

**Severn Trent Water Limited
Report and financial statements
For the year ended 31 March 2025**

Company number 2366686

Severn Trent Water Limited

Severn Trent Centre
2 St John's Street
Coventry CV1 2LZ
www.stwater.co.uk



Contents

Strategic Report	Page
Highlights	1
Severn Trent at a Glance	2
Market Review – Water Sector	3
Our 2025-2030 Business Plan	5
Our Business Model	7
Chair’s Statement	10
Chief Executive’s Review	14
Our Performance and Key Performance Indicators	18
Delivering Outcomes our Customers Care About	19
Caring for People in our Region	28
A Driver of Positive Change	33
Running a Business that Goes Hand-in-Hand with Nature	43
Our Approach to Climate Change and Nature (TCFD and TNFD)	44
Our Net Zero Transition Plan	45
Chief Financial Officer’s Review	53
Managing Risks and Opportunities	62
Our Emerging Risks	66
Our Principal Risks	70
Viability Statement	77
Stakeholder Engagement	86
Section 172 Statement	96
Our Non-Financial and Sustainability Information Statement	100
Governance Report	
Chair’s Introduction to Governance	102
Performance in the Round	106
UK Corporate Governance Code Compliance Statement	107
Our Culture	108
Board of Directors	111
Board Skills	113
Governance Framework	116
Division of Responsibilities	117
Board Activities	118
Board Leadership and Company Purpose	122
Composition and Succession	125
Evaluation	128
Directors’ Remuneration Report	131
Directors’ Report	137
Directors’ Responsibility Statement	142
Group and Company Financial Statements	
Independent Auditor’s Report	146
Group Income Statement	157
Group and Company Statement of Comprehensive Income	158
Group Statement of Changes in Equity	159

Company Statement of Changes in Equity	160
Group and Company Balance Sheet	161
Group Cash Flow Statement	162
Notes to the Group and Company Financial Statements	163

HIGHLIGHTS

Turnover

£ 2,213.8m (2023/24: £2,122.0m)

Profit before interest and tax

£ 604.4m (2023/24: £496.4m)

Households and businesses served

4.6 million (2023/24: 4.6 million)

Litres of drinking water supplied each day

1.9 billion litres (2023/24: 1.9 billion)

Litres of wastewater treated per day

3.2 billion litres (2023/24: 3.3 billion)

Employees¹

8,763 (2023/24: 7,942)

1. Average employees during the year. See note 7 to the financial statements.

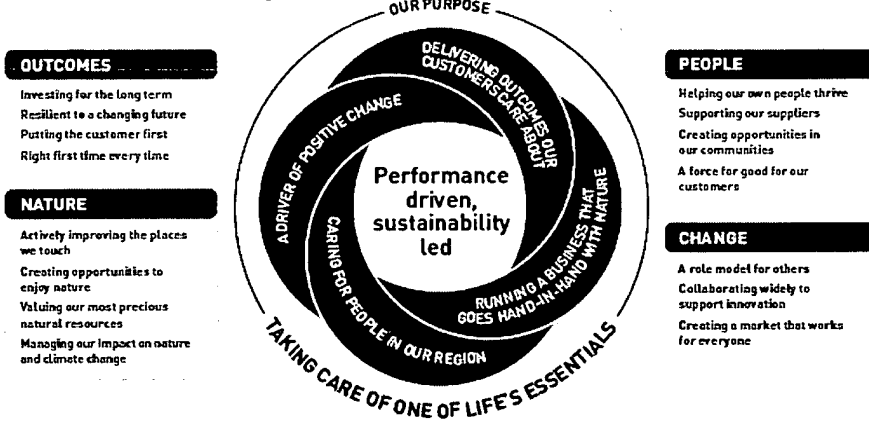
SEVERN TRENT AT A GLANCE

INTRODUCTION TO OUR STRATEGY

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

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

Our corporate strategy



Our purpose

Taking care of one of life's essentials

Driven by our strategy

Performance driven, sustainability led

UNDERPINNED BY OUR VALUES

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



Having Courage

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



Embracing Curiosity

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



Showing Care

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



Taking Pride

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

Market Review – Water Sector

There are 17 regional businesses supplying water services in England and Wales. These businesses serve over 60 million household and non-household customers. Of these, 11 also provide wastewater services, including Severn Trent Water Limited.

Our long-term strategic planning embraces the challenges and unpredictability of the future.

By analysing change drivers and their impacts, we can understand potential outcomes and respond effectively to manage risks and seize opportunities.

Looking ahead, we recognise a number of challenges that are particularly relevant for our Group:

Climate change

In response to climate change, we are innovating and improving to mitigate the impacts of water availability, water quality, abstraction, and more extreme weather events like flooding and drought. By managing our water resources more sustainably, we can enhance the performance, resilience, and flexibility of our network, especially during times of stress. We are committed to lowering greenhouse gas emissions and achieving net zero operational emissions by 2030, and net zero across all scopes by 2050.

Linked Principal Risks: 2,3,9,10 and 11

Environmental changes

We recognise the criticality of the natural environment and are dedicated to protecting it for future generations. That is why we are committing to our biggest ever investment in sustainable practices and reversing deterioration of the natural environment. We are working across our supply chain and with key stakeholders to adopt more environmentally-friendly practices to reduce our impact on the environment – especially our rivers and waterways and to minimise waste and embrace circular economy principles.

Linked Principal Risks: 2,3,9 and 10

Demographic and social structure

A growing and more aged population, more people living alone and urbanisation are increasing pressure on both housing and water. To ensure our water resilience, we are investing in new water supplies, adding more storage and treatment capacity, reducing leakage and promoting water consciousness among our customers.

Linked Principal Risks: 4 and 6

Affordability challenges

We recognise and understand that our customers are feeling the effect of economic uncertainty and cost of living pressures. Our sector-leading affordability support will help c.700,000 customers who need help paying their bill each year by 2030, the equivalent of one in six customers. We are also working with our communities to make a positive social difference through our Societal Strategy.

Linked Principal Risks: 4,7 and 8

Maturing technologies

Our commitment to innovation means we are constantly on the lookout for cutting-edge technologies that can positively impact our customers. Technological advances continue to present exciting new opportunities to deploy smart devices, automation, machine learning and artificial intelligence to improve the delivery of our services for customers and how we monitor and operate our assets efficiently and safely. We are excited to invest in new technologies and will continue to explore their application within our business.

Linked Principal Risks: 4 and 11

Working with our regulators and stakeholders

We are subject to regulation of our price and performance by economic, quality and environmental regulators, as outlined below.

The **Consumer Council for Water** ('CCW') speaks on behalf of water consumers in England and Wales.

The **Drinking Water Inspectorate** ('DWI') independently checks that water supplies in England and Wales are safe and that drinking water quality is acceptable to consumers.

The **Environment Agency** ('EA') regulates and allows us to collect water from reservoirs, rivers, and aquifers and return it to the environment after it has been used by our customers and treated by us.

Natural England advises the Government on the natural environment in England and helps to protect nature and the landscape, especially for plant and animal life in both fresh water and the sea.

Ofwat is the economic regulator for the water and wastewater industry in England and Wales. Ofwat principally exercises its duty to protect the interests of customers through periodic reviews of charges (price reviews) every five years.

Health and Safety Executive to ensure that the health and safety of our employees, customers and visitors is preserved.

Ofgem, the economic regulator of gas and electricity markets, whose remit extends to renewable energy generation.

Ofsted, the regulator for education, children's services and skills, since our Academy became accredited.

The Department for Environment, Food & Rural Affairs ('Defra') in England provides strategic and policy direction for the industry and our regulators.

Our 2025-2030 Business Plan

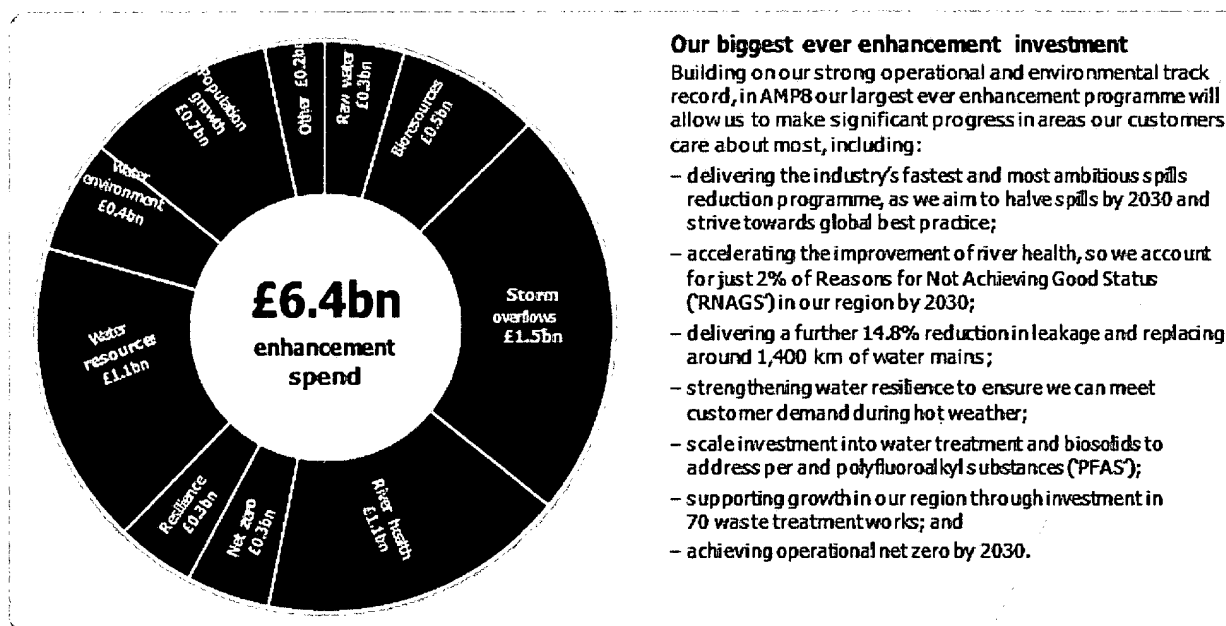
A key year in our regulatory cycle

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

An Outstanding Business Plan

We are delighted that our Severn Trent Water Business Plan for 2025-30 was awarded 'outstanding' status by Ofwat – in recognition of both its quality and the scale of our ambition.

Our AMP8 Final Determination totex allowance of £14.9 billion is around twice as much as was approved for AMP7, £6.4 billion of which is dedicated to service and environmental enhancements. We expect to generate nominal Regulatory Capital Value ('RCV') growth of 60% across the AMP, which would take our AMP8 closing RCV to around £17.2 billion (in 2022/23 prices).



Our biggest ever enhancement investment

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

- delivering the industry's fastest and most ambitious spills reduction programme, as we aim to halve spills by 2030 and strive towards global best practice;
- accelerating the improvement of river health, so we account for just 2% of Reasons for Not Achieving Good Status ('RNAGS') in our region by 2030;
- delivering a further 14.8% reduction in leakage and replacing around 1,400 km of water mains;
- strengthening water resilience to ensure we can meet customer demand during hot weather;
- scale investment into water treatment and biosolids to address per and polyfluoroalkyl substances ('PFAS');
- supporting growth in our region through investment in 70 waste treatment works; and
- achieving operational net zero by 2030.

Organisational readiness

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

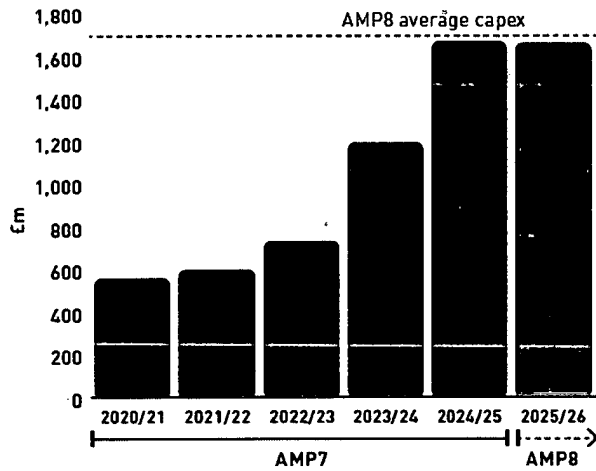
- our in-house Design Team unlocks digital and automation capabilities;
- our Plug and Play delivery model drives speed and efficiency on critical asset types;
- a broad and diverse supply chain provides resilience and flexibility;
- stepping up our capital expenditure to £1.67 billion in the final year of AMP7 means we are already at our AMP8 run-rate; and
- having accepted Ofwat's Final Determination in January 2025, our delivery of AMP8 is already underway.

Affordability and support

We remain committed to keeping bills affordable, while delivering record investment. We will begin and end AMP8 with the second lowest bill in England and our £575 million affordability package will support one in six customers with their bill by 2030. Additionally, we will support 100,000 people through our 10-year Societal Strategy and our Community Fund will continue into the next AMP.

Our Business Plan has high levels of customer support, with an 81% acceptability rating according to CCW research on Ofwat's Draft Determinations, the highest in the sector.

Capital expenditure



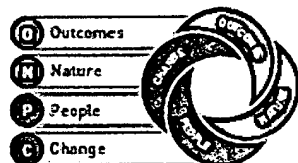
OUR BUSINESS MODEL

Our purpose

At Severn Trent, we are driven by our purpose – taking care of one of life's essentials. When we are united by our clear social purpose, we can drive positive change and deliver positive outcomes for all our stakeholders – our customers, colleagues, investors, regulators and Government, the society we live in and the environment we depend on.

Now, more than ever, we know that taking care of one of life's essentials means that what we do really matters to the families, businesses and communities we serve. This is why our values of Having Courage, Showing Care, Taking Pride and Embracing Curiosity are so important to us. Being a company that can be trusted, taking care of the environment, helping people to thrive and providing the best-value service means we all need to be focused on living our values, by Doing the Right Thing, every single day – the Severn Trent way.

Key: Strategic objectives



Our resources and relationships

Physical assets



We maintain over 50,000 km of clean water pipes, over 93,500 km of sewer pipes, and c.130 water and c.1,000 wastewater treatment works.

Principal Risks: 2, 3, 6, 9 and 10

Strategic objectives:

Outcomes Nature People Change

Natural resources



We take care of some of the UK's most impressive natural resources and make them accessible to support the health and wellbeing of communities.

Principal Risks: 1, 2, 9 and 10

Strategic objectives:

Outcomes Nature People Change

Financial capital



Our RCV is in excess of £13.7 billion. Our net debt represents 62.7% of our RCV.

Principal Risks: 7 and 8

Strategic objectives:

Outcomes Nature People Change

Technology and innovation



We rely on technology every day to communicate, store and manage data, operate our assets and monitor our operations. We are always exploring innovative technology to drive continuous improvement.

Principal Risks: 2, 3, 4, 6, 9 and 11

Strategic objectives:

Outcomes Nature People Change

Our people and culture



We look to attract, develop and retain talented people from all backgrounds. We directly employ over 9,800 people.

Principal Risks: 1, 2, 3, 4, 6, 7 and 11

Strategic objectives:

Outcomes Nature People Change

Suppliers and partnerships



All contracted suppliers are required to sign up and operate in line with our Supply Chain Sustainability Charter.

Principal Risks: 1, 2, 3, 5, 6, 9 and 10

Strategic objectives:

Outcomes Nature People Change

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:

Collect raw water

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

Clean raw water

Our groundwater and surface water treatment works clean raw water to the highest standards, making it safe to drink.

Distribute clean water

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

Customers enjoy our services

4.7 million households and businesses use our services, delivered by a team of over 9,800 employees, and supported by our contact centres, always ready to help.

Collect wastewater

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

Clean wastewater

Wastewater is carefully screened and treated in our wastewater treatment works to meet stringent environmental standards.

Recycle water to the environment

We safely return treated water to rivers and watercourses

The value we create for all stakeholders

Our customers

We aim to anticipate and meet changing customer and wider societal needs, as well as improve and protect the natural environment.

How we measure this:

Outcome Delivery Incentive ('ODI') performance (% of targets/measures met or exceeded)

2024/25 - 83%

2023/24 - 76%

Our communities

We create value for the communities we operate in by providing direct employment to local people, engaging with local businesses in our supply chain, and paying business rates to local government.

How we measure this:

Severn Trent Community Fund (£m donated to charitable projects in our region)

2024/25 - £2m

2023/24 - £2m

Our suppliers and contractors

Strong supplier relationships ensure sustainable, high-quality delivery for the benefit of all stakeholders, supporting our business operations in line with our Code of Conduct and modern slavery commitments.

How we measure this:

Average time to pay suppliers (days)

2024/25 – 34

2023/24 – 33

Our colleagues

Our greatest asset is our experienced, diverse and dedicated workforce. Our relationship with them is open and honest, and they are appropriately supported, developed and rewarded to encourage them to be their best in all that they do.

How we measure this:

Employee engagement score (out of 10)

2024/25 – 8.6

2023/24 – 8.6

Regulators, Government and Non-Governmental Organisations ('NGOs')

The policy framework for our sector is set by the UK and Welsh Governments. Our industry is regulated by Ofwat, the EA and others. We are striving to set the standard for environmental performance by continuing to achieve 4* status in the annual Environmental Performance Assessment ('EPA').

CHAIR'S STATEMENT

Our sector is currently undergoing a period of unprecedented scrutiny and regulatory reform. This is a pivotal time for the sector and provides an opportunity to deliver much needed investment for customers, which will help us regain public trust by focusing on the things they care about most.

We are excited about the scale of our Final Determination and are focused on effective and efficient deliverability of our AMP8 investments to ensure customers' money is spent wisely, whilst also mindful of the impact that higher bills have on our customers. Therefore, we are committed to a meaningful affordability strategy that ensures no customer should fear their water bill.

We have set bold ambitions for AMP8, that will create value for our customers, whilst protecting the environment and delivering our social purpose commitments – that will help restore trust in the sector and instil confidence in Severn Trent as an investment proposition.

Serving our stakeholders, now and for the long term

As the sector evolves in response to public policy and regulatory reforms, we must be mindful that individuals have choices where to forge their careers. It is therefore crucial that we continue to perform strongly and clearly articulate the value of our business through delivery of our strategy, as we embark on AMP8 and beyond.

Throughout the past year, the Board has focused itself on ensuring Severn Trent's success across all areas, making strategic decisions that serve the long-term interests of all our stakeholders.

Closing out a successful AMP7

Severn Trent has demonstrated industry-leading operational and environmental performance and strong financial resilience consistently over the last five years, delivering £332 million of ODI outperformance over AMP7, considerably more than any other water company has delivered in total throughout the AMP. Our strong operational performance and financial resilience has enabled us to withstand geopolitical and economic headwinds, many of which could not have been foreseen, such as COVID-19 and global conflicts, and has positioned us strongly to participate in emerging opportunities such as Green Recovery. It has also enabled Severn Trent Plc to raise £1 billion in equity to accelerate improvements for our customers and the environment, support delivery of year-on-year operational outperformance and drive growth.

Our AMP8 journey is underway

In December, Ofwat approved our Final Determination – which will see our largest ever investment over the next five years. Our 'outstanding' and ambitious £14.9 billion Business Plan will support us to deliver significant progress in areas our customers care about most, including delivering the industry's fastest and most ambitious spills reduction programme, reducing pollutions by a further 30%, achieving a further 14.8% reduction in leakage and reaching operational net zero by 2030.

Our significant capital delivery in AMP7 positions us strongly to deliver this step change in investment and the acceleration of our capital programme in AMP8 will improve our performance as early as possible in the AMP to deliver early benefits for customers.

AMP8 is a significant undertaking and one that I, and the entire Board and Executive Committee, take very seriously. The Board has focused on overseeing the Company's preparedness for the next AMP, including:

- **Ambition** – instilling a high-performance culture and ensuring that we always challenge our own ambitions to drive better outcomes for our customers, communities and the environment both now and over the long term. A good example of this is our Combined Sewer Overflow ('CSO') Improvement Plan.

- **Deliverability** – ensuring we have the people and supply chain in place to deliver our investment. The Board scrutinised the Company's approach to deliverability throughout development of our Business Plan – and held a dedicated deep dive during the year – to ensure that an effective organisational structure is in place, supported by strong talent and expertise within the Company and its supply chain.
- **Affordability** – accelerating our AMP8 plans will deliver significant service delivery improvements for our customers and the environment and will grow our business – all whilst maintaining the second lowest bill in England and supporting around one in six customers with their bills through our £575 million affordability package.
- **Transparency** – providing all of our stakeholders with confidence that our strategy and processes for data assurance and governance support high-quality, transparent data and reporting across all aspects of our business – so they can assess our performance and hold us to account.
- **Resilience** – ensuring that we demonstrate operational, financial and corporate resilience throughout AMP8 and beyond – for example, making sure we are resilient to increasingly extreme weather events. The Board has challenged management on the strength of our operational resilience and approach to winter and storm event readiness.
- **Financeability** – securing the appropriate funding to safeguard our financial resilience. The Board and Severn Trent Plc Treasury Committee applied focus to this during the year.

Areas of Board focus for 2024/25

This year's report brings to life the significant work and activity undertaken by your Board and Executive Committee during the year. I would like to highlight a few particular areas that the Board has applied focus to this year, as follows:

Supporting our customers and communities – as well as providing financial support to customers who might need it, we are dedicated to ensuring that our vulnerable customers receive the additional support they need. During the year, we oversaw the Company's approach to allocating bespoke services to our vulnerable customers – including tailored communications, personalised services and prioritisation during incidents – to ensure they always have access to our services in a way that works for them. As a Board, we understand the essential role that Severn Trent plays in our communities and are committed to driving positive change and making a positive impact across our region. Our 10-year Societal Strategy embodies this desire and we have proudly supported more than 26,000 people, generating nearly £7 million of Social Value since 2022.

Enhancing our environment – we are confident of achieving the highest possible rating in the Environment Agency's ('EA') demanding Environmental Performance Assessment ('EPA') for the sixth consecutive year. Notwithstanding this good progress, we know that our pollutions performance needs to improve further. We take the views of our customers and wider stakeholders seriously and are committed to improving our pollutions performance. The Board scrutinises performance at every meeting and meets with a broad range of stakeholders, including our regulators, to inform our oversight and ensure we are delivering what they expect of us.

Climate resilience – extreme weather events are becoming increasingly frequent and severe. Last year, in response to Storm Babet, we oversaw the Company's approach for future storm events, focusing on proactive measures to be implemented, prioritisation of resources, communications with customers and communities and reactive actions to be deployed to mitigate the potential impacts to the greatest extent possible.

Net zero by 2030 – we remain committed to being operationally net zero by 2030. Our Severn Trent Plc Annual Report and Accounts includes our revised Group Net Zero Transition Plan ('NZTP'), which reflects the outcome of our Final Determination and our commitment to mitigating and adapting to climate change.

Regulatory landscape

We welcome reforms of the sector and our hope is that it will sustain the higher levels of private sector investment needed to improve services and restore trust. Similarly, companies need clarity so that they can be held to account by their stakeholders – again helping to rebuild trust. The Water (Special Measures) Act (the 'Act') received Royal Assent on 24 February 2025 and the Board has considered the requirements of the Act during the year.

However, there is still much regulatory reform to complete to be able to provide the clarity and certainty our stakeholders need. The sector reform agenda for the period ahead is significant, with regulatory consultations, independent reviews and subsequent legislation change that will impact the structure and regulation of our industry:

- At the date of this report, Ofwat's consultation related to rules on remuneration has recently concluded. Our focus as a Board and Remuneration Committee is to ensure we can attract and retain the exceptional talent we need to deliver for our customers and other stakeholders, both now and in the future.
- Similarly, the Independent Commission into the water sector and its regulation – led by Sir Jon Cunliffe – remains underway, with the interim report having been published in June, and highlights the importance of strengthening relationships between regulators and water companies whilst improving the regulatory regime to rebuild trust in the sector, protect customers and deliver long-term stability through supporting investment and growth. We look forward to considering the final outputs of this review in due course.

A great deal of progress has been made during the year on developing the framework under which we will be required to operate when regulatory changes are fully implemented. Clarity for the sector is essential if we are to be able to position our business to meet the expectations of our customers, our regulators and those that invest in us.

Rebuilding trust

Restoration of trust in our sector remains a significant challenge but it is a challenge we are passionate about meeting successfully. The sector as a whole must respond to this by improving performance to meet the expectations of our customers and wider stakeholders, both now and in the long term, to rebuild trust. I am proud of the role Severn Trent is playing in forging a path to meet these expectations – through setting bold ambitions, accelerating investment, and embodying the social purpose we so passionately believe in. At the same time, we acknowledge that there is more to do in the areas that matter most to our customers and wider stakeholders.

Listening to our stakeholders

As a Board, we strive to instil a high-performance culture, ensuring that all of our employees feel a strong connection to our purpose, embody our values and feel safe and secure. Our Code of Conduct Doing the Right Thing, protects all employees and supports them to sustain customer, colleague and wider stakeholder trust. All Board members regularly spend time out and about in our business, meeting with our employees to hear their views and feedback first hand. Their feedback and observations reinforce that our workforce continues to be highly engaged, as demonstrated by our excellent engagement score of 8.6 out of 10 for the second year running, placing us in the top 2% of utilities globally.

During the year, the Board also spent a significant amount of time with regulators through a range of site visits and at Board meetings.

Leadership now and for the future

I am confident that the Board is well prepared for the challenges and opportunities that AMP8 will bring. We have a diverse and experienced Board and I would like to convey my thanks to them for their contribution, insight and constructive challenge during the year. We announced some changes to our Board earlier this year, as Kevin Beeston stepped down on 30 April 2025 after nine years' service. On behalf of the Board, I would like to express our thanks to Kevin for his expertise, professionalism

and unwavering commitment throughout his tenure as the Board's Senior Independent Director. We are immensely grateful for his service and wish Kevin all the best for the future.

We welcomed Nick Hampton to the Board on 4 April 2025 and he succeeded Kevin as Senior Independent Director on 1 May 2025. Nick brings extensive experience in general management, finance, investor relations, strategy, M&A, information systems and procurement.

With AMP8 fully underway, we are well positioned to deliver positive outcomes for our stakeholders over the next five years. I am confident that our Executive Committee will deliver the commitments we have made and continue to demonstrate exemplary leadership both within our organisation and across the broader sector, deliver our biggest investment to date and maintain our strong track record of operational and environmental performance – all of which will be essential to help the sector as a whole rebuild trust.

I look forward to the year ahead, and delivering positive outcomes for our customers, communities and the environment.

Christine Hodgson

Chair

CHIEF EXECUTIVE'S REVIEW

AMP8 investment: £14.9bn
2024/25 capital investment: £1.7bn (2023/24: £1.2bn)
Net ODI reward: £68m (2023/2024: £55m)

My report this year marks the beginning of my third AMP at Severn Trent and I still come into work energised each and every day, knowing what we do matters and we are making a difference – and I'm buoyed up by the prospect of a new, exciting AMP.

As outlined in my report last year, our AMP8 Business Plan is the most ambitious in our history, and I'm thrilled that it was rated 'outstanding' by Ofwat. It is my firm belief that our customers will benefit massively from our investment for many generations to come. Our £14.9 billion investment is around twice that approved for AMP7 and will see us enter a new era of growth – delivering nominal RCV growth of 64% across the AMP. And by accelerating our investments, we'll deliver significant progress – at speed – in areas our customers care about most, meaning they'll see the benefits as early as possible in the AMP, including:

- delivering the industry's fastest and most ambitious spills reduction programme – aiming to halve spills by 2030 and strive towards global best practice;
- improving the health of rivers in our region so our communities can enjoy them for generations to come – reducing our contribution of Reasons for Not Achieving Good Status ('RNAGS') in our region's rivers from 10.8% this year, to just 2% by 2030;
- achieving European-leading leakage performance, by replacing around 1,400 km of water mains and delivering a further 14.8% reduction in leakage – better than our counterparts in France and Spain;
- supporting growth in our region through job creation, unlocking housing development and addressing the drivers of poverty in our region – improving the life chances of 100,000 people in our patch through work experience, training and employability skills development – and supporting future housing development through investing in 70 waste treatment works; and
- achieving operational net zero by 2030.

Our Business Plan, and regulatory outcome, is a wonderful testament to the dedication of everyone involved in its development, particularly our 68,000 customers who played a huge role in shaping our proposals. I would like to thank each and every one of our customers who shared their views and feedback with us through this process.

In this year's Chief Executive's Review, I want to share my personal highlights of our performance in AMP7 – and this year. I'll touch on how our sustained outperformance will drive efficient growth and deliver benefits for our customers, the environment and wider society and our lovely people supporting us on our long-term journey. I'll also talk openly about the ongoing areas for improvement.

I am incredibly proud of the progress that we've made over the last five years. We've had great performance on ODIs for each and every year of the AMP, we've uniquely achieved the highest accolade of 4* status from the EA for five consecutive years, landed an outstanding Business Plan – that we believe to be very fair – and made the conscious decision to invest in our company to ensure we are the best we can be – through a blend of insourcing, developing deeper technical skills and embracing technology including AI to drive operational excellence.

All this was against a tricky backdrop – we've faced a global pandemic, unprecedented energy and chemical prices, a cost of living crisis, and the sector has faced more public scrutiny than we could have imagined.

But we stand here today stronger than ever and I believe that the unique Severn Trent mindset, our strength, values and resilience have enabled us to address such challenges head on and be confident that we'll sustain this outperformance over the next five years.

Our people are totally invested in our business and all that we do. I want to thank every single one of them for their magnificent and selfless commitment – and for all they do for Severn Trent, our

customers, communities and the environment – 24 hours a day, seven days a week. They are the magic ingredient that makes Severn Trent so special – and it's a joy to work with them every day.

Investing for the future

Building a lasting legacy for our customers today and for generations to come is one of our most important responsibilities. That's why I'm starting my performance review with an update on our capital programme.

Our sustained outperformance, underpinned by our strong financial resilience, has seen us deliver a record period of investment over AMP7. It's also meant we could make a fast start on deploying our AMP8 investment, and deliver service improvements for our customers and communities as early as possible. We've invested a record £1.7 billion through our capital programme this year, almost triple the level of investment from the start of AMP7. This brings our investment levels in line with our desired run rate for AMP8, thanks to two key differentiators:

- Firstly, in 2021 we were awarded an additional £566 million (2017/18 prices) by Ofwat for our Green Recovery programmes – 71% of all funding awarded to the sector – across six workstreams aimed at driving innovation. That work has scaled-up across AMP7, culminating in final delivery this year, giving us heaps of experience in a number of emerging areas – such as future expectations in relation to PFAS, commonly referred to as 'forever chemicals'.
- Secondly, we've accelerated £450 million of investment from AMP8 to put us on the right run rate and, more importantly, deliver customer and environmental benefits early in areas such as storm overflow spills. Our £450 million investment has delivered over 1,800 interventions, covering 69% of our priority storm overflows – and we enter the AMP at the lowest starting point in the sector, despite the impact of exceptionally wet weather during the year.

Our significant AMP7 investment has also helped us to extend our position as an environmental leader and we're confident that we will be awarded the highest possible 4* status from the EA in their 2024 EPA, making it six consecutive years – something no other company has ever achieved. That said, we have a beady eye on the future of the EPA regime in AMP8 – which will see the introduction of new, and even more challenging, metrics that we are shadow reporting in earnest to put us on the best footing to retain our environmental leadership credentials.

Continued strength in water

We've invested a significant amount of time and resource into strengthening the resilience of our water networks over AMP7; bringing more assets online to enhance our network, improving our flexibility so we can get water to the right places at the right time, and creating an in-house Network Response Team – dedicated to finding and fixing problems and getting our customers back on supply as quickly as possible.

This investment has proven worthwhile and is reflected in our water metrics. AMP7 saw us live through some of the hottest and driest summers since records began. For example, in Summer 2022, we were producing an extra 450 Ml/d to sustain demand. The resilience of our network, combined with the incredible support from our customers in response to our extensive demand management campaigns, meant we were able to keep the water flowing, navigating the summer conditions. And we are proud to have not had Temporary Usage Bans (also known as hosepipe bans) in 30 years. However, it's clear that weather extremes are now part of our business as usual. We are not at all complacent and have applied a great deal of focus to our readiness plans ahead of entering the summer period.

I'm therefore delighted with the sustained progress on our leakage journey. We've seen a significant year-on-year leakage reduction, beating our target with a 16.8% leakage reduction across AMP7. We're also repairing significant visible leaks 60% faster than at the start of AMP7, thanks to improvements in our planning and scheduling processes which help us to manage our performance in real time and novel technologies such as no dig fixes, which can reduce fix times from three days to just 30 minutes with minimal customer and community disruption.

Similarly, supply interruptions are at their lowest ever level, achieving our regulatory target with the average customer on supply for more than 99.99% of the year.

And on low pressure, we've once again outperformed our target, with a total of 325 low pressure days against our target of 17,062, reinforcing that our £15 million investment in AMP7 is turning the dial and improving services even further for customers.

Driving performance in waste

Waste is another area where we've made significant investment over AMP7 and we're seeing the benefits. We insourced our Waste Infra Response Team in 2023, giving us greater internal control over the quality of work delivered. Our 'right first time' approach to blockages has reduced the number of repeat incidents, and new innovations and technology such as the Stickleback – a tool which captures items in sewers before they can cause a blockage – have prevented many potential issues. We have reduced blockages by 40% over the AMP7 period.

We have worked hard this year to drive improvements in areas our customers care about most – such as internal sewer flooding. Our new 'fast response' approach has helped to prevent external floods becoming internal, and I'm pleased that we have achieved our best ever internal sewer flooding performance, outperforming our target this year. We've also achieved our public sewer flooding target, meaning we've hit our target every year this AMP with a 13% reduction across the five years.

Whilst our serious pollutions performance for the year meets the EA's highest EPA 4* standard, we're disappointed with our overall pollutions performance. Therefore, we are investing £400 million over the next two years to deliver a real step change. Our Pollution Incident Reduction Plan ('PIRP') will drive performance improvements at the pace our customers expect, including improving 400 sewage pumping stations, insourcing the capability to undertake complex sewer repairs, creating a Repeat Prevention Team to reduce follow-up incidents and increasing our level of proactive interventions.

Affordability and customer service

We never want our customers to fear their bill and although our average bill remains the second lowest in the country – and will remain so throughout AMP8 – we understand this will be more than some customers will be able to afford. And so, we've more than doubled the affordability support we provide – through our new £575 million support package. This will see over 700,000 households – around one in six customers – receiving some form of support by 2030.

On customer service, I am disappointed that our C-MeX scores remain mid-table, but pleased that our Trustpilot score of 4.8 out of 5 is among the highest in the FTSE100, with 92% of customers rating their experience as five star. I am also delighted that we have reduced complaints from household customers by almost 80% during the course of the AMP.

Looking to the future

We're incredibly proud to serve the Midlands, and our customers and communities that call the Midlands home. I'm optimistic for the period ahead. Our Business Plan will deliver significant, and meaningful, benefits for our customers and wider society. Whilst many of these have a long-term perspective and look 25 years ahead, the next five years will see us make real progress – driven by our AMP8 performance commitments – that ensure our customers, and wider stakeholders, can hold us to account.

I'd like to end my report by thanking my brilliant leadership team for their unrelenting passion, drive and infectious energy in tackling every challenge. We are grateful too for the stewardship, support – and challenge – from Christine and the Board. I'd also like to thank the lovely c.10,000 Severn Trenters. Working alongside them, and making a real difference in our region, energises me every day. They are the secret to our success.

And finally, one of the unique things about Severn Trent is our rich history – and our Derwent Reservoir dam holds a special place due to its connection with the famous 'Dambusters' Squadron, who used the dam for training during World War II. In recognition of VE 80, we illuminated our dam in remembrance, alongside a whole host of other VE day events across our sites.



VE 80 Illumination at Derwent Reservoir dam

Liv Garfield

Chief Executive

Our Performance and Key Indicators

Water quality complaints (number of complaints)



9,011 ↑

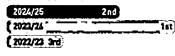
(ODI target: 9,500)

Definition:
The number of complaints about taste, odour and appearance that we receive

Strategic objectives: D M P C

Stakeholders: **Remuneration:**

Developer measure of experience [D-MeX] [Rank]



2nd

Definition:
An industry standard view of developers' experience, measured through both quantitative and qualitative metrics

Strategic objectives: D M P C

Stakeholders: **Remuneration:**

Inspiring our customers to use water wisely (number of commitments)



165,277 ↑

(ODI target: 31,050)

Definition:
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

Strategic objectives: D M P C

Stakeholders: **Remuneration:**

External sewer flooding (number of incidents)



7,018 ↓

(ODI target: 3,397)

Definition:
The number of sewer flooding incidents that occur in customer gardens, driveways and external buildings

Strategic objectives: D M P C

Stakeholders: **Remuneration:**

Employee engagement (score out of 10)



8.6

Definition:
Employee engagement score out of 10

Strategic objectives: D M P C

Stakeholders: **Remuneration:**

Priority Services Register [PSR] (% of customers)



9.9 ↑

(ODI target: 9.7)

Definition:
Percentage of our customers that require bespoke support during incidents that are signed up to our PSR

Strategic objectives: D M P C

Stakeholders: **Remuneration:**

Water supply interruptions (average number of minutes)



4min 34sec ↑

(ODI target: 5.00)

Definition:
The average number of minutes lost per customer

Strategic objectives: D M P C

Stakeholders: **Remuneration:**

Customer measure of experience [C-MeX] [Rank]



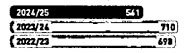
11th

Definition:
An industry standard view of customers' experience, measured through both quantitative and qualitative metrics

Strategic objectives: D M P C

Stakeholders: **Remuneration:**

Internal sewer flooding (number of incidents)



561 ↑

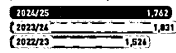
(ODI target: 564)

Definition:
The number of sewer flooding incidents that occur inside customer properties

Strategic objectives: D M P C

Stakeholders: **Remuneration:**

Public sewer flooding (number of incidents)



1,762 ↑

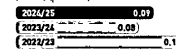
(ODI target: 1,884)

Definition:
The number of sewer flooding incidents that occur in public open spaces

Strategic objectives: D M P C

Stakeholders: **Remuneration:**

Lost Time Incidents [LTIs] (per 100,000 hours worked)



0.09

Definition:
Number of employees unable to work due to injury or illness from their job

Strategic objectives: D M P C

Stakeholders: **Remuneration:**

Value for money (% score)



56.5 ↓

(ODI target: 64.5)

Definition:
Our customers' view of value for money measured by a quarterly survey

Strategic objectives: D M P C

Stakeholders: **Remuneration:**

Leakage (ML/d) (three-year average)



371 ML/d ↑

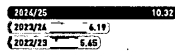
(ODI target: 382 ML/d)

Definition:
The average volume of water that leaks from our water network each day (measured as a three-year rolling average)

Strategic objectives: D M P C

Stakeholders: **Remuneration:**

Compliance Risk Index [CRI] (index)



10.32 ↓

(ODI target: 0.00) (ODI deadband: 2.00)

Definition:
A calculated score for each compliance failure

Strategic objectives: D M P C

Stakeholders: **Remuneration:**

Pollutions (number of incidents)



274 ↓

(ODI target: 182)

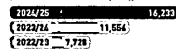
Definition:
The number of pollution incidents that occur from our activities

Strategic objectives: D M P C

Stakeholders: **Remuneration:**

NATURE

Biodiversity (number of hectares (ha))



16,233 ha ↑

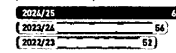
(ODI target: 1,090 ha)

Definition:
The number of hectares of land with improved biodiversity since 2020

Strategic objectives: D M P C

Stakeholders: **Remuneration:**

Help to pay when you need it (% of customers)



62 ↑

(ODI target: 43)

Definition:
Percentage of our customers who need our support that are part of one of our affordability schemes

Strategic objectives: D M P C

Stakeholders: **Remuneration:**

Key:
Strategic objectives

- D Outcome
- M Nature
- P People
- C Change

Performance

↑ Outperformance against target

↓ Underperformance against target

DELIVERING OUTCOMES OUR CUSTOMERS CARE ABOUT

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 customers to manage demand.

Customer experience

We are passionate about delivering the best possible service for our customers, a shared commitment that extends from the frontline to the boardroom. Our ambition is to deliver a great experience for our customers in all that we do.

Customer Measure of Experience ('C-MeX')

C-MeX is the water industry's customer satisfaction measure overseen by Ofwat, which is measured by surveying customers' experience and views across four areas: Water, Waste, Retail and Experience.

We are making pleasing progress in two of these areas – Water and Experience – and are striving to improve our performance within Waste and Retail. Our C-MeX score improved from 74.18 to 74.42 year on year, however our position remained static at 11th.

- We have seen a steady improvement in our Water C-MeX performance over the last three years – through minimising supply interruptions, improving complaint handling and reducing leakage. We have made pleasing progress on our leakage journey, with a 16.8% leakage reduction across AMP7, repairing significant visible leaks 60% faster and reducing fix times from almost eight days to just over three days – minimising disruption to our customers. We have also created a new Customer Inspector Team, dedicated to supporting customers throughout water jobs, until they are completed.
- We are using the learnings from our improvements in Water to enhance our approach in Waste. We insourced our Waste Infra Response Team in 2023/24 to give us greater control over speed and quality of response to customer issues. Our new approach is yielding positive results and we now resolve jobs much faster, with 30% fewer complaints. We know we can always do more, so we are currently recruiting an additional 78 people to bolster this team to enable greater consistency on speed of response during significant wet weather.
- In Retail, our focus is on ensuring that our customers can speak to us quickly, whenever they need to, and have their query resolved. We have invested significantly in this, and hope to see the benefits of our investment in the period ahead. Our migration to the Kraken platform continues and nearly two and a half million customers are already on the new platform. Our remaining customers will be migrated in the next few months. We also opened a new fully insourced customer contact center in Leicester during the year.



Customer contact centre, Pride Park

- And in Experience, we have focused on improving customer satisfaction, reputation, value for money and building trust – particularly in areas our customers care about most, such as CSOs, and we're pleased that interventions such as these are helping to rebuild our customers' trust in us.

We are at different stages in our improvement journey across each of these areas, however we are confident that our plans are turning the dial and will deliver the improvements in performance that our customers expect.

Beyond customer service, we never want our customers to fear their bill and our relentless focus on affordability support and customer advice continues. This year, we created our Customer Inspector Team, focused on providing 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.

Leicester customer contact centre

In September 2024, we announced the insourcing of all our customer service operations, establishing a new customer contact centre in Leicester and creating 40 new roles. We worked closely with Leicester Job Centre and Employment Hub to create pathways for individuals facing barriers to employment, and 22% of our new recruits fit this profile.

By bringing all of our operations in-house we will benefit from: enhanced communication, improved service knowledge, stronger links with our culture and values, more efficient responses to customer feedback, improved controls, and also increase our ability to flex and adapt to our customers' needs – and provide them with the very best level of service.

We're confident that this will have a positive impact on the service we provide to our customers and contribute to an improvement in our C-MeX performance moving forward.



Liv at Leicester customer contact centre

Developer Measure of Experience ('D-MeX')

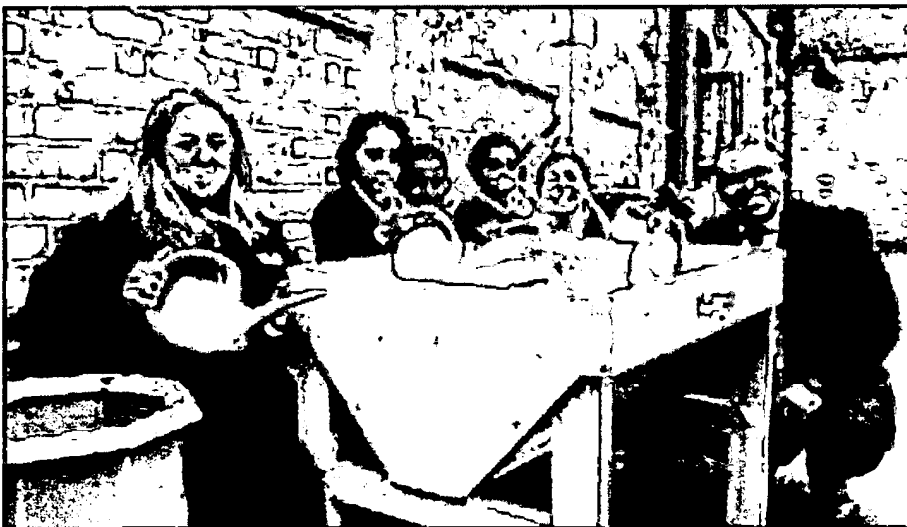
We are delighted to have maintained our position as one of the leading companies on D-MeX, holding our upper quartile position this year with an improved score of 92.16 (2023/24: 91.90), although disappointed to have dropped to second place from our first place position last year. Since D-MeX was introduced in 2020/21, we have been in the top three companies every year, putting us in a great position for AMP8.

This is another area where insourcing has driven improvements, with our in-house teams working tirelessly to understand the differing requirements of developers; providing a tailored approach to service delivery, building long-term relationships with larger developers whilst offering enhanced support and touchpoints for one-off transactional developer customers.

Inspiring our customers to use water wisely

Our children are our future, which is why we established our Education Team at the start of AMP6 to teach our children good habits around water and sewer use, as well as about the environment. Educating children early helps instil lifelong behaviours. Our Education Team is thriving and, through our programme, we encourage customers to pledge to use water wisely, utilise wastewater services appropriately, and drink tap water to avoid single-use plastic bottles. Each pledge represents an individual committed to changing their behaviour around water usage, which helps reduce water demand, prevent sewer blockages, and benefits the environment.

This year, we collected an impressive 165,277 pledges, the second highest number ever received in a single year. We have exceeded our target in all five years of AMP7 and our total now stands at over 500,000 customers who have pledged to use water wisely.



Education Team improving awareness of good water and sewer use for our future customers

Value for money

We strive to deliver a service that represents value for money for our customers and are disappointed to see the percentage of customers rating their bill as 'good value for money' dropping from 60% to 57% this year. We are committed to ensuring our customers receive the good value service they expect and are improving in areas that our customers tell us are important to them, such as leakage, supply interruptions, water quality and blockages. We have also made excellent progress on our CSO Improvement Plan.

Help to pay when you need it

We recognise the importance of supporting customers experiencing financial vulnerability and never want anyone to fear their bill. Our average household bill for water and waste services this year was around £457 (£1.25 per day) and is the second lowest in England. Supporting customers who struggle to pay, or are at risk of struggling to pay, is fundamental to building customer trust.

Last year, we assisted over 290,000 customers who needed additional support; this equates to 62% of customers (2023/24: 56%) which is above our target of 43%. We offer a range of schemes, including social tariffs, debt write-offs, payment breaks, home water efficiency checks, fixing private water and wastewater issues (relating to assets which are normally the customer's responsibility), grants, payment plan concessions, and water health checks. Our £575 million AMP8 affordability package will see us help one in six customers with their bills by 2030 through a variety of schemes, delivering payment support to those who need it most.

Priority Services Register ('PSR')

Our PSR commitment aims to increase the number of customers in vulnerable circumstances who receive services tailored to their needs, such as alternative communications and literature, support with access and mobility restrictions, help during incidents, and enhanced security during home visits. We strive to reach as many customers as possible who might need additional support, and we have over 415,000 households on our PSR. We continually review the households on our register to remove those who no longer need assistance, ensuring we focus on customers who need us most. This offers customers a better, more personalised service catered to their individual needs.

We are pleased to report that we have achieved our target for PSR this year, and have done so throughout AMP7, despite increasingly challenging targets. Currently, nearly 10% of our customers are signed up to our PSR, reflecting an increase of over 28,000 from the previous year which means we are helping more people than ever before.

Water

Water supply interruptions

This year, we are delighted to have achieved our best ever performance, outperforming our stretching 5 minute target, with a performance of 4 minutes 34 seconds, marking an improvement of over 30% from last year. This improved performance is the result of significant investment in our water network and the introduction of our Network Response Team during the AMP, providing resilience to increasingly frequent extreme weather events, such as Storm Darragh in December 2024. Similarly, we managed the winter freeze-thaw with significantly less impact on customers through applying learnings from prior events. This improved response has had a positive impact on our supply interruptions performance and also leakage.

Our insourced Network Response Team has targeted improvements on the impact of medium-sized events. This activity has proven beneficial and has been the main driver of our performance improvement. Additionally, we have made significant strides in reducing the impact of outlier events over AMP7, reducing supply interruptions for our customers, and we are pleased to have sustained the decrease this year.

Leakage

We are thrilled to have outperformed our AMP7 leakage target, achieving a 16.8% reduction over the AMP from our three-year average baseline set in 2019/20. This puts us on a positive trajectory as we enter AMP8, targeting over 30% leakage reduction by 2030 and 50% reduction by 2045. Our performance this year reflects a year-on-year annual leakage reduction of 28 Ml/d, and achieving our lowest ever level of leakage at 335.1 Ml/d. Our resilient operational performance has enabled us to meet our target for 13 out of the last 14 years, with learnings from the 'beast from the east' in 2018 being embedded to minimise the future impact on customers of such extreme weather events.

We have increased our focus on finding and fixing leaks, with 60,000 repairs carried out this year, an increase of over 5% from last year. We are also repairing significant visible leaks faster than ever before, with an average end-to-end job completion time of three days, including site reinstatement and clearance, reflecting an improvement of over 60% across AMP7 and meeting our target every year. Additionally, we continue to renew our water network and deliver pressure management schemes to stabilise the network and reduce leaks caused by high network pressure.

No dig technology

Maintaining and upgrading underground infrastructure can pose significant challenges. Traditional methods involve disruptive excavation processes that can impact customers, communities, businesses, and the environment. No dig technology presents an innovative, non-disruptive and cost-effective solution, eliminating the need for excavation. This technology is being deployed to support our leakage reduction target of 50% by 2045.

A unique solution comprising water, food-grade gellant, and engineered calcium carbonate particles is injected into a pipe in the boundary box and forced under pressure directly into the leak, sealing it quickly and effectively. This new technology enables us to quickly reinstate mains with minimal interruption to water supply, ensuring a more continuous and reliable service for customers. Repairs that would normally take two to three days now only take 20-30 minutes on average, and with around 200 leaks successfully repaired during our trial, we are now exploring how to roll out this technology across the business.

Per Capita Consumption ('PCC')

Whilst we have sustained a PCC reduction over AMP7, despite a number of challenges – including the COVID-19 pandemic, increased home working and heightened hygiene measures – we missed our regulatory target this year. The installation of water meters will be key to further progress – as providing customers with meters significantly improves demand management by reducing customer usage and identifying leakage. Over AMP7, we have installed over 500,000 meters – this includes the roll out of over 180,000 smart meters which provide more information, greater transparency, increased data accuracy and have reduced PCC by 3.7 MI/d. Building on this progress, we will install over 1 million meters in AMP8 to support further reductions in PCC and improve long-term water resources, supply/demand balance and reduced reliance on water abstraction.

Alongside our metering activity, we maintain a positive, continual dialogue with our customers, engaging with them directly on demand management through our water efficiency programme. We have completed over 84,000 home water efficiency visits in AMP7, achieving a 13.3 MI/d water efficiency saving. Additionally, over 245,000 customers have engaged with our water-saving survey platform, Get Water Fit.

Smart meter data

We are using AI and smart meter data to identify private side leakage, reducing customer bills and reducing PCC.

Water quality complaints

We had a total of 9,011 drinking water quality complaints this year, which was better than our regulatory target, meaning we have achieved our target for every year of AMP7. However, we continue to target year-on-year improvements through our mains cleansing and flushing programme and increased usage of automated designs using network analytics, enabling us to produce instant flushing plans during water quality events to reduce impacts for customers, and deliver proactive messaging when undertaking flushing in their area.

Compliance Risk Index ('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 CRI score this year – with our CRI score increasing year on year from 6.19 to 10.32. This level of performance is not where we want to be, and is driven by asset failures at a number of our largest water treatment works, primarily Strensham. We are implementing activities to mitigate against future impacts, including accelerating the deployment of ultraviolet ('UV') technology at Strensham, and creating a dedicated in-house Water Quality Commissioning Team to review options to accelerate longer-term asset and process improvements.

While total sample failures have also increased to 148 from 122 last year, we are working to understand bacteria within our processes. Using online flow cytometry, which provides live data on water quality, has enabled us to deliver improvements at our distribution service reservoirs. We have also refreshed our dedicated improvement plan, CRI Sustainability Plan, with the objective of eradicating high-impacting events in our water network and addressing bacteriological risk at water treatment works.

Tap water forensics

As part of an Ofwat innovation funded research project, we are combining genomic sequencing with AI technology to analyse water quality at our water treatment works. These insights are helping us enhance our treatment processes.

Wastewater

Sewer flooding

The last 12 months have seen extremely challenging weather conditions, as reflected in the increase in wastewater volumes treated this year – driven by the higher than average rainfall in our region over the year. We treated 3.22 billion litres of wastewater per day compared with an average of 3.06 billion litres per day for the first four years of the AMP. Our teams have worked determinedly in particularly challenging conditions this year to keep our services operating efficiently and reduce the impacts on our customers and the environment. However, we recognise that there is more we can do to deliver the improvements our customers expect.

We have achieved our best ever internal sewer flooding performance, improving 20% year on year, however it is still not where we want it to be as we strive to be the leading company on this important waste measure. To drive further improvements, a member of our Executive Committee reviews every single incident to understand the cause and support investment activity (for example, our insourcing of waste reactive services).

External sewer flooding remains a key focus, and we are disappointed not to have delivered against our stretching target (which is the most demanding in the sector) this year, with our performance broadly in line with last year at 7,018 external flooding incidents, of which 709 were hydraulic incidents and 6,309 flooding other causes ('FOC'). Despite this, we are confident that we will continue to be sector leading for external sewer flooding performance. There are two main factors that drive performance – blockages, which can occur as a result of sewer misuse, and hydraulic flooding, due to heavy rainfall. We review any repeat hydraulic incident with the aim of installing mitigation measures to prevent future customer impacts.

We understand that any flooding is not acceptable for customers, so we have made improvements to our waste operating model, ensuring we have the right number of crews at the right time, to drive quicker response to reported flooding incidents and blockages which, if not dealt with effectively, have potential to cause flooding incidents, and complete effective follow-up activities such as CCTV investigations and permanent fixes. We are also supporting customers in vulnerable circumstances and have updated our policy this year. We have also created more than 20 community flooding liaison roles, to work with local groups to improve our flooding response, build relationships and improve local resilience plans.

