fact, the flooding has emanated from an external asset source (i.e. gully, unsealed manhole). These instances arise when 'lean to' extensions or conservatories have not been built in compliance with building regulations requirements to remove, upgrade or relocate such assets. For 2023/24, reporting in relation to floodings of this nature have therefore been classified as external floodings.

F04 RISK OF SEWER FLOODING IN A STORM

ANALYSIS USED TO SET AMP7 PERFORMANCE COMMITMENT LEVELS

We continue to report this measure in line with our 2022/23 approach.

In 2021/22 we notified Ofwat that we had identified an issue as part of our APR data assurance process that occurred during the analysis to set the baseline at PR19. The effect of this error was to understate the percentage of population at risk at medium/high vulnerability. As such, we believe that our annual targets are set too stringently.

We asked Ofwat to consider restating our AMP7 targets, however this was not accepted and our AMP7 targets remain in line with our Final Determination. We have corrected the error in our reporting for 2023/24 and note that we are missing our target on this measure.

G02 LEAKAGE / G03 PER CAPITA CONSUMPTION

AMP7 COMMON METHODOLOGY

For leakage and per capita consumption ('PCC') all components of the AMP7 methodology are compliant, although there is one PCC element (out of 24) and six leakage (out of 77) elements that are 'Amber' (i.e. non-compliant but not materially impacting). There is no material impact to the PC reporting, and this has been confirmed by Jacobs in their Assurance Statement presented in the Board Statements section.

The reporting team are confident of achieving full compliance by the beginning of AMP8 and progress will be monitored through the ongoing assurance process.

Full RAG compliance checklists for these measures are provided in the Additional Regulatory Information section.

G02 LEAKAGE

ESTIMATION OF MINOR COMPONENTS

In 2022/23, to ensure we had a better estimate of the minor components within our water balance, we undertook a programme of work to refine our estimation of unbilled consumption, including flushing of fire mains and storage tanks which was set out in our 2022/23 submission. The same approach is being followed for this 2023/24 APR with a similar number being reported.

TRUNK MAIN LOSSES METHODOLOGY

As part of our trunk mains leakage calculation, we use a combination of 'flow balance' and 'modelled results' as we move to full 'flow balance' reporting in AMP8 as the data for each Water Resource Zone becomes more robust. We will ensure the initialisation of flow balances in all zones is complete this year in readiness for switching over at the start of AMP8.

Our approach has been previously shared with Ofwat and our assurance partner, Jacobs, support the continued use of the modelled data.

G03 PER CAPITA CONSUMPTION

ALIGNMENT WITH EARLY PC SUBMISSION IN APRIL 2024

Through our continued assurance processes, we have updated our reported PCC reduction from our reported value in our submission of Ofwat's 'Early Performance Data Collection Template 2023-24' on 30 April 2024. In the early view submission, we reported a PCC reduction of 1.8%. At that point in our process, we had not yet applied our adjustment for the benefit of smart meter installs through our Green Recovery Programme. The sum of post MLE measured and post MLE unmeasured household consumption in the reporting year was 1,114 MI/d. We have now applied this adjustment to our reported household consumption value which is now 1,112 MI/d. When the updated value flows through the rest of the calculation accounting for population and the three-year average, our reported PCC reduction from our 2019/20 three-year average baseline is 1.7%.

G05 UNPLANNED OUTAGE

PEAK WEEK PRODUCTION CAPACITY REPORTING COMPLIANCE

As part of the 2022/23 in-period Final Determination, Ofwat challenged the sector's interpretation of the AMP7 reporting guidance when calculating Peak Week Production Capacity ('PWPC'). We have reviewed the process and reassessed compliance against the guidance which has confirmed full compliance including the PWPC component. Jacobs have assured the assessment and confirmed that our interpretation is reasonable as set out in their Assurance Statement in the Board Statements section. The full RAG compliance checklist for this measure is provided in the Additional Regulatory Information section. Below is an overview of our assessment for PWPC.

We define PWPC for each water groundwater or surface water treatment facility. In the case of groundwater, some site groups are made up of several individual boreholes that feed to a treatment works and a PWPC value is determined at a source level for each borehole and at a group level for the overall treatment facility. In some cases, the sum of the individual boreholes PWPC is greater than that of the treatment works due to limiting factors on the works.

The PWPC of each treatment facility (or group) is reassessed on an annual basis. This includes integration of the actual realised flows for the previous reporting year to see if there has been a higher flow than the current recorded PWPC value. Where a higher 7-day rolling average flow is achieved and evidenced through telemetry systems, the new higher average value is used as the PWPC value. Where there is not an increase in the 7-day average flow value and the value has been recorded within a 5-year period the current PWPC is maintained.

Where a site's PWPC does not change within the 5-year rolling period it is identified that a capacity test needs to be undertaken, unless there have been any capital projects that would have had an impact on the available works output explaining the lower PWPC value. All sites/groups will have the information of its PWPC detailed in an assessment pack. This will include details of the site's actual output or where undertaken details of the capacity test.

Capacity tests are subject to appropriate risk and contingency plans being in place as well as restrictions due to operational constraint such as water quality restrictions. Where the need for a capacity test is identified a risk-based approach for each works on a site-by-site basis is produced identifying an appropriate duration for the capacity test and any specific operational constraints are considered to the viability of a test. The value gained from the capacity test is extrapolated to produce the PWPC figure, as if it had been running at the produced flow for a 7-day period, including any forecasted constraints. Where possible a test lasts a minimum of 4-hours, to determine the max attainable PWPC flow for a site however in some cases it may not be possible to run a test

for this length of time without significant risk or operational constraint. Supporting evidence for the PWPC to allow the extrapolation of this value to a 7-day sustainable flow figure is provided in the PWPC evidence pack. Various sources of data such as simulated capacity tests; water balance models; hydraulic models; operations guidance documents; standard operating procedures; and site telemetry data, support the evidence packs.

The stated site and company PWPC value will only change within year if there is a significant change to the treatment processes on site, due to capital investment leading to either an increase or decrease in treatment capacity. As part of the annual review, the total PWPC is also reviewed annually to account for the reduction/removal of any water treatment facilities. Where there are changes to treatment capacity on a site through capital works this will be evidenced in the PWPC evidence packs with the relevant design documentation and specifications.

In line with the guidance documentation, where a PWPC value has been achieved during an extreme weather event and the treatment facility has been run in a way that is outside the normal operating parameters, its 7-day average flow has been excluded and not used to define the sites PWPC.

Severn Trent has undertaken tests on its surface water treatment assets in 2022 to define the estimated 1, 3, 7 day and 1 month sustainable flow rates. This has helped identify the operational and non-operational constraints of surface water treatment works, however in 11 of our works the value produced in the capacity tests has been outachieved when actual 7-day rolling average flow data has been assessed. In these cases, the actual flow data has been used as this demonstrates the actual PWPC value for the site, unless there has been a significant capital program that has led to a reduction in the achievable treatment output.

G10 RESILIENT SUPPLIES

DELIVERY OF SCHEMES ACHIEVING 88.2%

In a PR24 query (reference OFW-OBQ-SVE-259) Ofwat asked us to provide confirmation that in our APR submission that, we would provide the contract completion documentation and evidence of the update to network analysis required by the PC definition. In line with our response to the PR24 query we confirmed we will provide this information along with our PR24 Draft Determination consultation response commentary. We consider this is more appropriate than providing it in our 2023/24 submission because Resilient Supplies is an end of period performance commitment with no PCL for 2023/24. We are not claiming or incurring any ODI outperformance or underperformance payments this year.

Three initiatives have been delivered so far this AMP, all of which were completed in 2020/21 with no additional initiatives delivered in 2021/22, 2022/23 or 2023/24. Our three completed initiatives have delivered a collective 0.3% resilience increase from our baseline of 87.9% at the start of AMP7.

- The first initiative was the delivery of a capital scheme for which we have a completion certificate.
- The second initiative was the completion of a cross connection delivered as an operational response for which we will evidence through an update to network analysis.
- The third initiative was the completion of work at a site which involved ensuring assets are fully accessible and creating a hard standing around valves so these can be operated in an emergency. As this is an operational response this will be evidenced in an update to network analysis.

We will provide contract completion documentation and evidence of the updates to network analysis for these initiatives with our PR24 Draft Determination consultation response commentary to support our forecast performance for 2024/25.

G12 INCREASING SUPPLY CAPACITY

SCHEME DELIVERY ASSURANCE

As per the requirement set out in our Final Determination for this measure, Jacobs have undertaken independent technical assurance to confirm the required schemes are on track to be delivered by March 2025. Following completion of the review, Jacobs have confirmed that good progress has been made and the schemes are on track for completion within the required timescale.

There is a risk related to the Thornton Reservoir to Cropston scheme where construction has been completed but due to a water quality issue related to PFAS, there has been a delay in bringing the water into beneficial use. The team are currently assessing treatment options and the latest updates are positive. Further detail will be included in the Draft Determination representation.

GREENHOUSE GAS EMISSIONS

CHEMICALS RESTATEMENT - 11A.29 & 11A.44

Following the receipt of a PR24 query (reference OFW-OBQ-SVE-156) we identified an anomaly in the chemicals element of our carbon reporting, we updated our PR24 data and confirmed to Ofwat. This is now being reflected in the APR restatement.

RAG Ref	Version	Water tCO2e	Waste tCO2e	Total tCO2e
Chemicals 11A.29	APR23 Submission	53,406.650	23,697.000	77,103.350
Chemicals 11A.29	Revised Values	43,972.790	27,800.923	71,773.713
Variance		-9,433.860	4,103.923	-5,329.637
Variance		-17.7%	17.3%	6.9%

RAG Ref	Version	Water tCO2e	Waste tCO2e	Total tCO2e
Net annual emissions – Location based 11A.44	APR23 Submission	200,821.450	529,921.313	730,742.763
Net annual emissions – Location based 11A.44	Revised Values	191,387.590	534,025.236	725,413.126
Variance		-9,433.860	4,103.923	-5,329.637
Variance		-4.7%	0.8%	-0.7%

AMP7 COMMON PERFORMANCE MEASURES COMPLIANCE STATUS

In line with RAG 3.14, section 4.40, we can confirm that we are compliant with all the components of the AMP7 common methodology checklists for the following named PCs: Water Supply Interruptions; Mains Repairs; Unplanned Outage; Internal Sewer Flooding; and Sewer Collapses. This compliance has been assured via our three lines of assurance framework and is noted in Jacobs Assurance Statement.

Commentary of the compliance position for Leakage & PCC is given above as well as further commentary on the green compliance for Unplanned Outage following the clarification in the APR23 In Period Final Determination.

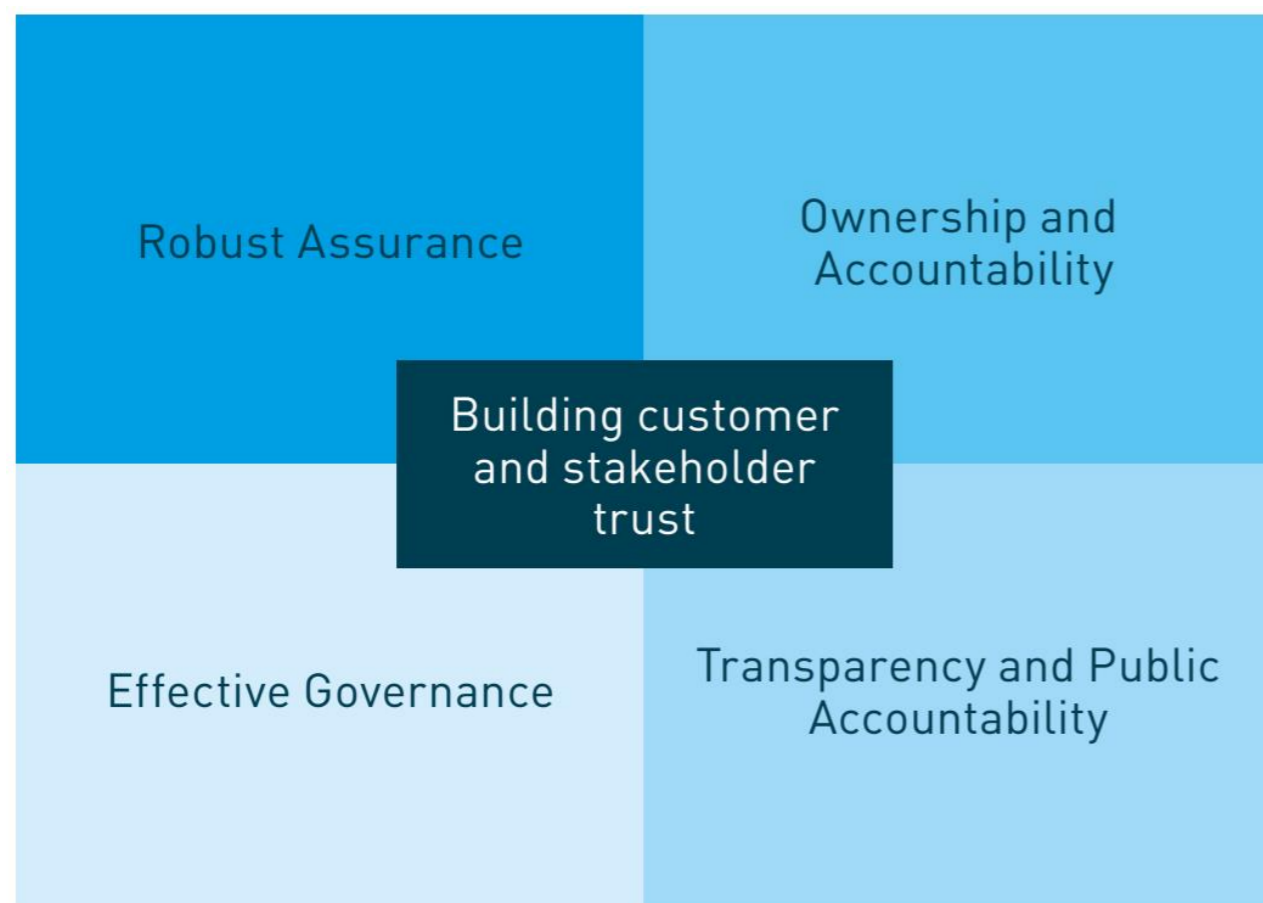
Full RAG compliance checklists for these three measures are provided in the Additional Regulatory Information section.

REGULATORY REPORTING

OUR APPROACH TO REGULATORY REPORTING

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 demonstrating transparency in our reporting in a way that is meaningful for all of our stakeholders so they can hold us to account.

We know how important it is to our customers and stakeholders that our reporting contains reliable data and information. We set out our approach to annual regulatory reporting and assurance in our [Regulatory Reporting and Assurance Approach](#) to describe and explain our approach to assurance, what we publish, the assurance plan we follow and the level of assurance we apply. This ensures we are open and transparent with our customers and stakeholders about the processes we follow for our publications and have an appropriate level of confidence that our submissions have been well prepared and are consistent with our robust internal processes. This section provides oversight of our assurance framework and compliance processes in relation to our APR. Our frameworks and internal controls support the Board to make a number of signed statements within this report including our Board's Data and Information Completeness and Accuracy Statement and Risk and Compliance Statement, these can be found along with the Company Performance and Direction Statement in the Board Statements section.



OUR ASSURANCE FRAMEWORK

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

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

1. Robust Assurance – we operate a three lines of assurance model, targeted at areas of greatest risk.
2. Ownership and Accountability – we have clear lines of ownership for both the delivery of performance, and the accuracy of the data provided.
3. Effective Governance – provided by our Board, the Severn Trent Plc Audit and Risk Committee (the 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. Using a risk-based approach provides an effective programme of assurance which considers areas that we know are of prime importance to our customers and regulators; or may have a significant financial value, alongside the likelihood of reporting issues or regulatory change. Areas that are higher risk receive the full three lines of assurance while other areas, where the risk is lower, are targeted with first or second line assurance only. This approach ensures we can continually reassess our assurance activity as risk is reduced in certain areas, where mature and stable 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 at Appendix A.

Internal Audit

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

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

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

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

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

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

The last external review of the effectiveness of the Internal Audit function was undertaken in December 2021, and the next external effectiveness review is therefore planned for no later December 2026. The review was carried out by BDO, which concluded that the Internal Audit function remained fit for purpose, was operating efficiently and effectively, and in line with good practice. BDO's findings also highlighted clear evidence that the Internal Audit function operated with strategic alignment, a focus on risk and an emphasis on quality and continuous improvement, all underpinned by objectivity and integrity. The minor areas of improvement raised by BDO have been incorporated into an action plan which was shared and agreed with the Chair of the Severn Trent Plc Audit and Risk Committee.

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

Internal Audit has the highest level of independence within the Company and also provides third line assurance (in addition to our external assurance providers) for a number of our regulatory submissions, including our ARA and APR. This is explained in greater detail in our APR assurance approach at 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 lists of matters considered includes: ODIs, storm overflows, EPA measures, FFT compliance and WINEP delivery. The Board receives updates on general performance, including performance against key targets and performance commitments, environmental matters and health and safety, with at least half of every Board agenda being dedicated to performance oversight. The Board also receives updates on financial performance and detailed deep dives at each meeting that relate to areas of strategic importance.

Compliance processes

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

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

Our Compliance Team oversees the Framework and ensures that managers across the Company are aware of their statutory and regulatory duties. Training and support workshops are provided to new duty owners to ensure that processes and requirements are understood, as well as providing refresher training for existing duty owners. This ensures all duty owners are equipped with the right skills and knowledge to complete their annual self-assessments confidently and accurately. The 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, as well as completing regular reviews of these controls. An annual process of self-certification takes place and we receive a declaration from each responsible manager, senior leader and Director to confirm compliance, or to inform us of 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. The Licence to

Operate framework helps to inform the Board of any exceptions from our statutory and regulatory obligations, ahead of the Board making the annual Risk and Compliance Statement. The exceptions are set out in the Improving Clarity and Transparency section.

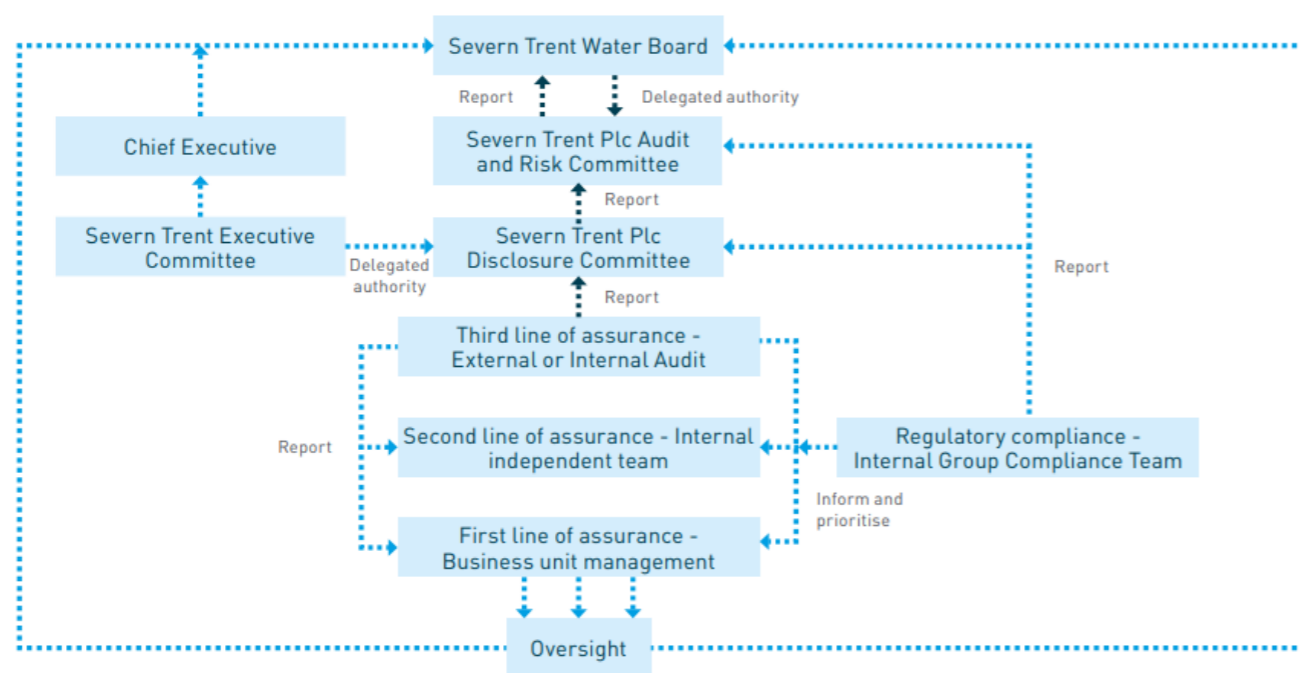
EFFECTIVE GOVERNANCE

The Board is supported by its Governance Framework, which is described in detail in Our Approach to Board Leadership, Transparency and Governance. 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 Accounts and APR.

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

Overall accountability for the preparation and production of the APR, which includes reporting of performance against performance commitments and associated ODI rests with the Chief Financial Officer.



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.

Examples of enhanced reporting within the APR this year include:

Disclosure	Page reference
Executive remuneration	56 - 60
Dividend	61 - 68
Barlaston pollution	32
Storm overflows	11 - 13

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, Hafren Dyfrdwy and other associated companies are connected under the Severn Trent Group umbrella, can be found on our website.

BOARD STATEMENTS

Risk and Compliance Statement

Statement from non-financial assurer Jacobs

Accuracy and Completeness of Data and Information Statement

Company Performance and Direction Statement

BOARD STATEMENTS

RISK AND COMPLIANCE STATEMENT

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

- We have a full understanding of, and we meet all of our relevant statutory, licence and regulatory obligations in all material respects (except where indicated 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 10 July 2024.



Liv Garfield

Chief Executive

Severn Trent Water Limited



Christine Hodgson

Chair

Severn Trent Water Limited



Sarah Legg

Chair

Severn Trent Plc Audit and Risk Committee

EXCEPTIONS FROM THE STATEMENT

There are three exceptions for inclusion in this year’s Risk and Compliance Statement. The three areas identified relate to Leakage, PCC and Carbon. In all cases, the materiality impact has been assessed as low with reference to financial or wider customer impact.

Details are presented in the ‘Improving Clarity and Transparency’ section of our APR – we have chosen to include these to ensure the highest levels of transparency. All exceptions regardless of materiality, are reviewed and scrutinised by our Executive Committee before being endorsed by our Board prior to publication – ensuring that all levels of the business are made aware of any significant risks or issues.

OBSERVATIONS FROM THE STATEMENT

There 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.

Description of Duty/Obligation	Observations
Environmental Permitting (England and Wales) Regulations SI 2016/1154	<p>In November 2021, Ofwat and the Environment Agency each issued their own investigations into the wastewater industry to investigate compliance with the conditions of environmental permits. We were able to respond quickly and comprehensively and have had open conversations since. It is not yet clear what the scope or likely outcome of this investigation will be. We are fully committed at every level of the organisation – from the Boardroom to the frontline – to making a positive impact on the environment and the communities we serve, and recognise that, as a sector, there is more that we should do to help. We believe that river health is essential not only to the communities we serve, but also to our ability to provide our essential services. We take our responsibilities very seriously, to not only protect the environment, but also to enhance it, and are playing a leading role in this. Our Get River Positive promise is underpinned by five pledges and this is a firm commitment from Severn Trent to take action.</p> <p>Our hardworking teams are delivering some excellent results and we currently account for less than 14% of the harm to rivers in our region. We are highly confident of achieving 4* EPA status for the fifth consecutive year.</p> <p>An update on the progress we have made since the launch of our river pledges is provided in our Get River Positive Report.</p>

STATEMENT FROM NON-FINANCIAL ASSURER JACOBS



**Challenging today.
Reinventing tomorrow.**

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1 July 2024

Attn: FAO Severn Trent Water Limited Board

Project name: 2023-24 Assurance Services
Project no: B2347102

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 2024 (APR24) submission we were asked to review the 2023-24 SVE performance commitments (Part 3) and non-financial data (within Parts 2-11) on a risk-based approach.

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 APR24 are based, and we have considered the material accuracy of the performance data presented. Our findings have been discussed with management and presented to the Disclosure Committee on the 25 June 2024.

On the basis of our audit work, we are satisfied that the information we reviewed which supports, and is included within, the APR24 has been assembled using appropriate methodologies and processes and that the data provides a reliable representation of Company performance. There is good evidence of engagement from the teams involved in producing the performance data, and of governance and programme management.

We have completed assurance for all of the Company's performance commitments (PC) that have financial outcome delivery incentives (ODI) except for one PC (G10 - Resilient Supplies). This has an end-of-period ODI and there has been no change in performance this year. Performance commitment reporting is in line with the guidance and exclusions have been correctly applied.

For the **G02 Leakage** and **G03 Per Capita Consumption (PCC)** performance commitments' RAG compliance checklists, all components remain green for both measures, although six of the 77 leakage elements are amber and one of the 24 PCC elements is amber. The company has plans to become fully compliant by the start of AMP8. We do not consider that the ambers have a material impact on reported performance for the 2023-24 APR.

For **G05 Unplanned outage**, the compliance checklist is scored as green for all elements including Peak Week Production Capacity (PWPC) which is a key component of this measure. This is based on your interpretation of the guidelines regarding the physical capacity tests required. Your approach is to schedule the physical capacity tests within five years of the PWPC being confirmed. We consider this to be a reasonable interpretation of the guidelines, justifying the green status on compliance.

For "Accelerating environmental improvements – Storm overflow assessment framework (SOAF) investigations" (Table 10E.2 to 10E.5), the Company have submitted the outputs of the SOAF investigations to the Environment Agency (EA) for approval and there is a meeting scheduled to review and obtain sign-off before the final APR submission which, once completed, will meet the requirements of this measure.

As per the additional reporting requirements set out in the PR19 Final Determinations, we have undertaken the following independent assurance:

For **A02 Reducing residential gap sites**, the Company has rigorous processes that are correctly implemented to identify and bill new properties. The Company is focused on continuous improvement for this PC.

For **G12 Increasing water supply capacity**, the Company has made good progress with all three schemes. We are satisfied that with appropriate controls in place, the schemes should be complete and commissioned by the 31 March 2025. However, for the Nottinghamshire supply demand scheme (Scheme 1), as a result of an unforeseen water quality concern (PFAS concentrations higher than acceptable limits) it cannot currently be

Date: 1 July 2024

Subject: Independent Technical Assurance Statement



successfully commissioned, and the water cannot be deployed for beneficial use. We understand that the Company will be addressing this with Ofwat ahead of next year's reporting.

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

Your sincerely,

Sarah Fane

Head of Water Strategy and Regulation

Sarah.Fane@jacobs.com

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 in a way that is meaningful for all of our stakeholders so they 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 the 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 and performance reporting framework to support the Board when approving the publication of data and information contained within regulatory documents. The assurance approach builds on best practice from external organisations. It ensures that managers, senior leaders and Directors are responsible and accountable for delivering high-quality data through robust processes and methodology.

BOARD ASSURANCE APPROACH

Robust Assurance

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

Effective Governance

Severn Trent Water is the principal operating subsidiary of the FTSE100 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 FTSE100 listed company, the Company has chosen to apply the highest standard of corporate governance in line with the principles of the 2018 UK Corporate Governance Code (the '2018 Code'). The [Severn Trent Water Limited Annual Report and Accounts](#) outlines the way in which the Company has voluntarily applied the principles of the 2018 Code during the year.

ASSURANCE APPROACH TAKEN

There is a high level of interconnectivity between our Governance Framework and well-established and robust assurance and performance reporting framework throughout our organisation, to provide confidence in the information and data we report externally. The assurance processes we use build on sector-wide best practice and ensure that managers, senior managers and Directors are responsible for delivering high-quality data. Our Assurance Plan for this financial year, builds on the high standard processes we have developed and implemented in previous years to provide accurate data.

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

The Board received a tailored presentation of the AMP7 assurance map in May 2024 and the regulatory forward plan and proof-point process that provides assurance to the Board and Audit and Risk Committee that an appropriate level of assurance activity has been undertaken, and findings discussed with the Board.

Throughout this activity, we ensure that 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 forward plan and proof-point process is provided at every Audit and Risk Committee meeting. The Audit and Risk Committee is updated every six months. The Audit and Risk Committee ensures that regular updates are provided to the Board under their Terms of Reference. Ongoing progress updates relating to a variety of submissions, are provided at Board level through Director reports.

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

As an example, this year we were required to submit a Board Statement to accompany the draft Water Resources Management Plan ('WRMP') This submission will be owned at an individual Director level, with the Executive Committee, Audit and Risk Committee and Board all being engaged throughout the process. This enables them to test and challenge the progress, including risks, mitigations, the assurance approach and the Board Statements themselves, including the proof point process.

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

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

Our [Regulatory Reporting and Assurance Approach](#) is a key publication that considers a range of factors to determine and shape our assurance plan and ensure that weaknesses in assurance approaches are improved. Customer and stakeholder engagement, internal assessments including Licence to Operate, ERM and emerging risks and trends across the sector help to determine where we need to focus the assurance we apply to our regulatory reporting. We also make sure that regulator feedback is incorporated, and we welcome feedback from stakeholders following publication on our website. We explain in detail our assurance and governance frameworks and link outputs of the assessments to the planned assurance activities and approach for the financial year ahead. The assurance plan is grouped into two areas, core assurance activities and focus assurance activities, which are updated and reflect current risk and/or areas of importance in reporting.

CONSIDERATIONS OF THE BOARD

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

Signed for and on behalf of the Board on 10 July 2024.



Liv Garfield

Chief Executive

Severn Trent Water Limited



Christine Hodgson

Chair

Severn Trent Water Limited



Sarah Legg

Chair

Severn Trent Plc Audit and Risk Committee

COMPANY PERFORMANCE AND DIRECTION STATEMENT

This Statement explains how the Board of Severn Trent Water Limited (the 'Company') sets the aspirations of the Company and how we monitor our performance and make decisions for all those we serve. It explains how customers' and stakeholders' views have formed an integral part of setting these aspirations, ensuring we continue to deliver for all of our stakeholders.

OUR ASPIRATIONS

Our aspirations are guided by our purpose – 'taking care of one of life's essentials' – which forms the foundation on which we can build meaningful and long-standing relationships with our stakeholders. Our values – 'having courage', 'embracing curiosity', 'showing care' and 'taking pride' – underpin our purpose and reflect the deep connection that we have with our customers and communities. Aligned with our purpose, delivery of our strategy to be 'performance driven, sustainability led', supported by the interconnectivity of our Governance Framework, robust assurance processes and performance reporting framework throughout our organisation, ensures that we can oversee delivery of our aspirations for our customers and the communities we serve.

Our PR24 Business Plan (covering the period 2025-30), submitted to Ofwat in October 2023, is the most ambitious in our history. Subject to regulatory approval, it explains the progress we will make over the next five years towards the 2050 aims we set out in our accompanying Long-term Delivery Strategy ('LTDS'). It shows we want to play a leading role in restoring our sector's credibility today, whilst also making significant investment for sustainable change for future generations.

Subject to regulatory approval, our ambitious Business Plan looks to invest £12.9 billion to deliver benefits for our customers and communities, and the environment, underpinned by a £550 million affordability package and Societal Strategy to improve the prospects of the region we serve. To support the investment business cases totalling c.£5 billion in our Business Plan, the Severn Trent Plc Board undertook a £1 billion equity raise during the year, enabling the acceleration of over £450 million of investment over the next 18 months.

In line with over 68,000 customer views that we sought as part of our Business Plan's development, our proposed investment will deliver benefits for our customers and communities, and the environment. It will deliver improvements on the measures that our customers care about most, including a 16% reduction in leakage and a significant reduction in spills from storm overflows, putting us firmly on track to deliver the Government's 2050 targets at least five years early. We will also build on our industry-leading environmental performance, as demonstrated by securing 4* EPA status for four consecutive years, by driving a further 30% reduction in pollutions. We propose to invest £5 billion across 11 enhancement cases, as follows:

- Transforming the natural environment (Water Industry National Environment Programme ('WINEP')).
- Protecting raw water quality.
- Meeting future water needs.
- Our journey to net zero – reducing process emissions.
- Alternative water supplies.
- Physical security.
- Enhancing cyber security.
- Reservoir safety.
- Water resilience.
- Urban catchments of the future.

- Reducing lead pipes.

As part of our PR24 Business Plan submission, we developed our LTDS, bringing together every aspect of our planning over 25 years and uses Ofwat’s adaptive planning approach to create the best long-term strategy for our customers and our region. Our approach ensures we have strategic flexibility built in to adapt to changing circumstances. This gives us confidence that we are making the right choices for investment in our Business Plan.

Our [Strategic Direction Statement](#) sets out our long-term priorities based on our view of future trends and the areas of importance to our customers, regulators, investors, employees and wider society.

Notwithstanding these aspirations, our sector has been subject to heightened public interest and we must, as a whole sector, respond to this by stepping up to the challenge that this brings to rebuild trust and meet the expectations of our customers and wider stakeholders, both now and for the long term, particularly on issues such as storm overflows. We have responded to our customer and wider stakeholders’ expectations and, to ensure we make demonstrable progress on this issue, at the pace our stakeholders expect, we announced our Storm Overflow Improvement Plan on 17 May 2024, which will investing £1.1 billion between 2025 and 2030, and £4.4 billion up to 2050, to meet targets at least five years earlier than the date set by Government. This ambitious programme will see us deliver over 1,000 interventions at over 900 sites, representing over 40% of all CSOs that spilled last year.

Read more:

Our Strategy	Page 5
Storm Overflow Improvement Plan	Pages 11 to 13

HOW WE MONITOR OUR PERFORMANCE

Our performance driven culture, supported by the interconnectivity of our Governance Framework, robust assurance processes and performance reporting framework embedded throughout our organisation, ensures that we can oversee delivery of our aspirations for our customers and the communities we serve.

To discharge its performance oversight duties effectively, at least half of the Board’s agenda is dedicated to performance oversight, including dedicated reports from the CEO, CFO, Customer Operations Director, Director of Capital and Commercial Services and Director of Customer Solutions at every Board meeting. This dedicated ‘Performance Review’ section on the agenda ensures that the Board is effective in discharging its oversight of the Company’s performance for customers and the environment, and is able to constructively challenge on areas of focus where necessary.

This activity is supported by deep dive reports into areas of particular performance-related importance, to evaluate progress, provide insight and, where necessary, hold management to account and decide on appropriate action. Examples during the year include: storm overflows, AMP8 deliverability and the Company’s Customer Vulnerability Strategy.

A detailed disclosure outlining the way in which the Board oversee the Company’s performance and holds management to account can be found in the Dividends section. A detailed update on the Company’s operational and environmental performance commitments and ODIs can be found in the Performance Summary section.

Read more:

Our performance during the year	Pages 22 to 35
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ENSURING ACCOUNTABILITY

The Board has full responsibility for all aspects of the Company’s business, including oversight of the Company’s performance delivery for customers and the environment. It is essential we maintain the trust and confidence of our customers. That means running our business in a responsible and transparent way so customers and stakeholders can see that we act in their interest and hold management to account where necessary to drive further improvements.

An example of how the Board’s accountability oversight operated during the year is set out below:

The Company’s Remuneration Policy is designed to attract, retain and motivate its leaders and to ensure they are focused on delivering business priorities within a framework which promotes the long-term success of Severn Trent, aligned with the interests of customers, shareholders, the environment and communities. The Company is committed to a transparent remuneration framework which embeds our values across the Company, and which ensures that our executive remuneration arrangements can be clearly articulated and justified to internal and external stakeholders.

The Remuneration Committee applied particular focus to 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 financial resilience, and impact on the communities within our region. Detailed information is presented in a dedicated Executive Remuneration section.

Following the Remuneration Committee’s assessment of performance in the round for 2023/24, it determined that, following consideration of the Company’s wider performance in the round, it would not be appropriate to override the formulaic outcomes of either the 2021 LTIP or the 2023/24 annual bonus due to performance in the year. However, due to the judgment that was delivered in respect of the Barlaston pollution event which occurred in 2019/20, the Remuneration Committee considered it appropriate to apply downwards discretion to the CEO’s 2023/24 annual bonus outcome, reducing the EPA 4* performance measure from full vesting, to zero.

Read more:

Barlaston Pollution	Page 32
Executive Remuneration	Pages 56 to 60

Signed for and on behalf of the Board on 10 July 2024.



Liv Garfield

Chief Executive

Severn Trent Water Limited

REGULATORY STATEMENTS

REGULATORY STATEMENTS

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

DISCLOSURES REQUIRED BY RAG 3

A. LINK BETWEEN DIRECTORS' PAY AND STANDARDS OF PERFORMANCE

Our Remuneration Policy is aligned to our purpose, strategy and values thereby incentivising great customer 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 3.14 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 AMP7 Dividend Policy in 2023/24 is presented in the Dividends section.

D. OUR AMP7 DIVIDEND POLICY

The Company's dividend policy is based on our belief that, in order 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 business; and
- 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. Detailed information on application of our AMP7 dividend policy in 2023/24 is presented in the Dividends section.

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](#).

The Directors have assessed the viability of the Company over a seven-year period to March 2031, 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 2031.

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).

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 2024 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 detail in our annual tax report, which is published on our website.

Scope

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

Fair Tax Mark

We are delighted to have been awarded the Fair Tax Mark for the fifth 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 (CONDITIONS K AND P)

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

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

Deloitte 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 2024. Deloitte'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 on pages 52 - 54.

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 [Severn Trent Water Limited Annual Report and Accounts](#).

Management provides the Board with evidence that each of the factors set out above have been addressed in assessing whether the Company has sufficient resources to enable it to carry out its regulated activity for the next 12 months. The Board, through 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.

