

WONDERFUL ON TAP



SEVERN TRENT NEW CONNECTIONS CHARGES
2026/27 BOARD ASSURANCE STATEMENT

Statement of assurance

Severn Trent New Connections Charges 2026/27

Introduction

We're one of the largest of the 11 regulated water and sewerage companies in England and Wales. We provide high quality services to around 4.6 million households and businesses in the Midlands. Our region stretches across the heart of the UK, from the Bristol Channel to the Humber, and from Shropshire to the East Midlands. Whether it's the quality of our drinking water or the regulatory performance information we publish on our website, we want to make sure that our customers can trust us to deliver what matters to them most.

As part of its 'Charging Rules for New Connections Services (English Undertakers)' Ofwat asked our Board to provide a signed assurance statement to give confidence to our customers and stakeholders that we have produced our charges in line with Ofwat's charging rules and engaged with our customers prior to publication.

Our approach to assurance

We have an established, rigorous and robust assurance and performance reporting framework. The assurance approach we use comes from best practice identified across many organisations and industries ensuring that managers, senior managers and Directors are responsible for delivering high quality data through robust processes and methodologies.

Our established framework is underpinned by four main principles which provides 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.



- **Robust assurance** – we operate three lines of assurance model, targeted at areas of greatest risk.
- **Ownership and accountability** – we have clear lines of ownership for both the delivery of performance, and the accuracy of the data provided.
- **Effective governance** – provided by our Board, Audit and Risk Committee, Executive Disclosure Committee and Executive Committee.
- **Transparency and public accountability** – we publicly report on our performance and hold ourselves to account where we do not meet our commitments.

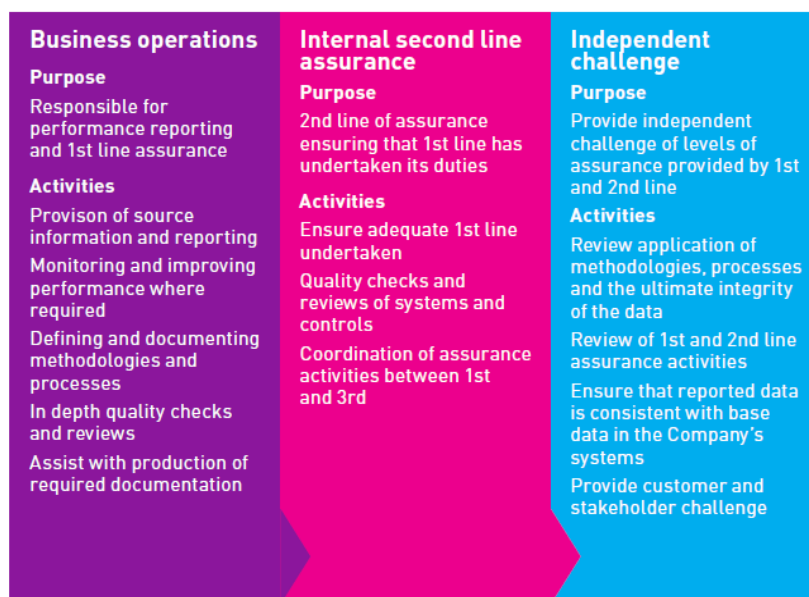
Three lines of assurance

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, may be targeted with first or second line 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, ensuring customers receive value for money on assurance.

First line activities are embedded within the teams that are responsible for reporting the data so that colleagues, with the right expertise, conduct in-depth quality checks at the time the data is produced.

Second line activities are conducted by a separate team that does not report into the same senior manager to ensure a level of independent checking is conducted.

Third line activities are carried out by Internal Audit or external providers depending on the specialisation required.



More information on our governance and assurance framework can be found in our Annual Performance report (APR) on our website^[1].