Finally, we have outperformed our public sewer flooding target every year in AMP7 since the measure's creation, and this year we have beaten our target by over 6%.

Storm intelligence

We have developed an AI-based platform to support our Network Control Team to manage weather-related incidents. Using AI-boosted modelling, we can predict our sewer network response to storms. This helps us deploy resources before storm overflow spills, pollutions or sewer floodings occur.

Sewer blockages

We are continuing to see the benefits of insourcing our Waste Infra Response Team, which has given us greater internal control over the quality of work delivered. This has enabled us to reduce repeat blockages, a leading cause of FOCs. Additionally, insourcing has improved our response time to blockage jobs, reducing the chance of blockages causing flooding as we can take action before customers are affected by internal or external flooding. To reduce impacts driven by blockages caused by sewer misuse, we are continuing to work in partnership with food service providers to ensure the appropriate disposal of fats, oils, and greases ('FOG'), preventing them from entering the sewage system and causing blockages.

This year, we achieved our best ever performance on sewer blockages, with 28,062 blockages, surpassing our target by over 30%. We continually seek out new technologies and innovation to improve our approach and this year we introduced the Stickleback, a device designed to tackle blockages caused by items like wet wipes. The Stickleback is strategically placed in sewers to capture these items, preventing blockages and potential sewage backups. Alongside its deployment, we launched a public awareness campaign emphasising the message 'be a binner, not a blocker', encouraging proper waste disposal.



The Stickleback in action

Pollution incidents

Despite the performance improvements made in some areas, we know there is more we can do to improve our pollutions performance. We want to deliver faster improvements and have set bold targets to drive performance improvements, supported by scale investment plans and weekly Executive Committee oversight of individual measures. Our serious pollutions performance is green against the EPA target with one reported in the year, however it has been another challenging year for our overall pollutions performance. We experienced 274 pollutions (2023: 239), and disappointingly did not meet our target this year. Despite a strong start on our PIRP in AMP7 and achieving zero serious pollutions in 2023, we have not achieved the sustained total pollution reduction performance we set out to. Earlier this year, we redefined our PIRP for 2025-30, supported by a £400 million investment over the next two years to deliver the step change in performance that our stakeholders expect. Our investment will improve our resilience and speed of response, and ultimately our performance, through the following activity:

- Creation of a new waste operational control centre – focused on alarm monitoring and management, response to events and implementing immediate solutions ahead of permanent solutions being implemented, such as overpumping.
- Recruiting a dedicated Repeat Prevention Team of technical experts to assess and permanently fix any issues – this team will improve our speed of response to events, to ensure zero repeats. They will also triple our volume of proactive interventions such as cleansing and lining and undertaking complex repairs in-house.

- Improving the standards and capacity at Sewage Pumping Stations ('SPS') – improving 400 SPS, ensuring we eliminate the risk of repeat incidents from these assets.
- Deploying new technology and innovation at scale – for example on infiltration schemes to reduce the hydraulic pressure on our network and help reduce pollutions, spills and sewer flooding.
- Increased focus on asset monitoring and maintenance, such as screw pumps, to prevent pollutions events.

All of this activity will be supported by the skills and expertise of our people, assisted by specific training delivered through our Academy – including immersive training using our pollutions training river, which provides frontline operatives with hands-on experience in dealing with various types of pollution incidents, helping to reduce potential environmental impacts.

Waste operational control centre

Our new waste operational control centre is a state-of-the-art facility designed to revolutionise waste management, by responding to and effectively addressing waste incidents across our network. This innovative hub aims to enhance decision making through real time data analysis and the development of new methods to improve waste resilience. It represents a transformative step in waste management and has created 40 new jobs, providing promotion opportunities for existing employees. The increased workforce allows us to focus even more on improving our performance in handling pollutions and spills to meet the expectations of our customers and regulators.

This advancement in waste management uses an advanced incident tracking system, enabling the logging and monitoring of waste incidents in real time to swiftly identify and respond to incidents, ensuring prompt resolution and minimising disruption to our customers and the environment.

We are confident that this will have a positive impact on the service we provide to our customers and contribute to an improvement in our C-MeX score moving forward.

Environmental Performance

Environmental Performance Assessment ('EPA')

We have achieved the highest possible EPA rating of 4* for the last five years, and we are confident that we will achieve this rating again for 2024, making it six consecutive years and every year of AMP7 – which is unprecedented across the sector. No other company has ever achieved more than three consecutive years at 4* status.

Calendar Year EPA rating	2019 4*	2020 4*	2021 4*	2022 4*	2023 4*	2024 4 ¹
-----------------------------	------------	------------	------------	------------	------------	------------------------

¹Confident of achieving 4* status, awaiting sign-off by the EA.

	2024 EPA Green Target	Our 2024 performance	2024 Status
Serious pollutions	1 or below	1 ²	Green
Pollutions incidents	191	274	Amber
Discharge permit compliance	99.0%	99.5%	Green
Self-reported pollutions	80%	90%	Green
Water Industry National Environment Programme ('WINEP') delivery	100%	100%	Green
Supply Demand Balance Index	100	100	Green
Satisfactory sludge use and disposal	98.2%	100%	Green

¹The EA classified this incident as Category 2 under the Common Incident Classification Scheme, based on elevated ammonia levels along the length of a drainage ditch. However, we have seen no evidence of any consequential harm caused by the elevated ammonia.

The EA has confirmed the methodology for EPA is changing from 2026 and we are therefore expecting it will become significantly harder to achieve a 4* rating. We are shadow reporting the proposed new measures to position us strongly for the future EPA regime.



Finham Wastewater Treatment Work

CARING FOR PEOPLE IN OUR REGION

Our people work tirelessly every day in their commitment to taking care of one of life's essentials

Building our Future Skills

We are dedicated to building our future skills by investing in new talent and we take a unique and personal approach to recruitment. By using our in-house model, even for senior roles, we get to know our candidates better and give them a thorough understanding of our company and culture. This approach helps us create better job and career matches, and allows us to find and attract top talent more effectively.

Our commitment to meeting future skills needs is reflected in our wide array of new talent programmes. We now offer our broadest range of new talent programmes, including roles in support functions, operations and engineering and continue to invest in key skills areas, such as cyber security, environmental management and process engineering.

This year, we have introduced new programmes in strategy and regulation and environmental management to develop future leaders. These programmes have been instrumental in enhancing diversity; our Operational and Environmental Leadership Programme continues to improve our gender diversity, with 57% of participants being female.

Work experience is a critical component of our future skills strategy. To support this, we have hosted 90 individuals through paid work placements and internships during 2024/25 and provided over 95 students with unpaid work experience opportunities.

We also have three interns on our annual programme with Derwen and Hereward Colleges, which is designed to support students with special educational needs and disabilities ('SEND') to gain first-hand work experience.

Whilst we ensure we attract the right external talent, we are also committed to supporting internal promotions and succession forms the foundation of our approach to building skills and leadership resilience in our organisation

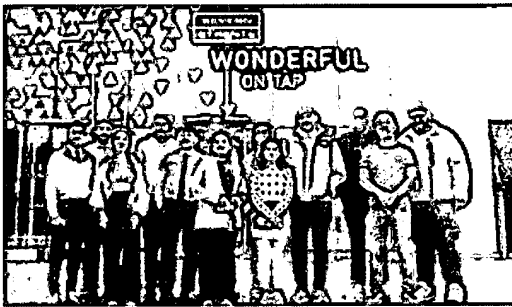
Currently, 55% of our vacancies are filled internally. In the last two years, 20% of employees have progressed to a broader role or been promoted, with over 400 of these colleagues moving from frontline or advisory roles to Team Manager or Technical Expert level and over 56 promotions to Business Leader or Senior Professional level roles.

Our in-house Academy allows us to adapt and refine our training approach in response to regulatory or technology changes. The versatile facilities provide a variety of traditional and experimental training environments, offering a safe place for our colleagues to build essential practical and technical skills to better serve our customers and communities.

Providing a Diverse and Inclusive Place to Work

We celebrate diversity and inclusion and embrace individuals' contributions, no matter what their age, gender, race, ethnicity, disability status, sexual orientation, social background, religion or beliefs.

By employing, valuing and investing in a range of local talent with different backgrounds, experiences and perspectives, we can build a skilled workforce that can really understand and empathise with all our customers and communities, and deliver our services in the way they want them.



Graduates at Severn Trent Centre



In 2025, we were delighted to be named a winner of Glassdoor's annual Employees' Choice Awards, honouring the 'Best Places to Work' in the UK. Severn Trent was the highest ranked water company and rated 29th out of 2.8 million companies on Glassdoor.

As at 31 March 2025, our Executive Committee comprised four female and five male members (44.4% and 55.6% respectively). 24 (47.1%) of our Senior Leaders (including our Executive Committee) were female and 27 were male (52.9%). Female representation in the Company was 29.0% (2,849 women), with male representation at 71.0% (6,997 men).

Five members of our Board, including the Chair, were female (62.5%) and three were male (37.5%). The table below sets out a gender breakdown of Directors, Senior Managers (as defined in the 2018 UK Corporate Governance Code and Companies Act 2006) and employees of the Company as at 31 March 2025.

Gender representation as at 31 March 2025

	Directors		Senior leaders		Graduates and apprentices		All employees	
	Number	%	Number	%	Number	%	Number	%
Female	5	62.5	24	47.1	78	23.1	2666	29.4
Male	3	37.5	27	52.9	260	76.9	6390	70.6

Ethnicity representation as at 31 March 2025

	Directors		Senior leaders		Graduates and apprentices		All employees	
	Number	%	Number	%	Number	%	Number	%
Asian/Asian British	1	12.5	4	7.8	63	18.6	733	8.1
Black/African/Caribbean/Black British	-	-			16	4.7	244	2.7
Mixed/Multiple ethnic group	1	12.5			15	4.4	178	2
Other ethnic group	-	-			4	1.2	47	0.5
Not specified/prefer not to say	-	-			44	13	1012	11.2
White British or other White (Including minority-White groups)	6	75.0	47	92.2	196	58	6842	75.6

Rewarding and Looking After Our People

All employees share in our success through our all-employee bonus plan, aligning everyone with key objectives and rewarding achievements. We offer a market-leading defined contribution pension scheme, doubling employee contributions up to 15% of salary.

Remuneration

The Directors' Remuneration Report sets out the steps we take to make sure that our pay and reward framework, below Executive and Senior Management, is transparent, meaningful and useful for stakeholders.

Looking after our people

The wellbeing, health and happiness of our people is important to us and, as such, we have an array of wellbeing campaigns, initiatives and services available to support their physical, mental and financial wellbeing. By embedding wellbeing into our policies, we foster a positive and engaging work environment.

Our organisation has grown significantly this year, as we insourced more teams. And we have ensured that as part of the onboarding process, our new joiners understand our policies and ways of working – including in relation to health and safety. We have had another strong year on our health and safety performance – with 17 LTIs this year, compared to the previous year of 14, representing an LTI rate of 0.09 per 100,000 hours worked this year. This is industry-leading performance, despite a significant increase in headcount during the year.

Unfortunately, there was a serious health and safety incident in March 2025 involving an employee of one of our framework contractors. The incident occurred at one of our sites which was under the control and responsibility of the contractor and sadly resulted in the death of a contractor employee. As at the date of this report, we understand that the investigation into the incident remains ongoing. Neither the Company nor its employees is subject to the investigation.

Following the incident, we engaged across the Company's framework contractors and direct supply chain to re-emphasise the importance of our fundamental health and safety expectations and our 'Everybody Safe' mindset and culture.

We continue to have a strong presence in key indices, including:

9th

on the Social Mobility Index, placing us in the top 10 for the sixth year running

4.5/5

Glassdoor ranking

Creating Opportunities in our Region

Our gender and ethnicity pay gap

In March 2025, we published our third combined Gender and Ethnicity Pay Gap Report.

This year, our median gender pay gap slightly increased from 7.8% to 8.2%. This increase is mainly due to our decision to insource more of our wastewater activities. Our mean gender pay gap, however, reached its lowest level at 1.9%. This continues to be driven by the high proportion of women in our management and senior management roles.

In our third year of publishing our ethnicity pay gap information, both the median and mean gaps have increased to 10.1% and 7.6%, respectively. We have seen continued progress on the representation of ethnic minorities in our workforce (up to 13% from 12%) and in our Gender and Ethnicity Pay Gap Report, available on our website you can read more about the actions we are taking to increase minority ethnic diversity at more senior levels, including both the nurturing of internal talent and the identification and attraction of external talent.



Our Societal Strategy, launched in 2022 to reach 100,000 people in, or at risk of, water poverty by 2030, aims to improve life chances through access to high-quality employment-related training and career opportunities.

Maintaining our focus in areas of high deprivation in our region, we have expanded our schools programme with employability training, mock-interviews, career assemblies, unpaid work experience and discovery days. Our corporate volunteer offer continued to grow with the introduction of NeighbourGOOD this year, where local organisations can apply for Severn Trent volunteer time and a small grant. This year, we have also launched our Learning, Employability and Preparation initiative to create pathways into roles at Severn Trent for people who may have barriers to work.



Social Mobility Index

We have officially been named as one of the country's top performing companies for improving social mobility. For the sixth year running, we have been placed in the top 10 on the Social Mobility Index, coming in at 9th place out of 75 companies.

The Social Mobility Index, which is in its eighth year, ranks UK employers for their commitment to making sure those from all social backgrounds have access to the same opportunities.

Community Fund

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

In 2024/25, the Community Fund awarded over £2 million to over 113 organisations. Since the Community Fund's inception, we have awarded over £11 million to 896 organisations across our region.

Fair pay and working conditions

We are proud to be an accredited Living Wage Employer. We also contractually require all our suppliers to sign up to the real Living Wage. We are committed to paying suppliers on time and giving clear guidance on payment terms. We aim to pay 95% of our small suppliers within 30 days, in line with the principles of the Fair Payment Code. For the payment practices reporting period ended 31 March 2025, the average time to pay for Severn Trent Water was 34 days.

Living Hours is a newer concept designed to ensure that workers are on contracts where they can earn enough to support a decent standard of living. In April 2024, we became an accredited Living Hours employer. The standards to which it holds employers to account includes: a right to a contract which reflects the hours worked; offering a minimum of 16 hours per week (employees can request less); and providing at least four weeks' notice of a change to working patterns.

Supporting our Customers

To be truly impactful in our communities, we need to help more of our customers who need support today. Our average combined bill for the year remains the second lowest in England. 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 to fear their bills.

So far this year we have provided over £88 million of support for around 290,000 of our customers. Between 2025 and 2030, we are doubling the number of households who might be eligible to receive financial help with a new £575 million package of support. That means around one in six customers across our region, or nearly 700,000 households, could receive help with their bills.

In respect of our vulnerable customers, we also aim to reach out to as many customers as possible to find those who might need additional support from us. We now have 9.9% of our customers signed up to our PSR. 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.

A DRIVER OF POSITIVE CHANGE

The world we operate in and the needs of our customers and society change continually. We seek to embrace the challenges and opportunities this presents, not only driving change in what we do, but also acting as a catalyst in our sector, our region and for the people we serve.

Get River Positive

In 2022, we launched our Get River Positive campaign alongside Anglian Water and Hafren Dyfrdwy as part of our commitment to reduce our environmental impact on rivers and ensure their long-term health. At the heart of this industry-leading initiative are five ambitious pledges as detailed below.

Since its inception we have delivered strong results and our focus on making further improvements continues, supported by collaboration with all of our stakeholders, sustained investment and positive community engagement. We understand the importance of our environment and will continue to focus on rivers, seeking to innovate and invest in more sustainable solutions for a resilient future for rivers.

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



River Ranger Sampling



PLEDGE 1:
ensure storm overflows
and sewage treatment
works do not
harm rivers



PLEDGE 2:
create more
opportunities for
everyone to enjoy our
region's rivers



PLEDGE 3:
support others to
improve and care
for rivers



PLEDGE 4:
enhance our rivers and
create new habitats so
wildlife can thrive



PLEDGE 5:
be open and transparent
about our performance
and our plans

**Pledge 1:
Ensure storm overflows and sewage treatment works do not harm rivers**



Submerged aerated filter units at Lower Moor Wastewater Treatment Works

River health is declining across the UK, with only 14% achieving Good ecological status. Our Get River Positive pledges are critically important to us as they represent our commitment to river health. By addressing spills, reducing pollution, and investing significantly in river health, we will protect and restore the natural beauty and biodiversity of rivers in our region, ensuring a sustainable future for generations to come.

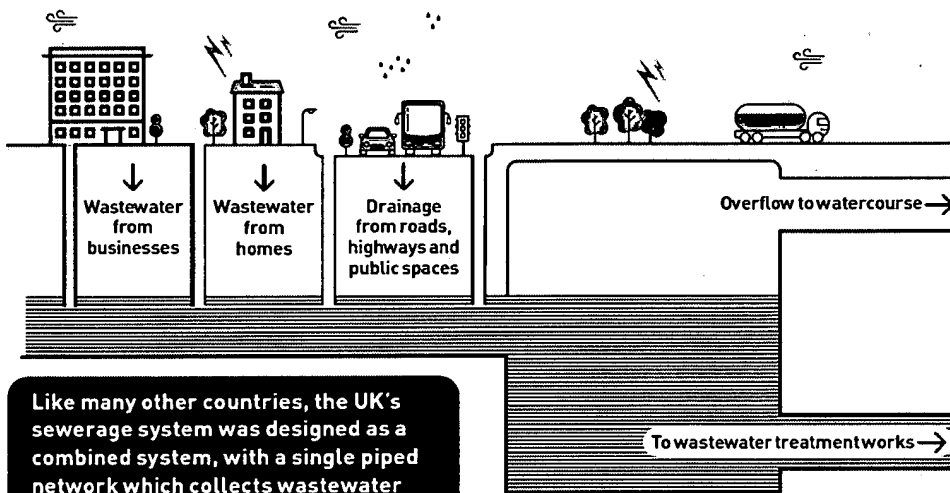
Our operational area includes over 778 waterbodies. We reduced our contribution to RNAGS in our region's rivers to 14% in 2023, a significant improvement. Through our work installing complex schemes over the last 12 months, our RNAGS contribution has reduced further to 10.8% and we are on track to meet our goal of less than 2% by 2030. Despite the ongoing challenges of climate change, such as extreme weather patterns and significant flooding, our customers expect us to be resilient and continue to reduce our impact on rivers in our region.

In May 2024, we announced our industry leading CSO Improvement Plan, with the objective of improving our wastewater network and reducing storm overflow usage. Over the last year, our teams have worked hard to implement over 1,200 permanent enhancements to eliminate spills from storm overflows across our region, bringing our total to over 1,800 since work commenced. This reflects excellent progress against our initial commitment to deliver 900 enhancements by December 2024.

By Autumn 2025, we will have completed more than 2,100 enhancements. The scale of the project has been made possible by a new dedicated team of 500 people across our organisation and the supply chain. We have delivered an average of 34 projects per week since June 2024, ranging from new storm water storage tanks, innovative wastewater treatment solutions to capture, store and treat flows and flap valves to prevent river inundation when river levels rise during periods of flooding. Early analysis shows our investment is working – and our improvements have helped prevent thousands of spills last year alone, despite a record year of rainfall and extreme weather events resulting in an average of 25.4 spills in the year.

We are proud that this huge engineering programme, delivered at speed, has put us on track to reduce the average number of spills from storm overflows by over 25% from our 2024 levels, reducing spills to an average of 18 per year by December 2025.

What are CSOs?





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.

Operational Optimisation Innovation Centre

We recently announced the creation of our Operational Optimisation Innovation Centre ('O2IC') at our Alfreton wastewater catchment. This cutting-edge facility has been designed to mirror the success of our Resource Recovery and Innovation Centre ('R2IC') at Spenal, which has positioned us as global leaders in the measurement and management of greenhouse gas emissions in the water sector. The O2IC will act as our permanent test facility to combine AI solutions, operational and engineering technologies, within a single wastewater catchment.

This will create a unique opportunity to develop, monitor and refine AI-driven innovations such as real time monitoring, predictive maintenance and optimisation of treatment processes, in a structured environment. This initiative will also enable us to understand and address the people and process transformations needed for successful implementation, as well as rigorously testing the functional safety and security of AI solutions to ensure safety and environmental risks are properly managed.

Pledge 2:	Pledge 3:	Pledge 4:
<p>Create more opportunities for everyone to enjoy our region's rivers</p>	<p>Support others to improve and care for rivers</p>	<p>Enhance our rivers and create new habitats so wildlife can thrive</p>
 <p>Carsington Reservoir open water swimming event</p>	 <p>River Leam</p>	 <p>River Rangers in Leamington</p>
<p>The health of our rivers is important to our customers and communities and their wellbeing. In recent years, more and more people have been using the rivers in our region and that is why Pledge 2 of our Get River Positive campaign is so important – it is not only about providing opportunities for recreational activities across our estate but also ensuring that our investments lead to cleaner, safer, and more vibrant waterways for all to enjoy.</p> <p>Our £78 million investment as part of our Green Recovery Bathing Rivers programme delivered innovative wastewater treatment technology at Ludlow, Itchen Bank, and Frankton. Using innovative ozone technology, this work has reduced our impact on rivers in Shropshire and Warwickshire.</p> <p>We are also committed to enhancing recreational activity opportunities at our visitor sites. This year, we were pleased to host our inaugural controlled open-water swimming event at Carsington Reservoir in Derbyshire, which saw participation from almost 300 swimmers. Following the success of the event, we are developing future plans for recreational activities at other</p>	<p>Collaboration with others is crucial to restoring river health – no single organisation or company can solve the issue single handedly. We know that by working with other industries, local communities and river-user groups and schools we can have a bigger impact on improving river health. Whether it is funding restoration projects, partnering with local wildlife trusts, or collaborating with farmers to minimise their impact on rivers, we want to work together to make a difference.</p> <p>Our Community Fund has an important role to play, with more than £748,000 awarded over AMP7 to projects that enhance and improve river health. One of our largest contributions has helped the Friends of Bennerley Viaduct to continue transforming a once derelict, fly-tipping hotspot into a thriving heritage and green space. After 50 years of closure, the viaduct has been reopened to the public, with more than 13,000 people – including 2,900 children – engaged in a variety of programmes over the last three years. Our donation of £74,500 will support the development of a new visitor centre and a new rewilding scheme to boost biodiversity as well as provide a</p>	<p>Our dedicated River Rangers work tirelessly to improve the health of our rivers through monitoring water quality across rivers, streams and brooks in our region. Their work includes regular inspections, water-quality testing, and conservation activities to support local wildlife and habitats. In the past year, our River Rangers have carried out over 4,300 inspections, taking the total number of inspections to more than 10,000 since the team's inception in 2022. Furthermore, they have attended more than 420 external stakeholder meetings, reaching nearly 2,500 people in relation to river health.</p> <p>In collaboration with several environmental groups, including wildlife trusts across our region, our river restoration projects have ranged from small scale, such as simple log dams, to more complex mitigations, including eel and fish passes, all with the objective of reducing the volume of structures and water restrictions on our waterways.</p> <p>We have also made good progress with our Great Big Nature Boost scheme, improving the biodiversity of over 16,200 ha across the region – more than double our</p>

<p>reservoirs and hosting our first triathlon event at Carsington Reservoir on 13 July 2025 with British Triathlon. We are working closely with the sailing, angling and paddle clubs based at our reservoirs.</p> <p>Swimming at our reservoirs is just one way we have interacted with local communities. Our partnership with the Clean Water Sports Alliance has continued this year and we have engaged with clubs and organisations who use our region's rivers for sports and recreational enjoyment, to understand their perspectives and help inform our future activities.</p>	<p>much improved community space to enjoy.</p> <p>Our continued partnership with farmers in our region has enabled us to safeguard water quality through various programmes and grants, including our Severn Trent Environmental Protection Scheme ('STEPS'). In the past year, we have awarded 166 STEPS grants, worth almost £2 million, for on-farm improvements that help protect water quality by reducing pesticide, nitrate and cryptosporidium from reaching raw watercourses. 83% of farmers involved told us that they are very satisfied with our collaboration, and 89% believe the on-farm changes made through our schemes will benefit the environment.</p>	<p>original goal. This reflects our commitment to environmental stewardship and our dedication to enhancing the natural beauty and biodiversity in our region.</p>
--	--	--

**Pledge 5:
Be open and transparent about our performance and out plans**



River Linney

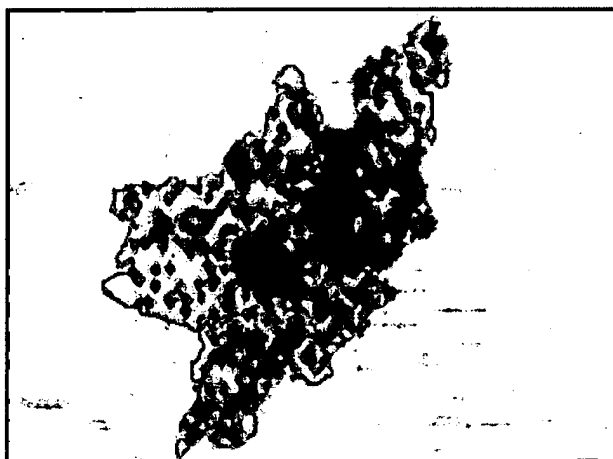
Over the last year, we welcomed new members to our Get River Positive Independent Advisory Panel to include Stuart Singleton-White from the Angling Trust, and a member of the Clean Water Sports Alliance, and Alison Biddulph, who led the Bathing Waters Designation in Shropshire. The expertise and commitment of our Advisory Panel is a key contributor to informing our approach to protect and enhance river health. The Advisory Panel's insights and constructive challenge has been hugely beneficial.

We are committed to reporting our performance transparently to our customers, communities and wider stakeholders and this year saw the launch of our Storm Overflow Map in April 2024, which was a major milestone. The map provides a near real-time view of the data from our Event Duration Monitors ('EDMs') and is underpinned by over 300 million data points. Based on feedback from our Advisory Panel and other stakeholders, we further enhanced our map in February 2025 to provide detail of our planned and completed investments for each overflow.

We also launched the National Storm Overflow Hub in December 2024 in collaboration with the Stream open data initiative and other water companies. The Hub collates data from all English water companies into one dataset, providing the public with access to nationwide data, which they can download and utilise as needed. In the year ahead, we will publish our open data strategy on our website, to provide transparent insights into our open data engagement principles.

We have continued our partnership and collaboration with citizen scientists and other interested parties, such as the Severn Rivers Trust, to support others to better understand river water quality. This includes investigating methods for citizen scientists to test for bacteria in water and interpret the results. Working with our laboratories and the River Protection Team, we have trialled more than six testing methods and are now close to developing a tool that citizen scientists can use. This programme is due to be completed in September 2025. We will be investing a further £2 billion over the next five years to improve river health. We are also committed to enhancing transparency by installing around 1,000 river water quality monitors across our region by 2030. Applying learnings from our Storm Overflow Map, we will explore how to effectively share this information with our customers, communities and other interested stakeholders on our website.

Furthermore, we have committed to ensuring we are open and transparent and provide information on our EDM performance on our website in an easily accessible format. Our data is published annually at present and we are pleased to commit to publishing our EDM data quarterly moving forwards, with the aim of reporting it monthly before the end of the year.



Our Storm Overflow Map

Charlton Kings



At Charlton Kings in Gloucestershire, we have been making upgrades to our CSOs, delivering smarter, more efficient ways to reduce spills and improve river health.

After carrying out detailed flow investigations, we designed a solution to improve how we manage storm flows during periods of heavy rainfall. By installing 50 metres of much larger diameter pipe, we have significantly increased our stormwater storage capacity, helping to prevent overflows when the system is under pressure.




Additionally, we have installed new sensors, to provide more accurate and timely data so we can respond faster to changes in flow. These enhancements have improved our performance at this site.

Zero Spills Hub



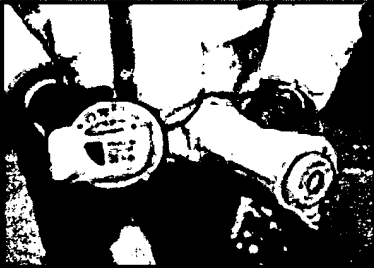
Inspired by our Net Zero Hub, which combines operational, engineering and AI solutions to achieve ambitious goals, we are excited to introduce our Zero Spills Hub to support our Get River Positive campaign. In the Arnold catchment in Nottinghamshire, we will be trialling innovative solutions in combination to deliver our WINEP commitments and demonstrate how to achieve zero spills in a catchment. Our trials will focus on AI based solutions that optimise the use of our existing assets, as well as physical, biological and nature-based solutions that remove stormwater from the network (and reuse it), apply localised treatment and create smart storage that can be used to flush the network.

Green Recovery

This year marks the successful completion of our ambitious Green Recovery programme, for which Ofwat approved an additional £566 million (2017/18 prices) investment in 2021. We are proud of the benefits this programme has delivered for our customers, communities and the environment. Our Green Recovery initiatives have not only addressed immediate challenges but have also laid the groundwork for a more sustainable future for the sector more broadly. We remain committed to continuing our efforts to protect and enhance the natural environment, ensuring a resilient and thriving region for generations to come.

Bathing rivers	Protecting customer supply pipes	Water resources
 <p>Ozone treatment at Ludlow Wastewater Treatment Works</p>	 <p>Supply pipe installation</p>	 <p>Witches Oak Water Treatment Works</p>
<p>Our Goal</p> <p>Improve the water quality of the River Leam and River Teme by upgrading three wastewater treatment works, treating and reducing spills from storm overflows and undertaking river water quality monitoring.</p>	<p>Our Goal</p> <p>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 from customer-owned pipes.</p>	<p>Our Goal</p> <p>Increase water supplies by treating up to 93 Ml/d using low-carbon-impact treatment processes, and share our knowledge with other water companies. In addition, our work aimed to increase the biodiversity of up to 46 ha of habitat at our Witches Oak wetland next to the River Trent.</p>
<p>Achievements</p> <p>We have successfully completed the project and achieved our March 2025 target. The installation of our wastewater treatment works ozone disinfection upgrades is now complete at all three sites. Our off-site assembly approach proved to be time efficient, more cost-effective, and supportive of equipment testing and commissioning.</p> <p>Our planned improvements to 24 storm overflows included the delivery of storage tanks and surface water separation, which have increased the length of river we have improved to more than 120 km, delivering benefits for customers,</p>	<p>Achievements</p> <p>We increased the rate of delivery, and have successfully replaced over 17,000 supply pipes, including almost 10,000 replacements this year.</p> <p>In Bomere Heath, we completed a full sampling programme to identify any remaining lead pipes. Moving forward, we will work closely with the DWI to investigate disengaging phosphate dosing in the area, thereby reducing the carbon impact of our water treatment processes.</p> <p>Lead supply pipes are not solely a problem for Severn Trent customers and we were keen to share our experience</p>	<p>Achievements</p> <p>The construction of our Raw Water Abstraction and Transfer Project completed in March 2025, despite exceptional weather and flooding events. As part of this project, we have successfully refurbished the Witches Oak abstraction pumping station to ensure it operates at optimum capacity and efficiency – building resilience for customers and the environment. The 31 floating wetlands biologically pre-treat the raw water before we abstract it, reducing the amount of traditional treatment required. Our innovative ceramic membrane pilot plant has been operational since</p>

<p>communities, and the environment.</p> <p>Throughout this project, we have collaborated with the Rivers Trust to better understand how our customers and communities use rivers and engaged with local communities about our plans, which has informed our collective approach to taking care of rivers.</p>	<p>with other water companies. We held a Lead Industry Day in October 2024, bringing together over 90 attendees from water companies, trade bodies and regulators to talk about the issues and our approach.</p> <p>We estimate that we have reduced leakage by 0.22 m3 throughout this project.</p> <p>Additionally, the programme generated significant employment benefits in our region with over 3,400 jobs completed through the Grant model in Coventry using local suppliers.</p>	<p>December 2022 and is collecting critical data to support real-time optimisation of the new treatment works utilising this technology.</p> <p>The brand new Witches Oak Water Treatment Works began commissioning in December 2024, and we are increasing the volume of water treated throughout the spring. We have installed new pipework to deploy the treated water from Witches Oak Water Treatment Works into our network, ensuring a sustainable water supply for the future.</p>
--	---	--

Flood-resilient community	Improving our region's rivers	Smart water meters
 <p>Detention basin, Mansfield</p>	 <p>River Ishbourne</p>	 <p>Smart water meter</p>
<p>Our Goal</p> <p>Create the UK's first catchment-scale flood-resilient community in Mansfield, using an innovative 'nature-based' approach to reduce surface flooding risk.</p>	<p>Our Goal</p> <p>Support environmental improvements to 500 km of rivers, accelerating our planned WINEP investment by three years. This includes delivering 47 Water Framework Directive ('WFD') statutory obligations faster by carrying out schemes to reduce storm overflows and remove phosphorus.</p> <p>We will also undertake Storm Overflow Assessment Framework ('SOAF') investigations to inform and prioritise future investment.</p>	<p>Our Goal</p> <p>Help customers save water – and also reduce their bills – by installing over 157,000 smart water meters to individual household properties, aiming to promote water efficiency and reduce consumption by providing customers with real-time data on their water usage.</p>
<p>Achievements</p> <p>We achieved this by installing Sustainable urban Drainage Systems ('SuDS') across Mansfield to absorb rainwater, providing additional storage capacity and, crucially,</p>	<p>Achievements</p> <p>We successfully delivered 21 WFD points by the end of March 2025 – 14 more than our required seven. The remaining WFD points are on track for</p>	<p>Achievements</p> <p>We have installed more than 157,000 smart meters through the project, providing blueprint for our smart meter installations in AMP8, which</p>

<p>reducing surface water flooding for customers and communities in this area. We delivered more than 31,000 m³ of surface water storage through our interventions, constructing 84 rain gardens and bioretention tree pits with a capacity of almost 955 m³, and more than 11,300 m² of permeable paving with an estimated 2,900 m³ of storage. Natural solutions, such as bioswales and detention basins, have delivered significant benefits – with our 143 bioswales providing a storage capacity of over 14,700 m³ and our 12 detention basins providing storage capacity of more than 12,500 m³. Whilst primarily mitigating against surface water flooding risks, these interventions have also delivered environmental benefits, such as increased biodiversity and community amenity benefits.</p> <p>We have learned a huge amount about the actual costs of retro-fitting SuDS through this project and how to roll them out at scale in a more cost-effective way. This knowledge will be used to help us, and others in the sector and more broadly, to deploy SuDS interventions moving forward.</p>	<p>delivery by the end of 2027. Accelerating the delivery of our WFD obligations delivers improvements to our rivers more quickly. We have also been installing more chemical dosing systems, reedbeds and mechanical filters to reduce the amount of phosphorus in the rivers resulting from our wastewater operations.</p> <p>In addition to the WFD points, the project also delivered 54 overflow spill reduction interventions (such as weir height increases) and SOAF investigations to inform and prioritise our future investment.</p>	<p>has been shared with the broader sector. The smart meters installed across the Coventry area are enabling customers to monitor their water usage and identify leaks or internal plumbing issues quickly. In addition, they have real-time visibility of the positive impact they are making – reduced water use means lower energy consumption and lower GHG emissions.</p> <p>We now have a much-improved ability to handle the increasing volume of data while maintaining the integrity of our data systems. Importantly, we can now leverage smart data to drive meaningful insights in water management. It is an ongoing process which will maximise the benefits of smart metering, leading to a more sustainable and efficient water network.</p> <p>The success of this project is reflected in our leakage and PCC performance, which has surpassed our expectations and has saved 7.2 MI/d in 2024/25 and 12.4 MI/d over AMP7.</p>
--	---	--

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

Great Big Nature Boost 2027 targets:

- Enhance biodiversity across 5,000 ha
- Plant 1.3 million trees
- Restore 2,000 km of rivers across our region

Environment

The natural environment is at the heart of our operations and everyone in our business is focused on protecting and enhancing nature, habitats and rivers across our region. We know that looking after nature helps to look after water.

As part of our commitment to the environment, we created our Great Big Nature Boost ('GBNB'), an industry-leading initiative to enhance biodiversity and make improvements to nature across our region.

In 2020, we set ambitious targets including boosting biodiversity across 5,000 ha in our region by 2027. We were delighted to reach this target four years early, in 2023, and we set ourselves a new ambitious target of improving 10,000 ha by 2025 – still two years earlier than our original target. We are thrilled that we surpassed this goal in 2024 and have now delivered improvements to over 16,200 ha – more than three times our original target. Our work to enhance and preserve our natural environment accounts for more than 3% of the nation's 2042 Nature Recovery Network target.

Our collaboration with nationally recognised and trusted partners such as the National Trust, RSPB and the regional Wildlife Trusts has been fundamental in achieving our ambitious plans. By leveraging the expertise and dedication of our partners, we have been able to go further and faster to deliver changes that protect and celebrate the natural environment. In this final year of AMP7, we have worked with 20 individual partners on 36 projects across our patch, which has delivered nature improvements to over 3,100 ha across our region.

Examples during the year include our collaboration with the Shropshire Wildlife Trust and Shrewsbury Town Council supporting the reintroduction of beavers to Shropshire after 400 years. Beavers play a crucial role in creating natural habitats, enhancing water quality and reducing flooding. By constructing dams, beavers help to filter and purify water, positively contributing to the health of our waterways. This is the third reintroduction of beavers in our region that we have supported, aided by learnings at Willington Wetlands in Derbyshire and the Idle Valley Nature Reserve in Nottinghamshire in 2021. Since then, both sets of beavers have established their habitats, created dams and demonstrated why they are nature's natural water engineers.

In 2019, we made a pledge to plant 1.3 million trees as part of our GBNB and we have made good progress to deliver our target by 2027. To date we have created 33 new woodlands, planted 72 tiny forests and worked with our environmental partners and landowners to plant a million trees. This includes creating a carbon neutral legacy for the Birmingham 2022 Commonwealth Games as part of our commitment to help create the most sustainable games to date.

Our Boost for Biodiversity grant fund – which offers small grants for community organisations and land owners to improve habitats – is now in its fifth and final year. The fund has supported 27 projects, delivering over 130 ha of improvements across a range of projects, including wildflower meadows, woodland management and improvement, invasive species management and wetland restoration.

Other projects we have undertaken during the year include creating flower-rich roadside verges in Shropshire and reinstating meadows in Warwickshire to boost populations of wildflowers, fungi, bees, butterflies and bats. Our longstanding partnership with Moors for the Future continues its vital work in the Peak District across the Bamford Catchment and in Combs Moss, helping to restore the degraded peatland through planting Sphagnum moss, a vital building block for the restoration of blanket bog. This work is vital in helping to capture and store water, as well as protecting the peat from erosion – this helps reduce overland flow during storms and protects drinking water quality.

We are incredibly proud of the work we do to protect and enhance nature and we have delivered a number of significant improvements in our region over the last five years. We remain focused on this as we enter AMP8, continuing to work hard for nature as well as maintaining the work that we have completed with our partners.

Our Approach to Climate Change and Nature

As a business that relies on the natural environment to deliver our services, it is vital that we consider the impacts of a changing climate to invest strategically in our own resilience. We are dedicated to proactive climate action to reduce our impact and we foster a sustainability-led culture to protect the environment in all that we do.

Our TCFD Disclosure

At a Group Level, we are committed to the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'), providing our stakeholders with transparent information on climate-related risks and opportunities that are relevant to our business. Our seventh TCFD disclosure is provided on behalf of the Group and is presented in Severn Trent Plc Annual Report and Accounts 2025. This details the outputs of the assessed risks, the potential responses to those risks, the investment options available, and the wider considerations that need to be taken into account when making decisions. Our TCFD disclosure also complies with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 ('CFD').

We also voluntarily incorporate detail using the guidance and recommendations of the Taskforce on Nature-related Financial Disclosures ('TNFD'). Combined, these disclosures provide transparent information on climate- and nature-related risks and opportunities relevant to our Group, demonstrating how interlinked our governance, risk management processes and metrics are.

In March 2020, we committed to invest £1.2 billion into sustainability over five years, and to report on our progress in a transparent and genuine way. The table below provides detail on where we have invested against our plans to 2025. Last year we exceeded our original target, investing over £1.5 billion by March 2024, and we have now invested over £2.4 billion.

Our Ambitions	Our Priorities	Investment to date
Carbon and Climate Change	Triple Carbon Pledge Science-Based Targets Climate adaptation	£248 million
Enhancing Nature	Biodiversity Pollutions reductions River water improvements Catchment management	£1,073 million
Water Resources for the Future	Leakage reduction Per capita consumption reduction Meter installations Interconnector investment	£889 million
Affordability and Accessibility	Reducing water poverty Building our academy Creating a community fund Increasing conservation	£210 million

OUR APPROACH TO CLIMATE CHANGE 2025

What are we aiming for?

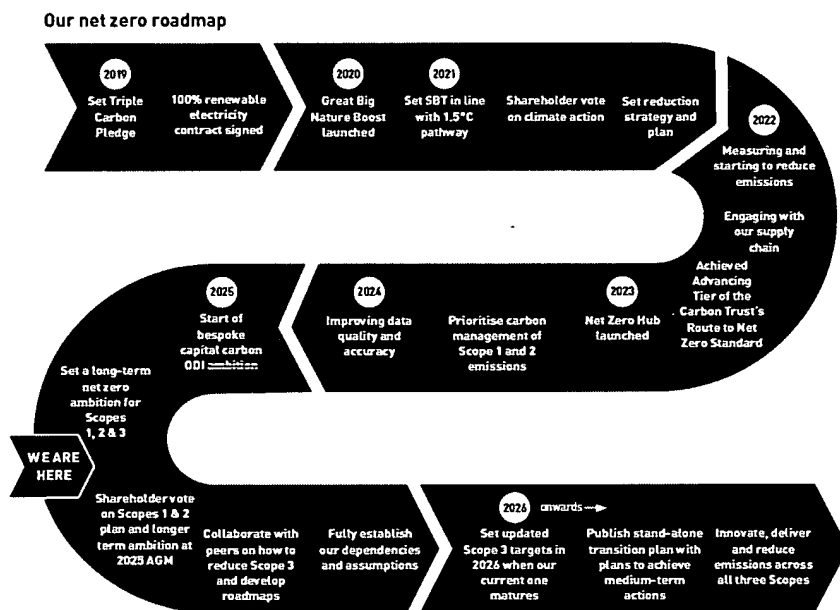
As a Group, we have committed to achieving net zero operational carbon emissions by 2030. We also committed to 100% of energy from renewable sources and 100% electric vehicles by 2030, where available. This is known as our Triple Carbon Pledge. We have also set Science Based Targets ('SBTs') to reduce Scope 1 and 2 emissions by 46% by 2031 in line with a 1.5°C pathway, and for 70% of our supply chain (by emissions) to have set an SBT by 2026. We continue to evolve our plans and we are setting a new ambition to meet net zero across Scopes 1, 2 and 3 by 2050 across Severn Trent Plc, supported by a new intensity target to reduce our methane emissions by 30% by 2033.

Our Group Net Zero Transition Plan

Our commitment to mitigating and adapting to climate change remains a critical priority. Every day, we provide clean water and treat wastewater to 4.7 million households and as a provider of water services we are heavily reliant on nature and the environment around us.

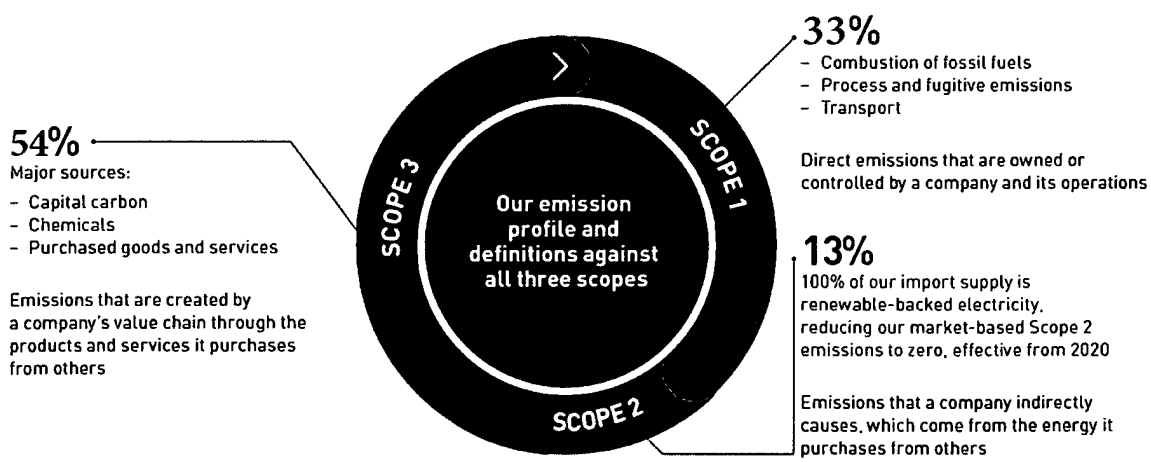
As ever, improving performance delivery for our customers is our priority and managing potential impacts to our customers is at the forefront of our plans, particularly ensuring that bills remain affordable. We will seek to minimise emissions whilst delivering improvements in water quality, pollutions and improved resilience.

Over the next year or two, we will develop more detailed Scope 3 plans and new targets as we deliver against our current engagement Science-Based Target ('SBT') in 2026, and will present these as part of an updated Group Net Zero Transition Plan. Please see our Severn Trent Plc Annual Report and Accounts 2024/25 for our full Group Net Zero Transition Plan.



Net Zero Plan on a Page

Short-term targets >	Medium-term targets >	Long-term ambition
2026 70% of our supply chain (by emissions) to set a SBT by 2026 (Scope 3)	2031 100% electric vehicles (where available) (Scope 1) 100% renewable energy sources by 2030 (Scope 2) 13.5% reduction in emissions from the use of sold products by 2031 against a 2019/20 baseline (SBTI) (Scope 3) 30% reduction in methane emissions per metre cubed of gas produced by 2033 Net zero operational emissions across our business by 2030 (offsets included) from a 2019/20 baseline (Scope 1/Scope 2) 46% reduction in Scope 1 and 2 emissions by 2031 from a 2019/20 baseline (SBTI) (Scope 1/Scope 2)	2050 Reach net zero across all three Scopes by 2050 (Scope 1, 2 and 3)
Scope 1	Scope 2	Scope 3
Key actions - Reduce process emissions. - Increase energy efficiency and reduce demand. - Innovate to increase circular economy. - Electrify and decarbonise our fleet. - Decarbonise our heat.	Key actions - Purchase 100% renewable backed electricity. - Increase self-generation of energy. - Export biomethane.	Key actions - Develop internal knowledge to embed consideration of Scope 3 within decision making. - Build our supply chain capability to develop their own decarbonisation pathways and capacity to deliver against them. - Work collaboratively with our capital supply chain to design and install lower-carbon solutions. - Collaborate with peers across industry to improve understanding and co-develop the solutions to reduce emissions. - Improve completeness and accuracy of our Scope 3 inventory.
Common actions across all three scopes		
- Innovate to maximise recovery and use of valuable resources across the water cycle. - Increase resilience to the impacts from climate change. - Continue cross-industry learning and collaboration. - Engage with our regulators and policy makers on creating conditions to support low-carbon investment. - Develop our own in-house skills and experience, further embedding carbon in our decision making. - Use real-time monitoring to improve data collection, develop insights and identify reduction opportunities. - Support and engage with customers to reduce water demand. - Understand the benefits to us and our supply chain of carbon capture and storage. - Restore peatland and increase woodland creation. - Catchment management to improve water quality.		



Net zero in our business plans for AMP8

AMP8 will be the largest investment period in our history, which will see us invest £14.9 billion in AMP8 to improve the services we provide to our customers and the environment. Our Business Plan emphasises our commitment to achieving net zero operational emissions by 2030.

We have been bold in finding and funding innovative solutions to reduce our operational emissions and our immediate priority is to reduce our most material emissions which are in our control. These are nitrous oxide and methane emissions which come from our wastewater and sludge treatment processes (our process emissions).

We have secured significant funding of £295 million to scale up a suite of technologies across multiple sites over 2025-2030, and focus heavily on reducing process emissions. The following technologies will be rolled out across our wastewater treatments as shown below. A combination of drones, cameras, covers, and active gas capture minimises methane release. Additionally, the use of membranes, virtual modelling and cover-and-treat technologies reduces energy use and production of N₂O.

Insights from this and technologies being scaled up at ST will provide learning for the whole sector, which we will share with them to deliver further Scope 1 and 2 reductions. Our Scope 3 emissions will also rise as we deliver our investments, which will require different ways of working with our supply chain to drive emissions down.

The role of innovation in net zero

Innovation continues to be a cornerstone of our NZTP. We have identified and implemented improvements by operating a combination of technologies to tackle different emission sources at our Net Zero Hub. Phase one looked at how best to apply Actilayer – a catalytic cover that is installed over activated sludge plant lanes. It uses sunlight to convert N₂O into harmless nitrogen and oxygen.

Now we have a detailed understanding of the benefits of this solution, phase two will focus on the optimum design and installation approach so this can be deployed at scale across our sites. For example, we have learned that efficacy varies depending on the air flow and concentration levels of N₂O in an activated sludge lane. Optimisation will enable us to maximise how much N₂O can be captured and to model the coverage of Actilayer and sunlight required to achieve reductions.

Alongside this, our digital twin has been progressing at pace. Using a combination of mechanistic modelling (to simulate the complex systems) as well as data driven modelling (using machine learning to identify patterns and make predictions), we can optimise flow and treatment throughout the site to reduce emissions and maintain compliance. We are also reducing capital carbon wherever possible by working closely with our supply chain partners, for example by using 3D concrete printing.

Beyond our Net Zero Hub, we are completing numerous trials to recover and reuse valuable materials. We completed an ammonia recovery trial at our existing Innovation Centre. Initial results are positive and indicate we can use this technology as an alternative to the construction of liquor treatment plants, helping to reduce N₂O emissions even further.

Summary of our greenhouse gas performance

The following table shows our greenhouse gas performance and accounts. Our emissions at a Group level have fallen by 25% against a 2019/20 baseline, representing good progress against our SBT target of 46% reduction by 2031, driven predominantly by moving to 100% renewable backed electricity from our suppliers.

- For Severn Trent specifically, although our Scope 1 emissions have increased by 5% from 2023/24, most of this stems from more accurate reporting of natural gas from metered data (c.80%) as well as a slight increase of natural gas use. To generate heat in order to meet environmental standards, we have limited alternatives other than use of natural gas. We use advanced treatment processes like thermal hydrolysis sludge treatment process ('THP') and Acid Phase Digestion ('APD') which produce better quality sludge digestate and more renewable energy, but do require high temperatures and more natural gas use. However, as THP produces less process emissions, overall it has half the total emissions of traditional anaerobic digestion.
- Therefore, this increase is balanced by a reduction in our process emissions, which continue to make up the majority of our Scope 1 emissions.
- Our Group level commitment to fleet electrification continues, with 28% of our fleet now electric vehicles ('EVs'). This year we have also improved the accuracy of our EV charging data and off-site/home charging are assumed to use non-renewable electricity and are reported under market-based emissions.
- For Scope 2, overall we have imported less electricity.

Of the Scope 3 categories we report for our Annual Performance Report, we have seen an increase of 31% in capital goods driven by an increase in expenditure and activity, as our investments are accelerated. There has been a decrease in emissions from the purchased goods and services category, although this is due to the use of specific emission factors, where available. However, expenditure across the group continues to increase.

We also continue to report zero emissions from our 100% renewable green tariff in the market based emissions. Also shown in our avoided emissions table is the carbon benefit of the renewable electricity which we export to the grid.

Operational greenhouse gas emissions (tonnes CO₂e)	2023/24	2024/25
Scope 1		
- Combustion of fossil fuels on site	49,858	63,094
- Process emissions - CAW ¹	139,910	145,878
- (Process emissions) - Revised methodology ²	284,038	298,379
- Transport fleet	19,684	20,465
Scope 1 Total Emissions ³	353,581	381,938
Scope 2 Emissions (Electricity purchased for own use) - Location Based ³	154,921	152,461
Scope 2 Emissions (Electricity purchased for own use) - Market Based ³	67	488
Scope 1+ 2 - Location based ³	508,502	534,400
Scope 1+2 - Market based ³	353,648	382,426
Scope 3 Emissions (Business travel)	1,072	1,223
Scope 3 Emissions (Outsourced bioresource activities)	2,111	2,419
Scope 3 Emissions (Electricity transmission and distribution)	13,403	13,475
Total Annual Gross Operational Emissions³ (Location based)	525,088	551,516
Total Annual Gross Operational Emissions³ (market based)	370,234	399,543

Operational greenhouse gas emissions (tonnes CO₂e)

2023/24

2024/25

1 Process emissions revised methodology is based on:
 - Our direct monitoring and updated emission factors
 - Direct monitoring data reported as a two-year rolling average
 See p x for further details

2 The CAW has been our historical and industry standard reporting method for process emissions, so is provided for transparency and comparison. All cumulative figures shown in () include the CAW method

3 These values use the revised process emissions numbers

Avoided emissions (tCO ₂ e)	2023/24	2024/25
Estimated emissions benefit of the renewable electricity we export	27,784	4,214
Estimated emissions benefit of the renewable biomethane we export*	43,803	48,132
Total	71,588	52,346

* Benefits calculated using the latest UK grid emissions factors.

Scope 3 Emissions, tCO ₂ e	2023/24	2024/25
1) Purchased goods & services	186,162	171,443
2) Capital goods	269,932	354,426
3) Fuel & Energy related activities - T&D	13,403	13,475
3) Fuel & Energy related activities - WTT	13,454	17,404
4) Upstream Transportation & Distribution	15,767	20,540
5) Waste Generated in Operations	5,911	8,461
6) Business Travel	1,072	1,223
7) Employee Commuting	6,115	7,812
8) Upstream leased assets	NA	NA
9) Downstream transportation & Distribution	NA	NA
10) Processing of Sold Products	NA	NA
11) Use of Sold Products	34,786	34,164
12) End of Life treatment of sold products	NA	NA
13) Downstream Leased Assets	12,750	8,585
14) Franchises	NA	NA
15) Investments	NA	NA
Total Scope 3	559,352	636,903

Greenhouse gas reporting method

Our GHG emissions are reported in tonnes of carbon dioxide equivalent (tCO₂e), for the period 1 April 2024 to 31 March 2025. We report our emissions each year at a Group level within the Severn Trent Plc Annual Report and Accounts, and have done since 2019/20. We show the current and previous years emissions for Severn Trent Water here for ease of comparison. We report our location-based and market-based emissions separately and report on ten Scope 3 categories. We report using a financial control boundary (that includes emissions from the assets which we own and operate and can directly influence and reduce) and follow the practices set out by the GHG Protocol. All emissions

reported are within the UK. We also continue to report our energy use and generation data to provide more detail on how we manage energy use.