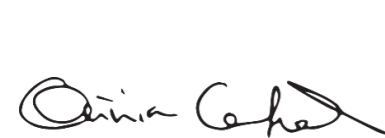
In providing these confirmations, the Directors have considered various factors as part of their assessment prior to signing this certificate, including but not limited to:

Financial resource and facilities	<p>The Appointee's performance expectations against Final Determination 2020 - 2025, underpinned by historical track record.</p> <p>The Appointee's available cash resources and borrowing facilities.</p> <p>The Appointee's long-term Viability Statement of seven years included within the 2023/24 ARA.</p> <p>Investment requirements to deliver stretching performance commitments in AMP7.</p> <p>The Appointee's compliance with financial covenants.</p> <p>The Appointee's financial position and net cash flow position as at 31 March 2024 as represented by the statutory and regulatory accounts.</p>
Management resources	<p>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.</p> <p>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.</p> <p>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.</p>

Management resources (cont.)	<p>The independence of our Non-Executive Directors is formally reviewed annually by the Severn Trent Plc Nominations Committee, and as part of the Board Effectiveness Evaluation. The Severn Trent Plc Nominations Committee and Board consider that there are no business or other circumstances that are likely to affect the independence of any Non-Executive Director and that all Non-Executive Directors continue to demonstrate independence.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The tone at the top and culture within the Appointee is reinforced through the Appointee's Code of Conduct – Doing the Right Thing.</p> <p>The employee engagement survey, assists the Directors' understanding of what is going well and where improvements can be made across the Company.</p> <p>Management and the Board ensure that appropriate and effective succession planning arrangements are in place, supported by the Group Board Diversity Policy.</p> <p>The Appointee's recruitment, reward and recognition strategy to attract high calibre candidates and retain employees with appropriate experience and knowledge.</p>
Systems of planning and internal control	<p>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.</p> <p>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.</p> <p>The Appointee's Enterprise Risk Management process.</p> <p>The Appointee's performance in regards to its performance commitments identified in the Additional Regulatory Information section.</p> <p>Business continuity plans.</p> <p>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.</p>

Rights and resources other than financial resources	<p>The Appointee’s purpose, values and culture is embedded through annual e-learning and supported through policies.</p> <p>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.</p> <p>Asset Maintenance policies and systems to monitor asset health.</p> <p>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.</p> <p>The Appointee’s policies to mitigate the risk of modern slavery and human trafficking.</p>
Contracting	<p>There are no contracts that the Company is dependent on in order to carry out its regulated activity.</p>
Material issues or circumstances	<p>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.</p> <p>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.</p> <p>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.</p>

Signed for and on behalf of the Board on 10 July 2024.



Liv Garfield

Chief Executive

Severn Trent Water Limited



Christine Hodgson

Chair

Severn Trent Water Limited



Sarah Legg

Chair

Severn Trent Plc Audit and Risk Committee

OUR APPROACH TO OPEN DATA

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

The key activities for us to deliver this are:

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

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 2022/23, Domestic Water Quality and Water Company Boundary data through Stream as open datasets, and are currently testing storm overflow hourly status data as shared data with other water companies prior to publishing on the National Storm Overflow Hub later this year.

APR 2023/24 data tables are available in the [Regulatory Library](#) on our website and can also be accessed on the [Stream Open Data Portal](#).

We have incorporated the following changes to the way we publish our APR data for 2023/24 to align with open data best practise:

- 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 – initially we have created a 4-year dataset for a selection of datapoints relating to Performance Commitments. This allows you to see trends without having to download and manipulate three separate files.
- The provision of a data user help function, to support you with any data related queries you may have when trying to access or use this data.

In PwC's Open Data assessment report (May 2023), we were recognised for our engagement with stakeholders on river pledges, and our capabilities to deliver Advanced Analytics through our data science team. Since this report, we have conducted a thorough review of our open data capabilities, and are establishing a roadmap to develop our open data maturity. Through our river pledges and River Advisory Panel, we are continuing to drive transparency and openness. We will be releasing our Storm Overflow hourly status data as a machine-readable API on the National Storm Overflow Hub later this year, alongside our [Storm Overflow Map](#) which is already accessible on our website.

EXECUTIVE REMUNERATION

EXECUTIVE REMUNERATION AT SEVERN TRENT

Executive remuneration practices in our sector are under scrutiny. Customers rightly expect transparency about the application of remuneration policies and assurance that any executive rewards are linked to the performance of their service provider. In successive Annual Performance Reports, we have sought to build on our disclosures and respond to feedback from stakeholders, including Ofwat, about the design of our Group Remuneration Policy (the 'Policy').

However, we recognise that even with greater transparency and alignment to customer and environmental outcomes, some customers may still be concerned that Executive Director performance-related pay could displace investment. Whilst that is certainly not the case, we understand the underlying concern and the importance of taking action. Therefore, we are going even further to alleviate any questions that customers have about how their bills are used to support executive remuneration, by reporting how investors pay for all Executive Director bonuses and long-term incentive awards. Put simply, customers contribute to the all-employee bonus – not Executive Directors performance related pay. We are able to make this change because of the strength of the Severn Trent Group, with our other businesses including Green Power, England and Wales's largest producer of energy from food waste, which sit alongside Severn Trent Water, contributing c.£60m Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') on an annual basis.

To help rebuild trust in the sector, it is essential that we clearly explain this position to customers in an accessible way. Therefore, in this year's Annual Performance Report we are explaining how Executive Director performance-related pay is funded, and for completeness, including details of the process that the Severn Trent Plc Remuneration Committee ('the Committee') undertake to assess performance in the round in determining Executive Director remuneration outcomes.

We recognise that the inclusion of the Severn Trent Plc assessment and decisions in the regulated accounts could confuse and undermine the overarching principle that customers have not paid for Executive Director performance-related pay. Therefore, going forward we are proposing to ensure (i) our Annual Performance Reports remain fully focused on how customers' bills are used and the decisions taken by the Severn Trent Water Limited Board; and (ii) signpost interested customers and stakeholders to the fuller disclosures in the [Severn Trent Plc Annual Report and Accounts](#), including the Committee's performance in the round assessment and decisions taken in relation to Executive Director remuneration.

In the remainder of this section we set out:

- how Executive Director performance-related pay is funded by investors;
- details of our Group Remuneration Policy, including how the structure of our short and long-term incentive schemes is aligned to delivery for customers and the environment, and how we ensure that the targets we use are stretching; and
- details of the mechanisms in place to ensure that Executive Director performance-related pay outcomes are appropriate and justifiable, and that enable the Committee to override the formulaic outturns if needed.

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 and, as such, is owned by shareholders. Executive Director bonuses are not charged to Severn Trent Water.

Awards made to Executive Directors under our long term incentive plans ('LTIP') 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 2023/24 are excluded from the 2023/24 regulatory accounts of STW, 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 STW.

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 that operates on behalf of all Group companies, including STW. The Remuneration Committee is advised by appointed independent advisers, and their decisions are published as part of the [Severn Trent Plc Annual Report and Accounts](#), and matters of relevance to STW are disclosed within the dedicated [Severn Trent Water Annual Report and Accounts 2023/24](#), ensuring full transparency about our Executive Director pay decisions for our customers, wider society and the environment.

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.

The table overleaf sets out the key remuneration principles the Severn Trent Plc Remuneration Committee consider when overseeing Executive Director remuneration to ensure it is aligned to broader stakeholder priorities:

Remuneration Principle	How it is applied	Stakeholders who benefit
Stretching targets	<ul style="list-style-type: none"> The Committee's insistence on stretching targets means that we have not paid out the maximum possible bonus during AMP7 to date, despite delivering sector-leading ODI, financial and environmental performance. LTIP maximum outturn can only be achieved if Severn Trent's RoRE performance is UQ relative to other WaSCs. 	
Focus on the environment	<ul style="list-style-type: none"> For 2024/25, the weighting of environmental measures in the bonus increases from 30% to 35%. This is achieved primarily by increasing the CSO element to 15%, and increasing the EPA 4* measure to 10%. In addition we have introduced an underpin on the EPA measure for zero serious pollutions. We have increased the environmental element of the 2024 LTIP through the inclusion of RNAGS, worth 10%. 	
Assessment of performance in the round	<ul style="list-style-type: none"> When determining Executive pay outcomes, we do not simply follow the formulaic outcome of each performance measure but also undertake a thorough assessment of 'performance in the round' through several lenses. This assessment examines whether formulaic outcomes are appropriate and justifiable in the context of overall business performance and service delivery for customers, the environment and wider stakeholders, and allows the Committee to exercise discretion to override the formulaic outturns where appropriate. 'Performance in the round' is supported by an independent market assessment report prepared for the Committee by PwC. 	
Focus on long-term performance	<ul style="list-style-type: none"> 50% of Executive Directors' annual bonuses are awarded in shares that are deferred for three years and 100% of the LTIP is awarded in shares, which are subject to a two-year holding period post-vesting. All of the Company's incentive scheme rules contain robust malus and clawback provisions, allowing 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. Post-employment shareholding requirements reinforce the importance of sustainable long-term performance. 	
Ability to apply discretion	<ul style="list-style-type: none"> Where the Committee exercises discretion to reduce performance related pay outcomes, this is not limited by the weighting applicable to specific measures. Therefore, outcomes could be reduced by up to 100% if deemed appropriate for the circumstances. 	

Stakeholder key

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

Three-quarters of our Executive pay potential is variable in nature, based on stretching targets that are reviewed annually by the Remuneration 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 and 100% of LTIP awards are in shares that are subject to a three-year performance period and further two-year holding period.

In addition, the Executive Directors are subject to shareholding requirements of 300% and 200% of salary for the CEO and CFO respectively, both of which have been exceeded. Through personal investment and the retention of all 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 contractually required to hold shares for at least two years after leaving the Company.

As a listed business, our Policy is subject to shareholder vote every three years. With the current Policy coming to the end of its three-year term, the 2024 Policy will be put to a shareholder vote at the Severn Trent Plc 2024 Annual General Meeting.

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

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

Annual Bonus Scheme

The Company's annual bonus scheme ('ABS') 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 river health, in recognition of the Company's commitment to improvement in this area in line with stakeholder expectations.

Whilst we have consistently focused on connecting remuneration to environmental outcomes, we recognise the strength of external opinion on the performance of the sector and made further changes to our ABS during the year to strengthen the focus on environmental performance – increasing the weighting of environmental measures within our ABS from 20% to 30%. For 2024/25, we are going even further and increasing the weighting to 35% whilst maintaining the 60% weighting on non-financial measures. Increasing this element of the ABS structure will reinforce the importance that the Company places on the environment and river health, and emphasise the pivotal role we know we play in contributing towards and advocating for that health.

We strongly believe that all of our employees play a part in delivering strong performance delivery for customers and generating long-term value for our customers and communities, which is why we operate our ABS 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 and to date have been based primarily on the Return on Regulated Equity ('RoRE') as a strong composite measure that incentivises long-term performance and delivery for stakeholders. As part of the 2021 Remuneration Policy review, we introduced sustainability measures to the LTIP that account for 20% of the maximum pay out. In the current three-year plan, the environmental measures are focused on reducing our carbon impact.

In approaching the 2024 Policy review, the Committee has reviewed the structure of the LTIP with Customer, Environment and/or Communities related measures in the 2024 award accounting for 50% of the overall award. Financial performance will continue to be assessed through RoRE, which has been down-weighted to 50% of the award. RoRE remains a key financial measure that provides a strong alignment between the long-term financial and operational performance of the Group and potential long-term performance related rewards for management. Whilst RoRE is a financial measure, the component elements include service level 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. In practice, therefore, our alignment to delivery for customers and the environment will be much higher than 50%.

Full details of the proposed 2024 Remuneration Policy changes can be found in the [Severn Trent Plc Annual Report and Accounts](#).

OUR INCENTIVE SCHEME TARGETS DRIVE STRETCHING PERFORMANCE

We have a robust process to 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 Remuneration 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 outturns as a percentage of maximum are only just above the sector median in AMP7, despite delivering sector-leading ODI and environmental performance, and high levels of financial resilience.

As part of the 2024 Remuneration Policy review, the changes we are proposing to the annual bonus include the introduction of the requirement for no serious pollutions in year to achieve the EPA 4* element of the bonus, thereby making this element even more challenging and robust. This underpin will be binary, therefore if there is a serious pollution event within the 2024/25 performance year, the EPA measure will not pay out, irrespective of whether EPA 4* status is achieved.

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.

HOW WE ENSURE THAT EXECUTIVE DIRECTOR REMUNERATION OUTCOMES ARE APPROPRIATE

We are confident that the design of our performance-related pay plans 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 that are either not included in the design or the time horizon of performance-related pay schemes. Because of the long term focus of our performance related pay, the Committee has mechanisms to both ensure that Executive Director performance-related pay 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 Remuneration 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.

Every year, we set out the factors that the Remuneration Committee have assessed as part of their review of performance in the round for the year in question in our annual Directors' Remuneration Report within the Severn Trent Plc Annual Report and Accounts. We continually strive for clear and transparent remuneration reporting and strongly support the standardisation of reporting on remuneration decisions across the sector.

Full details of the process that the Severn Trent Plc Remuneration Committee applied in making its performance in the round assessment for 2023/24 are available in the [Severn Trent Plc Annual Report and Accounts](#) on pages

170, 173 and 177. 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 table below. This table summarises the key data points that the Committee consider as part of their annual assessment of performance in the round. It also sets out the process followed in order to determine if formulaic incentive outcomes are justifiable and explainable in the context of overall business performance and service delivery for customers, the environment and wider stakeholders. As outlined at the outset of this section, moving forward our reporting will cross reference to where this information can be accessed in the [Severn Trent Plc Annual Report and Accounts](#).

Factors considered by our Committee	
Delivery for customers	<p>With 35% of the 2023/24 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 WaSCs. Deep dives were provided on the following key areas:</p> <ul style="list-style-type: none"> - Customer measure of experience ('C-MeX') performance, including improvement activity underway and planned. - Company response to extreme weather events
Environmental performance	<p>For 2023/24, environmental measures make up 30% of the annual bonus, through a combination of environmental ODIs (13%), EPA 4* rating (5%) and River Health measures (12%). Beyond the formulaic outturn, the Committee considered the Company's performance against a broad range of environmental performance indicators, supported by deepdives into the following key areas:</p> <ul style="list-style-type: none"> - The EA'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 Green Recovery Plan, Get River Positive pledges, and Triple Carbon Pledge. - An in-depth review of the Barlaston pollution event from 2019/20, including the timeline, Company response, and the actual and potential impact of the event.
Financial performance and resilience	<p>Whilst 40% of the 2023/24 bonus is based on Group profit before interest and tax ('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 and resilience in the round, as follows:</p> <ul style="list-style-type: none"> - Gearing and financial resilience. - Capital delivery and investment. - Regulatory Capital Value ('RCV') growth. - Shareholder experience.
Impact on our communities	<p>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:</p> <ul style="list-style-type: none"> - Affordability. - Progress achieved in the first year of the Company's Societal Strategy, including around 9,000 people supported and the generation of more than £2 million of measurable Social Value.
Alignment to wider workforce	<p>In addition to the Committee's biannual 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:</p> <ul style="list-style-type: none"> - Assessment of employee policies and benefits – including the updates to maternity and adoption leave policies in year which enable colleagues to take up to a year of leave on full pay. - Internal and external benchmarks of employee experience – including the Company's best ever employee engagement score, very high Sharesave participation rates, and real Living Wage and real Living Hours accreditation. - Health and Safety performance - including the Company's best ever 'Lost Time Incidents' rate.
Stakeholder relationships	<p>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.</p>

Malus and clawback

In the event the Remuneration 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 Remuneration 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.

SUMMARY OF CHIEF EXECUTIVE OFFICER REMUNERATION OUTCOMES FOR 2023/24

Full details of 2023/24 performance and Executive Director remuneration outcomes are disclosed in the [Severn Trent Plc Annual Report and Accounts](#). However, in the interests of transparency, the table below provides a summary of in-year remuneration outcomes for the Chief Executive Officer:

Remuneration Element	2023/24 CEO outcome (£'000)	Funding	Notes
Salary	793.8		As disclosed in the Severn Trent Plc Annual Report and Accounts, the Executive Directors base pay will increase by 5% in July 2024, in line with the increase awarded to the workforce.
Benefits	18.4	Paid for by customers	Benefits include a green travel allowance, private medical insurance, life assurance and participation in an incapacity benefits scheme.
Pension	119.1		The Executive Directors' maximum pension contribution is aligned with the wider workforce at 15%.
Other	4.5		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.
Annual bonus	584.0	Paid for by investors	Represents an all-company outturn of 65.9% of maximum. This outcome was reduced by 5% for the CEO following the Remuneration Committee's application of downward discretion to reflect the Barlaston judgment.
LTIP	1,662.9		For 2023/24 the value of the LTIP is based on the outcome of the standard element of the 2021 LTIP vesting, plus the UQ element of the 2020 LTIP.
Total single figure	3,182.7		

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 AMP7 Dividend Policy and its four core principles, and the licence modifications relating to dividends that took effect during the year. The section is set out in three parts:

Our AMP7 Dividend Policy – details how our dividends:

- are fair and balanced;
- are transparent;
- promote continued outperformance; and
- support appropriate gearing.

Licence modifications relating to dividends – outlines the three recent licence changes and 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, core principles and the recent licence modifications – 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; and
- is transparent and supported by the Board's assessment and decision.

OUR AMP7 DIVIDEND POLICY

The Company's Dividend Policy is based on our belief that, in order 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 three years, 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 BE FAIR AND BALANCED

We believe that a fair and balanced dividend:

- Takes account of the Company's performance, in the round and over time, encompassing a full range of stakeholders: customers, the environment, the communities we serve and our employees.
- Provides a fair return to our equity investors.

A fair return takes account of market returns to equity and debt in the sector and more broadly; is sufficient to attract new equity investment when required and to retain existing investors; appropriately shares the rewards of good performance and reflects the consequences of poor performance.

The importance of attracting new equity is particularly evident at present given both the need for a large increase in investment as illustrated in all companies' plans; and the urgency to deliver that investment (and environmental improvements today) rather than constraining ourselves by the 5-yearly planning process

We want all of our stakeholders to consider that the dividends we pay are fair and balanced. In this section we set out our assessment of our performance in the round and over time and how we have come to our dividend decision for this year.

DIVIDENDS WILL BE TRANSPARENT

Customers should be able to see and understand how our dividend policy supports them – through both the sharing of outperformance and greater transparency. In this section we explain how our dividend is consistent with our commitments.

DIVIDENDS SHOULD PROMOTE CONTINUED OUTPERFORMANCE

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

DIVIDENDS WILL SUPPORT APPROPRIATE GEARING

Our shadow RCV gearing at 31 March 2024 was 59.9%, broadly in line with the notional capital structure for AMP7. If we geared to a high level, above 70% – although we have no plans to do so - we would share financing benefits from this structure with customers.

LICENCE MODIFICATIONS RELATING TO DIVIDENDS

Ofwat consulted on licence modifications in July 2022 reflecting its concerns about financial resilience and dividend decisions across the wider sector. We recognised Ofwat's concerns, we were pleased to offer our views

and support. Our Board accepted the licence modifications and the new licence condition on dividends took effect on 17 May 2023.

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

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

As a responsible, financially resilient company Severn Trent Water’s Board has considered our long-term investment needs; our financial resilience (including pension obligations); and our service delivery for customers and the environment over time and in the round when deciding our dividends.

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

HOW WE HAVE APPLIED OUR DIVIDEND POLICY, CORE PRINCIPLES AND THE RECENT LICENCE MODIFICATIONS

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

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

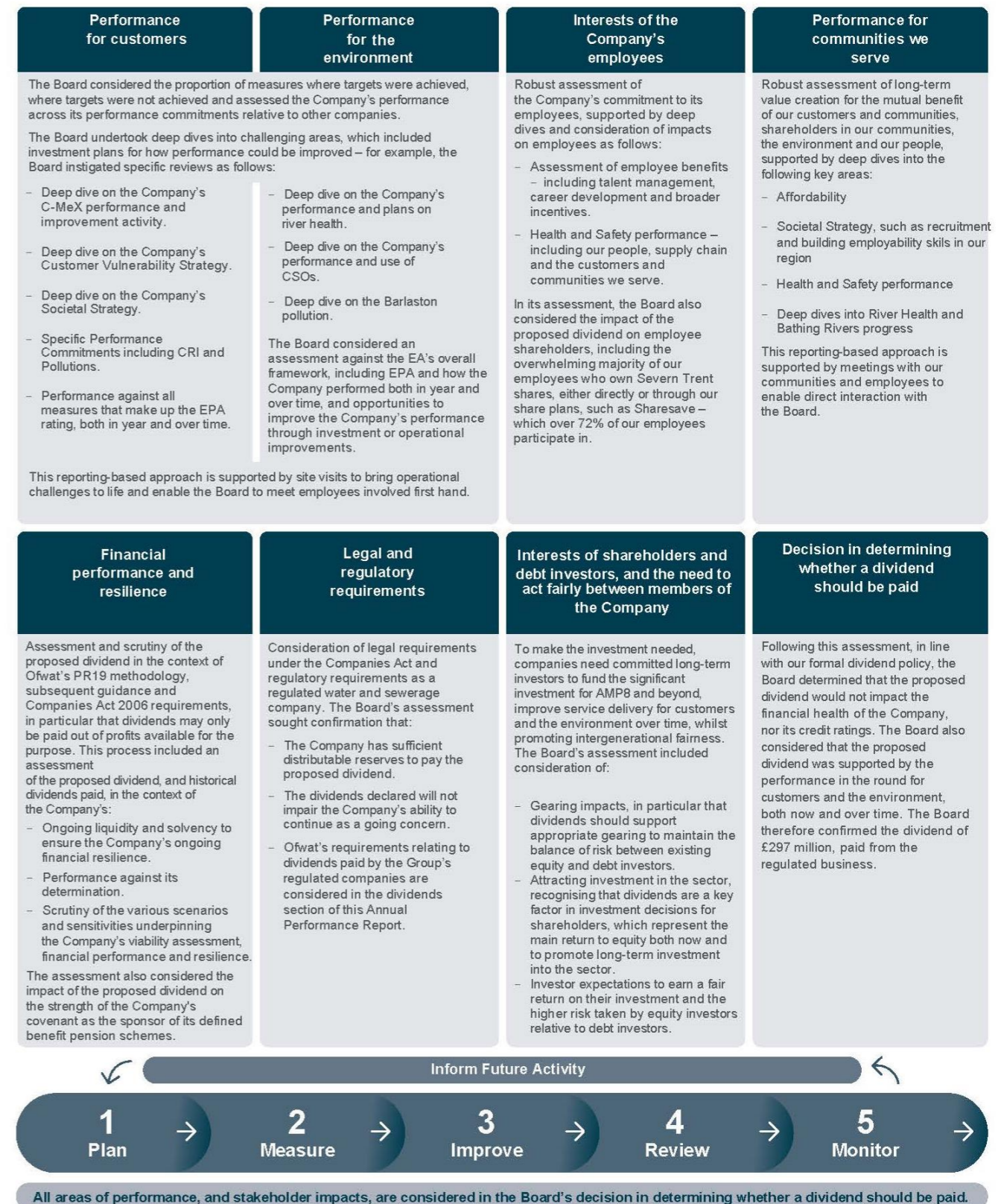
Performance for customers

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

Assessing performance in the round means taking account of performance across all performance commitments and ODIs and taking a balanced view of performance. We give equal weight to both under performance and over performance by ensuring that ODI penalties are covered by rewards before considering the inclusion of any performance related element in dividend distributions. We also consider performance across the range of performance measures and only include a performance related element in the dividend if a substantial proportion of our measures are meeting or exceeding target. We consider whether exceptional factors have positively or negatively affected performance and whether this should be taken into account in our assessment. However, in general we take the rough with the smooth and to date have not adjusted our assessment to ‘normalise’ for exceptional circumstances, a position we have maintained for two successive AMPs.

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 would support distribution of an enhanced dividend based on performance. A single year of performance that is out of line with an established trend would not in itself signal a change in the dividend in that year.

PERFORMANCE IN THE ROUND



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

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

Metric	2024	2023	2022	2021
ODI net reward (£m)	55	53	79	77
Proportion of measures in reward (%)	76	80	88	80

Detailed commentary on our performance against our performance commitments during the year is set out in the Performance Summary section.

To support further improvement activity across all of our measures, we established our new ODI Centre of Excellence during the year, aimed at improving on measures that matter most to customers and supporting our strong track record of outperformance. We have created a small team of analytical specialists from across the business to critically review our plans for key performance areas and identify opportunities to outperform them.

Our significant investment this AMP in our water network and our culture of learning and continuous improvement enabled us to navigate the prolonged hot, dry weather conditions of summer 2023 with zero hot weather-related supply interruption events, despite the hottest June since Met Office records began. Similarly, we managed the winter freeze / thaw events with a 93% reduction in impact on customers through applying learnings from prior events. We have applied these learnings to other areas of our business, for example our approach to storm events.

Our learnings from prior extreme weather events led to further investment in tankers and this, alongside our fast response, enabled us to support four other companies, across 13 individual incidents, through providing mutual aid during such weather events during the year. We have not needed to request such aid ourselves.

We have shared the benefits of our performance and effective risk management with the communities in our region. We recognise that our region is home to some of the UK’s most deprived postcodes, who have felt more financial pressure through the recent period of high inflation and lower disposable household income. We have supported 260,000 of our most vulnerable customers financially, including reducing their water bill by up to 90%, and we remain on track to support 315,000 customers by the end of the AMP, including an expansion of our Big Difference Scheme to offer more help to up to 50,000 customers in arrears. This programme has been partly funded by a 13% year-on-year reduction in the number of void properties across our region.

In addition to our affordability approach, we also want to play a role in supporting the communities and address the long-term drivers of poverty. In November 2022 we announced our new Societal Strategy, which aims to help support 100,000 people out of poverty by 2032 by supporting them into employment. We will be working in partnership with Trailblazers to provide 20 mentors each year to support young offenders currently in prison, to encourage and support them into work after release and reduce the risk of re-offending.

Our Community Fund has been running for four years and we have already donated £9.6 million of our original £10 million AMP7 commitment, supporting more than 650 organisations across a range of projects including the creation and enhancement of community spaces and nature projects. We know that, like our customers, lots of organisations, such as charities, are finding day-to-day running costs hard, so this year we have offered core funding support to temporarily help with rising bills. To read more about the individual community projects and businesses we have helped, you can find our [2023/24 Community Fund Annual Review](#).

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.

Our performance against the EPA targets for the last two years is set out in the table below.

	EPA Green Target	Our 2022 performance	Our 2023 performance
Serious pollutions	2	1	0
Category 1 – 3 waste pollutions	201	193	239
Discharge permit compliance	99%	99.3%	99.5%
Self-reported pollutions	80%	87%	89%
Water Industry National Environment Programme ('WINEP') delivery	100%	100%	100%
Supply Demand Balance Index	100	100	100
Satisfactory sludge use and disposal	98.2%	100%	100%

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 to date is summarised below:

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

We are highly confident that we will achieve EPA 4* for a fifth consecutive year for our 2023 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. For the purposes of the EPA, the target for serious pollutions in 2025 is two, although we strive to have no serious 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	2023	2022	2021	2020
Serious Pollution incidents (categories 1 and 2)	0	1	4*	1

* as a consequence of two water pipe bursts.

We want to continuously improve our performance and to this end our new pollutions training river opened at our Academy in 2023, enabling frontline operatives to get hands-on experience during their training on how to deal with certain types of pollution incidents in order to manage events effectively and minimise potential environmental impact.

We continue to use detailed data and analytics to identify hot spots and high-risk areas where we can target our cleansing work to keep the sewerage network clear of obstructions and blockages. By using the information provided by our network monitors we have a greater understanding of the real-time conditions allowing us to act to prevent problems occurring.

Our Pollution Focus Group is in place to optimise current ways of working, and to implement improvements. Our approach ensures that events are prioritised and assessed at the right level within the organisation, to ensure a consistent approach, prompt action taken and that potential learnings from events are cascaded throughout the Group in an expedient manner.

Whilst we achieved zero serious pollutions this year, the unprecedented weather has driven an increase in Category 3 pollution incidents: 239 this year compared with 193 in 2022. A serious pollution is defined by the EA as a Category 1 or 2 incident.

Having consistently delivered on our total pollutions targets for the last eight years, we are disappointed not to have met our total target on pollutions this year with our 2023 performance reflecting a year-on-year increase of 24%. We know there is more we can do, and we are confident that our substantial investment in our network over recent years will improve our future performance.

Achievement of 4* status requires investment and performance across a range of metrics and underpinning our success last year we:

- Delivered 100% (22 in number) of our Water Industry National Environment Programme ('WINEP') commitments for the year including investment in projects that will help to improve river quality in our region.
- Achieved a historic low annual leakage level of 380 MI/d which contributed to our three-year average 0.4% below our target, and a 3% reduction in per capita consumption compared to the previous year, although our three-year average per capita consumption was 1% above our target.
- Repaired 56,000 leaks, an increase of 18% over the previous year and a 45% increase in a two-year period. Around 25% of these leaks were on customer property.
- Completed 19,000 home water efficiency audits delivering an estimated reduction consumption of 3.9 MI/d.
- Gave around 22,000 water saving products to customers saving an estimated 0.5 MI/d.

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 last year, and we have made progress on each of them. More detail on this is set out in our separate [Get River Positive Report](#) and an overview is provided in the Performance Summary section.

Calendar year	2023	2022	2021
Reasons for Not Achieving Good Status ('RNAGS')	14%	16%	24%
CSO spills	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 14% 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.

Storm overflows are one of the biggest issues facing our sector and one of the causes of RNAGS. We are investing £450m to improve river health and our wastewater network in Year 5 to bring our average spills number to 20 by end of December 2025.

After a strong performance in 2022 (average of 18.4 spills per CSO), the exceptional rainfall experienced in 2023 has increased our average number to 24.9. Although we are disappointed at this outcome, we note that our performance outperforms much of the rest of the sector, with the sector-wide average being 33 spills per overflow and only one Company performing better with an average of 22.2 spills per overflow.

Our investment programme, involving hundreds of our colleagues across hundreds of sites, to achieve our goal of 20 spills by 2025 remains on track, which is demonstrated by the fact that our spill count was broadly in line with our 2021 performance despite significantly more rainfall than that period. We are committed to halving this rate in the next five years and maintaining our focus until we get to zero.

We recognise how critical it is to be transparent about our CSO performance, so we have launched our [Event Duration Monitor \('EDM'\) map](#), in conjunction with the sector, showing the status of all storm overflows in our region. During the year we also established our Zero Spills Hub – an innovation centre focused on turning our 'zero spills' mentality into a reality. We now have a dedicated team working across hundreds of sites on our Spills programme and will be investing £1.5 billion in the next six years to 2030, and £4.4 billion between now and 2050 to deliver government targets at least five years early. In the near term, we plan to deliver 900 enhancements in the year ahead. Building on our Storm Overflows Action Plan, over the next year we will be delivering accelerated improvement activities. This work will involve a range of smart interventions including:

- 700 storage solutions at our treatment works and network assets. These assets will allow us to capture and store more flows during periods of high rainfall and dramatically reduce spills at those sites;
- c.25 submerged aerated filter ('SAF') treatment units that will enable us to expand the treatment capacity through the additional processes, dramatically reducing spills into the environment;
- c.70 reed beds that will provide for nature-based treatment of sewage at the storm route for smaller sites, and prevent untreated sewage entering rivers;
- Nearly 200 enhancements at specific CSOs on our network, which will enable us to increase the flow of sewage to our treatment works, reducing the potential for a spill into the river;
- Over 100 flap valves that will prevent river ingress into our network, which would otherwise overload the capacity of our sewers with river water; and
- c.8,000 water butts will be supplied to 10 communities to trial at scale surface water separation.

We know that we must go further than what is simply required of us to meet the expectations of our customers and wider stakeholders and we are determined to achieve our stretch ambition to halve our number of spills between now and 2030.

This complex, scale activity will be overseen by our dedicated CSO programme, that reports directly to our Executive Committee with weekly oversight, to deliver our investment plan as quickly as possible, supported by data and innovation, including our Zero Spills Hub in Nottingham to trial innovative technologies at pace to work towards zero spills. Updates are provided at every Board meeting.

This scale of investment and our fast start was made possible by the Group's £1 billion equity placing in October 2023. A key factor supporting the successful execution of the equity placing was the Group's shareholders' confidence in the sustainability of our dividend policy and of the continued strong performance of the Company.

Our targets are to reach an average of 20 spills per annum by December 2025 and a maximum of 10 spills per annum at least five years ahead of the Government's 2050 target.

In February 2024, the Company was fined £2 million for a pollution that occurred at our wastewater treatment works in Barlaston in 2020. Our operational failings meant there was a risk of environmental harm, and this is unacceptable to everyone at Severn Trent, from the Boardroom to the frontline. The pollution occurred during storms and when the neighbouring river was in flood and, as a result, the actual level of environmental harm was low. We correctly reported the pollution to the EA and they visited during the incident and concurred with the environmental impact assessment. The pollution was therefore included as a Category 3 pollution in our 2020/21 financial year reporting.

When the pollution was later prosecuted in February 2024, the Court, applying its sentencing guidelines, classified it as a Category 2 pollution based on the potential harm that could have arisen from the pollution whilst accepting there was no evidence of actual harm.

We took valuable lessons from this pollution, and we have analysed in-depth the cause, and implemented a host of solutions, which has included additional investment. Throughout their investigation we worked with the EA and delivered a number of improvements to prevent pollutions of this nature occurring in the future.

There was Board-level oversight of the pollution, including oversight of action taken and implementation of lessons learned to improve our approach moving forwards. To bring this activity to life, this case study sets out the high-level sequence of the pollution, our response to it and action taken to implement lessons learned to improve our preparedness for, and minimise the likelihood of, similar pollutions in the future.

Further detail relating to this event is set out on in the Performance Summary section.

The Board considered how this incident and the outcome of the case should be reflected in its dividend decision for the year, taking the following into consideration:

- The final classification as a Category 2 incident determined by the Environment Agency.
- The potential harm that might have been caused, mitigated by the low level of harm actually caused because the river was in flood at the time.
- The remedial actions already taken.
- The Company's good track record on serious pollution incidents over a period of time as set out in the table above.

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 for customers and the environment and sustainable returns.

Efficient performance is reflected in the RoRE base return. Totex or financing outperformance reflects enhanced efficiency. Sustained outperformance over time in either of these areas would support an enhanced dividend. Likewise, sustained underperformance over time would lead to lower dividends.

When setting the dividend for a year the Board considers the Company's principal risks and how the proposed dividend would impact the Company's financial resilience. In performing this assessment, the Board considers

the Company's Enterprise Risk Management framework and the most recent reports that it has received in relation to the Principal Risks.

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

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

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

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

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

We have a track record of raising equity where appropriate to finance significant investment programmes while maintaining financial resilience. The Company's parent has undertaken two equity placings in the last three years, raising £1.25 billion. The Company's track record of paying dividends that provide a fair return to equity while preserving financial resilience formed a fundamental component of the investment case in raising this equity capital.

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

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

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 Company assesses its prospects through an annual viability statement review, which currently considers a period of seven years from the date that it is approved. This assessment takes into account any dividends

planned and forecasts the outcome for key metrics over the period under review, including those that are key components of ratings agencies methodologies.

We recognise that funding RCV growth requires an appropriate balance between equity and debt in order to maintain financial resilience and an efficient capital structure. Our commitment to this was demonstrated in our approach to funding our Green Recovery Programme in the current AMP where we the Company's parent raised £250 million of new equity, around 40% of the nominal investment required, maintaining our RCV gearing and our financial resilience. And we continued this approach in the last year, raising £1 billion from shareholders in the group parent company, of which £600 million had been invested as equity in the Company by the year end and the remainder is available as needed.

At 31 March 2024 the key metrics were:

Metric	2024	2023
Shadow RCV gearing (%)	59.9	60.0
Credit rating	BBB+	BBB+
Credit rating outlook	Stable	Stable
Period cash flow requirements funded for (months)	22	20

Dividends should promote continued outperformance

The Board considers whether the Company has the resources required to deliver and outperform its commitments, in the round and over time. When taking decisions relating to dividends the Board takes into account the resources available to the Group and whether, after the dividend has been paid, the Company will continue to have sufficient financial resources available to deliver its plans.

Following the investment of £600 million of equity in the year, the Board concluded that the Company has sufficient financial resources to achieve its plans and continue to deliver outperformance for customers and the environment into the next AMP.

Dividends will be transparent

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

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

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

The 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 below shows that the outperformance arising from the impacts of inflation on financing have been reinvested in totex.

£m	Base return	ODIs	Totex (Wholesale + Retail)	Financing - underlying performance	Financing - inflation	Other	RoRE	AMP6 b/f	Total
Opening retained return	–	–	–	–	–	–	–	126	126
20-21 returns earned	130	63	(23)	48	(44)	20	194	–	194
Reinvestment	–	–	23	–	–	–	23	(23)	–
Dividends paid	–	–	–	–	–	–	–	(59)	(59)
Returns retained	130	63	–	48	(44)	20	217	44	261
Index to 21-22 prices	135	65	–	50	(46)	21	225	46	271
21-22 returns earned	148	56	6	42	39	49	340	–	340
Dividends paid	(100)	–	–	–	–	–	(100)	(46)	(146)
Returns retained	183	121	6	92	(7)	70	465	–	465
Index to 22-23 prices	198	131	7	100	(8)	76	504	–	505
22-23 returns earned	168	26	2	23	279	35	533	–	533
Dividends paid	(366)	(54)	(6)	–	–	–	(426)	–	(426)
Returns retained	–	103	3	123	271	111	611	–	611
Index to 23-24 prices	–	109	3	130	286	117	645	–	645
23-24 returns earned	185	32	(177)	23	168	34	265	–	265
Reinvestment	–	–	174	–	(174)	–	–	–	–
Dividends paid	(185)	(112)	–	–	–	–	(297)	–	(297)
Returns retained	–	29	–	153	280	151	613	–	613

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

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

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

In the third year, outperformance on ODIs and financing meant a significant net outperformance overall. Having considered the Company's financial position and prospects and continued strong environmental performance reflected in the EPA 4* rating for the fourth consecutive year, the Board considered that the sustained

outperformance over time supported an increase in the dividend to distribute a portion of the ODI outperformance delivered for customers in the AMP to date.

In the current year we have utilised part of the financing outperformance to date that arose from the benefits of our strategic debt mix in periods of higher inflation to reinvest in the business through higher totex, offsetting the impacts of higher energy costs. The dividend paid was supported by the base return and our undistributed ODI outperformance.

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

- The £600 million equity investment into the Company in the year and the availability of up to £400 million more, which has already been raised from external shareholders by the Group parent company.
- The remaining AMP7 capital programme to be delivered.
- The Green Recovery Programme.
- The impact of our Get River Positive pledges and other investment needed to reduce CSO 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 dividend paid, the Company retained distributable reserves amounting to £1,842 million.

THE BOARD'S ASSESSMENT AND DECISION

During the year the appointed business paid a dividend of £297.6 million, representing a yield of 6.38% on the company's regulatory equity.

Our RoRE in the year was 5.7%. The total dividends paid during this AMP represents a yield of 5.82% for the AMP to date. Our cumulative RoRE for the first four years of the AMP was 8.1%.

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 of £300 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 2024

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

OPINION

We have audited the sections of Severn Trent Water Limited's (the "Company") Annual Performance Report for the year ended 31 March 2024 ("the Regulatory Accounting Statements") which comprise:

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

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

In our opinion, Severn Trent Water Limited's Regulatory Accounting Statements have been prepared, in all material aspects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.09, RAG 2.09, RAG 3.14, RAG 4.12 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.14, appendix 2), set out on pages 81 and 82.