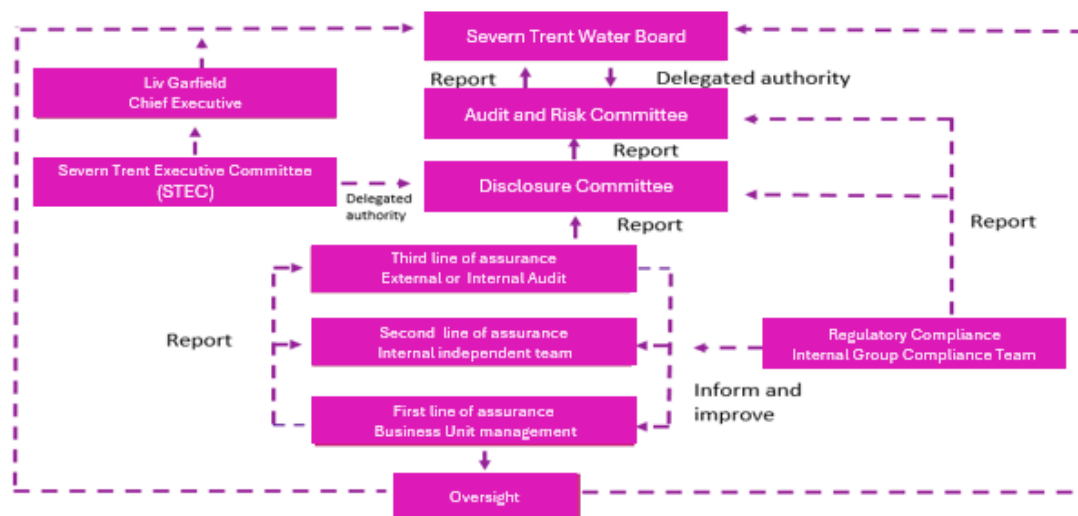
Governance and accountability

We operate at the highest standards of corporate governance, supported by robust internal controls – that are applied consistently throughout the Group in order to meet our statutory requirements, which are reported in the company's annual and ongoing regulatory reporting.

Our Board is supported by the Severn Trent Plc Governance Framework which comprises the Board, Executive Committee and their respective Committees. The Board delegates certain roles and responsibilities to its various Committees. The Committees assist the Board by fulfilling their roles and responsibilities, focusing on their specific activities, reporting to the Board on decisions and actions taken, and making any necessary recommendations to the Board in line with its Terms of Reference.

Our governance and assurance frameworks work together and are built on high standard processes to enable confidence in the information and data we report. The below provides an overview of how our frameworks interact to ensure that all levels of the business have oversight and understanding of the assurance processes we implement. The effectiveness of the controls over reporting are monitored by the Audit and Risk Committee, which receives regular reports in relation to the assurance conducted by the Internal and External Auditors.

¹ <https://www.stwater.co.uk/regulatory-library/regulatory-library-documents/>



Our approach to customer engagement and transparency

We recognise that our charging arrangements are an important part of the experience our customers have with us, and we are committed to maintaining an open dialogue so we can understand the views of our customers and help address any concerns they have.

We proactively engage with our customers on developer charges to include discussions and feedback on charge evolution, key themes and bill stability. We highlight any regulatory driven changes made to New Connection Charging Rules and confirm the charging principles we apply when setting annual charge values. We explain and seek feedback on any methodology changes for specific charge elements and provide our continued commitment to incentivise the building of sustainable new homes through our Environmental Incentives Scheme. We tailor our customer engagement activities to different developer groups to help us understand their views on our approach and gain their feedback on our responsiveness. We also share our approach and indicative charges with the Consumer Council for Water.

Our engagement has enabled discussions around the following topics:

- the Ofwat charging rules and principles that shape our charges, to include cost reflectivity requirements
- confirmation Ofwat have not made regulatory changes to New Connection Charging Rules for 2026/27
- customers' overall charges for typical developments remaining stable, year-on year, to include the infrastructure charge
- continuing to invest in our networks to ensure they are adequately reinforced to accommodate future housing growth
- views on our environmental incentive scheme offering and associated processes, that includes discounts for reduced consumption, rain gardens and permeable paving
- sharing examples of overall charge changes, year-on-year, for typical developments
- timelines for publication and use of final charges

The feedback received from our ongoing in-year engagement has been largely positive. Customers welcomed updates on charges to include our approach to supporting developers who build sustainable new homes, the changes we have made in response to listening to our customers feedback and the stability of our charges year-on-year. Early insight on any key charge changes greatly helps their planning processes.