Method for calculating process emissions

We present two Company-level emissions baselines. The first baseline is generated using the latest version of the UK Water Industry Research ('UKWIR') methodology for estimating operational GHG, known as the Carbon Accounting Workbook ('CAW'). This baseline, mandated by our regulator, applies standard emission factors to the total loads treated at each of our operational sites. Since 2021, we have invested in direct monitoring programme at several of our wastewater treatment facilities. The data available through direct monitoring is more accurate, and consequently has supported us in publishing a second baseline.

Where direct monitoring data is available, we report this at a facility level using a two-year rolling average, which accounts for seasonal fluctuations. For the remainder of our facilities, we use an emission factor informed by internal and external monitoring work. Multi-year measurement at Severn Trent, and at other companies, indicates variation in N₂O production, believed to be due to environmental conditions and climate affecting the biology in the treatment process.

Our direct emissions monitoring encompasses facilities responsible for 43% of our wastewater treatment and 50% of our sludge treatment processes at Severn Trent. Our fourth year of monitoring continues to confirm that real emissions are higher than UKWIR CAW estimates. However, when compared to the IPCC global factor our emissions are typically lower. The latest assured methodology has been applied to our historical emissions to enable comparison.

Assuring our data

The Group's independent non-financial assurer, Jacobs, assures our processes and GHG data in line with the principals of the ISO 14064 International Standard for GHG emissions, and concluded that our processes are consistent with the reporting requirements of the GHG Protocol. In addition, we were re-certified to the Advancing Tier for the Carbon Trust Route to Net Zero Standard which recognises the progress of an organisation on its journey to net zero. This included assurance against the principles of the ISO 14064-3 International Standard for GHG emissions for our Scope 1 and 2 data, and a small portion of our Scope 3 data along with an extensive assessment of our ambition, governance, measurement, stakeholder engagement and implementation plans to reduce emissions. We scored well against this assessment and the recommendations have been fed into an improvement plan.

Report on Energy

We continue to report our energy consumption and generation to provide more detail on how we manage energy use – the data for Severn Trent Water for last year is reported below. All information is collected from metered data for electricity and gas imports and exports. Biomethane combustion data is calculated using assumptions based on metered data, and fuel use is reported based on financial records of fuel purchased. We apply assumptions on standard calorific values to convert all liquid and gas fuel types to a common energy metric (GWh), and the data is reported for the period 1 April 2024 to 31 March 2025. All energy usage reported is within the UK. This is source data for the carbon data and is tracked internally on a monthly basis.

We have updated our energy performance table to improve clarity and facilitate easier calculation of percentages, reflecting the growing focus on energy reporting. This change aligns with Streamlined Energy and Carbon Reporting guidelines and has been verified through our third-line assurance process.

We also report on our consumption of energy at Group level in our Severn Trent Plc Annual Report and Accounts 2024/25.

Energy performance

This year our gross electricity consumption was 956GWh, reflecting a flat year-on-year performance. We experienced wet conditions during the year, which increased demand to move and treat wastewater. However, at the same time demand for water was lower, reducing electricity demand on our water business. Our natural gas usage has increased year on year due to new assets coming onboard, use of THPs and improved reporting.

The figures below include the large quantity of renewable biogas from organic waste, which we generate from sludge and then either combust in combined heat and power 'CHP' engines or export to the national gas grid. Our import of gas has increased during the last AMP, driven by the commissioning of new heat-intensive sludge treatment processes and our deployment of CHP generation fed by imported gas to mitigate higher electricity costs. We have also increased our export of biomethane into the gas grid and the amount of biogas we combust in CHP. Generation, excluding biogas, increased by 43GWh through improved performance in our Bioresources business area.

Energy efficiency

Energy continues to be a substantial cost to our business. We have managed these costs proactively with a dedicated team whilst also training all our employees on energy efficiency principles. Over AMP7 we have invested £15.6 million in our energy efficiency programme which includes proactive maintenance of energy-intensive assets including pumps and air blowers, as well as enhancements in controls and monitoring to reduce energy use. Our Energy Management Policy and programme adheres to best practice outlined in ISO 50001, the International Energy Management Standard. This year, we have submitted the Group's Energy Savings Opportunity Scheme ('ESOS') assessment and corresponding action plan to the Environment Agency. Our assessment involved reporting our total energy usage and seeking opportunities to cover 95% of our consumption.

Energy table for Severn Trent Water Limited

		2023/24	2024/25
<i>All data in GWh unless stated otherwise</i>			
Consumption	Electricity ⁸	962	956
	Natural gas	241	303
	Liquid Fuel ^{6,7}	101	118
	Consumption excluding biogas	1,304	1,377
	Biogas ⁴	417	441
	Total consumption	1,721	1,818
Generation	Renewable electricity ¹	163	168
	Non-renewable electricity ²	63	65
	Biomethane ³	267	289
	Generation excluding biogas consumed	493	522
	Biogas ⁴	417	441

	Total generation	910	963
Import	Electricity ⁵	748	736
	Natural gas	241	303
	Fuel (mobile) ⁶	80	88
	Fuel (stationary) ⁷	21	30
	Total Import	1,090	1,157
Export	Renewable electricity	12	13
	Biomethane ³	267	289
	Total Export	279	302
Intensity ratios	Energy imported per unit of revenue GWh/£m	0.47	0.48

Footnotes

¹ Renewable energy generation includes solar, wind, sewage AD, crop AD and hydro which is all backed by renewable accreditations.

² Non-renewable generation includes natural gas CHP.

³ Biomethane is generated and exported to the grid and includes propane as a proportion of our biomethane exports due to requirements of the gas networks acceptance tests. All backed by renewable accreditations (excluding propane).

⁴ Biogas generated and combusted on site.

⁵ All electricity imported is backed by renewable accreditations since April 2020.

⁶ Fuel (mobile) includes transport, fleet and business travel.

⁷ Fuel (other) includes stationary applications including back-up generation.

⁸ Electricity includes import and self-generation including biogas and now also includes consumed on site.

Chief Financial Officer's review

We have delivered strong financial performance in the year ahead of expectations. PBIT of £604.4 million (2023/24: £496.4 million) was up over 21% on the previous year, reflecting higher revenue and lower energy costs. With lower finance costs, mainly due to our higher capital programme increasing the amount capitalised, profit before tax was 54.2% higher at £397.6 million.

Our balance sheet remains strong with gearing at 62.7%. We continue to invest for the long term, delivering operational outperformance and sector-leading ODI rewards. We look forward confidently into AMP8 with the prospect of substantial RCV growth driving increasing value.

A summary of our financial performance for the year is set out below:

	2025	2024	Better/worse	
	£m	£m	£m	%
Turnover	2,213.8	2,122.0	91.8	4.3
PBIT	604.4	496.4	108.0	21.8
Net finance costs	(241.1)	(297.3)	56.2	18.9
Gains on financial instruments	34.3	58.7	(24.4)	(41.6)
Profit before tax	397.6	257.8	139.8	54.2
Tax	(82.1)	(52.7)	(29.4)	(55.8)
Profit for the year	315.5	205.1	110.4	53.8

Group turnover was £2,213.8 million (2023/24: £2,122.0 million) up £91.8 million (4.3%), driven by higher water and wastewater revenues in (up £102.0 million). Turnover included £99 million of ODI rewards billed in the year (2023/24: £91 million).

Group PBIT was up £108.0 million (21.8%) to £604.4 million as we held operating costs broadly flat against higher revenue.

Net finance costs were £56.2 million lower. Lower inflation in the period reduced the cost of our index-linked debt and capitalised interest increased with the growth of our capital programme. Our effective interest cost was 60 bps lower at 4.3% (2023/24: 4.9%) but our effective cash cost of interest, (which excludes the inflation uplift on index-linked debt) was flat at 3.4% (2023/24: 3.4%).

The tax charge of £82.1 million reflects our full effective tax rate this year of 20.6% (2023/24: 20.4%), lower than the statutory rate of 25% in both years due to income that is not taxable. Our adjusted effective current tax rate is close to zero in both years due to the significant capital allowances arising from our capital programme.

Group profit after tax was £315.5 million (2023/24: £205.1 million).

Our balance sheet remains strong. At 31 March 2025 our Group adjusted net debt was £8,487.0 million (2024: £7,292.2 million). Our regulated gearing, based on the RCV published by Ofwat, is 62.7% (2024: 61.3%).

Our net pension deficit, on an IAS 19 basis, is £119.3 million (2024: £212.1 million). We paid contributions of £69.2 million, in line with our funding plan, and net valuation adjustments to assets and liabilities further reduced the deficit by £37.6 million. Net finance costs from interest on the opening deficit were £10.3 million and there were administration costs of £3.7 million.

Operational cash flow was £833.4 million, (2023/24: £782.4 million) as EBITDA increased by £142.8 million. Cash capex was £1,507.9 million, up £318.1 million due to the increasing capital programme.

Net cash returns to debt investors were £245.8 million and dividends paid to shareholders were £192.0 million. After other net cash outflows of £6.6 million, net cash outflow before changes in net debt was £1,118.9 million (2023/24: £330.2 million).

RoRE for the year was 10.11% based on the actual capital structure, 615 bps above the base return of 3.96%. Outperformance came mainly from our customer ODI rewards of £150 million, with 83% of our measures at or ahead of target, and financing, reflecting our continued low cash interest cost and the impact of higher inflation in the year compared to Ofwat's assumption in the Final Determination. In line with our guidance, totex reduced RoRE by 180 bps in the year leading to a reduction of 110 bps for the AMP.

During the year, a BBC Panorama episode made a number of allegations regarding our accounting for an investment in Severn Trent Trimpley Limited ('Trimpley') and the transactions that established the investment. Subsequent to the broadcast, we received an enquiry from the Financial Reporting Council ('FRC'), seeking further information about the purpose of these transactions and the judgments underlying the accounting treatment. We answered the FRC's questions in full and on 23 May we received confirmation from the FRC that they had no further questions on these matters and had closed their enquiry. The FRC did not require any changes to our accounting treatment.

In responding to the FRC's questions we reconsidered whether the method we use to determine the fair value of our investment in Trimpley represents a significant judgment. We concluded that it did and have set out details of this judgment in the financial statements.

The FRC's summary of its review of this matter is available on its website³.

Turnover and PBIT

Turnover was £2,213.8 million (2023/24: £2,122.0 million) and PBIT was £604.4 million (2023/24: £482.7 million).

	2025	2024	Better/(worse)	
	£m	£m	£m	%
Turnover	2,213.8	2,122.0	91.8	4.3
Net labour costs	(242.7)	(194.6)	(48.1)	(24.7)
Net hired and contracted costs	(267.9)	(245.8)	(22.1)	(9.0)
Energy	(187.0)	(275.8)	88.8	32.2
Raw materials and consumables	(95.1)	(96.0)	0.9	0.9
Bad debts	(32.8)	(26.2)	(6.6)	(25.2)
Other costs	(203.3)	(180.7)	(22.6)	(12.5)
	(1,028.8)	(1,019.1)	(9.7)	(1.0)
Infrastructure renewals expenditure	(144.7)	(203.3)	58.6	28.8
Depreciation	(435.9)	(403.2)	(32.7)	(8.1)
PBIT	604.4	482.7	121.7	25.2

Turnover increased by £91.8 million compared to 2023/24. There was an underlying revenue increase of £132.3 million driven by the following movements:

- an increase of £83.5 million from the annual CPIH + K increase in prices;

³ The FRC's website also includes its Corporate Reporting Review Operating Procedures which set out the scope and limitations of its review. Its letters are written on the basis that the FRC (which includes its officers, employees and agents) accepts no liability for reliance on them by the company or any third party, including but not limited to investors and shareholders.

- a £25.5 million increase as the 2023/24 revenue reflected an adjustment for over-billing in 2021/22 as revenue recovered more quickly than estimated after COVID-19; and
- £23.3 million increase due to several other small variances including higher non-household consumption.

The underlying increase was offset by infrastructure renewal income, mostly in relation to HS2 work, which was £35.3 million lower year on year. This offsets in infrastructure renewals expenditure.

Net labour costs of £242.7 million were 24.7% higher than 2023/24. Investment in growing our front-line teams to drive performance improvements in key areas such as flooding, spills and pollutions and additional headcount to deliver the biggest ever capital programme increased basic pay by £31.0 million. The annual pay review increased basic pay by £20.4 million and on-costs such as pension and National Insurance added a further £12.9 million. Improved operational performance and headcount growth increased the bonus paid to all employees by £6.3 million. These costs were partly offset by higher capitalised salaries, up £27.4 million.

Net hired and contracted costs increased by £22.1 million (9.0%). The insourcing of our reactive waste gangs last year has resulted in a £7.0 million reduction in our third-party gang costs. This was offset by £5.5 million in relation to a planned step up in the Green Recovery programme and £3.1 million increase for tankering and jetting. Technology support and licencing costs increased by £9.9 million, driven mostly by investment in new technology (such as Kraken and a new field planning system) and additional headcount. The remaining increase is driven by additional gangs to support an 11% increase in leakage jobs and higher costs of our grounds-maintenance contracts.

Energy costs were £88.8 million or 32.2% lower, driven by the lower wholesale weighted average price of electricity on imports. The weighted average price of electricity imports for our treatment works was £214/MWh in 2024/25 compared to £347/MWh in 2023/24, driving an £89.0 million saving. The remaining variance is driven by lower consumption.

Bad debt charges increased by £6.6 million, mainly due to higher household revenue. Underlying collection performance has remained strong, with the increase in bad debt charge reflecting uncertainty in the macro-economic environment as it increased to represent 2.1% of household revenue (2023/24: 1.5%).

Other costs were £22.6 million higher compared to 2023/24. Higher business rates resulted in a £7.1 million increase and a further £7.8 million was driven by higher regulatory fees, mostly EA abstraction consents. The remaining variance is driven by a number of smaller increases in relation to chemicals, plant hire and materials.

Infrastructure renewals expenditure was £58.6 million lower compared to 2023/24, £35.3 million of which is due to lower HS2 activity, most of which offsets the lower infrastructure revenue above. The remaining reduction is driven by a higher proportion of capital works, mostly in relation to mains renewal delivering longer-term solutions, partly offset by additional investment in communication pipe renewal work.

Depreciation of £435.9 million was £32.7 million higher due to our increasing asset base as we closed AMP7.

Return on Regulatory Equity ('RoRE')

RoRE is a key performance indicator and reflects our combined performance on totex, customer ODIs and financing compared to the base return allowed in the Final Determination.

Our notional RoRE for the year ended 31 March 2025 and for the five years ended on that date is set out in the following table:

	2024/25	AMP7
	%	%
Base return	4.0	3.9
Enhanced RoRE reward ¹	–	0.1
ODI outperformance ²	3.8	1.7
Wholesale totex performance ³	(1.8)	(1.1)
Retail cost performance	(0.5)	(0.2)
Financing outperformance	3.8	4.2
Return on Regulatory Equity⁴	9.3	8.6

1 Fast track reward taken over the first two years of AMP7.

2 ODI performance includes Per Capita Consumption ('PCC'), updated for Ofwat's post-intervention PCC performance, and forecast C-MeX and D-MeX outturn.

3 Includes impact of land sales. All calculated in accordance with Ofwat guidance set out in RAG 4.13, which precludes adjustment for corporation tax.

4 Calculated in accordance with Ofwat guidance set out in RAG 4.13 and in IN25/02, which includes Ofwat's AMP7 tax true-up mechanism.

We have delivered RoRE of 9.3% in the year, outperforming the base return by 5.3% as a result of:

- ODI outperformance of 3.8%, driven by strong delivery across the majority of measures, with 83% meeting or exceeding regulatory targets. Over the course of the AMP we have delivered £434 million of ODI rewards in nominal terms post-sharing; and
- financing performance of 3.8%, driven by our AMP7 financing strategy of maintaining a low level of index-linked debt and the tax benefit of full expensing of capital allowances.

Net finance costs

Net finance costs for the year were £56.2 million (18.9%) lower than the prior year at £241.1 million due to lower inflation on index-linked debt, and our growing capital programme increased the amount capitalised.

Average net debt was up 7.5% at £7,723.6 million (2023/24: £7,181.7 million) but lower inflation in the year reduced the cost of our index-linked debt by £38.3 million. Our effective interest cost was 4.3% (2023/24: 4.9%).

We raised £1,440 million after issue costs of new debt at tight pricing with low credit spreads compared to the sector average. Our effective cash cost of interest (excluding the RPI uplift on index-linked debt and pensions-related charges) was stable at 3.4% (2023/24: 3.4%).

Capitalised interest of £101.2 million was £33.1 million higher year-on-year, due to increased capital work in progress compared to the previous year.

Our earnings before interest, tax, depreciation and amortisation (EBITDA) interest cover was 4.5 times (2023/24: 3.2 times) and PBIT interest cover was 2.6 times (2023/24: 1.7 times). See note 42 for further details.

Gains/losses on financial instruments

We use financial derivatives solely to hedge risks associated with our normal business activities including:

- exchange rate exposure on foreign currency borrowings;
- interest rate exposures on floating rate borrowings;
- exposures to increases in electricity prices; and

- changes in the regulatory model from RPI to CPIH.

We hold interest rate swaps with a net notional principal of £423.0 million floating to fixed, and cross currency swaps with a sterling principal of £1,470.6 million, which economically act to fix the sterling liability on certain foreign currency borrowings.

We revalue the derivatives at each balance sheet date and take the changes in value to the income statement, unless the derivative is part of a cash flow hedge.

Where hedge accounting is not applied, if the risk being hedged does not impact the income statement in the same period as the change in value of the derivative, then an accounting mismatch arises and there is a net charge or credit to the income statement. During the year there was a loss of £17.7 million (2023/24: loss of £9.0 million) in relation to these instruments.

Note 11 to the financial statements gives an analysis of the amounts charged to the income statement in relation to financial instruments.

As part of our energy cost management strategy, we have fixed the wholesale price for around 100% of our estimated wholesale electricity usage for 2025/26 and around 50% for 2026/27 through physical hedges with suppliers and financial hedging with banks.

Taxation

We are committed to paying the right amount of tax at the right time, and were pleased to be awarded the Fair Tax Mark for the sixth consecutive year. We pay a range of taxes, including business rates, employers' national insurance and environmental taxes such as the Climate Change Levy as well as the corporation tax shown in our tax charge in the income statement.

Further details on the taxes and levies that we pay can be found in our report "Explaining our Tax Contribution 2024/25", which will be made available on our website over the summer.

The corporation tax charge for the year recorded in the income statement was £82.1 million (2023/24: £52.7 million) and we made net corporation tax payments of £5.0 million in the year (2023/24: net repayments received of £9.0 million). The difference between the tax charged and the tax paid is summarised below:

	2025 £m	2024 £m
Tax on profit on ordinary activities	82.1	52.7
Tax effect of timing differences	(108.7)	(51.9)
Overprovision/(underprovision) in previous years	1.5	(4.5)
Corporation tax receivable for the year	(25.1)	(3.7)
Change in corporation tax debtor/creditor	39.7	(6.1)
Subsidiary's tax creditor transferred on disposal	(4.6)	–
Adjustment to creditor brought forward	(5.0)	4.0
Overpayments in prior years offset in current year	–	(3.2)
Net tax paid/(received) in the year	5.0	(9.0)

No tax was paid relating to the year as the allowances available from full expensing resulted in a loss for tax purposes (2023/24: nil).

Note 12 in the financial statements sets out the tax charges and credits in the year, which are described below.

The current tax credit for the year was £30.1 million (2023/24: charge of £0.3 million), which arose from £25.1 million corporation tax receivable (2023/24: £3.7 million) and £5.0 million credit for adjustments to tax provisions from previous years (2023/24: charge of £4.0 million). The deferred tax charge was £112.2 million (2023/24: £52.4 million).

Our effective tax rate was 20.6% (2023/24: 20.4%), which is higher than the UK rate of corporation tax of 25% in both years mainly due to permanent differences arising from costs that are not deductible for tax and, in 2023/24, the true up of prior year provisions.

Our adjusted effective current tax rate was 0.1% (2023/24: 0.2%) (see note 42).

UK tax rules specify the rate of tax relief available on capital expenditure. Typically this is greater in the early years than the rate of depreciation used to write off the expenditure in our accounts. In the current and previous year, a significant proportion of our capital expenditure qualified for 100% deduction for tax in the year of spend.

The impact of this timing difference applied across our significant and recurring capital programme tends to reduce our adjusted effective current tax rate and corporation tax payments in the year. Under IFRS accounting, we make a provision for the tax that we would pay in future periods, if the depreciation charge arising on expenditure for which tax relief has already been received is not offset by further tax allowances in those periods. However, the nature of our business, including a significant rolling capital programme and the long lives of our assets, means we do not expect these timing differences to reverse for the foreseeable future, and they may never do so. This is the most significant component of our deferred tax position.

Our net deferred tax provision is reduced by the benefit of taxable losses amounting to £1,648.0 million (2023/24: £868.4 million) that we have incurred as a result of the capital allowances claimed under full expensing and, previously, the super deduction.

Profit for the year

Total profit for the year was £315.5 million (2023/24: £205.1 million).

Cash flow

	2025 £m	2024 £m
Operational cashflow	833.4	782.4
Cash capex	(1,507.9)	(1,189.8)
Net interest paid	(245.8)	(227.4)
Net payments for swap terminations	(1.6)	(4.4)
Net tax (paid)/received	(5.0)	9.0
Free cash flow	(926.9)	(630.2)
Dividends	(192.0)	(300.0)
Issue of shares	–	600.0
Change in net debt from cash flows	(1,118.9)	(330.2)
Non-cash movements	(75.9)	(124.0)
Change in adjusted net debt	(1,194.8)	(454.2)
Opening adjusted net debt	(7,292.2)	(6,838.0)
Closing adjusted net debt	(8,487.0)	(7,292.2)

	2025 £m	2024 £m
Cash and cash equivalents	683.1	426.1
Bank overdraft	–	(2.0)
Net cash and cash equivalents	683.1	424.1
Bank loans	(503.2)	(498.2)
Other loans	(8,598.5)	(7,158.4)
Lease liabilities	(100.9)	(109.2)
Fair value accounting adjustments	23.1	29.8
Exchange on currency debt not hedge accounted	9.4	19.7
Adjusted net debt	(8,487.0)	(7,292.2)

Operational cash flow was £833.4 million (2023/24: £782.4 million). The increase arose from higher EBITDA.

Net cash capex increased to £1,507.9 million (2023/24: £1,189.8 million), reflecting our progress against our £2.9 billion core capital programme and within our expected range.

Our net interest payments of £245.8 million (2023/24: £227.4 million) were higher than the previous year due to the impact of higher adjusted net debt.

The benefits of the full expensing capital allowances meant that we had no taxable profit in the year. The tax payment arose from the true up of prior year amounts. In the previous year we received repayment of the amount recoverable relating to prior years.

In the previous year we raised £600.0 million proceeds from issuing shares to our parent company. Our dividends paid reflected the base return for the year.

These cash flows, together with accounting adjustments to the carrying value of debt, resulted in an increase in adjusted net debt of £1,194.8 million (2023/24: £453.8 million).

At 31 March 2025 we held £683.1 million (2024: £424.1 million) in net cash and cash equivalents. Average debt maturity was around 13 years (2024: 14 years). Including committed facilities, our cash flow requirements are funded until October 2026.

Adjusted net debt at 31 March 2025 was £8,487.0 million (2024: £7,292.2 million). Group adjusted net debt, expressed as a percentage of Regulatory Capital Value was 62.7% (2024: 61.4%).

The estimated fair value of debt at 31 March 2025 was £1,077.1 million lower than book value (2024: £682.7 million lower). The change in the difference between book and fair value is largely due to the impact of inflation expectations and higher interest rates on the fair value of our index-linked debt and of higher interest rates on our fixed-rate debt.

Our policy for the management of interest rates is that at least 40% of our borrowings should be at fixed interest rates, or hedged through the use of interest rate swaps or forward rate agreements. At 31 March 2025 interest rates for 67% (2024: 69%) of our gross debt of £9,170.1 million were fixed; 8% were floating and 25% were index linked. We continue to carefully monitor market conditions and our interest rate exposure.

Our long-term credit ratings are:

Long-term ratings	Rating	Outlook
Moody's	Baa1	Stable
Standard and Poor's	BBB+	Stable
Fitch	BBB+	Stable

We invest cash in deposits with highly rated banks and liquidity funds. We regularly review the list of counterparties and report this to the Treasury Committee.

Pensions

We have two defined benefit pensions arrangements, which are closed to future accrual.

The most recent formal actuarial valuation for the Severn Trent Pension Scheme ('STPS'), which is by far the largest of the schemes, was completed as at 31 March 2022. The future funding plan agreed with the Trustee was unchanged from the 2019 valuation (save for inflationary uplifts where applicable) and includes:

- Deficit reduction payments to be made each year until 31 March 2027, increasing in line with CPI (based on increases in the inflation measure covering the 12 month period to the previous November). These payments are expected to be made to a limited liability partnership ('LLP') that the Group and the Trustee have established;
- Payments under an asset-backed funding arrangement of £8.2 million per annum to 31 March 2032, which will only continue beyond 31 March 2025 if the Scheme's assets are less than the Scheme's Technical Provisions; and
- Inflation-linked payments under an asset-backed funding arrangement, potentially continuing to 31 March 2031, although these contributions will cease earlier should a subsequent valuation of the STPS show that these contributions are no longer needed.

The valuation as at 31 March 2025 is now underway.

In June 2021 we executed a bulk annuity buy-in for the MIPS, which represents around 4% of the Group's defined benefit liabilities. Under the buy-in, the liabilities of this scheme will be met by an insurance policy and as a result the Group's risk is substantially reduced.

On an IAS 19 basis, the net position (before deferred tax) of all of the Group's defined benefit pension schemes was a deficit of £119.3 million (2024: £212.1 million) and the funding level increased to 93% (31 March 2024: 89%). To calculate the pension deficit for accounting purposes, we are required to use corporate bond yields as the basis for the discount rate of our long-term liabilities, irrespective of the nature of the scheme's assets or their expected returns.

The movements in the net deficit during the year were:

	Fair value of plan assets £m	Defined benefit obligations £m	Net deficit £m
At start of the period	1,764.8	(1,976.9)	(212.1)
Amounts charged to income statement	79.7	(93.7)	(14.0)
Actuarial gains/(losses) taken to reserves	(158.5)	196.1	37.6
Cash received/paid by the schemes	(45.5)	114.7	69.2
At end of the period	1,640.5	(1,759.8)	(119.3)

The income statement includes:

- Scheme administration costs of £3.7 million; and
- Interest on scheme liabilities and expected return on the scheme assets – together a net cost of £10.3 million.

Higher interest rate expectations increased the discount rate, which is derived from yields on high quality corporate bonds, by 90bps. Inflation expectations have decreased by around 10bps since the previous year end. The impacts of these changes resulted in a decrease in the scheme liabilities of around £198 million.

Higher bond yields impacted the value of scheme assets, which decreased in value by £159 million more than the return included in the income statement in the year.

The remaining actuarial adjustments arose from minor changes to demographic assumptions and variance of actual experience in the year from previous financial assumptions.

Contributions paid to the STPS in the year included:

- the amounts due under the asset-backed funding arrangements (£28.9 million); and
- the deficit reduction payment of £40.3 million, which was paid to our new LLP funding vehicle.

MANAGING RISKS AND OPPORTUNITIES

We operate a robust risk and opportunities management framework to effectively identify, assess and mitigate risks to deliver our strategic priorities.

2024/25 risk environment

Geopolitical tensions, economic uncertainties, increasing frequency of extreme weather events and rapid technological advancements are some of the global forces and trends affecting the UK. Instability continues to be a major factor which is influencing trade, economic and security policies. Our control environment is closely monitored to ensure areas which could be impacted are subject to robust and regular assessment, including our supply chain and security risks.

To inform our views on the external risk environment, we perform a review of the National Risk Register which covers economic, social, environmental and technological risks. This ensures we are aligned with the Government's assessment of the risks facing the UK in the short, medium and long term, and we have appropriate plans in place to manage these uncertainties. We also utilise other key external publications, such as the Global Risk Report which is produced by the World Economic Forum, to monitor changes to the risk environment.

Stakeholder scrutiny of the water industry as a whole has increased, particularly in relation to environmental performance. Through our risk framework, we ensure appropriate controls are in place for critical areas and continue to closely monitor any changes through our emerging risk process. We also monitor Government reforms of relevance to our sector, such as the ongoing Independent Commission into the water sector and its regulators – led by Sir Jon Cunliffe – which has been an area of focus during the year.

Our Business Plan was recognised by Ofwat as 'outstanding' and our Final Determination positions us strongly to deliver the £14.9 billion investment required to achieve significant progress in areas our customers care about most and to ensure we meet future challenges presented by topics such as climate change, population growth and new legislation.

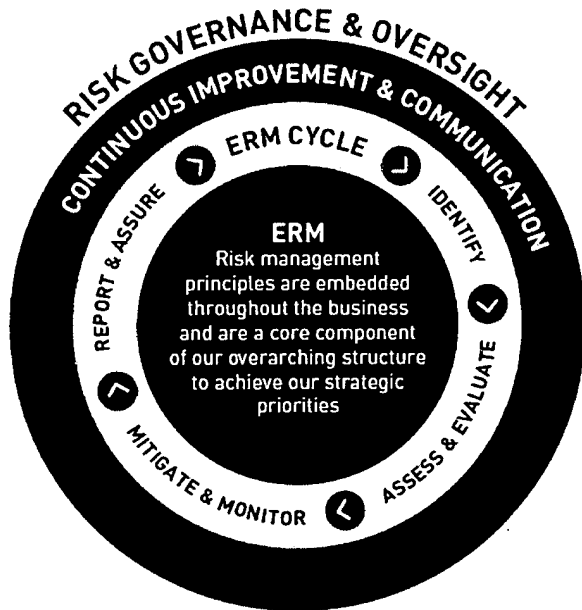
Our Business Plan for AMP8 builds on existing successes, such as being awarded EPA 4* status for a fifth consecutive year by the EA, and we are confident that we will achieve EPA 4* for the sixth consecutive year. We will continue to make progress with our ambitious CSO Improvement Plan and accelerating further improvements of river health. Our risk management activities ensure improvement plans are reflected in individual risk glidepaths to reach target positions.

Our risk and opportunities management framework

Our approach to risk allows us to adapt to changing internal and external factors through utilising our three lines of assurance model and combining top-down with bottom-up risk management approaches. This model provides both a clear articulation of risk appetite and a comprehensive process for risk and opportunity identification, assessment and management.

This combination of approaches is necessary to remain agile and respond to a continuously changing environment, and consequently, a changing risk landscape. Our approach cannot, and does not, seek to eliminate all risk entirely, but ensures we can effectively navigate the challenges and opportunities we face, only taking risks in line with our risk appetite. A key component of our framework is the range of cross-departmental groups which facilitate and support collaboration, analyse data, provide insight and enable risk-based decision making. Our risk management framework outlines the responsibilities across Severn Trent, which are underpinned by effective communication channels.

Risk and Opportunities Management Framework



Supporting risk management processes

Risk management principles are embedded throughout our business and are a core component of our overarching structure to achieve our strategic priorities. We have an established ERM cycle which enables a consistent approach and is divided into four main stages which help us to identify, assess and evaluate, mitigate and monitor, and report and assure our risks. This approach also provides a comprehensive overview of significant risk events, including Emerging Risks through horizon scanning, which are managed within the Company's risk appetite and supported by appropriate assurance activity.

Our central ERM Team oversees the ERM Policy, which forms part of our governance process and supports our values and culture. Our risk community includes Risk Owners and Risk Co-ordinators for every business area, who help to embed and drive risk management across our business.

Our risk and opportunities management framework encompasses day-to-day asset operation, deployment of capital investment, and long-term modelling of our asset health and performance. Standardised criteria are used to consider the likelihood and impact of risk, including financial and reputational. Our strong culture of continuous improvement ensures we are constantly evolving and applying best practice.

Risk Appetite Statement

All businesses are exposed to a variety of uncertainties and need to take on a degree of risk to achieve strategic objectives. We will only take calculated risks that are consistent with our purpose, values and strategy, that are thoroughly understood and can be effectively managed. The Board has overall responsibility for determining the nature and extent of the risks taken and for ensuring our risks are well managed across the Company. The Board monitors the Company's risk profile to achieve an appropriate balance between risk and leveraging opportunities which are critical to delivering our strategic objectives. Additionally, the Board considers risks, and combinations of risk, in the short, medium and long term to ensure we have appropriate mitigation strategies in place. Risks related to our longer-term prospects and the viability of the Company have been assessed.

Risk priorities

In addition to managing the inherent risks associated with our business, we prioritise the following due to their alignment with our strategic areas of focus:

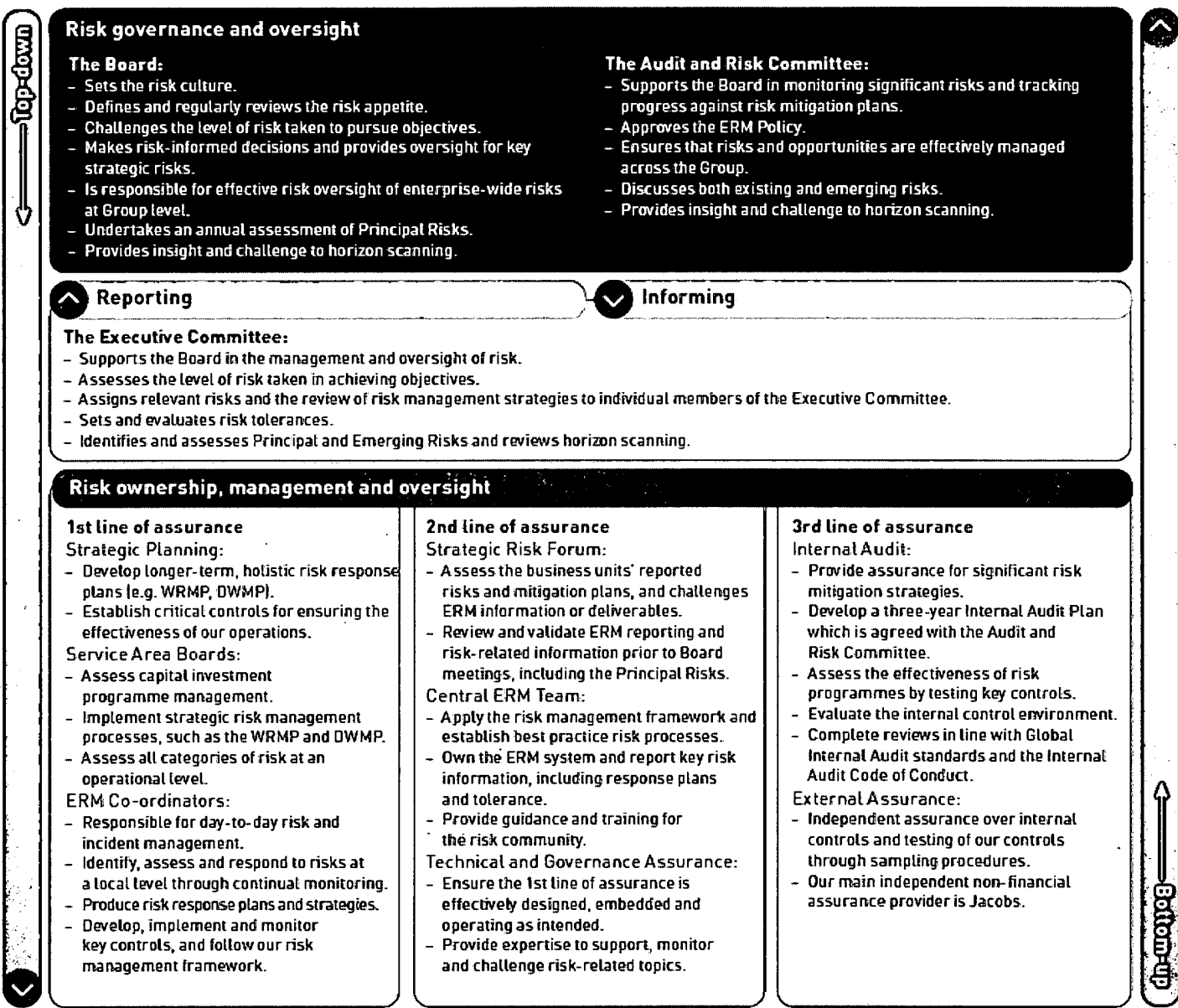
- The health, safety and wellbeing of our people and the communities we serve.
- Protecting the environment is a key long-term commitment. We aim to enhance the environment, including rivers, and improve the biodiversity in our region through effective risk management.
- Adherence to laws and regulations is a fundamental requirement and we are committed to ensuring compliance with all relevant UK regulations and to operate within our licence. As a result, we have no appetite for compliance-related risks.
- Our approach to financing is to take measured risks which are consistent with maintaining financial and operational resilience, delivering sustainable outperformance for the benefit of customers and offer the best long-term value for our customers.
- We are determined to play a leading role in addressing the impact of climate change through mitigating our own impact and that of our supply chain. We will adapt to the challenges which climate change may bring in the future, including increasingly frequent and extreme weather events.

Risk reporting

Risk information from our business units is combined to provide a consolidated view of risk across the Company. Our significant risks form our risk profile, which is reported to the Strategic Risk Forum ('SRF'), and subsequently the Executive Committee for review and challenge. Critical risk information is also formally reported to the Severn Trent Plc Audit and Risk Committee and the Board every six months.

Our reports include an assessment of the effectiveness of controls for risks in our Company profile, and action plans to improve the controls where necessary. Our ERM risks are linked with our licence obligations to align risk management with our core compliance commitments as a water company, and this enhances risk reporting to the Severn Trent Plc Audit and Risk Committee and Board.

Our Risk Governance Framework



Our Emerging Risks

We define Emerging Risks as upcoming events which present uncertainty, and those that we are currently monitoring as a potential threat. These Emerging Risks are not yet fully quantifiable, but we monitor developments carefully. The SRF, Executive Committee, Severn Trent Plc Audit and Risk Committee and Board have carried out a robust assessment of the Company's Emerging Risks.

Emerging Risk management ensures potential risks are identified, with plans evaluated to bolster the Company's preparedness should they materialise. Our processes aim to identify new and changing risks at an early stage and analyse them thoroughly to determine the potential exposure for the Company.

We continually identify and monitor Emerging Risks using top-down and bottom-up processes. Our risk network uses techniques such as cross-functional workshops and Political, Economic, Sociological, Technological, Legal and Environment ('PESTLE') analysis.

This process culminates in an Emerging Risk Horizon Scan document which is shared with the SRF, Executive Committee, Severn Trent Plc Audit and Risk Committee and Board on a regular basis.

We closely monitor Emerging Risks that may, with time: become complete ERM risks and incorporated into the existing corporate risk reporting process; be superseded by new Emerging Risks; or cease to be relevant as the internal and external environments in which we operate evolve.

The horizon-scanning exercise utilises insights from internal stakeholders and external publications, including the National Risk Register and Global Risk Report (World Economic Forum). This is critical to reflect the interconnectivity with national and global risk environments.

Details of the Emerging Risks	Relevant Principal Risk	Time Horizon
<p>Geopolitical escalations and macroeconomic changes</p> <ul style="list-style-type: none"> - Geopolitical volatility could potentially intensify, including the escalation or resurgence of conflicts. This could result in sanctions and increased protectionist measures, such as US and reciprocal trade tariffs, causing a contraction in the economy and our supply chain could be impacted through shortages, increased commodity prices and resource security pressures. - Risk mitigation example: We perform supplier heat-mapping for our contracted supply chain, incorporating financial stability and global economic factors. These provide early warning indicators to manage supply chain risks and facilitate tactical and strategic decision making. 	<p>5, 6 and 8</p> <p>Strategic Objectives</p> <p>Outcomes</p> <p>Nature</p> <p>People</p> <p>Change</p>	<p>Short-term and medium-term</p> <p>How we are monitoring</p> <ul style="list-style-type: none"> - Horizon scanning - Emerging Risks tracker - National Risk Register - Supplier heat-mapping
<p>Evolving political, regulatory and legislative landscape</p> <ul style="list-style-type: none"> - We are subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and voluntary codes of practice. - Regulators and Governments have focused on reforming the UK water sector. The Independent Commission into the water industry and its regulator - led by Sir Jon Cunliffe - was launched by the Government in October 2024 to address challenges facing the sector. The Commission is seeking the views of stakeholders to shape the outcomes of the review, with the strategic objective of restoring trust in the water industry. - The Water (Special Measures) Act 2025 strengthens the power of the water industry regulator and delivers on the Government's commitment to restore public trust and confidence in water companies. Our horizon scan references the potential impact on culture, people, environment and customer-related activities. - Risk mitigation example: We continue to engage constructively with our key stakeholders to ensure we remain informed and are proactively preparing for potential changes. 	<p>2, 3 and 7</p> <p>Strategic Objectives</p> <p>Outcomes</p> <p>Nature</p> <p>People</p> <p>Change</p>	<p>Short-term and long-term</p> <p>How we are monitoring</p> <ul style="list-style-type: none"> - Horizon scanning - Emerging risks tracker - Existing ERM risks - Stakeholder engagement
<p>Technology and innovation, including AI and cyber security</p> <ul style="list-style-type: none"> - Technological advancements present opportunities to develop new and innovative ways of working through the automation of basic activities and increased processing power to support decision making (e.g. maintenance schedules). However, we need to develop AI in an ethical way to address potential concerns and mitigate against an increasingly complex cyber and data security environment. - There is an increased risk of misinformation and disinformation as AI content becomes more prevalent and the speed at which it disseminates increases, partially driven by social media and changes to fact-checking procedures. - The UK signed the Council of Europe's Framework Convention on AI in September 2024 and in January 2025, the Labour Government launched a detailed AI action plan setting out the steps that the UK aims to take, with the objective of boosting economic efficiency and growth. As AI evolves, this presents both risks and opportunities. - Risk mitigation example: We have robust governance in place for AI and an Innovation Strategy to ensure we are embracing opportunities. 	<p>4, 7 and 11</p> <p>Strategic Objectives</p> <p>Outcomes</p> <p>Nature</p> <p>People</p> <p>Change</p>	<p>Short-term and medium-term</p> <p>How we are monitoring</p> <ul style="list-style-type: none"> - AI Forum - Emerging Risks tracker - Existing ERM risks - Additional risk assessments
<p>Changing expectations in relation to 'forever chemicals'</p> <ul style="list-style-type: none"> - Uncertainty around future expectations and regulations in relation to PFAS for water, wastewater and bioresources. - The DWI issued an Information Letter on PFAS in March 2025 which provided additional guidance on specific reportable PFAS water quality events. - Risk mitigation example: A PFAS Working Group comprising subject matter experts from across the Group regularly monitors changes to expectations and regulations. Key controls have been captured and detailed risk response plans are being prepared to facilitate an effective response in readiness for potential regulatory changes. 	<p>2, 3, 4 and 7</p> <p>Strategic Objectives</p> <p>Outcomes</p> <p>Nature</p> <p>People</p> <p>Change</p>	<p>Short-term to long-term</p> <p>How we are monitoring</p> <ul style="list-style-type: none"> - Risk assessments, including key causes, consequences and controls - PFAS Working Group - Horizon scanning - Emerging Risks tracker

What are the rules around PFAS?

In the UK, two PFAS compounds were restricted in the early 2000s: perfluorooctane sulphonate ('PFOS'); and perfluorooctanoic acid ('PFOA'). There are some restrictions on other compounds but not all are banned and PFAS are still widely used.

To bring to life how we have considered PFAS in the context of our business, we have split the issue into water, wastewater and bioresources.

Water

There are currently no statutory standards for PFAS in drinking water produced in England and Wales, nor is there a World Health Organization guideline value. The regulator responsible for drinking water quality, the DWI, published its latest guidance in March 2025 –confirming maximum recommended aggregated limits for 48 PFAS in drinking water at 0.1 ug/l and providing a tiered classification system, with recommended monitoring frequencies and actions for each:

- Tier 1 – presenting the lowest level of risk – with a DWI recommendation to monitor these sites on a quarterly basis, with potential to move to annual testing. Recommended action: risk assess through the Drinking Water Safety Plan.
- Tier 2 – with a recommended monitoring frequency of monthly to quarterly. Recommended action: establish a systematic approach to progressively reduce PFAS concentrations.
- Tier 3 – with higher monitoring frequency, to be set dependent on the level of PFAS concentrations. Recommended action: carry out all necessary actions to reduce PFAS to below Tier 3 in the short-term, with a longer-term strategy to progressively reduce PFAS concentrations.

We have been routinely testing for PFAS since 2021, and in 2024 we created our own in-house accredited Analysis Team. To bring the scale of our testing activity to life, in 2024 we collected c.2,400 samples – almost double the voluntary regulatory recommendation of 1,384 samples – and during 2025, we will expand this even further. We have classified all of our water sites ahead of regulations coming into force and, at present, the majority are classified as DWI Tier 1 or 2, with two new sites in Tier 3 that are not yet supplying customers. For Tier 3 sites, we have agreed improvement programmes with the DWI, involving extensive commissioning and sampling to demonstrate that the water is treated to Tier 1 level PFAS before being put into supply. All sites have an appropriately scheduled sampling regime in place. We are continually monitoring all Tier 2 sites to ensure that should their classification change to Tier 3, we are able to make the immediate investment required to align with the DWI guidance.

Wastewater

River quality standards for chemicals are set under the Water Framework Directive Regulations. Currently, only one PFAS chemical – PFOS – has an Environmental Quality Standard. Around 35% of waterbodies in our region list PFOS as a Reason for Not Achieving Good Status – these are not attributed directly to our activities, as they commonly arise from surface water run-off from roads, which enters our waste treatment operations as a consequence of the UK's combined sewerage system.

We have been analysing our sewage effluent across a sample of sites for PFAS for several years, which enabled us to prioritise the sites for new Operating Technique Agreement permit conditions that come into force in AMP8 – which means we will monitor for PFOS as part of our routine sampling programme. We are applying particular focus to trade effluent sources of PFOS and are well positioned for these changes given our previous sampling activity.

Biosolids

In the UK, PFAS is not currently regulated in biosolids, but there is growing interest in this area given the high persistence of PFAS compounds in the context of sludge-to-land fertilisers. Our catchment control approach uses a range of tools and equipment to help identify the sources of PFAS in biosolids. This allows us to target and address PFAS more effectively and make interventions to mitigate and reduce catchment loading of PFAS.

Several countries have already proposed PFAS limits for biosolids, which we have been looking at closely to help inform our approach. The most recent proposed standard has been developed by Norway, which proposes a PFAS limit of 40 ug/kg in sludge spread to agricultural land. The samples we have taken from our biosolids up to 31 March 2025 indicate that all of our sites fall within the proposed limits set by the Norwegian standard. Our sampling programme will build a bigger dataset and provide an accurate baseline from which practical actions can be implemented, to ensure that we are prepared for future requirements.

What are we doing about them?

Our dedicated in-house Innovation Team has been considering PFAS for many years, looking across a range of industries, sectors and jurisdictions to identify different treatment options and approaches that can be used across our operations. Some examples include:

Water

Since 2022, we have been piloting various treatment options to optimise PFAS removal, and PFAS destruction, at our new Witches Oak Water Treatment Works. Treating water from the River Trent, we are removing organics using different techniques including: magnetic iron exchange, granular and powdered activated carbon (GAC).

We are also trialling electrochemical oxidation for PFAS destruction. This collaborative project with the University of Warwick aims to advance the electrochemical destruction of PFAS using boron-doped diamond electrodes. Utilising the University's expertise in electrochemistry, the project supports the Witches Oak pilot plant by providing lab-based testing to help optimise performance and troubleshoot challenges. Key goals include assessing electrode durability, testing both real and synthetic samples and exploring additives that could improve PFAS destruction efficiency.



GAC columns at Witches Oak pilot plant

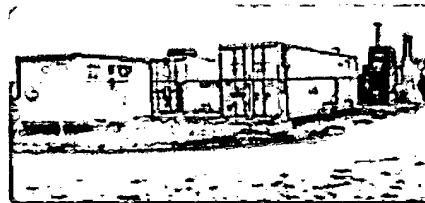
Wastewater

We have invested in a pilot plant at our Minworth Wastewater Treatment Works to trial various combinations of GAC and clay-based media in six absorption columns. Our aim is to establish the most effective approach to PFAS removal to ensure we are prepared for future developments.

Our full pilot plant includes a 12-month sampling programme. And whilst only PFOS and PFOA have environmental quality standards at the present time, we are analysing the full PFAS suite, comprising 48 compounds, to ensure we are fully prepared for future requirements.

We are leading on a project investigating a 'whole-system approach to PFAS treatment', in partnership with Cranfield University and other UK water companies. Part-funded through the OIwat Innovation Fund, the aim is to combine the most promising PFAS removal technologies with effective destruction methods to prevent reintroducing these persistent chemicals

to the environment. The project will assess the performance, efficiency and safety of different technology pairings, ensuring that PFAS are fully destroyed without risk of creating by-products.



Pilot plant at Minworth Wastewater Treatment Works

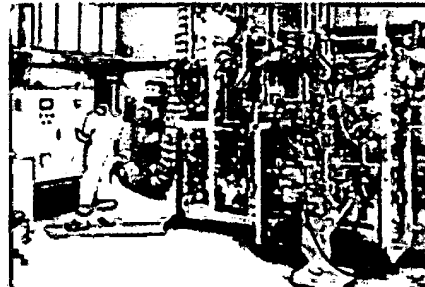
Biosolids

We have been awarded an OIwat Innovation funded project to investigate biochar production as an alternative to conventional biosolids management practises. Biochar is a charcoal-like product that can be created from biosolids through a process called Advanced Thermal Conversion (ATC). Biochar has several potential benefits, including improving soil fertility, sequestering carbon and reducing GHG emissions.

This project includes assessing PFAS destruction via ATC and identifying the optimum conditions for this. Phase one of this project is underway and biosolids have already been transported to our ATC partner to begin determining the conditions that produce high-quality biochar that also destroys PFAS.

We have also been awarded funding through the OIwat Innovation Fund, to develop the end-to-end industrial process to convert biosolids into syngas, sustainable liquid fuels, biochar and carbon. This will build on the outputs of the biochar project to ensure that PFAS is destroyed through the process. It includes building an industrial-scale ATC plant that has been designed by Hybrid Gasification Ltd with support from Durham University alongside a low-energy biosolids dryer (effectively an advanced form of composting) designed by Jacobs. The project also includes

a smaller pilot-scale application of novel low-temperature plasma reactor technology that will convert the hydrogen-rich syngas that is a bioproduct of the process into sustainable liquid aviation and marine fuels and high-purity carbon.



ATC plant in operation

Our Principal Risks

In accordance with the 2018 UK Corporate Governance Code, the Board is responsible for determining the nature and extent of the Principal Risks of the business. Our Principal Risk profile is updated each year to reflect the changing risk landscape. The Board, Severn Trent Plc Audit and Risk Committee and Executive Committee have completed a robust review and assessment of the Principal Risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. This review ensures we have appropriate coverage for risks which have the potential to:

- adversely impact the safety or security of the Company's employees, customers, communities and/or assets;
- have a material impact on the financial or operational performance and resilience of the Company's;
- impede achievement of the Company's strategic objectives and financial targets; and/or
- adversely impact the Company's reputation or stakeholder expectations.

Through our embedded ERM cycle, our Principal Risks are regularly reviewed by our SRF, Executive Committee, Severn Trent Plc Audit and Risk Committee and Board. Following our latest review, the number of Principal Risks has reduced from 13 to 11, resulting from a consolidation to ensure they are reflective of changes in the internal and external environment.

Each of the Principal Risks are assessed to ensure we develop appropriate response plans, with this year's review applying focus to AMP8. Our mitigation strategies remain appropriate and ensure greater alignment with our strategic objectives and ERM risks. For clarity on the critical link between our strategic ambitions and Principal Risks, they have been mapped to the pillars of our corporate strategy.

Severn Trent Water is the principal regulated subsidiary of the Group, and this structure is reflected in how we categorise and report our Principal Risks. For each Principal Risk reported on the following pages we include:

- examples of risk mitigation strategies;
- how each Principal Risk is aligned to our stakeholders and strategic pillars of our corporate strategy;
- changes to risk profiles since the last report, which considers the potential risk impact and likelihood based on the effectiveness of existing controls. The rating indicates whether the risk exposure is considered to have improved, deteriorated or remained stable; and
- key risk indicators which are used to track changes in the risk profile and ensure appropriate actions are taken to prevent the Principal Risk from materialising.

Principal Risk 1 – Health and Safety

Our aim is that nobody gets hurt, or is made unwell, by what we do. That applies not only to our people, but also our suppliers, our visitors and the wonderful communities which we serve.

Principal Risk overview

Due to the nature of our operations, we could endanger the health and safety of our people, contractors and members of the public

Strategic objective

Outcomes Nature People Change

Stakeholders



Change in year



KPIs

- Lost Time Incident (LTI) rate.

Risk mitigation examples

- Health, Safety and Wellbeing Framework keeps our colleagues, contractors and communities healthy, safe, secure and well.
- Health and Safety Policy, and associated standards, are regularly reviewed to ensure compliance with legislation.
- Competency framework and mandatory training is regularly monitored.
- Supply chain compliance is assessed through site manager forums, on-site inspections and assurance activities.
- Health and safety bulletins are cascaded throughout the Group, and to our supply chain.
- A dedicated Health, Safety and Wellbeing Toolkit enables real-time data recording to analyse and report on all health, safety and wellbeing incidents.
- Incidents and near-misses are tracked to ensure timely resolution, and reviewed to identify lessons learned.