BASIS FOR OPINION

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

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

EMPHASIS OF MATTER – SPECIAL PURPOSE BASIS OF PREPARATION

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

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

The Regulatory Accounting Statements on pages 72 to 92 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from IASs. A summary of the effect of these departures in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

- reviewing the Company's borrowing arrangements, in particular the level of committed undrawn facilities including the £1 billion revolving credit and bilateral facilities, the level of cash held by the Group (£426.1m at 31 March 2024) and the sufficiency of headroom available in the forecasts (cash and covenants);
- assessing the assumptions used in the cash flow forecasts for consistency with Board approved budgets and future plans for the remainder of Asset Management Plan ("AMP") 7 and AMP 8 together with reviewing the sensitivity analysis relating to these assumptions;
- testing the arithmetical accuracy of the model used to prepare the cash flow forecasts including obtaining an understanding of relevant controls over management's model and assessing the sophistication of the model used to prepare the forecasts;
- evaluating historical accuracy of forecasts prepared by management;
- assessing the impact of risks and uncertainties on the business model and medium-term risks;
- assessing the consistency of management's going concern forecasts with those of Severn Trent Plc; and
- assessing the appropriateness of the Company's disclosure concerning the going concern basis.

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 Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

OTHER INFORMATION

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

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

We have nothing to report based on these responsibilities.

RESPONSIBILITIES OF THE DIRECTORS FOR THE ANNUAL PERFORMANCE REPORT

As explained more fully in the Statement of Directors' Responsibilities set out on page 51, the directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.14, appendix 2).

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

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

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

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Regulatory Accounting Statements.

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the Regulatory Accounting Statements. These included Regulatory Accounting Guidelines as issued by the WSRA, UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the Regulatory Accounting Statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the Company's operating licence, regulatory solvency requirements and environmental regulations.

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

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

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

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

USE OF THIS REPORT

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

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2024 on which we reported on 10 July 2024, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Deloitte LLP

Deloitte LLP

London, United Kingdom

10 July 2024

1A – INCOME STATEMENT

Year ended 31 March 2024

Line description	Statutory	Adjustments			Total appointed activities
		Differences between statutory and RAG definitions	Non-appointed	Total adjustments	
	£m	£m	£m	£m	£m
1A.1 Revenue	2,122.013	-122.642	-20.874	-143.516	1,978.497
1A.2 Operating costs	-1,631.575	31.293	20.304	51.597	-1,579.978
1A.3 Other operating income	5.989	-0.147	-2.629	-2.776	3.213
1A.4 Operating profit	496.427	-91.496	-3.199	-94.695	401.732
1A.5 Other income	0.000	97.933	0.000	97.933	97.933
1A.6 Interest income	94.180	-80.600	0.000	-80.600	13.580
1A.7 Interest expense	-391.521	25.882	0.000	25.882	-365.639
1A.8 Other interest expense	0.000	-12.462	0.000	-12.462	-12.462
1A.9 Profit before tax and fair value movements	199.086	-60.743	-3.199	-63.942	135.144
1A.10 Fair value gains on financial instruments	58.705	0.000	0.000	0.000	58.705
1A.11 Profit before tax	257.791	-60.743	-3.199	-63.942	193.849
1A.12 UK Corporation tax	-0.307	0.000	0.799	0.799	0.492
1A.13 Deferred tax	-52.438	15.185	0.000	15.185	-37.253
1A.14 Profit for the year	205.046	-45.558	-2.400	-47.958	157.088
1A.15 Dividends	-300.000	0.000	2.400	2.400	-297.600
A Tax analysis					
1A.16 Current year	-3.748	0.000	-0.799	-0.799	-4.547
1A.17 Adjustment in respect of prior years	4.055	0.000	0.000	0.000	4.055
1A.18 UK Corporation tax	0.307	0.000	-0.799	-0.799	-0.492
B Analysis of non-appointed revenue					
1A.19 Imported sludge	0.448				0.448
1A.20 Tankered waste	14.094				14.094
1A.21 Other non-appointed revenue	6.332				6.332
1A.22 Revenue	20.874				20.874

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

Line description	Adjustments		Reclassifications							Total differences
	Capitalisation of interest and related depreciation	Share of Group pension scheme	Innovation fund	External power, gas and sludge products income	Infrastructure Renewals Income	Repair of damages	P&L on disposal	Non operating income and deferred credits	Pension interest	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	-	-	-	-44.344	-63.380	1.695	-	-16.613	-	-122.642
Operating costs	6.129	0.308	-14.580	44.344	-	-1.695	-3.213	-	-	31.293
Other operating income	-	-	-	-	-	-	3.213	-3.360	-	-0.147
Operating loss	6.129	0.308	-14.580	-	-63.380	-	-	-19.973	-	-91.496
Other income	-	-	14.580	-	63.380	-	-	19.973	-	97.933
Interest income	-	-	-	-	-	-	-	-	-80.600	-80.600
Interest expense	-68.118	-	-	-	-	-	-	-	94.000	25.882
Other interest expense	-	0.938	-	-	-	-	-	-	-13.400	-12.462
Loss before tax and fair value movements	-61.989	1.246	-	-	-	-	-	-	-	-60.743
Fair value gains on financial instruments	-	-	-	-	-	-	-	-	-	-
Loss before tax	-61.989	1.246	-	-	-	-	-	-	-	-60.743
UK corporation tax	-	-	-	-	-	-	-	-	-	-
Deferred tax	15.497	-0.312	-	-	-	-	-	-	-	15.185
Loss for the year	-46.492	0.934	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-45.558

1B – STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2024

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	205.046	-45.558	-2.400	-47.958	157.088
1B.2 Actuarial gains/(losses) on post-employment plans	12.306	-4.426	0.000	-4.426	7.880
1B.3 Other comprehensive income	9.612	0.000	0.000	0.000	9.612
1B.4 Total Comprehensive income for the year	226.964	-49.984	-2.400	-52.384	174.580

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

Line description	Per Income Statement	Share of group pension scheme	Deferred tax on Share of Group pension scheme	Total differences
		£m	£m	
Profit/loss for the year	-45.558	-	-	-45.558
Actuarial gains/(losses) on retirement benefit obligations	-	-5.901	1.475	-4.426
Other Comprehensive Income	-	-	-	-
Total	-45.558	-5.901	1.475	-49.984

1C – STATEMENT OF FINANCIAL POSITION

Year ended 31 March 2024

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	11,434.225	-340.961	-2.629	-343.590	11,090.635
1C.2 Intangible assets	217.188	0.000	0.000	0.000	217.188
1C.3 Investments - loans to group companies	12.987	-12.987	0.000	-12.987	0.000
1C.4 Investments - other	1,685.283	0.000	0.000	0.000	1,685.283
1C.5 Financial instruments	71.255	0.000	0.000	0.000	71.255
1C.6 Retirement benefit assets	0.000	0.000	0.000	0.000	0.000
1C.7 Total non-current assets	13,420.938	-353.948	-2.629	-356.577	13,064.361
B					
Current assets					
1C.8 Inventories	13.685	0.000	0.000	0.000	13.685
1C.9 Trade & other receivables	767.875	15.387	0.000	15.387	783.262
1C.10 Financial instruments	0.000	0.000	0.000	0.000	0.000
1C.11 Cash & cash equivalents	426.161	0.000	0.000	0.000	426.161
1C.12 Total current assets	1,207.721	15.387	0.000	15.387	1,223.108
C					
Current liabilities					
1C.13 Trade & other payables	-745.560	46.801	0.000	46.801	-698.759
1C.14 Capex creditor	0.000	-32.023	0.000	-32.023	-32.023
1C.15 Borrowings	-67.411	0.000	0.000	0.000	-67.411
1C.16 Financial instruments	0.000	0.000	0.000	0.000	0.000
1C.17 Current tax liabilities	-1.903	1.903	0.000	1.903	0.000
1C.18 Provisions	-43.032	0.000	0.000	0.000	-43.032
1C.19 Total current liabilities	-857.906	16.681	0.000	16.681	-841.225
1C.20 Net current assets	349.815	32.068	0.000	32.068	381.883
D					
Non-current liabilities					
1C.21 Trade & other payables	-1,661.270	1,616.587	0.000	1,616.587	-44.683
1C.22 Borrowings	-7,700.388	0.000	0.000	0.000	-7,700.388
1C.23 Financial instruments	-25.628	0.000	0.000	0.000	-25.628
1C.24 Retirement benefit obligations	-212.100	14.910	0.000	14.910	-197.190
1C.25 Provisions	-19.943	0.000	0.000	0.000	-19.943
1C.26 Deferred income – grants & contributions	0.000	-898.785	0.000	-898.785	-898.785
1C.27 Deferred income - adopted assets	0.000	-734.483	0.000	-734.483	-734.483
1C.28 Preference share capital	0.000	0.000	0.000	0.000	0.000
1C.29 Deferred tax	-1,312.521	81.513	0.000	81.513	-1,231.008
1C.30 Total non-current liabilities	-10,931.850	79.742	0.000	79.742	-10,852.108
1C.31 Net assets	2,838.903	-242.138	-2.629	-244.767	2,594.136
E					
Equity					
1C.32 Called up share capital	601.250	0.000	0.000	0.000	601.250
1C.33 Retained earnings & other reserves	2,237.653	-242.138	-2.629	-244.767	1,992.886
1C.34 Total Equity	2,838.903	-242.138	-2.629	-244.767	2,594.136

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

Line description	Adjustments			Reclassifications			Total difference
	Capitalisation of interest	Share of Group pension scheme	Non-appointed Dividend	Group Tax	Non-current trade receivables reclassification	Capital creditor reclass	
	£m	£m			£m	£m	£m
Non-current assets							
Fixed assets	-340.961	-	-	-	-	-	-340.961
Intangible assets	-	-	-	-	-	-	-
Investments - loans to group companies	-	-	-	-	-12.987	-	-12.987
Investments - other	-	-	-	-	-	-	-
Financial instruments	-	-	-	-	-	-	-
Retirement benefit assets	-	-	-	-	-	-	-
Total non-current assets	-340.961	-	-	-	-12.987	-	-353.948
Current assets							
Inventories	-	-	-	-	-	-	-
Trade & other receivables	-	-	2.400	-	12.987	-	15.387
Financial instruments	-	-	-	-	-	-	-
Cash & cash equivalents	-	-	-	-	-	-	-
Total current assets	-	-	2.400	-	12.987	-	15.387
Current liabilities							
Trade & other payables	-	-	-	-1.903	-	32.023	16.681
Capex creditor	-	-	-	-	-	-32.023	-32.023
Borrowings	-	-	-	-	-	-	-
Financial instruments	-	-	-	-	-	-	-
Current tax liabilities	-	-	-	1.903	-	-	1.903
Provisions	-	-	-	-	-	-	-
Total current liabilities	-	-	-	-	-	16.681	16.681
Net Current assets	-	-	2.400	-	12.987	-	32.068
Non-current liabilities							
Trade & other payables	-	-	-	-	-	1,616.587	1,616.587
Borrowings	-	-	-	-	-	-	-
Financial instruments	-	-	-	-	-	-	-
Retirement benefit obligations	-	14.910	-	-	-	-	14.910
Provisions	-	-	-	-	-	-	-
Deferred income – grants & contributions	-	-	-	-	-	-898.785	-898.785
Deferred income - adopted assets	-	-	-	-	-	-734.483	-734.483
Preference share capital	-	-	-	-	-	-	-
Deferred tax	85.240	-3.728	-	-	-	-	81.513
Total non-current liabilities	85.240	11.183	-	-	-	-16.681	79.742
Net assets	-255.721	11.183	2.400	-	-	-	-242.138
Equity							
Called up share capital	-	-	-	-	-	-	-
Retained earnings & other reserves	-255.721	11.183	2.400	-	-	-	-242.138
Total Equity	-255.721	11.183	2.400	-	-	-	-242.138

1D – STATEMENT OF CASH FLOW

Year ended 31 March 2024

Line description	Statutory	Adjustments			Total appointed activities
		Differences between statutory and RAG definitions	Non-appointed	Total adjustments	
	£m	£m	£m	£m	£m
A Operating activities					
1D.1 Operating profit	496.427	-91.496	-3.199	-94.695	401.732
1D.2 Other income	46.871	31.820	0.000	31.820	78.691
1D.3 Depreciation	401.156	-6.129	0.000	-6.129	395.027
1D.4 Amortisation – Grants & contributions	-16.613	16.613	0.000	16.613	0.000
1D.5 Changes in working capital	-14.687	0.000	0.000	0.000	-14.687
1D.6 Pension contributions	-63.500	0.000	0.000	0.000	-63.500
1D.7 Movement in provisions	-14.528	-0.308	0.000	-0.308	-14.836
1D.8 Profit on sale of fixed assets	-3.213	0.000	0.000	0.000	-3.213
1D.9 Cash generated from operations	831.913	-49.500	-3.199	-52.699	779.214
1D.10 Net interest paid	-227.400	0.000	0.000	0.000	-227.400
1D.11 Tax Received	9.000	0.000	0.799	0.799	9.799
1D.12 Net cash generated from operating activities	613.513	-49.500	-2.400	-51.900	561.613
B Investing activities					
1D.13 Capital expenditure	-1,243.900	0.000	0.000	0.000	-1,243.900
1D.14 Grants & Contributions	0.000	49.500	0.000	49.500	49.500
1D.15 Disposal of fixed assets	4.600	0.000	0.000	0.000	4.600
1D.16 Other	154.500	0.000	0.000	0.000	154.500
1D.17 Net cash used in investing activities	-1,084.800	49.500	0.000	49.500	-1,035.300
1D.18 Net cash generated before financing activities	-471.287	0.000	-2.400	-2.400	-473.687
C Cashflows from financing activities					
1D.19 Equity dividends paid	-300.000	0.000	2.400	2.400	-297.600
1D.20 Net loans received	591.417	0.000	0.000	0.000	591.417
1D.21 Cash inflow from equity financing	600.000	0.000	0.000	0.000	600.000
1D.22 Net cash generated from financing activities	891.417	0.000	2.400	2.400	893.817
1D.23 Increase in net cash	420.130	0.000	0.000	0.000	420.130

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

Line description	Adjustments			Reclassifications			Total differences
	Depreciation on capitalised interest	Grants and contributions adjustment	Share of Group pension scheme	Innovation fund	Infrastructure Renewals Income	Non-operating income reclass	
	£m	£m	£m	£m		£m	£m
Operating activities							
Operating loss	6.129	-	0.308	-14.580	-63.380	-19.973	-91.496
Other income	-	-49.500	-	14.580	63.380	3.360	31.820
Depreciation	-6.129	-	-	-	-	-	-6.129
Amortisation – Grants & contributions	-	-	-	-	-	16.613	16.613
Changes in working capital	-	-	-	-	-	-	-
Pension contributions	-	-	-	-	-	-	-
Movement in provisions	-	-	-0.308	-	-	-	-0.308
Profit on sale of fixed assets	-	-	-	-	-	-	-
Cash generated from operations	-	-49.500	-	-	-	-	-49.500
Net interest paid	-	-	-	-	-	-	-
Tax Received	-	-	-	-	-	-	-
Net cash generated from operating activities	-	-49.500	-	-	-	-	-49.500
Investing activities							
Capital expenditure	-	-	-	-	-	-	-
Grants & Contributions	-	49.500	-	-	-	-	49.500
Disposal of fixed assets	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Net cash used in investing activities	-	49.500	-	-	-	-	49.500
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	0.000

1E – NET DEBT ANALYSIS

Year ended 31 March 2024

Line description	Fixed rate	Floating rate	Index linked		Total	
			RPI	CPI/CPIH		
	£m	£m	£m	£m	£m	
A Interest rate risk profile						
1E.1	Borrowings (excluding preference shares)	5,294.763	248.976	1,195.806	935.423	7,674.968
1E.2	Preference share capital	-	-	-	-	0.000
1E.3	Total borrowings	5,294.763	248.976	1,195.806	935.423	7,674.968
1E.4	Cash					-0.596
1E.5	Short term deposits					-425.565
1E.6	Net Debt					7,248.807
B Gearing						
1E.7	Gearing					60.988%
1E.8	Adjusted Gearing					59.285%
C Interest						
1E.9	Full year equivalent nominal interest cost	207.496	19.611	78.904	42.293	348.304
1E.10	Full year equivalent cash interest payment	207.496	19.611	26.351	11.977	265.435
D Indicative interest rates						
1E.11	Indicative weighted average nominal interest rate	3.919%	7.877%	6.598%	4.521%	4.538%
1E.12	Indicative weighted average cash interest rate	3.919%	7.877%	2.204%	1.280%	3.458%
E Time to maturity						
1E.13	Weighted average years to maturity	9.799	5.339	27.256	18.646	13.794

The below table shows the reconciliation from borrowings within Table 1C to borrowings in Table 1E:

	Total £m	Notes
Current borrowings	67.411	Table 1C Line 15
Non-current borrowings	7,700.388	Table 1C Line 22
Borrowings (Table 1C)	7,767.799	IFRS measurement basis
Less: Fair value accounting adjustments	-29.750	
Less: Exchange Adjustments and unhedged debt	-19.470	
Less: Premium/discount and issuance costs	-12.120	
Less: Accretion on index linked swaps	-31.491	
Borrowings (Table 1E)	7,674.968	Table 1E Line 1 notional value basis

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

Year ended 31 March 2024

Line description	12 Months ended 31 March 2024						Average 2020-25						
	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	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	3,754.403	3,754.403	3,740.999	-	-	-	3,660.014	3,660.014	3,393.304	-	-	-
B	Return on regulatory equity												
1F.2	Return on regulatory equity	3.94%	3.93%	3.94%	147.899	147.371	147.371	4.03%	3.74%	4.03%	147.484	136.737	136.737
C	Financing												
1F.3	Impact of movement from notional gearing	-	0.01%	0.01%	-	0.528	0.231	-	0.29%	0.11%	-	10.747	3.660
1F.4	Gearing benefits sharing	-	0.00%	0.00%	-	0.000	0.000	-	0.00%	0.00%	-	0.000	0.000
1F.5	Variance in corporation tax	-	0.56%	0.56%	-	21.014	21.014	-	0.62%	0.67%	-	22.756	22.756
1F.6	Group relief	-	0.00%	0.00%	-	0.000	0.000	-	0.00%	0.00%	-	0.000	0.000
1F.7	Cost of debt	-	3.96%	3.98%	-	148.548	148.926	-	3.08%	3.38%	-	112.578	114.537
1F.8	Hedging instruments	-	0.28%	0.28%	-	10.331	10.331	-	0.29%	0.32%	-	10.741	10.741
1F.9	Return on regulatory equity including Financing adjustments	3.94%	8.74%	8.77%	147.899	327.792	327.873	4.03%	8.02%	8.51%	147.484	293.559	288.431
D	Operational performance												
1F.10	Totex out / (under) performance	-	-3.78%	-3.79%	-	-141.837	-141.837	-	-0.96%	-1.03%	-	-34.991	-34.991
1F.11	ODI out / (under) performance	-	0.65%	0.65%	-	24.300	24.300	-	1.05%	1.14%	-	38.525	38.525
1F.12	C-Mex out / (under) performance	-	0.00%	0.00%	-	0.000	0.000	-	0.00%	0.00%	-	0.060	0.060
1F.13	D-Mex out / (under) performance	-	0.07%	0.07%	-	2.669	2.669	-	0.07%	0.07%	-	2.499	2.499
1F.14	Retail out / (under) performance	-	0.01%	0.01%	-	0.457	0.457	-	-0.17%	-0.18%	-	-6.277	-6.277
1F.15	Other exceptional items	-	0.04%	0.04%	-	1.652	1.652	-	0.06%	0.06%	-	2.112	2.112
1F.16	Operational performance total	-	-3.01%	-3.02%	-	-112.759	-112.759	-	0.05%	0.06%	-	1.928	1.928
1F.17	RoRE (return on regulatory equity)	3.94%	5.73%	5.75%	147.899	215.033	215.114	4.03%	8.07%	8.57%	147.484	295.487	290.359
1F.18	RCV growth	4.61%	4.61%	4.61%	173.078	173.078	172.460	5.76%	5.76%	5.76%	210.752	210.752	195.394
1F.19	Voluntary sharing arrangements	-	-	-	-	-	-	-	-	-	-	-	-
1F.20	Total shareholder return	8.55%	10.34%	10.36%	320.977	388.111	387.574	9.79%	13.83%	14.33%	358.236	506.239	485.753

1F – FINANCIAL FLOWS (PRICE BASE – 2017/18 CPIH AVERAGE) (CONT.)

Year ended 31 March 2024

Line description	12 Months ended 31 March 2024											Average 2020-25	
	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	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.21	Gross Dividend	3.00%	6.36%	6.38%	112.632	238.787	238.787	3.00%	5.39%	5.82%	109.800	197.392	197.392
1F.22	Interest Receivable on Intercompany loans	-	0.02%	0.02%	-	0.708	0.708	-	0.06%	0.06%	-	2.054	2.054
1F.23	Retained Value	5.55%	3.96%	3.96%	208.345	148.616	148.079	6.79%	8.38%	8.45%	248.436	306.793	286.307
F	Cash impact of 2015-20 performance adjustments												
1F.24	Totex out / under performance	-	0.08%	0.08%	-	3.099	3.099	-	0.08%	0.09%	-	2.969	2.969
1F.25	ODI out / under performance	-	0.90%	0.90%	-	33.763	33.763	-	0.88%	0.95%	-	32.351	32.351
1F.26	Total out / under performance	-	0.98%	0.98%	-	36.862	36.862	-	0.96%	1.04%	-	35.320	35.320

1F – FINANCIAL FLOWS

Year ended 31 March 2024

The financial flows table provides full transparency to investors on how the returns companies have earned compare between the actual company structure and the notional structure assumed in the Final Determination ('FD').

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

	2023/24	AMP to date
	%	%
Base return (including fast track reward)	3.90%	4.00%
Financing	4.90%	4.00%
Totex	-3.80%	-0.90%
Retail	0.00%	-0.20%
ODI (including C-Mex and D-Mex)	0.70%	1.10%
Land Sales	0.00%	0.10%
Regulatory return for the year	5.70%	8.10%

We continue to outperform the FD by 1.8% in the year and 4.1% over the AMP. Performance has been generated through continued strong performance on ODIs, and our effective AMP7 financing strategy of maintaining low index linked debt on financing performance.

The key components of RoRE and financial flows are discussed further below. All values are stated in 2017-18 prices.

BASE REGULATED EQUITY RETURN

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

FINANCING PERFORMANCE

The financing component of financial flows covers performance on financing and corporation tax.

Financing

We continue to achieve strong performance on financing due to our AMP7 financing strategy of maintaining a low level of index-linked debt. Higher inflation than the FD assumption of 2% has also helped in reducing our real cost of debt to a negative rate of 0.6%, which is 2.8% lower than the FD. For consistency, with the other components of RoRE (totex, ODIs and tax), we have removed the impact of financing our Green Recovery programme and transition expenditure from net debt and interest costs. While there is no impact on RoRE in the year of financing Green Recovery and transition expenditure, we expect there to be a material impact on financing performance in 2024-25 when most of the unfunded expenditure is projected to incur.

We have also seen a small benefit of £10 million relating to the impact of interest rate swaps on our cost of debt, which includes the accretion on RPI/CPI swaps of £0.668m (in 2017/18 prices) as reported in our interest charge in the [Income statement of the 2024 consolidated Severn Trent Water Limited Annual Report and Accounts](#).

Variance on tax

We continue to outperform the FD tax allowance (£24 million), mainly due to having a lower profit before tax than assumed in the FD as well as benefitting from the introduction of the full expensing regime announced in the Spring Budget 2023. During the year, we surrendered tax losses totalling £2.3m to group companies, with the losses sold at the headline rate of tax. There is no impact on RoRE relating to group relief.

OPERATIONAL PERFORMANCE

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

Wholesale totex

Wholesale totex performance for the year is explained in further in table 4C. Cumulative totex performance is £140m higher than our FD totex allowance after adjusting for timing differences related to the growth activity of our WINEP programme, Thermal Hydrolysis Plants programme as well as the real options additional expenditure for Amber Water Framework Directive schemes.

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

Retail household cost performance

We have explained our retail cost performance in further detail in table 2C. Our retail performance has improved again this year, where retail costs are now £0.1m lower than the FD compared to previous years where costs were higher than the FD. We have been able to continue delivering efficiencies on our retail operating costs, while maintaining our spending on higher debt management costs to continue performing strongly on bad debt.

ODI performance

We have achieved another year of strong performance on ODIs, with 76% of our measures meeting or exceeding our regulatory targets and delivering net ODI outperformance of £27 million (including 2022-23 performance on D-Mex and C-Mex).

Exceptional performance has been delivered across a number of measures including our best ever performance on water supply interruptions, blockages and persistent low pressure. We have also achieved our lowest ever levels of leakage and continue to significantly outperform on our biodiversity programme.

ACTUAL PERFORMANCE ADJUSTMENT FOR 2015-20

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

TOTAL SHAREHOLDER RETURN

During the year, our combined financial and operational performance has generated £68 million in additional returns for shareholders. Including the base return of £148 million, actual performance adjustment for 2015-20 (£37 million) and the growth in the RCV from inflation (£174 million) results in total shareholder returns of £427 million for the year, equivalent to 11.4%. Of the total shareholder returns earned, we have distributed 6.4% and retained 5.0% within the business.

CURRENT TAX RECONCILIATION

Year ended 31 March 2024

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 credit after prior year adjustments for the year ended 31 March 2024 was lower than the standard rate of corporation tax in the UK. The differences are explained below:

Current Tax Reconciliation

	Actual £m
Profit on appointed ordinary activities before tax	193.9
Tax at the standard rate of corporation tax in the UK 25%	48.5
Tax effect of income not taxable in determining taxable profits	-16.3
Capital allowances in excess of depreciation	-194.9
Other temporary differences	-8.6
Tax losses carried forward	166.8
Appointed current tax credit before prior year adjustments	-4.5
Prior year adjustment	4.0
Appointed current tax credit after prior year adjustments	-0.5

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 per Final Determination	26.9
Decrease in profit before taxation	-57.9
Tax effect of income not taxable in determining taxable profits	-20.4
Other permanent differences	5.4
Increase in capital allowances in excess of depreciation	-143.0
Other temporary differences	-6.1
Tax impact of losses carried forward	166.8
Green Recovery expenditure	-24.1
AMP8 transition expenditure	-6.3
Tax impact of ODI rewards received	41.6
Impact of change in tax rate	12.6
Prior year adjustments	4.0
Appointed current tax credit after prior year adjustments	-0.5

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

- the Final Determination ('FD') profit before tax was higher than the profit before tax within the appointed business, excluding the effect of ODI rewards received and after allowing for non-taxable income that was not included in the FD profit before tax;
- capital allowances in excess of depreciation and other temporary differences within the appointed business are higher than the level forecast within the FD;
- the higher capital allowances and lower profit before tax resulted in tax losses carried forward that were not forecast in the FD;
- the FD did not include the tax impacts of Green Recovery or transitional expenditure;
- The FD did not include any ODI rewards;
- the FD was calculated based on an expected reduction to the main tax rate from 19% to 17%. The actual tax rate increased with effect from 1 April 2023 to 25% resulting in an increase in the tax credit when compared to the FD; and
- a prior year adjustment within the appointed business of £4.0 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; and
- any other changes in tax legislation or practice not reflected in the FD.

In March 2021 the UK Government announced its intention to increase the rate of corporation tax to 25% with effect from 1 April 2023. The new law was substantively enacted on 10 June 2021. The deferred tax liability at 31 March 2024 was calculated at the rate of 25%.

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 mean that Severn Trent Water is eligible to claim more capital allowances in the current year.

The above changes have given rise to tax losses in the period which are being carried forward to utilise in future periods. During 2023/24 losses totalling £3.7 million have been surrendered to other group companies, with losses of £0.8 million being allocated against the profits of the non-appointed business. The losses to other group companies will be surrendered at the headline rate of corporation tax, so overall there is no financial impact in relation to the losses surrendered.

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 2023/24](#) 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 2023/24 statutory accounts infrastructure renewals income has been shown as revenue. In the regulatory accounts we show this as other income.

ii) Cash flow presentation

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

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

i) Profit or loss on disposal of fixed assets and non-operating income are included in operating costs in the statutory accounts but are shown as separate line items in the regulatory financial statements.

ii) Interest income and costs relating to defined benefit pension schemes are included in finance income or cost respectively in the statutory accounts but are shown as other interest expense in the regulatory accounts.

iii) The capex creditor and deferred income from grants and contributions and adopted assets included within trade and other payables in the statutory accounts are shown as separate items in the regulatory accounts.

iv) Intra-group loans due in more than one year recorded as trade receivables in the statutory accounts are reclassified to investments. All other non-current trade and other receivables are reclassified to current assets.

D) PRICE CONTROL SEGMENTS

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

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

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](#).

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, car park income, farm sales, forestry income and marketing income.

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

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

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

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

C) BAD DEBTS

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

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

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

- the customer does not have any assets or has insufficient assets on which to levy execution; 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. Full details of the capitalisation policy are outlined in the [Accounting Separation Methodology Statement](#).

E) CURRENT COST ACCOUNTING

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

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

2A – SEGMENTAL INCOME STATEMENT

Year ended 31 March 2024

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	116.436	0.000	153.344	723.729	873.542	95.704	1,962.755
2A.2 Revenue - non price control	0.168	0.000	7.718	7.307	0.542	0.007	15.742
2A.3 Operating expenditure - excluding PU recharge impact	-101.773	0.000	-78.280	-565.276	-445.634	-4.796	-1,195.759
2A.4 PU opex recharge	-3.653	0.000	-0.992	24.224	-16.021	-3.558	0.000
2A.5 Operating expenditure - including PU recharge impact	-105.426	0.000	-79.272	-541.052	-461.655	-8.354	-1,195.759
2A.6 Depreciation - tangible fixed assets	-1.028	0.000	-10.454	-159.824	-158.069	-35.204	-364.579
2A.7 Amortisation - intangible fixed assets	-6.642	0.000	-0.336	-23.468	-0.002	0.000	-30.448
2A.8 Other operating income	0.000	0.000	0.000	0.038	3.175	0.000	3.213
2A.9 Operating profit	3.508	0.000	71.000	6.730	257.533	52.153	390.924
A Surface water drainage rebates							
2A.10 Surface water drainage rebates							0.331

2B – TOTEX ANALYSIS (WHOLESALE)

Year ended 31 March 2024

Line description	Water Resources	Water Network+	Wastewater Network+	Bioresources	Total
	£m	£m	£m	£m	£m
A Base operating expenditure					
2B.1 Power	28.299	133.044	135.164	-26.013	270.494
2B.2 Income treated as negative expenditure	-0.815	-0.617	-0.399	-42.505	-44.336
2B.3 Service charges/ discharge consents	15.090	0.508	11.100	0.000	26.698
2B.4 Bulk Supply/Bulk discharge	9.711	5.830	0.198	0.091	15.830
2B.5 Renewals expensed in year (Infrastructure)	1.525	81.178	56.645	0.000	139.348
2B.6 Renewals expensed in year (Non-Infrastructure)	0.001	0.040	2.050	0.000	2.091
2B.7 Other operating expenditure (including Location specific costs & obligations)	18.653	201.003	199.688	73.539	492.883
2B.8 Local authority and Cumulo rates	4.917	48.753	27.316	3.242	84.228
2B.9 Total base operating expenditure	77.381	469.739	431.762	8.354	987.236
B Other operating expenditure					
2B.10 Enhancement operating expenditure	0.000	16.955	12.003	0.000	28.958
2B.11 Developer services operating expenditure	0.000	47.774	16.311	0.000	64.085
2B.12 Total operating expenditure excluding third party services	77.381	534.468	460.076	8.354	1,080.279
2B.13 Third party services	1.891	6.584	1.579	0.000	10.054
2B.14 Total operating expenditure	79.272	541.052	461.655	8.354	1,090.333
C Grants and contributions					
2B.15 Grants and contributions - operating expenditure	0.000	-47.585	-15.961	0.000	-63.546
D Capital expenditure					
2B.16 Base capital expenditure	14.079	177.224	139.249	32.393	362.945
2B.17 Enhancement capital expenditure	20.539	271.174	488.447	0.006	780.166
2B.18 Developer services capital expenditure	0.000	42.369	9.423	0.000	51.792
2B.19 Total gross capital expenditure excluding third party services	34.618	490.767	637.119	32.399	1,194.903
2B.20 Third party services	0.000	0.000	0.000	0.000	0.000
2B.21 Total gross capital expenditure	34.618	490.767	637.119	32.399	1,194.903
E Grants and contributions					
2B.22 Grants and contributions - operating expenditure	-0.037	-23.565	-16.144	0.000	-39.746
2B.23 Net totex	113.853	960.669	1,066.669	40.753	2,181.944
F Cash expenditure					
2B.24 Pension deficit recovery payments	13.480	13.480	13.481	13.479	53.920
2B.25 Other cash items	0.000	0.000	0.000	0.000	0.000
2B.26 Totex including cash items	127.333	974.149	1,080.150	54.232	2,235.864

2C – COST ANALYSIS (RETAIL)

Year ended 31 March 2024

Line description	Residential	Business	Total
	£m	£m	£m
A Operating expenditure			
2C.1 Customer services	32.131	0.000	32.131
2C.2 Debt management	7.347	0.000	7.347
2C.3 Doubtful debts	23.829	0.000	23.829
2C.4 Meter reading	6.405	0.000	6.405
2C.5 Services to developers		0.000	0.000
2C.6 Other operating expenditure	18.090	0.000	18.090
2C.7 Local authority and Cumulo rates	0.491	0.000	0.491
2C.8 Total operating expenditure excluding third party services	88.293	0.000	88.293
B Depreciation			
2C.9 Depreciation (tangible fixed assets) on assets existing at 31 March 2015	0.281	0.000	0.281
2C.10 Depreciation (tangible fixed assets) on assets acquired after 1 April 2015	0.753	0.000	0.753
2C.11 Amortisation (intangible fixed assets) on assets existing at 31 March 2015	0.000	0.000	0.000
2C.12 Amortisation (intangible fixed assets) on assets acquired after 1 April 2015	6.642	0.000	6.642
C Recharges			
2C.13 Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	0.463	0.000	0.463
2C.14 Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	-0.135	0.000	-0.135
2C.15 Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	3.457	0.000	3.457
2C.16 Income from wholesale assets acquired after 1 April 2015 principally used by retail	-0.132	0.000	-0.132
2C.17 Net recharges costs	3.653	0.000	3.653
2C.18 Total retail costs excluding third party and pension deficit repair costs	99.622	0.000	99.622
2C.19 Third party services operating expenditure	0.000	0.000	0.000
2C.20 Pension deficit repair costs	13.480	0.000	13.480
2C.21 Total retail costs including third party and pension deficit repair costs	113.102	0.000	113.102
D Debt written off			
2C.22 Debt written off	21.364	0.000	21.364
E Capital expenditure			
2C.23 Capital expenditure	3.710	0.000	3.710

Line description	Residential
	£m
F Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale	
2C.24 Demand-side water efficiency - gross expenditure	2.281
2C.25 Demand-side water efficiency - expenditure funded by wholesale	2.281
2C.26 Demand-side water efficiency - net retail expenditure	0.000
2C.27 Customer-side leak repairs - gross expenditure	6.172
2C.28 Customer-side leak repairs - expenditure funded by wholesale	6.172
2C.29 Customer-side leak repairs - net retail expenditure	0.000
G Comparison of actual and allowed expenditure	
2C.30 Cumulative actual retail expenditure to reporting year end	465.139
2C.31 Cumulative allowed expenditure to reporting year end	487.176
2C.32 Total allowed expenditure 2020-25	610.457

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

HOUSEHOLD

Overall household retail costs of £99 million are £0.6 million (0.6%) lower than the Final Determination ('FD').

CUSTOMER SERVICES

Customer services costs are £3 million favourable to the FD. The FD assumed an increase in spend of £4 million in the final two years in AMP7. Our performance has remained relatively stable with prior year whilst maintaining reliable service levels, resulting in only £1 million of the £4 million increase in FD costs being utilised.

DEBT MANAGEMENT

This year we have maintained higher spending on debt management to continue our improvement on bad debt performance while mitigating impacts from the ongoing cost-of-living crisis. This has resulted in expenditure exceeding the FD allowance by £3.8 million but has led to continued strong performance on bad debt.

DOUBTFUL DEBTS

Doubtful debts as a percentage of household revenue were 1.5%, a reduction on prior year. This includes a reduction in our provision to reflect the improving future economic conditions forecast at the balance sheet date, as well as continued investment in debt collection journeys to maintain cash collection performance during the cost-of-living crisis.

METER READING

Metering costs have increased £1 million compared to the FD due to higher metering activity.

OTHER OPERATING EXPENDITURE

Other operating expenditure is £1 million favourable to our FD allowance. This is mainly through less retail work being conducted by other business areas, similar to previous years in the AMP.

NON-HOUSEHOLD

In line with our FD, we have no costs in non-household retail. In 2016, we disposed of our non-household retail activities to Water Plus, and so no longer have any costs relating to Non-household activity. The latest RAG guidance sets out that developers are often working directly with wholesalers rather than using a retailer as an intermediary. In this example, all costs should be classified as wholesale, and so there are no costs within non-household retail

2D – HISTORIC COST ANALYSIS OF FIXED ASSETS

Year ended 31 March 2024

Line description		Residential Retail	Business Retail	Water resources	Water Network+	Waste water Network+	Bioresources	Total
		£m	£m	£m	£m	£m	£m	£m
A	Cost							
2D.1	At 1 April 2023	49.832	0.000	611.745	7,087.895	8,187.413	1,009.578	16,946.463
2D.2	Disposals	0.000	0.000	-0.876	-4.943	-1.501	-0.395	-7.715
2D.3	Additions	0.538	0.000	32.362	492.251	639.090	33.736	1,197.977
2D.4	Adjustments	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2D.5	Assets adopted at nil cost	0.000	0.000	0.000	0.000	139.416	0.000	139.416
2D.6	At 31 March 2024	50.370	0.000	643.231	7,575.203	8,964.418	1,042.919	18,276.141
B	Depreciation							
2D.7	At 1 April 2023	-31.594	0.000	-196.893	-2,730.294	-3,375.156	-493.275	-6,827.212
2D.8	Disposals	0.000	0.000	0.876	4.376	0.637	0.395	6.284
2D.9	Adjustments	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2D.10	Charge for year	-1.028	0.000	-10.454	-159.824	-158.069	-35.204	-364.579
2D.11	At 31 March 2024	-32.622	0.000	-206.472	-2,885.742	-3,532.587	-528.083	-7,185.506
2D.12	Net book amount at 31 March 2024	17.748	0.000	436.759	4,689.461	5,431.831	514.836	11,090.635
2D.13	Net book amount at 1 April 2023	18.238	0.000	414.852	4,357.601	4,812.257	516.303	10,119.251
C	Depreciation charge for year							
2D.14	Principal services	-1.028	0.000	-10.452	-159.712	-158.069	-35.204	-364.465
2D.15	Third party services	0.000	0.000	-0.002	-0.112	0.000	0.000	-0.114
2D.16	Total	-1.028	0.000	-10.454	-159.824	-158.069	-35.204	-364.579

The net book value includes £1,962.3 million in respect of assets in the course of construction.