The additional meeting dates are noted below:

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|--|-----------------------|
| • Developer forum | 2 December 2025 |
| • Self-Lay forum | 9 December 2025 |
| • New Appointment and Variations (NAV) | One to one engagement |
| • Developer forum | 16 December 2025 |
| • Developer forum | 13 January 2026 |
| • Self-Lay forum | 15 January 2026 |

The key areas of discussion and commitment:

Feedback/observation	Severn Trent Action
Bonds /security deposits Grateful we have responded positively to a request from the larger developer community to review our approach to bonds/security deposits.	<ul style="list-style-type: none"> ➤ Severn Trent now offers a Bond Waiver Scheme on new Section 104 applications, which has seen a positive take up from developer customers. ➤ A Section 104 Agreement is an agreement between a sewerage undertaker and a developer, where the sewerage undertaker agrees to adopt sewers serving a development if they are built to an agreed standard.
Evolution of environmental incentives Content that the new industry common framework requires all English companies to offer incentives. Grateful for early sight of our enhanced environmental incentive scheme and prior engagement in the prior year that sought views on potential new offerings.	<ul style="list-style-type: none"> ➤ We will continue to offer enhanced Environmental Incentives so that every developer customer can benefit from reduced charges when building sustainably to qualifying criteria; to include our offerings of rain gardens and permeable paving. ➤ We will ensure our published Charging Arrangement Document and website provides clear guidance on the Environmental Incentives and associated processes to help customers apply with ease and successfully benefit. ➤ We will continue to engage on possible future enhancements. ➤ We shared that we asked Ofwat to consider making a change to their current EICF guidance thereby removing the requirement for a bath, as currently stated. Ofwat confirmed they are content for baths to be optional and have formally amended their Environmental Incentives Common Framework – English New Connection Rules.
The stability of charges Pleasing from a developer customer perspective and grateful no surprises.	<ul style="list-style-type: none"> ➤ We confirmed that our charges for providing new connection services during 2026/27 will remain stable when compared to 2025/26, as can be seen in the shared worked examples ➤ We will continue to drive efficiencies whilst providing an excellent customer experience.

Assurance Findings

Our new connections charges process has been identified as one of our key customer areas through both our internal review and externally by our customers and stakeholders. As such, the submission is reviewed by three lines of assurance, with the third line provided by:

- **Jacobs** – who review our methodologies and processes of how our critical charges are formed and ensure that we comply with our regulatory and statutory obligations¹.
- **Internal Audit** – provide data, process and completeness assurance.

Jacobs confirmed:

Overall, based on our scope of work and the limited assurance undertaken, we did not find any material misstatement. We consider that, in all material respects:

- The company complies with its obligations relating to the charging rules;
- The charges comply with legal obligations and are consistent with the relevant charging rules;
- The company has appropriate systems and processes in place to make sure that the information contained in the charging scheme, and the additional information covered is accurate; and
- The company has assessed the effects of the new charges on customers' bills for a range of different types of development and has set out in its statement of significant changes instances where bill increases for particular developer types exceed 10%

Internal Audit confirmed:

Internal Audit have carried out the following activity to confirm completion of the assurance process:

- Reviewed the Assurance Plan and Governance Framework. Confirmed these are complete and evidence has been provided.
 - Reviewed the Action Tracker and confirmed all actions raised from the assurance process have been completed.
 - Evidence of the 1st, 2nd and 3rd line assurance was provided and Internal Audit confirmed it to be complete.
 - The reports provided by Jacobs were reviewed and there are no outstanding material actions.
 - Confirmed the final tick and tie of the assured working files to the final document for submission has been carried out with the Group Assurance and Compliance team.
 - Confirmed the data used for the charges has been signed off and approved by the Strategic Lead.
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Board statement

Having considered the relevant information, the Board confirms that:

- the company complies with its legal obligations relating to the charges set out in its Charging Arrangements;
- the charges comply with legal obligations relating to these charging rules;
- the company has appropriate systems and processes in place to make sure that the information contained in the charging arrangements, and the additional information covered is accurate; and
- the company has assessed the effects of the new charges on customers' bills for a range of different types of development and approved the impact assessments and handling strategies developed in instances where bill increases for particular types of new developments exceed 10% as set out in our statement of significant changes.

Accordingly, we believe that the 2026/27 new connections charges comply with our statutory and regulatory obligations in all material respects and are consistent with Ofwat's published guidance.

Signed by, and on behalf of the Board:



James Jesic
Chief Executive
Severn Trent Water Limited
February 2026



Christine Hodgson
Chair
Severn Trent Water Limited
and Severn Trent Plc
February 2026



Sarah Legg
Chair of the Audit and Risk
Committee
Severn Trent Plc
February 2026