Key updates in the year

- Successfully launched our Everybody Safe strategy, which embraces the vision statement 'nobody gets hurt or is made unwell by what we do'. The strategy was cascaded to all colleagues to ensure the key messages were effectively shared across the Group.
- Comprehensive Health and Safety e-learning and training has been delivered at our Academy.
- The Health and Safety Team has been critical to delivering key business changes, including the refurbishment of our Leicestershire Water Centre. The team has also supported important community events, for example our first managed open water swimming event at Carsington Reservoir.
- Whilst not within the Group, there was a serious health and safety incident in March 2025 involving an employee of one of our framework contractors. Following this, we engaged across the Group's framework contractors and direct supply chain to re-emphasise the importance of our fundamental health and safety expectations and our Everybody Safe mindset and culture.

Change in year

- Increase in risk exposure
 Decrease in risk exposure
 No change in risk exposure
 Re-scoped
 New risk

Stakeholder key

- Customers
 Colleagues
 Communities
 Shareholders and Investors
 Suppliers and Contractors
 Regulators and Government

Principal Risk 2 – Infrastructure failure and asset resilience (Water)

Resilience of our infrastructure and assets is central to our strategic ambitions and duties.

Principal Risk overview

We do not provide a safe and secure supply of drinking water to our customers

Strategic objective

Outcomes Nature People Change

Stakeholders



Change in year



KPIs

- Supply interruptions (no. of minutes).
- Leakage % (MI/d).
- CRI (index).
- Priority Services Register (%).
- % water quality competency training completed

Risk mitigation examples

- Comprehensive resilience plans have been developed and are included in our AMP8 Business Plan.
- Key operational employees are required to complete mandatory water quality competency training.
- Invested in in-house capability to bolster repair teams and accelerate response times.
- 24/7 control centre operational monitoring, including real-time telemetry coverage from our loggers.
- Strategic modelling assessments for different supply and demand scenarios across our water network, including the impact of climate change (see Principal Risk 9).
- Processes, standards and operational procedures are regularly reviewed and updated.
- Business continuity plans are in place for incident management and our teams are well versed in the activities required to be completed in the event of an incident, including a standby rota.

Key updates in the year

- We published our WRMP which details how we secure our water supply, in consideration of critical future challenges, including mitigating the impact of climate change.
- No dig technology presents an innovative solution to the significant challenge of leakage in buried pipes and is critical to achieving our leakage commitments.
- Our new CRI sustainability plan will deliver key improvements to both minimise and effectively manage water quality failures.
- Business continuity plans have been reviewed and updated to ensure readiness for hot weather events.
- Work is underway on a £15 million distribution reservoir to boost water supplies with an extra 2 Ml storage.
- Our Business Plan includes enhanced water treatment, for example UV and advanced ceramic membranes, to ensure high-quality drinking water.
- Decision to insource the delivery of our mains renewal programme with c.400 people, to significantly enhance our replacement rate.
- Construction at our new Witches Oak Water Treatment Works has been completed and provides additional resilience to our water supply.

Principal Risk 4 – Customer service and experience
 We are focused on delivering outcomes which customers care about, whilst providing a high-quality, affordable service.

Principal Risk overview

We do not meet the needs of our customers or anticipate changing expectations through the level of customer experience we provide

Strategic objective
 and enables us to engage with and respond to customers who require assistance. A specialist Digital Team monitors actively our customer-facing teams with intuitive and powerful tools to transform the way we work and support our ambitions to deliver an excellent customer service.

Outcomes Nature People Change

Stakeholders

Change in year

KPIs

- C-Mex (index)
- D-Mex (index)
- Water quality complaints (no. of complaints)
- Priority Services Register (%)

Risk mitigation examples

- Service Level Agreements are communicated to customers who require assistance.
- A specialist Digital Team monitors actively our customer-facing teams with intuitive and powerful tools to transform the way we work and support our ambitions to deliver an excellent customer service.
- We have tailored our customer communications, from community drop-in sessions to social media, to ensure we are effectively delivering key messages.
- Our PSR helps to provide a more personalised service and the right assistance to our customers.
- Robust incident management processes, which include vulnerable customer procedures, for operational events impacting service levels.
- Our Retail Transformation Plan and Customer Experience Steering Group drive further enhancements in our customers' end-to-end journeys.
- Our Developer Services Team proactively engages with new-build developers, to ensure appropriate supply planning and connection activities are undertaken.
- A dedicated Non-Household Customer Team actively engages with and responds to market retailers.

Key updates in the year

- Our new customer platform, Kraken, equips our customer-facing teams with intuitive and powerful tools to transform the way we work and support our ambitions to deliver an excellent customer service.
- We have tailored our customer communications, from community drop-in sessions to social media, to ensure we are effectively delivering key messages.
- We offer one of the largest financial support packages through our affordability schemes and this year we have provided support for more than 300,000 households.
- We have been encouraging customers to use the additional support provided through the PSR and across our region over 100,000 customers are receiving some form of support either financially or through the PSR.
- We have engaged with over 15,400 people in our region this year as part of our ambition to support people out of water poverty through our Social Strategy, by tackling the underlying causes and creating employment opportunities.

Principal Risk 3 – Infrastructure failure and asset resilience (Waste)
 Resilience of our infrastructure and assets is central to our strategic ambitions and duties.

Principal Risk overview

We do not transport and treat wastewater effectively, impacting our ability to return clean water to the environment

Strategic objective
 on our service and any potential damage to the environment. 24/7 control centre monitors our asset performance, including real-time telemetry coverage.

Outcomes Nature People Change

Stakeholders

Change in year

KPIs

- Internal sewer flooding (no. of incidents)
- External sewer flooding (no. of incidents)
- Public sewer flooding (no. of incidents)
- Pollutions incidents (no. of incidents)

Risk mitigation examples

- Strategic modelling, such as for the DWMP, is essential for assessing potential changes to the supply and demand on our wastewater network, including the impact of climate change. This enables us to proactively manage the impact on our service and any potential damage to the environment.
- 24/7 control centre monitors our asset performance, including real-time telemetry coverage.
- In-house Wastewater Network Response Team and key operational employees complete mandatory training programmes to ensure continued competence with evolving standards.
- Educational programmes for customers to promote safe use of the wastewater system, including appropriate disposal of wet wipes and cooking fat.
- Monitoring all sites with Flow to Full Treatment (FTF) permit requirements via our dedicated Flow Performance Team.
- Progressing our sector-leading C50 Improvement Plan and our 2025-30 PIRP.
- Internal sewer flooding (no. of incidents)
- External sewer flooding (no. of incidents)
- Public sewer flooding (no. of incidents)
- Pollutions incidents (no. of incidents)

Key updates in the year

- Confident of achieving EPA 4* for the sixth consecutive year, having delivered sector-leading ODI performance over AMP7.
- Our teams have worked hard to implement 1,200 permanent enhancements to eliminate spills from storm overflows across our region.
- Installed innovative treatment solutions to capture, store and treat more wastewater.
- 24 new storage tanks have been built and installed at treatment works to capture additional water during periods of heavy rain.
- More valves have been installed across our network to prevent flooding when the sewer capacity is under pressure.
- We have insourced our Waste Infra Response Team and set up a waste operational control centre to improve our response to incidents.

Principal Risk 5 – Supply chain and capital project delivery

Delivery of critical investments to ensure we have a positive economic, environmental and social impact for decades to come.

Principal Risk overview	Risk mitigation examples	Key updates in the year
<p>Insufficient resilience in the supply chain impacts the deliverability of the capital programme (time, cost, quality)</p> <p>Strategic objective</p> <p>Outcomes Nature People Change</p> <p>Stakeholders</p> <p>Change in year</p> <p>KPIs</p> <ul style="list-style-type: none"> Number of project milestones completed on time (no. of projects) Ratio of critical single source supplier (%) 	<ul style="list-style-type: none"> Framework agreements cover multiple contractual partners for a flexible and diverse supply chain. Robust, gated capital processes provide effective governance and assurance through the project lifecycle. Dedicated quality management and assurance teams perform in-depth reviews. Commercial auditing across key contractual activities that are delivered by our supply chain. Regular contract reviews and performance meetings, including at Director and CEO level, to cover KPIs and perform proactive supplier and market assessments. Regular training for contract management teams. Robust verification of the financial stability of our supply chain, including lead measures and dual monitoring through credit agencies. Audits on our supply chain for key indicators, such as modern slavery, health and safety and cyber security. Use of EcoVadis to assess suppliers' sustainability risk and maturity levels. 	<ul style="list-style-type: none"> Our supplier heat-mapping process provides ongoing monitoring and early warnings (including financial stability and global economic factors) for our contracted supply chain. Contingency plans for all critical suppliers are subject to regular testing by our Security and Resilience Team. Our robust three lines of assurance continue to provide effective support by addressing risks before they impact delivery. An annual exercise has been completed to confirm our capital delivery suppliers are compliant with their contracts, with additional focus on key requirements, such as health and safety and modern slavery. New management information has provided improved insights on Project and Portfolio-level risks and Delivery Team resources have increased in readiness for our Business Plan.

Change in year

Increase in risk exposure
 Decrease in risk exposure
 No change in risk exposure
 Re-scoped
 New risk

Stakeholder key

Customers
 Colleagues
 Communities
 Shareholders and Investors
 Suppliers and Contractors
 Regulators and Government

Principal Risk 6 – Security and resilience

We understand the interconnectivity of physical, people and technological threats (including cyber), with robust proactive and reactive security strategies to protect our critical services.

Principal Risk overview	Risk mitigation examples	Key updates in the year
<p>Core operational capabilities are compromised through physical, people or technological threats</p> <p>Strategic objective</p> <p>Outcomes Nature People Change</p> <p>Stakeholders</p> <p>Change in year</p> <p>KPIs</p> <ul style="list-style-type: none"> Number of high and medium-priority incidents (no. of incidents) 	<ul style="list-style-type: none"> Our Cyber Security Steering Committee, Information Security Team and Data Privacy Officer monitor security and cyber threats. A dedicated Security Team and Alarm Receiving Centre monitor and respond remotely to our most critical sites. Proactive and robust support for our monitoring technology, with appropriate maintenance plans. Mandatory annual cyber security training for employees and a robust operational security programme. All operational and office sites have business continuity, crisis management and disaster recovery plans. Regular internal and third-party testing of our security network, systems and sites. Vulnerability management system, including penetration testing of publicly accessible systems, behavioural alerts, patching processes, data disposal and access controls. Third-party IT service partners provide support to reduce risk and improve technical standards. Security standards are understood with relevant 'what if' scenarios. Documented security investigation processes, including root cause analysis. 	<ul style="list-style-type: none"> We have mobilised delivery of our Zero Trust Architecture ('ZTA') Plan and onboarded a partner to help define the reference architecture and associated delivery roadmap. The DWI and non-financial auditors validated our 2023-24 Security of Network and Information Systems Regulations ('NIS-R') submission. We obtained external assurance of our 2024-25 NIS-R submission and they confirmed compliance. A comprehensive cyber exercise was successfully completed including operational, tactical, strategic levels and our Board Cyber Defence Committee. Continued focus on cyber security awareness across the Group and supporting our Security Champions. Supply chain security improvements have provided greater oversight. We received a positive Final Determination from Ofwat on our cyber security enhancements. We have secured funding to deliver our strategic plans in relation to security and resilience.

Principal Risk 7 – Political, legal and regulatory

Proactively preparing for regulatory, legislative and Government reforms which will help to drive positive change across the water sector.

Principal Risk overview

Uncertainty of regulatory, legislative and Government reforms which could fundamentally impact our operating environment and strategic ambitions

Strategic objective

Outcomes Nature People Change

Stakeholders



Change in year



KPIs

We continue to monitor the external environment for regulatory, legislative and Government reforms

Risk mitigation examples

- We performed detailed research to understand the views and priorities of customers and key stakeholders when developing our Business Plan.
- We actively engage with the UK Government, MPs, the Welsh Government, regulators and other stakeholders about the future direction of the water sector.
- We operate an established Governance Framework, comprising policies and training, to ensure ongoing compliance with applicable laws and regulations and these are regularly reviewed to capture any changes.
- Investment plans are subject to regular review, at least on an annual basis, to take account of changes to legislation, regulation and our business.
- External legal advisers provide detailed updates in respect of upcoming legislation that may affect the Group.
- Our overarching Compliance Framework, Licence to Operate, ensures compliance with our legal, statutory and regulatory obligations. All levels of leadership are required to complete a declaration twice a year.

Key updates in the year

- The Government commissioned Sir Jon Cunliffe to undertake a review of the water sector. We have responded to the Commission's request for evidence. Recommendations are expected to be made to the UK Government in Summer 2025. We will continue to engage constructively with the review, and other relevant reviews, and we are proactively preparing for potential changes.
- We have also provided evidence to Government and regulator consultations.
- We continue to be open and transparent with regulators and policy makers through reporting, formal and informal communication and facilitating site visits so they can observe our operations first hand.
- We have performed comprehensive horizon scanning of potential changes to the political, legal and regulatory environment to bolster the Group's preparedness for any changes.
- The Water (Special Measures) Act 2025, which includes prohibitions on performance-related pay for Executive Directors, remains subject to ongoing consultation. We are considering the implications for retaining and attracting senior talent against the backdrop of the challenging AMP8 delivery programme. Consultations on the remaining provisions will follow later in 2025.
- Active engagement with local councils and the Regional Mayor of the West Midlands to share key messages, including spending plans for the region, and gain valuable feedback.

Principal Risk 8 – Financial liabilities

We have secure funding to meet ongoing commitments, including the delivery of our AMP8 Capital Programme, and ability to withstand volatility.

Principal Risk overview

Failure to responsibly manage our financial position to maintain financial resilience and a strong funding platform, and effectively manage market volatility

Strategic objective

Outcomes Nature People Change

Stakeholders



Change in year



KPIs

- Months of liquidity (no. of months)
- Pension deficit (€m)

Risk mitigation examples

- The Group's treasury activity is overseen by our Treasury Committee, with support from dedicated advisers.
- The Group has a diversified capital structure, in terms of both tenor and access to global debt markets.
- The Group maintains liquidity headroom of at least 15 months in line with the Board-approved Liquidity Policy and the Group has committed credit facilities for five years.
- Group cash balances are deposited across a range of investment-grade counterparties to spread and mitigate risk.
- The proportion of the Group's debt maturing in any AMP period does not exceed 40% of the Group's total debt, to reduce refinancing risks.
- Treasury policy statements and procedure manuals are reviewed at least annually.
- Our pension deficit recovery plans are agreed by the Trustees and the Company. The plans state the cash contributions required from Severn Trent, with inflation and equity risks managed through appropriate hedging strategies to manage downside risks, with regular monitoring.
- The Company is represented on the Investment Committee of the scheme and the Investment Policy is formally approved by the CFO.

Key updates in the year

- During the year we raised €1.5 billion of funding to maintain appropriate levels of liquidity, which is in excess of our 15-month Treasury Policy.
- We have increased our focus on diversifying funding sources, including a return to the EUR bond market, and an inaugural issue in the Swiss Franc market.
- Work has commenced on the 2025 triennial valuation of the Severn Trent Pension Scheme.
- We continue to work with the Trustees in considering the Pensions Regulator's consultation on its Funding Code of Practice.
- We work closely with the Trustees of the defined benefit pension schemes and with our pension advisers to meet the requirements of the schemes, including those set by the Pension Regulator.
- Our Final Determination confirms our funding requirements for the next five years, and we have a plan in place to deliver.

Principal Risk 9 – Climate change, environment and biodiversity

We are committed to delivering our net zero plans and ensuring we are resilient to the impacts of climate change, both now and in the future.

Principal Risk overview	Risk mitigation examples	Key updates in the year
<p>Our climate change strategy does not enable us to respond to the shifting natural climatic environment and maintain our essential services</p> <p>Strategic objective</p> <p>Outcomes Nature People Change</p> <p>Stakeholders</p> <p>Change in year</p> <p>KPIs</p> <p>Please refer to the Metrics and Targets section of our TCFD and TNFD disclosures</p>	<ul style="list-style-type: none"> - Scenario planning and data modelling are utilised to understand the impact climate change could have on our essential services (see Principal Risks 2 and 3). - Our WRMP and DWMP provide a long-term planning approach to address future challenges, including climate change. - Our Business Plan incorporates increased resilience against the potential impacts of climate change through the delivery of capital schemes (see Principal Risk 5). - Our corporate strategy ensures a robust response to climate change and our impacts and dependencies on nature, to protect our value chain and maintain our services (set out in our Business Model). - We are committed to net zero operational emissions by 2030, striving for 100% renewable energy and a low-carbon fleet, and more recently have invested significantly in our Net Zero Hub (see our NZTP for more details). 	<ul style="list-style-type: none"> - Climate-related risks have been shared and discussed with the Board. In October 2024, the Board held its Board Strategy Day where the topics included ESG considerations and how climate change could impact the Group's operations. - Our Business Plan includes the priorities of the Group to support long-term sustainability. - We continue to proactively manage risks and opportunities driven by changes to our risk environment, including climate change, new technologies, shifting demographics and societal expectations. - We have published our fourth EU Taxonomy disclosure which demonstrates our alignment to the CCM and WTR objectives. - We continue to increase alignment through ongoing risk assessments, gap analysis, internal action planning, and increasing our investment in sustainable activities. - Our £40 million investment in our Net Zero Hub, in Strongford, provided a blueprint for the reduction and removal of process emissions as well as increasing the production of biomethane.

Change in year

Increase in risk exposure
 Decrease in risk exposure
 No change in risk exposure
 Re-scoped
 New risk

Stakeholder key

Customers
 Colleagues
 Communities
 Shareholders and Investors
 Suppliers and Contractors
 Regulators and Government

Principal Risk 10 – Climate change, environment and biodiversity

A clear strategic focus on protecting the natural environment in our region and embracing nature-based solutions.

Principal Risk overview	Risk mitigation examples	Key updates in the year
<p>Failure to act as a steward of natural capital in our region providing social, environmental and economic benefits</p> <p>Strategic objective</p> <p>Outcomes Nature People Change</p> <p>Stakeholders</p> <p>Change in year</p> <p>KPIs</p> <p>Please refer to the Metrics and Targets section of our TCFD and TNFD disclosures</p>	<ul style="list-style-type: none"> - Our Get River Positive pledges demonstrate our passion to make a positive impact on the communities and the environment where we live and work. - We support the Get Nature Positive journey in our region to protect biodiversity by working in partnership with regulators and other stakeholders. - Strategic plans and ODI commitments are in place to enhance biodiversity in our region and protect the local environment, including reducing the likelihood of pollution incidents, delivering biodiversity improvements and ensuring environmental compliance. - Catchment management practices are used to work with landowners in our region to mitigate the effect of pesticides, fertilisers and organic nutrients on the environment and biodiversity. - Modelling is utilised to determine the impact of increasing pressures on nature, for example through drought or extreme weather events and biodiversity loss that has potential to impact ecosystems. - We utilise our in-house ecology expertise to enhance the Group's capability to enhance biodiversity. 	<ul style="list-style-type: none"> - Our Business Plan and LTDS utilised modelling and scenario planning to inform initiatives to enhance the natural environment of the habitats across our sites, ensuring resilience to nature-related risks and embracing opportunities. - Nature remains a critical priority as we move to nature-based solutions and continue to deliver significant improvements to the biodiversity of our natural environment. - Our Zero Spills Hub enables us to trial combinations of different approaches, including AI to optimise asset use and nature-based solutions to prevent spills. - Our Mansfield Sustainable Flood Resilience Project included the installation of rain gardens, detention basins and bioswales to reduce the amount of rainwater entering our sewer network. - Through our Green Recovery programme, we installed more than 157,000 smart water meters for our customers. - We have accelerated investment to improve our spills performance. Our plans for the next five years include investing £2 billion on improving river health. - More details on how we manage nature-related impacts, dependencies, risks and opportunities can be found in our TCFD and TNFD disclosures

Principal Risk 11 – People and culture

We foster a culture of innovation, which is supported by engaged colleagues with the right mindset and skills to embrace opportunities.

Principal Risk overview

Our people and culture do not adapt in response to a changing environment and take advantage of technological advancements to deliver enhanced business performance

Strategic objective

Outcomes Nature People Change

Stakeholders



Change in year



KPIs

- Employee engagement score

Risk mitigation examples

- Robust recruitment strategy which is focused on attracting top talent with the desired skills for both now and in the future.
- Dedicated apprenticeships and graduate schemes available to ensure we have the right skills for the future.
- Our Ofsted-accredited Academy facilitates the training and upskilling of our colleagues to embrace technological advancements. We have an effective training programme tailored for each business area.
- The Academy uses a combination of the latest technology, for example virtual reality, simulation and online learning. These all help to ensure our colleagues are equipped with the right skills to adapt to a changing environment.
- Our Diversity and Inclusion ('D&I') Strategy and our 'Wonderfully You' D&I ambition helps to ensure we reflect the communities we serve.

Key updates in the year

- We have assembled an industry-leading team of data professionals and innovation scientists to enhance our internal technical competency and share knowledge across the business.
- As part of our Innovation Strategy, we developed four trial hubs, and each is focused on a specific strategic challenge. We work with other water companies, third-party suppliers and academics, which utilise technology to support the delivery of key commitments. These bring together AI, machine learning and other critical technologies.
- Over 70 AI solutions have been developed and we already use AI to design and build £1 billion worth of assets.
- We have actively engaged with employees to think differently and smarter through podcasts, roadshows and leadership events to embrace technology.
- For our operational in-house entry level apprenticeships, we have a 100% pass rate with over 50% achieving a distinction.
- The tenure of our employees is above average. Glassdoor rankings support that Severn Trent is one of the top companies to work for, and our annual engagement score places us in the top 2% of energy and utility companies globally.

Change in year

Increase in risk exposure
 Decrease in risk exposure
 No change in risk exposure
 Re-scoped
 New risk

Stakeholder key

Customers
 Colleagues
 Communities
 Shareholders and Investors
 Suppliers and Contractors
 Regulators and Government

Viability Statement

Assessment of current position and long-term prospects

The Directors' assessment of the Severn Trent Water Limited Group's (the 'Group's') current financial position is set out in the Chief Financial Officer's review on pages 53 to 61. Important aspects of that assessment that are most relevant to the assessment of viability are:

- The Group's shadow RCV gearing is 62.8%, well within Ofwat's acceptable range.
- The Group has sufficient cash and available facilities to fund its financial commitments, including returns to debt and equity investors, operating and capital expenditure until autumn 2026.
- The Group's credit ratings from three agencies (S&P, Fitch and Moody's) are two notches above the investment grade base level and are stable.
- The defined benefit pension deficit decreased to £119 million in the year, and we are ahead of our deficit reduction plan in the most recently completed triennial valuation as at 31 March 2022.

Severn Trent Water is a regulated long-term business characterised by multi-year investment programmes and relatively stable revenues. The water industry in England and Wales is currently subject to economic regulation rather than market competition and Ofwat, the economic regulator, has a statutory obligation to secure that water companies can (in particular through securing reasonable returns on their capital) finance the proper carrying out of their statutory functions. Ofwat meets this obligation by setting price controls for five-year Asset Management Periods ('AMPs') including mechanisms that reduce the risk of variability in revenues from the regulated business in the medium term by adjusting future revenues to balance over or under recovery compared to the original plan.

The final determination for PR24, the price review for AMP8, was issued on 19 December 2024. We have this in the base case for our assessment of viability for the period to 2030. When considering the Group's prospects beyond 2030, it is necessary to make assumptions about the price review process for the period 2030-2035 (PR29), which will take place in 2029. Our key assumptions in this regard are a continuation of Ofwat's approach from AMP8, including the significant step up in investment approved for the next five years. In making this assessment we have also taken account of:

- Ofwat's statutory duty to secure that companies can finance the proper carrying out of their functions;
- The outcome of Ofwat's final determination and the Company's assessment of this;
- The Company's financial structure, which is within Ofwat's acceptable range;
- The Company's plans for AMP8, the successful execution of which would deliver benefits to all stakeholders and financial incentives that would help to further strengthen our financial resilience in the period beyond 2030; and
- The Company's Water's longer range plans, set out in our Water Resources Management Plan and Drainage and Wastewater Management Plan.

We have significant investment programmes, largely funded through access to capital markets. Our strategic funding objectives reflect the long-term nature of the Company's business and we seek to obtain a balance of secure long-term funding at the best possible economic cost. Our Treasury Policy requires us to maintain sufficient liquidity to cover cash flow requirements for a rolling period of at least 15 months to limit the risk of restricted access to capital markets. Our Group Treasury Team actively manages our debt maturity profile to spread the timing of refinancing requirements and to enable such requirements to be met under most market conditions. The weighted average maturity of debt at the balance sheet date was 13 years.

Our business plan for AMP8 includes a significant increase in the size of our capital programme. We have made an early start to this and are already operating at the run rate required to deliver the AMP8

programme. We had also recognised the requirement for equity funding to play its part in financing this increase. To that end Severn Trent Plc raised £1 billion in a private placing of equity in October 2023, and £600 million of this was invested as equity in Severn Trent Water in the year ended 31 March 2024.

We have an established process to assess the Group's prospects. The Board undertakes a detailed assessment of the Group's strategy on an annual basis and the output from this assessment sets the framework for our medium-term plan, which we update annually.

Our medium-term plan reflects the Group's prospects and considers the potential impacts of the principal risks and uncertainties. We perform stress tests to assess the potential impact of combinations of those risks and uncertainties. The plan also considers mitigating actions that we might take to reduce the impact of such risks and uncertainties, and the likely effectiveness of those mitigating actions.

Period of assessment

The Board considered several factors in determining the period covered by the assessment. The long-term nature of our principal business, together with relatively stable revenues and a model of economic regulation that places a duty on the regulator to secure that water companies can finance the proper carrying out of their functions, support a longer period of assessment.

However, the changing nature of regulation of the Water industry and the uncertain geopolitical and macroeconomic outlook increase the uncertainty inherent in our financial projections. We have an established planning and forecasting process and the Board considers that the assessment of the Group's prospects is more reliable if based on an established process. Our latest medium-term plan extends in detail to the end of the AMP8 period in 2030, with less detailed projections looking beyond this.

Whilst a longer period of assessment introduces greater uncertainty because the variability of potential outcomes increases as the period considered extends, Ofwat set an expectation as part of its PR19 approach that companies should look beyond the end of the next AMP when assessing viability.

Bearing this in mind, together with the long-term nature of our business; the enduring demand for our services; our established planning process; and the changing nature of the regulation of the Water industry in England and Wales, the Board has determined that seven years is an appropriate period over which to assess the Group's prospects and make its viability statement this year.

Assessment of viability

In assessing our future prospects, we have considered the potential effects of risks and uncertainties that could have a significant financial impact under severe but plausible scenarios. While we have estimated the size of each of the severe but plausible scenarios described below, we have grouped scenarios with similar impact types together and performed stress testing for the scenario with the greatest impact. Where the scenario occurs at a point in time, we have assumed that it occurs at the point in the plan with the lowest headroom.

The risks and scenarios tested are described below.

Risk assessed	Severe but plausible scenario	Stress tests applied
Due to the nature of our operations we could endanger the health and safety of our people, contractors and members of the public.	Serious injury, ill health or death of employees, contractors or members of the public as a result of what we do	An extreme one-off event

Risk assessed	Severe but plausible scenario	Stress tests applied
We do not provide a safe and secure supply of drinking water to our customers.	<p>Catastrophic breach of a large raised reservoir (>25,000 cubic metres).</p> <p>Service failure leads to increased operating expenditure or failure to meet performance commitment targets.</p>	<p>An extreme one-off event.</p> <p>Totex underperformance in each year of the forecast.</p> <p>ODI penalty in a single year.</p>
We do not transport and treat wastewater effectively, impacting our ability to return clean water to the environment.	<p>An extreme breach in a sludge lagoon at a large sewage treatment works.</p> <p>Service failure leads to increased operating expenditure or failure to meet performance commitment targets.</p>	<p>An extreme one-off event.</p> <p>Totex underperformance in each year of the forecast.</p> <p>ODI penalty in a single year.</p> <p>A financial penalty.</p>
We do not meet the needs of our customers or anticipate changing societal expectations with the level of customer service we provide.	Our customer performance is well below their expectations across a range of measures.	ODI penalty in a single year.
Insufficient resilience in the supply chain impacts the deliverability of the capital programme (time, cost, quality).	<p>Significant increase in capital programme costs.</p> <p>Service failure leads to increased operating expenditure or failure to meet performance commitment targets.</p>	<p>Totex underperformance in each year of the forecast.</p> <p>ODI penalty in a single year.</p>
Core operational capabilities are compromised through physical, people or technological threats.	A cyber-attack results in a critical loss of personal data leading to regulatory action.	<p>An extreme one-off event.</p> <p>A financial penalty.</p>
Uncertainty of regulatory, legislative and Government reforms which could fundamentally impact our operating environment and strategic ambitions.	<p>A breach of law or regulations results in a significant one-off penalty.</p> <p>Failure to deliver regulatory obligations and expected performance levels.</p> <p>Failure to provide water network and treatment capacity to meet requirements in future AMPs.</p> <p>Failure to safeguard wastewater network and treatment capacity to meet demand or increased environmental obligations in future AMPs.</p>	<p>A financial penalty.</p> <p>ODI penalty in a single year.</p> <p>Totex underperformance in each year of the forecast.</p>
Failure to manage responsibly our financial position to maintain our financial resilience and a strong funding platform and effectively manage market volatility.	Increasing pension deficit leading to higher deficit reduction contributions.	Increased pension contributions.

Risk assessed	Severe but plausible scenario	Stress tests applied
Our climate change strategy does not enable us to respond to the shifting natural climatic environment and maintain our essential services.	Service failure leads to increased operating expenditure or failure to meet performance commitment targets.	Totex underperformance in each year of the forecast. ODI penalty in a single year.
Failure to act as a steward of natural capital in our region providing social, environmental and economic benefits.	Failure to deliver regulatory obligations and expected performance levels.	ODI penalty in a single year.
Our people and culture do not adapt to a changing environment and take advantage of technological advancements to deliver enhanced business performance.	Failure to adapt leads to operational inefficiencies and increased expenditure.	Totex underperformance in each year of the forecast.

We also applied stress tests relating to economic factors: higher and lower inflation (including deflation); and higher interest rates, and combined scenarios taking into consideration totex underperformance, ODI penalties and a financial penalty, in combination with differing levels of inflation.

The amounts of the stress tests applied were:

Stress test applied	Amount modelled
An extreme one-off event	A one-off impact of £300 million at the point in the forecast with the lowest headroom.
Totex underperformance	An increase in totex of £300 million in each year of the forecast.
ODI penalty	A penalty of £300 million in a single year.
Increased pension contributions	Cash contributions increase to £60m per year.
Financial penalty	A penalty of £300 million in a single year (c 10% of appointee turnover).
Combined scenario 1	An increase of totex of £300million in each year, an ODI penalty of £150 million in one year, and a one-off impact of £300 million in one year.
Combined scenario 2	Combined scenario 1 plus a 10% spike in CPIH inflation.
Higher inflation for three years	10% spike in CPIH followed by two years at 5%.
Lower inflation in each year	Decrease of 2% in CPIH against base case.
Deflation for two years	CPIH of -1%.
Higher interest rates for two years	New debt financed at 4% above base case assumptions.

We assessed the impacts of the scenarios on our financial metrics, credit metrics and debt covenants. Where the result of the stress test indicated more than a limited impact, a risk of a downgrade of credit rating or a breach of a bank covenant, we considered what mitigating actions would be available and whether they would be sufficient to mitigate the potential impact of the stress test.

The table below sets out the potential impacts of the stress tests and the mitigating actions that would be available to address the impacts.

Stress test applied	Potential impacts on viability without mitigating action	Mitigation available (see below)
An extreme one-off event	Increased gearing and deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings although still at investment grade.	<p>Engage with ratings agencies to discuss the short-term nature of the impacts.</p> <p>Manage liquidity by temporarily reducing working capital.</p> <p>Close out derivative financial instruments in asset positions to generate cash.</p> <p>Consider new sources of funding, including hybrid debt.</p> <p>Reprofile capital programme to ease short-term pressure on ratings.</p> <p>Consider reducing dividend.</p>
Totex underperformance	<p>Pressure on earnings and cashflows.</p> <p>Increased gearing and significant deterioration in credit metrics that, without mitigating action might lead to a downgrade below investment grade and a breach of covenants.</p>	<p>Cost reduction programme focused on reducing discretionary expenditure to support profitability.</p> <p>Manage liquidity by temporarily reducing working capital.</p> <p>Close out derivative financial instruments in asset positions to generate cash.</p> <p>Consider new sources of funding, including hybrid debt.</p> <p>Consider reducing the dividend.</p>
ODI penalty	<p>The penalty would flow through revenue two years after the performance commitment was breached. In that year, profit reduces significantly but stabilises over the rest of the period.</p> <p>Increased gearing and deterioration in credit metrics that, without mitigating action, might lead to a downgrade although still at investment grade.</p>	<p>Accelerate recognition of accumulated ODI rewards not yet taken.</p> <p>Engage with ratings agencies to discuss the short-term nature of the impacts.</p> <p>Manage liquidity by temporarily reducing working capital.</p> <p>Consider reducing dividend in the year.</p>
Increased pension contributions	Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings although still at investment grade.	<p>Engage with ratings agencies to discuss the short-term nature of the impacts.</p> <p>Manage liquidity by temporarily reducing working capital.</p> <p>Consider reducing dividend in the year.</p>

Stress test applied	Potential impacts on viability without mitigating action	Mitigation available (see below)
Financial penalty	Deterioration in credit metrics that, without mitigating action, might lead to a downgrade.	<p>Manage liquidity by temporarily reducing working capital.</p> <p>Close out derivative financial instruments in asset positions to generate cash.</p> <p>Consider new sources of funding, including hybrid debt.</p>
Combined scenarios	<p>Significant reduction in profitability and cash flow.</p> <p>Significant increase in gearing and deterioration in credit metrics that, without mitigating action, might lead to a risk of downgrade in credit ratings below investment grade and a breach of covenants.</p>	<p>Engage with ratings agencies and banks to discuss the impacts on ratings and covenants.</p> <p>Manage liquidity by temporarily reducing working capital.</p> <p>Close out derivative financial instruments in asset positions to generate cash.</p> <p>Cost reduction programme focused on reducing discretionary expenditure to support profitability.</p> <p>Reprofile capital programme.</p> <p>Consider reducing the dividend.</p>
Higher inflation	<p>Short term adverse impact to profit and cash.</p> <p>However, in the longer-term higher inflation increases revenue and RCV leading to higher profits and lower gearing.</p>	<p>Engage with ratings agencies to discuss the short-term nature of the impacts.</p> <p>Manage liquidity by temporarily reducing working capital.</p> <p>Close out derivative financial instruments in asset positions to generate cash.</p>
Sustained lower inflation	<p>Pressure on profit and cash, with increasing pressure towards the end of the assessment period.</p> <p>Increased gearing and deterioration in credit metrics that, without mitigating action might lead to a downgrade in credit ratings below investment grade. Low headroom for breach of covenant.</p>	<p>Engage with ratings agencies to discuss the short-term nature of the impacts.</p> <p>Cost reduction programme focused on reducing discretionary expenditure to support profitability.</p> <p>Consider reducing the dividend.</p>

Stress test applied	Potential impacts on viability without mitigating action	Mitigation available (see below)
Deflation for two years	<p>Pressure on profit and cash in the years following the deflation years, that may sustain in future years.</p> <p>Increased gearing and deterioration in credit metrics that, without mitigating action might lead to a downgrade in ratings below investment grade.</p>	<p>Engage with ratings agencies to discuss the short-term nature of the impacts.</p> <p>Consider new sources of funding, including hybrid debt.</p> <p>Cost reduction programme focused on reducing discretionary expenditure to support profitability.</p> <p>Consider reducing the dividend.</p>
Higher interest rates	<p>Reduction in profit.</p> <p>Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings below investment grade.</p>	<p>Engage with ratings agencies to discuss the impacts and the regulatory true-up mechanism that would mitigate the impacts in the longer term.</p> <p>Cost reduction programme focused on reducing discretionary expenditure to support profitability.</p> <p>Manage liquidity by temporarily reducing working capital.</p> <p>Consider reducing dividend in the years impacted.</p>

The mitigating actions available are described in more detail below:

Mitigating action	Details
Engage with ratings agencies and banks	While ratings agencies and banks apply formulaic calculations as part of their ratings and covenant assessments, judgment is also applied. Where a threshold for a particular rating is breached or a covenant ratio not met, a downgrade might not be applied or a temporary covenant waiver might be granted if the agency/bank considers the situation to be temporary and likely to reverse in the near future.
Manage liquidity by temporarily reducing working capital	We would seek to accelerate collection of amounts receivable with particular focus on overdue accounts. We would work with our suppliers to negotiate longer credit terms where appropriate.
Cost reduction programme	We would review discretionary expenditure to identify costs that could be avoided or reduced without a detrimental impact to customer service.
Reprofile capital programme	By deferring elements of capital expenditure, we could mitigate the impact of significant events on our cash flow and smooth the effect on key ratios over a number of years, reducing the size of the impact in any one year. The size of the deferral would be limited by the targets set out in our Price Control Deliverables, a new mechanism of targets set by Ofwat for AMP8 to ensure timely delivery of specific schemes.
Close out derivative financial instruments in asset positions	Derivative financial assets such as swaps can be closed out with the agreement of the counterparty, generating cash in the short term.

Mitigating action	Details
Consider new sources of funding, including hybrid debt issued by the ultimate parent company	The Group has access to a wide range of capital markets and maintains a diverse range of funding sources. However, there are instruments that we do not currently use that would be available when more traditional funding was not. Hybrid debt instruments are a form of debt that has some of the characteristics of equity, for example a bond that features an option to convert to equity.
Consider reducing dividend in the year	<p data-bbox="571 499 1246 521">Our dividend policy requires the Board to ensure that:</p> <ul data-bbox="619 528 1493 719" style="list-style-type: none"> <li data-bbox="619 528 1493 584">• Dividends will not impair the ability of the Company to finance the Appointed Business. <li data-bbox="619 591 1493 651">• Dividends will take account of service delivery for customers and the environment over time. <li data-bbox="619 658 1493 719">• Dividends will reward efficiency and the effective management of risks to the Appointed Business. <p data-bbox="571 757 1493 833">Where payment of a dividend would impair the Group's financial resilience the Board would reduce or defer payment of dividends until financial resilience was restored.</p>

In selecting which mitigating actions to apply, we would seek to balance the interests of all stakeholders and, in particular, would prioritise mitigating actions that would not lead to a breach of our commitments to customers.

We have significant funding requirements to refinance existing debt that falls due for repayment during the period under review and to fund our capital programme. Under all scenarios considered, the Group would remain solvent and have access to sufficient funds in normal market conditions. Our Treasury Policy requires that we retain sufficient liquidity to meet our forecast obligations, including debt repayments for a rolling 15-month period.

In making its assessment, the Board has made a key assumption that any period in which the Group is unable to access capital markets to raise finance during the period under review will be shorter than 15 months.

On this basis, the stress tests indicated that none of these scenarios, including the combined scenario, would result in an impact to the Group's expected liquidity, solvency or debt covenants that could not be addressed by mitigating actions and are therefore not considered threats to the Group's viability.

Governance and assurance

The Board reviews and approves the medium-term plan on which this viability statement is based. The Board also considers the period over which it should make its assessment of prospects and the viability statement. The Audit and Risk Committee supports the Board in performing this review.

This statement is subject to review by Deloitte, our External Auditor. Their audit report is set out on page 146.

Assessment of viability

The Board has assessed the viability of the Company over a seven-year period to March 2032, 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 2032.

Going Concern

In preparing the financial statements the Directors considered the Group's ability to meet its debts as they fall due for a period of one year from the date of this report. This was carried out in conjunction with the consideration of the Viability Statement above.

The Directors have reviewed the cash and committed facilities available to the Group alongside a cash flow forecast extending beyond the period considered for this Going Concern Statement. The Directors have considered the potential impacts, in the period of one year from the date of this report, resulting from the scenarios described in the Viability Statement set out above.

The Directors are satisfied that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements, and that the severe but plausible downside scenarios considered indicate that the Group will be able to operate within the amount and terms (including relevant covenants) of existing facilities.

On this basis the Directors considered it appropriate to adopt the going concern basis in preparing the financial statements.

STAKEHOLDER ENGAGEMENT

We are focused on driving long-term sustainable performance for the benefit of our customers, communities, and the environment and wider stakeholders.

This section provides insight into how our Board engages with stakeholders to understand what matters to them and further inform the Board's decision making and the actions taken as a consequence. You can read more in our dedicated Section 172 Statement ('s.172') on pages 96 to 99, which sets out our approach to s.172 and provides examples of how the Board engaged and decisions taken by our Board during the year, with a particular focus on how stakeholder views and inputs have been considered in its decision making.

The principles underpinning s.172 are not only considered at Board level, they are part of our culture. They are embedded in all that we do, and impacts on stakeholders are considered in the business decisions we make across the Company, at all levels, and strengthened by our Board setting the right tone from the top.

Pursuant to the Companies Act 2006, this information is incorporated by cross reference in the Governance Report from page 102. You can also read more on our sustainability webpages on our website.

Our Engagement in Action section on the following pages, showcases some of the exciting opportunities we have had throughout the year to engage with our key stakeholders.

We welcome any feedback from our stakeholders.

Who are our stakeholders?

Regulators and Government

The policy framework for the water sector in England and Wales is set by the English and Welsh Governments respectively. We seek to engage constructively to achieve the best outcomes for customers and the environment. Below the policy framework, our industry is regulated by Ofwat and others. We agree commitments with our regulators and report our performance against these. We work closely with our regulators to shape our industry to help ensure the right outcomes for customers, communities and the environment.

Our customers

In serving our customers, we want to provide strong service delivery over the long term. We are delighted that our Severn Trent Water Business Plan for 2025-2030 was awarded 'outstanding' status by Ofwat. We engaged extensively with our customers in development of our Business Plan.

Our communities

Our aim is to be a force for good in the communities we serve and, in doing so, create value for all our stakeholders.

Suppliers and contractors

Along with our employees, our suppliers support us in delivering for our customers. Strong supplier relationships ensure sustainable, high- quality delivery for the benefit of all stakeholders.

STAKEHOLDER ENGAGEMENT – ENGAGEMENT IN ACTION

Our Customers

As our customers' expectations change, we need to evolve our approach and delivery of our services to ensure we continue to meet them. Everyone who works for, and with, Severn Trent is focused on improving service delivery for customers. Our continuous engagement with them ensures that we are able to understand what matters to them and deliver further improvements in service, both now and over time.

Company engagement

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

We also engage and learn from our customers in a variety of different ways, including:

- Quarterly management-level team meetings with the Consumer Council for Water.
- Frequent discussion and consultation with our online customer community.
- Quarterly tracking of customer perceptions against key indicators including trust and satisfaction.
- Online self-service options for customers and we have made it easier to check for and report problems through our 'Check My Area' app and 'Report a Problem' services.
- Customers can contact us through two-way messaging functionality by SMS, WhatsApp, TapChat and Apple Business Chat channels.

Board engagement

The Board receives an update on customer operations and performance from management, including updates on the implementation of the Kraken programme, at every meeting. Other topics considered during the year included an update on the Company's Customer Vulnerability Strategy and a deep dive on C-MeX.

Additionally, Board members gain insight on the customer journey first hand during site visits, which allows them to observe the dedication and hard work of our teams in delivering our essential services to customers and communities. This helps them gain a deeper understanding of how our systems and processes support our workforce in delivering consistent operational performance.



What mattered most to our customers

- Affordability and value for money.
- Customer service and operational performance.
- Leakage reduction and resilience of supply.
- Assistance in times of need and vulnerable circumstances.
- Responsible investment.
- Environmental performance, river water quality and climate change.

How we delivered following engagement feedback

- 32% improvement in supply interruptions performance.
- 5% reduction in leakage.
- 2% improvement in blockages.
- 9.9% of our customers signed up to our Priority Services Register.
- Provided over £88 million worth of support to more than 290,000 customers through our affordability support schemes this year.
- Good progress on our Societal Strategy with more than 15,400 people supported this year.
- Net Zero Hub at Strongford.
- ODI Centre of Excellence.

Our Colleagues

The culture of our organisation is critical to our success. Our people are highly engaged across our organisation, supported by an open and trusting environment that fosters collaboration. We offer opportunities for all of our colleagues to contribute ideas and suggestions and express their perspectives.

Company engagement

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. These include:

- Annual leadership events, attended by over 880 of our people.
- Company, business and local Trade Union forums.
- OnTap news and Friday 'News Splash' updates, Viva Engage and 'Ask Liv' intranet pages.
- Monthly Team Talks.
- Face-to-face meetings with line managers and departmental meetings.

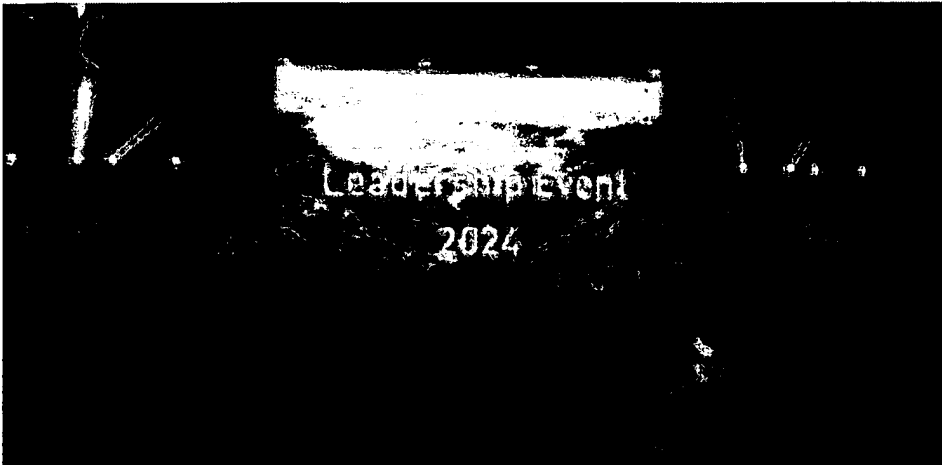
Our annual employee engagement survey, conducted by an independent research company to ensure the results are anonymous, helps us to understand what is going well and where we can improve. In 2024, our overall engagement score was 8.6 out of a possible 10 points, maintaining our highest ever score and placing us in the top 2% of energy and utility businesses globally.

Board engagement

Providing opportunities for our employees to stay connected with the direction of the Company and be involved in business decisions is a key part of our culture. Our chosen employee engagement mechanism, the Company Forum, facilitates this in a structured way and meets four times a year. Attendees are invited from Trade Unions, all leadership levels, the Executive Committee and the Board. Through the Company Forum, we engage with employees on ways of working and matters of strategic significance to the Company's to ensure employee views and insights are considered. It is jointly chaired by the Director of Capital and Commercial Services and the Joint Secretaries of our Trade Unions, Unison and GMB. Board members are invited to attend and participate and, over the last 12 months, Christine Hodgson, Tom Delay and Sarah Legg, as well as Liv Garfield, have attended to listen to the discussions and talk about their areas of responsibility and interests. The agenda is wide-ranging and topics for discussion this year have included PR24, our Societal Strategy, our annual employee engagement results, our Women's Welfare programme, occupational health, learning and training at our Academy and company-wide initiatives such as diversity and inclusion strategies. The Board further used the Company Forum to explain how Executive remuneration aligns with wider company pay policies.

Additionally, regular updates are provided on Company performance, year end results and significant change programmes.

The Board discuss people matters at every Board meeting through a standing update in the Chief Executive's report. Our People Strategy is presented annually and the Board reviews a dashboard of workforce-related matters twice a year along with reports from our Speak-Up channels at every Severn Trent Plc Audit and Risk Committee meeting. Talent and succession planning and diversity and inclusion discussions are also held regularly at the Severn Trent Plc Nominations Committee.



2024 Leadership Event

What mattered most to our colleagues

- Health, safety and wellbeing.
- Delivering for our customers, communities and the environment.
- Diverse and inclusive workplace.
- Opportunities to reach full potential.
- Open and honest environment.
- Fair pay and reward.

How we delivered following engagement feedback

The wealth of insights gathered through our colleague engagement channels are used to inform our strategic decisions. They also highlight the issues that matter most to colleagues and where we need to focus our attention. We identified key areas for improvement throughout the year and developed detailed action plans in collaboration with our Senior Leadership Team.

These included:

- Further developing our colleague networks.
- Enhancing our all-employee benefits, including new financial guidance with Origen Financial Services and health assessments with Healthiflex.
- Achieving 9th on the Social Mobility Index.
- A Glassdoor ranking of 4.5/5.
- Delivered more than 285,000 learning hours through our Academy this year and over 992,000 learning hours delivered this AMP.
- A re-launch of our 'Wonderfully You' diversity and inclusion campaign.

Our Communities

We have a unique link to the communities we serve. The vast majority of our people live and work in these communities and are also our customers. Everyone who works for Severn Trent wants to support our communities and feel a sense of pride in the essential services we deliver to the families, businesses and communities in our region – which is why our purpose is to take care of one of life's essentials. We work hard to provide our essential services to our customers 24 hours a day, 365 days a year.

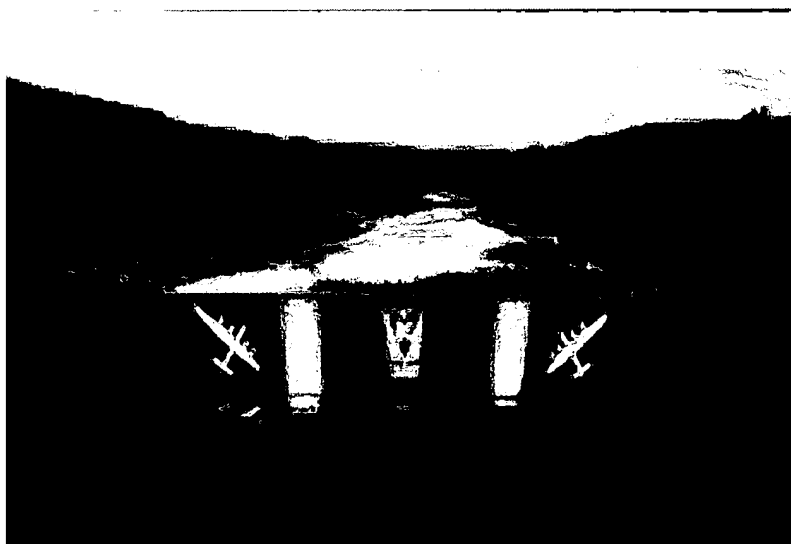
Company engagement

- Our Employability Scheme inspires our people and makes a real difference to people's lives.
- Our people volunteer through our Community Champions programme and NeighbourGOOD scheme, working to improve our communities and environment.
- Regular community workshops and drop-in sessions are held across our region.

Board engagement

The Board is committed to fostering strong relationships with community stakeholders, gaining insight from them which is considered in Board discussions and decision making. Collaborative projects such as our Green Recovery project in Mansfield – have been instrumental in facilitating open dialogue and mutual understanding. By prioritising transparency and inclusivity, the Board ensures that community voices are heard and integrated into decision-making processes. This ongoing engagement not only strengthens relationships with our communities but also enhances the Board's ability to make informed decisions that benefit all stakeholders.

- The Board receives regular presentations on the progress and impact of the Company's Societal Strategy, highlighting key achievements, challenges, and future plans.
- Annual updates are provided to the Severn Trent Plc Corporate Sustainability Committee on the allocation and impact of the Community Fund, Social Value and affordability initiatives including success stories and metrics that demonstrate the benefits to local communities.
- The Board receives regular engagement with Government officials and elected representatives on water and environment related issues.



VE 80 Illumination at Derwent Reservoir dam

What mattered most to our communities

- Environmental protection including river health, climate change, water quality, biodiversity and wildlife protection.
- Investment and maintenance improvements – impact and disruption.
- Local employment and job creation.
- Economic contribution.
- Cost of living pressures.

How we delivered following engagement feedback

- Hosted six 'Big Boost' events across Birmingham, Coventry and Derby, with over 3,000 people attending.
- Hosted 360 students across 11 Discovery Days.
- Over 1,500 hours of staff time volunteered to support our work within schools, reaching over 6,000 students.
- Implemented 1,200 permanent improvements to cut spills from storm overflows across our region, bringing our total to over 1,800 to date.
- Celebrated our River Rangers having completed 10,000 visits to rivers, engaging with 2,500 customers and attending 710 meetings with community groups.
- Improved the biodiversity of over 16,000 ha of land.
- Financial support was given to care leavers through our 'Big Difference Scheme'.
- Over £2 million awarded to 118 projects through our Community Fund this year.
- Supported remembrance events in recognition of VE Day 80, including events across our sites and the lighting up of our Derwent dam in red, white and blue in remembrance of the Dam Busters, who trained there.

Suppliers and Contractors

Everyone who works for, and with, Severn Trent is focused on improving service delivery for customers – including our supply chain partners. Good relationships help ensure projects are delivered on time, to a high quality and at efficient costs.

Our AMP8 capital programme will be the largest in our history. Our investment plans therefore require a resilient and highly engaged supply chain. Fostering a positive and collaborative relationship with our supply chain is essential to our plans to ensure we have access to the knowledge and expertise to design and deliver the right solutions for our customers and communities – and make us resilient to issues that may arise.

Company engagement

We maintain an open, ongoing dialogue with our suppliers through regular formal and informal meetings to discuss projects and performance, supported by collaborative interactions at a working level.

Beyond our ambitious capital delivery programme, our supply chain partners are also critical to the delivery of our sustainability ambitions, and we are committed to building supplier capability through engagement, training and our partnership with the Supply Chain Sustainability School to support them.

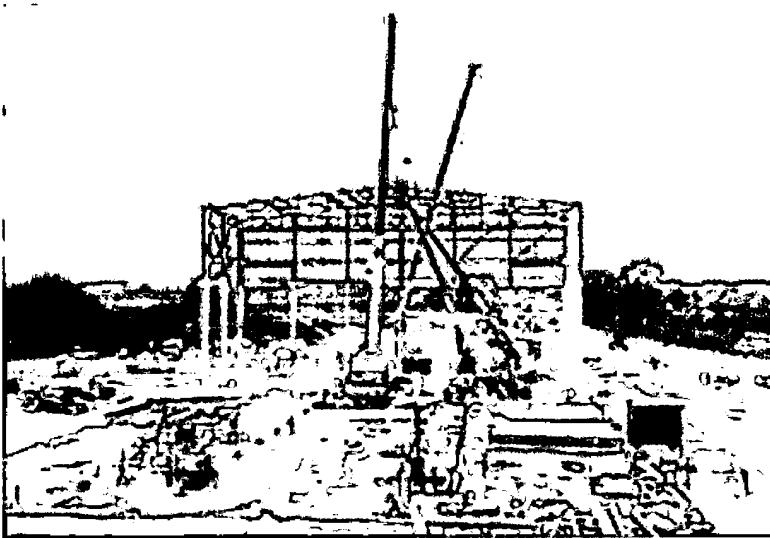
Our 2024/25 highlights include:

- All contracted suppliers are required to sign up and operate in line with our Supply Chain Sustainable Charter.
- 130 suppliers having been assessed through EcoVadis, an independent rating platform which assesses suppliers based on their environmental and social impact performance.