We have restated 2D.7 (opening accumulated depreciation) by £19.3m to correct the allocation of depreciation charged between water network+ and wastewater network+ in the prior year. We have decreased the opening accumulated depreciation by £19.3m for water network+ and increased the opening accumulated depreciation by £19.3m for wastewater network+ in 2D.7. The total closing value for accumulated depreciation for FY23 has not changed.

2E – ANALYSIS OF GRANTS AND CONTRIBUTIONS (WATER RESOURCES AND WATER NETWORK+)

Year ended 31 March 2024

Line description	Fully recognised in income statement	Capitalised and amortised (in income statement)	Fully netted off capex	Total
	£m	£m	£m	£m
A Grants and contributions - water resources				
2E.1 Diversions - s185	0.000	0.000	0.000	0.000
2E.2 Other contributions (price control)	0.000	0.037	0.000	0.037
2E.3 Price control grants and contributions	0.000	0.037	0.000	0.037
2E.4 Diversions - NRSWA	0.000	0.000	0.000	0.000
2E.5 Diversions - other non-price control	0.000	0.000	0.000	0.000
2E.6 Other contributions (non-price control)	0.000	0.000	0.000	0.000
2E.7 Total grants and contributions	0.000	0.037	0.000	0.037
2E.8 Value of adopted assets	0.000	0.000		0.000
B Grants and contributions - water network+				
2E.9 Connection charges	0.000	10.756	0.000	10.756
2E.10 Infrastructure charge receipts – new connections	0.000	11.857	0.000	11.857
2E.11 Requisitioned mains	0.000	15.028	0.000	15.028
2E.12 Diversions - s185	6.278	0.000	0.000	6.278
2E.13 Other contributions (price control)	0.000	0.000	0.000	0.000
Price control grants and contributions before deduction of income offset	6.278	37.641	0.000	43.919
2E.14 Income offset	0.000	14.115	0.000	14.115
Price control grants and contributions after deduction of income offset	6.278	23.526	0.000	29.804
2E.15 Income offset	0.000	14.115	0.000	14.115
2E.16 Price control grants and contributions after deduction of income offset	6.278	23.526	0.000	29.804
2E.17 Diversions - NRSWA	1.746	0.000	0.000	1.746
2E.18 Diversions - other non-price control	39.561	0.039	0.000	39.600
2E.19 Other contributions (non-price control)	0.000	0.000	0.000	0.000
2E.20 Total grants and contributions	47.585	23.565	0.000	71.150
2E.21 Value of adopted assets	0.000	0.000		0.000

2E – ANALYSIS OF GRANTS AND CONTRIBUTIONS (WASTEWATER NETWORK+)

Year ended 31 March 2024

Line description	Fully recognised in income statement	Capitalised and amortised (in income statement)	Fully netted off capex	Total
	£m	£m	£m	£m
C Grants and contributions - wastewater network+				
2E.22 Receipts for on-site work	0.000	5.099	0.000	5.099
2E.23 Infrastructure charge receipts – new connections	0.000	10.052	0.000	10.052
2E.24 Diversions - s185	2.172	0.000	0.000	2.172
2E.25 Other contributions (price control)	0.000	2.410	0.000	2.410
Price control grants and contributions before deduction of income offset	2.172	17.561	0.000	19.733
2E.26 Income offset	0.000	1.511	0.000	1.511
Price control grants and contributions after deduction of income offset	2.172	16.050	0.000	18.222
2E.27 Income offset	0.000	1.511	0.000	1.511
Price control grants and contributions after deduction of income offset	2.172	16.050	0.000	18.222
2E.28 Diversions - NRSWA	1.312	0.000	0.000	1.312
2E.29 Diversions - other non-price control	12.477	0.094	0.000	12.571
2E.30 Other Contributions (non-price control)	0.000	0.000	0.000	0.000
2E.31 Total grants and contributions	15.961	16.144	0.000	32.105
2E.32 Value of adopted assets	0.000	139.416		139.416
D Movements in capitalised grants and contributions				
2E.33 b/f	2.599	494.862	320.141	817.602
2E.34 Capitalised in year	0.037	23.565	16.144	39.746
2E.35 Amortisation (in income statement)	-0.091	-6.698	-3.258	-10.047
2E.36 c/f	2.545	511.729	333.027	847.301

2F – RESIDENTIAL RETAIL

Year ended 31 March 2024

Line description	Revenue £m	Number of customers 000s	Average residential revenues £
A Residential revenue			
2F.1 Wholesale revenue	1,407.285		
2F.2 Retail revenue	116.436		
2F.3 Total residential revenue	1,523.721		
B Retail revenue			
2F.4 Revenue Recovered ("RR")	116.436		
2F.5 Revenue sacrifice	0.000		
2F.6 Actual revenue (net)	116.436		
C Customer information			
2F.7 Actual customers ("AC")		4,219.135	
2F.8 Reforecast customers		4,141.343	
D Adjustment			
2F.9 Allowed revenue ("R")	108.264		
2F.10 Net adjustment	-8.172		
E Other residential information			
2F.11 Average household retail revenue per customer			27.597

2G – NON-HOUSEHOLD WATER REVENUES BY TARIFF TYPE

Year ended 31 March 2024

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

2H – NON-HOUSEHOLD WASTEWATER REVENUES BY CUSTOMER TYPE

Year ended 31 March 2024

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

2I – REVENUE ANALYSIS

Year ended 31 March 2024

Line description	Household £m	Non-household £m	Total £m	Water resources £m	Water network+ £m	Total £m
A Wholesale charge - water						
2I.1 Unmeasured	378.818	3.468	382.286	72.194	310.092	382.286
2I.2 Measured	306.246	186.541	492.787	81.150	411.637	492.787
2I.3 Third party revenue	0.000	2.000	2.000	0.000	2.000	2.000
2I.4 Total wholesale water revenue	685.064	192.009	877.073	153.344	723.729	877.073
Line description	Household £m	Non-household £m	Total £m	Waste- water network+ £m	Bio- resources £m	Total £m
B Wholesale charge - wastewater						
2I.5 Unmeasured - foul charges	290.802	5.647	296.449	248.243	48.206	296.449
2I.6 Unmeasured - surface water charges	80.334	4.026	84.360	84.360	0.000	84.360
2I.7 Unmeasured - highway drainage charges	24.700	0.120	24.820	24.820	0.000	24.820
2I.8 Measured - foul charges	212.997	133.380	346.377	298.879	47.498	346.377
2I.9 Measured - surface water charges	79.943	98.682	178.625	178.625	0.000	178.625
2I.10 Measured - highway drainage charges	33.445	2.929	36.374	36.374	0.000	36.374
2I.11 Third party revenue	0.000	2.241	2.241	2.241	0.000	2.241
2I.12 Total wholesale wastewater revenue	722.221	247.025	969.246	873.542	95.704	969.246
C Wholesale charge - Additional Control						
2I.13 Unmeasured	0.000	0.000	0.000			
2I.14 Measured	0.000	0.000	0.000			
2I.15 Total wholesale additional control revenue	0.000	0.000	0.000			
2I.16 Wholesale Total	1,407.285	439.034	1,846.319			
D Retail revenue						
2I.17 Unmeasured	49.141	0.000	49.141			
2I.18 Measured	65.232	0.000	65.232			
2I.19 Retail third party revenue	2.063	0.000	2.063			
2I.20 Total retail revenue	116.436	0.000	116.436			
E Third party revenue - non-price control						
2I.21 Bulk supplies - water			11.082			
2I.22 Bulk supplies - wastewater			0.067			
2I.23 Other third-party revenue - non price control			2.986			
F Principal services - non-price control						
2I.24 Other appointed revenue			1.607			
2I.25 Total appointed revenue			1,978.497			

2J – INFRASTRUCTURE NETWORK REINFORCEMENT COSTS

Year ended 31 March 2024

Line description	Network reinforcement capex	On site / site specific capex (memo only)
	£m	£m
A Wholesale water network+ (treated water distribution)		
2J.1 Distribution and trunk mains	11.582	0.000
2J.2 Pumping and storage facilities	0.768	0.000
2J.3 Other	0.000	0.000
2J.4 Total	12.350	0.000
B Wholesale wastewater network+ (sewage collection)		
2J.5 Foul and combined systems	1.689	0.000
2J.6 Surface water only systems	0.120	0.000
2J.7 Pumping and storage facilities	0.042	0.000
2J.8 Other	0.000	0.000
2J.9 Total	1.851	0.000

2K – INFRASTRUCTURE CHARGES RECONCILIATION

Year ended 31 March 2024

Line description	Water	Wastewater	Total
	£m	£m	£m
A Impact of infrastructure charge discounts			
2K.1 Infrastructure charges	11.857	10.052	21.909
2K.2 Discounts applied to infrastructure charges	1.480	1.140	2.620
2K.3 Gross Infrastructure charges	13.337	11.192	24.529
B Comparison of revenue and costs			
2K.4 Variance brought forward	-17.661	10.766	-6.895
2K.5 Revenue	11.857	10.052	21.909
2K.6 Costs	-12.350	-1.851	-14.201
2K.7 Variance carried forward	-18.154	18.967	0.813

The variance between cost and revenue for water is £18.2 million, this includes £17.7 million of brought forward variance not factored into charges as per charging rules. This gives in year variance of £0.5 million. This is mainly due to £1.5 million of environmental discount given, £0.4 million volumes lower than forecast and £1.4 million of charges being set on five year forecast not in year spend in-line with Ofwat charging rules.

The variance between cost and revenue for waste water is £18.9 million, this includes £10.8 million of brought forward variance not factored into charges as per charging rules. This gives in year variance of £8.2 million. This is mainly due to £1.1 million of environmental discount given, £2.4 million volumes higher than forecast and £6.9 million of charges being set on five year forecast not in year spend in-line with Ofwat charging rules.

2L – ANALYSIS OF LAND SALES

Year ended 31 March 2024

Line description	Water resources	Water Network+	Waste-water 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	0.000	2.651	1.467	4.118

During the year, there were fourteen disposals of protected land, two of which were above the £1 million reporting threshold (Meir Depot for £1.5 million and Newbold for £1.3 million). There was no transfer of protected land from appointed business to associate companies during the year.

2M – REVENUE ANALYSIS AND WHOLESALE CONTROL RECONCILIATION

Year ended 31 March 2024

Line description	Water resources	Water Network+	Wastewater Network+	Bio-resources	Total
	£m	£m	£m	£m	£m
A Revenue recognised					
2M.1 Wholesale revenue governed by price control	153.344	723.729	873.542	95.704	1,846.319
2M.2 Grants & contributions (price control)	0.037	29.804	18.222	0.000	48.063
2M.3 Total revenue governed by wholesale price control	153.381	753.533	891.764	95.704	1,894.382
B Calculation of the revenue cap					
2M.4 Allowed wholesale revenue before adjustments (or modified by CMA)	110.431	716.179	797.371	95.910	1,719.891
2M.5 Allowed grants & contributions before adjustments (or modified by CMA)	0.000	25.425	21.062	0.000	46.487
2M.6 Revenue adjustment	-2.184	-15.797	-4.979	0.503	-22.457
2M.7 Other adjustments	46.849	33.767	84.745	0.000	165.361
2M.8 Revenue cap	155.096	759.574	898.199	96.413	1,909.282
C Calculation of the revenue imbalance					
2M.9 Revenue cap	155.096	759.574	898.199	96.413	1,909.282
2M.10 Revenue Recovered	153.381	753.533	891.764	95.704	1,894.382
2M.11 Revenue imbalance	1.715	6.041	6.435	0.709	14.900

Difference between allowed and actual revenue under the wholesale control

The total allowed revenue for 2023/24 was £1,909.3m with actual revenue of £1,894.4m being £14.9m lower.

However, included in the wholesale revenue is £4.2m of 3rd party revenue which is excluded from the FD allowances. Adjusting out the 3rd party revenue from actuals gives the following true comparison between FD and actuals.

Calculation of the revenue imbalance	Units	Water Resources	Water network+	Waste network+	Bio-resources	Total wholesale
Revenue cap	£m	155.096	759.574	898.199	96.413	1,909.282
Revenue Recovered	£m	153.381	751.533	889.525	95.704	1,890.143
Revenue imbalance	£m	1.715	8.041	8.674	0.709	19.139

DEVELOPER SERVICES

Water revenue for grants and contributions is £4.4m above the allowance due to higher volumes of new connections than forecast. In waste the FD allowances were above our anticipated volumes and therefore we have recovered £2.8m less revenue. In addition, some activities saw price increases above CPIH to reflect increasing costs.

CORE BILLED REVENUE

Water Resources and Water Network+

Water Resources revenue of £153.4m is £1.7m (1.1%) lower than the revenue cap.

Water Network+ core billed revenue of £721.7m is £12.4m (1.7%) lower than the revenue cap.

This is due to lower non-household consumption and increased support given to household customers as part of the Big Difference Scheme; where we support customers struggling to pay their bills.

Waste Network+

Waste Network+ revenue of £871.3m is £5.8m (0.7%) lower than the revenue cap, and bioresources revenue of £95.7m is £0.7m (0.7%) lower than allowance. This is also due to lower than forecast volume of consumption in non-household as well as increased support given to household customers as part of the Big Difference Scheme, supporting customers struggling to pay their bills.

2N – HOUSEHOLD AFFORDABILITY SUPPORT AND DEBT

Year ended 31 March 2024

A SOCIAL TARRIFS				
Line description	Revenue	Number of customers	Average amount per customer	
	£m	000s	£	
Number of residential customers on social tariffs				
2N.1 Residential water only social tariffs customers		6.063		
2N.2 Residential wastewater only social tariffs customers		55.695		
2N.3 Residential dual service social tariffs customers		130.702		
Number of residential customers not on social tariffs				
2N.4 Residential water only no social tariffs customers		302.449		
2N.5 Residential wastewater only no social tariffs customers		679.589		
2N.6 Residential dual service no social tariffs customers		3,044.637		
Social tariff discount				
2N.7 Average discount per water only social tariffs customer			166.749	
2N.8 Average discount per wastewater only social tariffs customer			154.502	
2N.9 Average discount per dual service social tariffs customer			343.331	
Social tariff cross-subsidy - residential customers				
2N.10 Total customer funded cross-subsidies for water only social tariffs customers	1.011			
2N.11 Total customer funded cross-subsidies for wastewater only social tariffs customers	8.580			
2N.12 Total customer funded cross-subsidies for dual service social tariffs customers	44.811			
2N.13 Average customer funded cross-subsidy per water only social tariffs customer			3.277	
2N.14 Average customer funded cross-subsidy per wastewater only social tariffs customer			11.669	
2N.15 Average customer funded cross-subsidy per dual service social tariffs customer			14.112	
Social tariff cross-subsidy - company				
2N.16 Total revenue forgone by company to fund cross-subsidies for water only social tariffs customers	0.000			
2N.17 Total revenue forgone by company to fund cross-subsidies for wastewater only social tariffs customers	0.025			
2N.18 Total revenue forgone by company to fund cross-subsidies for dual service social tariffs customers	0.063			
2N.19 Average revenue forgone by company to fund cross-subsidy per water only social tariffs customer			0.000	
2N.20 Average revenue forgone by company to fund cross-subsidy per wastewater only social tariffs customer			0.449	
2N.21 Average revenue forgone by company to fund cross-subsidy per dual service social tariffs customer			0.482	
Social tariff support - willingness to pay				
2N.22 Level of support for social tariff customers reflected in business plan			15.305	
2N.23 Maximum contribution to social tariffs supported by customer engagement			15.305	

Year ended 31 March 2024

B WATERSURE TARRIFS				
Line description	Revenue	Number of customers	Average amount per customer	
	£m	000s	£	
WaterSure tariffs				
2N.24 Number of unique customers on WaterSure		17.145		
2N.25 Total reduction in bills for WaterSure customers	4.821			
2N.26 Average reduction in bills for WaterSure customers			281.190	
C OTHER DIRECT BILL REDUCTION SCHEMES FOR HOUSEHOLD CUSTOMERS STRUGGLING TO PAY				
Line description	Target households	Number of unique households helped by scheme	Total amount bills reduced by through scheme	Funding source
	Text	000s	£m	Text
Other bill reduction schemes				
2N.27a WaterSure Plus	Customers on benefits that are not on the list specified for WaterSure who need to use above average volume	3.188	1.019	Customer subsidy

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

We support our low-income households with the Big Difference Scheme social tariff. If customers qualify, we offer up to a 70% discount of the average household bill. Further information is available on our website.

The total number of customers in receipt of a social tariff has increased over the last 12-month period with c.260k customers supported through our various schemes in 2023. We are committed to increase overall support to 315k customers across our various schemes by March 2025.

2N – HOUSEHOLD AFFORDABILITY SUPPORT AND DEBT (CONT.)

Year ended 31 March 2024

D DEBT METRICS				
Line description	Water only	Wastewater only	Dual service	
	000s	000s	000s	
Total number of household customers served - active and final accounts				
2N.28	Number of household customers served – active accounts	323.843	855.358	3,138.132
2N.29	Number of household customers served – final accounts	6.149	102.308	97.363
Line description	Number of households	Total amount of debt		
	000s	£m		
Household customers in arrears				
2N.30	Households in arrears – active accounts with debt repayment arrangements	24.432	17.558	
2N.31	Households in arrears – final accounts with debt repayment arrangements	0.181	0.089	
2N.32	Households in arrears – active accounts without debt repayment arrangements	247.737	228.744	
2N.33	Households in arrears – final accounts without debt repayment arrangements	90.425	41.922	
2N.34	Households not having made any payment for the year – active accounts	151.225	179.336	
2N.35	Households not having made any payment for the year – final accounts	68.301	35.263	
Temporary payment suspension				
2N.36	Households with temporarily suspended payments – payment break arrangements	41.381	22.166	
2N.37	Households with temporarily suspended payments – breathing space arrangements	2.928	3.517	
Household debt collection through third party agents where water company remains creditor				
2N.38	Debt collected by external agents – active accounts	70.807	47.528	
2N.39	Debt collected by external agents – final accounts	42.698	19.343	
2N.40	Number of Priority Services Register customers with debt passed on to external debt collection agents – active and final accounts	0.998	0.781	
Line description	Number of accounts	Total value of debt	Total sale value of debt	
	000s	£m	£m	
Household debt sold to external agencies				
2N.41	Debt sold to an external agency / third party debt purchaser – active accounts	N/A	N/A	
2N.42	Debt sold to an external agency / third party debt purchaser – final accounts	22.857	9.794	
2N.43	Number of Priority Services Register customers with debt sold to an external agency / third party debt purchaser – active and final accounts	0.023	0.019	

Line description	Number of accounts	Total amount involved	
	000s	£m	
Unpaid household bills referred to courts			
2N.44	Number of county court claims	12.483	10.327
2N.45	Number of county court judgements	14.124	15.242
2N.46	Number of county court judgement enforcements	2.169	3.757
2N.47	Number of high court claims	3.461	5.340
2N.48	Number of high court judgements	3.307	5.193
2N.49	Number of high court judgement enforcements	3.307	5.193

2N – HOUSEHOLD AFFORDABILITY SUPPORT AND DEBT (CONT.)

Year ended 31 March 2024

E PAYMENTS TO HOUSEHOLD CUSTOMERS MADE IN ACCORDANCE WITH THE GUARANTEED STANDARDS SCHEME (GSS)					
Line description	Number of accounts	Total amount	Number of unique households		
	000s	£m	000s		
GSS payments to household customers					
2N.50	Total value of payments made to household customers under GSS	1.198			
2N.51	Total number of payments made to household customers under GSS	21.556			
2N.52	Total number of unique household customers receiving GSS payments		15.758		
Line description	Total number of unique payments made to household customers under GSS	Total value of payments made in relation to column 1	Total number of unique payments to household customers that could be classed as compensation or goodwill*	Column 4 Total value of payments made in relation to column 3	
	000s	£m	000s	£m	
Number and value of GSS and other payments to household customers by type in the reporting period					
2N.53	Keeping of appointments	0.855	0.021	0.855	0.021
2N.54	Incidences of low water pressure	12.798	0.384	14.007	0.420
2N.55	Incorrect notice of planned interruptions to supply	0.002	0.000	0.002	0.000
2N.56	Supply not restored	2.172	0.080	2.178	0.080
2N.57	Written account queries and requests to change payment arrangements not actioned on time	0.001	0.000	0.001	0.000
2N.58	Written complaints not responded to within 10 working days	0.449	0.011	0.449	0.011
2N.59	Properties sewer flooded internally	0.890	0.205	0.971	0.217
2N.60	Properties sewer flooded externally	4.389	0.497	4.550	0.533
2N.61a	Do Not Drink Boil Water notices			0.007	0.003
2N.61b	Ex-Gratia Gesture of Goodwill (non-GSS event related)			8.630	0.752
2N.62	Late payment penalties (paid in relation to lines 2N.53 to 2N.60)	2.115	0.040		

2O – HISTORIC COST ANALYSIS OF INTANGIBLE FIXED ASSETS

Year ended 31 March 2024

Line description		Residential Retail	Business Retail	Water Resources	Water Network+	Wastewater Network+	Bioresources	Total
		£m	£m	£m	£m	£m	£m	£m
A Cost								
2O.1	At 1 April 2023	121.418	0.000	0.699	444.352	38.862	1.619	606.950
2O.2	Disposals	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2O.3	Additions	3.385	0.000	0.603	25.033	0.011	0.000	29.032
2O.4	Adjustments	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2O.5	Assets adopted at nil cost	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2O.6	At 31 March 2024	124.803	0.000	1.302	469.385	38.873	1.619	635.982
B Amortisation								
2O.7	At 1 April 2023	-100.444	0.000	-0.105	-253.389	-34.386	-0.022	-388.346
2O.8	Disposals	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2O.9	Adjustments	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2O.10	Charge for year	-6.642	0.000	-0.336	-23.468	-0.002	0.000	-30.448
2O.11	At 31 March 2024	-107.086	0.000	-0.441	-276.857	-34.388	-0.022	-418.794
2O.12	Net book amount at 31 March 2024	17.717	0.000	0.861	192.528	4.485	1.597	217.188
2O.13	Net book amount at 1 April 2023	20.974	0.000	0.594	190.963	4.476	1.597	218.604
C Amortisation for year								
2O.14	Principal services	-6.642	0.000	-0.336	-23.468	-0.002	0.000	-30.448
2O.15	Third party services	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2O.16	Total	-6.642	0.000	-0.336	-23.468	-0.002	0.000	-30.448

ADDITIONAL REGULATORY INFORMATION

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

Year ended 31 March 2024

B01 – INSPIRING OUR CUSTOMERS TO USE WATER WISELY

How the activities delivered by the Education Team build-up to the reported performance

We have a team of Education Officers and each Education Officer is responsible for a region, promoting our activities to secure bookings, sharing our key messages and achieving the target performance. Operating regionally means the Education Officers have built strong relationships within their communities, which helps with future bookings. It also means reduced travel for the team enabling them to deliver more sessions, educate more of our customers and subsequently collect more commitments.

The team predominantly spend their time visiting schools on a daily basis, delivering assemblies and workshops to school children, sometimes visiting more than one school in a day. The majority of schools who respond to our outreach opt for a whole school assembly resulting in (usually) a large audience participating in the activity and then making a commitment following the 30-minute educational session.

Commitments are only made following a 30-minute educational session and are recorded by each Education Officer which is then validated by the Senior Education Officer. Once validated, the commitment figures are totalled to produce our reported performance.

Our education programme entails a host of activities which include, assemblies, workshops, adult talks, site tours, digital livestreams and interactive sessions on our Wonderful Water Tour Buses. All of our education methods consist of customers participating in a face-to-face engagement session lasting at least 30 minutes. In 2023/24 the team delivered 1067 sessions to 934 schools. The table below displays the numbers of the various types of educational engagements used in 2023/24 to build up to the reported performance:

Region/Activity	Sessions	Schools	Digital Livestreams
Derbyshire	161	131	0
Central	254	198	8
Shropshire/Black Country	129	116	0
Coventry/Warwickshire	124	107	3
Nottinghamshire	97	93	0
Leicestershire	64	72	1
Staffordshire	119	100	0
Gloucestershire	58	57	0
Worcestershire	61	60	0
Total	1,067	934	12

An explanation of what types of engagement were used

An explanation of the activities where commitments are collected that build up to our performance are detailed below:

Assemblies – usually for the whole school, in a hall setting, for a minimum of 30 minutes. The audience is engaged and educated through a variety of content hosted by the Education Officer in person. The content includes PowerPoint slideshow, animated videos, a song and volunteers from the audience holding props/wearing costumes to assist in delivering the message. The Education Officer will endeavour to make the assembly as interesting yet informative as possible, sharing key information and facts and regularly asking the audience questions.

Digital livestreams - usually for the whole school, in a classroom setting, for a minimum of 30 minutes. The audience is engaged and educated through a variety of pieces of content hosted by the Education Officer through our digital platform. The content includes a PowerPoint slideshow, animated videos, pictures, props and a song to deliver the message. The Education Officer will endeavour to make the assembly as interesting yet informative as possible sharing key information and facts and regularly asking the audience questions requesting a representative to write answers in the chat box feature.

Workshops – individual classes, in a classroom setting, usually for an hour following an assembly. Hosted by the Education Officer the workshops are interactive and include practical activities to further embed the learning and key messages. Dependent upon the school's requests activities can include measuring water to see how much their 'families' have used, creating their own sewage and attempting to clean it and playing an athlete card game to understand the importance of hydration. These sessions give an opportunity for questions and a more in depth understanding of Severn Trent and our core messages.

Sessions on our Wonderful Water Tour Buses - individual classes, in an outdoor setting, for a minimum of an hour following an assembly. Hosted by four Education Officers the class will rotate around three main activities; The Digi Bus, The Experi Bus and outdoor games. All activities are interactive and practical to further embed the learning and key messages. Activities include Virtual Reality, a science experiment, fixing pipes, unblocking a giant sewer, leak detection and more. These sessions give an opportunity for questions and a more in depth understanding of Severn Trent and our core messages.

Adult talks – usually for groups from university, colleges, employees or community groups for a minimum of 30 minutes. The audience is engaged and educated through a variety of pieces of content hosted by the Education Officer in person. The content includes a PowerPoint slideshow, animated and real-life videos, pictures and props to deliver the message. The Education Officer will endeavour to make the talk as interesting yet informative as possible sharing key information and facts and regularly asking the audience questions.

Site tours – for any group from a school or organisation, at a wastewater treatment works site, for a minimum of an hour. The audience is engaged and educated by being taken on a tour of the site by the Education Officer in person. The tour includes looking at how we operate, clean and treat wastewater along with what items we find that cause blockages and the implications they can lead to. The Education Officer will endeavour to make the tour as interesting yet informative as possible sharing key information and facts and regularly asking the audience questions.

[APR data tables can be accessed through the Regulatory Library on our website](#)

How the pledges were captured from the engaged customers

Following most activities and always at the end, the Education Officer shows the audience a behavioural change commitment, explains its meaning and asks if they want to make the commitment to change their behaviours based on the education they have received. The number of customers that commit to change their behaviour is then counted and recorded with a certificate being presented after the session confirming the recorded number of customer commitments made. The certificate is signed by a representative for the organisation (in most cases this is a teacher) and all details of the session such as the date and topic. The Education Officer will then take a digital photo of the certificate as evidence and save this in their individual folder. For digital livestream the commitments are entered onto the platform by the audience and a report is then produced. There is a downloadable version of the certificate for the audience to save their own copy. If a certificate is not obtained the Education Officer must provide evidence of the commitments collected in another form from a representative from the organisation, this is usually in a written or email form.

After each education session, Education Officers record the location and audience for an education session, the type of education delivered, the numbers of customers in attendance and the number of commitments collected. To further evidence the commitments made they also save the digital photo, email or written evidence in their individual folders. For digital livestream sessions reports can be downloaded from the platform and then assessed. These data sheets and evidence are then assured by our Senior Education Officers. The commitment figures are totalled to produce our reported performance.

In line with our PR19 Final Determination, if a customer commits to change their behaviour in relation to more than one of the three pledges following a single education session, we will only count this as one customer commitment for the purposes of this measure. To support this our education programme has annual themes, focussing on one topic each year and seeking just a single pledge. Therefore, a customer may attend separate education sessions over multiple years and make two or three pledges for different behaviours. In this circumstance we would count each pledge individually.

Our approach to assurance

As part of our ODI it specifies that only one commitment per person, per message can be collected during the five year period. Our messages have been on rotation since the start of the AMP, we are currently in year four:

- Year one – 2020/21- Knowing what not to put down the toilet and sink.
- Year two 2021/22 - Using wonderful water wisely (not wasting water).
- Year three 2022/23 - Choosing tap water for a healthy you and a healthy environment (reducing plastics).
- Year four 2023/24 - Knowing what not to put down the toilet and sink.

This year we were collecting commitments for our waste topic for the second time during the AMP therefore extra checks have been implemented to eradicate any duplication. A master file containing all commitments made during 2020/2021 for the same topic (waste) was created in order to establish if a school had made previous waste commitments. We have had to use this data as all of it has been validated previously and as we do not hold commitment data for individuals due to GDPR rules we have relied on the commitments made by each year group/the school overall. A year group reference table has been created to identify what year group the original children who made the commitments were in previously and what year group they are in now, this helps to identify which commitments need to be discounted.

The majority of commitments made in 2020/21 were collected using our livestream platform as the sessions took place during the COVID-19 period, this has significantly helped when identifying the number of commitments made by each year group as this information is essential when assessing which commitments need to be removed and which do not. For example a whole school (years R-6) could have made commitments in December 2020. They next made commitments in March 2024 but will have moved up to years 3-9, commitments made by years 3-6 will need to be removed as they will potentially be making a commitment for the second time around. For every school that had a livestream there is a report associated with it that breaks down how many commitments have been made by each year group, this information is then used to determine how many commitments need subtracting from the commitments made in 2023/24. On occasions, the livestream report does not specify how many commitments were made by each year group as early on in our livestream journey we did not request this to be part of the platform. In these scenarios all commitments are removed as we cannot be sure as to how many commitments each year group made.

Some children who were in Key Stage 2 year groups could potentially have moved onto Secondary school and as we now host waste educational sessions with Secondary schools as well we have added to the process to prevent duplication. For example if year 6 made commitments in December 2020 they will now be in year 9 in 2024 – if the secondary session was for year 9 the feeder schools will need to be checked to see how many commitments need to be removed. We use the School Guide website and pay a monthly subscription to identify the primary feeder schools.

G07 – SPEED OF RESPONSE TO VISIBLE LEAKS

In May 2023 we raised an issue with Ofwat regarding the PR19 ODI Performance Model not correctly calculating the ODI payment for our Speed of Response to Visible Leaks PC. We were advised by Ofwat to apply an override to the model to correct the error which we have done in the 'Company PC inputs' tab. The model we have submitted to Ofwat now correctly displays the ODI Payment of £1.395m for this PC in tab 3A. This is based on outperforming our PLC of 4.6 days by 1.3 days, achieving a performance level of 3.3 days for 2023/24.

[APR data tables can be accessed through the Regulatory Library on our website](#)

G08 PERSISTENT LOW PRESSURE

Commentary explaining performance, including a description of activities and 'best possible solutions'

Our plan on low pressure is supported by a strong focus on robust investigation to ensure we understand the root cause of the problem followed by timely intervention to resolve it. To support this plan, we have a logger fleet that provides us with greater than 96% coverage of our water network. This data helps us to understand the pressure of water received at our customer's boundary giving us the visibility to be nimble and proactive, ensuring we target the right areas of the network to reduce risk of low pressure. Overall, to support low pressure we have invested £14 million so far this AMP, with £5 million last year and £4 million this year. Following this year's capital improvements we have taken around 1000 properties off the low pressure register across the AMP.

Below we provide further details on our plan and types of solutions that have helped us improve low pressure performance and enhance customer service.

As per our plan, we investigate every instance of poor pressure on the water distribution network. This investigation is undertaken by our Network Optimisation teams, who in addition to using logger and other relevant corporate system data, use field visits to understand the root cause and define the optimum solution on a proactive basis. This scheme has resolved two Qualifying Property Register ('QPR') properties and two critical 'At Risk' properties with the capability of further rezoning to remove further 'At Risk' properties in due course if required.

We have continued to utilise our toolbox of solutions to solve pressure problems as outlined below:

- Pump Pressure Reducing Valve ('PRV') adjustment controllers – optimising the performance of current assets to ensure customers are receiving suitable pressures.
- Rezoning - reconfiguring the water network to improve network pressure and resolve low pressure issues.
- Installation of new small network pumps to lift the network pressure to resolve the low-pressure issue. These often require new pipework to enable the network to be reconfigured, or for specific customers to be supplied from them. They are mainly utilised when the properties are at a higher elevation than the surrounding network can supply under gravity.

For the installation solution there are three types of small network pumps that we are using in AMP7:

- Arlington Pump – a small pump for low number of properties. These are mainly used on reservoir sites to feed very small numbers of properties.
- Kiosk Small Network Pump – a small mains powered kiosk set-up which can have various pump configurations.
- Solar Pump – a small solar pump with battery back-up for low number of properties in suitable location. Three are currently installed and under use.

Other capital options such as:

- New link mains to increase network capacity (reduce head loss).
- Asset upsizing to increase network capacity (reduce head loss), this could be a section of pipework or meter / PRV set-up.

- New Infra assets to enable network configuration, this may be a new DMA inlet (meter) set-up to enable network re-configuration.
- Rider mains with service transfers to provide higher pressure to customers.
- Service transfers, transferring props from a low pressure main in a road to an adjacent higher pressure main to resolve low pressure issues.

Examples of how we have improved the network

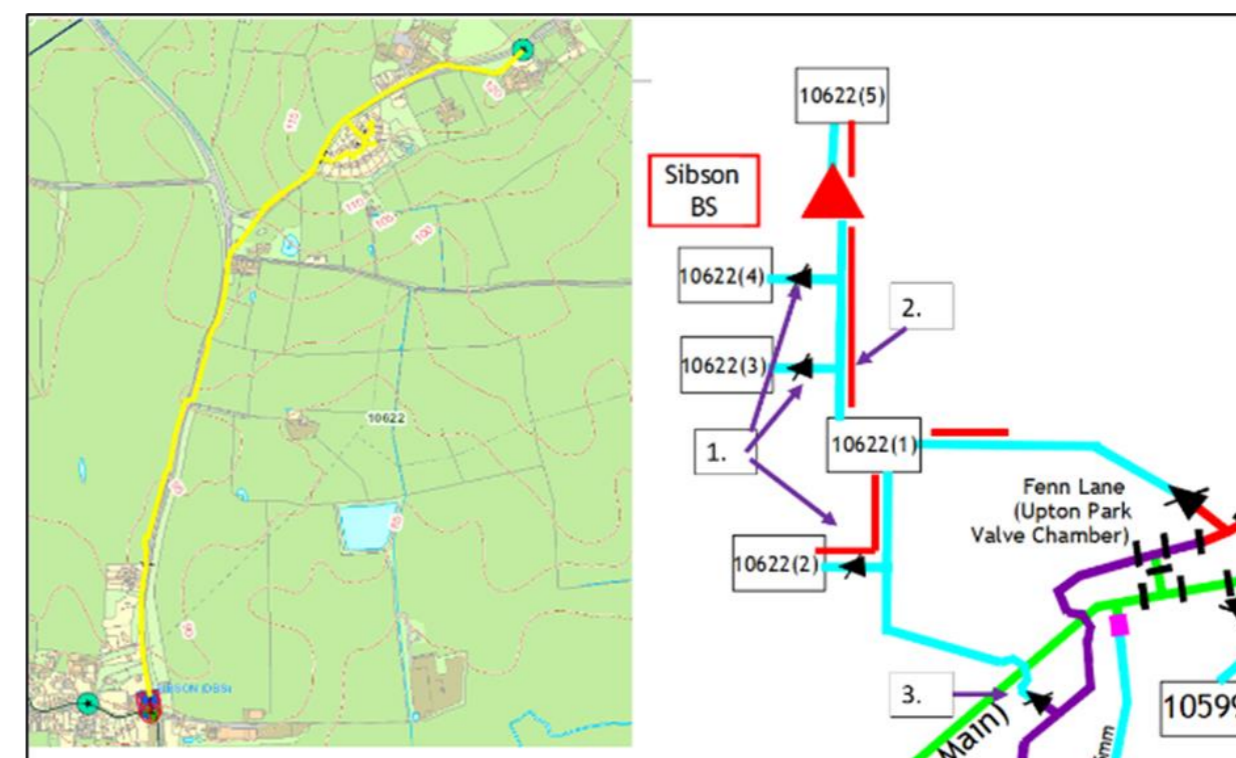
Below is an example of a capital scheme where multiple assets have been installed to mitigate a low-pressure risk.

Hornsey Rise, Sibson – Mains renewal including upsizing of key mains / PRV's installation and optimisation.

This area was subject to high leakage and frequent bursts. This was causing increased head losses within the DMA and leading to periods where performance would slowly deteriorate before an eruptive event allowed the leak to be found and fixed.

This increased burst risk also prevented us from increasing pressure at the PRV due to the risk of further bursts. Three actions were undertaken to improve the area:

1. Installation of three PRVs within the area to reduce leakage / burst risk.
2. Mains renewal scheme covering a significant amount of the highest leakage / non-preferred material mains, size of key mains increased.
3. Once mains renewal completed, PRV outlet pressure was increased to further support the area.