- All applicable suppliers and their subcontractors are required to pay the real Living Wage as a minimum.

Board engagement

The Board receives updates on suppliers from the Executive Directors and Executive Committee (including as part of the regular CEO update). This includes periodic updates on key procurement and capital expenditure matters focusing on current opportunities and challenges. The Board is also kept informed of key changes to supplier relationships, supply chain logistics and opportunities for value creation in the supply chain and signs off our Anti-Slavery and Human Trafficking Statement.



Construction at Witches Oak Water Treatment Works

What mattered most to our suppliers

- Health and safety.
- Predictable and consistent work opportunities, which allow them to plan and invest in their business growth.
- Opportunities to scale up their operations through collaboration on larger projects and capacity-building initiatives.
- Emphasis on sustainable and environmentally-friendly practices, including the use of low-carbon technologies and nature-based solutions.
- Integration of innovative technologies, such as smart meters and AI-driven solutions, to enhance efficiency and sustainability.
- Strong, collaborative relationships, fostering mutual growth and success.
- Clear communication and transparent reporting on project progress, financial performance, and future plans.
- Fair engagement and payment terms.

How we delivered following engagement feedback

- Over 150 suppliers in our supply chain.
- AMP8 supplier engagement event.
- Net Zero Hub at Strongford.
- 2024 CIPS Procurement Excellence Standard Accreditation.
- Carbon Trust accredited.

Regulators and Government

Our regulators and the Government influence the long-term national water strategy and environmental priorities, which have the potential to impact how all businesses operate.

Our relationships with the Government, our regulators and other agencies support us in ensuring that we deliver for our customers, communities and the environment, whilst investing in a responsible way and providing value-for-money services to our customers.

Company engagement

- Regular meetings with our regulators at management level including, the EA, NRW, Natural England, Ofwat, the DWI and Defra.
- Regular engagement with Government officials and elected representatives on water and environment-related issues.

Board engagement

The Board has an established engagement programme with our regulators and Government bodies to inform and improve the Board's direct understanding of their perception of the Company's performance, its key issues and areas of future focus.

Maintaining an open and constructive dialogue with regulators is a priority for the Board. By building strong relationships with regulators and the Government, Severn Trent can better serve its customers, communities and the environment and contribute to the long-term sustainability of the water sector.



Christine Hodgson and Iain Coucher, Chair of Ofwat on Site



Shockat Adam MP on site with Severn Trent

What mattered most to our regulators

- Outcomes for customers, the environment and long-term operational and financial resilience.
- Performance against regulatory targets.
- Trust and transparency.
- Governance and compliance.
- Environmental impact.
- Sustainable procurement.

How we delivered following engagement feedback

- Ensuring a resilient supply chain.
- Sharing knowledge and expertise to find solutions and opportunities for innovation.

- Developing responsible business strategies and achieving continuous sustainable development.
- Meeting shared targets for growth and development.
- Confident of achieving EPA 4* status for the sixth consecutive year, a unique accolade in the sector.
- Acceptance of our AMP8 Business Plan Final Determination.

Section 172 Statement

Stakeholder engagement is central to the formulation and execution of our strategy and is critical in achieving long-term sustainable success. The needs of our different stakeholders, as well as the consequences of any decision in the long term, are considered in depth by the Board.

Our stakeholder engagement processes enable the Board to understand what matters to stakeholders and consider carefully all the relevant factors to select the course of action that best leads to high standards of business conduct and the success of Severn Trent in the long term. The principles underpinning s.172 are not only considered at Board level, they are part of our culture and are embedded in all that we do as a company. The differing interests of stakeholders are considered in the business decisions we make across the Company, at all levels, and are reinforced by our Board setting the right tone from the top.

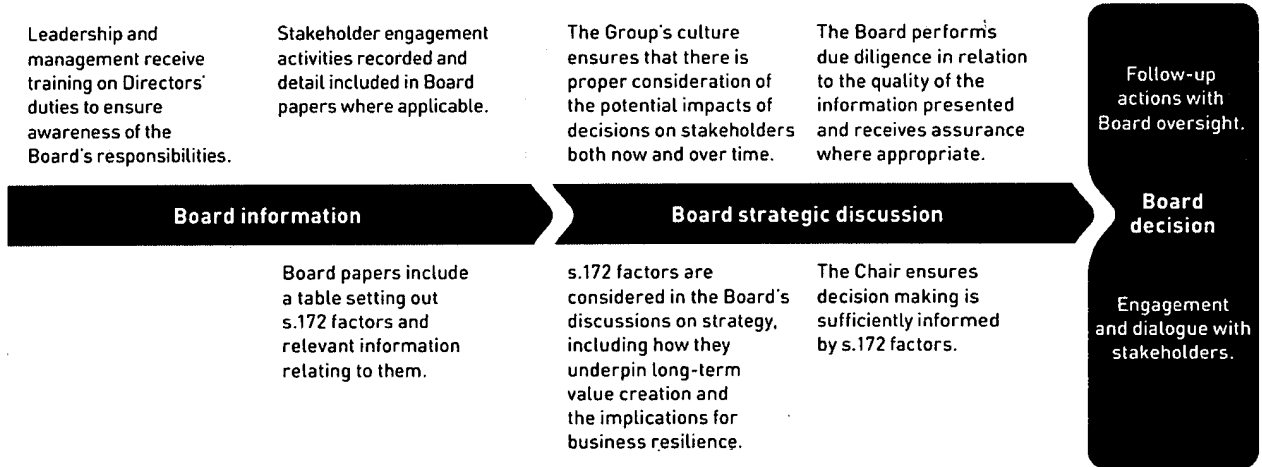
All of the Board's significant decisions are subject to a s.172 evaluation to identify the likely consequences of any decision in the long term and the impact of the decision on our stakeholders. It is not always possible to provide positive outcomes for all stakeholders, and the Board sometimes has to make decisions based on balancing the competing priorities of stakeholders.

In performing their duties during 2024/25, the Directors have had regard to the matters set out in s.172 of the Companies Act 2006. You can read more on how the Board had regard to each matter, during the year, as follows:

S.172 factor					
The likely consequences of any decision in the long term	The interests of the Company's employees	The need to foster business relationships with suppliers, customers and others	The impact of The Company's operations on the community and the environment	The desirability of the Company maintaining a reputation for high standards of business conduct	The need to act fairly as between members of the Company
Corporate Strategy (page 2) Our Business Model (page 7) Performance Review (pages 18 to 27) Dividends (page 106) Sustainability (pages 43 to 52)	Corporate Strategy (page 2) Performance Review (pages 18 to 27) Caring for Our People (pages 28 to 32) Diversity and Inclusion (pages 28 to 30) Employee Engagement (pages 89 to 90) Whistleblowing (page 104) Company Culture (pages 108 to 110)	Corporate Strategy (page 2) Responsible Payment Practices (page 140) Performance Review (pages 18 to 27) Anti-Slavery and Human Trafficking Statement (on our website) Sustainability (pages 43 to 52) Our Business Model (page 7) Whistleblowing (page 104)	Corporate Strategy (page 2) Sustainability (pages 43 to 52)	Corporate Strategy (page 2) Market and Industry Overview (pages 3 and 4) Whistleblowing (page 104) Internal Controls and Risk Management (page 139) Sustainability (pages 43 to 52)	Corporate Strategy (page 2) Stakeholder Engagement (pages 87 to 90) Dividends (page 106) Sustainability (pages 43 to 52)

Principal decisions in 2024/25

Some of the principal decisions taken by the Board in the year are detailed on the next pages. Our approach, below, sets out how the Board is supported in carefully considering all the relevant factors that lead to its selection of the best course of action to ensure the long-term success of the Company:



How the Board engages with our stakeholders

Our customers	Our colleagues	Our communities
<ul style="list-style-type: none"> – Our Board met with customers throughout the development of our AMP8 Business Plan. – Service delivery for customers is discussed at every Board meeting. – Customer perceptions of value for money are reported to our Severn Trent Plc Corporate Sustainability Committee. – Customer views were shared with the Board through dedicated deep dives on C-MeX and Licence Condition G relating to vulnerable customers. 	<ul style="list-style-type: none"> – The Chair, Non-Executive and Executive Directors attend Company Forum sessions and Colleague Network meetings and provide feedback at Board meetings. – The Board regularly meets with employees at Board and Committee meetings, during regular site visits and as part of their immersive induction. – The Board considers employee engagement survey results and steps taken to address feedback. – The Remuneration Committee reviews workforce policies and practices and makes recommendations to the Board. – Company purpose and culture, talent development and our people strategy are discussed at Board meetings. 	<ul style="list-style-type: none"> – Members of the Board attend community events to engage with the communities we serve. – Environmental matters, including progress on our Get River Positive River pledges, are considered by the Board at every meeting. – Corporate responsibility, community activities and volunteering programmes are discussed at Board meetings.

Suppliers and contractors	Regulators and government
<ul style="list-style-type: none"> – The Board receives updates on the Company’s capital programme at every meeting. Updates include engagement activity with the supply chain. – Supplier representatives attend the Company Forum alongside Executive Directors. – Commercial performance is discussed at every Board meeting, including an update on relationships with suppliers. – Our Corporate Sustainability Committee regularly monitors progress on sustainability in our supply chain. 	<ul style="list-style-type: none"> – Regulatory matters are considered regularly by the Board, including Business Plans, the Water Resources Management Plan and Scheme of Wholesale Charges. – To deepen Board-level understanding of our regulators, our Chair and Non-Executive Directors met with regulators including Ofwat and the EA during the year. – Regulatory consultation updates are considered by the Board and Board Committees as appropriate.

Engagement in Action

Kraken Implementation

Context

In October 2023, the Board approved the migration of the Company’s customer platform to Kraken – an innovative, world-class system, with the ambitions of delivering significant benefits across multiple business areas, particularly improving our customers’ experience when dealing with us.

Consideration of s.172 impacts by the Board in its decision making

Customers: Customers, and their experiences, were the key determinant in the Board’s decision – aimed at ensuring that customers are best served by our people, supported by new technologies to keep them better informed and provide them with the best possible service.

As outlined in our AMP8 Business Plan, we know that we need to improve our customers’ experience of us, and we have set out our ambitions as follows:

- Deliver significant improvements on Ofwat’s measure of performance, C-MeX;
- Drive down complaints to be the best performing company on CCW’s measure; and
- Be in the upper quartile for the utilities sector – comprising around 30 different organisations across water, electricity, and gas, on the Institute of Customer Service’s measure.

Impacts on customers and delivering improvements to customer experience was therefore a key factor in all Board discussions.

To support the Board’s knowledge of Kraken, the Board participated in an immersive hands-on session during the year. This enabled them to use the system and interact with customers through voice, webchat and social media channels to observe the improvements offered by the system first hand.

Employees: By investing in Kraken’s advanced system, our customer-facing teams benefit from improved customer records and accessibility of systems so they can serve customers more efficiently.

Additionally, the system provides new automation and AI capability to solve customers’ problems quicker and first time.

Outcomes and impact on the long-term sustainable success of the Company

We are confident that partnering with Kraken Technologies 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.

Pollution Performance Oversight

Context

Despite the performance improvements made in some areas, we know there is more we can do to improve our pollution performance. We want to deliver faster improvements and have set bold targets to drive performance improvements, supported by scale investment plans. We set out to reduce pollution by 29% over AMP7 and made good progress in the first three years. The Board oversees the Company's pollution performance at every meeting and we redefined our Pollution Incident Reduction Plan ('PIRP') this year, targeting activity to drive improvements in our performance at the pace our customers and wider stakeholders expect.

Our PIRP outlines our actions to minimise pollution related to our operations. Pollution reduction is a key focus area for AMP8, which will be supported by our investment of £400 million over the next 24 months.

The Board is fully committed to the plan, improving pollution performance at pace and ensuring that we are transparent in reporting our performance, particularly for our customers. There is Board-level oversight of pollution performance, which continues to be considered at every Board meeting through a dedicated performance oversight section on the agenda, supported by deep dives and consideration of individual events which scrutinise action taken and implementation of lessons learned to improve the Company's approach moving forward.

At an Executive level, there is weekly review of pollution performance, informed through our dedicated PIRP governance structure, which ensures that swift remedial steps and/or improvement activity can be deployed where required.

Consideration of s.172 impacts by the Board in its decision making

Customers: Customers are central to the Board's oversight of pollution performance and also when reviewing the Company's PIRP. The Board challenged management on ensuring that the Company's plans would deliver performance improvements at pace, in line with customers' expectations.

The final PIRP both informs and guides our future strategy and long-term investment plans, ensuring we continue to deliver safe and consistently high-quality services to our customers.

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

Environment and the community: Pollution reduction and protecting the environment we depend on is a core focus going into AMP8. Building on our strong operational and environmental track record, scale investment outlined within the PIRP will enable us to deliver significant progress in areas our customers and communities care about most, including:

- delivering the industry's fastest and most ambitious spills reduction programme;
- accelerating the improvement of river health, accounting for just 2% of RNAGS by 2030;
- protecting 3% of England's nature recovery network through our work on biodiversity;
- achieving operational net zero by 2030; and
- maintaining our industry-leading environmental performance, as demonstrated by securing 4* EPA status for five consecutive years, by driving a further 30% reduction in pollution.

Regulators: The Board has a strong track record of engagement with regulators in respect of strategic topics, including pollution performance, incorporating regulator feedback and challenge into its plans. The Board met with the Chair, and Chief Executives of the EA and Ofwat during the year and discussed, amongst other topics, the Company's pollution performance. This insight and feedback was used to inform the Company's PIRP.

Delivery of the Company's commitments will continue to be transparently reported to regulators, as well as customers and broader stakeholders, to demonstrate our progress.

Employees: The Board recognises that our employees are crucial to the successful implementation of our pollution improvement activity.

Over the last AMP, we significantly enhanced our capabilities by expanding our 24/7 waste Operational Control Centre, developing dedicated storm event playbooks, and investing in resilience and response capabilities. Substantial investment has been made in our Incident Response Team, including bolstering our tanker capability to improve our response to potential pollution incidents.

To deliver the improvements at the pace our customers and wider stakeholders expect, we are growing our business even further. Over 300 new employees have joined the waste area of the business this year, boosting our talent, capacity, and capabilities, with a ring-fenced reactive resource dedicated to pollution events.

We have also actively engaged our employees on this important topic, energising them to reduce pollution incidents and minimise our environmental impact.

Outcomes and impact on the long-term sustainable success of the Company

Implementing improvements in our pollution performance, alongside our dedicated PIRP, is crucial to make the performance improvements that our customers and wider stakeholders expect. The plans reviewed, challenged and approved by the Board will target delivery of improvements and set bold targets to drive performance improvements, supported by scale investment plans.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

This section of the Strategic Report constitutes the Non-Financial and Sustainability Information Statement of Severn Trent Plc, produced to comply with sections 414SA and 414CB of the Companies Act. The information listed in the table below is incorporated by cross reference.

Reporting Requirement and Severn Trent's material areas of impact	Relevant Group Policy on severntrent.co.uk	Additional information
Our key stakeholders	Customer Policy Group Data Protection Policy Group Commercial Policy	Stakeholder Engagement, pages 87 to 95 s.172 Statement, pages 96 to 99 Board Activities, pages 118 to 121
Climate and environment – Delivering net zero – Managing climate-related issues – Carbon performance, metrics and targets – Climate-related financial disclosures – Managing impacts on the natural environment and biodiversity	Group Environment Policy	Group TCFD and TNFD disclosures and Net Zero Transition Plan, pages 44 to 52 Stakeholder Engagement, pages 87 to 95 s.172 Statement, pages 96 to 99
Employees – Protecting health, safety and wellbeing – Investing in training and learning – Culture and ethics – Reward and benefits – Employee voice – Promoting inclusion and diversity	Group Health, Safety and Wellbeing Policy Group Speak Up Policy Our Group HR Policy	Caring for People in our Region, pages 28 to 32 Stakeholder Engagement, pages 87 to 95 Gender and ethnicity pay gap, page 31 Our Culture, pages 108 to 110 Governance Report, pages 102 to 136 Severn Trent Plc Audit and Risk Committee Report, pages 119 to 126 in the Severn Trent Plc Annual Report and Accounts 2024/25 Directors' Remuneration Report, pages
Social Matters – Societal Strategy – Affordability support – Paying a fair share of tax – Community Fund	Anti-Slavery and Human Trafficking Statement Diversity within our Workforce	Governance Report, pages 102 to 136
Human rights, anti-corruption and anti-bribery	Group Financial Crime, Anti-Bribery and Anti-	Governance Report, pages 102 to 136

<ul style="list-style-type: none"> – Speaking up against wrongdoing – Prevention of bribery and corruption – Approach to human rights 	<p>Corruption Policy</p> <p>Group Conflicts of Interest Policy</p> <p>Group Security Policy</p> <p>Group Competition and Competitive Information Policy</p>	<p>Severn Trent Plc Audit and Risk Committee Report, pages 119 to 126 in the Severn Trent Plc Annual Report and Accounts 2024/25</p> <p>Anti-Slavery and Human Trafficking Statement, our on website</p>
<p>Description of Principal Risks and Impact of Business Activity</p>		<p>Managing Risks and Opportunities, pages 62 to 76</p> <p>Our Principal Risks, pages 70 to 76</p> <p>Our Emerging Risks, page 66</p> <p>Our Business Model, page 7</p>
<p>Description of the Business Model</p>		<p>Our Business Model, page 7</p>
<p>Non-Financial Key Performance Indicators</p>		<p>Strategic Report, pages 2 to 101</p> <p>Key Performance Indicators, page 118</p>
<p>Governance</p>		<p>Governance Report, pages 102 to 136</p> <p>Key Board activities, pages 118 to 121</p>

The policies mentioned above form part of Severn Trent’s Group policies, which act as the strategic link between our purpose and values and how we manage our day-to-day business. During the year, the Board determined that the policies remain appropriate, are consistent with the Company’s values and support its long-term sustainable success.

Approval

This Strategic Report was approved by the Board.

By order of the Board.



Hannah Woodall-Pagan

Company Secretary

9 July 2025

CHAIR'S INTRODUCTION TO GOVERNANCE

My governance highlights from 2024/25

- **Outstanding PR24 Business Plan** – the Board invested a significant amount of time overseeing the response to the Draft Determination on our PR24 Business Plan, rated as 'outstanding' by Ofwat, and considering it, and the Final Determination, in the context of the interests of Severn Trent Water's stakeholders.
- **Succession planning** – the appointment of a new Independent Non-Executive Director, Nick Hampton, with effect from 4 April 2025, in readiness for Kevin Beeston's retirement from the Board.
- **Culture and colleague engagement** – instilling a high-performance culture is a continual focus for the Board, informed through a programme of site visits and dedicated activities, including scrutiny of our employee engagement survey results to satisfy ourselves that the Company's culture supports delivery of our AMP8 plans.
- **Net Zero Transition Plan ('NZTP')** – in line with the Company's commitment to mitigating and adapting to climate change, our Group NZTP has been revised to reflect the Final Determination outcome.

Dear Stakeholders,

I am delighted to introduce our Governance Report for 2024/25, on behalf of your Board and in accordance with the 2018 UK Corporate Governance Code (the '2018 Code'). This report outlines how we have ensured that best practice and effective corporate governance procedures are in place to support the creation of long-term value for the mutual benefit of all our stakeholders.

As highlighted in my Chair's Statement, this has been another exceptionally busy period for the Board, following developments in both the regulatory and listing environments, with the introduction of the Water (Special Measures) Act 2025 and our ongoing preparations for the 2024 UK Corporate Governance Code which applies to us from the current financial year, 2025/26.

My report, and the pages that follow, set out a summary of the important work that the Board, and its Committees, has conducted during the year in discharging its oversight over the Company's strategy, performance and supporting the long-term sustainable success of the Company, generating value for our customers and employees, and contributing to wider society.

Your Board

As announced in March 2024, Gillian Sheldon stepped down from the Board on 14 May 2024, having served on the Board for almost three years, to focus on her Executive appointment. On behalf of the Board, I would like to thank Gillian for her invaluable contribution to the Board's work. We welcomed Richard Taylor to the Board on 1 April 2024, and he succeeded Gillian as Chair of the Treasury Committee.

Kevin Beeston retired from the Board on 30 April 2025, having served nine years. I would like to express our sincere thanks to Kevin for his invaluable contribution throughout his tenure on the Board, in particular as Senior Independent Director. Kevin's expertise, professionalism and unwavering commitment have been a tremendous asset to the Company. Over the past nine years, he has significantly helped to shape the direction and success of Severn Trent. We are immensely grateful for his service and wish Kevin all the very best.

Nick Hampton joined the Board as an Independent Non-Executive Director on 4 April 2025 and became Senior Independent Non- Executive Director on Kevin's retirement. Nick's induction is ongoing and he has already met many colleagues across a range of sites.

PR24 Final Determination

Following a detailed review and consideration of a broad range of stakeholders, particularly customers and colleagues, the Board was pleased to accept the Severn Trent Water Final Determination for the period 2025-30, as published on 19 December 2024.

I, along with my fellow Board members, am eager to see the results of the increased investment over the course of AMP8. This will allow us to deliver significant progress on customer service and the environment, all whilst maintaining the second lowest bill in England and supporting around one in six customers with their bills by 2030 through a £575 million affordability package. In addition, we make this investment with extensive regulatory mechanisms in place which offer protection to customers.

Environmental performance

Another topic of significant Board, customer and wider stakeholder focus is environmental performance. This is an area where our long-term investment continues to deliver performance improvements. However, we are not at all complacent and this year has highlighted that, despite the performance improvements made in some areas, we know there is more we can do to improve. We have invested £1.7 billion in 2024/25, a 40% increase year on year, bringing our total investment in AMP7 to over £4.8 billion. It is pleasing to see this investment reflected in our Environmental Performance Assessment ('EPA') performance; we achieved EPA 4* for the fifth consecutive year last year, although we were disappointed with our overall pollutions performance.

We are confident that we will achieve EPA 4* for a sixth consecutive year this year. We have also reduced the Severn Trent Water share of Reasons for Not Achieving Good Status ('RNAGS') to 10.8% as our Combined Sewer Overflow ('CSO') Improvement and Get River Positive programmes drive long-term improvement in river quality. Our Green Recovery programme has also now completed, resulting in numerous benefits to the environment in our region.

Stakeholders

The Water (Special Measures) Act received Royal Assent on 24 February 2025. A number of provisions came into force immediately, including those in relation to financial reporting and transparency outcomes. At the date of this report, the outputs from Ofwat's consultation related to performance-related executive pay have now been published. The Board will consider carefully the outputs of the consultation, and associated guidance. Similarly, the Board will also apply focus to the wider proposals outlined by Ofwat in its consultation on its rules on governance, including customers' involvement in decisions that are likely to have a material impact on them. In line with our established and robust governance approach, the Board remains fully committed to facilitating meaningful engagement to gain authentic insight from all of its stakeholders, particularly customers.

Our people

One of the most valued and enjoyable aspects for our Board is the opportunity to meet and spend time with colleagues across the Company. The conversations that take place inform our direct understanding of the sentiment of our workforce and their views on the Company's operations, risks, successes and challenges.

We each enjoy attending the Company Forum, our chosen workforce engagement mechanism, to hear directly from employees and members of the Trade Unions, but also to share the topics on the Board's agenda and answer any questions on these. During the year, we held another 'Meet Our Board' event, which was attended by a variety of colleagues from across the Company. I would like to thank those who took the time to attend and share their experiences with us.

Whistleblowing

At Severn Trent we foster a culture of trust, honesty and openness. We are proud of our approach to whistleblowing, which encompasses the environment we create in our business to encourage reporting of potential wrongdoing, the support we give to whistleblowers and our thorough 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 Severn Trent Plc Audit and Risk Committee.

We learn from every report of whistleblowing and share the lessons across the business with a view to making improvements where necessary. We subject our whistleblowing processes to regular evaluation by both Internal Audit and independent assurers, and the findings from these reviews frequently cite many examples of good practice within the Company's approach. On an annual basis we also undertake an external benchmarking exercise with Protect, the whistleblowing charity.

We believe that good corporate governance is a key component of creating the best culture and we set the right tone from the top. The Severn Trent Plc Audit and Risk Committee receives reports on investigations, and all significant whistleblowing matters are reported directly to the Board.

The Board as a whole monitors and reviews the effectiveness of the whistleblowing arrangements annually, to ensure that it has sufficient oversight to support its work on assessing culture, risk and stakeholder engagement. 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.

During the year, the Severn Trent Plc Audit and Risk Committee considered potential impacts for the Company arising from the Office of the Whistleblower Bill with the objective of setting, monitoring and enforcing standards for the management of whistleblowing cases, provision of disclosure and advice services, directing whistleblowing investigations and ordering redress of detriment suffered by whistleblowers. The Bill is currently proceeding through the House of Commons and the Committee is taking all proactive steps to comply with any new requirements that may result.

Looking forward

Despite only being a few months into AMP8, we have already made great strides in delivering our plans, particularly focusing on the investments that will provide improvements in the areas that our customers and wider stakeholders have told us are important to them.

I want to thank everyone involved in Severn Trent this year – our customers, communities, regulators and suppliers, and a very special thank you to our colleagues, for their passion and hard work to ensure a strong end to AMP7 and the commitment to the next five years of providing a high-quality, essential public service.

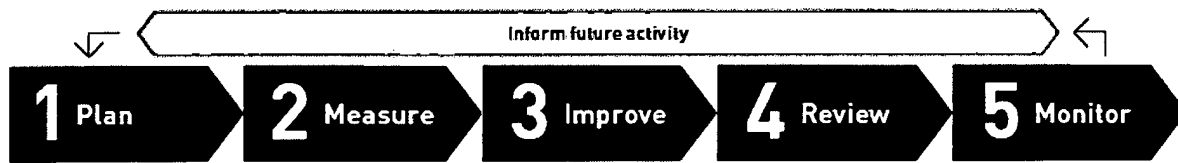
Christine Hodgson
Chair

Quick facts

- Christine Hodgson was considered independent upon appointment to the Board on 1 January 2020.
- The Board considers that all Non-Executive Directors remain independent.
- The biographies of individual Directors are set out on pages 112 and 113 and include details of the skills and experience each brings to the Board to contribute to the Company's long-term sustainable success.
- Following the completion of this year's performance review, the Board concluded that each Director standing for reappointment continues to contribute effectively.
- The version of the Corporate Governance Code applicable to this Annual Report is the 2018 Code. This Annual Report explains how we have applied the principles of the 2018 Code and confirms our compliance with its provisions for the financial year ended 31 March 2025.

Performance in the Round

To provide transparency for our stakeholders, the below schematic sets out a summary of the performance in the round process undertaken by the Board in relation to the dividend. This supports the Board in assessing all areas of the Company's performance and stakeholder impacts, both now and over time, ahead of determining whether a dividend should be paid.



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

UK Corporate Governance Code Compliance Statement

The membership of the Board of Severn Trent Water Limited is the same as that as the listed Company, Severn Trent Plc. This structure was implemented in 2007 to make sure that the highest standards of corporate governance are applied at the regulated subsidiary level and to foster greater visibility and supervision by the Severn Trent Plc Board.

As a listed company, Severn Trent Plc has applied the provisions of the UK Corporate Governance Code (the '2018 Code'), for the year ended 31 March 2025. As Severn Trent Water Limited is not a listed company it is not required to comply with the 2018 Code however, we do so voluntarily. In respect of the Audit and Risk, Remuneration and Nomination Committees, the Severn Trent Plc Board Committees operate on behalf of Severn Trent Water Limited. Further information in respect of the Severn Trent Plc Audit and Risk and the Severn Trent Plc Nomination Committees can be found in the 2024/25 Severn Trent Plc Annual Report and Accounts. Severn Trent Water Limited also complies with Ofwat's Principles of board leadership, transparency and governance, to ensure the highest standards of governance. We are satisfied that current practices and the application of the 2018 Code at both holding company and regulated company levels are entirely consistent with Ofwat principles.

The Code is available on the Financial Reporting Council's ('FRC') website (www.frc.org.uk). For the whole of the financial year ended 31 March 2025, Severn Trent Water Limited was compliant with the 2018 Code, with the following exceptions:

1. Severn Trent Plc Audit and Risk Committee and Remuneration Committee at Company level

The Remuneration Committee and Severn Trent Plc Audit and Risk Committee at Severn Trent Plc Group level operates on behalf of Severn Trent Water Limited.

2. Provisions relating to relations with shareholders

Severn Trent Water Limited does not comply with the provisions relating to Relations with Shareholders which covers dialogue with Shareholders and Constructive use of the AGM, as it would not be appropriate to do so. However, Severn Trent Plc does fully comply with these requirements.

CULTURE

Why is culture important to the Board?

Culture drives effective thinking, behaviour and action, and supports a high-performance culture. It ensures that we always try to improve, learn from events and adopt best practice from around the world. This means we achieve the best possible outcomes for our customers and wider stakeholders. As such, it is crucial that we have the necessary culture in place to achieve the Company's purpose of taking care of one of life's essentials.

Severn Trent's culture, underpinned by our Code of Conduct, Doing the Right Thing, ensures that the Company's values are embodied by our people and teams when they make decisions and elect to take a certain course of action. This builds trust and fosters an environment of transparency, open communication and collaboration.

The Board recognises the need for the Company's culture to be inclusive, so that all colleagues are able to bring their whole selves to work, fulfil their potential and perform at their best in order that, as an organisation, we can deliver our strategy. Culture is also a key ingredient in attracting and retaining the talent we need in the workforce to deliver for our customers and other stakeholders, both now and in the future. It is also inextricably linked to our succession planning processes.

The Board and individual Directors must act with integrity and lead by example in order to promote 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.



How does the Board satisfy itself that our culture is aligned with our purpose, values and strategy, and is embedded throughout the Company?

The Board spends a significant amount of time engaged in activities that provide insight into Severn Trent's culture. Through this engagement with our people, the Board can observe how the culture is established throughout the Company, aligned across directorates and demonstrated by each and every colleague. More detail is provided below.

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 provides Board members with a better understanding of day-to-day operations, the practical execution of strategy and the cultural context in which employees work. 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. Feedback from the Company Forum indicates the great value placed on the attendance of Board members.

Through attendance at the Company Forum, Directors can observe whether the Board's chosen workforce engagement mechanism remains effective. Directors provide feedback to the Board as a whole through reports tabled at subsequent Board meetings.

“Our Company Forum provides a brilliant, in-person opportunity for Board members to engage directly with employees on topics they are passionate about.”

*Sharmila Nebhrajani
Independent Non-Executive Director*

Ask Our Board and Meet Our Board events

Following the success of our virtual 'Ask Our Board' events introduced to continue the direct dialogue between the Board and workforce during the COVID-19 pandemic, we moved to in-person 'Meet Our Board' events during 2023.

Our most recent 'Meet Our Board' event was held in January 2025, which was attended by colleagues from across the Company. The session built on employees' understanding of the Board's and individual Directors' roles at Severn Trent. Employees were also able to pose questions directly to Board members. Feedback from the event has been wholly positive, with both Board members and attendees reporting that the open and inclusive tone of the session provided an informal and trusting approach to engaging with each other.

Site visits

Board members frequently undertake site visits to gain further insight into our culture and meet colleagues whilst observing the Company's operations in action. These site visits provide the opportunity to observe the commitment and dedication of our people, who work tirelessly to supply our essential services to customers and communities, whilst also increasing the Board's understanding of how the systems and processes we have in place support our workforce to deliver consistent operational performance.



Sarah Legg at Derwent Valley



Richard Taylor at Pride Park

Colleague networks

Board members attend meetings of the four colleague networks – LGBTQ+, Ethnicity and Cultural Heritage, Disability and Women’s Network – to hear about the progress made against our diversity and inclusion (‘D&I’) plans across the business. Outputs from these sessions are used to shape future Board agenda topics and employee updates.

“Everyone is welcome and differences are celebrated at Severn Trent. Colleague networks support D&I activity to ensure our company reflects the customers and communities we serve.”

*Tom Delay
Independent Non-Executive Director*

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.

“The energy, enthusiasm and commitment at our leadership events is striking, enabling us to make great Group connections in a very positive environment for collaboration.”

*Richard Taylor
Independent Non-Executive Director*

What does the Board do to assess culture?

The Board holds the CEO and the Executive Committee to account for creating and fostering a positive culture, and therefore continually assesses that the necessary culture exists to deliver our strategic goals. This is facilitated through dedicated agenda updates at Board and Committee meetings, and Directors are able to draw on their experiences observed first hand as part of their discussions on culture.

Employee engagement survey

The Board reviews the results of the annual employee engagement survey. The Board receives data on how engaged our workforce is compared to our peers and how Severn Trent’s values link to our purpose and affect colleague behaviours.

The Board places great importance on understanding the strengths and opportunities identified by colleagues, and actions arising from survey results are monitored through to completion. The Board also considers regular agenda topics structured around our people.

Workforce policies and practices

The Remuneration Committee and Board review, at least annually, the wider workforce policies and practices to ensure they remain consistent with the Company’s values and support its long-term sustainable success in light of its obligations under the 2018 Code.

Employee voice and engagement

The Board receives feedback from the workforce on the various company-wide initiatives in place to enable two-way inclusive dialogue and facilitate open and effective communication. The Board uses this information to satisfy itself that these well-established communication and engagement mechanisms, including our chosen workforce engagement mechanism, the Company Forum, remain effective and well utilised, and cover the full breadth of the organisation.

BOARD OF DIRECTORS

We have a strong, experienced Board, with a diverse range of professional backgrounds, skills and perspectives. The collective experience of the Directors and the diverse skills and experience they possess enable the Board to reach decisions in a focused and balanced way, supported by independent thought and constructive debate, which is crucial to ensuring the continued long-term success of the Company. Integrity and mutual respect are the cornerstones of relationships between our Directors, with a Board dynamic that supports open and honest conversations to ensure decisions are taken for the long-term success of Severn Trent in full consideration of the impact on all stakeholders.

Effective succession and contingency planning has enabled the smooth transition of recent Board appointments during the year, including the recruitment of a new Senior Independent Non-Executive Director, Nick Hampton, who joined the Board on 4 April 2025.

Board composition at a glance- as at 9 July 2025:

Gender representation: 3 Male, 5 Female

Minority ethnic representation: 6 White, 2 Minority Ethnic

Board independence: Chair (Independent on appointment), 2 Executive Directors, 1 Senior Independent Director, 4 Independent Non-Executive Directors

Chair and Non-Executive Director tenure:

Christine Hodgson: 5 years 6 months

Sharmila Nebhrajani: 5 years 2 months

Tom Delay: 3 years 6 months

Sarah Legg: 2 years 8 months

Richard Taylor: 1 year 3 month

Nick Hampton: 3 months



Christine Hodgson CBE BSc (Hons), FCA
Chair

Appointed: Independent Non-Executive Director on 1 January 2020, Chair on 1 April 2020.

Career and experience: Until her appointment as Chair of the Severn Trent Board, Christine was the Executive Chair of Capgemini UK Plc, Christine joined Capgemini in 1997 and built her career in a variety of roles including CFO for Capgemini UK Plc and for the Global Outsourcing business, CEO of Technology Services North West Europe and the Global Head of Corporate Social Responsibility. Christine was previously Senior Independent Director and Chair of the Remuneration Committee at Standard Chartered Plc. In January 2020, Christine was appointed Commander of the Order of the British Empire in the Queen's New Year Honours for services to education.

Skills and attributes which support our strategy and deliver long-term sustainable success: Christine has extensive board and governance experience, as well as a deep understanding of business, finance, technology and leadership. She is a committed advocate of the need for companies to serve all of their stakeholders effectively and deliver their social purpose. Christine is a Fellow of the Institute of Chartered Accountants in England and Wales.

Key external appointments: - Chair of Newton Group Holdings Limited
- Non-Executive Director of Spencer Stuart



Liv Garfield CBE BA (Hons)
Chief Executive

Appointed: Chief Executive on 11 April 2014. Before joining Severn Trent, Liv was Chief Executive Officer of Openreach, part of the BT Group, where she spearheaded and oversaw the commercial roll-out of fibre broadband to two-thirds of the country. She joined BT in 2002 and held the pivotal roles of Group Director of Strategy and Regulation, Managing Director Commercial and Brands, Global Services and UK Customer Services Director. From 1998 to 2002, Liv worked for Accenture as a consultant in the Communications and High-Tech Market Unit, designing and implementing business change solutions across a number of industry sectors. Liv is also Non-Executive Director of Water Plus, a joint venture with United Utilities serving business customers, and Water UK. In October 2020, Liv was appointed Commander of the Order of the British Empire in the Queen's Birthday Honours for services to the water industry.

Skills and attributes which support our strategy and deliver long-term sustainable success: Liv brings to the Board a wealth of experience managing customer service delivery and complex infrastructure and organisations in a regulated environment. She has vast knowledge of developing and implementing strategy, and is passionate about ensuring businesses operate sustainably.

Key external appointments: - Non-Executive Director of Brookfield Asset Management Limited
- Chair of Two Circles Limited



Helen Miles ACMA
Chief Financial Officer

Appointed: Chief Financial Officer Designate on 1 April 2023, Chief Financial Officer on 4 July 2023.

Career and experience: Helen joined Severn Trent in November 2014 as the Chief Commercial Officer, and in 2020 became the Capital and Commercial Services Director, before being appointed as Chief Financial Officer Designate in April 2023 and formally taking on the role of Chief Financial Officer in July 2023. Helen was previously Chief Financial Officer for Openreach, part of the BT Group. Prior to the BT Group, Helen worked in a variety of organisations including Bass Taverns, Barclays Bank and Compass Group.

Skills and attributes which support our strategy and deliver long-term sustainable success: An experienced finance professional, Helen has delivered major business transformation and infrastructure projects within the Group and across a variety of sectors including telecoms, leisure and banking. Helen brings a breadth of operational and commercial knowledge to the Board, having worked within a range of regulated businesses. Helen has recent and relevant financial experience as a member of the Chartered Institute of Management Accountants.

Key external appointments: - Non-Executive Director of Bredon Group Plc



Tom Deloy CBE BSc (Hons), MBA, CEng, MIMechE
Senior Independent Non-Executive Director

Appointed: Independent Non-Executive Director on 1 November 2022.

Career and experience: Tom was Chief Executive of the Carbon Trust from 2001 until March 2024. During that time, he grew the company to become a world leader, advising businesses and governments on carbon emissions reduction and the development of low-carbon technologies, markets and businesses. More recently, he took the company's unique capabilities further afield, extending its mission to accelerate the move to a sustainable, low-carbon future. A chartered engineer with extensive experience of the energy sector, Tom worked for Shell for 16 years in a variety of commercial and operational roles before moving into management consultancy with McKinsey and Company and then as a Principal with the Global Energy Practice of AT Kearney. In 2018, Tom was appointed Commander of the Order of the British Empire by the Queen for services to sustainability in business.

Skills and attributes which support our strategy and deliver long-term sustainable success: Tom brings extensive strategy, sustainability, energy and engineering experience to the Board.

Key external appointments: - Non-Executive Director of Chapter Zero



Nick Hampton MA (Hons)
Senior Independent Non-Executive Director

Appointed: Independent Non-Executive Director on 4 April 2025, Senior Independent Director on 1 May 2025.

Career and experience: Nick was appointed Chief Executive of Tate & Lyle Plc in April 2018, having joined the company in September 2014 as Chief Financial Officer. Prior to joining Tate & Lyle, Nick held a number of senior roles over a 20-year career at PepsiCo, including Senior Vice President and Chief Financial Officer, Europe from 2008, and from 2013 as PepsiCo's President, West Europe Region and Senior Vice President Commercial, Europe. Until April 2025, Nick was the Senior Independent Director of Great Portland Estates Plc, where he had served on the Board since October 2016. Nick holds a Master's degree in Chemistry from St John's College, Oxford University.

Skills and attributes which support our strategy and deliver long-term sustainable success: Having held a number of senior roles in large, multinational businesses, Nick brings to the Board extensive experience in general management, finance, investor relations, strategy and M&A, information systems and procurement. Nick has recent and relevant financial experience from his previous roles as Chief Financial Officer at Tate & Lyle Plc and Chair of the Audit Committee at Great Portland Estates Plc.

Key external appointments: - Chief Executive of Tate & Lyle Plc



Sarah Legg MA, MSc, FCMA, FCT
Independent Non-Executive Director

Appointed: Independent Non-Executive Director on 1 November 2022.

Career and experience: Sarah has spent her entire career in financial services with HSBC in various finance leadership roles. She has been the Group Financial Controller, a Group General Manager, and then Chief Financial Officer for HSBC's Asia Pacific region. Sarah has previously spent eight years as a Non-Executive Director on the board of Hong Sang Bank Limited, a Hong Kong listed bank.

Skills and attributes which support our strategy and deliver long-term sustainable success: Sarah brings to the Board wide-ranging corporate finance and significant audit and risk experience gained in the financial services sector. Sarah has recent and relevant financial experience as a Fellow of both the Chartered Institute of Management Accountants and the Association of Corporate Treasurers. Sarah is the Group's designated Non-Executive Director in respect of Cyber Security.

Key external appointments: - Non-Executive Director of Lloyds Banking Group Plc
- Non-Executive Director of Man Group Plc



Sharmila Nebhrajani OBE MA (Hons), ACA
Independent Non-Executive Director

Appointed: Independent Non-Executive Director on 1 May 2020.

Career and experience: In her executive career, Sharmila spent 15 years at the BBC, initially as Chief Operating Officer for BBC Future Media and Technology, and was previously Chief Executive at Wilson Park. Previous Non-Executive roles include Deputy Chair of the Human Fertilisation and Embryology Authority and Chairman of the Human Tissue Authority, and she also has served on the board of the Precision Protection Fund. Sharmila was appointed Officer of the Order of the British Empire in 2014 for services to medical research.

Skills and attributes which support our strategy and deliver long-term sustainable success: Sharmila has vast board and governance experience, gained in a variety of roles spanning the private sector, public sector and NGOs. A chartered accountant, she brings insight from a wide range of regulated sectors, including medicine, biotech, financial services and the media.

Key external appointments: - Chairman of the National Institute for Health and Care Excellence
- Non-Executive Director of ITV Plc
- Non-Executive Director of Halma Plc
- Non-Executive Director of Coustis & Company



Richard Taylor BSc (Hons), FCA
Independent Non-Executive Director

Appointed: Independent Non-Executive Director on 1 April 2024.

Career and experience: Richard is Managing Director and Chairman of Greenhill & Co International, an investment bank focused on providing financial advice globally on significant mergers and acquisitions, restructuring, financing and capital advisory to companies and other organisations. Prior to joining Greenhill in 2020, Richard was Chairman of Global Corporate and Investment Banking at Barclays Plc, where he had been since 2011. Prior to joining Barclays, Richard spent nearly 11 years at Bank of America Merrill Lynch, where he was Head of UK and Ireland Corporate and Investment Banking. Richard holds a degree in civil engineering and is a great advocate for organisations which demonstrate strong social purpose.

Skills and attributes which support our strategy and deliver long-term sustainable success: Richard brings to the Board extensive strategy, corporate finance, risk management and M&A experience. Richard has recent and relevant financial experience gained through his roles in the banking and finance sectors and as a Fellow of the Institute of Chartered Accountants in England and Wales.

Key external appointments: - Managing Director and Chairman of Greenhill & Co. International LLP



Kevin Beaston FCMA
Senior Independent Non-Executive Director

Appointed: Independent Non-Executive Director on 1 June 2016, Senior Independent Non-Executive Director on 20 July 2016. Retired: 30 April 2025.

Career and experience: Kevin spent 25 years at Serco Plc, where he held the roles of Finance Director, Chief Executive and finally Chairman until 2010. Kevin was previously Chairman of Domesic & General Limited, Partnerships in Care Limited, Equanil Group Plc and Elysium Limited and was also a Non-Executive Director of IMI Plc, Marsdon Corporate Limited and the Premier League. Until February 2020, Kevin was Chairman of Taylor Wimpey Plc, where he had been on the Board since 2010.

Skills and attributes which support our strategy and deliver long-term sustainable success: Kevin has a wealth of commercial, financial and high-level management experience. Kevin has recent and relevant financial experience as a Fellow of the Chartered Institute of Management Accountants.

Key external appointments: - Senior Non-Executive Director of Turstosne Equitco Limited (trading as Integrated Dental Holdings)



Hannah Woodall-Pagan BSc (Hons), FCG
Group Company Secretary

Appointed: 2 December 2022.

Career and experience: Hannah joined Severn Trent in October 2015 and became Group Company Secretary on 2 December 2022. She has extensive experience of operating in listed companies and regulated sectors, gained in a number of senior leadership roles spanning the FTSE 100 and FTSE 250 and is responsible for providing governance advice and guidance to the Board and Senior Management, as well as leading the Company Secretariat function. Hannah is a Chartered Company Secretary, being a Fellow of the Chartered Governance Institute, and she also attended INSEAD Business School.

Key external appointments: - Trustee of University Hospitals Birmingham Charity

Director serving for part of the year



Gillian Sheldon BSc (Hons)

Gillian stepped down from the Board on 14 May 2024, having served as a Director since 1 November 2021.

Key

- A Audit and Risk Committee
- C Corporate Sustainability Committee
- N Nominations Committee
- R Remuneration Committee
- T Treasury Committee
- D Disclosure Committee
- E Executive Committee
- Denotes Committee Chair

BOARD SKILLS

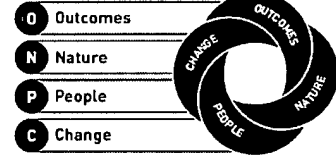
An effective Board requires the right mix of skills and experience, complemented by individual approaches and thinking styles reflective of Directors' varied backgrounds. Our Board members together form a diverse and effective team focused on promoting the long-term sustainable success of the Company.

The skills matrix below details some of the key skills and experience that our Board has identified as particularly valuable for the effective oversight of the Company and execution of our strategy, and indicates which Directors bring those particular skills to the boardroom from their roles both within and outside Severn Trent.

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 experienced and knowledgeable Executive Committee.

Skills to support our strategy and deliver long-term sustainable success

Our corporate strategy



Skills - mapped to strategic outcomes

	Strategy	Customer	Utility sector	M&A	Corporate finance/ Treasury	Accounting	Brands	Regulation	Technology/ Innovation/Cyber	Science and engineering	Sustainability, including climate change	Commercial procurement	Construction/ Infrastructure delivery	Large capital programmes	People management	Political affairs	Societal	24/7 operations
Tom Delay	✓	✓	✓				✓	✓	✓	✓	✓	✓			✓	✓	✓	
Liv Garfield	✓	✓	✓	✓			✓	✓			✓	✓	✓	✓	✓	✓	✓	✓
Nick Hampton	✓	✓	✓	✓	✓	✓	✓	✓		✓		✓			✓		✓	✓
Christine Hodgson	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓	✓
Sarah Legg	✓	✓		✓	✓	✓		✓	✓	✓	✓	✓		✓	✓		✓	
Helen Miles	✓	✓	✓	✓	✓	✓		✓				✓	✓	✓	✓		✓	✓
Sharmila Nebhrajani	✓					✓		✓	✓	✓	✓				✓	✓	✓	
Richard Taylor	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓		✓	

Executive Committee

As at 9 July 2025



(D) (E)

Liv Garfield CBE
BA (Hons)

Chief Executive



(D) (E)

Helen Miles
ACMA

Chief Financial Officer



(D) (E)

Shane Anderson
BA (Hons) Econ

Director of Strategy
and Regulation



(E)

Jude Burditt
BA (Hons)

Director of Customer
Solutions

Key

- (D) Disclosure Committee
(E) Executive Committee



(E)

Steph Cawley
BA (Hons), MSc

Director of Customer
Operations



(D) (E)

Didar Dhillon
BA (Hons), GLDP

Group General Counsel



(E)

James Jesic
BSc (Hons), PhD,
MChemE, CEng

Director of Capital and
Commercial Services



(E)

Neil Morrison
BSc (Hons), FCIPD,
FRSA

Director of Human
Resources



(E)

Bob Stear
MEng (Hons), PhD,
MCIWEM, CWEM,
FIWater

Chief Engineer

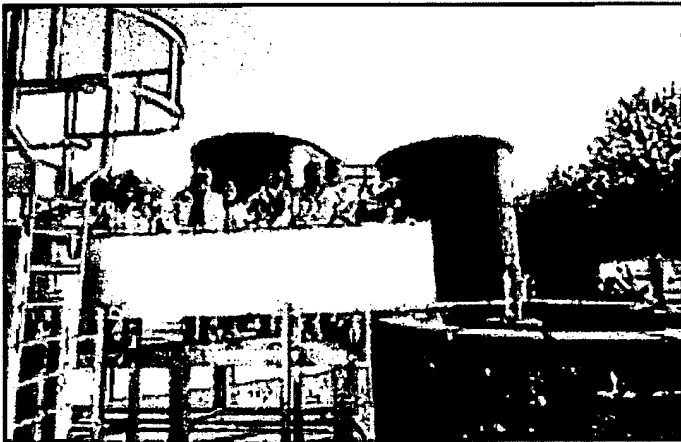
Board and Committee Meeting Attendance 2024/25

Director	Role	Board (inc. Strategy Day)	Audit and Risk Committee	Corporate Sustainability Committee	Nominations Committee	Remuneration Committee	Treasury Committee
Christine Hodgson	Chair	8/8	-	4/6	6/6	7/7	-
Liv Garfield	Chief Executive	8/8	-	-	-	-	-
Helen Miles	Chief Financial Officer	8/8	-	-	-	-	-
Kevin Beeston	Senior Independent Non-Executive Director	8/8	6/6	-	4/6 ¹	7/7	5/5
Tom Delay	Independent Non-Executive Director	8/8	-	4/6	6/6	-	-
Sarah Legg	Independent Non-Executive Director	8/8	6/6	4/6	6/6	-	5/5
Sharmila Nebhrajani	Independent Non-Executive Director	8/8	-	4/6	5/6 ²	7/7	-
Gillian Sheldon	Independent Non-Executive Director ³	1/1	1/1	-	-	2/2	1/1
Richard Taylor	Independent Non-Executive Director	8/8	6/6	-	6/6	7/7	5/5

Changes to Board composition following 31 March 2025: Nick Hampton was appointed to the Board on 4 April 2025 and Kevin Beeston retired from the Board on 30 April 2025.

- Kevin Beeston did not attend the meetings where the Nominations Committee was considering his successor.
- Sharmila Nebhrajani was unable to attend a Nominations Committee meeting due to a long-standing commitment. Sharmila was provided with all relevant papers and provided comments on the matters to be considered to the Committee Chair.
- Gillian Sheldon retired from the Board on 14 May 2024.

Board leadership and company purpose



Board site visit to Stoke Orchard Wastewater Treatment Works, April 2025

The role of the Board is set out in the Governance Report from page 117 to 118.

The Chair's Introduction to Governance can be found on pages 102 to 104.

How the Board engages with stakeholders is detailed on pages 87 to 95.

The Board's Section 172 Statement is included on pages 96 to 99.

An overview of our purpose and values is set out on page 2.

How the Board oversees the Company's strategy is detailed on page 117.

A list of our Company policies and practices can be found on pages 100 to 101.

How we assess risk and our Viability Statement is set out on pages 77 to 85.

Our strategy, including performance against our ODIs and KPIs, can be found on pages 2 to 101.

Division of responsibilities

The Governance Framework set out on page 117 provides an overview of the Board Committees in place at Severn Trent. Further details of each Committee are provided in the respective Committee reports and a table setting out attendance at meetings during the year can be found on page 114.

The division of responsibilities between the Chair and CEO is clearly defined on page 118 and set out in writing within our Charter of Expectations. We fully support the separation of these two roles.

Composition, succession and evaluation

Details about the composition of the Board, along with individual Board members' biographies and tenure, are on page 112.

The outputs of this year's internal Board Performance Review are set out on pages 129 to 131.

The Severn Trent Plc Nominations Committee Report is on pages 114 to 118 of the Severn Trent Plc Annual Report and Accounts 2024/25 and provides information on the Committee's work this year, including Board succession planning.

Audit, risk and internal control

Our approach to risk and our assessment of our Principal Risks are outlined on pages 70 to 76.

Our climate and nature-related financial disclosures are set out on pages 44 to 52.

The Severn Trent Plc Audit and Risk Committee Report, set out on pages 119 to 126 of the Severn Trent Plc Annual Report and Accounts 2024/25, provides details of the Committee's review of our risk and control environment, our fair, balanced and understandable process, and its responsibilities relating to Internal and External Audit.