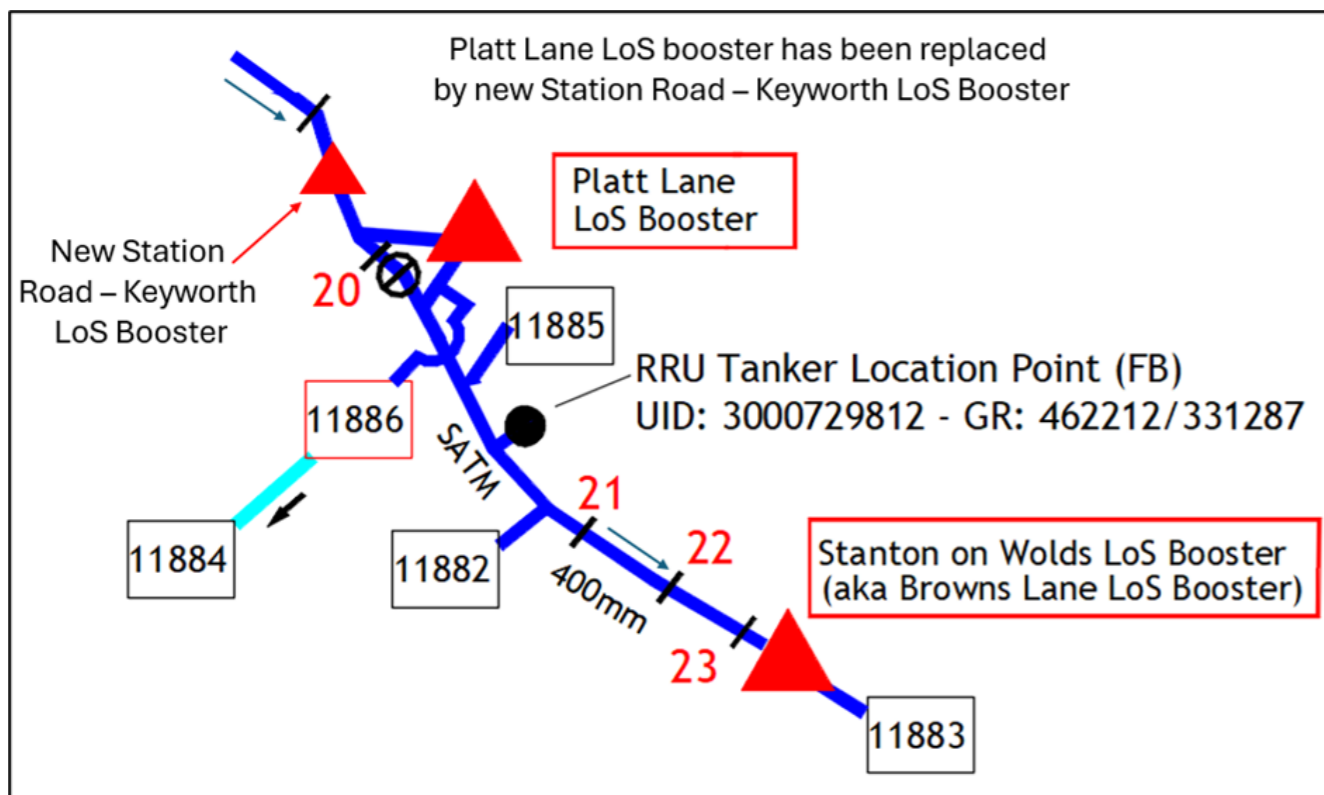
Schematic showing network

This scheme resolved the low-pressure issues at 21 QPR properties.

[APR data tables can be accessed through the Regulatory Library on our website](#)

New Keyworth - Station Road Level of Service ('LoS') Booster (replacing Platt Lane LoS Booster)

Platt Lane LoS booster used to feed 5 DMAs (c.4,500 properties) as shown on the schematic below. The existing Platt Lane LoS Booster was undersized due to ongoing developments within the area, upgrading / replacing at its current location was not an option due to space constraints. A new booster station (Keyworth - Station Road) has been constructed upstream of the current booster which is capable of supplying the current area and planned developments.



Schematic showing network



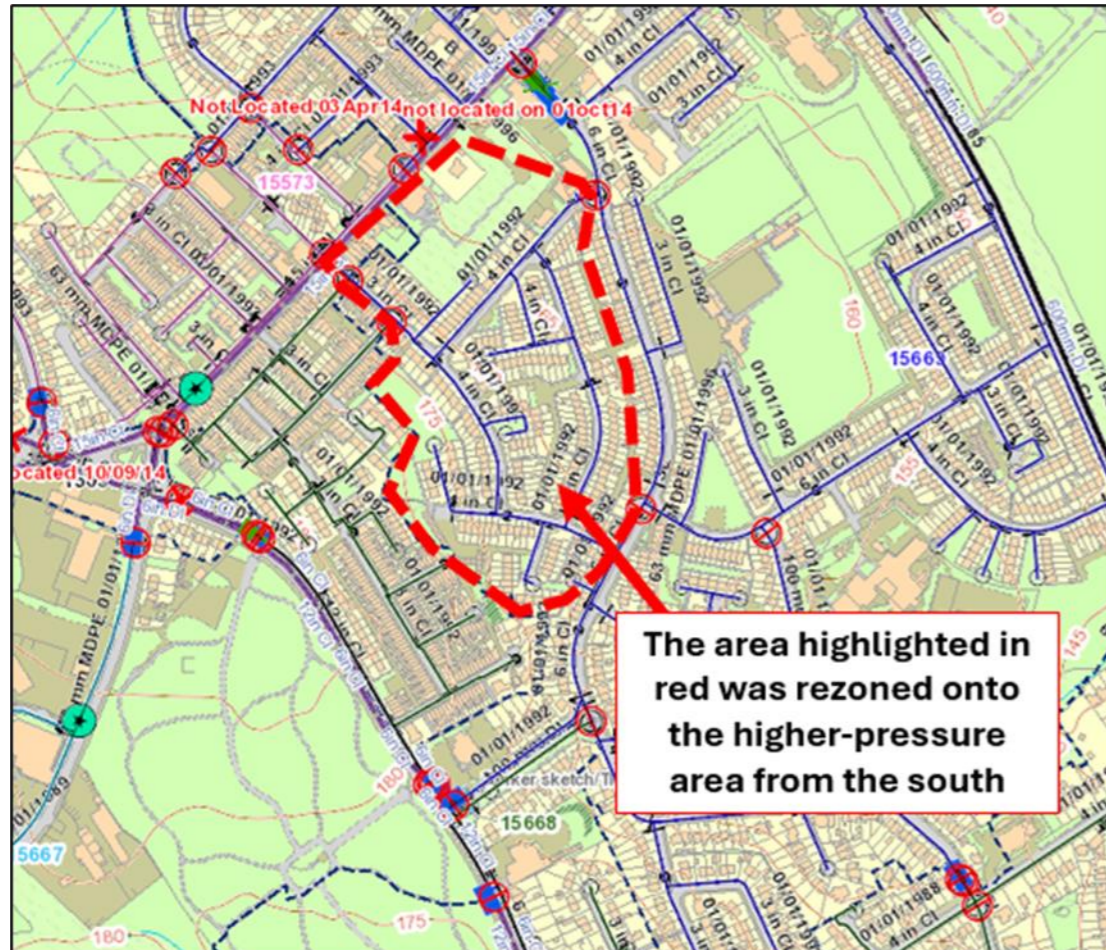
New LoS pumping station.

This scheme has resolved 11 QPR properties and removed the low pressure risk to 887 properties.

[APR data tables can be accessed through the Regulatory Library on our website](#)

Brittle Place, Smallthorne – Operation rezone to resolve low pressure.

An area of Smallthorne in Stoke-on-Trent was receiving low pressure, to resolve the low-pressure issue approximately 260 properties were rezoned onto the adjacent hydraulic area which had higher pressure. This rezone is shown on the plan below.

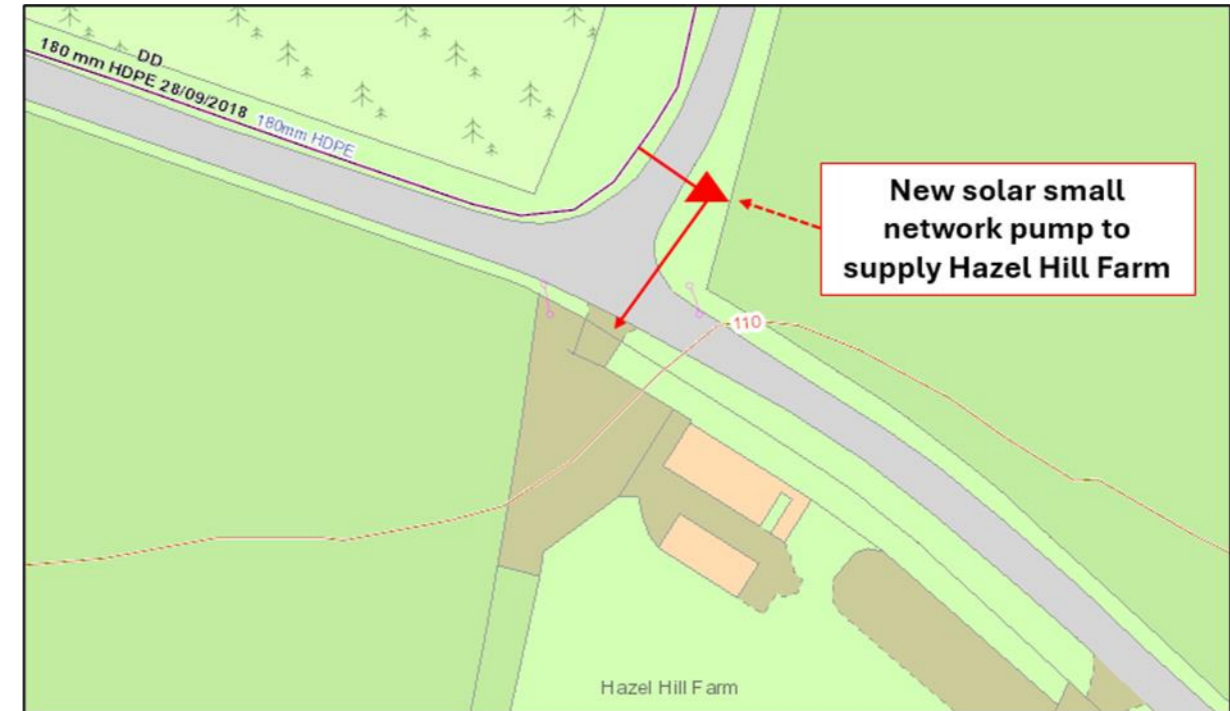


Network map

This two phase scheme has resolved a total of 165 QPR properties and removed the low-pressure risk to 39 properties.

Wing Solar Small Network Pump ('SNP')

A single property was receiving low pressure on the outlet of Wing Service Reservoir, the elevation of property means suitable pressures cannot be maintained from the reservoir. Due to the small demand / aspect of the site it was suitable for a solar SNP was installed, as shown below.



Network map



New pump and kiosk

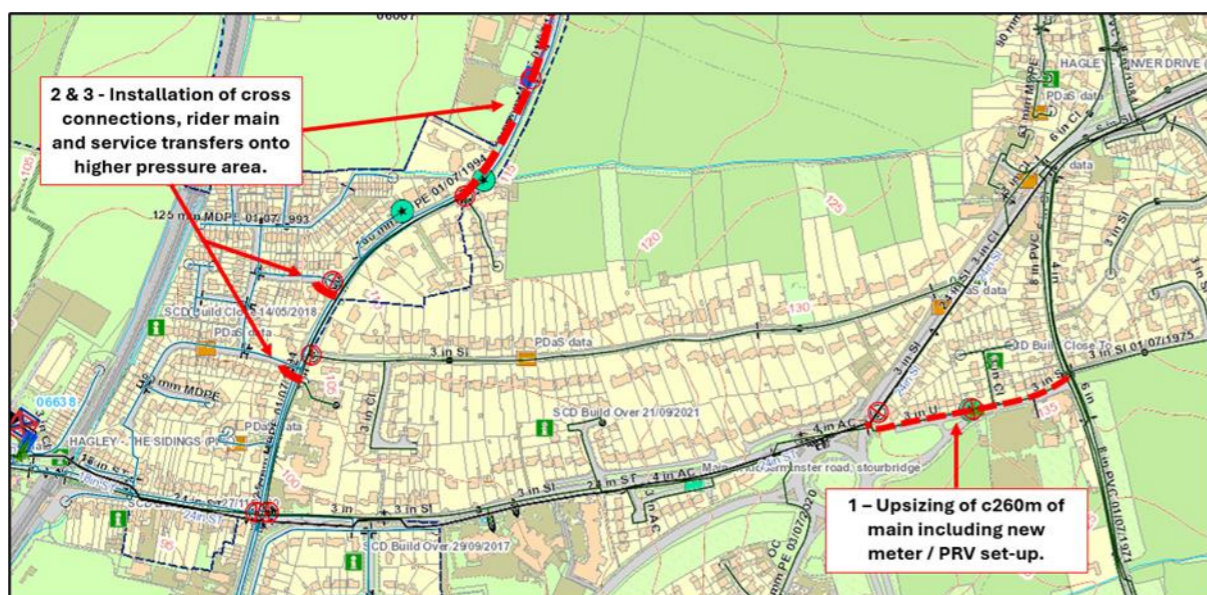
This scheme resolved persistent low-pressure issues to one property.

[APR data tables can be accessed through the Regulatory Library on our website](#)

Worcester Road, Hagley - Mains upsizing, cross connections, rider mains and service transfers.

This area was subject to head losses within the DMA leading to poor pressures. Upgrading the current network would have been not cost effective, therefore an alternative solution was progressed:

1. Upsizing of c.260m of 3" main to c.150mm including new meter and PRV set-up, to create capacity for rezoning.
2. Installation of cross connections and a new rider main to enable properties to be transferred to adjacent higher pressure area.
3. Service transfer of several elevated properties.



Network map

This scheme has resolved two QPR properties and two critical 'At Risk' properties with the capability of further rezoning to remove further 'At Risk' properties in due course if required.

G09 ABSTRACTION INCENTIVE MECHANISM (AIM)

We have two incentive rates for our Abstraction Incentive Mechanism ('AIM') PC, one for each site included within the PC (Highgate and Dunhampton). As a result, the PR19 ODI Performance Model does not calculate an ODI payment for this PC. Therefore, we have manually calculated the appropriate ODI payment and applied this through an override in the 'Company_PC_inputs' tab of £0.003m. This reflects our outperformance against this PC of 21 MI for the Dunhampton site against a PCL of 0 MI for 2023/24.

C03 BIODIVERSITY

Our customers and stakeholders support action on biodiversity

Our customers supported a stretching approach to biodiversity at PR19:

- Spontaneously, biodiversity was not a front-of-mind issue for our customers at PR19. However, when we asked them about a "core" or "stretching" approach to biodiversity there was a high level of support for a stretching approach linked to spontaneous beliefs about the importance of the environment.
- Customers supported partnerships with NGOs and wildlife trusts.
- In our in-depth interviews with large non-household customers we found that the environment and biodiversity were important themes.

Our Customer Challenge Group, the Water Forum¹, insisted on a biodiversity ODI at PR19:

- "We have continually challenged on environmental issues [...] and insisted on the inclusion of an ODI on biodiversity"
- "The sub group challenged the company to adopt a more ambitious target to improve the biodiversity of both land under management by the company, and by partners engaged in action associated with the action plan. This ambition was underpinned by the adoption of an agreed Willingness to Pay value [...] The company agreed to adopted (sic) more ambitious targets and a stronger incentive framework."

A significant contribution to Defra's draft target

Defra consulted on environmental targets in May 2022. In relation to biodiversity Defra proposed to:

"Create or restore in excess of 500,000 hectares of a range of wildlife-rich habitats outside protected sites by 2042, compared to 2022 levels"

We have **now created over 11,500 hectares** of land managed in accordance with a biodiversity action plan (which is approved by a registered environmental body) in four years i.e. over 2% of the target for the whole of the UK over the next 20 years.

The biodiversity ODI enhances and maintains biodiversity

The PR19 final determination² defines Severn Trent's biodiversity ODI as "The number of hectares of land managed in accordance with a biodiversity action plan which is approved by a registered environmental body".

¹ https://www.stwater.co.uk/content/dam/stw/about_us/pr19-documents/water_forum_report_2018.pdf

¹ [PR19-final-determinations-Severn-Trent-Water-Outcomes-performance-commitment-appendix.pdf](https://www.ofwat.gov.uk/pr19-final-determinations-Severn-Trent-Water-Outcomes-performance-commitment-appendix.pdf) (ofwat.gov.uk)

APR data tables can be accessed through the Regulatory Library on our website

The **Performance Commitment Levels (PCLs)** increase by 190.5 hectares each year because they require us to maintain the existing hectares we have enhanced in previous years and add 190.5 hectares of land managed in accordance with a biodiversity action plan each year.

Performance commitment level	Unit	Company forecast	Committed performance level				
		2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Number	NA	190.5	381.0	571.6	762.1	952.6

For there to be an ongoing biodiversity benefit **we need to enhance and maintain the hectares of land managed**. This requires us and our partners to make sure the appropriate maintenance activities are part of each scheme. In August 2020 Severn Trent Water CEO Liv Garfield and Ofwat Executive Director Aileen Armstrong clarified by email that to include hectares created in previous years in our annual performance total we need to ensure that these continue to be maintained.

The annual calculation used is:

Total hectares of land managed in accordance with a biodiversity action plan = land under biodiversity management on 31 March + new additions to enhancement during the year - land ceasing to be under management - any Sites of Special Scientific Interest ('SSSI') in our region we negatively impact.

In 2023/24 we have increased the land under biodiversity management as outlined in the table below:

	Biodiversity (water)	Biodiversity (wastewater)
Land under biodiversity management on 31 March	5408.4	2319.1
New additions to enhancement during the year	2736.5	1252.1
Land ceasing to be under management	- 109.0	- 52.9
Any SSSI in our region we negatively impact	- 0.1	- 0.1
Total	8035.9	3518.2

Environmental bodies sign-off the biodiversity management

For each biodiversity scheme (excluding Water Industry National Environment Programme and Severn Trent Environmental Protection Scheme projects) there are two stages of sign-off by a registered environmental body (pre-approval and sign-off):

- **Pre-approval** – confirmation they agree that if the project is implemented it will benefit biodiversity over the specified area and qualifies as a deliverable under the performance commitment.
- **Sign-off (project delivery)** – confirmation that they agree the project has been successfully completed and we can claim the area towards the biodiversity ODI. Before-and-after photos are used as proof of completion; **or**
- **Sign-off (active management)** – confirmation that they agree the project has continued to be managed since being successfully completed in a previous year.

The environmental bodies that have carried out pre-approval and sign off for Severn Trent are shown overleaf.

In 2022 we introduced a Biodiversity Sign-off Panel made up of Environmental practitioners from organisations such as Natural England and the EA, as well as academics from the industry to review our grant scheme projects.

ENVIRONMENTAL BODIES SIGNING OFF BIODIVERSITY MANAGEMENT IN 2021/22



Biodiversity Panel Sign Off

To aid the sign off process and provide additional assurance, in 2023/24 we have continued a panel based sign-off process, reviewed and agreed with Jacobs. Utilising impartial academics and regulator ambassadors to review our grant scheme portfolio and sign off on biodiversity improvements.

The panel consists of a minimum of five members for each review session, for the projects reviewed in 2023/24 the active members were:

- **Penny Anderson:** Over 50 years' experience setting up her own ecology consultancy, now retired but a founding member and active Fellow member of CIEEM (Chartered Institute of Ecology and Environmental Management), including winning the prestigious CIEEM medal in 2015. Penny is a renowned expert on British ecology.
- **Geoff Nickolds:** Decades of experience working in biodiversity and ecology including being a member on many committees and advisory boards including an EA Committee, Forestry Commission Regional Advisory Committee for the East Midlands and is a trustee of the Trent Rivers Trust. He has been a member of the National Trust Midlands Regional Advisory Board and of the Trust's National Council. He also works as an independent Conservation, Access and Recreation consultant.
- **Cathy Beeching:** Biodiversity Officer at the EA
- **James Hobson:** Environmental Programme Manager at the EA
- **Karyn Haw:** Senior Advisor at Natural England

The panel had access to all evidence documents and attended discussion meeting to dissect each project put forward for review. In some cases this involved the Biodiversity and Ecology team obtaining additional information from Partners or delivery teams to enable sign off:

- 100% of grant scheme projects were reviewed by the panel.
- All other projects were assessed through the existing process utilising impartial contacts from environmental NGOs and regulators to review and sign off.

[APR data tables can be accessed through the Regulatory Library on our website](#)

Project benefits from Y1-3 projects

All projects delivered in 2020/21, 2021/22 and 2022/23 have been checked on to ensure that the maintenance of the benefits is going ahead and to support where needed. Although projects are classed as completed in the year that they are delivered, the true benefits are only realised once the improvement has chance to naturalise and mature.

A random 15% sample of all projects were subject to an in person audit to check on maintenance and the rest was contacted digitally to ask for maintenance confirmation and evidence.

We have a rigorous assurance process

We understand how critical it is that our performance commitments are delivered true to the views of our customers and stakeholders, as reflected in our PR19 Final Determination.

Therefore our approach to assurance is robust as follows:

We apply **three lines of assurance** to our performance reporting to make sure the process is being applied correctly and that the resulting outputs reflect genuine performance improvements.

Our approach to first-line assurance

For partnership projects:

- All projects are checked at the proposal stage to ensure: maps match the hectares we claim to be improving; the project will produce a habitat improvement for biodiversity; and the partner/Severn Trent project manager has complied with any legal and regulatory obligations.
- All projects are subject to 'check-ins' throughout the year. For our Nature Delivery Partners, this is quarterly, for our grant scheme projects, this is done by email check-in at mid-year and full year.
- All evidence submitted by partners is checked by the Severn Trent expert. Maps are checked to ensure the area claimed is correct and photos are representative of the work completed according to the agreement.
- A random sample of 30% of projects completed in a year are subject to a site audit.
- A random sample of 15% of all projects in active management - from previous years - are subject to a site audit.

For Severn Trent Environmental Protection Scheme ('STEPS') and Phosphorus ('P') reduction projects:

- For all STEPS applications and P-reduction applications being claimed against the ODI (not in ongoing maintenance) – the advisors check all the project documentation and complete a validation form on site with the farmer and collect any outstanding evidence required.
- For STEPS and P-reduction projects a random 10% sample of all previously completed works will have a site visit undertaken by an agricultural advisor. These checks are then reviewed by a catchment scientist.
- For all other previous applications not in the random 10%, all second-year evidence is sent in by the farmers, the advisors check it, and if more information is needed they liaise with the farmers to get the appropriate evidence.

Our approach to second-line assurance

For partnership projects:

- Projects are pre-approved by an independent environmental organisation.

- Projects are reviewed and signed-off by the same independent environmental organisation on completion (except for four cases where due to availability a different impartial environmental organisation signed off).

For STEPS projects:

- All STEPS biodiversity options are set options with set prescriptions. All these options have been pre-approved by Natural England. They do not require sign off provided they have been completed in line with the prescription (covered by the first-line assurance processes).

During year 3 we set up a **review panel** consisting of Natural England, the EA and members of CIEEM to deal with the growing number of projects in active management requiring sign off. This allows us to maintain our credible, independent sign off process with a high volume of projects. In 2023/24 the panel has been used for sign-off of smaller scale grant scheme projects.

Our approach to third-line assurance

- All biodiversity data is subject to third-line assurance by an external auditor which includes a review of the process and sample tracing data back to source.

Jacobs assessment for 2023/24

- Jacobs has assured our reported APR24 numbers for biodiversity and scored them an 'A' for quality (i.e. No weakness in the reported performance).
- An A was also achieved for the process audit which took place in March 2024.

[APR data tables can be accessed through the Regulatory Library on our website](#)

G02 LEAKAGE

RAG compliance checklist

Ref	Component / Element	ComponentR/A/G	Element R/A/G	Confidence grade
1	Coverage			A2
1a	95% of all properties have continuous night flow monitoring through the year			A2
2	Availability			A2
2a	At least 90% of all properties within continuous night flow monitoring networks available for reporting night flow data through the year			A2
3	Properties			A2
3a	All properties mapped to defined zones or DMAs using geo-location or similar methods			A2
3b	Consistency of property numbers contained within DMAs or zones with company billing system. Valid differences explained			A2
3c	Properties that are defined as void excluded from night use allowances unless evidence for use or losses from illegal occupation is available			A2
3d	Leakage allowance applied for properties not within DMAs or monitored zones consistent with other leakage estimates			A2
3e	Property data updated at least annually			A2
4	Night flow period and analysis			A2
4a	Night flow data frequency at least every 15 minutes			A2
4b	Leakage derived from a fixed period during the night of at least a one hour period and up to two hours			A2
4c	If the fixed period is varied during the year for some or all DMAs or zones to address significant changes to night use patterns such as during Ramadan evidence for this is provided.			A2
4d	Leakage allowance applied for properties not within DMAs or monitored zones consistent with other leakage estimates			A2
4e	Data infilling for a single DMA or zone does not use more than six months of historic data before moving to area average			A2
4f	Data infilling where historic data is not available uses the area average in which the DMA is located			A2
4g	When a DMA is restored to operability, the subsequent leakage data is used to retrospectively update the data infilling interpolating between pre- and post- data over at least one month			A2
4h	Where NHH properties are continuously monitored, the actual values of flow over the night flow period are used in place of estimates within the night flow analysis			A2
4i	Weekly leakage estimates are used for annual reporting with no exclusions for summer months			A2
4j	Negative leakage values are used in compiling values of annual average leakage			A2
4k	The reasons for any prolonged periods of negative leakage are investigated and explained.			B4
5	Household night use			A3
5a	The time period for HHNU is the same time period as used for night flow and NHHNU			A3
5b	Own data or shared data with Proximate companies is used for HHNU			A3
5c	Plumbing losses are included and based on own data			A3
5d	Evidence that survey is representative (based on demography, property type or other factors) of the company as a whole			A3
5e	Sample size is sufficient to capture continuous and intermittent night use with reasonable confidence			A3
5f	Continual monitoring and maintenance of IHM and SAMs monitors			A3
5g	HHNU is derived daily with regular, adjustment of values on a weekly or monthly frequency to reflect actual seasonal use. This may be done retrospectively			A3
6	Non household night use			B4
6a	The time period for NHHNU is the same time period as used for night flow and HHNU			B4
6b	Own data or shared data with proximate companies is used for NHHNU			B4

6c	1999 UKWIR methodology with the appropriate time window as used for the night flow and the published outcome of further methodology development is applied			B4
6d	Stratification of non-households to a number of groups and consumption bands is representative of the varying characteristics of commercial and industrial properties			B4
6e	Sample size is sufficient to capture night use by stratification with reasonable confidence			B4
6f	Reliable and representative average billed volume (ABV) model based on data logging of the Representative sample sufficient to capture demand variations with further seasonal logging where relevant. Continuously logged properties not part of the sample			B4
6g	ABV model linked to billing system or Replacement database of billed volumes. Average billed volumes updated at least annually			B4
6h	Continuous monitoring of selected non-households is carried out where average demand of an individual non-household has a material impact on the ability for a DMA or zone to provide valid and consistent data within operability limits			B4
7	Hour to day conversion			B4
7a	The hour-to-day factor is derived separately for each DMA or zone using pressure logging within each DMA or zone. The factors are updated at least annually or where there are any significant changes to pressure regimes			B4
7b	As an alternative, hydraulic models reflecting latest network configuration and pressure changes, are used if they disaggregate in sufficient detail at sub-zone level			B4
7c	Evidence based N1 value used. Expected range is 1.0 to 1.20			B4
8	Annual distribution leakage			B4
8a	Average weekly data is derived from valid daily values of leakage using data points which are representative of the week. Backfilling using the methods described in Section 5.4 – night flow analysis – is done when valid data is not available for three or more data points			B4
8b	The annual value of leakage expressed as MI/d is being derived from an average of the 52 week data			B4
9	Trunk main losses (only applicable if DMA level leakage assessment used)			C5
9a	Company-specific data is used to assess the value of trunk main leakage			C5
9b	Reactive leakage monitoring approach applied where trunk main losses form a significant element of total leakage or the MLE water balance gap is greater than +/-2%			C5
9c	If trunk main losses greater than 5% of total leakage estimates reviewed annually			C5
10	Service reservoir losses (only applicable if DMA level leakage assessment used)			C5
10a	Company-specific data is used to assess the value of service reservoir losses			C5
10b	Reservoirs with known high leakage, structural deficiencies or at risk of water quality failures are investigated on an individual basis			C5
10c	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			C5
11	Distribution input			B2
11a	Distribution input to the system is metered with at least daily readings at all defined locations			B2
11b	Meters are appropriate size for the flow to be measured and located at appropriate inputs to the network confirmed by record plans. Any treatment works take-off downstream of a meter are excluded from the DI calculations			B2
11c	Data validity checks are carried out at least monthly			B2
11d	Missing data is infilled using both pre- and post- data for the location over at least one month, extrapolated from pump hours or use of upstream or downstream meters			B2
11e	The data transfer systems from meter output to central database are checked and validated on a risk based frequency from one up to two years			B3
11f	Flow checks are carried out on DI meters consistent with the principles of the document 'EA Abstraction Good Metering Guide' and in particular the frequency of flow checking defined in Table 6.2 of the EA guide			B3
12	Measured consumption			A3
12a	Metered data is derived from own billing system or from CMOS for non-households			B2
12b	Estimate of supply pipe losses is included for internally metered properties consistent with own current assumption of supply pipe losses			B2
12c	Inclusion of any leakage allowance is included where a rebate has been applied to a customer's bill			B2
12d	Meter under registration is applied consistent with own estimates. Evidence of MUR available especially for MUR above 3%			B2

APR data tables can be accessed through the Regulatory Library on our website

12e	Meter replacement consistent with own replacement programme			B2
13	Unmeasured consumption			B2
13a	Monitors follow principles set out in the UKWIR Report 'Best Practice for unmeasured per capita consumption monitors 1999' and the more recent report 'Future Estimation of Unmeasured Household Consumption', UKWIR 2017			B2
13b	Consumption is derived from own individual household monitor or small area surveys			B2
13c	Evidence that survey is representative (based on demography, property type or other factors) of the company as a whole; Valid data available from at least 80% of monitors as an annual average measure			B2
13d	For companies using SAMs – SAM comprises a representative sample of customer' characteristics. The sample size is sufficient to provide a statistically representative sample after allowing for outages. Where the proportion of metered properties in an area exceeds 50% of total properties then further data validity tests are applied For companies using IHMs – IHM comprises representative sample of customer characteristics. The sample is at least 1,000 properties			B2
13e	Uncertainty allocated to unmeasured household consumption is estimated and justified			B2
13f	There is continual monitoring and maintenance of IHMs and SAM monitors			B2
13g	Meters are selected to provide sufficient granularity to detect low continuous flows indicative of plumbing losses or leakage short duration flow variations. The value of meter under registration is less than the company's average meter stock			B2
13h	Estimate of plumbing losses is based on own data			B2
13i	Where unmeasured non household reported volume is less than 2% of total non household demand, data from a per property consumption study is refreshed every five years			B2
13j	Where unmeasured non household reported volumes are greater than 2% of non-household demand, data from a property study is refreshed every two years			C4
14	Company own water use			C4
14a	All sewage treatment sites and other sites and assets supplied downstream of the DI meters using greater than 10 m ³ /d (0.01 MI/d) are metered			B4
14b	An estimate of total company own use is included in the water balance, based on a clear methodology and actual data			B2
14c	Estimate of distribution operational use is evidence based and not greater than 0.6% of distribution input.			B4
15	Other water use			B4
15a	Other use components are based on own data			C5
15b	Estimate of water delivered unbilled (legally and illegally) is evidence based and not greater than 1.8% of distribution input			C5
15c	Estimates are updated when there is a material increase or decrease to volumes			C5
16	Water balance and MLE			C5
16a	Fully measured components have a range from 2% to 4%			B4
16b	Mainly measured with some estimated adjustments have a range from 2.5% to 5%			A2
16c	Estimated using detailed and reliable methods have a range from 8% to 12%			B2
16d	Broad estimates not fully detailed or reliable have a range from 20% to 50%			B3
16e	Water balance discrepancy <2% = G >2% and <3% = A >3% = R			C5

2a	Definition of household / non-household consistent with eligibility under market separation			A2
2b	Evidence of void properties updated annually			A2
2c	Property figures annually updated			A2
3	Measured household consumption (Based on leakage PC RAG elements)			A2
3a	Metered data is derived from own billing system			A2
3b	If leakage allowances are applied the process and evidence for this is clearly set out			A2
3c	Average SPL deductions for externally metered households using company own data updated annually			A2
3d	Company own estimate of MUR for revenue meters which is updated annually			A2
3e	Meter replacement consistent with own replacement programme			A2
4	Unmeasured household consumption (Based on leakage PC RAG elements)			A3
4a	Monitors follow principles set out in the UKWIR Report 'Best Practice for unmeasured per capita consumption monitors 1999' and the more recent report 'Future Estimation of Unmeasured Household Consumption', UKWIR 2017			A3
4b	Consumption is derived from own IHM or SAM or evidence to support other method appropriate for high meter penetration companies			A3
4c	Evidence that survey is representative (based on demography, property type or other factors) of the company as a whole; Valid data available from at least 80% of monitors as an annual average measure.			A3
4d	For companies using SAMs - SAM comprises a representative sample of customer' characteristics. The sample size is sufficient to provide a statistically representative sample after allowing for outages. Where the proportion of metered properties in an area exceeds 50% of total properties then further data validity tests are applied For companies using IHMs – IHM comprises representative sample of customer characteristics. The sample is at least 1000 properties.			A3
4e	Uncertainty allocated to unmeasured household consumption is estimated and justified			A3
4f	There is continual monitoring and maintenance of IHMs and SAM monitors			A3
4g	Meters are selected to provide sufficient granularity to select low continuous flows indicative of plumbing losses or leakage short duration flow variations. The value of meter under registration is less than the company's average meter stock			A3
4h	Estimate of plumbing losses is based on own data			A3
4i	Where unmeasured non-household reported volume is less than 2% of total non-household demand, data from a per property consumption study is refreshed every five years			D6
4j	Where unmeasured non-household reported volumes are greater than 2% of non-household demand, data from a property study is refreshed every two years			D6
4k	Company own estimate of MUR for monitor meters which is updated annually			A3
4l	Meter replacement consistent with own replacement programme			A3

G03 PCC

RAG compliance checklist

Ref	Component / Element	Component R/A/G	Element R/A/G	Confidence grade
1	Household population estimates			A2
1a	Household population derived using WRMP methodology			A2
1b	Evidence for adjustments for clandestine population if any			A2
1c	Household population updated annually			A2
1d	Exclusion of non-household population in accordance with WRMP methods			A2
2	Household property Estimates			A2

APR data tables can be accessed through the Regulatory Library on our website

G05 UNPLANNED OUTAGES

RAG compliance checklist

Ref	Component / Element	Component R/A/G	Confidence grade
1	PWPC		A2
1a	Annual Review		A2
1c	PWPC by production site		A2
1d	Water resource zone PWPC		A2
2	Asset failure/Unplanned outage		B2
2a	Source data		B2
3	Planned outages		B4
3a	Source data – Programme of works		B2
4	Duration		A2
4a	Start time		A2
4b	End time		A2
5	Reduction in capacity		B2
5a	Reduced capacity		B2
5b	Total Outage		B2

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

Year ended 31 March 2024

C05 - SATISFACTORY SLUDGE USE AND DISPOSAL

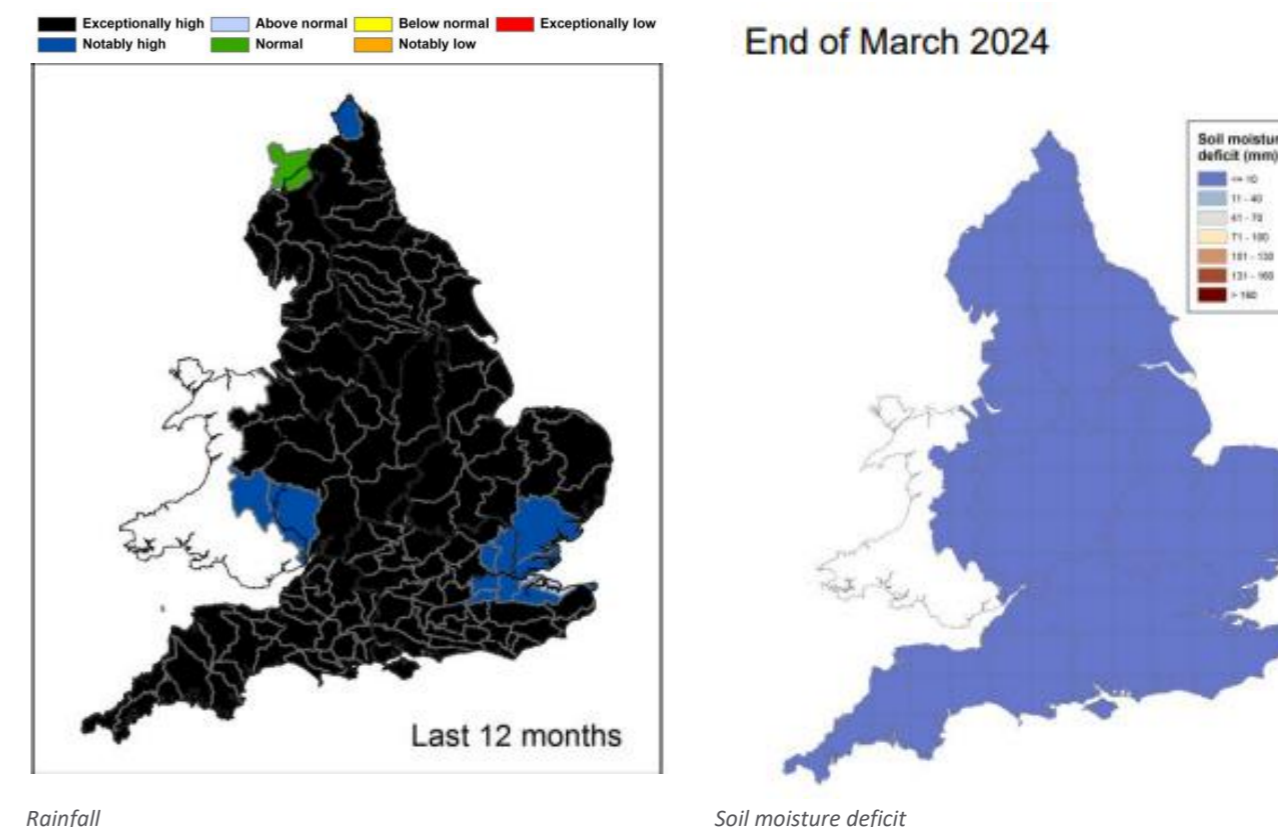
Severn Trent can confirm that our reported performance for this PC complies with EPA version 3.

F01 – INTERNAL SEWER FLOODING

Soil saturation, impacted by exceptionally high rainfall offset by prioritised response times

In what the EA called an ‘exceptionally high’ year, as reported in their March 2024 Water Situation report³, we saw rainfall increase by 41% from the previous year in our region.

In the same report, they stated that “It has also been the wettest 6 month period for central England as well since 1871.” And “Soil moisture deficit throughout the country have remained close to zero since October 2023.”