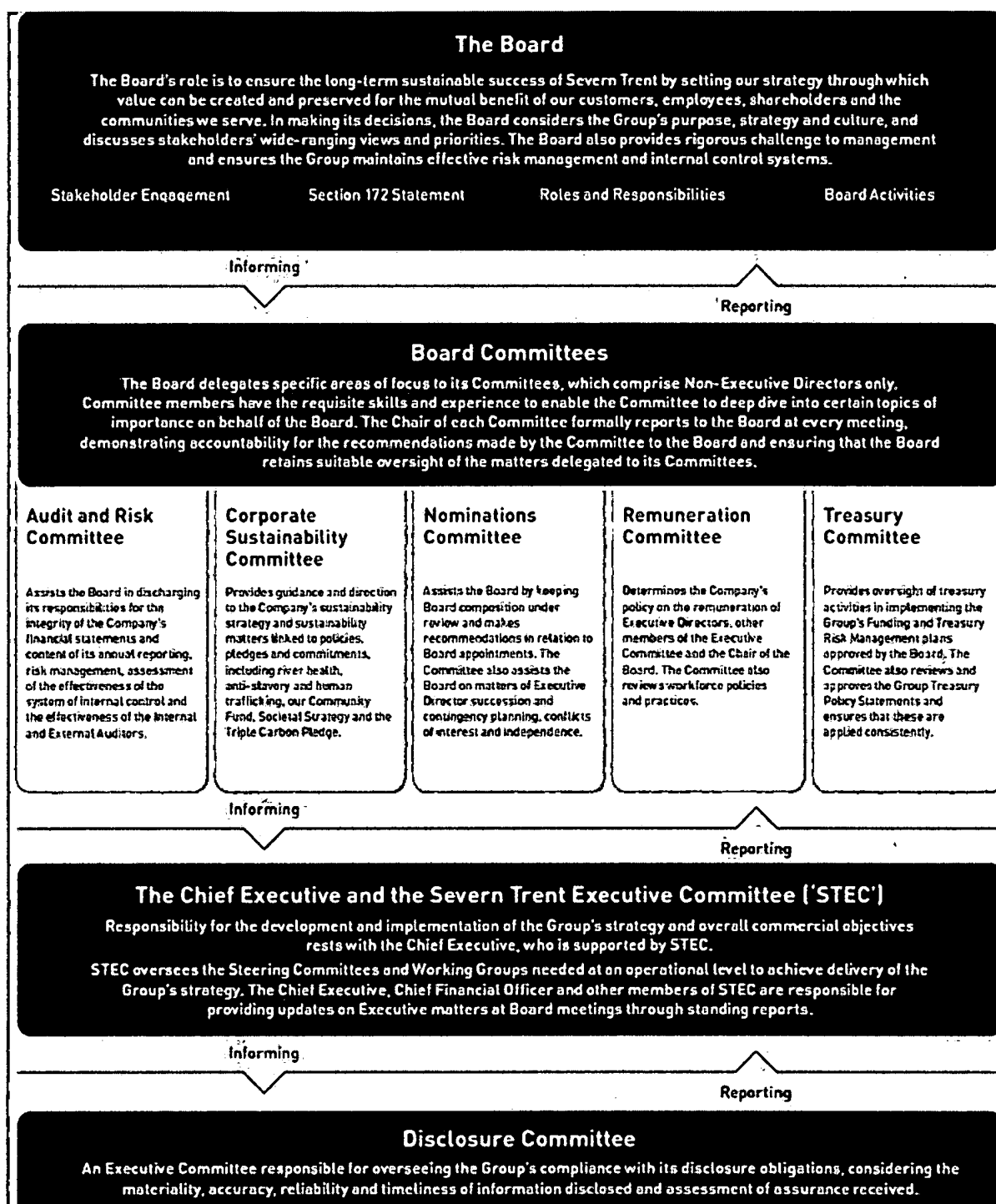
Remuneration

The Remuneration Committee, comprising only Non-Executive Directors, is responsible for developing the Remuneration Policy and determining Executive and Senior Management remuneration. The Directors' Remuneration Report can be found on pages 132 to 137.

GOVERNANCE FRAMEWORK

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 Board-led Governance Framework ensures that the Board remains effective in both making decisions and maintaining oversight by mapping where accountability sits in line with the Board's delegated authorities, whilst also adhering to our well-established culture of Doing the Right Thing.



DIVISION OF RESPONSIBILITIES

As at the date of this report, our Board comprised the Chair, five Independent Non-Executive Directors and two Executive Directors. There are clear divisions between Executive and Non-Executive responsibilities, which ensure accountability and oversight.

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. The Chair and the other Non-Executive Directors meet routinely without the Executive Directors, and individual Directors meet outside formal Board meetings in order to gain first-hand experience of our operations and engage with our workforce. The Executive Directors meet weekly as part of the Executive Committee to attend to the ongoing management of the Company. Any significant operational and market matters are communicated to the Non-Executive Directors on a timely basis outside of Board meetings. The Board is supported by the Company Secretary, to whom all Directors have access for advice and corporate governance services.

Non-Executive Directors

Chair Christine Hodgson

- Leads our unified Board and is responsible for its effectiveness and governance.
- Fosters a culture of inclusivity and transparency by demonstrating the Company's values, establishing the right 'tone from the top'.
- Guides the Board in shaping long-term strategy, ensuring alignment with the Company's purpose.
- Sets agendas and ensures timely dissemination of information to the Board, to support sound decision making and allow for constructive discussion, challenge and debate, in consultation with the CEO, CFO and Group Company Secretary.
- Responsible for scrutinising the performance of the Executive Committee and overseeing the annual Board Performance Review process, including identifying required actions.
- Facilitates contribution from all Directors and ensures that effective relationships exist between them.
- Ensures that the views of all stakeholders are understood and considered appropriately in Board discussion and decision making.
- Responsible for the composition and evolution of the Board, together with the Nominations Committee and SID.

Senior Independent Non-Executive Director ('SID') Nick Hampton

- In addition to their responsibilities as a Non-Executive Director, the SID also carries out the following duties:
- Supports the Chair in the delivery of their objectives.
 - Acts as an alternative contact for shareholders should they have a concern that is unresolved by the Chair, CEO or CFO.
 - Leads the appraisal of the Chair's performance with the Non-Executive Directors.
 - Undertakes a key role in succession planning for the Board, together with the Board Committees, Chair and Non-Executive Directors.

Independent Non-Executive Directors Tom Delay, Sarah Legg, Sharmila Nebhrajani, Richard Taylor

- Promote high standards of integrity and corporate governance.
- Uphold the cultural tone of the Company and monitor actions to support diversity and inclusion.
- Constructively challenge and assist in the development of long-term strategy by providing independent insight and support based on relevant experience.
- Monitor the delivery of strategy by the Executive Committee and measure the performance of management within the risk and control framework set by the Board.
- Satisfy themselves that internal controls are robust and that the External Audit is undertaken properly.
- Engage with internal and external stakeholders and feed back insights to the Board, including in relation to employees and the culture of the Company.
- Have a key role in succession planning for the Board, together with the Board Committees, Chair and SID.
- Serve on and chair various Committees of the Board.

Executive Directors

Chief Executive ('CEO') Liv Garfield

- Represents Severn Trent externally to all stakeholders, including the Government, regulators, customers, suppliers and the communities we serve.
- Sets the cultural tone of the organisation and ensures that the Group operates in a way that is consistent with its purpose and values.
- Facilitates a strong link between the business and the Board to support effective communication.
- Develops and implements the Group's long-term strategy, as approved by the Board, through leadership of the Executive Committee.
- Responsible for overall delivery of all strategic objectives, ensuring that decisions made and actions taken support the Group's long-term sustainable purpose.
- Promotes and conducts Group affairs with the highest standards of integrity, probity and corporate governance, in line with our strategic framework and values.

Chief Financial Officer ('CFO') Helen Miles

- Manages the Group's financial affairs and proposes policies to support sound financial decision making. The CFO's Review can be found on pages 61 to 67.
- Supports the CEO in the implementation and achievement of the Group's strategic objectives.
- Oversees Severn Trent's relationships with the investment community.
- Represents Severn Trent externally to all stakeholders, including the Government, regulators, customers, Pension Trustees for the Company's defined benefit pension schemes, lenders, suppliers and the communities we serve.

Group Company Secretary

Hannah Woodall-Pagan

- Ensures sound information flows to the Board in order for the Board to function effectively and efficiently, in support of balanced decision making.
- Advises and keeps the Board updated on Listing and Transparency Rule requirements and on best-practice corporate governance developments.
- Facilitates a comprehensive induction for newly appointed Directors, tailored to their individual requirements, and oversees the Board's professional development programme.
- Ensures compliance with Board procedures and provides support to the Chair.
- Co-ordinates the annual performance review of the Board in conjunction with the Chair.
- Facilitates the Board's ongoing engagement with employees.
- Provides advice and services to the Board.

Group General Counsel

Didar Dhillon

- Ensures monthly reporting to the Board on regulatory and legal risks, including potential claims and/or prosecutions to ensure that the Board is fully sighted on such matters and the resulting risks.

BOARD ACTIVITIES

These pages offer an overview of the various matters discussed by the Board at its meetings, along with a timeline of key events that occurred throughout the year. Whilst not intended to present an exhaustive list of every item considered by the Board during the year, this information provides valuable insight into the nature and substance of the discussions that take place in the boardroom and highlights how activities remain focused on delivering our strategy.

The Board is committed to maintaining a comprehensive schedule of meetings and a forward agenda to ensure its time is used most effectively and efficiently, and it is supported by the Company Secretary to facilitate this. 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. Board meeting discussions are structured using a carefully tailored agenda that is agreed in advance by the Chair, in conjunction with the CEO and Company Secretary.

A typical Board meeting will comprise the following elements:

- Written reports from the Chairs of our 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.
- Performance reports, including: CEO Overview; CFO Report; and Operational Performance Reports, with a particular focus on customer delivery and the environment.
- Deep dive reports into areas of particular strategic importance, opportunities and risks, to evaluate progress, provide insight and, where necessary, decide on appropriate action.
- Legal and governance updates, including: approval of arrangements for delegated financial authority across the Company; review of adequacy of whistleblowing procedures; and approval of the Anti-Slavery and Human Trafficking Statement.

Time is set aside at the end of every Board meeting for the Chair to hold a private meeting with Non-Executive Directors, where it is considered appropriate, 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 members of the Executive Committee. This time is usefully spent enabling Board members to build rapport with each other and relationships on a personal level, share external views and consider issues impacting the Company, resulting in better Board dynamics and decision making.

Key: Strategic objectives



Outcomes



Nature



People



Change

Performance and standing items



The Board oversees and challenges management on company performance.

Standing items considered at Board meetings:

CEO Overview, CFO Report, Environmental Compliance and Operational Performance reports, reports from Board Committees, report from the Company Forum, Legal and Governance updates.

Site visits



The Board engages with the workforce, whilst also deepening its understanding and knowledge of our operations. Board site visits during 2024/25 are outlined in the timeline below.

Stakeholder Engagement



The following stakeholders attended Board sessions during the year:

Chair of Ofwat, Chair of Water UK, Chief Inspector of the Drinking Water Inspectorate ('DWI'), CEO of the Environment Agency ('EA'), CEO of Ofwat, and the Senior Director of Sector Performance at Ofwat.

Internal controls, risk management and governance



Topics considered by the Board during the year include: Enterprise Risk Management ('ERM'), Cyber, Sites of Special Scientific Interest ('SSSIs'), Reservoir Safety, Technology, Innovation and AI, Corporate Structure, Health, Safety and Wellbeing and Insurance. The Board also undertook its annual review of our Code of Conduct, Doing the Right Thing, and the effectiveness of the Company's whistleblowing procedures and approved the Anti-Slavery and Human Trafficking Statement, our AMP8 governance arrangements and the Group Authorisation Arrangements. With regard to the Governance Framework, the Board considered its objectives, both in relation to progress against the 2024/25 objectives it had set and in shaping its 2025/26 objectives, and the outcome of the Board Performance Review, and reviewed the Matters Reserved to the Board, Charter of Expectations and Committee Terms of Reference.

Strategic, regulatory and environmental



The Board sets our strategy through which value can be created for our stakeholders, including our regulators.

Topics considered by the Board during the year include: Environmental performance updates at every meeting, CSOs and Spills, Customer Vulnerability, Performance in the Round, Strategic Resource Options, Innovation, AI and Strategic Growth Opportunities for the Future. The Board approved the following matters during the year: Acceptance of the PR24 Final Determination and the Scheme of Charges for 2025/26.

Financial



The Board monitors financial performance and sets parameters for financial management and strategy within the Company.

Topics considered by the Board during the year include: Viability Statement and Going Concern, Interim and Final Dividends and consideration of the Company's Performance in the Round, Budget, Annual Report and Accounts, Pension Schemes, Tax, Treasury Policy, AMP8 Dividend Policy, and the Annual Funding and Treasury Risk Management Plan.

Board Strategy Day

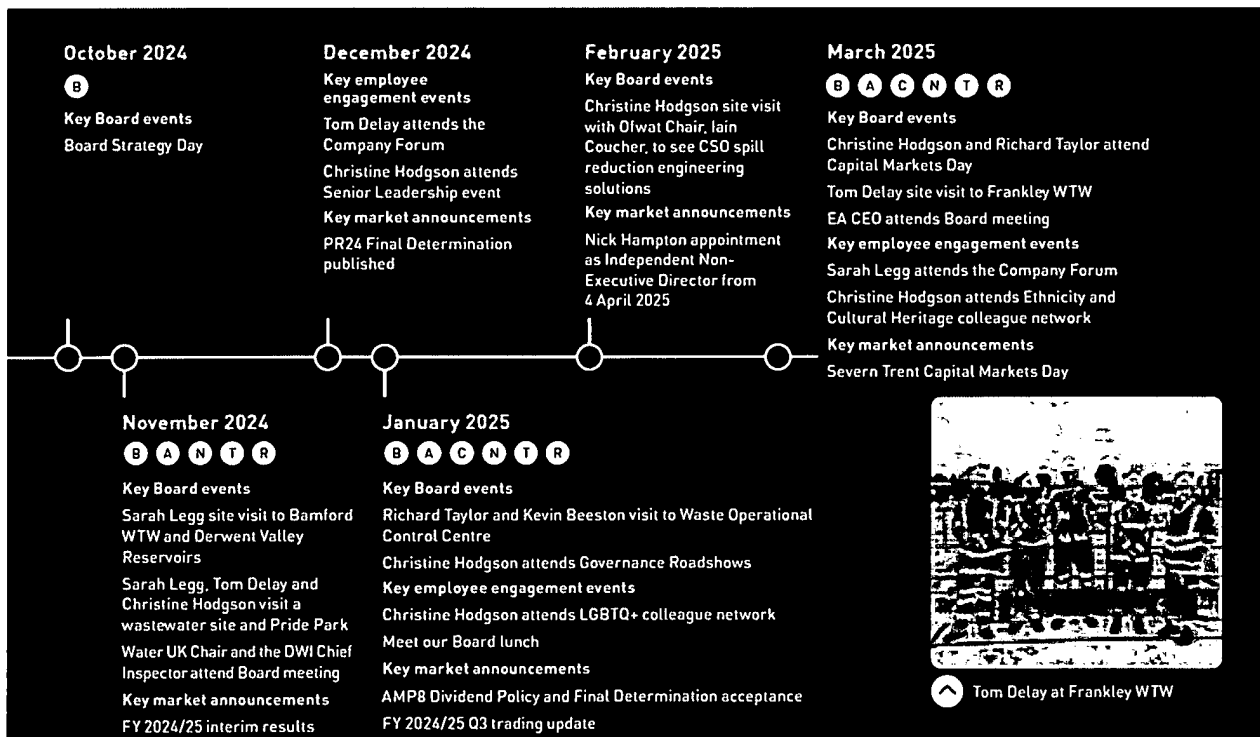
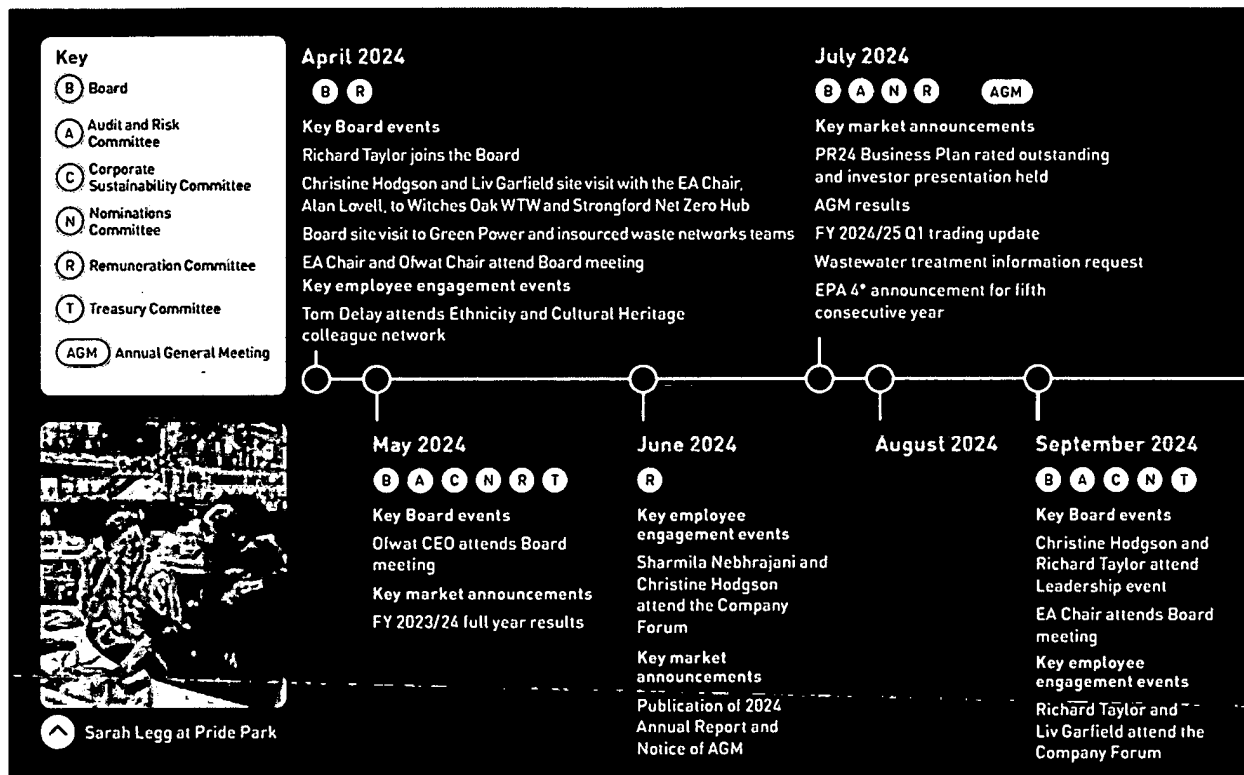
Each year, the Board holds a dedicated Strategy Day to consider the strategic direction of the Company for the short, medium and long term. This year's Strategy Day, hosted at SUEZ's main research and development centre CIRSEE in Paris, focused on innovative technologies, including:

- physiochemical treatment for drinking water production;
- water chemistry and materials for distribution networks;
- ultrafiltration, nanofiltration and reverse osmosis membranes; and
- digital solutions designed to optimise the management of urban drainage systems in response to challenges such as urbanisation, climate change and increased rainfall intensity.



Board Strategy Day, CIRSEE

The Board engages with the workforce, whilst also deepening its understanding and knowledge of our operations. Board site visits during 2024/25 are outlined in the timeline below.



BOARD LEADERSHIP AND COMPANY PURPOSE

The Board's role is to be effective in securing the long-term success of Severn Trent by ensuring the delivery of our strategy and that its overarching objectives remain aligned with the Company's purpose and values. Maintaining the highest standards of governance is integral to this, together with ensuring that the Board takes decisions that create sustainable long-term value for the mutual benefit of our customers, employees and the communities we serve.

An effective Board

The operation of our Board is supported by the collective experience of the Directors and the diverse skills and experience they possess. This enables the Board to reach decisions in a focused and balanced way, supported by independent thought and constructive debate between the Directors. Trust and mutual respect are the cornerstones of relationships between our Directors, with a Board dynamic that supports open and honest conversations to ensure decisions are taken for the long-term success of Severn Trent in full consideration of the impact upon all stakeholders.

As outlined on page 118, there is a clear division of responsibilities between the roles of Chair and Chief Executive. To allow these responsibilities to be discharged effectively, the Chair and Chief Executive maintain regular dialogue outside the boardroom, to ensure an effective flow of information.

In order to build relationships, the Non-Executive Directors have direct and unfettered access to Senior Management at all times. Informal as well as formal contact with the wider business is encouraged to develop a deeper understanding of Severn Trent's operations and broaden the Non-Executive Directors' sources of information. This engagement provides Non-Executive Directors with the context to challenge management effectively and assists with their consideration of the wider impact of any Board decisions on stakeholders more broadly. The performance of the Board is reviewed at least annually and conducted according to the guidance set out in the 2018 Code and the FRC's Guidance on Board Effectiveness.

Board independence

The independence of the Board is a matter of utmost importance given the vital role Non-Executive Directors play in scrutinising the performance of management and holding individual Executive Directors to account against agreed performance objectives. The Chair regularly holds meetings with Non-Executive Directors without the Executive Directors or any management present, and Non-Executive Directors can obtain independent professional advice, at the Company's expense, in the performance of their duties. All Directors have access to the advice and services of the Company Secretary, whose appointment and removal are matters reserved for the Board.

The independence of our Non-Executive Directors is formally reviewed by the Severn Trent Plc Nominations Committee on an annual basis, and as part of the Board Performance Review. Particular focus is applied to Directors who have served over six years on the Board, to ensure that these Directors continue to demonstrate independent character, judgment and objectivity. This is assessed by considering a number of factors including, but not limited to, the Director's:

- ability and willingness to make objective decisions and hold management to account;
- demonstration of independence through participation at meetings with management and interactions with stakeholders;
- arm's-length approach to dealing with Executive Directors and continued challenge of management where appropriate; and

- external directorship appointments and whether these conflict, or have the potential to cause a conflict, with the Company.

Conflicts of interest

Severn Trent Plc has a Conflicts of Interest Policy in place for all Group companies. Our Board and its Committees consider potential conflicts at the outset of every meeting and the Board formally reviews the authorisation of any potential conflicts of interest every six months, with any conflicts being recorded in the Conflicts of Interest Register. The Conflicts of Interest Register sets out any actual or potential conflict of interest situations which a Director has disclosed to the Board in line with their statutory duties and the practical steps that are to be taken to avoid conflict situations. When reviewing conflict authorisations, the Board considers any other appointments held by the Director as well as the findings of the Board Performance Review. Board members hold external directorships and other outside business interests and we recognise the significant benefits that greater boardroom exposure provides for our Directors. However, we closely monitor the nature and number of external directorships our Directors hold in order to satisfy ourselves that any additional appointments will not adversely impact the time commitment to their role at Severn Trent, and to ensure that all of our Board members remain compliant with applicable shareholder advisory groups' individual guidance on 'overboarding'. These requirements specify a limit on the number of directorships both Executive and Non-Executive Directors are permitted to hold and the resultant position is believed to be consistent with the current guidelines on overboarding, with no Directors exceeding these guidelines. Our Non-Executive Directors commit sufficient time to discharging their responsibilities as Directors of Severn Trent in line with the requirements set out in our Charter of Expectations. Details of the Directors' external directorships can be found in their biographies.



Board site visit to Stoke Orchard Wastewater Treatment Works, April 2025

Directors are required to obtain formal approval from the Board ahead of undertaking any new external appointments and before accepting an additional role, Directors must: declare the existence of any potential or actual conflicts; confirm that the role will not breach the Company's overboarding limit; and provide the necessary assurance that the appointment will not adversely impact their ability to continue to fulfil their role as a Director. In each case before granting its consent, the Board considers carefully whether there would be any impact on the time commitment required for each Director, or on the independence and objectivity required to discharge the agreed responsibilities of each role.

Approvals were sought from the Board during the year for Directors' additional roles and due consideration was given to any potential conflicts of interest and ability to devote sufficient time to the Company before consent was granted. In each case, the Board determined that there would

be no impact on the time commitment required for each Director, nor on the independence and objectivity required to discharge the agreed responsibilities of each role. The resultant position is believed to be consistent with applicable shareholder advisory groups' guidelines on overboarding.

The Conflicts of Interest Policy continues to be applied practically throughout the year, such as considering the potential conflict presented by Directors having roles on the boards of other Companies.

Schedule of Matters Reserved to the Board

To ensure the Board maintains oversight of the areas material to the delivery of the Company's strategy and purpose, the Board undertakes an annual review of the Matters Reserved to the Board. The latest review took place in March 2025 and the Board agreed that the Schedule contained areas appropriate to require Board involvement, including in relation to strategy, structure and capital, financial reporting, controls and communication with stakeholders. The Board also regularly reviews its skills matrix to determine whether any additional skills or development opportunities are needed in order for the Board to discharge its duties effectively. The Schedule of Matters Reserved to the Board is available on the Severn Trent Plc website.

Strategy

Appropriately evaluated strategic decisions are crucial to help us to deliver our strategy and achieve our purpose of 'taking care of one of life's essentials'. Responsibility to all of our stakeholders for the approval and delivery of the Company's strategy and for creating and overseeing the framework to support its delivery sits with the Board. During the year, the Board monitored the implementation of the Company's corporate strategy, which was introduced during 2022/23. As well as standing strategic items at every Board meeting, the Board also holds a dedicated Strategy Day with the Executive Committee to help consider the strategic direction of the Company for the short, medium and long term.

Responsibility for the development and implementation of the Company's strategy and overall commercial objectives rests with the Chief Executive who is supported by the Executive Committee.

The Directors present their report and the audited financial statements for the year ended 31 March 2025. The performance review of the Company can be found within the Strategic Report. This provides detailed information relating to the Company, its business model and strategy, the operation of its businesses, future developments, and the results and financial position for the year ended 31 March 2025.

Stakeholder engagement

Stakeholder engagement is central to our strategy and, as such, a detailed disclosure setting out stakeholder engagement activity conducted during the year is included in our Strategic Report on pages 87 to 95. The Board ensures that the Company engages effectively with its stakeholders and encourages a two-way dialogue in order that the decisions made by the Board take into account the views of, and potential impacts on, stakeholders. Our dedicated Section 172 Statement on pages 96 to 99 sets out how the Board has considered and contemplated the interests of stakeholders. An overview of the Board's engagement with our workforce is set out within the Engagement in Action section.

COMPOSITION AND SUCCESSION

As at the date of this report, our Board comprised the Chair (who was independent on appointment), five Independent Non-Executive Directors and two Executive Directors. The details of their career backgrounds, relevant skills, Committee membership, tenure and external appointments can be found within their individual biographies.

Board composition

The Chair, Senior Independent Director and Non-Executive Directors are each appointed for a three-year term, subject to annual re-election following consideration of the annual Board Performance Review outputs. Directors serving over six years on the Board are subject to a particularly rigorous review. The current Letters of Appointment are available on the Severn Trent Plc website.

The composition and effectiveness of the Board are subject to regular review by the Severn Trent Plc Nominations Committee which, in particular, considers the balance of skills, tenure, experience and independence of the Board, in accordance with the Board Diversity Policy, which is available on the Severn Trent Plc website.

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 matters reserved for the Board).

The Board and the Severn Trent Plc Nominations Committee have spent a significant amount of time considering Board composition 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. This activity was a key contributor in developing the specification for Board recruitment activity during the year.

Diversity

A diverse organisation benefits from differences in skills, regional and industry experience, background, ethnicity, gender, sexual orientation, religion, belief and age, as well as culture and personality. The Board is pleased that Severn Trent is recognised as a leader in this area and remains focused on promoting broader diversity and creating an inclusive culture across the organisation, including on the Board itself. More details about the Board Diversity Policy and how the Company has performed against its Board Diversity Targets in relation to membership of the Board and its Committees can be found in the Severn Trent Plc Nominations Committee Report, within the Severn Trent Plc Annual Report and Accounts 2024/25.

Development, training and resources

The environment in which we operate is continually changing. It is therefore important that our Executive and Non-Executive Directors remain aware of recent, and upcoming, developments and keep their knowledge and skills up to date, so the composition of the Board continues to operate effectively and support delivery of our long-term strategy.

The Board as a whole, and Board members individually, regularly discuss training topics with the Company Secretary and, as required, we invite professional advisers and subject matter experts to provide in-depth updates. These updates are not solely reserved for legislative developments but aim to cover a range of strategic and operational matters including, but not limited to, environmental deep dives, the economic and political environment, sustainability, technology and innovation. These 'teach-ins' and Continuous Professional Development ('CPD') sessions on complex topics increase the Board's fluency in all areas of the Company and provide an

opportunity for the Board to gain further direct insight into our business and management capability. Our Company Secretary also provides regular updates to the Board and its Committees on regulatory and corporate governance matters.

During the year, the Board took part in a number of training and deep dive sessions, including in relation to PR24 and deliverability, environmental performance, customer affordability and vulnerability, exceptional weather preparedness, innovation, AI and diversity and inclusion.

Directors also have access to our online resource library, which is continually reviewed and updated. The library includes a corporate governance manual, tailored training and development content, a results centre and briefings on regulatory topics. It also contains a further reading section which covers updates and guidance on changes to legislation and corporate governance best practice.

Board succession

Along with ensuring an appropriate mix of skills and experiences on the Board as a whole for the effective oversight of the Company's strategy and operations, the composition of the Board is also informed by the need for orderly succession for Board and Committee roles.

The Severn Trent Plc Nominations Committee and Board applied focus to this important area during the year. As announced on 4 February 2025, Kevin Beeston stepped down from the Board on 30 April 2025 having served his maximum term of office. In advance of this, the Committee commenced an orderly process to recruit a successor. Nick Hampton was appointed as an Independent Non-Executive Director of the Board from 4 April 2025 and assumed the role of Senior Independent Director on 1 May 2025 following Kevin's retirement. Further detail can be found in the Severn Trent Plc Nominations Committee Report in the Severn Trent Plc Annual Report and Accounts 2025.

Induction

We develop a detailed, tailored induction for each new Non-Executive Director. This includes one-to-one meetings with the Chair and each of the existing Non-Executive Directors. One-to-one meetings are also arranged with the CEO, CFO and the Company Secretary, along with other members of the Executive Committee and Senior Management Team. 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 the legal and regulatory framework applicable to the sector and have a chance to experience our unique culture first hand. We provide briefings on the key duties of being a Director of a regulated water company, and proposed appointees meet with Ofwat ahead of their formal appointment. Nick Hampton met with Ofwat during the year, ahead of his appointment to the Board.

We review the format of our induction arrangements regularly, taking into account feedback from new Directors and the Board Performance Review. One recent enhancement involves arranging induction days around a set theme, for example, our wastewater treatment processes, to provide a holistic view of our operations and how different areas link together. An open invitation is also extended to all members of the Board to attend these sessions and induction materials are made available for all Board members in a dedicated induction manual.



Nick Hampton water treatment induction site visit

In advance of his first Remuneration Committee meeting, Nick considered the remuneration structure across the Group, for both the Executive and wider workforce, and the Committee's essential role in assessing performance in the round. Nick's 'Board Buddy' is Richard Taylor, who is the Chair of the Treasury Committee and is also a member of the Audit and Risk, Nominations and Remuneration Committees.

Nick Hampton's induction
Senior Independent Non-Executive Director
Member of: Audit and Risk Committee; Nominations Committee; Remuneration Committee; and Treasury Committee.
We welcomed Nick to the Board on 4 April 2025, and his extensive induction programme is ongoing, covering a range of areas across the business.
Along with a detailed overview of the water sector and the regulatory requirements we operate under, Nick has already attended a number of sessions including visits to major operational sites – covering water treatment, waste treatment, water networks, governance, stakeholder engagement and the environment. For his role on the Treasury Committee, Nick received a detailed overview of the Group's funding history, the AMP8 financing strategy and associated treasury policies, as well as an introduction to the Group's Sustainable Finance Framework and approach to EU Taxonomy.
Nick's induction for his role on the Audit and Risk Committee included sessions on the current and emerging risks faced by the Group and the Risk Management Framework in place, regulatory finance model, Internal Audit programme and internal control processes. Nick also met with representatives from the current and incoming External Auditors, Deloitte and PwC respectively, and the External Assurer, Jacobs.

Understanding through

Introductory meetings

Sessions held in the first few days and weeks to ensure that new Directors are able to gain a real understanding of our purpose and strategy, the regulatory regime and our core business activities.

Complemented with

Specific deep dive sessions

Deep dive sessions enable Directors to explore in detail the areas of focus for the Group over the short, medium and long term, and deepen their understanding of the Group.

Knowledge reinforced by

Site visits

Site visits allow Directors to observe the Group's operations in action and meet colleagues to gain further insight into our culture and enhance their understanding of the organisation as a whole.

Evaluation

Our annual Board Performance Review provides the Board, and its Committees, with an opportunity to consider and reflect on the quality and effectiveness of its decision making, and the range and level of discussion, and for each member to consider their own contribution and performance.

Board evaluation cycle

In consideration of the FRC's Guidance on Board Effectiveness and the Chartered Governance Institute's ('CGI') Principles of Good Practice relating to external reviews, the Board has adopted a three-year assessment cycle, designed to build on momentum from prior years, whilst also ensuring a rigorous and balanced approach to implementing incremental improvements.

The cycle is set out below. 2023/24 was the first year of a new three-year cycle and took the form of an externally facilitated evaluation exercise conducted by Independent Board Evaluation ('IBE').

Year 1 – 2023/24

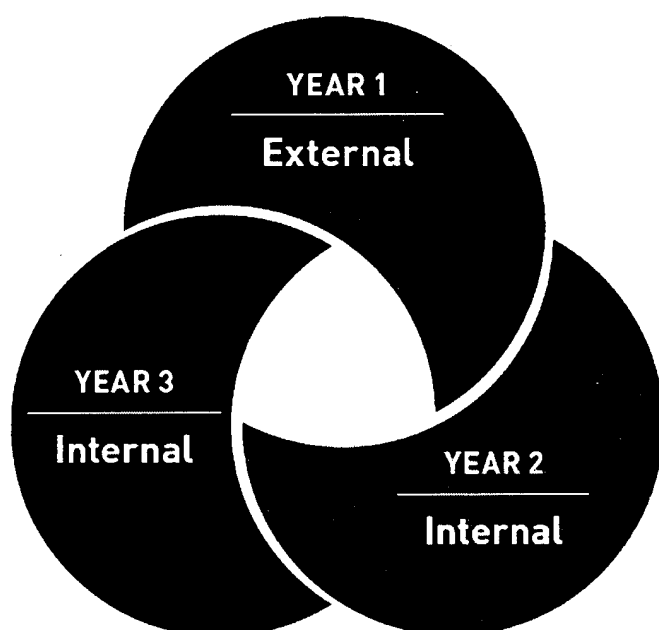
Externally led comprehensive review: A detailed, independent assessment of the Board, Committees and individual Directors.

Year 2 – 2024/25

Internally led intermediate-level review: With a focus on Board dynamics, Board composition and succession.

Year 3 – 2025/26

Internally led lighter-touch review: With a focus on stakeholder engagement and Board contribution to strategy and organisational culture.



Progress made on recommendations from 2023/24

The table below sets out the recommendations from the external evaluation undertaken by IBE during 2023/24 and the resultant action taken to address each of them.

Recommendation	Action taken
Board agenda and papers	
Continue to improve the Board Objectives process by scheduling a dedicated Board session to enable the Board to debate and agree its objectives for the year ahead, ahead of tabling them for discussion at the Board.	Dedicated sessions to enable the Board to debate and agree its objectives for the next year, in addition to reviewing progress made against the current year's objectives, were held in March and April 2025. These sessions will continue to form part of the Board's annual forward agenda.
Enhance the flow of constructive feedback to management in relation to Board papers in order to build on improvements made on reports tabled at the Board and its Committees and ensure Directors continue to be presented with high-quality and relevant information to inform decision making.	Board members continue to be encouraged to provide feedback at meetings and use the Group Company Secretary as a conduit for facilitating any feedback to report writers and presenters.
Mentoring and development	
Consider bolstering the Group's induction and onboarding approach to include mentoring for the first few months of Board membership for any Director who has not previously served on a Board of a UK listed company.	Following the 2021 review, our Board Buddy scheme was introduced as a result of feedback from a Non-Executive Director on their induction programme. The scheme has been well received and this is something we continue to offer new Non-Executive Directors. Following the success of this, we will continue to keep under consideration the need for additional mentoring.
Schedule annual feedback discussions between the Chair and individual Directors.	As the report from IBE noted, the Chair provides feedback to individual Directors following meetings and informally throughout the year. A programme of one-to-one sessions for the Chair to meet with individual Directors has been implemented to enable more formal discussions on performance and development.
Governance Framework	
Keep the Committee structure under review with regards to the division of work between the Treasury Committee and Audit and Risk Committee.	The Committee structure is regularly reviewed including, but not limited to, during the annual appraisal of the Terms of Reference and the assessment of how each Committee has discharged its duties during the year.

2024/25 Board Performance Review process

A description of the process followed for this year's internal Board Performance Review is detailed below.

Stage 1 Performance Review process planning November – December 2024	The Group Company Secretary undertook a detailed review of the 2023/24 evaluation in order to develop the approach for 2024/25, incorporating recommendations from the 2018 Code, Parker Review, FRC Guidance on Board Effectiveness and Ofwat's Board leadership, transparency and governance principles. A focused questionnaire was designed to gather individual Directors' perceptions of the performance of the Board and its operations, including in relation to accountability, oversight, strategy, value creation, culture, ethics, behaviours, stakeholder engagement and information flows to the Board and its Committees.
Stage 2 Questionnaire response and one-to-one meetings January – February 2025	The questionnaires were issued and each Director was also asked to complete an updated entry for the Board skills matrix, taking into consideration skills that had been strengthened through training and development over the previous year. Directors were also asked to highlight any additional skills that they felt may be beneficial for the Board to have amongst its members in order to discharge its duties effectively. Board members participated in comprehensive one-to-one meetings with the Group Company Secretary, with additional input from the Senior Independent Director, to allow reflection on their personal responses to the questionnaire and discussion of matters relevant to boardroom culture, process and development. Separate discussions were held to consider the effectiveness of the CEO, CFO and Group Company Secretary, led by the Chair. The Chair's performance review was led by the Senior Independent Director.
Stage 3 Evaluation and reporting March 2025	The Group Company Secretary collated the individual responses, including analysis of themes and proposed actions. A detailed report, setting out the findings of the Board Performance Review, was provided to the Chair for consideration. The Group Company Secretary and Chair met to discuss the findings, with the resulting report being tabled at the Board meeting in March 2025.
Stage 4 Consider results and agree actions March 2025	The findings of the Board Performance Review were fully considered when making recommendations in respect of the appointment and reappointment of individual Directors, and included an assessment of their independence, time commitment and individual performance. The respective proposed 2025 AGM resolutions were considered and agreed by the Board. The proposed actions arising from the Board Performance Review were thoroughly discussed and agreed for implementation and monitoring.
Stage 5 Monitor progress April 2025 onwards	The Board will continue to oversee the progress made in relation to the agreed actions to ensure their timely completion. The Nominations Committee will also continue to play a key role in monitoring the actions relating to Board succession, composition, recruitment and induction.

2024/25 Board Performance Review findings

Recommendation	Action taken
Risk management The Group's risk management approach was considered to be effective and robust, however incremental improvements should be sought, such as increased focus on identifying future potential 'black swan' risks within the Group's existing horizon scanning activity.	Enterprise Risk Management updates include additional focus on, and consideration of, potential 'black swan' risks. An in-depth horizon scanning session was held at the Board meeting in March 2025 and is scheduled for annual consideration by the Board moving forward.
Board agenda Notwithstanding the well-structured agendas which comprise an optimal mix of strategic and operational items, consideration should be given to: <ul style="list-style-type: none"> - allocating more time on the Board agenda to discuss strategic opportunities and customer insight to ensure the Board gets a deeper view of customers' feedback and perspectives, as well as innovation and AI initiatives; and - scheduling key legal and governance topics earlier on the Board agenda, where beneficial, to ensure sufficient time for discussion and debate. 	The Board forward agenda has been reviewed to ensure that: <ul style="list-style-type: none"> - all matters are appropriately scheduled for discussion at future Board meetings; and - sufficient time is devoted to the discussion of strategic, customer insight and innovative topics.
Board reports Notwithstanding the high quality of Board reporting, and excellent progress made to enhance reporting during the year, there was an opportunity for some reports to be more succinct and executive summaries to be refined further.	Feedback on Board reporting has been incorporated into the Group's suite of report-writing training.
Employee engagement The introduction of 'Meet the Board' events over the last year had been very positive. It was considered that these could be held more frequently moving forward.	Additional 'Meet the Board' events have been scheduled as part of the Board's annual stakeholder engagement programme.

Directors' Remuneration Report

The Executive Directors of Severn Trent Water Limited mirror those of Severn Trent Plc and, consequently, it is not possible to separate the remuneration received solely for their services to Severn Trent Water Limited. Therefore, the Remuneration Report that follows is a summary of the Remuneration Report found in the 2025 Severn Trent Plc Annual Report and Accounts, which is available on the Severn Trent Plc website.

The Severn Trent Plc Remuneration Committee (the 'Committee') sets the Remuneration Policy (the 'Policy') for Executive Directors and other senior executive managers, taking into account the Company's strategic objectives over the short and long term and the external market. At the 2024 AGM held on 11 July 2024, Severn Trent Plc received overwhelming shareholder support for the Policy, with 95.45% approval. The full Policy can be found on the Severn Trent Plc website and on pages 195 to 204 of the 2024 Directors' Remuneration Report.

The Committee addresses the need to balance risk and reward. The Committee monitors variable pay arrangements to take account of risk levels, ensuring an emphasis on long-term and sustainable performance. The Committee believes that the incentive schemes are appropriately managed, and that the choice of performance measures and targets does not encourage undue risk taking by the Executives, so that the long-term performance of the business is not compromised by the pursuit of short-term value. The schemes incorporate a range of internal and external performance metrics, measuring operational, environmental and financial performance over differing and overlapping performance periods, providing a rounded assessment of overall Company performance. More detail on how the Committee has satisfied itself, over the course of the year, that a fair and consistent approach is applied to both the remuneration of the Executive Directors and the wider workforce can be found on pages 131 to 154 of the 2025 Severn Trent Plc Annual Report and Accounts.

Directors' remuneration and annual bonus scheme

Remuneration for Executive Directors comprises the following elements:

- base salary and benefits;
- pension arrangements;
- annual bonus; and
- long term incentive plan.

As outlined in the 2025 Severn Trent Plc Annual Report and Accounts, the Non-Executive Chair, Christine Hodgson, and Independent Non-Executive Directors, do not participate in the Company's pension or incentive arrangements, i.e. annual bonus or share plans.

Base salaries and benefits

Base salaries are reviewed annually by the Committee and normally take effect from 1 July. Salaries are set with reference to individual performance, experience and contribution, together with developments in the relevant employment market (having regard to similar roles in publicly quoted companies of a comparable size (FTSE30-100 excluding financial services and those with significant global exposure) and practice in other utility companies), company performance, affordability, the wider economic environment, and internal relativities.

In addition to base salary, Executive Directors receive a benefits package which contractually includes a green travel allowance, membership of a defined contribution pension scheme or cash allowance in lieu, family level private medical insurance, life assurance, personal accident insurance, health screening, and incapacity benefits scheme. Executive Directors may also take advantage of the Severn Trent flexible benefits scheme, which is open to all employees.

Negotiations for the 2025 salary increase for the wider workforce are ongoing as at the date of this report. Recognising that the wider workforce increase is an important reference point in the decision, salaries for the Executive Directors and fees for the Chair and Non-Executive Directors for the year ahead have yet to be determined. However, it has been agreed in principle that percentage increases will be no higher than that agreed for the wider workforce.

Annual Bonus 2024/25

The annual bonus is designed to encourage improved financial, operational and environmental performance, and to align the interests of Directors with shareholders through the partial deferral of payment in shares.

The Committee made some important changes to the structure of the bonus as part of the 2024 Policy review, which specifically aimed to strengthen the link between environmental performance and Executive pay, to help drive performance improvements further and faster. These changes also aligned our structure to the ambitions of Ofwat, that at least 50% of performance-related pay is linked to delivery for customers and the environment.

These changes included an increased weighting of the EPA 4* rating measure from 5% to 10% and an increase to the CSO measure from 12% to 15%. When combined with the environmental ODIs for 2024/25, this meant that 35% of the annual bonus was linked to measures directly relating to environmental performance and river health.

Half of the bonus is paid in cash and half in shares which vest after three years (with the value of any dividends to be rolled up and paid on vesting). Malus and clawback mechanisms also apply to allow the recoupment within three years of the payment of the cash bonus or the grant of deferred shares. Annual bonus performance is measured over a single financial year. Page 148 of the 2025 Severn Trent Plc Annual Report and Accounts sets out the full details of the 2024/25 annual bonus outturn, which pays out on a formulaic basis at 82.5% of maximum opportunity for the Chief Executive Officer ('CEO') and Chief Financial Officer ('CFO').

In overseeing remuneration outcomes, the Committee performs an assessment of performance in the round, details of which can be found in the 'Assessment of performance in the round' section below. Following this assessment, no discretion has been exercised to override the formulaic outturn of the 2024/25 annual bonus in respect of performance in the year.

Annual bonus payments to Executive Directors are not pensionable. 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 our regulated business.

The chart below shows a summary of the metrics and targets which were used to determine the 2024/25 annual bonus awards, together with the actual performance achieved:

Bonus element	Threshold (0% payable)	Target (50% payable)	Maximum (100% payable)	Stretching targets	Actual	Weighting	Outcome achieved
Group PBIT	£515m	£540m	£565m	8% growth vs prior year	£590m	40%	40%
Customer and Environment ODIs ¹	£90m	£100m	£110m	Sector leading	£150m	27%	27%
CSOs ²	0%	50%	100%	Sector leading	50%	15%	7.5%
EPA Rating ³	N/A	N/A	Achieved	Sector leading	Confident of EPA 4*, but underpin not met	10%	0%
Health and Safety ⁴	0.17	0.13	0.09	Sector leading	0.09	8%	8%
Total						100%	82.5%

1 Total reported ODIs of £150 million also includes £107 million of end of AMP ODIs.

2 Our CSOs element is split into two equally weighted sections for reduction in CSO spills and completion of agile CSO solutions. The outcome represents zero payout on the CSO spills element (average spills per CSO of 25.4 versus target of 20.0 and maximum of 19.3), and maximum outcome against the CSO solutions element (achievement of 1,248 versus threshold of 700, target of 800 and maximum of 900).

3 This measure only pays out if we achieve the highest EPA 4* rating. It also includes serious pollutions as a binary underpin, whereby in the event there was a serious pollution event in the year, this measure would not pay out regardless of whether EPA 4* status was achieved. For 2024/25, while we are confident of achieving EPA 4* for an unprecedented sixth time, due to there being a single serious pollution incident in the year, this element was reduced from 10% to a zero payout.

4 Measured as number of Lost Time Incidents divided by number of hours worked multiplied by 100,000.

Further comment on our overall performance during the financial year can be found in the Chief Executive's Review.

Annual Bonus 2025/26

The Committee reflected on the structure of the bonus again this year, and concluded that it remains appropriate and incentivises performance in the right areas for 2025/26.

Although the structure of the 2025/26 bonus is not changing, the new suite of ODIs set by Ofwat for AMP8 will have the effect of increasing the environmental proportion of the bonus, due to an increase in the proportion of environmental ODIs, which now make up just over a half of our total ODIs. This means that 14% of the bonus relates to environmental ODIs, which, when combined with the 10% for EPA 4* and 15% for CSO measures, results in 39% of the annual bonus being linked to measures directly relating to environmental performance and river health. As in 2024/25, an underpin will apply to the EPA 4* element of the bonus, which requires Severn Trent to be green (achieving target or better) against the serious pollutions metric within the EPA assessment.

Details on how targets were set and why we think they are stretching are set out on pages 139 and 145 of the 2025 Severn Trent Plc Annual Report and Accounts.

The maximum bonus opportunity will remain at 120% of salary for 2024/25. 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 our regulated business.

The Committee considers the forward-looking performance targets to be commercially sensitive and has, therefore, determined not to disclose them in advance. Details of the targets used will be disclosed in next year's Remuneration Report.

Long Term Incentive Plan

Executive Directors may also participate in the Severn Trent Plc Long Term Incentive Plan ('LTIP') which is designed to encourage strong and sustained improvements in financial,

operational and environmental performance, in line with the Company's strategy, and stakeholder expectations. Under this plan, conditional awards of performance shares are made to Directors up to an annual maximum limit and vest after three years. The value of dividends paid on the shares comprising the award will be rolled up and paid on vesting.

Malus and clawback mechanisms apply to allow the recoupment of incentive awards within three years of vesting. Two-year post vesting holding periods also apply.

Awards made to Executive Directors under our 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.

LTIP vesting

The standard financial element of the 2022 LTIP award measures the Company's performance against the price review incentives defined by Ofwat for AMP7, reflecting our combined performance on totex, customer ODIs and financing. Over the three-year performance period of the 2022 LTIP, the Company achieved an average RoRE of 2.48x against the target of 1.39x the base RoRE return. As a result of this significant outperformance of Ofwat's expectations, this element of the award will vest in full.

The 2022 LTIP was the second award to include a sustainability element with targets aligned to our Triple Carbon Pledge and external Science Based Targets commitments, worth 20% of the maximum award. The award measured the Company's performance against four different metrics aligned with our environmental commitments to reach net zero carbon emissions by 2030. Based on the strong performance against all four of these measures over the three-year period, this element will also vest in full.

The remaining 20% of the 2022 LTIP award is based on achieving upper quartile ('UQ') RoRE performance when measured against other companies in the water sector. The outcome will not be confirmed until July 2025 and will therefore be reported in our 2025/26 Directors' Remuneration Report.

Vesting under the UQ RoRE element of the 2021 LTIP award was confirmed in July 2024, when comparable statistics for the other water and sewerage companies ('WaSCs') were published. We now know that Severn Trent achieved UQ performance, and therefore the UQ element of the 2021 LTIP award vested in full. This was the fourth consecutive year in which the UQ RoRE element has vested in full, reflecting our sustained outperformance of the wider sector.

The Committee has reviewed the vesting of the award to consider potential windfall gains and concluded that, subject to final share price on vesting, there has not been any windfall gain. Further details can be found in the 2025 Severn Trent Plc Annual Report and Accounts.

2023, 2024 and 2025 LTIP Awards

Awards granted in 2023 continued to incorporate our Sustainability Framework within the LTIP and included a set of performance measures related to our stretching ambition to achieve net zero carbon emissions by 2030, with a total weighting of 20%. RoRE remained the primary measure, with a weighting of 80%.

For the 2024 and 2025 LTIP awards, the Committee has focused on ensuring that our remuneration framework is designed to deliver balanced outcomes for all of our stakeholders, driving long-term performance for the benefit of all groups. To help achieve this aim, we increased the weighting of non-financial measures within the LTIP from 20% to 50%. Whilst this

reduces the weighting on financial measures, from a shareholder perspective, the Committee believe that the increase in non-financial measures benefits shareholders through increased stakeholder trust and associated reputational benefits.

The financial element of the LTIP has a weighting of 50% and is based on RoRE, which measures the Company's performance against the regulatory incentives defined by Ofwat, including totex, customer ODIs and financing. Target payout is based on achieving a RoRE of 7.4%, which is equivalent to 1.39x Ofwat's base return for AMP8, of 5.3%. To achieve stretch payout on RoRE, Severn Trent must be upper quartile compared to the other WaSCs in the sector.

The non-financial measures consist of a selection of environment, customer and community measures – to ensure the interests of all of our stakeholders are considered – and will not exceed 50% of the LTIP performance measures. Within this structure, different performance measures, targets and/or weightings may be set for future LTIP awards to reflect the business strategy and regulatory framework operating at that time.

The performance targets for the non-financial elements of the 2025 award will be as follows:

Measure	Sub-measure	Weighting	Stretch target details	Threshold	Target
Environment	Scope 1 and 2 emissions reduction	10%	Achieving a cumulative reduction in our Scope 1 and 2 emissions of 46% against the 2019/20 baseline (of 508.4 kT) by 31 March 2028.	34% reduction	40% reduction
	Self-generation	10%	Achieving an outturn of 313 GWh additional generation from the 2019/20 baseline of 486 GWh, enabling a minimum total renewable generation of 799 GWh by 31 March 2028.	Total generation of 751 GWh	Total generation of 775 GWh
	RNAGS	10%	Achieving a cumulative reduction of 89 RNAGS by 31 March 2028.	Reduction of 59	Reduction of 74
Customer	PCDs	10%	To have all in-flight PCDs on track vs the phased milestones as per the milestones agreed with Ofwat in the PR24 Final Determination.	70% on track	85% on track
Communities	Social Value	10%	To generate a Social Value of £13 million between 1 April 2025 and 31 March 2028.	£10 million	£11.5 million

The grant levels for the 2025 LTIP awards remain unchanged for the CEO and CFO, at 200% and 175% of base salary respectively.

Further details can be found on pages 134, 138 and 151 in the 2025 Severn Trent Plc Annual Report and Accounts.

Assessment of performance in the round

In overseeing remuneration outcomes, the Committee ensures that performance is assessed in the round and over time through a number of lenses, incorporating a variety of stakeholder perspectives. This assessment examines whether formulaic incentive outcomes are justifiable and explainable in the context of overall business performance for customers, the environment and wider stakeholders. 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.

Through its strong operational, environmental and financial performance in 2024/25, the Company has demonstrated again that it is one of the sector's leading performers, as follows:

- confident in achieving EPA 4* in the EA's annual assessment for an unprecedented sixth consecutive year;
- 83% of our ODI measures are in line with or exceeding our regulatory targets, including those that measure leakage, water quality complaints and sewer blockages;

- customer innovation delivered, through a rapid implementation of the Kraken customer management system and further insourcing of key operational activities;
- delivery of a record £1.7 billion of capital investment in 2024/25, driving better outcomes for our customers and the environment, positioning us well for AMP8 delivery, and delivering Regulatory Capital Value ('RCV') growth; and
- continued strong financial resilience, through stable, investment grade credit ratings and gearing below the sector average.

The Committee believes that the formulaic outcomes of the annual bonus and LTIP are both appropriate and reflective of the Company's broader performance over their respective performance periods, and that the Policy has operated as intended. The Committee's full assessment of Performance in the Round is set out in detail on page 136 in the 2025 Severn Trent Plc Annual Report and Accounts.

Shareholding guidelines

The Policy includes mandatory shareholding requirements within Severn Trent Plc as a percentage of salary for the Executive Directors, which are 300% for the CEO and 200% for the CFO. Since meeting these shareholding levels, the Executive Directors have continued to build significant shareholdings (1,322% for the CEO and 332% for the CFO).

Further details can be found in the 2025 Severn Trent Plc Annual Report and Accounts.

Directors' Report

The Directors' Report for the year ended 31 March 2025 comprises pages 2 to 141 of this report, together with the sections of the Annual Report incorporated by reference. The Governance Report set out on pages 102 to 136 is incorporated by reference into this report and, accordingly, should be read as part of this report.

As permitted by legislation, some of the matters required to be included in the Directors' Report have instead been included in the Strategic Report on pages 2 to 101, as the Board considers them to be of strategic importance.