Rainfall

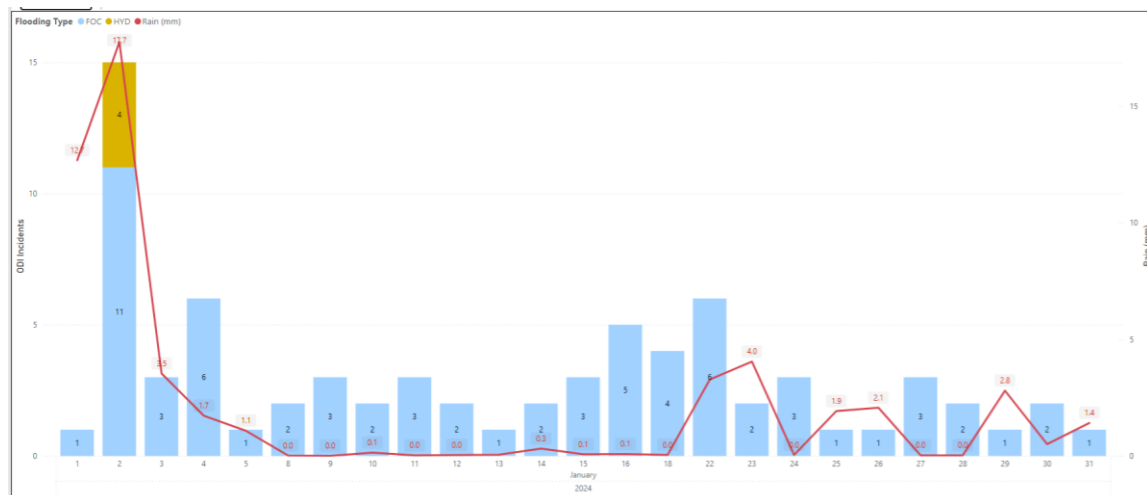
Soil moisture deficit

It has been a challenging year for our sewer flooding performance as our wastewater network teams have battled one of the wettest years on record with 10 named storms bringing heavy rainfall and flash floods between September and March. When it rains heavily or for an extended period, the extra water can overwhelm sewer networks (hydraulic overloading). This overload can cause sewers to back up which can then lead to sewer flooding.

³ [Water situation report England March 2024 \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

APR data tables can be accessed through the Regulatory Library on our website

As a result, we saw a significant increase in hydraulic internal floodings this year. As can be seen in the below graph for January 2024, when there is a direct correlation between the number of internal floodings due to hydraulic overloading when there is increased rainfall.



This was partly offset by fewer floodings caused by other reasons which reduced by 3% compared to the previous year, resulting in an overall increase of internal sewer floodings of 2% from 2022/23.

Other causes of flooding

Our goal is to attend an internal sewer flooding report within 2 hours and report it within 4 hours; therefore, despite the increase in demand, we prioritised these jobs above all others; ensuring customers’ homes are restored as soon as possible. In addition, reducing floodings relies on our continued long-term focus which is on track.

We continued to fit non-return valves (‘NRVs’) in the public sewer or at the customers property to prevent the public sewer from backing up when full to a particular location when the network is reaching capacity, thus avoiding flooding to an individual property or a larger area. At least 50 were fitted in FY23/24, with around 350 fitted so far this AMP.

So far this AMP we have mitigated 982 properties by continuing to install more flood mitigations in customers properties, such as air bricks and flood gates.



Garage barrier install



Double Flood Gates



Air Brick Install

Hydraulic flooding

Hydraulic flooding issues are often complex. We design the best solutions from a range of techniques:

- Sewer upsizing
- Online and offline storage
- Catchment transfers

- SuDS and Surface water features

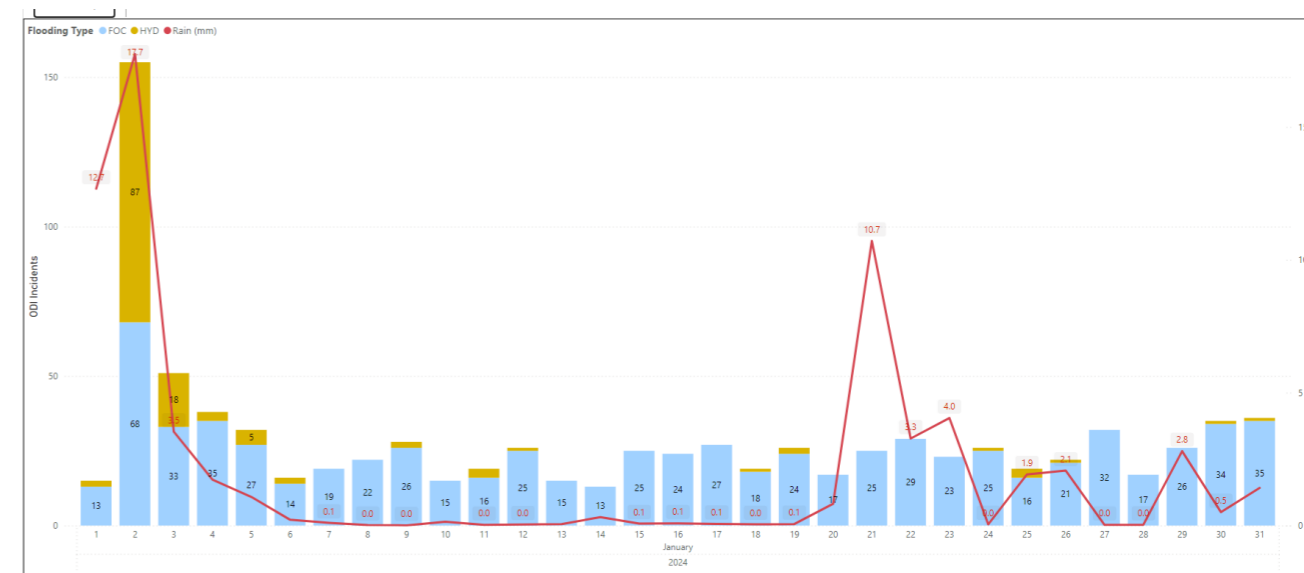
So far this AMP we have invested £69.2m on schemes to protect homes from hydraulic flooding, and completed 23 hydraulic flooding capital schemes.

F05 – EXTERNAL SEWER FLOODING

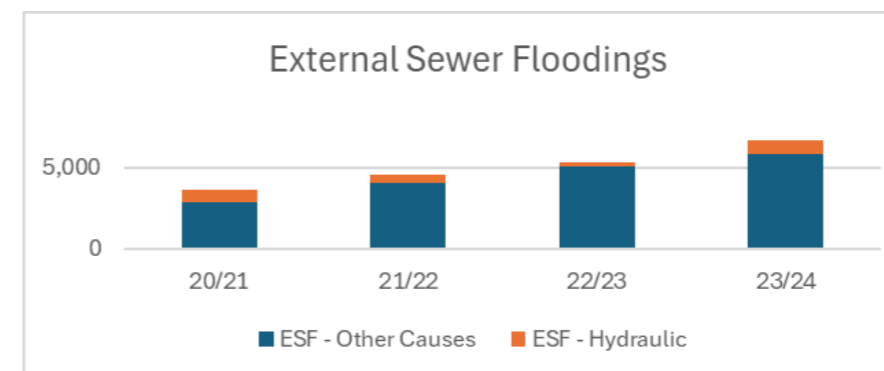
Hydraulic causes of floodings are linked to rainfall

The latter part of 2023 and early 2024 was characterised by sustained periods of significant rainfall, with 10 named storms (between September and March), notably October when Storm Babet delivered the Midlands’ wettest three-day period on record, and close to 30% of rivers gauge stations in our region recorded their highest ever levels.

As with internal sewer floodings, hydraulic external floodings correlate with high periods of rainfall; the below chart shows January 2024 impact. Despite a relatively dry month, due to the preceding months where soil saturation was very high, any additional rainfall puts pressure on network.



The result was more than 2.5 times the previous year’s hydraulic related external sewer floodings. We also saw an increase in floodings due to other causes.

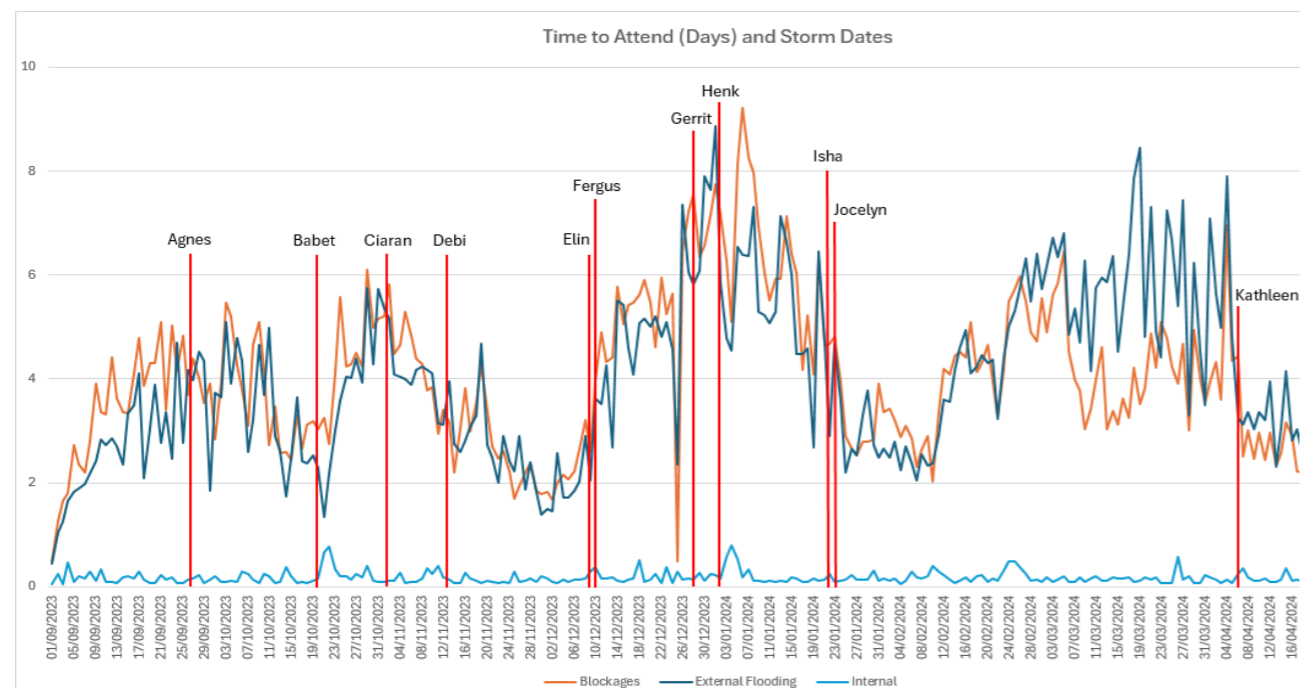


Other causes of external floodings

During the transition period of insourcing our reactive sewer services, we have seen the time to attend new demand that is flagged as external sewer flooding increase. We know that the longer it takes to attend a reported flooding, the more likely it will be confirmed as an incident. Demand spikes during significant wet

[APR data tables can be accessed through the Regulatory Library on our website](#)

weather periods which result in higher volumes of jobs to attend. Our time to attend ('TTA') and work in progress ('WIP') are both internal KPIs we measure every day. We are now fully insured and resourced, and anticipate our WIP volumes and TTA these jobs will improve over the next 12 months.



The root cause of all external non-hydraulic floodings remains consistent throughout the AMP with 93% due to blockages and 5% due to collapses. However, we have seen fewer blockages this year which have not translated to a lower volume of floodings due to blockages. This is because a large proportion of the blockage reduction was driven by improved front-end triage which resulted an increased number of blockages being identified as private. See section F06 for more details.

Transition year following insourcing reactive crews and back-office support

We re-negotiated the Waste Networks contract, mid contract, to bring in house the planning and scheduling, customer management and customer operations activities; in excess of £20m contract spend a year. With c.400 people brought in across the areas and new roles created such as 20 dedicated Customer Delivery Managers, the final teams on-boarded in September 2023 and are now upskilling within our organisation.

In addition to insourcing the people, we:

- Purchased £8.7m of second-hand HGV vehicles from our contract partners (new ones have a c.2yr lead time)
- Arranged to lease 63 vans until 72 of our own, brand new vans are available (£27m on new vans)
- Spot hired 50 Company Cars and Supervisor vans
- Spent £2m on kit, equipment, PPE, MAM units, phones, laptops to mitigate aborted work because of missing kit and to support live working.

Our approach to assurance

We have made a methodology change where flooding from an asset that used to be external to the property but is now within the building will be reported as an external flooding event. This change is specifically where building regulations have not been followed when properties were built or where assets were built

over. If regulations were followed, then these assets would be classified as external and not internal. 66 incidents were moved from internal floodings to external floodings.

Internal flooding is defined as flooding which enters a building or passes below a suspended floor. Flooding from an external asset within an internal area e.g. extension built over an external sink gully, shall be classed as external flooding. See examples below:



Crew have been shown to conservatory in the rear of the property that has been built. Customer has left external gully open which has flooded out. As per amendment, this is an external asset and therefore classified as external flooding only.



Crew shown to manhole extension at side of shop with EOS. Manhole is an external asset and has not been sealed when owner/resident has built over it. External flooding only.

Across all three flooding measures (internal, external and public sewer flooding) due to the very wet winter and with 10 named storms affecting our region, we saw a significant increase in the volume of flooding reports. This resulted in the need for additional assurance activity to correctly determine the categorisation of the flooding cause in accordance with the reporting guidance.

We adapted our approach to verifying hydraulic incidents recorded during the key storms this year to accommodate the volume increase. We assigned additional dedicated resource to review and verify public floodings, non-STW surface water and non-STW watercourse incidents following our established processes which included:

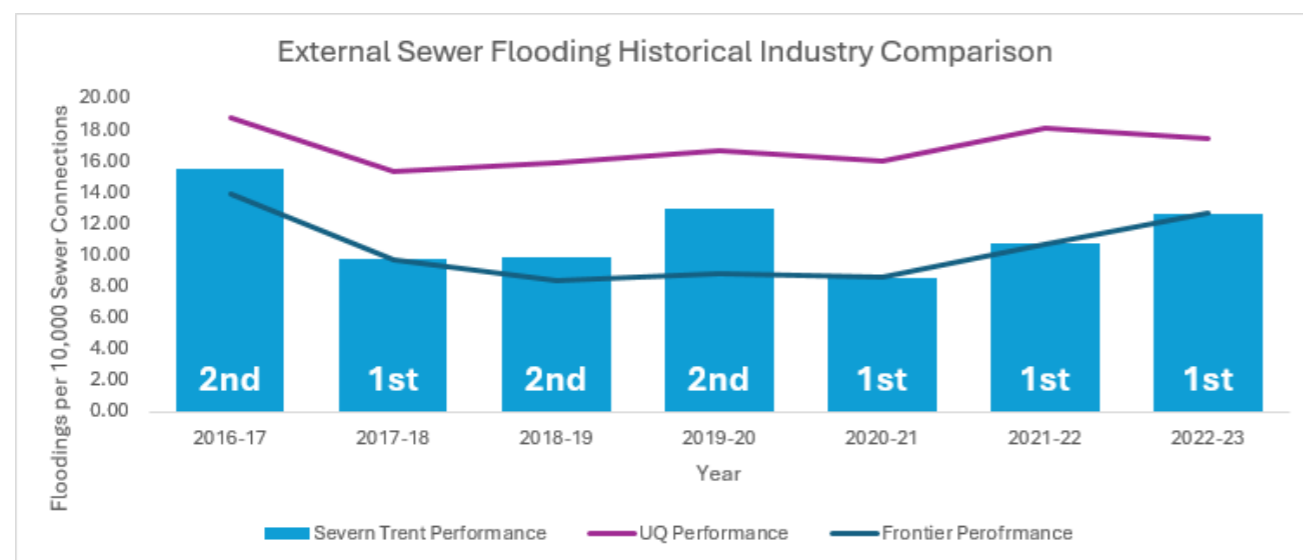
- Assessing the properties where there could be interaction with 3rd party causes, where we extracted properties from the Address Base Premium Dataset that fall within the EA Rivers and Sea Flood Risk Zones (2 and 3) and that are within 50 meters of the Risk of Flooding Surface Water and our Hydraulic Model outputs for a 10 year event.
- Undertook desktop investigations or reviews of local knowledge/photographic evidence.
- Created packs to understand the impact and then assess based on the findings/photos/site visits/ local news sources.

APR data tables can be accessed through the Regulatory Library on our website

This activity assisted in correctly diagnosing if incidents are STW flooding or Non STW flooding in line with the AMP7 reporting guidance.

Continued frontier performance

For external sewer flooding we set clear frontier-shifting targets at PR19 without extra funding. We have a history of delivering sector leading performance on External Sewer Flooding sitting comfortably within UQ and as such our PCLs over AMP7 are hugely ambitious with our PCLs the last couple of years comparable to levels no company has ever achieved. We achieved our PCL in 2020/21 delivering our best ever performance however in the last three years we have unfortunately fallen short of achieving our PCL which has resulted in us returning over £100m to customers through ODI underperformance payments. Despite this, over AMP7 so far, we have remained the frontier company on External Sewer Flooding which we expect to continue for the rest of the AMP and into AMP8.



F06 – SEWER BLOCKAGES

Continued customer education

The main cause of all blockages is due to misuse. This year we have repeated our education topic from year one, on using the wastewater service appropriately. The pledge for this year is to only flush the 3P’s (paper, pee and poo) down the loo and to not pour any fats, oils, and greases (‘FOG’) down the sink.

This is a continuation of our topic in year one, when we gained around 41,000 commitments on waste. In year four we made sure that only commitments gained from different individuals to those who gave those pledges in year one are counted. We are doing this by avoiding year groups that contain children who we educated three years ago and targeting different schools. For more details see B01 – Inspiring our customers to use water wisely.

We have also conducted multiple social media campaigns across multiple platforms which have a wide audience reach.

Our improvement in the reduction of sewer blockages has also been supported by our continuing successful partnership with Environmental Compliance and Services (‘ECAS’). We engage with local food service establishments, by visiting them face-to-face and educating them on best practices when disposing of FOG which turn into blockages; around 400 additional fat traps were installed in 2023/24. We have also recruited

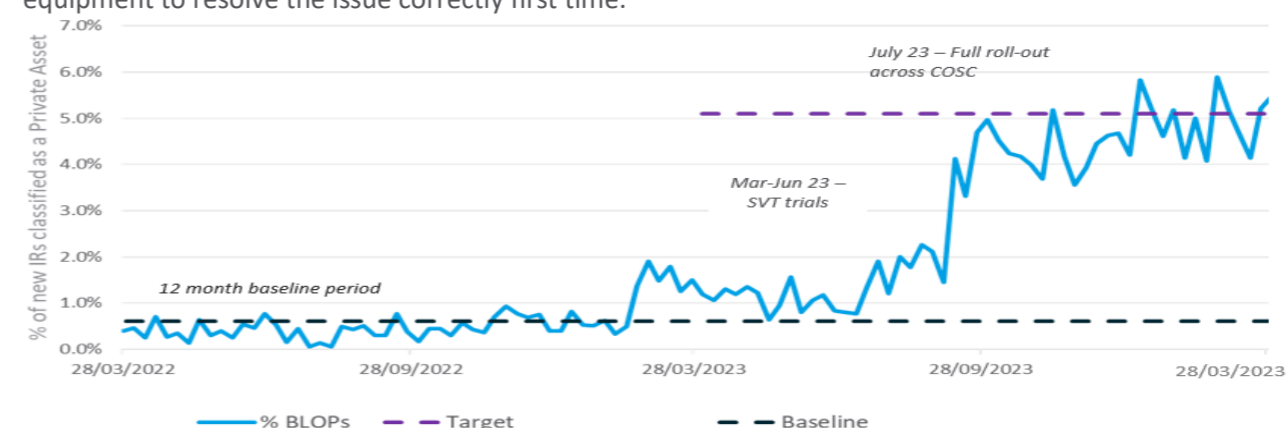
a dedicated team of network protection officers, which has doubled since the end of March 2023, to engage and build relationships within our community and drive further improvements.

We can see that there are far fewer blockages caused by mis-use, especially sanitary wear, since the start of the AMP. More than half of the reduction in total blockages since last year are due to fewer mis-use incidents.

Improved customer triage up-front

Another contributing factor to the 17% decrease year-on-year are changes that we have made to improve our triaging processes on customer blockages when they are first reported to us.

Around 40% of jobs have a high propensity of being private, however less than 1% of blockages were previously identified as private at the point of initial customer contact. Our analysis identified an opportunity to improve our customers’ experience through better up-front engagement with them upon reporting of a blockage, including the use of technology – such as video – to assess the job. Alongside prompt assessment, our newly insourced waste network teams enable us to respond quicker to jobs with the right crew and equipment to resolve the issue correctly first time.



Proportion of non-chase called identified as private

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

Year ended 31 March 2024

D01 – C-MEX

Our annual C-MeX score provided by Accent does not align with line 3C.3 in our submitted PR19 ODI Performance Model. The score provided by Accent was 74.17 but inputs for service and experience were not rounded to two decimal places. When these two inputs are rounded to two decimal places, our annual C-MeX score is 74.18. To two decimal places our service score is 69.15 and our experience score is 79.20.

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

Year ended 31 March 2024

No additional commentary relating to this data table.

[APR data tables can be accessed through the Regulatory Library on our website](#)

3E - OUTCOME PERFORMANCE – NON-FINANCIAL PERFORMANCE COMMITMENTS

Year ended 31 March 2024

No additional commentary relating to this data table.

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

Year ended 31 March 2024

No additional commentary relating to this data table.

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

Year ended 31 March 2024

No additional commentary relating to this data table.

3H - SUMMARY INFORMATION ON OUTCOME DELIVERY INCENTIVE PAYMENTS

Year ended 31 March 2024

No additional commentary relating to this data table.

3I - SUPPLEMENTARY OUTCOMES INFORMATION

Year ended 31 March 2024

No additional commentary relating to this data table.

ADDITIONAL REPORTING REQUIREMENTS

Code	Measure	Commentary
A02	Reducing residential gap sites	Third line assurance of the performance commitment was undertaken by our auditors, Jacobs confirming the Company has rigorous processes that are correctly implemented to identify and bill new properties.
B01	Inspiring our customers to use water wisely	A report to assess the benefits resulting from the performance commitment has been prepared to submit alongside the APR to Ofwat.
D01	C-MeX	We offer a range of contact channels for our customers which exceed the minimum of five channels as set out by Ofwat. Customers can contact us by the following methods: letter, email, telephone, WhatsApp, Livechat, iMessage, short message service ('SMS') and social media (Facebook direct message, X direct message, Instagram direct message).
D02	D-MeX	As part of our year-end assurance activities, we have utilised our standard three lines of assurance processes to ensure that our performance is an accurate reflection against the selected Water UK metrics in D-MeX. We confirm we have not found any material issues as a result of this process.
E02	Priority services for customers in vulnerable circumstances	Priority Service Register ('PSR') reach: The % split across the PSR membership categories A to E is forecast to continue as year 4 end and no changes to the weighting in year 5. The forecast will be reassessed at the end of year 5 to enable sampling of new campaigns and continued PSR activity. PSR data-checking: We monitor for operational purposes PSR membership month on month. Over the year we have had 94,731 customers added and 22,753 removed. Third parties are not utilised to support attempted contact activity at present, as such all activity is direct from Severn Trent Water and reported in our attempted contacts measure.
F08	Green communities	Third line assurance of the performance commitment was undertaken by our auditors, Jacobs, which included confirmation of the adherence to the reporting methodology and as noted by the BEST Moderation Board Action Decision Log, there is no double counting against the Biodiversity or Water Framework Directive PCs for the three schemes being claimed.
G05	Unplanned Outage	Severn Trent Water reports its current Peak Week Production Capacity ('PWPC') in MI/d using telemetry data either from real world max weekly flows or capacity testing. The PWPC for each site is reviewed annually, capacity testing is carried out on 5 year rolling programme using a risk-based approach. Both planned and unplanned outages are subject to assurance checks to confirm start time, end time, total duration and total reduction in production (MI/d) using telemetry data. Sites are then grouped together into water resource zones. Normal water quality operating bands are taken into consideration.
G06	Risk of severe restrictions in a drought	We carried out an update of the 25-year (2020/21 to 2044/45) average risk. This average risk update applied only to the year in question (i.e. not any update to previous years or years after the year in question). The reported risk, as assured externally, remains unchanged from the previous year, and in line with our performance commitment target for Year 4 of AMP7. A balance sheet of supply-demand changes does not accompany this text commentary as there is no change in terms of performance from the previous year or the performance commitment level.
G07	Speed of response to visible leaks	We categorise a leak as significant if it has one or more of three criteria. <ul style="list-style-type: none"> • Categorised as an urgent response at point of contact; • Categorised with one of our six supply interruption job codes at point of contact; and/or • Repaired using a '2 hour urgent' notice with the council (also known as a 2U or 2E notice). After exclusions, the number of leaks that fell into the significant category was 6,786. The number of leaks that fell into the non-significant category was 4,397. <p>If a leak does not meet any criteria to be classified as 'significant' then the leak will fall into the 'non-significant' pot. We do not categorise the non-significant pot any further. Other than they are not an urgent response, nor a supply interruption, nor were repaired using an urgent notice. As the manual exclusions are such a small number and we categorise the majority of leaks as significant. In line with our reporting definition, we exclude 'non-2U' customer reported, network leaks that require a third party to provide special or unusual permission or where a third party's equipment needs checking, supporting, isolating or removing to make it safe for us to repair the leak.</p>

APR data tables can be accessed through the Regulatory Library on our website

G12	Increasing supply capacity	Third line assurance of the Performance Commitment was undertaken by our auditors, Jacobs, confirming the companies expected beneficial use available from 31 March 2025. An independent report has been provided by Jacob's to submit alongside the APR to Ofwat.
H03	Farming for Water	Cumulative progress against our internal Key Performance Indicators are recorded monthly, however the Farmscoper model used to update these results is run at variable frequency across the year (biannually as a minimum) with progress against our targets only changing after a model run. The irregularity of model runs is driven by the large amount of resource required to set up and undertake each model run (which can take several weeks). Furthermore, the catchment measures which are fed into Farmscoper are completed by farmers at varying timescales throughout the year. As such there may be periods where model runs are not required due to the lack of new data, or conversely where large inputs of data would warrant running the model at a shorter timescale to understand the impact of measures. Tracking and updating our results in this way allows best use of time and resources and offers no advantage to achieving performance commitments. Some progress figures have reduced due to transitioning to the new and more accurate Farmscoper version 5 model. At the end of Year 4, the company is ahead of target having delivered 31 catchment schemes which have met their end of AMP targets. A further catchment scheme is on track to meet its end of AMP target. 23 catchment schemes are still working towards their KPI targets.

4A - WATER BULK SUPPLY

Year ended 31 March 2024

This table is a nil return, as Severn Trent Water does not have any trades that qualify under the RAG 4.12 definition.

4B – ANALYSIS OF DEBT

Year ended 31 March 2024

No additional commentary relating to this data table.

4C – IMPACT OF PRINCE CONTROL PERFORMANCE TO DATE ON RCV

Year ended 31 March 2024

TOTEX (NET OF BUSINESS RATES, ABSTRACTION LICENCE FEES AND GRANTS AND CONTRIBUTIONS, ROWS 1-14)

In 2023/24, wholesale totex was £484 million more than our Final Determination and £576 million AMP to date. Our commentary below discusses the variance for each price control, considering scope, timing and efficiency. As required, we have excluded the Green Recovery expenditure, as recorded in table 4U, and Accelerated Programme and Transitional expenditure, as recorded in tables 4L and 4M from table 4C. Additionally, we have treated the Water Framework Directive 'real options mechanism,' as a timing adjustment within table 4C, in line with previous years.

Water Resources

In year, Water Resources spent £11 million more than the FD following increased pressure on operational expenditure from higher energy costs, and a continuation of investment into our borehole maintenance programme to maximise water availability. We have also spent £8 million in year, and £29 million AMP to date relating to health and safety maintenance of reservoirs under Section 10 of the Reservoir Act inspection regime. We have unwound a provision made in 2020/21 against this. AMP to date, Water Resources is £69 million higher of the FD.

Water Network+

In Water Network Plus, we have once again taken the decision to invest in customer driven programmes to deliver operational outperformance. This includes investment in our core metering programme, delivering over 162,000 meter installations, more than double the targeted performance commitment for the year. Significant increases to operational expenditure from higher energy and chemical costs have also impacted. In total, Water Networks Plus expenditure was £251 million higher than the FD in year, and £484 million AMP to date.

Wastewater Network+

Waste Network Plus spent £255 million more than the FD in the year, driven in part by increased energy costs and the insourcing of around 400 employees to our waste networks team to drive greater control over performance. We have also progressed with our capital schemes to deliver the Water Industry National Environmental Programme ('WINEP'), investing £318 million in the year, and increased our investment in wastewater treatment maintenance.

AMP to date, Wastewater Networks + is £48 million higher than the FD, including a timing adjustment made in 2021/22 to reflect the phasing of the delivery of the WINEP capital programme. We anticipate that we will fully unwind this in 2024/25.

Bioresources

In year, Bioresources has outperformed the FD by £33 million, as increased energy prices drove a significant increase in generation income, which is netted off gross power costs. Capital expenditure was also lower than the FD, predominantly due to accelerated spend on Thermal Hydrolysis Plants ('THP'), which we made a timing adjustment for in 2020/21. We have unwound this gradually over the AMP, and have unwound the remaining £27 million in 2023/24 to reflect the timing of our actual expenditure on this programme versus the FD. Cumulatively, Bioresources expenditure is £25 million lower than the FD, reflecting the overall benefit of higher energy prices.

BUSINESS RATES AND ABSTRACTION LICENCE FEES (ROWS 15-21)

Business rates and abstraction licence fees continue to outperform the FD, £5 million lower in the year and AMP to date. 75% of this benefit is shared with customers.

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

Totex not subject to cost sharing is £34 million lower than the FD across the price controls for two main reasons:

- Income offset is lower than the FD, and we continue to note that the FD allowance for this item was higher than the value submitted in our PR19 plan.

[APR data tables can be accessed through the Regulatory Library on our website](#)

- Expenditure on strategic resource option ('SRO') projects is lower than the FD due to the Severn Trent Sources and Severn to Thames Transfer SRO projects not being selected as a preferred option in the Thames Water and WRSE (Water Resources South-East) final draft WRMP (Water Resources Management Plan). As a result of this, these two SROs have not been progressed to the extent assumed in the FD.

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

Year ended 31 March 2024

No additional commentary relating to this data table.

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

Year ended 31 March 2024

No additional commentary relating to this data table.

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

Year ended 31 March 2024

The credit for Upper Derwent Valley Reservoir Complex relates to amounts owed from Yorkshire Water as Severn Trent share the costs for this major project relating to SRO with Yorkshire Water. The cumulative expenditure on this SRO is £2.216 million.

4G – MAJOR PROJECT EXPENDITURE BY PURPOSE (WHOLESALE WASTEWATER)

Year ended 31 March 2024

No additional commentary relating to this data table.

4H – FINANCIAL METRICS

Year ended 31 March 2024

Lines 4H.15 and 4H.16 – In accordance with RAG 4.12, 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	2023/24
Interest paid (used in the above interest cover ratios)	241.2
Interest received and similar income	-13.8
Net interest paid as reported in 1D.10	227.4

The breakdown of interest paid and interest received has been taken directly from Severn Trent's statutory accounts. Note that interest paid comprises of £237 million interest paid on borrowings and £4 million of interest paid on finance lease.

4I – FINANCIAL DERIVATIVES

Year ended 31 March 2024

No additional commentary relating to this data table.

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

Year ended 31 March 2024

No additional commentary relating to this data table.

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

Year ended 31 March 2024

No additional commentary relating to this data table.

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

Year ended 31 March 2024

Enhancement expenditure is reported in table 4L (Water Resources and Water Network+). Expenditure in the reporting year has increased by £91.7 million to £293.7 million. This is mostly driven by our resilience commitment by the end of AMP with significant investment in Bamford, Boughton Chester Resilience and Trimpley to Hampton Load sites. There has also been increases in our leakage reduction activities with boundary box installations expenditure increasing £22.1 million year-on-year.

[APR data tables can be accessed through the Regulatory Library on our website](#)

The last three columns in these tables represent cumulative expenditure and cumulative allowed expenditure on all schemes to reporting year end. These columns compare actual expenditure against allowed expenditure at PR19. Costs for the year are reported in year prices, and costs from previous years are inflated using financial-year average CPIH. Differences between allowed expenditure and cumulative expenditure to reporting year end is mostly due to actual scheme progress and expenditure being at a different profile to assumed progress. This depends on the maturity of the programme and the schemes being delivered within the programme. These vary year on year and movements can go up and down within the business units.

Reported cumulative expenditure in lines 4L.6, 4L.18, 4L.34, 4L.63, 4L.75 and 4L.81 of table 4L are higher than the reported cumulative allowed expenditure to reporting year end column of the same table. Line 4L.6 includes expenditure on schemes to meet the requirements of the Eels Regulations 2009 has increased year-on-year by £1.8 million to £2.6 million due to spend on Boughton Eels (£0.9 million increase) and Shelton Eels (£0.7 million increase) contracts in the reporting year. Cumulative expenditure is higher than allowed due to higher than expected costs to meet the requirements of the regulations set out.

Line 4L.18 expenditure of £2.7 million on environmental investigations is consistent with prior year spend. The expenditure consists of investigations into low river flows with the expenditure being higher due to actual scheme progress and expenditure being at a different profile to assumed progress and allowed expenditure.

Line 4L.34 supply demand balance improvements delivering benefits from 2026 includes no enhancement expenditure in the reporting year as £2.4 million is recognised as AMP8 accelerated expenditure with AMP7 projects now completed. Cumulative expenditure remains slightly higher than allowed expenditure due to higher initial costs not forecasted for with spend now focused towards AMP8.

Line 4L.63 expenditure includes the total enhancement spend on metering. This has increased year-on-year by £9.6 million to £34.6 million with a step up in programmes to deliver new meters for existing customers as part of our 'Proactive installations' project. Cumulative expenditure is higher than allowed spend due to the acceleration of meters in year as we achieved our year 4 ODI target along with higher costs than expected during installation due to the type of digs completed.

Line 4L.75 expenditure has decreased year-on-year by £8 million as the bulk of the work was completed in year 3 of the AMP with reduced spend in DWI Arsenic and UV Disinfection projects as they near completion. Cumulative expenditure is higher to reporting year due to actual scheme progress and expenditure being at a different profile to assumed progress and allowed expenditure.

Line 4L.81 expenditure to enhance resilience to low probability high consequence events has increased year-on-year by £37.9 million as boundary box install spend has increased £22.0 million due to greater trailer gang activity along with the natural progression of our water network resilience projects with Bamford (£10 million), Boughton Chester Resilience (£3 million), DVA Bamford (£3 million) and Trimpley to Hampton Loade (£4 million) entering construction phase to meet our G10 Resilient supplies commitment by end of AMP. Expenditure is higher than allowed due to further boundary box spend revised as enhancement along with cost challenges to meet our commitment date.

Reported cumulative expenditure in lines 4L.3, 4L.15, 4L.22, 4L.25, 4L.37, 4L.66, 4L.78, 4L.93 of table 4L are below the reported cumulative allowed expenditure to reporting year end of the same table. Line 4L.3 includes expenditure on projects required to deal with the environmental impact of water abstraction, of which we're not reporting expenditure in the year. Per our PR19 plans, expenditure on this line was expected to be low with £0.5 million forecasted in today's prices to the reporting date. We are reporting £0.1 million cumulative spend as improved mapping has led to reclassification of expenditure.

Line 4L.15 Water Framework Directive measure expenditure has increased year-on-year by £2.4 million to £3.7 million reported in the year as projects on River Noe, River Strine and Tittesworth Reservoir ramp up on spend in the year. Cumulative is lower than allowed as less expenditure is required on measures that arose off PR19 investigations.

Line 4L.22 includes expenditure on schemers delivering enhancements to supply side in 2020-2025 has increased year-on-year by £37.9 million to £84.7 million as the Green Recovery Decarbonising projects ramp up in spend including the project at Church Wilne to create a new low-carbon, reduced-chemical treatment capacity to support addressing 25% of our long-term water deficit with a net-positive environmental benefit. Cumulative expenditure is lower than allowed due to the reprofiling of the project with £81 million forecasted for next year. Expenditure expected to be lower than allowed across the AMP as expenditure is now forecasted for AMP8 to close the project but will have no impact on the benefit produced.

Line 4L.25 demand-side improvements delivering benefits in AMP7 expenditure has decreased year-on-year by £0.7 million with £3.0 million reported in the year. Expenditure is lower than cumulative allowed due to improved cost saving relating to lower water saving audit costs than anticipated in the FD, as our specialist delivery model has produced more savings than expected. Revised forecast spend of £3.9 million is expected next year to increase our remedial work using our specialist delivery model to further improve water savings.

Line 4L.37 expenditure has decreased year-on-year by £4 million to £3.2 million with cumulative expenditure lower than allowed expenditure. There will be a ramp up in spend next year for projects Grand Union Canal and Minworth Effluent however spend will be lower than forecasted as Severn to Thames Transfer and Severn Trent Sources projects have not progressed as originally expected.

Line 4L.66 expenditure to deliver improvements to consumer acceptability of the drinking water (relating to colour, taste and odour) has increased year-on-year by £0.6 million to £4.2 million in the reporting year with the Green Recovery scheme at Hampton Loade progressing with £0.3 million increased spend to a total cumulative spend of £3.9 million. Expenditure to date is lower than allowed partially due to the difference in maturity of the programme with allowed expenditure of £7.9 million on the Hampton Loade project, this is expected to be completed in the AMP.

Line 4L.78 Improvements to flow river including expenditure to reduce abstraction licenses has no reported expenditure in the reporting year or AMP to date as improved accuracy of the mapping of projects has led to expenditure being reclassified to 4L.31 Internal interconnectors as per RAG 4.12.

Line 4L.93 includes total expenditure to meet lead standards reported as £33.0 million for the year, an increase of £17.6 million with increased spend on the Green Recovery supply pipes (c.£39 million spend to date) with 5,809 supply pipes replaced this year. The reason for lower expenditure to date against allowed spend is due to actual scheme progress and expenditure being at a different profile to assumed progress and allowed expenditure. We remain on track to deliver our Green Recovery schemes with spend expected to continue accelerating in year 5.

Expenditure with no allowed expenditure

We are reporting enhancement expenditure for following lines with no allowed expenditure as they are deemed as enhancement expenditure in line with Regulatory Accounting Guidelines: 4L.12, 4L.28, 4L.31, 4L.96, 4L.100, 4L.103 and 4L.104.

Line 4L.12 includes expenditure in the reporting year for schemes to reduce current treatment of surface and groundwater and is associated with Drinking Water Protected Areas. We are reporting expenditure of £1.8 million in the year resulting from improved accuracy of mapping for catchment management activities which are now allocating expenditure to WINEP Drinking Water protected areas at 7 locations.

[APR data tables can be accessed through the Regulatory Library on our website](#)

Line 4L.28 is for schemes relating to leakage improvements delivering benefits in 2020-2025. This includes expenditure delivering leakage enhancements and reducing it for the whole of AMP. The capex relates to installation of leakage equipment which has increased the capacity to monitor and reduce the leakage. Expenditure has increased year-on-year by £1.1 million with the bulk of the expenditure on our ‘Logger Replacement Program’ to support our commitment to reduce leakage by 15% by 2025.

Line 4L.31 Internal interconnectors delivering benefits in 2020-2025 includes expenditure relating to two projects: ‘Thornton to Cropston’ and ‘Stredley to Redhill’. The objective for ‘Thornton to Cropston’ project is to contribute an additional 7.5 MI/d deployable output capacity to the Strategic Grid water resource zone. Construction of the project is complete and the asset has realised benefit during an isolated manual commissioning. A PFAS removal project has been promoted for AMP8 to treat the water at the extraction point before transferring it to Cropston works. The ‘Stredley to Redhill’ project is driven by Deployable Output Improvements and the ability to transfer an additional 25 MI/d of water into the North Nottinghamshire area. Expenditure has increased year-on-year by £8.9 million as the new pipeline in Nottinghamshire ramps up spend to boost water supplies to the county, with the project still in the detailed design and construction stage but expected to finish in two years’ time

Line 4L.96 includes cumulative expenditure of £4.6 million to providing physical security for critical national infrastructure. This is enhancement expenditure because these projects are DEFRA/government statutory obligations for compliance with the Security & Emergency Measures Directive (‘SEMD’) which is where we are improving the current level of service.

Line 4L.100 includes expenditure relating to projects working on resolving customer issues with persistent low water pressure, reservoir works and provision of remote sensors. This is enhancement spend because it relates to improving the level of service for customers and there was a change in reservoir drawdown guidance issued by the EA which meant a new improved standard to comply with leading to enhancing the level of monitoring and control on our dams. The decrease in year is due to an adjustment in the current year to reverse the provision recorded in 2020/21 to replace it with the expenditure incurred in that year (refer to narrative on the provision adjustment below).

Line 4L.103 includes no expenditure in the reporting year with cumulative expenditure of £8.1 million to date on catchment management and biodiversity improvements delivering benefits. These activities help to reduce run-off of undesirable organic matter and chemicals entering our rivers. These costs are enhancement expenditure because they relate to delivering cost reduction as part of our Great Big Nature Boost scheme.

Line 4L.104 includes expenditure on addressing low pressure improvements. Per RAG 4.12 ‘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 this year as the expenditure does not meet the definition of any other line, reporting spend of £3.6 million in the reporting year. The correction in mapping of spend has led to spend being recognised in new freeform line.

Green Recovery Enhancement

Increases in our Green Recovery programme continue to drive increased enhancement expenditure in 4L with our Green Recovery Supply Pipes project ramping up as we seek to replace thousands of customer supply pipes with 7,300 customer supply pipes replaced to date. Decarbonising Water resources expenditure has increased by £40.7 million year-on-year as the Church Wilne treatment works project progresses to deliver a new treatment works on site, Witches Oak, which when complete will increase water supplies by up to 93 MI/d using low-carbon impact treatment processes. Green Recovery smart metering has decreased year-on-year by £1.6 million as slower progress is made on delivering our smart metering target but with

over 111,000 smart meters installed to date, we are working to deliver the full programme of over 157,000 smart water meters to individual household properties ahead of March 2025.

Further detail on the specific schemes can be found in our [2023/24 Green Recovery Report](#).

Accelerated programme and transitional enhancement expenditure

Expenditure relating to the accelerated infrastructure delivery programme and transitional schemes amounting to £10.9 million and £4.0 million respectively are reported in table 4L. The accelerated programme schemes expenditure are also recorded in table 4X (refer to narrative in table 4X for accelerated schemes included in the lines of table 4L).

According to the Final Decisions (FD) of the accelerated expenditure, Severn Trent will invest in acceleration of smart metering and increasing reservoir capacity. The smart metering is relating to the acceleration of 250,000 smart meters which will allow the Company to achieve 11.3 MI/d in water savings by facilitating behaviour change, identifying leaks quicker and better management of peak demand pressures. The reservoir capacity acceleration will allow the Company to increase the Draycote Water reservoir capacity by approximately 6% (1,400 MI of extra storage) making an additional 9 MI/d of water supply available during drought.

The transitional expenditure relates to the investment that we have brought forward into AMP7 from AMP8 under Ofwat’s transitional expenditure mechanism. It will not be included in the RCV until the start of AMP8. Transitional expenditure is reported in existing lines 4L.32, 4L.67, 4L.79 and 4L.94. It comprises of AMP8 expenditure for supply demand balance improvements delivering benefits starting from 2026 relating to Strensham Expansion scheme, Hathersage to Worksop Pipeline, Little Eaton DO Recovery and other related schemes. In addition, there was transitional expenditure relating to addressing raw water deterioration (Witches Oak Pilot & Treatment – DWI, Labs support – DWI), enhancing resilience to low probability high consequence events (Oldbury to Meriden Pipeline and Hallgates to Elms Farm Pipeline) and expenditure to comply with the requirements of SEMD.

Capital provision

The Company’s statutory financial statements recognise provisions for future capital expenditure in respect of enforceable obligations from regulators that exist at the balance sheet date. In the statutory financial statements amounts recognised in these provisions are recorded as additions to fixed assets at the point that the obligation arises. Subsequently, when the expenditure is incurred, the amounts paid are set off against the provision previously recorded.

We do not consider that it is appropriate to include such amounts in totex in the regulatory financial statements until the expenditure has been incurred. In our Annual Performance Reports for 2021/22 and 2022/23 we included the amounts paid in relation to such provisions in capex for those years. However, in our Annual Performance Report for 2020/21 we had included the amount recorded as provisions in capex for that year. As a result, amounts that were provided for in 2020/21 but paid in later years would be counted twice. We have corrected this position in the current year by making an adjustment to the current year to reverse the provision recorded in 2020/21 and replace this with the expenditure incurred in that year.

The adjustment made is set out below:

Water resources	Capex in year (£ million)	Reversal of provision (£ million)	Total (£ million)
Reservoir safety programme capex (4L.100)	9.976	-12.603	-2.627

[APR data tables can be accessed through the Regulatory Library on our website](#)

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

Year ended 31 March 2024

Enhancement expenditure is reported in table 4M (Wastewater Network+ and Bioresources). AMP7 expenditure in the reporting year has increased by £292.5 million to £470.1 million. The increase is mostly driven by the planned step up on the sewage treatment phosphate and growth programs (WFD). We have made significant upgrades across seven major treatment works increasing capacity, enhancing process efficiency and improving the quality of effluent through reduction of phosphorus and ammonia levels.

We have made additional investments to reduce storm overflow spills to maintain treatment site compliance and increasing our storm tank capacity. Flow to full treatment has had increased investment with a focus to comply with our Urban Wastewater Directive commitments with significant expenditure at Pirehill, Gotham and Southwell sites.

The last three columns in these tables represent cumulative expenditure and cumulative allowed expenditure on all schemes to reporting year end. These columns compare actual expenditure against allowed expenditure at PR19. Costs for the year are reported in year prices, and costs from previous years are inflated using financial-year average CPIH. Differences between allowed expenditure and cumulative expenditure to reporting year end are mostly due to actual scheme progress and expenditure being at a different profile to assumed progress. This depends on the maturity of the programme and the schemes being delivered within the programme. These vary year on year and movements can go up and down within the business units.

Reported cumulative expenditure in lines 4M.25, 4M.28, 4M.37, 4M.46 and 4M.56 are below reported cumulative allowed expenditure to reporting year end. Line 4M.25 includes expenditure on effective storage in the network to reduce spill frequency which refers to expenditure on overflows, bathing water modelling and water quality monitoring. Expenditure has increased year-on-year by £8.4 million as projects 'Etruria Vale' and 'Scunthorpe, Bottesford Beck' have progressed entering the construction phase. Expenditure is expected to accelerate in year 5 as we continue our commitment to meet our target of an average of 20 spills by 2025. Expenditure is lower to date than allowed due to the projects being a different profile to assumed progress. Over 700 storage solutions at our treatment works and networks assets will improve the capture and storage of flows during periods of high rainfall.

Line 4M.28 chemical removals scheme expenditure has increased year-on-year by £1.4 million to £2.2 million as expenditure is expected to ramp up in year 5 of the AMP. Cumulative expenditure is lower than allowed to the reporting year due to delays in the Hixon project at the beginning of the AMP with expenditure increasing year-on-year by £1.4 million and expected to be completed in year 5.

Line 4M.37 Phosphorus removal expenditure has increased year-on-year by £140.7 million as part of our significant investment in the WFD programs to deliver our 2025 obligations. We are installing more chemical dosing systems, reedbeds and mechanical filters to reduce the amount of phosphorus in the rivers resulting from our wastewater operations. Our first 21 projects, reflecting over 47% of the programme, are in contract, and work has commenced on site at nine projects. We are on track to deliver these projects across the AMP with expenditure lower to date due to the projects being a different profile to assumed progress.

Line 4M.46 includes expenditure on SOAF investigations which has decreased in year with a focus towards transition spend for AMP8. Expenditure is slightly lower than expected against FD as investigations within WINEP and NEP are mapped to 4M.31 chemical monitoring investigations. We will continue with our storm

overflow assessment in line with the guidance laid down in the published SOAF to inform and prioritise future investment.

Line 4M.56 includes all expenditure on first time sewage projects in different regions which has decreased year-on-year by £0.4 million and spend lower to date due to pressure on affordability in Year 4.

Reported cumulative expenditure in lines 4M.12, 4M.15, 4M.31 and 4M.40 of table 4M are higher than the reported cumulative allowed expenditure to reporting year end column of the same table. Line 4M.12 includes expenditure on schemes to increase flow to full treatment. This has increased year-on-year by £7.6 million to £12.7 million as construction progresses on Gotham, Pirehill and Southwell sites. Expenditure is higher than allowed due to additional works on projects to provide costs benefits not originally forecasted for.

Line 4M.15 includes expenditure on schemes to increase storm tank capacity. The increased expenditure driven by a new storm tank project (£4.5 million) and investment in Duffield site completing the design and construction phase at the same time for completion in the AMP. Expenditure is higher than allowed due to additional works on projects to provide costs benefits not originally forecasted for as part of our commitment to reduce CSO spills. The additional storm tank will support the volume of wastewater held back during severe weather before returning it to our treatment works when rainfall has subsided and capacity to treat is available.

Line 4M.31 expenditure on schemes monitoring improvements as part of the national chemicals investigation programme has remained consistent in year with £0.1 million reported and expenditure being higher than allowed to date due to higher than expected initial costs spent early in the AMP.

Line 4M.40 expenditure relates to reduction of sanitary parameter schemes has increased year-on-year by £46.9 million to £58.7 million with sewage treatment of ammonia in Redditch – Sernal, Hinckley and Newthorpe sites forming the bulk of the increased expenditure. Expenditure is higher than FD due to higher costs than expected to complete these projects as part of our commitment to achieving cleaner effluents reducing both the amount of phosphorus and ammonia. We are now treating wastewater down to the lowest technically achievable levels. This will minimise the impact that our treatment works have on rivers.

Expenditure with no allowed expenditure

We are reporting enhancement expenditure for following lines with no allowed expenditure as they are deemed as enhancement expenditure in line with Regulatory Accounting Guidelines: 4M.3, 4M.6, 4M.34, 4M.59, 4M.62, 4M.65 and 4M.68.

Line 4M.3 includes no expenditure in the reporting year but expenditure to date where we have made investments to meet the habitats directive as defined within the WINEP programme. For the Packington scheme the requirement is to transfer the effluent from the River Mease Special Area of Conservation to a suitable alternative waterbody. Newcastle-On-Clun scheme relates to Clun catchment scheme as part of the WINEP to deliver a 75% reduction in sewage works effluent phosphate loads. There is no expenditure in the reporting year as activity has changed focus towards transitional spend.

Line 4M.6 includes expenditure required as part of WINEP at CSO assets. The expenditure is linked to a WINEP obligation which is classed as enhancement expenditure because it is permanently increasing the current level of service with £0.3 million reported in the year.

Line 4M.34 includes no expenditure in the reporting year but expenditure to date building new treatment assets and to monitor the performance related to nitrogen which meets the definition of enhancement expenditure. Line 4M.62 includes expenditure on two different schemes: Investment into sludge treatment and shoring up sludge lagoons for future growth to treat more sludge. This is enhancement expenditure

[APR data tables can be accessed through the Regulatory Library on our website](#)

because it relates to expanding and enhancing the size of the sludge treatment works. Line 4M.65 includes no expenditure in the reporting year but expenditure to date reported in the first two years of the AMP on improving odour control which meets the definition of enhancement expenditure. These projects have since been completed.

Line 4M.75 Reservoirs Act (1975) legislative requirements has no reported expenditure this year, but cumulative expenditure is on Minworth Landfill, meeting new requirements incorporated into the Reservoirs Act on impounding sludges. This is enhancement expenditure because there was a permanent increase or step change in the current level of service. There is no reported expenditure this year as the activity is deemed base capex. Line 4M.77 Transferred private drains and sewers is expenditure on pro-active repairs to improve our network. Expenditure has remained consistent year on year with £1.4 million cumulative expenditure reported as the majority of the work was completed towards the start of the AMP.

Line 4M.80 Biodiversity (Wastewater) has cumulative expenditure of £5.4 million relating to catchment management and biodiversity improvements delivery. These activities help to reduce run-off of undesirable organic matter and chemicals entering our rivers. These costs are enhancement expenditure because they relate to delivering cost reduction as part of our Great Big Nature Boost scheme.

Green Recovery Enhancement

Lines 4M.81 – 4M.86 include expenditure in the delivery of our Green Recovery outcomes set out in our Green Recovery Final Determination. These are all related to enhancement spend delivering water quality improvements, the bathing river scheme, treatment works improvements using ozone technology for disinfection and reducing the impact of network storm overflows.

Green Recovery non-WINEP storm tank and network storage has increased year-on-year by £6.4 million as projects to reduce the impact of overflows on the Rivers Avon, Leam and Teme upstream progress along with the undertaking of river water quality monitoring. Green Recovery ozone disinfection expenditure has increased year-on-year by £2.5 million as we are installing ozone disinfection at three wastewater treatment works: Ludlow in Shropshire, and Itchen Bank and Frankton in Warwickshire. Through this trial, we are hoping to understand ozone's effectiveness in removing micropollutants and pharmaceuticals before we consider installing it more widely across our wastewater treatment works.

Further detail on the specific schemes can be found in our [2023/24 Green Recovery Report](#).

Accelerated programme and transitional enhancement expenditure

Expenditure relating to the accelerated programme amounting to £0.4 million is reported in line 4M.7 Flow monitoring at wastewater treatment works. In addition, the expenditure for this approved accelerated programme scheme is recorded in table 4Y. It relates to the acceleration of flow to full treatment monitor installations at wastewater treatment works to enable the Company to monitor compliance and identify if overflows spill outside of permit conditions. These monitors are a statutory requirement for installation by December 2026 and form part of the Company's PR24 WINEP programme. Early delivery of the required flow monitor installations will enable the Company to monitor compliance and avoid non-permitted overflow spills to waterbodies.

The transitional expenditure relates to the investment that we have brought forward into AMP7 from AMP8 under Ofwat's transitional expenditure mechanism. It will not be included in the RCV until the start of AMP8. Transitional expenditure is reported in existing lines 4M.1, 4M.4, 4M.7, 4M.13, 4M.16, 4M.19, 4M.35, 4M.38, 4M.44, 4M.48 and additional freeform lines 4M.87, 4M.89 and 4M.91. It comprises of expenditure on habitats in Packington, flow monitoring at sewage treatment works, schemes to increase storm tank capacity across various sites, storage in the network to reduce spill frequency at CSOs, phosphorus removal

schemes, reduction of sanitary parameters, investigations relating to AMP8 WINEP, growth at wastewater treatment works (excluding sludge treatment), AMP8 nitrogen removal trials, septic tanks secondary treatment across various sites and continuous river quality monitoring.

4N – DEVELOPER SERVICES EXPENDITURE (WATER NETWORK+)

Year ended 31 March 2024

No additional commentary relating to this data table.

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

Year ended 31 March 2024

No additional commentary relating to this data table.

4P - EXPENDITURE ON NON-PRICE CONTROL DIVERSIONS

Year ended 31 March 2024

No additional commentary relating to this data table.

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

Year ended 31 March 2024

The year-on-year variations relate to the increase in New appointments and variations ('NAVs') activity across the region and reflecting the general market conditions and aligns with data lines across the table. The process for reporting these numbers remains the same as prior years and is reliant on NAVs to inform us of their new property connections.

4R - CONNECTED PROPERTIES, CUSTOMERS AND POPULATION

Year ended 31 March 2024

AVERAGE CUSTOMER VOLUMES

Total customers (excluding voids) have increased by c.1.3% since the prior year to 4,436,005. Also, 13,222 previously void properties (representing 0.3% of the total customers) have now been brought into charge this year.

[APR data tables can be accessed through the Regulatory Library on our website](#)

The year-on-year increase in total customers count is mostly driven by connection of new properties in addition to the c.13,000 voids now brought into charge. Majority of the voids and new connections have occurred in residential properties where 96% of the total yearly increase has been recorded.

Total commercial customers have increased by c.2,300 in the year, predominantly due to the success of significant voids reduction drive in collaboration with the retailers which we commenced last 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 from last year. Total cattle trough customers this year are 507 in charge and 648 in void totalling 1,155, down from 1,185 in the previous year. These have been removed from the current year reporting.

Smart Meters

Our Green Recovery Programme continues to install smart meters with c.141,000 now connected for measured properties (excludes any in void), which represents an increase from around 50,000 last year end.

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

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 dropped from c.18,000 to c.10,000 having billed all the voids flagged within the last two weeks of the previous year which could not be billed before the 2022/23 year end reporting. The reasons for the current unbilled accounts are as follows:

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

4R.29

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

Evidence has been drawn from a mix of the latest 2021 Census data and surveys such as GB Day Visitor Survey, GB Tourism Survey and International Passenger Survey. The population estimates were presented as 'Low', 'Medium' and 'High' totals, reflecting the uncertainty associated with the process. The medium range was chosen for the operating area, i.e. Severn Trent Water, and has been superimposed at site catchment level for greater accuracy.

The outcome is a reduction, mainly due to the fact that the main sources of touristic information had their surveys suspended in March 2020 due to COVID-19 pandemic and once they were resumed, the interviews were undertaken at airports only, i.e. interviews at sea-ports and train stations were not fully resumed until June 2022.

4R.30-32

To calculate population and household growth, CACI Ltd provided us with an estimate of the household water occupancy rates at an individual property level from the Ocean Database, based on the 2021 census, and matched to data provided from the Company's billing system. The billing system data provided enabled the occupancy rates to be split out for measured and unmeasured customers. This was aggregated to provide Water Resource Zone level and company occupancy data.

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

An adjustment was made to include hidden and transient population (derived from consultant analysis), who are connected to the water supply and using water but are not included in the Census population and are therefore not included in the population derived from the CACI occupancies. Hidden populations have been updated in our 2023/24 APR based on a recent separate analysis from CACI.

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

Year ended 31 March 2024

For each Green Recovery scheme, the delivery expenditure is recorded in table 4S. Below is where the expenditure has been included in the lines of table 4L:

- "Green Recovery Supply Pipes" in lines 4S.1 and 4S.2 map to lines 4L.85 and 4L.86.
- "Decarbonising Water Resources" in lines 4S.4 and 4S.5 map to lines 4L.20 and 4L.24.
- "Green Recovery Smart Metering" in lines 4S.7 and 4S.8 map to lines 4L.42, 4L.48, 4L.51, 4L.60 and 4L.43, 4L.49, 4L.52, 4L.61 respectively.
- "Hampton Loade" in line 4S.10 maps to 4L.64.

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

Year ended 31 March 2024

For each Green Recovery scheme, the delivery expenditure is recorded in table 4T. Below is where the expenditure has been included in the lines of table 4M:

- "Green Recovery Mansfield Flood Resilience" in lines 4T.1 and 4T.2 map to lines 4M.51 and 4M.52.
- "Bathing Rivers" in lines 4T.4 and 4T.5 map to lines 4M.81, 4M.83, 4M.85 and 4M.82, 4M.84 respectively.
- "WINEP" in line 4T.7 maps to lines 4M.19, 4M.35, 4M.44 and 4M.48.

[APR data tables can be accessed through the Regulatory Library on our website](#)

4U – IMPACT OF GREEN RECOVERY ON RCV

Year ended 31 March 2024

Below we discuss the financial position of the Green Recovery programme. More detail on the specific schemes can be found in our [2023/24 Green Recovery Report](#).

WATER RESOURCES

This year we are reporting £10.608 million of expenditure which is £9.517 million adverse to the Final Determination. We have also unwound the remaining timing adjustment of £0.744 million which results in a total £10.261 million adverse to determination. This variance is driven by significant cost increases in the raw water component of the 'Decarbonising Water Resources' scheme.

WATER NETWORK+

Our Water Network+ price control has reported £106.418 million in year which is £12.745 million adverse to the Final Determination. We have reported £11.368 million as a timing adjustment which is driven by the slower delivery of the Decarbonising Water Resources project. We have recognised that £1.377 million of variance is due to overspend as we have seen higher than anticipated costs in some areas of the programme. Cumulatively this price control is favourable to the Final Determination in part due to the reduced scope of the supply pipes programme identified in our Green Recovery Report 2023 and our PR24 Business plan submission.

WASTEWATER NETWORK+

The Wastewater Network+ price control is reporting £78.286 million for the year which is £78.582 million favourable to the Final Determination. We have reported that £77.720 million of this variance is due to timing of expenditure, primarily due to the two major capital programmes, Accelerating Environmental Improvements and Creating Bathing Rivers, have delivery profiles which are heavily dependent on 2024/25 activity. We expect to reverse the vast majority of this expenditure in 2024/25 however we do note that the Accelerating Environmental Improvement programme has statutory compliance dates in early years of AMP8. There is, therefore, a likelihood that it would be more efficient that some expenditure initially expected to be spent in AMP7 would be better spent in the 2025/26 report year.

4V – MARKET-TO-MARKET OF FINANCIAL DERIVATIVES ANALYSED BASED ON PAYMENT DATES

Year ended 31 March 2024

No additional commentary relating to this data table.

4W – DEFINED BENEFIT PENSION SCHEME (ADDITIONAL INFORMATION)

Year ended 31 March 2024

No additional commentary relating to this data table.

4X - ACCELERATED INFRASTRUCTURE DELIVERY PROJECT EXPENDITUR (WATER RESOURCES AND WATER NETWORK+)

Year ended 31 March 2024

For each accelerated infrastructure delivery scheme, the expenditure is recorded in table 4X. Below is where the expenditure has been included in the lines of table 4L:

- "Acceleration of Smart Metering" in line 4X.1 maps to lines 4L.42, 4L.48, 4L.51, 4L.57 and 4L.60.
- "Acceleration of Smart Metering" in line 4X.2 maps to lines 4L.43, 4L.49, 4L.52 and 4L.58.
- "Increasing reservoir capacity" in line 4X.4 maps to line 4L.32.

4Y - ACCELERATED INFRASTRUCTURE DELIVERY PROJECT EXPENDITUR (WASTEWATER NETWORK+ AND BIORESOURCES)

Year ended 31 March 2024

For accelerated infrastructure delivery scheme, the expenditure is recorded in table 4Y. "River flow monitoring scheme" in line 4Y.1 maps to 4M.7.

5A - WATER RESOURCES ASSET AND VOLUMES DATA

Year ended 31 March 2024

Year on year variations for water from reservoirs and river abstractions are due to return to normal operations following drought year. A dry summer/autumn last financial year saw a switch of source mix from impounding reservoirs to river and ground water.

5A.12

The number of groundwater works has dropped from 104 to 102, as Hockley - The Crescent and Eastwall have not been in supply in the last financial year.

5A.20

Three pumping stations not in supply at Hockley - The Crescent (2) and Eastwall (1) and is offset by Ford returning into operation.

5A.24

Cooler weather during the reporting year led to a lower water demand and in turn water into supply, which leads to lower energy requirements from water sites.

[APR data tables can be accessed through the Regulatory Library on our website](#)

5B - WATER RESOURCES OPERATING COST ANALYSIS

Year ended 31 March 2024

No additional commentary relating to this data table.

6A - RAW WATER TRANSPORT, RAW WATER STORAGE AND WATER TREATMENT DATA

Year ended 31 March 2024

6A.3-4

Additional raw water transport station reported following schematic review identified Frankley raw pumping upstream of all treatment works. The addition of Frankley Raw represents an increase of 520 kW power capacity reported in line 6A.4.

6A.11

Increase in water exported to 3rd parties due to return to normal operations from drought year. A dry summer/autumn for the 2022/23 year saw drought curve restrictions imposed early on flow.

6A.13-6A.27

Treatment works – treatment type analysis

Two works have moved out from treatment type 'Simple disinfection' to 'W1' – Peckforton blending and Uckington sand separation.

Seven works have moved into treatment type 'W4' following installation of UV treatment – Oakley farm moved from 'Simple disinfection' and Norton, Brockhill, Grindleforge, Puleston bridge, Budby and Ompton moved from 'W2'.

Two works have moved out from treatment type 'W4' to 'W5' following installation of UV treatment – Beckbury and Clipstone.

Treatment works – works size

One works has reduced from 'Size band 2' to 'Size band 1' following permanent failure of one borehole – Clungford.

Two works moved to 'Size band 4' from 'Size band 3' and 'Size band 5' – Buckshaft and Budby.

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 (Bestwood, Much Wenlock and Waveley Road, emergency sources - Burbury Park, Newton Place and Lizard Mill).

One works with simple physical 'W1' treatment not used in reporting year - Watery Lane.

One works with complex 'W4' treatment not used in reporting year - The Crescent (emergency source).

6A.29

Reported peak week production capacity ('PWPC') is associated with two works (Chaddesley and Brockhill) reported within line 6A.32.

6A.30

Reported PWPC associated with five Bacteriological catchment management schemes endorsed by DWI for twin-track approach catchment and treatment risk mitigation. As per improved catchment activity mapping outlined in PR24, reported PWPC includes activities for eight sites with continuation of catchment activities from AMP6 DWI Metaldehyde undertaking.

6B - TREATED WATER DISTRIBUTION - ASSETS AND OPERATIONS

Year ended 31 March 2024

Total annual leakage reported in 6B includes the benefit from Green Recovery smart meter investment. ODI reported leakage is taken from Table 3F and excludes the benefit from Green Recovery smart metering investment. This figure 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 Water Resources Management Plan reporting.

6C - MAINS, COMMUNICATION PIPES AND OTHER DATA (WATER NETWORK+)

Year ended 31 March 2024

6C.21

Year on year increase for lead communication pipes replaces is due to the 5560 replacements undertaken by our Green Recovery Programme. The Green Recovery benefit is reported within line 10A.2.

6C.24

The Variance in ERI score is due to repeat bacteriological detections at Strensham water treatment works 'WTWs' which resulted in a prolonged event and consequently a high ERI score (1288). There were also events at Trimpey (104) and Melbourne (472) WTWs.

6D - DEMAND MANAGEMENT - METERING AND LEAKAGE ACTIVITIES

Year ended 31 March 2024

Smart Metering Programme

Severn Trent utilise two "smart metering technologies", AMR and AMI. AMR meters are meters using automated meter reading ('AMR') technology. This enables consumption data to be read remotely without

[APR data tables can be accessed through the Regulatory Library on our website](#)

having to directly access the meter or property for a manual reading. AMI meters are meters using advanced metering infrastructure ('AMI') technology. This enables consumption data to be read remotely without having to directly access the meter or property for a manual reading.

The current scope of our smart metering programme is to install more than 157,000 AMI smart meters across Coventry and Warwickshire, and 250,000 smart meters across Birmingham, Leicestershire, and Shropshire. This includes new installations at previously unmetered properties and upgrades of existing basic or AMR meters to AMI.

Data Communications Network Technology – We have chosen to use a LoRaWAN data communications network. The network infrastructure is built and owned by a third party. It is typically deployed on local authority assets (street lighting columns, properties, etc.) using wayleave contracts agreed with each upper-tier authority. As a result, deployment plans for AMI meters are dependent on agreements being reached to build the network infrastructure.

Hourly consumption data and various alerts are collected from our smart meters four times per day via the LoRaWAN network. This allows for swift identification of continuous flows, and in-turn a much quicker intervention than with our existing meter estate. 70% of customers have rectified their own leaks when prompted via our engagement platform. We forecast our combination of data communications network and meter hardware technology will meet our target of 15-year asset life.

Enabling a LoRaWAN open protocol network across our region also provides opportunities for other sensors (such as sewer loggers, acoustic loggers, etc.) to utilise the network capabilities. This creates the ability to provide an affordable and efficient strategic move into smart networks across our region.

Meter Hardware Technology - Our chosen meter hardware is a 'plug-and-play' solution, proven to work at depths of up to 1m with the meter and radio communication module paired in the factory. As there are no additional components to install, an external installation within a boundary box is straight forward and less time consuming than other it would be with alternative available hardware - helping us to keep installation costs down. The meter offers data collection via both AMI and AMR concurrently. This is beneficial as it allows us to deploy meters in areas where network coverage is not yet in place, whilst still obtaining billing reads and continuous flow alerts.

Severn Trent are utilising AMR and AMI data to monitor and understand the true impact of Severn Trent customers switching an unmeasured to a measured bill. Using new methodology, by comparing the switchers demand reduction compared to a large control group for the perspective month (to remove seasonality impacts), we have identified an impact from switchers in 2023/24 for AMI of 17% reduction and 16% reduction for AMR. We also have identified a continuous impact from the 2022/23 switchers for AMI reduction of 24.2% for AMI and 15% for AMR demonstrating that the switching process has a continued impact rather than dropping off after a year. This new methodology has identified an impact of 45 litres per property compared to the 2022/23 55 litres identified.

Business Plan Commitments

Severn Trent PR19 Business Plan commitment to install a minimum of 410,649 smart meters across AMP7 through a combination of proactive and optant (customer request) installations. With the conclusion of Year 4 we are well on track to achieve this target. The install programme will support the identification of leaks and will help reduce leakage. For the renewals our business plan covers the replacement of stopped, faulty and damaged water meters, this enables accurate metered billing to actual meter readings instead of estimates, thus meeting customer expectation. Accurate meter data also provide benefits to our void properties process.

Value reported in 6D.23 is the difference between Total Leakage reported at APR23 and APR24. Total leakage in this line includes leakage benefit from all metering, including Green Recovery smart meter delivery. Green Recovery benefit is reported separately in line 10B.

The Water Resource Management Plan ('WRMP')/PR24 leakage forecasts align to reported leakage performance up to and including APR22. Our forecasts in these plans set the trajectory to deliver AMP7 leakage reduction, and we have achieved the spot-year target with our performance in 2023/24 so remain on track to achieve the AMP7 leakage target.

6F - WRMP ANNUAL REPORTING ON DELIVERY – NON-LEAKAGE ACTIVITIES

Year ended 31 March 2024

Thornton to Cropston is on track to achieve 7.5 MI/d in Year 5 as per our current plan and Strelley to Redhill is on track to achieve 25 MI/d as per our current plan in Year 5.

WRMP19 outlined AMP7 activities to target 16.7 MI/d saving in customer demand. For Year 4 annual we are claiming water savings of 4.64 MI/d with a cumulative Year 1-4 saving of 18.98 MI/d. End of Amp trajectory is 23.31 MI/d which is above the 16.7 MI/d WRMP19 target by 6.61 ML/d.

We have achieved our lowest annual PCC to date through prioritising and streamlining our household Home Water Efficiency workstreams to reach more customers that need our water efficiency program which in turn, supports reduction of their water bills and customer side leakage. We successfully have maintained our 'Get Water Fit' activity and enhanced our feedback process to allow for better understanding of our customer water efficiency needs. Whilst this is very new, its providing great insight of product installation and effectiveness.

7A - FUNCTIONAL EXPENDITURE - (WASTEWATER NETWORK+)

Year ended 31 March 2024

No additional commentary relating to this data table.

7B - LARGE SEWAGE TREATMENT WORKS - (WASTEWATER NETWORK+)

Year ended 31 March 2024

No additional commentary relating to this data table.

[APR data tables can be accessed through the Regulatory Library on our website](#)

7C - SEWER AND VOLUME DATA (WASTEWATER NETWORK+)

Year ended 31 March 2024

7C.13 - For England 2023 was the fourth wettest year in the 21st century. Therefore, 2023 flows align with the weather pattern and the increase in wastewater volumes treated is justifiable.

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.9 and 33-40 - We are currently undertaking a programme of work to review all of our emergency overflows and the associated environmental permits to confirm our future operational requirements. We anticipate this detailed review may reveal some duplicate records and/or some redundant assets. This exercise will be completed by December 2024 and we shall update accordingly.

7D - SEWAGE TREATMENT WORKS DATA (WASTEWATER NETWORK+)

Year ended 31 March 2024

7D.16 - Ofwat line definition has changed for the financial year 2023/24 to include the population equivalent associated with tankered waste. This results in an additional population equivalent of 181,616 associated with tankered waste.

7D.17 - The population equivalent provided relates to the delivery of 6 capex schemes which take on new or tightened Phosphorus 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.18 - There are no sites that have taken on new or tightened N consents within the reporting year either via capex or opex solution.

7D.19 - The population equivalent provided relates to the delivery of 1 capex scheme 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 consents within the reporting year either via capex or opex solution.

7D.21 - There are no sites that have completed capacity enhancement within the reporting year.

7D.22 - There are no sites that have taken on new or tighter chemical permits within the reporting year.

7E - ENERGY CONSUMPTION AND OTHER DATA (WASTEWATER NETWORK+)

Year ended 31 March 2024

No additional commentary relating to this data table.

7E.1 - The total sewerage area being reported has reduced, this is due to improving the accuracy of the sewerage area being reported around property boundaries and to exclude non-sewered feature types (such as green spaces and car parks) which are not likely to be sewerage from the reported dataset.

7E.3 - Reduction in reported numbers is due to the installation programme approaching completion.

7E.4 - Two sites (Braithwell & Woolstone) have been certified for pass forward flow (FPF) monitoring. A third site (Bottesford) has been included in the APR24 performance as it was certified but missed in the APR22 reporting period.

7E.6-8 - Prolonged wet weather periods led to greater flows into our networks, which in turn means longer periods of pumping and treatment requirements. Leading to an increased energy consumption.

7E.9-10 - Delivery of AMP7 WINEP obligations to increase FFT to required EA Calculation. The significant change since APR23 aligns with the regulatory dates for these schemes.

7E.11 - The volume reported is the sum of additional capacity delivered to meet PR19 WINEP U_IMP6 drivers within the report year. Volume reported is the actual additional capacity added to meet the new permit requirement.

7F - WINEP PHOSPHORUS REMOVAL SCHEME COSTS AND COST DRIVERS - WASTEWATER NETWORK+

Year ended 31 March 2024

No additional commentary relating to this data table.

8A - BIORESOURCES SLUDGE DATA

Year ended 31 March 2024

8A.1-2

No sludge treated by 3rd 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.

[APR data tables can be accessed through the Regulatory Library on our website](#)

8A.10-18 Road distance calculations

8A.10|8A.11|8A.12|8A.13 - Planned distances are taken from Paragon planning software, Paragon uses HERE mapping (updated annually) and is specifically for HGV's.

8A.16|8A.17 – Straight-line distance is calculated by "BIO" IT system. Road distances are calculated from straight line distance using "Paragon" vehicle routing software.

8A.14|8A.15|8A.18 - Nil return as no recycling activities using tankers and pipelines.

8B - BIORESOURCES OPERATING EXPENDITURE ANALYSIS

Year ended 31 March 2024

No additional commentary relating to this data table.

8C - BIORESOURCES ENERGY AND LIQUORS ANALYSIS

Year ended 31 March 2024

No additional commentary relating to this data table.

8D - BIORESOURCES SLUDGE TREATMENT AND DISPOSAL DATA

Year ended 31 March 2024

No additional commentary relating to this data table.

9A - INNOVATION COMPETITION

Year ended 31 March 2024

During the year we have changed our accounting approach for Ofwat Innovation Fund ('OIF') arrangement. We no longer record an accrual in the year that we collect amounts from customers because the liability does not arise until Ofwat has announced the result of the bidding process. This is evidenced by the fact that for the first two years of the scheme Ofwat did not award the full amount collected from customers and, as a result, we were carrying an accrual for the amounts collected from customers but not paid to the fund.

As the decisions regarding the amounts required to be paid into the fund and the awards made are connected, we now account for these on a net basis. In summary, if we pay net cash into the fund in a given year, this is treated as opex, and if we receive net cash from the fund, this is treated as deferred income and released over the life of the related assets.

In regulatory accounts, we previously accounted for the liability to contribute to the OIF as opex, matching this with the amount collected from customers' bills to fund. This was removed from the regulatory opex in tables 2B, 4D and 4E, and shown as a difference between statutory and regulatory accounts in table 1A. With change in the accounting treatment on a net basis, the charge to opex will be the difference between

amounts made into the fund less money received where Severn Trent is the lead Company of a winning bid, as opposed to the gross payment into the fund.

This resulted in the opex adjustment relating to an accrual for £3.3 million that we were holding in respect of contributions not called by Ofwat in the first two years of the scheme and of deferred income of £11.1 million that represented cash that we had paid into the fund and received back as awards in the same bidding process. It is treated as a difference between statutory and regulatory accounts in table 1A.

Additionally, as a result of this new treatment, the income allocated to capital will reduce to the total amount of funds received less payments made, only where we receive net cash from the fund. Therefore, regulatory capex is adjusted to include the value of the payments made into the fund, which are now excluded from statutory capex. Adjustment of £4.1 million is made to capex in tables 2B, 4D and 4E to ensure that only the shareholder funded element of capex is included in totex.

10A - GREEN RECOVERY DATA CAPTURE ADDITIONAL ITEMS

Year ended 31 March 2024

10A.2

Year on year increase in replacement of lead communication pipes are due to greater completed volumes from contractors and the Grant scheme as the programme reaches its optimum stage.

10A.7-14

The installation rate for the reporting year has slowed versus that of APR23 as more complex work typically has to be carried out to complete each job (e.g. more traffic management, more clearing-out of boundary boxes). Resource had also been diverted to other workstreams by the installation contractor.

10B - GREEN RECOVERY DATA CAPTURE OUTCOME PERFORMANCE

Year ended 31 March 2024

No additional commentary relating to this data table.

10C - GREEN RECOVERY DATA CAPTURE OUTCOME PERFORMANCE

Year ended 31 March 2024

No additional commentary relating to this data table.