Specifically, these are:

- the Performance Review on pages 18 to 27, which provides detailed information relating to the Group, its business model and
- strategy, operation of its businesses, future developments, and the results and financial position for the year ended 31 March 2025;
- future business developments (throughout the Strategic Report);
- details of the Group's policy on addressing the Principal Risks and uncertainties facing the Group, which are set out in the Strategic Report on pages 70 to 76;
- information on the Group's greenhouse gas ('GHG') emissions for the year ended 31 March 2025 on pages 48 to 50;
- how we have engaged with our people and stakeholders on pages 87 to 95;
- business relationships (throughout the Strategic Report); and
- the Section 172 Statement on pages 96 to 99.

Principal activity

The principal activity of the Company is to treat and provide water and remove wastewater in the UK. Details of the principal subsidiary undertakings of the Company as at 31 March 2025 are shown in note 19 to the financial statements.

Dividends

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 Severn Trent Water Limited Annual Performance Report (which does not form part of this report). The amounts paid in dividends during the year was £192 million (2023/24: £300 million). Furthermore, information relating to the payment of dividends can be found in note 13 to the financial statements.

Areas of operation

During the course of 2024/25, the Company had activities and operations in the UK.

Directors and their interests

Biographies of the Directors currently serving on the Board are set out on pages 112 to 113. Details of Directors' service contracts are set out in the Directors' Remuneration Report from page 131. The Board has a documented process in place in respect of conflicts.

Insurance and indemnities

The Company maintains Directors' and Officers' liability insurance in respect of legal action that might be brought against its Directors and Officers. As permitted by the Company's Articles of Association (the 'Articles'), and to the extent permitted by law, the Company indemnifies each of its Directors and other Officers against certain liabilities that may be incurred as a result of their positions with the Severn Trent Group. The indemnities were in force throughout the tenure of each Director during the last financial year and are currently in force. Severn Trent Plc does not have in place any indemnities for the benefit of the External Auditor.

Employees

The average number of employees within the Group is shown in note 7 to the financial statements. Severn Trent Water believes a diverse and inclusive workforce is a key factor in being a successful business. Through our diversity and equal opportunities policies, the Company seeks to ensure that every employee, without exception, is treated equally and fairly and that all employees are aware of their responsibilities. This means more than ensuring that we do not discriminate in any way – we want to create and maintain an inclusive culture which reflects a diverse population. Severn Trent believes that no one should be hurt or made unwell by what we do and we remain committed to driving improvements in our performance.

Whilst our health and safety performance within the Group is industry leading, unfortunately there was a serious health and safety incident in March 2025 involving an employee of one of our framework contractors. The incident occurred at one of our sites which was under the control and responsibility of one of our framework contractors and sadly resulted in the death of an employee of the framework contractor. As at the date of this report, we understand that the investigation into the incident remains ongoing. Neither the Group nor its employees is subject to the investigation.

Following the incident, we engaged across the Group's framework contractors and direct supply chain to re-emphasise the importance of our fundamental health and safety expectations and our 'Everybody Safe' mindset and culture.

We are an equal opportunities employer and welcome applications from all individuals, including those with a disability. We are fully committed to supporting applications made by disabled persons and make reasonable adjustments to their environment where possible (having regard to their particular aptitudes and abilities). We are also responsive to the needs of our employees. As such, should any employee become disabled during their time with us, we will actively re-train that employee and make reasonable adjustments to their environment where possible, in order to keep them in employment with us. All of our training, promotion and career development processes are in place for all our employees to access, regardless of their gender, ethnicity, age or ability. The provision of occupational health programmes is of crucial importance to Severn Trent with the aim of keeping our employees fit, healthy and well. We also provide expert counselling support across a wide range of issues through our Employee Assistance Programme. Additional information on our diversity aims and progress can be found on pages 28 to 30 and pages 89-90.

Employee engagement

Due to our commitment to transparent and best practice reporting, we have included the sections on our people on pages 28 to 32 of the Strategic Report, as the Board considers these disclosures to be of strategic importance and they are therefore incorporated into the Directors' Report by cross reference. Pages 89 to 90 demonstrate how the Directors have engaged with employees and how they have had regard to employee interests and the effect of that regard, including the principal decisions taken by the Company during the financial year.

Business relationships

Pages 87 to 95 demonstrate how the Directors have had regard to key stakeholders and how the effect of that regard had influenced the principal decisions taken by the Company during the financial year. The Board considers its Section 172 Statement (on pages 96 to 99) to be of strategic importance and is therefore incorporated into the Directors' Report by cross reference.

Research and development

Innovative use of existing and emerging technologies will continue to be crucial to the successful development of new products and processes for the Group and our products must continue to deliver value for customers.

Internal controls

Further details of our internal control framework can be found in the Severn Trent Plc Audit and Risk Committee Report within the Severn Trent Plc Annual Report and Accounts.

Treasury management

Details on our Treasury Policy and management are set out in the Chief Financial Officer's Review on pages 53 to 61.

Post balance sheet events

Details of post balance sheet events are set out in note 40 to the financial statements.

Capital structure

Details of the Company's issued share capital and of the movements during the year are shown in note 29 to the Company financial statements. The Company has one class of ordinary shares which carries no right to fixed income. Each share carries the right to one vote at General Meetings of the Company. The issued nominal value of the ordinary shares is 100% of the total issued nominal value of all share capital.

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Articles and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles, the 2018 Code, the Companies Act 2006 and related legislation. The Articles may be amended by Special Resolution of the shareholders. The powers of Directors are described in the Severn Trent Water Matters Reserved to the Board document and the Articles, both of which can be found on our website. Under the Articles, the Directors have authority to allot ordinary shares.

Change of control

There are a number of agreements that take effect after, or terminate upon, a change of control of the Company, such as commercial contracts, bank loan agreements, property lease arrangements and employee share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. There are no agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment because of a takeover bid.

Contributions for political and charitable purposes

Donations to charitable organisations during the year amounted to £5,168,134, including donations and funding made through our Community Fund and Trust (2023/24: £5,135,000). Donations are principally given to charities whose projects align closely with our aim to promote the responsible use of water resources and wastewater services which provide the opportunity for longer-term partnerships. In addition, we provide donations to employee nominated charities through a matched funding scheme and health and safety reward schemes.

We are also committed to supporting WaterAid, the UK's only major charity dedicated to improving access to safe water, hygiene and sanitation in the world's poorest countries. You can read more about the work of our Community Fund in our dedicated Community Fund Report, which can be found on our website.

Severn Trent's policy is not to make any donations for political purposes in the UK, or to donate to EU political parties or incur EU political expenditure. Accordingly, neither Severn Trent Water nor its subsidiaries made any political donations or incurred political expenditure in the financial year under review.

Supplier payment policy

Individual operating companies within the Severn Trent Water Group are responsible for establishing appropriate policies with regard to the payment of their suppliers, in accordance with the Prompt Payment Code ('PPC') and, as such, prompt payment policies are reviewed on a regular basis.

The companies agree terms and conditions under which business transactions with suppliers are conducted. It is Company policy that provided a supplier is complying with the relevant terms and conditions, including the prompt and complete submission of all specified documentation, payment will be made in accordance with agreed terms. It is also Company policy to ensure that suppliers know the terms on which payment will take place when business is agreed.

For the payment practices reporting period ended 31 March 2025, the average time to pay for Severn Trent Water Limited was 34 days.

Relevant audit information

The Directors confirm that:

- so far as each of them is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- each of them has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

External Auditor

Deloitte was first appointed as External Auditor for the year ended 31 March 2006 and was reappointed following a tender process at the Severn Trent Plc 2016 AGM. In accordance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Process and Audit Committee Responsibilities) Order 2014, the Group undertook a mandatory tender in respect of the 2026 External Audit and, due to mandatory rotation requirements, Deloitte was not able to participate having acted as External Auditor for 20 years.

Following a robust and competitive tender process, led by the Severn Trent Plc Audit and Risk Committee, the Severn Trent Water Board approved PwC as the External Auditor for the 2025/26 audit onwards, subject to shareholder approval at the Severn Trent Plc AGM. A resolution therefore will be proposed to shareholders at the 2025 Severn Trent Plc AGM to appoint PwC as the Group's statutory auditor for the financial year ending 31 March 2026. The Severn Trent Plc Audit and Risk Committee will also be responsible for determining the audit fee on behalf of the Board.

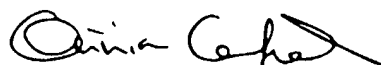
Carbon footprint

We have committed to achieving net zero operational carbon emissions by 2030, building on our long track record of making year-on-year reductions in our emissions. We also committed to generating or procuring 100% renewable energy and moving our fleet to 100% electric vehicles by 2030, where available. The Board considers environmental matters to be of strategic importance and therefore relevant information contained in the sections covering our Net Zero Transition Plan ('NZTP') and the information required under the Taskforce on Climate-related Financial Disclosures ('TCFD') and Taskforce on Nature-related Financial Disclosures ('TNFD') on pages 44 to 52 of the Strategic Report is incorporated into the Directors' Report by cross reference. Our NZTP includes our annual report on GHG emissions along with details of our energy consumption across the Company and how we manage energy use.

Annual Performance Report of Severn Trent Water Limited

The Annual Performance Reports for Severn Trent Water Limited will be made available on its website in due course.

By order of the Board

A handwritten signature in black ink, appearing to read "Olivia Garfield". The signature is fluid and cursive, with the first name "Olivia" being more prominent than the last name "Garfield".

Olivia Garfield
Chief Executive Officer
9 July 2025

Directors' Responsibility Statement

The Directors are required to prepare the Group financial statements in accordance with United Kingdom adopted International Financial Reporting Standards ('IFRSs'), and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 'Reduced Disclosure Framework'.

Under company law, the Directors must not approve the Annual Report and financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the year.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

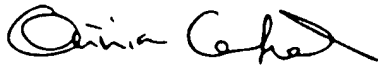
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

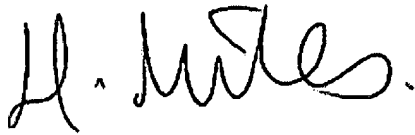
Each of the Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the Principal Risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 9 July 2025 and is signed on its behalf by order of the Board:



Olivia Garfield
Chief Executive Officer
9 July 2025



Helen Miles
Chief Financial Officer
9 July 2025

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVERN TRENT WATER LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Severn Trent Water Limited (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2025 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the group income statement;
- the group and company statements of comprehensive income;
- the group and company statements of changes in equity;
- the group and company balance sheets;
- the group cash flow statement; and
- the related notes 1 to 43 of the financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).


2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard and we have fulfilled our other 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.

3. Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • valuation of the provision of household trade receivables; and • classification of capital programme expenditure. <p>Within this report, key audit matters are identified as follows:</p> <p> Similar level of risk to our audit for the year ended 31 March 2024.</p>
Materiality	The materiality used for the Group financial statements was £21.9m (2024: £19.0m) which was determined based on 3.6% (2024: 3.8%) of profit before interest and tax (PBIT).
Scoping	Our scoping has resulted in 95% (2024: 95%) of Group net assets, 100% (2024: 100%) of Group revenue and 100% (2024: 97%) of Group profit before interest and tax being subject to audit testing.
Significant changes in our approach	There are no significant changes in our audit approach when compared to our audit for the year ended 31 March 2024.

4. Conclusions relating to going concern

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

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

- reviewing the Group's borrowing arrangements, in particular the level of committed undrawn facilities including the £1billion revolving credit and bilateral facilities, the level of cash held by the Group (£683.1m at 31 March 2025) 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 Asset Management Plan ("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 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 Group'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.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of the provision of household trade receivables

Key audit matter description	<p>The Group supplies water to residential customers in the UK and the provision represents the portion of household customers who do not, or cannot, pay their bills. The directors make estimates regarding the expected future loss rate for current receivables when calculating the appropriate level of bad debt provision.</p> <p>As at 31 March 2025, the provision recorded was £129.7m (2024: £129.3m) which incorporates the directors' estimate of the future impact of external economic factors on customers' ability to pay their outstanding bills to Severn Trent Water Limited.</p> <p>Provisions are made against the Group's trade receivables balance based on the historical cash collection of debt invoiced seven to nine years ago, which is considered by the directors to be representative of collection risk on the whole population of household debtors. This historical collection performance is then adjusted for actual current cash collection. The final step is to adjust the provision for future economic conditions, for which management has considered the correlation between forecast cash collection and Real Household Disposable Income (RHDI).</p> <p>The key audit matter is focussed on the appropriateness of the assumption that the experience of debt invoiced seven to nine years ago is a reasonable expectation for the determination of lifetime expected credit losses under IFRS 9 Financial Instruments, and whether the assumptions used in determining the impact of forecast movements in RHDI on the expected credit loss are appropriate. Due to the high degree of estimation uncertainty associated with the recoverability of household trade receivables, we have determined that there was a potential risk for fraud through possible manipulation of this balance.</p>
-------------------------------------	--

The bad debt provision is discussed in note 2(p) and note 21 to the financial statements. The directors have included this as a source of estimation uncertainty in note 4(b) to the financial statements.

How the scope of our audit responded to the key audit matter

Our procedures to address the key audit matter included the following:

- obtaining an understanding of relevant controls over the determination of the bad debt provision, including over the supporting data and assumptions;
- testing the completeness and accuracy of the data included within the bad debt provision calculation;
- testing the allocation of cash received in the current year to debt aged between seven and nine years;
- use of data analytics to reconcile the debtor ageing for each debt category used in the bad debt provision model using source data from the billing system;
- evaluating the reasonableness of economic data (both forecast and historical) used within the calculation and performing sensitivity analysis;
- evaluating management's assumptions used in the calculation of the bad debt provision and challenging whether this represents lifetime expected credit loss, including review of cash collection data and historical trends;
- testing the arithmetical accuracy of the bad debt provision model calculation with the involvement of our data analytics specialists; and
- assessing the appropriateness of the disclosures provided relating to the key assumptions, and the range of sensitivities disclosed.

Key observations

We are satisfied that the assumptions applied in assessing the expected credit losses, are reasonable and that the Group's bad debt provision has been appropriately calculated using relevant data.

5.2. Classification of capital programme expenditure

Key audit matter description

The Group has a substantial capital programme which was agreed with the regulator ('Ofwat') and therefore incurs significant expenditure in relation to the development and maintenance of both infrastructure and non-infrastructure assets.

As the determination of whether expenditure is capitalised or expensed in the period directly affects the Group's reported financial performance, we identified a key audit matter relating to the overstatement of capital expenditure, whether caused by changes to the Group's capitalisation policy implementation guidance, by incorrect application of this guidance or relevant accounting standards. Due to the level of judgement involved, we have determined that there was a potential risk for fraud through possible manipulation of this balance.

During the year, the Group has invested £1,918.2 million (2024: £1,390.4 million) in capital expenditure projects. The Group spent a further £144.7 million (2024: £203.3 million) on infrastructure maintenance expenditure.

Further details regarding infrastructure assets are included within the critical accounting judgements note in note 4(a) to the financial statements.

How the scope of our audit responded to the key audit matter	<p>Our procedures to address the key audit matter included the following:</p> <ul style="list-style-type: none"> • obtaining an understanding and testing the relevant controls related to classification of capital programme expenditure, including obtaining an understanding of, and testing, relevant controls over the application of the policy regarding expenditure incurred on projects within the capital programme during the year; • reviewing management’s capitalisation and implementation guidance to understand any changes in the current year and to determine compliance with the relevant accounting standards; and • for a sample of projects, assessing whether the capitalisation policy has been applied to the costs incurred by reviewing the business cases, making direct enquiries of project managers, and inspecting invoices.
Key observations	<p>We are satisfied that management has applied its capitalisation policy and implementation guidance appropriately in determining the expenditure to be capitalised.</p>

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£21.9 million (2024: £19.0million)	£20.7 million (2024: £18.0 million)
Basis for determining materiality	The current year materiality has been determined on the basis of 3.6% (2024: 3.8%) of profit before interest and tax.	The current year materiality has been determined on the basis of 5.0% (2024: 3.5%) of profit before interest and tax.
Rationale for the benchmark applied	We consider profit before interest and tax to be the most relevant benchmark to measure the performance of the Group and parent company and is consistent with the benchmark used by management to measure the Group and parent company’s performance.	

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2024: 70%) of Group materiality	70% (2024: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: <ul style="list-style-type: none">• the quality of the control environment and whether we were able to rely on controls in certain areas of the Group's businesses; and• the nature and number of uncorrected misstatements identified in previous audits.	

6.3. Error reporting threshold

We agreed with the Severn Trent Plc Audit and Risk Committee that we would report to the Committee all audit differences in excess of £1.1 million (2024: £1.0 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Severn Trent Plc Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1 Identification and scoping of components

Our scoping of the Group audit followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence to address the risks of material misstatement of the Group financial statements.

The parent company and Severn Trent Utilities Finance Plc were scoped in for audit of entire financial information, using component performance materiality of £15.3 million (2024: £13.3 million) and £13.8 million (2024: £12.0 million), respectively and together account for 95% (2024: 95%) of the group's net assets, 100% (2024: 100%) of revenue and 100% (2024: 97%) of profit before interest and tax, being subject to audit testing. Audit work to respond to the risks of material misstatement was performed directly by the Group audit engagement team.

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement on the aggregated financial information of the remaining components not subject to audit procedures.

7.2 Our consideration of the control environment

The Group uses SAP, a financial accounting software platform, in the parent company and Severn Trent Utilities Finance plc component where we have performed full scope audits.

With the involvement of our Information Technology specialists, we obtained an understanding of, and relied on, relevant General Information Technology Controls within the Group's financial accounting software platform, including access controls, change management controls and controls around segregation of duties.

We also tested and relied on the relevant controls in respect of household and non-household revenue, classification of capital programme expenditure and procure to pay which are supported by the Group's financial accounting software platform. We tested the relevant controls on a sample basis by either observing or reperforming each step of the control and obtaining the relevant supporting evidence.

7.3 Our consideration of climate-related risks

The Group has assessed the risk and opportunities relevant to climate change and has included the risk as a principal risk as set out on page 75, consistent with previous years. This included assessing the potential impact of the material risks and opportunities and its Net Zero Transition Plan on both the current balance sheet position and its accounting policies as set out in note 2 of the financial statements.

We reviewed management's climate change risk assessment and evaluated the completeness of the identified risks and impact on the financial statements. We also considered climate change within our audit risk assessment process in conjunction with our assessment of the balances and did not identify any additional risks of material misstatement.

With the involvement of our climate change specialists, we:

- evaluated the financial statement disclosures to assess whether climate risk assumptions underpinning specific account balances were appropriately disclosed; and
- read the climate change-related statements (as disclosed in the Strategic Report) and considered whether the information included in the narrative reporting is materially consistent with the financial statements and our knowledge obtained in the audit.

8 Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9 Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent 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 Group or the parent company or to cease operations, or have no realistic alternative but to do so.

10 Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11 Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, internal audit, the directors and the Severn Trent Plc Audit and Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, climate change, valuations, pensions, treasury and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential risk for fraud in the following areas:

- valuation of the provision of household trade receivables; and
- classification of capital programme expenditure.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the licence conditions imposed by The Water Services Regulation Authority (Ofwat).

11.2 Audit response to risks identified

We identified the valuation of the provision of household trade receivables in Severn Trent Water Limited and the classification of capital programme expenditure in Severn Trent Water Limited as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to 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 Severn Trent Plc 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;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, Ofwat, and other regulatory authorities; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12 Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:
--

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13 Corporate Governance Statement

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 85;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on pages 77 to 84;
- the directors' statement on fair, balanced and understandable set out on page 144;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 66 to 76; and
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 62 to 64.

As disclosed on page 107, the directors do not consider provision 26 of the UK Corporate Governance Code to be applicable to the company, and therefore the Corporate Governance Statement does not have a section describing the work of the Audit and Risk committee.

14 Matters on which we are required to report by exception

14.1 Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

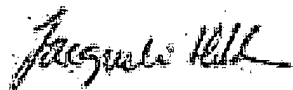
14.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

15 Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report 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 company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Jacqueline Holden FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

9 July 2025

Severn Trent Water Limited

Group Income Statement

For the year ended 31 March 2025

	Note	2025 £m	2024 £m
Turnover	5	2,213.8	2,122.0
Operating costs before charge for bad and doubtful debts	6	(1,576.6)	(1,599.4)
Charge for bad and doubtful debts		(32.8)	(26.2)
Total operating costs	6	(1,609.4)	(1,625.6)
Profit before interest and tax		604.4	496.4
Finance income	9	124.0	94.2
Finance costs	10	(365.1)	(391.5)
Net finance costs		(241.1)	(297.3)
Net gains on financial instruments	11	34.3	58.7
Profit on ordinary activities before taxation		397.6	257.8
Current tax	12	30.1	(0.3)
Deferred tax	12	(112.2)	(52.4)
Taxation on profit on ordinary activities		(82.1)	(52.7)
Profit for the year		315.5	205.1

Severn Trent Water Limited

Group and Company Statement of Comprehensive Income

For the year ended 31 March 2025

	Note	Group		Company	
		2025 £m	2024 £m	2025 £m	2024 £m
Profit for the year		315.5	205.1	299.3	168.4
Other comprehensive income					
Items that will not be reclassified to the income statement:					
Net actuarial gains	27	37.6	16.4	37.6	16.4
Deferred tax on net actuarial gains	12	(9.4)	(4.1)	(9.4)	(4.1)
		28.2	12.3	28.2	12.3
Items that may be reclassified to the income statement:					
Losses on cash flow hedges		(4.2)	(5.9)	(4.2)	(5.9)
Deferred tax on losses on cash flow hedges	12	0.9	1.5	0.9	1.5
Amounts on cash flow hedges transferred to the income statement	11	13.0	18.6	13.0	18.6
Deferred tax on transfer to the income statement	12	(3.2)	(4.6)	(3.2)	(4.6)
		6.5	9.6	6.5	9.6
Other comprehensive income for the year		34.7	21.9	34.7	21.9
Total comprehensive income for the year		350.2	227.0	334.0	190.3

Severn Trent Water Limited

Group Statement of Changes in Equity

For the year ended 31 March 2025

	Note	Equity attributable to owners of the company				Total	Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained earnings			
		£m	£m	£m	£m	£m	£m	
At 1 April 2023		1.3	249.7	(0.4)	2,048.8	2,299.4	10.6	2,310.0
Profit for the year		–	–	–	205.1	205.1	–	205.1
Net actuarial gains	27	–	–	–	16.4	16.4	–	16.4
Deferred tax on net actuarial gains	12	–	–	–	(4.1)	(4.1)	–	(4.1)
Losses on cash flow hedges		–	–	(5.9)	–	(5.9)	–	(5.9)
Deferred tax on losses on cash flow hedges	12	–	–	1.5	–	1.5	–	1.5
Amounts on cash flow hedges transferred to the income statement	11	–	–	18.6	–	18.6	–	18.6
Deferred tax on transfer to the income statement	12	–	–	(4.6)	–	(4.6)	–	(4.6)
Total comprehensive income for the year		–	–	9.6	217.4	227.0	–	227.0
Share options and LTIPs	36	–	–	–	7.6	7.6	–	7.6
Deferred tax on share based payments	12	–	–	–	(5.7)	(5.7)	–	(5.7)
Proceeds from shares issued		600.0	–	–	–	600.0	–	600.0
Dividends paid	13	–	–	–	(300.0)	(300.0)	–	(300.0)
At 31 March 2024		601.3	249.7	9.2	1,968.1	2,828.3	10.6	2,838.9
Profit for the year		–	–	–	315.5	315.5	–	315.5
Net actuarial gains	27	–	–	–	37.6	37.6	–	37.6
Deferred tax on net actuarial gains	12	–	–	–	(9.4)	(9.4)	–	(9.4)
Losses on cash flow hedges		–	–	(4.2)	–	(4.2)	–	(4.2)
Deferred tax on losses on cash flow hedges	12	–	–	0.9	–	0.9	–	0.9
Amounts on cash flow hedges transferred to the income statement	11	–	–	13.0	–	13.0	–	13.0
Deferred tax on transfer to the income statement	12	–	–	(3.2)	–	(3.2)	–	(3.2)
Total comprehensive income for the year		–	–	6.5	343.7	350.2	–	350.2
Share options and LTIPs	36	–	–	–	8.6	8.6	–	8.6
Capital contribution from ultimate parent		–	–	–	0.5	0.5	–	0.5
Deferred tax on share based payments	12	–	–	–	0.2	0.2	–	0.2
Dividends paid	13	–	–	–	(192.0)	(192.0)	–	(192.0)
At 31 March 2025		601.3	249.7	15.7	2,129.1	2,995.8	10.6	3,006.4

Severn Trent Water Limited

Company Statement of Changes in Equity

For the year ended 31 March 2025

	Note	Equity attributable to owners of the company				Total
		Share capital	Share premium	Other reserves	Retained earnings	
		£m	£m	£m	£m	£m
At 1 April 2023		1.3	249.7	(0.4)	1,959.6	2,210.2
Profit for the year		–	–	–	168.4	168.4
Net actuarial gains	27	–	–	–	16.4	16.4
Deferred tax on net actuarial gains	12	–	–	–	(4.1)	(4.1)
Losses on cash flow hedges		–	–	(5.9)	–	(5.9)
Deferred tax on losses on cash flow hedges	12	–	–	1.5	–	1.5
Amounts on cash flow hedges transferred to the income statement	11	–	–	18.6	–	18.6
Deferred tax on transfer to the income statement	12	–	–	(4.6)	–	(4.6)
Total comprehensive income for the year		–	–	9.6	180.7	190.3
Share options and LTIPs	36	–	–	–	7.6	7.6
Deferred tax on share based payments	12	–	–	–	(5.7)	(5.7)
Proceeds from shares issued		600.0	–	–	–	600.0
Dividends paid	13	–	–	–	(300.0)	(300.0)
At 31 March 2024		601.3	249.7	9.2	1,842.2	2,702.4
Profit for the year		–	–	–	299.3	299.3
Net actuarial gains	27	–	–	–	37.6	37.6
Deferred tax on net actuarial gains	12	–	–	–	(9.4)	(9.4)
Losses on cash flow hedges		–	–	(4.2)	–	(4.2)
Deferred tax on losses on cash flow hedges	12	–	–	0.9	–	0.9
Amounts on cash flow hedges transferred to the income statement	11	–	–	13.0	–	13.0
Deferred tax on transfer to the income statement	12	–	–	(3.2)	–	(3.2)
Total comprehensive income for the year		–	–	6.5	327.5	334.0
Share options and LTIPs	36	–	–	–	8.6	8.6
Capital contribution from ultimate parent		–	–	–	0.5	0.5
Deferred tax on share based payments	12	–	–	–	0.2	0.2
Dividends paid	13	–	–	–	(192.0)	(192.0)
At 31 March 2025		601.3	249.7	15.7	1,987.0	2,853.7

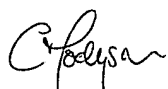
Severn Trent Water Limited Group and Company Balance Sheet

As at 31 March 2025


	Note	Group		Company	
		2025 £m	2024 £m	2025 £m	2024 £m
Non-current assets					
Goodwill	14	63.5	63.5	1.1	1.1
Other intangible assets	15	159.5	153.7	155.2	149.4
Property, plant and equipment	16	12,821.9	11,300.4	12,679.7	11,155.1
Biological assets	17	2.3	2.6	2.3	2.6
Right-of-use assets	18	129.3	131.2	475.7	495.2
Investments	19	1,734.3	1,685.3	1,958.5	2,079.0
Retirement benefit surplus	27	–	–	48.7	–
Derivative financial instruments	20	59.9	71.2	59.9	71.2
Trade and other receivables	21	16.5	13.0	109.7	101.8
		14,987.2	13,420.9	15,490.8	14,055.4
Current assets					
Inventory		14.5	13.7	14.5	13.7
Trade and other receivables	21	784.9	767.9	782.3	769.8
Current tax receivable		37.8	–	49.7	11.5
Derivative financial instruments	20	6.8	–	6.8	–
Cash and cash equivalents		683.1	426.1	681.0	425.6
		1,527.1	1,207.7	1,534.3	1,220.6
Current liabilities					
Borrowings	23	(529.6)	(67.4)	(551.0)	(87.7)
Derivative financial instruments	24	(2.9)	–	(2.9)	–
Trade and other payables	25	(814.7)	(745.6)	(812.9)	(736.3)
Current tax payable		–	(1.9)	–	–
Provisions for liabilities	28	(39.5)	(43.0)	(39.5)	(43.0)
		(1,386.7)	(857.9)	(1,406.3)	(867.0)
Net current assets		140.4	349.8	128.0	353.6
Total assets less current liabilities		15,127.6	13,770.7	15,618.8	14,409.0
Non-current liabilities					
Borrowings	23	(8,673.0)	(7,700.4)	(9,436.2)	(8,660.0)
Derivative financial instruments	24	(44.6)	(25.6)	(44.6)	(25.6)
Trade and other payables	25	(1,817.5)	(1,661.3)	(1,817.5)	(1,661.3)
Deferred tax	26	(1,436.2)	(1,312.5)	(1,436.2)	(1,312.5)
Retirement benefit obligation	27	(119.3)	(212.1)	–	(27.3)
Provisions for liabilities	28	(30.6)	(19.9)	(30.6)	(19.9)
		(12,121.2)	(10,931.8)	(12,765.1)	(11,706.6)
Net assets		3,006.4	2,838.9	2,853.7	2,702.4
Equity					
Called up share capital	29	601.3	601.3	601.3	601.3
Share premium account	30	249.7	249.7	249.7	249.7
Hedging reserve	31	15.7	9.2	15.7	9.2
Retained earnings		2,129.1	1,968.1	1,987.0	1,842.2
Equity attributable to owners of the company		2,995.8	2,828.3	2,853.7	2,702.4
Non-controlling interests		10.6	10.6	–	–
Total equity		3,006.4	2,838.9	2,853.7	2,702.4

The profit for the year for Severn Trent Water Limited Company is £299.3 million (2024: £168.4 million).

Signed on behalf of the Board who approved the accounts on 9 July 2025.



Christine Hodgson
Chair
Company Number 02366686



Helen Miles
Chief Financial Officer

Severn Trent Water Limited

Group Cash Flow Statement

For the year ended 31 March 2025

	Note	2025 £m	2024 £m
Cash generated from operations	37	876.5	831.9
Tax received	37	–	9.0
Tax paid	37	(5.0)	–
Net cash generated from operating activities		871.5	840.9
Cash flow from investing activities			
Purchases of property, plant and equipment		(1,513.9)	(1,214.9)
Purchases of intangible assets		(39.3)	(29.0)
Proceeds on disposal of property, plant and equipment		2.2	4.6
Net loans repaid by related parties		–	154.5
Interest received		38.5	13.8
Net cash outflow from investing activities		(1,512.5)	(1,071.0)
Cash flow from financing activities			
Interest paid		(280.2)	(237.3)
Interest element of lease payments		(4.1)	(3.9)
Principal elements of lease payments		(12.1)	(9.1)
Dividends paid		(192.0)	(300.0)
Termination and other payments for swaps		(1.6)	(4.4)
Repayments of borrowings		(50.3)	(599.5)
New loans raised		1,440.3	1,204.4
Issue of shares		–	600.0
Net cash inflow from financing activities		900.0	650.2
Net movement in cash and cash equivalents		259.0	420.1
Net cash at the beginning of the year		424.1	4.0
Net cash and cash equivalents at the end of the year		683.1	424.1
Cash and cash equivalents		2.2	0.6
Bank overdrafts		–	(2.0)
Short term deposits		680.9	425.5
Net cash and cash equivalents at the end of the year		683.1	424.1

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

1 General information

The Severn Trent Water Group includes Severn Trent Water Limited and its subsidiary companies.

Severn Trent Water Limited is a company incorporated and domiciled in the United Kingdom, registered in England and Wales. The address of its registered office is Severn Trent Centre, 2 St John's Street, Coventry, CV1 2LZ.

2 Accounting policies

a) Basis of preparation

The financial statements have been prepared on the going concern basis (see Strategic report) under the historical cost convention, except for the revaluation of financial instruments including derivatives (refer to accounting policy notes), and accounting for the transfer of assets from customers (refer to accounting policy note h).

i) Group financial statements

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and United Kingdom adopted International Financial Reporting Standards.

ii) Company financial statements

The Company financial statements have been prepared in accordance with United Kingdom Accounting Standards and comply with the Companies Act 2006. The Company meets the definition of a qualifying entity as defined in FRS 100 'Application of Financial Reporting Requirements' accordingly the Company has elected to apply FRS 101, 'Reduced Disclosure Framework'.

Therefore the recognition and measurement requirements of United Kingdom adopted International Financial Reporting Standards have been applied, with amendments where necessary in order to comply with Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) as the parent company financial statements are Companies Act 2006 accounts.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to statement of cash flows, share based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements and also where required, equivalent disclosures are given in the group accounts of Severn Trent Plc. The group accounts of Severn Trent Plc are available to the public and can be obtained as set out in note 43.

As permitted by Section 408 of the Companies Act 2006, no profit and loss account is presented for the parent company. The profit for the year is disclosed in the statement of comprehensive income, the statement of changes in equity and the balance sheet.

The material accounting policies for the Group and the parent company are set out below and have been applied consistently except where indicated. Where policies are specific to the Group or to the Company this is set out in the relevant policy.

b) Basis of consolidation

The consolidated financial statements include the results of Severn Trent Water Limited and its subsidiaries. Results are included from the date of acquisition or incorporation and excluded from the date of disposal.

Subsidiaries are consolidated where the Group has the power to control a subsidiary.

Non-controlling interests in the net assets of subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since that date.

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not included within the Group financial statements.

c) Revenue recognition and interest income

Turnover is measured based on the consideration to which the group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises turnover when it transfers control of a good or service to a customer.

Water and wastewater revenue is recognised when the service is provided and includes an estimate of the amount of 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.

Amounts received from developers for diversions activity is recognised as turnover when the service to divert the infrastructure has been completed.

Renewable energy revenue includes sales of electricity and gas and the related green energy incentives. Revenue from energy sales is recognised when the electricity or gas is delivered to the national grid. Green energy incentives are recognised when the Group becomes entitled to them.

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

2 Accounting policies (continued)

d) Exceptional items

Exceptional items, are income or expenditure, which individually or, if of a similar type, in aggregate should, in the opinion of the Directors, be disclosed by virtue of their size or nature if the financial statements are to give a true and fair view.

e) Taxation

Current tax payable is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is measured on a non-discounted basis using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Where there is a change in the tax rate enacted or substantively enacted, deferred tax assets and liabilities in the opening balance sheet are remeasured at the new rate. The resulting charge/credit to income statement and reserves is recognised in the year that the rate change occurs. Adjustments in respect of prior years are recognised at rates that have been enacted or substantively enacted by the balance sheet date.

Current and deferred tax are recognised in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for a business combination.

A deferred tax asset is only recognised to the extent it is probable that sufficient taxable profits will be available in the future to utilise it.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

f) Goodwill

Goodwill represents the excess of the fair value of purchase consideration over the fair value of the net assets acquired.

Goodwill arising on acquisition of subsidiaries is included in intangible assets. If an acquisition gives rise to negative goodwill this is credited directly to the income statement. Fair value adjustments based on provisional estimates are amended within one year of the acquisition, if required, with a corresponding adjustment to goodwill.

Goodwill is tested for impairment in accordance with the policy set out in note 2 l) below and carried at cost less accumulated impairment losses. Goodwill is allocated to the cash-generating unit that derives benefit from the goodwill for impairment testing purposes.

Where goodwill forms part of a cash-generating unit and all or part of that unit is disposed of, the associated goodwill is included in the carrying amount of that operation when determining the gain or loss on disposal of the operation.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

2 Accounting policies (continued)

g) Other intangible and non-current assets

Intangible assets acquired separately, or internally generated where a separate resource that is controlled by the Group is created, are capitalised at cost. Following initial recognition, finite life intangible assets are amortised on a straight-line basis over their estimated useful economic lives as follows:

	Years
Software	3 - 10
Other intangible assets	15 - 20

Amortisation charged on intangible assets is taken to the income statement through operating costs.

Finite life intangible assets are reviewed for impairment where indicators of impairment exist (see 2 l) below).

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses. Such assets are reviewed for impairment at least annually and where indications of impairment exist.

Development expenditure is capitalised as an intangible asset and written off over its expected useful economic life where the following criteria are met:

- it is technically feasible to create and make the asset available for use or sale;
- there are adequate resources available to complete the development and to use or sell the asset;
- there is the intention and ability to use or sell the asset;
- it is probable that the asset created will generate future economic benefits; and
- the development cost can be measured reliably.

Research expenditure is expensed when it is incurred.

h) Property, plant and equipment

Property, plant and equipment is held at cost (or at deemed cost for infrastructure assets on transition to IFRS/FRS 101) less accumulated depreciation. Expenditure on property, plant and equipment relating to research and development projects is capitalised and depreciated over the expected useful life of those assets.

The costs of like-for-like replacement of infrastructure components are recognised in the income statement as they arise. Expenditure which results in enhancements to the operating capability of the infrastructure networks is capitalised.

Where items of property, plant and equipment are transferred to the Group from customers or developers, the fair value of the asset transferred is recognised in the balance sheet. Fair value is determined based on estimated depreciated replacement cost. The transfer is considered to be linked to the provision of ongoing services and therefore the corresponding credit is recorded in deferred income and released to turnover over the expected useful lives of the related assets. Further details regarding the judgment applied is detailed in note 4.

Where assets take a substantial period of time to get ready for their intended use, the borrowing costs directly attributable to the acquisition, construction or production of these assets are added to their cost.

Property, plant and equipment is depreciated, using the straight-line method, to its estimated residual value over its estimated useful life, with the exception of freehold land which is not depreciated. Assets in the course of construction are not depreciated until commissioned.

The estimated useful lives are:

	Years
Infrastructure assets	
Impounding reservoirs	250
Raw water aqueducts	250
Mains	80 - 150
Sewers	150 - 200
Other assets	
Buildings	30 - 80
Fixed plant and equipment	20 - 40
Vehicles and mobile plant	2 - 15

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

2 Accounting policies (continued)

i) Leased assets

Where the Group enters into a contract that contains a lease, it recognises a right-of-use asset and a lease liability. The right-of-use asset is measured at cost, which includes: the amount of the initial measurement of the lease liability (see below); any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs incurred by the Group; and an estimate of any remediation or similar costs required by the lease contract.

At the commencement date the lease liability is measured at the present value of the future lease payments discounted using the interest rate implicit in the lease or, if that cannot be readily determined, the Group's incremental borrowing rate. Lease liabilities are included in borrowings.

Lease payments are treated as consisting of a capital element and a finance charge; the capital element reduces the lease liability and the finance charge is written off to the income statement at a constant rate over the period of the lease in proportion to the capital amount outstanding. Depreciation of the right-of-use asset is charged over the shorter of the estimated useful life and the lease period unless ownership is expected to transfer to the Group at the end of the lease, in which case the right-of-use asset is depreciated to the end of the useful life of the underlying asset.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in managing contracts.

Most extension and termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the Group.

Where the lease term is less than one year or the underlying asset is low value, the Group does not recognise a right-of-use asset or lease liability. Payments under such leases are charged to operating costs.

j) Biological assets and agricultural produce

Biological assets consist of trees held by the Group for the purpose of commercial felling. Agricultural produce consists of felled trees and timber.

Biological assets are recognised when the Group approves the use of the asset in commercial activity and:

- the assets are controlled by the Group;
- where required, the appropriate regulatory authority has approved the commercial felling of the asset; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at fair value less costs to sell on initial recognition. At the end of subsequent periods, biological assets are remeasured to fair value less costs to sell and the gain or loss on remeasurement is included in other income or costs in the income statement.

Biological assets are valued by independent qualified valuers on a quinquennial basis. Between independent valuations, fair values are estimated by management based on the previous quinquennial valuation and movements in market indices.

Agricultural produce is measured at fair value less costs to sell at the point of harvest.

k) Grants and contributions

Grants and contributions received in respect of non-current assets, including certain charges made as a result of new connections to the water and wastewater networks, are treated as deferred income and released to turnover over the useful economic life of those non-current assets.

Grants and contributions which are given in compensation for expenses incurred with no future related costs are recognised in turnover in the income statement in the period that they become receivable.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

2 Accounting policies (continued)

l) Impairment of non-current assets

If the recoverable amount of goodwill, an item of property, plant and equipment or any other non-current asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell or estimated value in use at the date the impairment review is undertaken. Fair value less costs to sell represents the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing third parties, less costs of disposal. Value in use represents the present value of future cash flows expected to be derived from a cash-generating unit, discounted using a pre-tax discount rate that reflects current market assessments of the cost of capital of the cash-generating unit or asset.

The discount rate used is based on the Group's cost of capital, adjusted for the risk profiles of individual businesses. For regulated businesses we use the weighted average cost of capital (WACC) from Ofwat's latest price review adjusted for market changes since this date where appropriate.

Goodwill is tested for impairment annually. Impairment reviews are also carried out if there is an indication that an impairment may have occurred or, where otherwise required, to ensure that non-current assets are not carried above their estimated recoverable amounts.

Impairment losses are recognised in the income statement.

m) Investments

Investments in subsidiaries in the Company's financial statements are stated at cost less, where appropriate, provisions for impairment. Investments in subsidiaries are reviewed for impairment in line with note 2 l) when indicators of impairment have been identified.

Other investments are initially recognised and subsequently measured at fair value. Changes in fair value are recognised in profit or loss.

n) Inventory

Inventory and work in progress is stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

o) Loans receivable

Loans receivable are measured at fair value on initial recognition, less issue fee income received where the fee is integral to the yield on the loan. All loans receivable are held for collection of contractual cash flows, which represent solely payments of principal and interest. After initial recognition, loans receivable are subsequently measured at amortised cost using the effective interest rate method whereby interest and issue fee income are credited to the income statement and added to the carrying value of loans receivable at a constant rate in proportion to the loan amount outstanding.

A loss allowance is recognised for expected credit losses ('ECL') on its loans receivable. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

A lifetime ECL is recognised when there has been a significant increase in credit risk since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to the 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of the loans. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the risk of default over the remaining life of the asset at the reporting date is compared with the risk of default for the same period at initial recognition. In making this assessment, both quantitative and qualitative information about the risk of default that is reasonable and supportable, including forward-looking information that is available. This includes assessment of a deterioration in: actual or expected business; financial or economic conditions of the borrower; actual or expected operating results, cash flows and financial position of the borrower; and the regulatory, economic, or technological environment faced by the borrower. Irrespective of the outcome of the above assessment, it is presumed that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless there is reasonable and supportable information that demonstrates otherwise.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

2 Accounting policies (continued)

o) Loans receivable (continued)

Definition of default

It is considered that a default has taken place where information developed internally indicates that the borrower is unlikely to pay its creditors, including the Group or the Company, in full. Irrespective of the above analysis, it is considered that default has occurred when a financial asset is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

p) Trade receivables and accrued income

Trade receivables and accrued income, are measured at fair value on initial recognition, and subsequently measured at amortised cost using the effective interest rate method, less loss allowance. If there is objective evidence that the asset is impaired, it is written down to its recoverable amount and the irrecoverable amount is recognised as an expense in operating costs.

The simplified approach permitted by IFRS 9 for estimating expected credit losses on trade receivables is applied. For trade receivables that are assessed not to be impaired individually, expected credit losses are estimated based on the historical experience of trade receivable write-offs and reasonable, supportable forward-looking information which is available without undue cost or effort.

q) Retirement benefits

(i) Defined benefit schemes

The difference between the value of defined benefit pension scheme assets and defined benefit pension scheme liabilities is recorded on the balance sheet as a retirement benefit asset or obligation.

Defined benefit pension scheme assets are measured at fair value using bid price for assets with quoted prices. For scheme assets with no quoted price, the fair value is derived by using quotations from independent third parties or by using applicable valuation techniques at the end of each reporting period. Defined benefit pension scheme liabilities are measured at the balance sheet date by an independent actuary using the projected unit method and discounted at the current rate of return on high quality corporate bonds of equivalent term and currency to the liability.

Service cost, representing the cost of employee service in the year, is included in operating costs. Net finance cost is calculated by applying the discount rate used for the scheme liabilities to the net obligation.

Changes in the retirement benefit obligation that arise from:

- differences between the return on scheme assets and interest income included in the income statement;
- actuarial gains and losses from experience adjustments; and
- changes in demographic or financial assumptions,

are classified as re-measurements, charged or credited to other comprehensive income and recorded in the statement of comprehensive income in the period in which they arise.

There is no contractual agreement, or stated policy, for charging the net defined benefit cost for the Severn Trent schemes to participating Group companies of the ultimate parent. As the net defined benefit cost for these schemes is recognised by the sponsoring employer, Severn Trent Water Limited, the full net defined benefit cost is disclosed in the Severn Trent Water Group financial statements. For the Company financial statements, contributions made by other Severn Trent Group companies are disclosed within actuarial gains and losses in the statement of comprehensive income.

(ii) Defined contribution scheme

Contributions to defined contribution pension schemes are charged to the income statement in the period in which they fall due.

r) Provisions

Provisions are recognised where:

- there is a present obligation as a result of a past event;
- it is probable that there will be an outflow of economic benefits to settle this obligation; and
- a reliable estimate of this amount can be made.

Insurance provisions are recognised for claims notified and for claims incurred but which have not yet been notified, based on advice from the ultimate parent company's independent insurance advisers.

Provisions are discounted to present value using a pre-tax discount rate that reflects the risks specific to the liability where the effect is material.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

2 Accounting policies (continued)

s) Borrowings

The accounting policy for borrowings that are the hedged item in a fair value hedge is set out in note 2 t) and the accounting policy for lease liabilities is set out in note 2 i).

All other borrowings are initially recognised at fair value less issue costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method whereby interest and issue costs are charged to the income statement and added to the carrying value of borrowings at a constant rate in proportion to the capital amount outstanding.

Index-linked debt is adjusted for changes in the relevant inflation index and changes in value are charged to finance costs.

Borrowings denominated in foreign currency are translated to sterling at the spot rate on the balance sheet date. Exchange gains or losses resulting from this are credited or charged to gains/losses on financial instruments.

t) Derivative financial instruments

Derivative financial instruments are stated at fair value, including accrued interest. Fair value is determined using the methodology described in note 33 a). The accounting policy for changes in fair value depends on whether the derivative is designated as a hedging instrument. The various accounting policies are described below.

Interest receivable or payable in respect of derivative financial instruments is included in finance income or costs.

Derivatives not designated as hedging instruments

Gains or losses arising on remeasurement of derivative financial instruments that are not designated as hedging instruments are recognised in gains/losses on financial instruments in the income statement.

Derivatives designated as hedging instruments

The Group uses derivative financial instruments such as cross currency swaps, forward currency contracts, energy swaps and interest rate swaps to hedge risks associated with foreign currency and interest rate fluctuations.

At the inception of each hedge relationship, the Group documents:

- the economic relationship between the hedging instrument and the hedged item;
- the risk management objectives and strategy for undertaking the hedge transaction; and
- whether changes in fair value or the cash flows of the hedging instrument are expected to offset changes in fair values or cash flows (as appropriate) of the hedged item.

Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated or exercised or no longer qualifies for hedge accounting.

Fair value hedges

Where a loan or borrowing is in a fair value hedging relationship it is remeasured for changes in fair value of the hedged risk at the balance sheet date, with gains or losses being recognised in gains/losses on financial instruments in the income statement. The gain or loss on the corresponding hedging instrument is also taken to gains/losses on financial instruments in the income statement so that the effective portion of the hedge will offset the gain or loss on the hedged item.

If hedge accounting is discontinued, the fair value adjustment arising from the hedged risk on the hedged item is amortised to the income statement over the anticipated remaining life of the hedged item.

Cash flow hedges

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in equity and the ineffective portion is charged to gains/losses on financial instruments in the income statement. When the gain or loss from the hedged underlying transaction is recognised in the income statement, the gains or losses on the hedging instrument that have previously been recognised in equity are recycled through gains/losses on financial instruments in the income statement.

If hedge accounting is discontinued, any cumulative gain or loss on the hedging instrument previously recognised in equity is held in equity until the forecast transaction occurs, or transferred to gains/losses on financial instruments in the income statement if the forecast transaction is no longer expected to occur. From this point the derivative is accounted for in the same way as derivatives not designated as hedging instruments. If the hedging instrument is terminated, the gains and losses previously recognised in equity are held in equity until either the forecast transaction occurs or the forecast transaction is no longer expected to occur.

Embedded derivatives

Where a contract includes terms that cause some of its cash flows to vary in a similar way to a derivative financial instrument, that part of the contract is considered to be an embedded derivative.

Embedded derivatives are separated from the contract and measured at fair value with gains and losses taken to the income statement if the host contract is not an asset within the scope of IFRS 9 and:

- the risks and characteristics of the embedded derivative are not closely related to those of the contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the contract is not carried at fair value with gains and losses reported in the income statement.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

In all other cases embedded derivatives are accounted for in line with the accounting policy for the contract as a whole.

2 Accounting policies (continued)

u) Share based payments

The Group operates a number of equity settled share based compensation plans for employees. The fair value of the employee services received in exchange for the grant is recognised as an expense over the vesting period of the grant.

The fair value of employee services is determined by reference to the fair value of the awards granted, calculated using an appropriate pricing model, excluding the impact of any non-market vesting conditions. The number of awards that are expected to vest takes into account non-market vesting conditions including, where appropriate, continuing employment by the Group. The charge is adjusted to reflect shares that do not vest as a result of failing to meet a non-market condition.

The grant of awards of shares of the ultimate parent Company is treated as a capital contribution and credited to reserves. When awards vest, payments made to the ultimate parent Company for the issue of shares are charged against the capital contributions previously received in respect of the same awards. Any payments in excess of capital contributions are treated as distributions.

v) Cash flow statement

For the purpose of the cash flow statement, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months maturity from the date of acquisition and include cash and bank balances and investments in liquid funds.

Net cash and cash equivalents include overdrafts repayable on demand.

Interest paid in the cash flow statement includes amounts charged to the income statement and amounts included in the cost of property, plant and equipment.

3 New accounting policies and future requirements

On 9 April 2024, the IASB issued IFRS 18 'Presentation and Disclosure in Financial Statements'. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 does not impact the recognition or measurement of items in the financial statements.

The new standard is effective for accounting periods commencing on or after 1 January 2027. We will consider the requirements of the new standard in the period up to its implementation but our initial assessment has not identified any material impacts on the Group's financial reporting.

At the balance sheet date, no other Standards or Interpretations were in issue but not yet effective that are expected to have a material impact on the Group's financial position.

4 Critical accounting judgments and sources of estimation uncertainty

In the process of applying the Group and Company accounting policies, the Group and Company are required to make certain judgments, estimates and assumptions that they believe are reasonable based on the information available. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

a) Critical accounting judgments

i) Classification of costs between operating expenditure and capital expenditure

The Company's business involves significant construction and engineering projects. Assessing the classification of costs incurred on such projects between capital expenditure and operating expenditure requires judgments to be made. The judgments are made based on objective criteria that the Group has developed to facilitate the consistent application of its accounting policies. The costs of like-for-like replacement of infrastructure components are recognised in the income statement as they arise. Total infrastructure renewal expenditure during the year was £144.7 million (2024: £203.3 million). Expenditure which results in quality or capacity enhancements to the operating capability of the infrastructure networks is capitalised and amounted to £305.1 million (2024: £209.9 million).

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

4 Critical accounting judgments and sources of estimation uncertainty (continued)

a) Critical accounting judgments (continued)

ii) *Income from connections to the water and wastewater networks*

The Group receives income from developers and domestic customers from new connections to the water and wastewater networks either in the form of infrastructure assets or cash. The more significant examples of these transactions are:

- Developers transfer to the Group infrastructure assets that they have installed in a new development. Usually there is no monetary consideration exchanged when the Group adopts assets in this manner.
- When new properties are connected to the network, the Group is permitted, under the Water Industry Act, to obtain a contribution from the developer towards the cost of reinforcing its network to meet the additional demands arising from the new connections. These are referred to as infrastructure charges. The charges are a standard amount per property and are not linked to specific reinforcement expenditure.
- When developers require properties to be connected to the Group's network, the Group installs a meter and connection to each property but retains ownership of the assets and responsibility for their maintenance.

Assessing whether this income is received in relation to the provision of the connection to the Group's infrastructure networks or is to facilitate the ongoing provision of water and wastewater services to the properties in question requires judgment about the nature of the ongoing relationship between the Group and the customer. During the year the Group received infrastructure assets with a fair value of £188.6 million (2024: £139.4 million), infrastructure charges amounting to £25.8 million (2024: £24.5 million) and other charges relating to the provision of infrastructure amounting to £14.7 million (2024: £20.1 million).

The Group considers that the purpose of these transactions is to facilitate the ongoing provision of water and wastewater services to the properties in question and they are inextricably linked to that ongoing service. There is a transferable right to receive an ongoing water and wastewater service that passes from customer to customer when the property is bought and sold during the life of the property and, without the ongoing water and wastewater service, the transactions have no value. Therefore, in line with our accounting policies the amounts received are held on the balance sheet and released to turnover in the income statement over the life of the related assets.

iii) *Assessment of fair value of the investment in Severn Trent Trimpley Limited*

The Company holds 49% of the equity share capital of Severn Trent Trimpley Limited. The majority 51% share is held by the Company's holding company, Severn Trent Draycote Limited. The investment is classified as a financial asset measured at fair value through profit and loss because the investment does not give rise to cash flows that are solely payments of principal and interest. Therefore the investment is measured at fair value through profit or loss in accordance with Chapter 4 of IFRS 9.

Assessing the fair value of the investment requires judgment about the methodology that a market participant would adopt to determine the price that would be expected to be received to sell the asset in an orderly transaction.

The investment represents a 49% stake in a company that holds a single asset, a loan note receivable bearing a market rate of interest. Interest receivable from the loan note and tax payable thereon are the only other transactions that the investment incurs.

Because the investment has a single asset and no trade, we consider that a market participant would adopt an asset-based approach to determine the fair value of this investment by determining the fair values of the underlying assets and liabilities at the measurement date. This approach involves estimating the present values of the expected cash flows from the underlying assets and liabilities.

iv) *Climate Change*

The Group has performed an assessment of the impact that climate change may have on the amounts recognised in the financial statements. The natural environment in which the Group operates is continually changing, and the expected impact on the Group from climate change is set out within the 'Our approach to climate change' section of the Strategic Report.