[APR data tables can be accessed through the Regulatory Library on our website](#)

10D - GREEN RECOVERY DATA CAPTURE OUTCOME PERFORMANCE

Year ended 31 March 2024

No additional commentary relating to this data table.

10E - GREEN RECOVERY DATA CAPTURE RECONCILIATION MODEL INPUT

Year ended 31 March 2024

No additional commentary relating to this data table.

10F - GREEN RECOVERY DATA CAPTURE RECONCILIATION MODEL INPUT

Year ended 31 March 2024

No additional commentary relating to this data table.

10G - GREEN RECOVERY DATA CAPTURE RECONCILIATION MODEL INPUT

Year ended 31 March 2024

This table is a nil return for the reporting year 2023/24, no transitional expenditure schemes have been delivered.

10H - GREEN RECOVERY DATA CAPTURE RECONCILIATION MODEL INPUT

Year ended 31 March 2024

No additional commentary relating to this data table.

11A - OPERATIONAL GREENHOUSE GAS EMISSIONS

Year ended 31 March 2024

No additional commentary relating to this data table.

GREENHOUSE GAS EMISSIONS REPORTING FOR 2023/24

SUMMARY OF PERFORMANCE

In accordance with Ofwat requirements, we are pleased to present the Greenhouse Gas ('GHG') Emissions Reporting for 2023/24. Overall, we have achieved a 30% reduction against our Science Based Target ('SBTi') of 46% reduction by 2031 on a 2019/20 for our Group emissions. This has been primarily driven by our transition to 100% renewable electricity from our suppliers. Specifically for STW, our Scope 1 emissions have reduced by 3% from 2022/23. This is calculated using our own methodology for process emissions and this reduction is largely due to lower measured emissions at our monitored sites this year, as outlined below.

Despite processing higher volumes of sludge, approximately 60% of our sludge is now being treated using advanced digestion, including Thermal Hydrolysis Process ('THP') and Acid Phase Digestion ('APD'), which has approximately half the emission factor of traditional anaerobic digestion. This, along with seasonality has contributed towards a reduction in our measured process emissions, which continue to make up 80% of our Scope 1 emissions.

It is also worth noting that despite making progress electrifying our vehicles our fleet scope 1 emissions have increased since 2022/23. This is due to growth in our fleet size as a result of in-sourcing our waste maintenance in year. We remain committed to our 2030 target.

For Scope 2, we have used more electricity than in 2022/23 with the increase primarily driven by wetter weather and specifically, the 10 named storms that occurred between September 2023 and March 2024. This caused an increase in energy consumption across our wastewater operations and driven an increase in our Scope 2 location-based emissions. We continue to report a benefit from our 100% Renewable Energy Guarantees of Origin ('REGO') backed electricity tariff, and this reflected in the market-based emissions.

Explanatory Statement on Reporting

In compliance with regulatory reporting guidelines, we utilised the Carbon Accounting Workbook ('CAW') version 18 v3.01 (AR6) to calculate process emissions for Table 11A. This version was the most recent available as of the 31st of March, 2024. We acknowledge that some industry peers have requested an update to AR5 factors. Consequently, we disclose that the CAW process emissions for Severn Trent Water (STW), calculated using AR5 factors, would amount to 138,852 tCO₂e. This figure is slightly lower than our CAW reported value of 139,910 tCO₂e, which was calculated using AR6 factors. It is important to note, however, that both these values significantly underestimate our actual emissions. Our internal calculations (in line with ICC best practice) estimate the true figure to be approximately 284,038 tCO₂e, which is more than double the reported values.

Whilst using the CAW enables transparent comparison of values, we compliment this with visibility of our own methodology for process emissions after starting an industry-leading programme of direct monitoring in 2021. This year we have refined our methodology to use a combination of IPCC estimates and our measured site-specific data where long-term dataset exists. We have now rolled out effective direct monitoring at wastewater and sludge treatment facilities responsible for treating 42% of our wastewater and 40% of our sludge loads. Whilst much higher than the CAW estimates, the emission factors across our process emissions have decreased from last year at our monitored sites.

[APR data tables can be accessed through the Regulatory Library on our website](#)

For transparency, the variance between reporting years and methods in wastewater process and fugitive emissions are shown below (tCO₂e).

Methodology	2022/23	2023/24	Variance
CAWv18 AR5	133,008.540	138,658.940	4.2%
CAWv18 AR6	n/a	139,712.290	n/a
ST Estimated	307,273.843	283,840.423	-7.6%

Scope 3 Emissions

Of the categories we report on Scope 3 for the APR, we have seen an increase of 34% in capital goods driven by an increase in expenditure and activity on capital goods, as our investment begins to gain momentum. We have also observed an increase of 24% in emissions from the category of purchased goods and services in line with increased expenditure. Note that chemicals are excluded from this category and emission factors for chemicals have decreased a result of a revision of chemical emission factors to reflect the latest industry findings and updated CAW emissions factors.

Assuring Our Data

Our data and processes are subject to external assurance every year. This year Jacobs undertook this work and completed a full audit of our Scope 1, 2 and 3 data in line with the principals of the ISO 14064-3 International standard for GHG emissions and found our processes for reporting are consistent with reporting requirements the GHG Protocol.

Having held the Carbon Trust Standard continuously since 2009 (which is an external recognition of our approach to measuring, reporting and reducing carbon emissions) we continue to hold the Advancing Tier of the Carbon Trust pilot Route to Net Zero Standard – this certification recognises the progress of an organisation on its journey to net zero. This included assurance to ISO 14064 International standard for GHG emissions for our Scope 1 and 2 and a small portion of our Scope 3 data. We will be updating our certification with our 2023/24 footprint with the Carbon Trust to maintain our accreditation. We have also reported and publicly disclosed emissions and climate change data to the Carbon Disclosure Project ('CDP') every year since 2006 and in 2023 achieved a top score, A-.

Explanatory Statement on Reporting of Embedded Emissions at Severn Trent

We continue to increase the use carbon calculators in our operations, and this year we have utilised more actual data for capital carbon than in previous years. We have developed a carbon calculator dashboard which amalgamates spend data from SAP with data from carbon calculators. This integration has enabled us to segregate projects by water and waste for line 11A.50 and to apportion embodied carbon according to relevant spend ratios. For instance, if a project spans three years and we have a total carbon figure from the tool, we can allocate 50% of the carbon to the first year if 50% of the spend occurs in that year. This method allows us to distribute the carbon proportionally across the project.

Purchased goods and services (11A.51) continue to be divided by expenditure. The factors used for spend-based estimates are provided by expert consultants at Small World Consulting, based on 'environmentally extended input-output analysis'. We update these factors annually.

For reporting purposes, we have classified all capital spend as 11A.50 capital projects. While options have been provided to report either cradle-to-build or cradle-to-gate, we have chosen to report only cradle-to-build this year. This decision is due to the fact that our capital projects are primarily reported from spend analysis and the spend factor represents cradle-to-build.

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	External verification has not yet taken place, however external data and process audits have been conducted.
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. Within our calculation process we use PAS2080 to identify emission reduction opportunities. Factors used are sourced from industry accepted sources (CESMM, Defra and the Bath Inventory of Carbon and Energy). Our spend analysis is calculated from SWC factors using EEIO methodology which is in-line with the GHG protocol.
Complete and detailed SWOT analysis referring to embedded emissions.	Y	SWOT analysis below

Strengths

Commitment to reduction: Severn Trent Plc has made a firm commitment to achieve net zero operational emissions by 2030, underpinned by ambitious, science-based targets. We have tracked and reported our performance for over a decade, demonstrating considerable progress in reducing carbon emissions.

Energy: We generate renewable energy in both our regulated and non-regulated businesses and continue to see growth in both these areas across a range of technologies and in bio-methane and renewable electricity. This year a new company, Andigestion, was purchased to increase the food waste portfolio.

Carbon Trust Route to Net Zero Standard: Since 2009, we have held the Carbon Trust Standard, followed by the Route to Net Zero Standard certification since 2021/22 in recognition of our consistent emission reductions and effective carbon management processes. Severn Trent's 2023/24 footprint (scope 1, 2 and elements of 3) will again be verified with the standard.

Innovation: The Company leads the sector in its approach to measuring and understanding process and fugitive emissions, which are our most significant Scope 1 emissions source. We have invested heavily in establishing our globally recognised Net Zero Hub, which is now live, to enable future reduction of our process emissions.

Leadership: We continue to demonstrate strong leadership commitment and enjoys support from stakeholders, shareholders, and customers on our plans to reduce of greenhouse gas emissions.

Collaboration: We actively support and adopts a collaborative approach with the UK water industry and beyond, ensuring consistency and sharing of best practice.

Embedded Emissions: We use an approximate baseline quantification for capital goods and services using expenditure based on Environmentally Extended Input-Output methodology.

[APR data tables can be accessed through the Regulatory Library on our website](#)

The company carbon calculator (activity based) data has increased almost four-fold from 11 projects in 2022/23 to 41 projects this year. Significant automation of data and evidence collation has been introduced through a Power BI report, this reduces the need for manual data input or copy/paste error.

PAS 2080: In line with our commitments around carbon reduction, this year we have started the process of a gap analysis against PAS2080:2023 to help us identify our strengths and gaps when embedding carbon in our decision-making, which will help inform and shape our areas of improvement going forward.

Weaknesses

Process Emissions: Our process emissions, as reported in table 11A, are calculated using the CAW to ensure comparability with our peers. However, we recognise that this approach underestimates emissions. To address this, we are actively expanding our direct monitoring methodology to provide a more accurate representation of our emissions.

- Our confidence grade for our own measurement of process emissions stands at C5. This is primarily because our methodology is still in development, and only a limited number of sites have long-term monitored data. As a result, a significant portion of the emissions figure relies on literature-based emission factors (such as those from the IPCC 2019 and the CAW).
- It is important to highlight that our in-house baseline methodology aligns with the Intergovernmental Panel on Climate Change (IPCC) 2019 standards. We prioritise facility-level measured data and supplement it with global factors where direct monitoring data is not yet available. Our commitment to robust and reliable emissions reporting remains unwavering, and we continue to work toward improving our methodology and monitoring coverage for greater accuracy.

Scope 3 gas type: Some elements of Scope 3 (line 11A.33 - 11A.36) can not report by gas type so where this is not possible within the CAW, these are aggregated in line 11A.33 for CO2.

Embedded emissions: Whilst we have made progress in implementing the use of the carbon calculator for capital projects, this still represents a small amount of the embedded carbon and our capital projects number is primarily made up of spend assessment.

- The carbon calculator tool still has opportunities for inaccuracy and user input error.
- This year we are not reporting cradle-to-gate as our capital projects are primarily reported from spend analysis and the factor represents cradle-to-build. As the carbon calculator is more widely used, the data will become available.
- External verification of our full capital carbon data is not yet in place, however it has been included in third party assurance of our full GHG footprint.

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 would like to move to more specific factors and ultimately activity data. This relies on our supply chain to mature in their carbon reporting.

Electric vehicles: We don't currently know the volume of electricity used for fleet when charged at home. Given our electric fleet is still relatively small it is not considered significant at this stage.

Opportunities

Process emissions: Our own monitoring of process emissions shows that significant improvement in data is needed to accurately reflect the emissions from our assets and operations and enable improvements to be made. Deeper insights from undertaking our own monitoring of process emissions confirms that our process emissions are substantially higher than previous existing industry estimates within the CAW.

- Deeper and more accurate understanding allows us to target our investment more effectively to reduce emissions. We have therefore focused heavily on research and development in this area and recognise this as an opportunity.
- Embedded carbon: It is our intention to increase the volume of projects reporting data using the carbon calculator, as opposed to spend based factors, in next year's submission (2024/25) as outlined in our bespoke capital carbon performance commitment submission.
- The carbon calculator will be improved and include the cradle-to-gate measurement. Future submissions in AMP8 will benefit from improvements being made.
- Currently only post construction 'As-Built' data is used, not allowing for the replacement of spend based data for any project where construction has occurred in a year but has not yet concluded. It is our intention to start using pre-construction carbon assessments to submit in-year carbon estimation before construction completion. Numbers will then be 'trued' up in year of construction completion with 'As-Built' calculation complete. It is probable this process will not be in place for 2024/25 submission.
- Opportunities for reduction: The increased focus and ambition on greenhouse gas emissions presents opportunities as outlined in our TCFD disclosure in the Severn Trent Plc Annual Report and Accounts. As markets change, we will be able to take advantage of new technologies and products to reduce our emissions in a cost effective way. Emerging markets open up more ways to capture or reduce carbon and move investment into lower-carbon technologies.
- The PAS 2080 standard provides a robust framework for managing carbon emissions within infrastructure and building projects. The PAS2080 gap analysis carried out will help provide insight into opportunities for Scope 3 reduction as we aim to identify and implement effective strategies for reducing our carbon footprint. A key focus of this assessment will be on emissions that occur within our value chain. These emissions represent a significant portion of our overall carbon footprint.
- As part of our Science Based Targets ('SBTs') 58% of our suppliers have committed to set SBTs. Whilst it will take time for those organisations to implement programmes towards achieving their targets, this will help drive down emissions in our supply chain and we are supporting our other suppliers to set and achieve similar targets.

Threats

Upwards pressures: Increasing demands from a changing climate, population growth, increasing water quality standards and resilience of water supply require a significant level of investment which makes our challenge ever more difficult. Changing water standards may mean more carbon intensive processes are used.

Reliance on cross-sector and our supply chain: We cannot achieve net zero and Science-Based Targets alone. We need suppliers, stakeholders, Government and regulators working towards the same aims especially where lower carbon options are more costly or higher risk. This is especially true for our Scope 3 emissions. The additional administrative burden and any cost impact of this in our supply chain is yet to be understood.

Cost and risk consideration: The relatively high uncertainty in quantification for embedded emissions means there is margin for error. Our constrained cost frameworks and low margin for risk on environmental and service requirements might not allow lowest carbon choices to be selected.

[APR data tables can be accessed through the Regulatory Library on our website](#)

SUPPLEMENTARY DISCLOSURES

Year ended 31 March 2024

A) BORROWINGS AND INTERCOMPANY LENDING

Amounts paid to associated companies in the year and related payable balances at the year end are outlined below:

	Amounts paid £m	Interest rate %	Payable balance £m
Severn Trent Plc	980.500	4.58%	-
Reservoirs Ltd (loan)	0.800	6.38%	105.155
Reservoirs Ltd (lease)	20.028	1.90%	223.414
Leasing Ltd (loan)	1.680	4.75%	281.757
Leasing Ltd (lease)	13.871	4.75%	176.323
East Worcester Water Limited	0.360	6.38%	192.932

Amounts received from associated companies in the year and related receivable balances at the year end are outlined below:

	Amounts received £m	Interest rate %	Receivable balance £m
Severn Trent Plc	1,135.000	4.58%	-
East Worcester Water Limited	9.096	4.13%	-
Reservoirs Ltd (loan)	4.583	5.38%	-
Leasing Ltd (loan)	12.777	4.75%	-
Leasing Ltd (lease)	5.666	4.75%	94.968

B) TRANSFER OF ASSETS/LIABILITIES, OMISSIONS, WAIVERS, GUARANTEES

There were no transfers of assets or liabilities to associated companies, no guarantees were issued in favour of associated companies.

There were no rights omitted to be exercised resulting in a reduction in the value of net assets of the Company and no waivers of any consideration, remuneration, or any other payment receivable by the Company.

C) SUPPLY OF SERVICES

Services supplied by the Appointee to associated companies are outlined below.

Service	Company	Turnover of associate in the period £m	Terms of supply	Value £m
Pass through of management charges	Data Portal Limited	0.000	Cost	0.028
Pass through of management charges	Etwall Land Limited	0.000	Cost	0.075
Pass through of management charges	Midlands Land Portfolio Limited	0.000	Cost	0.701
Pass through of management charges	Severn Trent Plc	0.000	Cost	3.360
Pass through of management charges	Severn Trent Green Power Limited	23.368	Cost	1.425
Pass through of management charges	Severn Trent Services Operations UK Limited	23.539	Cost	1.392
Pass through of management charges	ST Connect Limited	0.000	Cost	0.008
Pass through of management charges	Hafren Dyfrdwy Cyfyngedig	40.043	Cost	1.470
Retail support services	Hafren Dyfrdwy Cyfyngedig	40.043	Cost	0.340
Wholesale support services	Hafren Dyfrdwy Cyfyngedig	40.043	Cost	2.581
Bulk water supplies	Hafren Dyfrdwy Cyfyngedig	40.043	Tariff	4.118
Bulk waste water supplies	Hafren Dyfrdwy Cyfyngedig	40.043	Tariff	0.047
Records management	Severn Trent Data Portal Limited	0.000	Market tested	0.379
Water supply and waste disposal	Severn Trent Services Defence Limited	64.294	Tariff	0.080
Sale of crops	Severn Trent Green Power Limited	23.368	Cost	1.132
Water operational services	Hafren Dyfrdwy Cyfyngedig	40.043	Cost	1.007
Waste water operational services	Hafren Dyfrdwy Cyfyngedig	40.043	Cost	0.996
Treatment of imported sludge	Hafren Dyfrdwy Cyfyngedig	40.043	Cost	0.000
Tankering fleet services	Hafren Dyfrdwy Cyfyngedig	40.043	Cost	0.034
Wholesale charge	Water Plus Select Limited	759.034	Tariff	271.534
Sale of property overages	Midlands Land Portfolio Limited	0.000	Market tested	0.000
Technology services	Hafren Dyfrdwy Cyfyngedig	40.043	Cost	1.322
Technology services	Severn Trent Services Operations UK Limited	23.539	Cost	0.856
				292.885

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	40.043	Tariff	1.341
Bulk waste water supplies	Hafren Dyfrdwy Cyfyngedig	40.043	Tariff	0.043
Management Recharge	Hafren Dyfrdwy Cyfyngedig	40.043	Market tested	0.280
Supply of electricity	Severn Trent Green Power Limited	23.368	Market tested	4.828
Supply of electricity	Severn Trent Wind Power Limited	3.978	Market tested	0.250
Pass through of management charges	Severn Trent Plc	0.000	Cost	0.367
Insurance Premium	Lyra Insurance	0.000	Cost	1.349
Water operational services	Hafren Dyfrdwy Cyfyngedig	40.043	Cost	1.855
				10.313

[APR data tables can be accessed through the Regulatory Library on our website](#)

D) SERVICE PROVIDED TO THE NON APPOINTED BUSINESS

Service	Basis of recharge	Value of recharge
		£m
Treatment of imported sludge*	Direct and indirect costs	0.448
Treatment of tankered waste	Direct and indirect costs	12.577
Property searches services	Direct and indirect costs	0.015
Sewer blockages	Direct and indirect costs	1.322
Other water companies billing activities	Direct and indirect costs	1.466
Plumbing and drainage insurance introducer services	Direct and indirect costs	0.099
Rental income	Direct and indirect costs	0.000
Farm sales	Direct and indirect costs	2.356
Community Dividend	Direct and indirect costs	2.387
Visitor experience	Direct and indirect costs	0.082
		20.752

* Excluding services to Hafren Dyfrdwy already recorded in Supply of Services table

E) GROUP RELIEF CHARGES FOR TAX LOSSES

Payments are made between UK entities for the surrender of tax losses within the Severn Trent Group at the prevailing corporation tax rate in the period (2022/23 - 19%).

Company	Turnover of associate in the period	Terms of supply	Value
	£m		£m
Severn Trent Carsington Limited	0.000	cost	3.775
Severn Trent Green Power (Bridgend) Limited	5.877	cost	0.028
Severn Trent Green Power (Cassington) Limited	4.960	cost	0.307
Severn Trent Green Power (Wallingford) Limited	5.664	cost	0.446
Severn Trent Green Power (West London) Limited	5.423	cost	0.008
Severn Trent Green Power Limited	23.368	cost	1.408
Severn Trent Plc	0.000	cost	0.086
Severn Trent Services Operations UK Limited	23.539	cost	0.001
Severn Trent Wind Power Limited	3.978	cost	0.056
			6.115

[APR data tables can be accessed through the Regulatory Library on our website](#)

APPENDIX A – APR ASSURANCE APPROACH AND OUTPUTS

APPENDIX A: ASSURANCE APPROACH AND OUTPUTS

In this appendix you will find:

- OUR APR ASSURANCE APPROACH
- APR SPECIFIC GOVERNANCE APPROACH
- HOW WE APPROACH APR ASSURANCE
- OUTCOME OF ASSURANCE

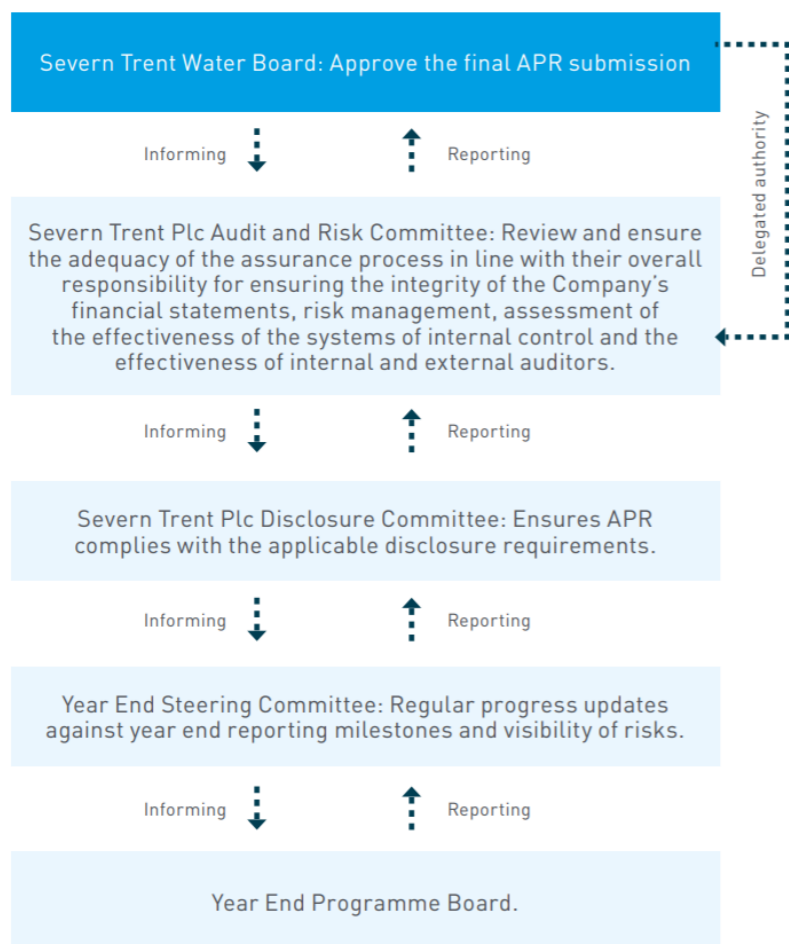
A.1 OUR APR ASSURANCE APPROACH

Our 2023/24 APR assurance plan uses our established risk-based three lines of assurance approach to ensure it has been given the appropriate level of governance and assurance. You can read more about our Company Governance and Assurance Framework in our [Regulatory Reporting and Assurance Approach Document](#).

A.2 APR SPECIFIC GOVERNANCE APPROACH

Our compliance framework incorporates Ofwat’s most recent APR and regulatory reporting requirements, the 2023/24 revised Regulatory Accounting Guidelines (‘RAGs’), and wider company duties.

The below diagram demonstrates the specific governance applied for the approval and publication of the APR.



A.3 HOW WE APPROACH APR ASSURANCE

Each data line of the APR is risk assessed centrally using an established framework to ascertain the level of assurance required: first; second; or third line assurance. Once the level of assurance is identified, the Group Compliance and Assurance Team co-ordinate and schedule the full assurance programme throughout the year and at year end with data, methodology producers and assurance providers.

As part of the performance reporting, we are required to publish regulatory accounts that, among other things, set out financial information:

- on the allocation of cost by price control and subsections of the value chain;
- on non-appointed activity; and
- on transactions between associated companies.

In reporting on the above, we are required to comply with Ofwat’s RAGs - in particular ‘RAG 2 - Guideline for the classification of costs across the price controls’ and ‘RAG 5 - Guideline for transfer pricing’. Over and above the RAGs, our Licence places an obligation on us to ensure that every transaction between the Appointee and any associated company is at arm’s length, so that neither gives to nor receives from the other any cross subsidy (Condition F). This also applies to the appointed and non-appointed activity within the Appointee.

We have a number of controls in place to ensure that we apply the requirements as set out by Ofwat. Cost allocation activities within our Finance Team are part of our established third line assurance processes (the approach and outcome are explained later in section A4).

A.3.1 FIRST LINE ASSURANCE

A key part of our assurance framework is the first and second line assurance activities that are undertaken throughout the year.

Each line of our APR submission has been reviewed during first line assurance. This activity is undertaken by the teams responsible for reporting the data so that colleagues with the right expertise conduct in-depth quality checks at the time the data is produced. They are also responsible for maintaining effective internal controls and implementing corrective actions to address process deficiencies if identified.

Each reporting line in the APR is assigned to a responsible manager who reviews and approves the data, process documentation and commentaries, forming an integral part of the assurance approach. An approval process is followed with final sign off for both the data and commentary at Director level.

A.3.2 SECOND LINE ASSURANCE

For our higher risk data, the second line assurers facilitate and monitor the implementation of effective practices, ensuring that the first line assurance is designed, implemented and operates correctly, confirming that documented processes have been followed. This includes a review of the checks and controls to ensure the integrity and reliability of the data and information we publish.

Where it is identified that third line assurance is required, the Assurance Team liaise with the reporting teams to monitor improvement activities and resolve prior outstanding actions to ensure there are not any material issues.

A.3.3 THIRD LINE ASSURANCE

Our most critical data are subject to third line assurance. Internal Audit provides comprehensive assurance based on the highest level of independence within the Company. In addition, we use external financial and technical auditors who are independent of the Company and provide objective assurance of our data and information.

The following details the activities for each of our third line providers.

Internal Audit

Internal Audit performed several checks as part of its assurance to ensure that:

- processes followed were appropriate to produce the data required for our APR submission;
- historical data used in the tables could be traced back to source or previously published information;
- data was produced in line with the methodology documents and RAG 4 requirements ('Guideline for the table definitions for the APR'); and
- data from the working files were aligned to the APR data tables to be submitted.

Deloitte financial audit opinion

Deloitte provided financial audit procedures over sections 1 and 2 of the APR data tables. These sections provide a baseline level of historical cost financial information and are aligned to our price controls and associated regulatory performance commitments and incentives set out in Ofwat's 2019 Final Determination. As in previous years, Deloitte has informed Ofwat that a number of lines in Table 1F will not be subject to an audit opinion.

Deloitte has not performed any procedures on lines 1F.4, 1F.9 to 1F.11, 1F.15 to 1F.20 and 1F.23 of the statement of financial flows (table 1F), the Outcome performance table (tables 3A to 3I) or the additional regulatory information in tables 4A to 4Y, 5A to 5B, 6A to 6F, 7A to 7F, 8A to 8D, 9A, 10A to 10H and 11A.

Jacobs technical assurance

The technical assurance applied by Jacobs complements our risk-based assurance framework which is, in part, informed by previous assurance findings, as well as emerging risk and stakeholder feedback. Jacobs provided a staged approach to technical assurance, on the elements of the APR that are listed in the tables overleaf. Stages one and two focused on documentation and process and were undertaken on new measures or where there had been changes to processes. During stage one, Jacobs review the process description templates ('PDTs') which are followed to report against performance commitments ('PC') and non-financial APR data lines.

Stage two included formal reviews. The reviews ensure that:

- processes are in place to produce data that is consistent with the RAGs, PC definition or non-financial data definition;
- improvements and changes in processes from previous assurance rounds are clearly stated;
- accountability and responsibility for each stage of the process is clear with dependencies, assumptions, risks and mitigations identified; and
- there are appropriate checks and controls to ensure robust reporting.

Stage three focused on the data produced. The data audits involved:

- confirming that the data produced is consistent with the PDT and aligns with reporting guidance;
- confirming that internal checks and controls have been completed;

- carrying out proportionate sampling checks;
- confirming that exclusions have been applied correctly; and
- ensuring that any rewards/penalties and data points are calculated in line with our Final Determination requirements. This focuses on the mechanistic calculation to give the gross reward/penalty position.

The assurance approach is summarised over the next few pages.

Regulatory accounts

Table Reference	Table Name	Methodology & Process	Data
1A	Income statement	Deloitte	Deloitte
1B	Statement of comprehensive income	Deloitte	Deloitte
1C	Statement of financial position	Deloitte	Deloitte
1D	Statement of cashflows	Deloitte	Deloitte
1E	Net debt analysis	Deloitte	Deloitte
1F ¹	Financial flows	Deloitte / Jacobs	Deloitte / Jacobs
2A	Segmental income statement	Deloitte / Jacobs ²	Deloitte
2B	Totex analysis (wholesale)	Deloitte / Jacobs ²	Deloitte
2C	Cost analysis - retail	Deloitte / Jacobs ²	Deloitte
2D	Historic cost analysis of tangible fixed assets	Deloitte	Deloitte
2E	Analysis of grants and contributions (water resources, water network+ and wastewater network+)	Deloitte	Deloitte
2F	Residential retail	Deloitte / Jacobs	Deloitte / Jacobs
2G	Non-household water - revenues by tariff type	N/A	N/A
2H	Non-household wastewater - revenues by tariff type	N/A	N/A
2I	Revenue analysis	Deloitte	Deloitte
2J	Infrastructure network reinforcement costs	Deloitte	Deloitte
2K	Infrastructure charges reconciliation	Deloitte	Deloitte
2L	Analysis of land sales	Deloitte	Deloitte
2M	Revenue reconciliation - wholesale	Deloitte	Deloitte
2N	Household affordability support and debt	Deloitte	Deloitte
2O	Historic cost analysis of intangible fixed assets	Deloitte	Deloitte

¹ See note on Deloitte financial audit opinion for 1F in section A4.

² Assurance of input opex allocations to price control / business unit.

Performance summary

Table Reference	Table Name	Methodology & Process	Data
3A	Outcome performance - water common performance commitments	2nd line / Jacobs	2nd line / Jacobs
3B	Outcome performance - wastewater common performance commitments	Jacobs	Jacobs
3C	Customer measure of experience ('C-MeX') table	2nd line	Jacobs
3D	Developer services measure of experience ('D-MeX') table	2nd line / Jacobs	2nd line / Jacobs
3E	Outcome performance - non-financial performance commitments	2nd line / Jacobs	Jacobs
3F	Underlying calculations for common performance commitments - water and retail	2nd line / Jacobs	Jacobs
3G	Underlying calculations for common performance commitments - wastewater	Jacobs	Jacobs
3H	Summary information on outcome delivery incentive payments	2nd line	2nd line ¹
3I	Supplementary outcomes information	2nd line / Jacobs	Jacobs

¹ Assurance of the ODI model undertaken by Jacobs used for table 3H.

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	Impact of price control performance to date on RCV	Jacobs	Jacobs
4D	Totex analysis - water resources and water network+	Internal Audit	Internal Audit
4E	Totex analysis - wastewater network+ and bioresources	Internal Audit	Internal Audit
4F	Major project expenditure for wholesale water by purpose	Internal Audit	Internal Audit
4G	Major project expenditure for wholesale wastewater by purpose	Internal Audit	Internal Audit
4H	Financial metrics	Jacobs / Internal Audit	Jacobs / Internal Audit
4I	Financial derivatives	Internal Audit	Internal Audit
4J	Base expenditure analysis - water resources and water network+	Internal Audit	Internal Audit
4K	Base expenditure analysis - wastewater network+ and bioresources	Internal Audit	Internal Audit
4L	Enhancement expenditure - water resources and water network+	Internal Audit	Internal Audit
4M	Enhancement expenditure - wastewater network+ and bioresources	Internal Audit	Internal Audit
4N	Developer services expenditure - water network+	Internal Audit	Internal Audit
4O	Developer services expenditure - wastewater network+ and bioresources	Internal Audit	Internal Audit
4P	Expenditure on non-price control diversions	Internal Audit	Internal Audit
4Q	Developer services - new connections, properties and mains	2nd Line	Jacobs
4R	Connected properties, customers and population	2nd Line / Jacobs	Jacobs
4S	Green Recovery expenditure - water resources and water network+	Internal Audit	Internal Audit
4T	Green Recovery expenditure - wastewater network+ and bioresources	Internal Audit	Internal Audit
4U	Impact of Green Recovery on RCV	Internal Audit	Internal Audit
4V	Mark-to-market of financial derivatives analysed based on payment dates	Internal Audit	Internal Audit
4W	Defined benefit pension scheme - additional information	Internal Audit	Internal Audit
4X	Accelerated infrastructure delivery project expenditure - water resources and water network+	Internal Audit	Internal Audit
4Y	Accelerated infrastructure delivery project expenditure - wastewater network+ and bioresources	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
5B	Water resources operating cost analysis	Internal Audit	Internal Audit

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	2nd Line / Jacobs
6D	Demand management - metering and leakage activities	2nd Line / Jacobs	Jacobs / Internal Audit
6F	WRMP annual reporting on delivery – Non leakage activities	2nd Line	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+ - energy consumption and other data	2nd Line / Jacobs	2nd Line / Jacobs
7F	Wastewater network+ - WINEP phosphorous removal scheme costs	Jacobs	Jacobs

Additional regulatory information – bioresources

Table Reference	Table Name	Methodology & Process	Data
8A	Bioresources sludge data	2nd Line	Jacobs
8B	Bioresources operating expenditure analysis	Internal Audit	Internal Audit
8C	Bioresources energy and liquors analysis	2nd Line	Jacobs / 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

Additional regulatory information – Green Recovery and accelerated programme impacts

Table Reference	Table Name	Methodology & Process	Data
10A	Green Recovery data capture additional items	2nd Line / Jacobs	2nd Line / Jacobs
10B	Water Common PCs relevant to Green Recovery reporting	Jacobs	Jacobs
10C	Wastewater Common PCs relevant to Green Recovery reporting	2nd Line	2nd Line
10D	Bespoke PCs relevant to Green Recovery reporting	2nd Line	2nd Line / Jacobs
10E	Green Recovery data capture reconciliation model input	2nd Line / Jacobs	2nd Line / Jacobs
10F	Accelerated infrastructure delivery projects data capture additional items	2nd Line	2nd Line / Jacobs
10G	Transitional expenditure data capture additional items	2nd Line	2nd Line
10H	Accelerated schemes data capture reconciliation model input	2nd Line	2nd Line / Jacobs

Carbon

Table Reference	Table Name	Methodology & Process	Data
11A	Greenhouse gas emissions reporting	Jacobs	Jacobs

A.4 OUTCOME OF ASSURANCE

Our outcomes of assurance provide oversight of the assurance and audit activities completed by our third line assurance providers, both financial and non-financial. We have included an assurance statement from our technical assurers, Jacobs in the Board statements section. Deloitte provide an audit report in the Regulatory Accounts section.

Outcomes of assurance are provided below:

INTERNAL AUDIT OUTCOME

Internal Audit has confirmed that we did not find any material issues and supporting evidence and answers to queries raised were provided.

DELOITTE AUDIT OPINION

Deloitte’s audit opinion confirms that:

“In our opinion, Severn Trent Water Limited’s Regulatory Accounting Statements have been prepared, in all material aspects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.09, RAG 2.09, RAG 3.14, RAG 4.12 and RAG 5.07) and the accounting policies (including the Company’s published accounting methodology statement, as defined in RAG 3.14, appendix 2), set out on pages 81 and 82”

JACOBS’ ASSURANCE OUTCOME

Cost Allocation

Requirements	Assurance undertaken
<p>We are required to publish regulatory accounts that, among other things, set out financial information:</p> <ul style="list-style-type: none"> On the allocation of costs by price control and subsections of the value chain; On non-appointed activity; and On transactions between associated companies. <p>In reporting on the above, we are required to comply with Ofwat’s RAGs - in particular ‘RAG 2 - Guideline for the classification of costs across the price controls’ and ‘RAG 5 - Guideline for transfer pricing’.</p> <p>Our Licence also places an obligation on us to ensure that every transaction between the appointee and any associated company is at arm’s length, so that neither gives to nor receives from the other any cross subsidy (Condition F). This also applies to the appointed and non-appointed activity within the appointee. Ofwat expects transactions between Severn Trent Water and Hafren Dyfrdwy to be at arm’s length.</p>	<p>We asked Jacobs to review a sample of our cost allocation processes. We selected the sample based on the associated risk. The Jacobs scope covered:</p> <ul style="list-style-type: none"> the allocation of costs by price control and subsections of the value chain; non-appointed activity; and transactions between companies. <p>Consistent with previous work in this area, Jacobs reviewed the documentation and processes with a focus on the consistency of the allocation approach with the RAGs. To that end, Jacobs sought to understand:</p> <ul style="list-style-type: none"> the areas/activities that were being provided; the costs associated with that activity which, for the PDTs we reviewed, were operating costs; how those costs are recharged, allocated and why; and how our approach is compliant with the RAGs.

Assurance outcome

Jacobs concluded in relation to the items they reviewed:

“We consider:

- the company has a full understanding of, and meets all of its relevant statutory, Licence and regulatory obligations in all material respects;
- the company has sufficient processes and internal systems of control to fully meet its requirements; and
- the company takes appropriate steps to 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.”

Full-Year Performance Commitments

Requirements	Assurance undertaken
<p>Jacobs reviewed the PCs set out in our Final Determination and the processes that were used to produce the figures on performance commitments.</p>	<p>Jacobs’ scope of assurance work included reviewing the following:</p> <ul style="list-style-type: none"> 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 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 competently sourced, processed and reported and fit for purpose.; undertaking proportionate sample checks; and reviewing coverage and outputs of checks and controls.

Assurance outcome

Jacobs concluded in relation to the items they reviewed:

“We conclude that in relation to the items we reviewed, and in all material respects:

- 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; and
- you have appropriate systems and processes in place to identify, manage and review your risks.

Full-Year Non-Financial

Requirements	Assurance undertaken
<p>We continue to develop and improve our reporting processes. Throughout the year we have been monitoring progress against our higher risk measures and, at year-end, Jacobs carried out assurance against the majority of the section 4-11 non-financial measures.</p>	<p>The Jacobs scope covered:</p> <ul style="list-style-type: none"> reviewing the processes used to ensure they are robust, enabling risks to be identified, managed and reviewed; 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 competently sourced, processed and reported and fit for purpose; undertaking proportionate sample checks; and reviewing coverage and outputs of checks and controls.

Assurance outcome

Jacobs concluded in relation to the items they reviewed:

“We conclude that in relation to the items we reviewed, and in all material respects:

- 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;
- your processes for reporting performance commitments are in line with the guidance and exclusions have been correctly applied; and
- you have appropriate systems and processes in place to identify, manage and review your risks.