We have considered the impact of the climate change related risks to which the Group is exposed in the preparation of these financial statements, including the consideration of the impact of climate change related risks on management's judgments and estimates, the carrying value of assets and their useful economic lives. The risks are long term in nature, and whilst they will provide a need for investment in the future, we conclude that there is no material impact on the carrying amount of assets or liabilities recognised in the financial statements, nor do they lead to any additional key sources of estimation or judgment.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

4 Critical accounting judgments and sources of estimation uncertainty (continued)

b) Sources of estimation uncertainty

i) Depreciation and carrying amounts of property, plant and equipment

Calculating the depreciation charge and hence the carrying value for property, plant and equipment requires estimates to be made of the useful lives of the assets. The estimates are based on engineering data and the Group's experience of similar assets. Details are set out in note 2 h). The average useful life of property, plant and equipment by asset category is detailed as follows:

	Average useful economic life (years)
Land and buildings	40.0
Infrastructure assets	144.5
Fixed plant and equipment	26.0
Moveable plant	10.8

The impact on the annual depreciation expense of a 10% increase and decrease in useful economic life ('UEL') of property, plant and equipment by asset category is detailed as follows:

	10% increase in UEL £m	10% decrease in UEL £m
Land and buildings	(10.2)	12.5
Infrastructure assets	(4.1)	5.0
Fixed plant and equipment	(19.9)	24.3
Moveable plant	(0.8)	1.0

ii) Retirement benefit obligations

Determining the amount of the Group's retirement benefit obligations and the net costs of providing such benefits requires assumptions to be made concerning long-term interest rates, inflation and longevity of current and future pensioners. Changes in these assumptions could significantly impact the amount of the obligations or the cost of providing such benefits. The Group makes assumptions concerning these matters with the assistance of advice from independent qualified actuaries. Details of the key assumptions made and associated sensitivities are set out in note 27 to the financial statements.

iii) Expected credit losses on trade receivables

Expected credit losses for trade receivables are based on the historical credit losses experienced over the last nine years and reasonable forecasts of the future impact of external economic factors on the Group's collection of trade receivables. A number of economic factors such as high inflation, rising interest rates, and reduction of Government support for domestic energy bills might impact household disposable income and therefore the expected credit losses on trade receivables.

The gross carrying amounts and expected credit loss allowances for trade receivables and accrued income were as follows:

Group and Company	2025 £m	2024 £m
Gross carrying amount	784.9	702.0
Provision for bad and doubtful debts	(129.8)	(129.3)
Net carrying amount	655.1	572.7

Movements in the expected credit loss allowance are as follows:

Group and Company

	2025 £m	2024 £m
At 1 April	129.3	127.6
Charge for bad and doubtful debts	32.8	26.2
Amounts written off during the year	(32.3)	(24.5)
At 31 March	129.8	129.3

The average expected credit loss for the outstanding trade receivables and accrued income was 1.96% at 31 March 2025 (2024: 2.14%). An increase/decrease of 10bps in the expected credit loss would result in an increase/decrease to the charge and provision for bad and doubtful debts by £11.2 million (2024: £9.8 million).

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

5 Revenue from contracts with customers - Group

	2025	2024
	£m	£m
Water and wastewater services	2,168.7	2,066.7
Renewable energy	37.8	48.4
Other services	7.3	6.9
Turnover	2,213.8	2,122.0
Finance income	40.6	13.6
	2,254.4	2,135.6

Revenue from water and wastewater services provided to customers with meters is recognised when the service is provided and is measured based on actual meter readings and estimated consumption for the period between the last meter reading and the year end. For customers who are not metered, the performance obligation is to stand ready to provide water and wastewater services throughout the period. Such customers are charged on an annual basis, coterminous with the financial year, and revenue is recognised on a straight-line basis over the financial year.

Deferred income arising from connections to the Group's water and wastewater networks represents a contract liability and is recognised in line with the Group's accounting policy set out in note 2 and the judgment described in note 4. Changes in the Group's contract liabilities from deferred income were as follows:

	2025	2024
	£m	£m
At 1 April	1,633.3	1,461.0
Contributions and grants received	43.1	49.5
Assets transferred at no cost	188.6	139.4
Amounts released to income statement	(17.5)	(16.6)
At 31 March	1,847.5	1,633.3

Revenue amounting to £16.7 million (2024: £16.6 million) that was included in the opening balance of the contract liability was recognised in the income statement during the year. No revenue was recognised in the year from performance obligations relating to connections to the Group's water and wastewater networks that were satisfied or partially satisfied in previous years (2024: nil).

Payments for infrastructure charges and other charges relating to connection to the networks occur when the connections are made. The performance obligations, including provision of an ongoing water and wastewater service, are provided over the life of the relevant property.

Revenue from the remaining performance obligations is expected to be recognised as follows:

	2025	2024
	£m	£m
In the next year	30.0	16.7
Between one and five years	120.0	66.8
After more than five years	1,697.5	1,549.8
	1,847.5	1,633.3

Payments received from customers in advance of the service period represents a contract liability. Changes in the Group's contract liabilities from payments received in advance were as follows:

	2025	2024
	£m	£m
Contract liability at 1 April	149.0	146.5
Revenue recognised	(1,668.9)	(1,521.7)
Cash received	1,693.7	1,524.2
Contract liability at 31 March	173.8	149.0

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

6 Net operating costs – Group

	2025	2024
	£m	£m
Wages and salaries	410.9	350.2
Social security costs	42.1	35.2
Pension costs	40.5	33.9
Share based payments	8.6	7.6
Total employee costs	502.1	426.9
Power	187.0	275.8
Raw materials and consumables	95.1	96.0
Rates	94.2	87.1
Charge for bad and doubtful debts	32.8	26.2
Service charges	52.2	43.3
Depreciation of property, plant and equipment	385.3	366.8
Depreciation of right-of-use assets	5.7	3.9
Impairment of property, plant and equipment	11.4	–
Amortisation of intangible assets	33.5	30.4
Hired and contracted services	267.9	245.8
Hire of plant and machinery	10.9	11.3
Profit on disposal of tangible fixed assets	(2.2)	(3.2)
Infrastructure maintenance expenditure	144.7	203.3
Ofwat licence fees	8.3	7.9
Other operating costs	57.0	42.5
Other operating income	(17.1)	(6.0)
	1,868.8	1,858.0
Own work capitalised	(259.4)	(232.4)
	1,609.4	1,625.6

During the year the following fees were charged by the auditor:

	Group and Company	
	2025	2024
	£m	£m
Fees payables to the Company's auditor for:		
- the audit of the Company's annual accounts	0.5	0.3
Total audit fees	0.5	0.3
Fees payables to the Company's auditor and its associates for other services to the Group:		
- audit related assurance services	0.1	0.2
- other assurance services	0.1	0.1
Total non-audit fees	0.2	0.3

Details of the Group policy on the use of the auditor for non-audit services and how auditor independence and objectivity are safeguarded are set out in the Audit Committee report on pages [] and []. No services were provided pursuant to contingent fee arrangements.

Details of directors' remuneration are set out in the Directors' remuneration report on pages [] to [].

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

7 Employee numbers – Group and Company

Average number of employees (including Executive Directors) during the year:

	Group		Company	
	2025 Number	2024 Number	2025 Number	2024 Number
	8,763	7,942	8,763	7,942

8 Directors' interests and remuneration – Group and Company

a) Directors' interests

All of the Directors as at the end of the year are also Directors of Severn Trent Plc, the ultimate parent undertaking, and their interests in the share capital of that Company are disclosed in the Severn Trent Plc Annual Report and Accounts for the year ended 31 March 2025. Share options were granted and exercised in accordance with the Severn Trent Sharesave Scheme as appropriate.

The Executive Directors have further interests in Severn Trent Plc ordinary shares of 97¹⁷/₁₉ p each by virtue of having received contingent awards of shares under the Severn Trent Long Term Incentive Plan (LTIP) and deferred shares under the Severn Trent Annual Bonus Scheme.

The individual interests, which represent the maximum aggregate number of shares to which each individual could become entitled, are disclosed in the Annual Report and Accounts of Severn Trent Plc for the year ended 31 March 2025.

b) Directors' remuneration

The following table shows the remuneration due to directors for their services to the Company during the year:

2025	Fixed pay and benefits £'000	Bonus £'000	Bonus (deferred into shares)	Service Contracts £'000	Total £'000
			£'000		
Executive Directors	1,562.1	665.1	665.1	–	2,892.3
Non-Executive Directors	–	–	–	753.7	753.7
	1,562.1	665.1	665.1	753.7	3,646.0

2024	Fixed pay and benefits £'000	Bonus £'000	Bonus (deferred into shares)	Service Contracts £'000	Total £'000
			£'000		
Executive Directors	1,659.7	582.4	481.7	–	2,723.8
Non-Executive Directors	–	–	–	780.8	780.8
	1,659.7	582.4	481.7	780.8	3,504.6

Executive directors' bonuses and emoluments of the non-executive directors are paid by Severn Trent Plc.

There were no retirement benefits accruing to directors (2024: nil) under a defined benefit scheme and one director (2024: one director) under a defined contribution scheme.

c) Highest paid director

	2025 £'000	2024 £'000
Aggregate emoluments (excluding pension contributions)	1,679	1,401

The highest paid director at 31 March 2025 and 31 March 2024 was not a member of the defined benefit pension scheme.

9 Finance income - Group

	2025 £m	2024 £m
Interest income earned on:		
Bank deposits	36.1	11.2
Amounts due from group undertakings	3.9	0.9

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

Other finance income	0.6	1.5
Total interest receivable	40.6	13.6
Interest income on defined benefit scheme assets	83.4	80.6
	124.0	94.2

10 Finance costs - Group

	2025 £m	2024 £m
Interest expense charged on:		
Bank loans and overdrafts	28.2	27.1
Other loans	236.8	266.5
Lease liabilities	4.1	3.9
Total borrowing costs	269.1	297.5
Other finance expenses	2.3	–
Interest cost on defined benefit scheme liabilities	93.7	94.0
	365.1	391.5

Borrowing costs of £101.2 million (2024: £68.1 million) incurred funding eligible capital projects have been capitalised at an interest rate of 4.4% (2024: 4.1%). Tax relief of £25.3 million (2024: £17.0 million) was claimed on these costs which has created tax losses carried forward, offset by a related deferred tax charge of £25.3 million (2024: £17.0 million).

11 Net gains on financial instruments - Group

	2025 £m	2024 £m
Loss on swaps used as hedging instruments in fair value hedges	(2.4)	(15.5)
Gain arising on debt in fair value hedges	5.2	15.6
Exchange gain on other loans	10.9	2.8
Loss on cash flow hedges transferred from equity	(13.0)	(18.6)
Hedge ineffectiveness on cash flow hedges	–	0.7
Loss arising on swaps where hedge accounting is not applied	(16.6)	(9.0)
Amortisation of fair value adjustment on debt	1.2	1.2
Gain on revaluation of investment	49.0	81.5
	34.3	58.7

Net gains from financial assets and liabilities mandatorily measured at fair value through profit or loss was £30.0 million (2024: £57.0 million). There were no financial assets or liabilities designated as at fair value through the profit or loss (2024: nil).

The Group's hedge accounting arrangements are described in note 35.

12 Taxation

a) Analysis of tax charge in the year

	2025 £m	2024 £m
Current tax		
Current year at 25% (2024: 25%)	(25.1)	(3.7)
Prior years	(5.0)	4.0
Total current tax (credit)/charge	(30.1)	0.3
Deferred tax		
Origination and reversal of temporary differences:		
Current year	108.7	51.9
Prior years	3.5	0.5
Total deferred tax charge	112.2	52.4
	82.1	52.7

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

12 Taxation (continued)

b) Factors affecting the tax charge in the year

The Group tax charge for the current year is lower (2024: lower) than the standard rate of corporation tax in the UK of 25% (2024: 25%). The differences are explained below:

	2025 £m	2024 £m
Profit before taxation	397.6	257.8
Tax at standard rate of corporation tax in the UK 25% (2024: 25%)	99.4	64.5
Tax effect of depreciation on non-qualifying assets	6.1	4.0
Other permanent differences	(21.9)	(20.3)
Adjustments in respect of prior years	(1.5)	4.5
Total tax charge	82.1	52.7

The Group current tax charge is lower (2024: lower) than the standard rate of corporation tax in the UK of 25% (2024: 25%). The differences are explained below:

	2025 £m	2024 £m
Profit before taxation	397.6	257.8
Tax at standard rate of corporation tax in the UK 25% (2024: 25%)	99.4	64.5
Tax effect of depreciation on non-qualifying assets	6.1	4.0
Other permanent differences	(21.9)	(20.3)
Tax effect of accelerated capital allowances	(299.3)	(210.4)
Other temporary differences	14.2	(8.3)
Tax losses carried forward	176.4	166.8
Adjustments in respect of prior years	(5.0)	4.0
Total current tax (credit)/charge	(30.1)	0.3

The most significant factor impacting the Group's current tax (credit)/charge is the difference between the depreciation charged on property, plant and equipment in the financial statements and the amount deductible from taxable profits in the form of capital allowances. Where the assets qualify for capital allowances this creates a temporary difference and deferred tax is recognised on the difference between the carrying amount of the asset and the amount that will be deductible for tax purposes in future years. Changes in the amount of deferred tax recognised on these assets are charged or credited to deferred tax in the income statement. Where the amount of the capital allowances received is greater than the depreciation charged this is referred to as accelerated capital allowances.

Full expensing was made permanent in the Autumn Statement on 22 November 2023 and provides first year allowances for main rate assets and 50% first year allowance for special rate (including long life) assets. The impact of full expensing meant that the Group was eligible to claim significant capital allowances to the extent that the Group was not liable to pay corporation tax for the year.

Certain of the Group's property, plant and equipment assets are not eligible for capital allowances under current legislation. Therefore, there is no tax deduction that corresponds to the depreciation charged on these assets and deferred tax is not recognised in respect of this permanent difference.

Other permanent differences comprise expenditure that is not deductible for tax purposes or income that is not taxable.

Other temporary differences comprise items other than depreciation of property, plant and equipment where the amount is included in the tax computation in a different period from when it is recognised in the income statement. Deferred tax is provided on these items.

The amounts included for tax assets in the financial statements include estimates and judgments relating to uncertain tax positions. If the computations subsequently submitted to HMRC include different amounts then these differences are reflected as an adjustment in respect of prior years in the subsequent financial statements.

Deferred tax is provided at 25%, the rate that is expected to apply when the asset or liability is expected to be settled. Further details are provided in note 26.

As part of the Organisation for Economic Co-operation and Development ('OECD')/G20 Base Erosion and Profit Shifting ('BEPS') project, the OECD has introduced the Pillar Two Model Rules. The company is part of the Severn Trent Group which is within the scope of these OECD Pillar Two model rules. Disclosures required by the FRS are included in the consolidated financial statements available on our corporate website.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

12 Taxation (continued)

c) Tax charged directly to other comprehensive income or equity

In addition to the amount charged to the income statement, the following amounts of tax have been charged/(credited) directly to other comprehensive income or equity:

	2025	2024
	£m	£m
Deferred tax		
Actuarial gains	9.4	4.1
Cash flow hedges	(0.9)	(1.5)
Share based payments	(0.2)	5.7
Transfers to the income statement	3.2	4.6
Total deferred tax charged to other comprehensive income or equity	11.5	12.9

13 Dividends – Group and Company

Amounts recognised as distributions to equity holders in the period:

	2025		2024	
	Pence per share	£m	Pence per share	£m
Interim dividend for the year ended 31 March	0.03	192.0	24.00	300.0

14 Goodwill - Group

Goodwill impairment tests

Goodwill relates to the whole of the Group's operations and cannot be allocated at a lower level.

A summary of the carrying amount of goodwill is presented below.

	2025	2024
	£m	£m
Regulated Water and Wastewater	63.5	63.5

The Group also has an intangible asset with indefinite useful life amounting to £4.3 million (2024: £4.3 million).

On 1 July 2018 the Instruments of Appointment of Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig (formerly Dee Valley Water Limited) were amended to align the areas for which the appointments were made with the national border between England and Wales. As a result, as at 31 March 2022 the business that the goodwill related to was partly in Severn Trent Water and partly Hafren Dyfrdwy. Upon disposal of Hafren Dyfrdwy from the Group, it was assessed that there was no systematic basis for allocating the goodwill between the two entities. Consequently, this has been treated as wholly attributable to Severn Trent Water and has been assessed for impairment as such.

The Group has reviewed the carrying value of goodwill for impairment in accordance with the policy stated in note 2. The carrying value of the Group was determined on the basis of fair value, through a Level 3 valuation, less costs to sell.

The fair value, determined using a discounted cash flow calculation for the Group is based on the most recent financial projections available for the business, which cover the five year period to 31 March 2030.

The key assumptions underlying these projections are the cash flows in the projections and the following:

	%
Discount rate	5.8
CPIH long-term inflation	2.1
Growth rate in the period beyond the detailed projections	2.0

The discount rate, used in the discounted cash flow calculation, was an estimate for the weighted average cost of capital at the year end date based on the nominal post-tax WACC detailed in the Ofwat PR24 final determination. The rate disclosed above is the equivalent pre-tax nominal rate, the post-tax rate used was 5.8%.

Inflation has been included in the detailed projections at 2.1% CPIH, informed through external market trends and measures of inflation used by Ofwat.

Cash flows beyond the end of the five-year period are extrapolated using an assumed real growth rate of 2.0% in the Group's regulatory capital base, based on past experience and external factors likely to drive long-term growth in the regulatory capital base.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

The fair value less costs to sell for the Group exceeded its carrying value by £3,013.3 million. An increase in the discount rate to 6.1% or a reduction in the growth rate in the period beyond the detailed projections to 1.7% would reduce the recoverable amount to the carrying amount of the Group.

15 Other intangible assets

Group

	Computer software		Capitalised development costs and patents	Other intangible assets	Total
	Internally generated	Purchased			
	£m	£m			
Cost					
At 1 April 2023	339.7	192.6	1.3	10.0	543.6
Additions	23.3	5.7	–	–	29.0
At 1 April 2024	363.0	198.3	1.3	10.0	572.6
Additions	33.9	5.4	–	–	39.3
Disposals	(22.5)	(2.3)	–	(0.1)	(24.9)
Reclassifications	25.9	(25.9)	–	–	–
At 31 March 2025	400.3	175.5	1.3	9.9	587.0
Amortisation					
At 1 April 2023	(256.0)	(132.4)	(0.1)	–	(388.5)
Amortisation for the year	(20.8)	(9.6)	–	–	(30.4)
At 1 April 2024	(276.8)	(142.0)	(0.1)	–	(418.9)
Amortisation for the year	(23.6)	(9.9)	–	–	(33.5)
Disposals	22.5	2.4	–	–	24.9
Reclassifications	0.9	(0.9)	–	–	–
At 31 March 2025	(277.0)	(150.4)	(0.1)	–	(427.5)
Net book value					
At 31 March 2025	123.3	25.1	1.2	9.9	159.5
At 31 March 2024	86.2	56.3	1.2	10.0	153.7

Other intangible assets include the instrument of appointment acquired with Dee Valley Water and rights obtained under contracts for biological assets. The instrument of appointment has an indefinite useful life and as such the carrying value has been included in the impairment assessment performed for the Regulated Water and Wastewater CGU described in note 14.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

15 Other intangible assets (continued)

Company

	Computer software		Capitalised development costs and patents	Other intangible assets	Total
	Internally generated	Purchased			
	£m	£m			
Cost					
At 1 April 2023	339.7	192.6	1.3	5.6	539.2
Additions	23.3	5.7	–	–	29.0
At 1 April 2024	363.0	198.3	1.3	5.6	568.2
Additions	33.9	5.4	–	–	39.3
Disposals	(22.5)	(2.3)	–	–	(24.8)
Reclassifications	25.9	(25.9)	–	–	–
At 31 March 2025	400.3	175.5	1.3	5.6	582.7
Amortisation					
At 1 April 2023	(256.0)	(132.3)	(0.1)	–	(388.4)
Amortisation for the year	(20.8)	(9.6)	–	–	(30.4)
At 1 April 2024	(276.8)	(141.9)	(0.1)	–	(418.8)
Amortisation for the year	(23.6)	(9.9)	–	–	(33.5)
Disposals	22.5	2.3	–	–	24.8
Reclassifications	0.9	(0.9)	–	–	–
At 31 March 2025	(277.0)	(150.4)	(0.1)	–	(427.5)
Net book value					
At 31 March 2025	123.3	25.1	1.2	5.6	155.2
At 31 March 2024	86.2	56.4	1.2	5.6	149.4

Other intangible assets include rights obtained under contracts for biological assets.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

16 Property, plant and equipment

Group

	Land and buildings £m	Infrastructure assets £m	Fixed plant and equipment £m	Moveable plant £m	Assets under construction £m	Total £m
Cost						
At 1 April 2023	4,148.3	6,023.4	5,298.0	79.0	1,200.3	16,749.0
Additions	60.0	179.9	136.7	20.4	993.4	1,390.4
Transfers on commissioning	59.4	30.0	140.4	0.8	(230.6)	–
Disposals	(0.7)	–	(0.6)	(5.6)	(0.8)	(7.7)
At 1 April 2024	4,267.0	6,233.3	5,574.5	94.6	1,962.3	18,131.7
Additions	113.9	248.7	163.0	4.5	1,388.1	1,918.2
Transfers on commissioning	120.2	56.4	135.4	5.4	(317.4)	–
Disposals	(8.1)	–	(190.9)	(4.3)	–	(203.3)
Reclassifications	(8.9)	(5.5)	0.3	0.5	3.3	(10.3)
Impairment	–	–	–	–	(11.4)	(11.4)
At 31 March 2025	4,484.1	6,532.9	5,682.3	100.7	3,024.9	19,824.9
Depreciation						
At 1 April 2023	(1,707.1)	(1,506.2)	(3,212.2)	(45.3)	–	(6,470.8)
Charge for the year	(101.7)	(43.0)	(214.8)	(7.3)	–	(366.8)
Disposals	0.6	–	0.5	5.2	–	6.3
At 1 April 2024	(1,808.2)	(1,549.2)	(3,426.5)	(47.4)	–	(6,831.3)
Charge for the year	(112.1)	(45.2)	(218.7)	(9.3)	–	(385.3)
Disposals	7.4	0.1	191.6	4.2	–	203.3
Reclassifications	9.8	0.2	0.3	–	–	10.3
At 31 March 2025	(1,903.1)	(1,594.1)	(3,453.3)	(52.5)	–	(7,003.0)
Net book value						
At 31 March 2025	2,581.0	4,938.8	2,229.0	48.2	3,024.9	12,821.9
At 31 March 2024	2,458.8	4,684.1	2,148.0	47.2	1,962.3	11,300.4

Additions include assets transferred from developers at no cost, which have been recognised at their fair value of £188.6 million (2024: £139.4 million).

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

16 Property, plant and equipment (continued)

Company

	Land and buildings	Infrastructure assets	Fixed plant and equipment	Moveable plant	Assets under construction	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 April 2023	3,924.0	6,023.4	5,293.9	79.0	1,200.3	16,520.6
Additions	60.0	179.9	136.7	20.4	993.4	1,390.4
Transfers on commissioning	59.4	30.0	140.4	0.8	(230.6)	–
Disposals	(0.7)	–	(0.6)	(5.6)	(0.8)	(7.7)
At 1 April 2024	4,042.7	6,233.3	5,570.4	94.6	1,962.3	17,903.3
Additions	113.9	248.7	163.0	4.5	1,388.1	1,918.2
Transfers on commissioning	120.2	56.4	135.4	5.3	(317.3)	–
Disposals	(8.1)	–	(190.9)	(4.3)	(0.1)	(203.4)
Reclassifications	1.2	(5.5)	(0.6)	0.6	3.3	(1.0)
Impairment	–	–	–	–	(11.4)	(11.4)
At 31 March 2025	4,269.9	6,532.9	5,677.3	100.7	3,024.9	19,605.7
Depreciation						
At 1 April 2023	(1,630.9)	(1,505.2)	(3,210.1)	(45.3)	–	(6,391.5)
Charge for the year	(97.9)	(43.0)	(214.8)	(7.3)	–	(363.0)
Disposals	0.6	–	0.5	5.2	–	6.3
At 1 April 2024	(1,728.2)	(1,548.2)	(3,424.4)	(47.4)	–	(6,748.2)
Charge for the year	(108.2)	(45.2)	(218.7)	(9.3)	–	(381.4)
Disposals	7.4	–	191.0	4.2	–	202.6
Reclassifications	0.6	(0.7)	1.1	–	–	1.0
At 31 March 2025	(1,828.4)	(1,594.1)	(3,451.0)	(52.5)	–	(6,926.0)
Net book value						
At 31 March 2025	2,441.5	4,938.8	2,226.3	48.2	3,024.9	12,679.7
At 31 March 2024	2,314.5	4,685.1	2,146.0	47.2	1,962.3	11,155.1

Additions include assets transferred from developers at no cost, which have been recognised at their fair value of £188.6 million (2024: £139.4 million).

The net book value of land and buildings is analysed as follows:

Group

	2025	2024
	£m	£m
Freehold	2,580.7	2,458.5
Short leasehold	0.3	0.3
	2,581.0	2,458.8

Company

	2025	2024
	£m	£m
Freehold	2,441.2	2,314.2
Short leasehold	0.3	0.3
	2,441.5	2,314.5

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

17 Biological assets – Group and Company

Biological assets comprise forestry assets situated at the Upper Derwent Valley. The forests were valued by RICS Registered Valuers, Knight Frank LLP in December 2022. These valuations were updated to the recognition date using the Standing Timber Index published by Forest Research according to arrangements approved by the UK Statistics Authority. Forest Research is the research agency of the Forestry Commission and is Great Britain's principal organisation for forestry and tree-related research.

	2025 £m	2024 £m
Value at 1st April	2.6	–
Gain on initial recognition	–	2.6
Biological assets felled	(0.3)	–
Value 31st March	2.3	2.6

The Group holds 176.5 hectares (2024: 177.1 hectares) of forestry assets.

18 Leases

a) The Group's leasing activities

The Group and Company lease various properties, equipment and vehicles. Lease agreements are typically made for fixed periods of up to 999 years but may have extension options as described in note 2i).

Lease contracts are negotiated on an individual basis and include a wide range of terms and conditions. The contracts do not include covenants other than security interests in the leased assets that are held by the lessor and leased assets may not be used as security for other borrowing. The contracts do not impose any restrictions on dividend payment, additional debt or further leasing. There were no sale and leaseback transactions in the period.

b) Income statement

The income statement includes the following amounts relating to leases for the year ended 31 March 2025:

	Group	
	2025 £m	2024 £m
Depreciation charge of right-of-use assets:		
Land and buildings	0.1	0.2
Infrastructure assets	1.1	1.1
Fixed plant and equipment	0.2	0.2
Moveable plant	4.3	2.4
Total depreciation of right-of-use assets	5.7	3.9
Interest expense included in finance cost	4.1	3.9

c) Balance sheet

The balance sheet includes the following amounts relating to leases:

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
Right-of-use assets:				
Land and buildings	5.1	5.2	144.7	148.6
Infrastructure assets	108.2	109.2	315.0	329.8
Fixed plant and equipment	3.8	3.2	3.5	2.9
Moveable plant	12.2	13.6	12.5	13.9
	129.3	131.2	475.7	495.2

18 Leases (continued)

c) Balance sheet (continued)

Additions to right-of-use assets for the Group were £3.8 million (2024: £15.1 million) and for the Company were £3.8 million (2024: £15.1 million).

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
Lease liabilities:				
Current	13.2	11.1	34.6	31.4
Non-current	87.7	98.1	445.2	477.6
	100.9	109.2	479.8	509.0

Obligations under lease liabilities are as follows:

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
Within 1 year	17.0	15.6	51.4	49.5
1 - 2 years	16.5	16.3	50.9	50.2
2 - 5 years	46.6	53.8	149.9	155.5
After more than 5 years	43.8	57.1	353.4	384.2
Gross obligations under finance leases	123.9	142.8	605.6	639.4
Less: future finance charges	(23.0)	(33.6)	(125.8)	(130.4)
Present value of lease obligations	100.9	109.2	479.8	509.0

Net obligations under leases were as follows:

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
Within 1 year	13.2	11.1	34.6	31.4
1 - 2 years	13.1	11.8	35.1	32.7
2 - 5 years	39.8	38.5	109.3	104.6
After more than 5 years	34.8	47.8	300.8	340.3
Included in non-current liabilities	87.7	98.1	445.2	477.6
	100.9	109.2	479.8	509.0

d) Cash flow

The Group's total cash outflow for leases in the year was £16.2 million (2024: £13.0 million) which consists of £4.1 million (2024: £3.9 million) payment of interest and £12.1 million (2024: £9.1 million) repayment of principal elements.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

19 Investments

	Group Other investments £m	Subsidiaries £m	Other investments £m	Company Total £m
At 1 April 2024	1,685.3	393.7	1,685.3	2,079.0
Gain on revaluation	49.0	–	49.0	49.0
Disposal of East Worcester Water Limited	–	(169.5)	–	(169.5)
At 31 March 2025	1,734.3	224.2	1,734.3	1,958.5

Severn Trent Water Limited disposed of its interest in East Worcester Water Limited in the year via a dividend in specie to Severn Trent Draycote Limited, resulting in a derecognition of the carrying value of its investment of £169.5 million.

The Company has the following subsidiary undertakings:

Subsidiary undertaking	Country of operation and incorporation	Principal activity	Percentage and class of share capital held
Severn Trent General Partnership Limited	Scotland	Finance company	100% ordinary
Severn Trent LCP Limited	England and Wales	Finance company	100% ordinary
Severn Trent Leasing Limited	England and Wales	Leasing company	100% ordinary
Severn Trent Reservoirs Limited	England and Wales	Finance company	100% ordinary
Severn Trent Utilities Finance Plc	England and Wales	Finance company	100% ordinary
Severn Trent WWIF Limited	England and Wales	Dormant company	100% ordinary

The Group and Company have the following investment:

Associated undertaking	Country of operation and incorporation	Principal activity	Percentage and class of share capital held
Severn Trent Trimpley Limited	England and Wales	Non-trading company	49% ordinary

The Company also has an indirect investment in Severn Trent Limited Partnership and Severn Trent 2017 Limited Partnership. Both partnerships are registered in Scotland, as a result of Severn Trent General Partnership Limited being the general partner in each partnership.

In the opinion of the Directors the fair values of the Company's investments are not less than the amount at which they are stated in the balance sheet.

Unless stated below, the registered office of the aforementioned entities is Severn Trent Centre, 2 St John's Street, Coventry, CV1 2LZ, United Kingdom.

The registered office of Severn Trent General Partnership Limited is 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

20 Categories of financial assets - Group

	Note	2025 £m	2024 £m
Fair value through profit and loss			
Cross currency swaps - not hedge accounted		13.9	12.9
Investments		1,734.3	1,685.3
Inflation swaps - not hedge accounted		6.0	8.8
Energy swaps - not hedge accounted		1.4	–
		1,755.6	1,707.0
Derivatives designated as hedging instruments			
Cross currency swaps - fair value hedges		9.3	10.2
Interest rate swaps - cash flow hedges		35.6	39.2
Energy hedges - cash flow hedges		0.5	0.1
		45.4	49.5
Total financial assets at fair value		1,801.0	1,756.5
Financial assets at amortised cost			
Net trade receivables	21	340.1	286.1
Accrued income	21	315.0	286.6
Other amounts receivable	21	82.8	84.0
Amounts due from group undertakings	21	19.4	87.5
Short-term deposits		680.9	425.5
Cash at bank and in hand		2.2	0.6
Total financial assets at amortised cost		1,440.4	1,170.3
Total financial assets		3,241.4	2,926.8
Disclosed in the balance sheet as:			
Non-current assets			
Derivative financial assets		59.9	71.2
Trade and other receivables		5.6	5.3
Investments		1,734.3	1,685.3
		1,799.8	1,761.8
Current assets			
Derivative financial assets		6.8	–
Trade and other receivables		751.7	738.9
Cash and cash equivalents		683.1	426.1
		1,441.6	1,165.0
		3,241.4	2,926.8

21 Trade and other receivables

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
Current assets				
Net trade receivables	334.5	286.1	334.5	286.1
Other amounts receivable	82.8	78.7	82.8	78.7
Prepayments	33.2	29.0	33.2	29.0
Net accrued income	315.0	286.6	315.0	286.6
Receivables due from group undertakings	19.4	87.5	15.8	88.6
Receivables due from group undertakings under finance leases	–	–	1.0	0.8
	784.9	767.9	782.3	769.8
Non-current assets				
Net trade receivables	5.6	–	5.6	–
Other amounts receivable	–	5.3	–	–
Prepayments	10.9	7.7	10.9	7.7
Receivables due from group undertakings under finance leases	–	–	93.2	94.1
	16.5	13.0	109.7	101.8
	801.4	780.9	892.0	871.6

The carrying values of trade and other receivables are reasonable approximations of their fair values.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

21 Trade and other receivables (continued)

a) Credit risk

i) Trade receivables and accrued income

The carrying values of trade and other receivables are reasonable approximations of their fair values.

The Company has a statutory obligation to provide water and sewerage services to customers within its region. Therefore there is no concentration of credit risk with respect to its trade receivables and the credit quality of its customer base reflects the wealth and prosperity of all of the domestic households within the Severn Trent Water region.

In the current and prior year, Water Plus, a joint venture between Severn Trent Plc group and United Utilities, was the largest retailer for business customers in the Severn Trent Water region. Credit risk is considered separately for trade receivables due from Water Plus and is considered immaterial as amounts outstanding are paid within 30 days.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance for all trade receivables and accrued income.

A collective provision is recorded for expected credit losses against assets for which no specific provision has been made. Expected credit losses for trade receivables are based on the historical credit losses experienced over the last nine years and reasonable supportable information on the future impact of external economic factors on the Group's collection of trade receivables.

Debts are written off when there is no realistic expectation of further collection and enforcement activity has ceased. There were no amounts outstanding on receivables written off and still subject to enforcement activity (2024: nil).

b) Expected credit loss allowance – trade receivables and accrued income

The expected credit loss at 31 March 2025 and 2024 was as set out below. The expected loss rate disclosed is calculated as the loss allowance as a proportion of the gross carrying amount.

Group and Company

2025	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
	%	£m	£m	£m
Not past due	4	428.7	(16.3)	412.4
Up to 1 year past due	13	84.4	(11.3)	73.1
1 - 2 years past due	24	82.1	(20.0)	62.1
2 - 3 years past due	29	57.1	(16.7)	40.4
3 - 4 years past due	40	37.9	(15.0)	22.9
4 - 5 years past due	45	28.5	(12.7)	15.8
5 - 6 years past due	43	18.8	(8.0)	10.8
6 - 7 years past due	50	19.2	(9.6)	9.6
7 - 8 years past due	58	12.0	(6.9)	5.1
8 - 9 years past due	60	7.2	(4.3)	2.9
More than 9 years past due	100	9.0	(9.0)	–
		784.9	(129.8)	655.1

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

21 Trade and other receivables (continued)

b) Expected credit loss allowance – trade receivables and accrued income (continued)

2024	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
	%	£m	£m	£m
Not past due	3	347.3	(10.0)	337.3
Up to 1 year past due	17	111.5	(19.3)	92.2
1 - 2 years past due	29	75.8	(21.7)	54.1
2 - 3 years past due	31	49.1	(15.0)	34.1
3 - 4 years past due	40	34.1	(13.7)	20.4
4 - 5 years past due	41	22.7	(9.4)	13.3
5 - 6 years past due	55	21.8	(11.9)	9.9
6 - 7 years past due	54	15.0	(8.1)	6.9
7 - 8 years past due	71	7.3	(5.2)	2.1
8 - 9 years past due	65	6.6	(4.3)	2.3
More than 9 years past due	99	10.8	(10.7)	0.1
		702.0	(129.3)	572.7

Movements on the expected credit loss allowance were as follows:

	Group and Company	
	2025 £m	2024 £m
At 1 April	129.3	127.6
Charge for bad and doubtful debts	32.8	26.2
Amounts written off during the year	(32.3)	(24.5)
At 31 March	129.8	129.3

22 Finance lease receivables - Company

Minimum lease payments receivable are as follows:

	2025 £m	2024 £m
Within 1 year	5.7	5.7
1 - 2 years	5.7	5.7
2 - 5 years	17.0	17.0
After more than 5 years	187.5	193.1
Gross obligations under finance leases	215.9	221.5
Less: unearned interest receivable	(121.7)	(126.6)
	94.2	94.9

The present value of minimum lease payments receivable are as follows:

	2025 £m	2024 £m
Within 1 year	1.0	0.8
1 - 2 years	0.9	0.9
2 - 5 years	3.0	2.9
After more than 5 years	89.3	90.3
Included in non-current liabilities	93.2	94.1
	94.2	94.9

The Company considers that the credit risk in relation to these receivables is immaterial and therefore no provision for expected credit losses has been recognised (2024: nil).

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

The Company has granted finance leases of between 44 and 57 years to Severn Trent Leasing Limited in respect of concrete settling tanks. The interest terms were set at the inception of the leases. Leases bear interest at a weighted average interest rate of 5.1% (2024: 5.1%).

23 Borrowings

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
Current liabilities				
Bank overdraft	–	2.0	–	2.0
Other loans	516.4	54.3	–	54.3
Loans due to fellow subsidiary undertakings	–	–	516.4	–
Lease liabilities	13.2	11.1	13.2	11.1
Lease liabilities payable to other group companies	–	–	21.4	20.3
	529.6	67.4	551.0	87.7
Non-current liabilities				
Bank loans	503.2	498.2	503.2	498.2
Other loans	8,082.1	7,104.1	1,121.0	1,062.7
Loans due to fellow subsidiary undertakings	–	–	7,366.8	6,621.5
Lease liabilities	87.7	98.1	87.7	98.1
Lease liabilities payable to other group companies	–	–	357.5	379.5
	8,673.0	7,700.4	9,436.2	8,660.0
	9,202.6	7,767.8	9,987.2	8,747.7

See note 34 for details of Group interest rates payable and maturity of borrowings.

Severn Trent Utilities Finance Plc holds a number of external borrowings facilities which are mirrored through back-to-back intercompany loans offered to the Company on identical terms. The value of these loans in the Company is £7,477.6 million (2024: £6,041.6 million).

The Company also has loan facilities available from several of its other subsidiaries at an interest rate equal to the Bank of England base rate plus a margin. The details of these facilities are shown below:

2025	Amount drawn £m	Facility amount £m	Margin %	Maturity date
Severn Trent Leasing Limited	293.6	293.6	0.000	20 March 2033
Severn Trent Reservoirs Limited	96.1	129.0	1.125	29 February 2032
Severn Trent Reservoirs Limited	15.7	18.0	1.125	5 October 2027
Severn Trent Utilities Finance Plc	0.2	0.4	1.125	29 November 2027
2024	Amount drawn £m	Facility amount £m	Margin %	Maturity date
East Worcester Water Limited	192.9	200.0	1.125	31 October 2024
Severn Trent Leasing Limited	281.7	293.6	0.000	20 March 2033
Severn Trent Reservoirs Limited	90.3	129.0	1.125	29 February 2032
Severn Trent Reservoirs Limited	14.8	18.0	1.125	5 October 2027
Severn Trent Utilities Finance Plc	0.2	0.4	1.125	29 November 2027

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

24 Categories of financial liabilities - Group

	Note	2025 £m	2024 £m
Fair value through profit and loss			
Cross currency swaps - not hedge accounted		24.7	6.2
Interest rate swaps - not hedge accounted		4.5	6.6
Energy hedges - not hedge accounted		2.5	–
		31.7	12.8
Derivatives designated as hedging instruments			
Cross currency swaps - fair value hedges		14.6	12.8
Energy hedges - cash flow hedges		1.2	–
		15.8	12.8
Total derivative financial liabilities			
		47.5	25.6
Other financial liabilities			
Borrowings	23	9,202.6	7,767.8
Trade payables	25	159.7	153.2
Other payables	25	9.6	15.5
Accruals	25	424.2	318.6
Amounts due to parent and fellow subsidiary undertakings	25	7.4	83.8
Total other financial liabilities			
		9,803.5	8,338.9
Total financial liabilities			
		9,851.0	8,364.5
Disclosed in the balance sheet as:			
Non-current liabilities			
Derivative financial liabilities		44.6	25.6
Borrowings		8,673.0	7,700.4
		8,717.6	7,726.0
Current liabilities			
Derivative financial liabilities		2.9	–
Borrowings		529.6	67.4
Trade payables		159.7	153.2
Other payables		9.6	15.5
Accruals		424.2	318.6
Amounts due to group undertakings		7.4	83.8
		1,133.4	638.5
		9,851.0	8,364.5

25 Trade and other payables

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
Current liabilities				
Trade payables	159.7	153.2	159.7	153.2
Social security and other taxes	10.0	8.8	10.0	8.8
Other payables	9.6	15.5	9.9	10.7
Accruals	424.2	318.6	337.9	247.8
Contract liabilities	173.8	149.0	173.8	149.0
Deferred income	30.0	16.7	30.0	16.7
Amounts owed to parent and fellow subsidiary undertakings	7.4	83.8	91.6	150.1
	814.7	745.6	812.9	736.3
Non-current liabilities				
Accruals	–	44.7	–	44.7
Deferred income	1,817.5	1,616.6	1,817.5	1,616.6
	1,817.5	1,661.3	1,817.5	1,661.3
	2,632.2	2,406.9	2,630.4	2,397.6

The Directors consider that the carrying value of trade payables is not materially different from their fair values.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

26 Deferred tax

Group

An analysis of the movements in the major deferred tax liabilities and assets recognised by the Group is set out below:

	Accelerated tax depreciation	Retirement benefit obligations	Fair value of financial instruments	Tax losses	Other	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2023	1,344.2	(28.0)	(10.2)	(49.3)	(9.5)	1,247.2
Charge/(credit) to income	205.8	15.7	(3.3)	(167.8)	2.0	52.4
Charge to equity	–	4.1	3.1	–	5.7	12.9
At 1 April 2024	1,550.0	(8.2)	(10.4)	(217.1)	(1.8)	1,312.5
Charge/(credit) to income	308.6	0.8	(1.8)	(194.9)	(0.5)	112.2
Charge/(credit) to equity	–	9.4	2.3	–	(0.2)	11.5
At 31 March 2025	1,858.6	2.0	(9.9)	(412.0)	(2.5)	1,436.2

Company

An analysis of the movements in the major deferred tax liabilities and assets recognised by the Company is set out below:

	Accelerated tax depreciation	Retirement benefit obligations	Fair value of financial instruments	Tax losses	Other	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2023	1,344.2	(28.0)	(10.2)	(49.3)	(14.9)	1,241.8
Charge/(credit) to income	205.8	15.7	(3.3)	(167.8)	7.4	57.8
Charge to equity	–	4.1	3.1	–	5.7	12.9
At 1 April 2024	1,550.0	(8.2)	(10.4)	(217.1)	(1.8)	1,312.5
Charge/(credit) to income	308.6	0.8	(1.8)	(194.9)	(0.5)	112.2
Charge/(credit) to equity	–	9.4	2.3	–	(0.2)	11.5
At 31 March 2025	1,858.6	2.0	(9.9)	(412.0)	(2.5)	1,436.2

Most of the Group and Company's deferred tax liabilities are expected to be recovered over more than one year. Deferred tax assets and liabilities have been offset. The offset amounts, which are to be recovered/settled after more than 12 months, are as follows:

Group and Company

	2025 £m	2024 £m
Deferred tax asset	(424.4)	(237.5)
Deferred tax liability	1,860.6	1,550.0
	1,436.2	1,312.5

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

27 Retirement benefit schemes

a) Defined benefit pension schemes

i) Background

The Group operates a number of defined benefit pension schemes. The Severn Trent Pension Scheme ('STPS') and the Severn Trent Mirror Image Pension Scheme ('STMIPS') closed to future accrual on 31 March 2015. The defined benefit pension schemes (the 'Schemes') cover increases in accrued benefits arising from inflation and pension increases. Their assets are held in separate funds administered by trustees. The trustees are required to act in the best interests of the schemes' beneficiaries. A formal actuarial valuation of each Scheme is carried out on behalf of the trustees at triennial intervals by an independent professionally qualified actuary. Under the defined benefit pension schemes, members are entitled to retirement benefits calculated by reference to their pensionable service and pensionable salary history, with inflationary pension increases applying in line with the Scheme rules.

The defined benefit pension schemes and the dates of their last completed formal actuarial valuations as at the accounting date are as follows:

	Date of last formal actuarial valuation
Severn Trent Pension Scheme (STPS)*	31 March 2022
Severn Trent Mirror Image Pension Scheme (STMIPS)	31 March 2022

* The STPS is by far the largest of the Group's UK defined benefit schemes, comprising over 90% of the Group's overall defined benefit obligations.

The defined benefit scheme assets have been updated to reflect their market value at 31 March 2025. Actuarial gains and losses on the scheme assets and defined benefit obligations have been reported in the statement of comprehensive income. Service cost, and the costs of administering the scheme, are recognised in operating costs and interest cost is recognised in net finance costs.

ii) Amounts included in the balance sheet arising from the Group's obligations under defined benefit pension schemes

	Group		Company	
	2025	2024	2025	2024
	£m	£m	£m	£m
Fair value of assets	1,640.5	1,764.8	1,808.5	1,949.6
Present value of the defined benefit obligations	(1,759.8)	(1,976.9)	(1,759.8)	(1,976.9)
	(119.3)	(212.1)	48.7	(27.3)
Presented on the balance sheet as:				
Net retirement benefit (obligation)/surplus	(119.3)	(212.1)	48.7	(27.3)

The Schemes' assets were as follows:

	Group		Company	
	2025	2024	2025	2024
	£m	£m	£m	£m
STPS and STMIPS				
Fair value of scheme assets				
Equities	21.0	20.7	21.0	20.7
Annuity policies*	73.7	83.2	73.7	83.2
Corporate bonds	491.0	429.8	491.0	429.8
Liability driven investment funds (LDIs)	727.7	872.5	727.7	872.5
Property	209.3	216.0	209.3	216.0
Contributions due from Scottish Limited Partnerships	–	–	168.0	184.8
Cash	117.8	142.6	117.8	142.6
	1,640.5	1,764.8	1,808.5	1,949.6

*In July 2021, the STMIPS Trustees completed the purchase of a bulk annuity contract with JUST, an insurance company, to secure the benefits of all members of the MIPS. The Trustees continue to pay benefits to members as before the transaction, but these cashflows are now matched exactly by income from JUST.

Some of the invested assets have quoted prices in active markets, but there are equities, corporate bonds and LDI investments which are unquoted, amounting to £974.4 million (2024: £1,161.5 million), the decrease since the previous year reflects the decreased investment in unquoted LDI assets.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

27 Retirement benefit schemes (continued)

a) Defined benefit pension schemes (continued)

ii) Amounts included in the balance sheet arising from the Group's obligations under defined benefit pension schemes (continued)

Movements in the fair value of the schemes' assets were as follows:

	Group		Company	
	2025	2024	2025	2024
	£m	£m	£m	£m
Fair value at 1 April	1,764.8	1,744.5	1,949.6	1,946.8
Interest income on scheme assets	83.4	80.6	83.4	80.6
Contributions paid by the group/company	69.2	67.4	40.5	39.4
Return on plan assets (excluding amounts included in finance income)	(158.5)	(16.8)	(158.5)	(16.8)
Scheme administration costs	(3.7)	(3.9)	(3.7)	(3.9)
Benefits paid	(114.7)	(107.0)	(114.7)	(107.0)
Unwind of discount on contribution due from SLPs	—	—	11.9	10.5
	1,640.5	1,764.8	1,808.5	1,949.6

Movements in the present value of the schemes' defined benefit obligations were as follows:

	Group		Company	
	2025	2024	2025	2024
	£m	£m	£m	£m
Fair value at 1 April	(1,976.9)	(2,023.1)	(1,976.9)	(2,023.1)
Interest cost	(93.7)	(94.0)	(93.7)	(94.0)
Actuarial (losses)/gains arising from changes in demographic assumptions	(1.1)	5.8	(1.1)	5.8
Actuarial gains arising from changes in financial assumptions	197.7	52.6	197.7	52.6
Actuarial losses arising from experience adjustments	(0.5)	(25.2)	(0.5)	(25.2)
Benefits paid	114.7	107.0	114.7	107.0
	(1,759.8)	(1,976.9)	(1,759.8)	(1,976.9)

The Group and Company has assessed that it has an unconditional right to a refund of any surplus assets in each of the Schemes following settlement of all obligations to scheme members.

iii) Amounts recognised in the income statement in respect of these defined benefit schemes

	Group	
	2025	2024
	£m	£m
Amounts charged to operating costs		
Scheme administration costs	(3.7)	(3.9)
	(3.7)	(3.9)
Amounts charged to finance costs		
Interest cost	(93.7)	(94.0)
Amounts credited to finance income		
Interest income on scheme assets	83.4	80.6
Total amount charged to the income statement	(14.0)	(17.3)

The actual return on scheme assets was a loss of £75.1 million (2024: gain of £63.8 million).

Actuarial gains and losses have been reported in the statement of comprehensive income.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

27 Retirement benefit schemes (continued)

a) Defined benefit pension schemes (continued)

(iv) Actuarial risk factors

The schemes typically expose the Group to actuarial risks such as investment risk, inflation risk and longevity risk for so long as the benefits are not insured.

Investment risk

The Group's contributions to the schemes are based on actuarial calculations which make assumptions about the returns expected from the schemes' investments. If the investments underperform these assumptions in the long term then the Group may need to make additional contributions to the schemes in order to fund the payment of accrued benefits.

Each scheme's investment strategy seeks to balance the level of investment return sought with the aim of reducing volatility and risk. In undertaking this approach, reference is made to both the maturity of the liabilities and the funding level of that scheme. A number of further strategies are employed to manage underlying risks, including liability-matching asset strategies, diversification of asset portfolios and interest rate hedging.

Currently the STPS has a balanced approach to investment in equity securities, debt instruments and real estate. Due to the long-term nature of the scheme liabilities, the Group and the STPS Trustees consider it appropriate to invest a portion of the scheme assets in equity securities and in real estate to leverage the return generated by the fund. The STMIPS is now primarily invested in bulk annuity insurance contracts with JUST with a small residual amount of invested assets remaining.

Inflation risk

The benefits payable to members of the schemes are linked to inflation measured by the RPI or CPI, subject to caps. The Group's contributions to the schemes are based on assumptions about the future level of inflation. If inflation is higher than the levels assumed in the actuarial calculations then the Group may need to make additional contributions to the schemes in order to fund the payment of accrued benefits.

The schemes use LDIs within the asset portfolios to hedge against the value of liabilities changing as a result of movements in long-term interest rate and inflation expectations. This structure allows the schemes to both hedge against these risks and retain capital investment in assets that are expected to generate higher returns.

Longevity risk

The Group's contributions to the schemes are based on assumptions about the life expectancy of scheme members after retirement. If scheme members live longer than assumed in the actuarial calculations then the Group may need to make additional contributions to the schemes in order to fund the payment of accrued benefits.

Benefit risk

The company is aware of the case involving Virgin Media and NTL Pension Trustee, and has completed a legal review of all relevant historical deeds and have received confirmation that past amendments made are compliant.

v) Actuarial assumptions

The major financial assumptions used in the accounting valuation of the obligations for the STPS which represents by far the largest defined benefit obligation for the Group were as follows:

	2025	2024
	% pa	% pa
Price inflation – RPI	3.1	3.2
Price inflation – CPI	Pre 2030: 2.1	2.2
	Post 2030: 3.0	3.1
Discount rate	5.8	4.9
Pension increases in payment	3.1	3.2
Pension increases in deferment	3.1	3.2

The assumption for RPI inflation is derived with reference to the difference between the yields on longer-term fixed-rate gilts and on index-linked gilts. RPI is expected to be more closely aligned with CPI from 2030 onwards, which is reflected in the corresponding assumption for CPI inflation.

In setting the discount rate, we construct a yield curve. Short-dated yields are taken from market rates for AA corporate bonds.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

27 Retirement benefit schemes (continued)

a) Defined benefit pension schemes (continued)

v) Actuarial assumptions (continued)

Long-dated yields for the curve are based on the average yield available on long-dated AA corporate bonds. We project the expected cash flows of the schemes and adopt a single equivalent cash flow weighted discount rate taking account of this constructed yield curve.

The mortality base table assumptions are based on those used in the latest triennial funding valuation of the STPS. The mortality assumptions adopted at the year end for accounting purposes and the life expectancies at age 60 implied by the assumptions are as follows:

	2025		2024	
	Men	Women	Men	Women
Mortality table used	S3PMA	S3PFA_M	S3PMA	S3PFA_M
Mortality table compared with standard table	98%	91%	98%	91%
Mortality projections	CMI 2023	CMI 2023	CMI 2022	CMI 2022
Long-term rate of future improvement per annum	1.0%	1.0%	1.0%	1.0%
Weighting factor given to data for 2022	20%	20%	40%	40%
Weighting factor given to data for 2023	20%	20%	N/A	N/A
Remaining life expectancy for members currently aged 60 (years)	25.8	28.7	25.8	28.5
Remaining life expectancy at age 60 for members currently aged 40 (years)	27.1	29.9	27.0	29.7

The calculation of the scheme obligations is sensitive to the actuarial assumptions and in particular to the assumptions relating to discount rate, price inflation (capped, where relevant) and mortality. The following table summarises the estimated impact on the Group's obligations from changes to key actuarial assumptions whilst holding all other assumptions constant.

Assumption	Change in assumption	Impact on disclosed obligations
Discount rate ¹	Increase/decrease by 0.1% pa	Decrease/increase by £19 million
Price inflation ²	Increase/decrease by 0.1% pa	Increase/decrease by £16 million
Mortality ³	Increase in life expectancy by 1 year	Increase by £55 million

1 A change in discount rate is likely to occur as a result of changes in bond yields and as such would be expected to be offset to a significant degree by a change in the value of the bond assets held by the Schemes.

2 The projected impact resulting from a change in RPI reflects the underlying effect on pensions in payment, pensions in deferment and resultant pension increases. This would be expected to be offset by returns on LDI assets within the asset portfolios used to hedge against the value of liabilities, as set out in the inflation risk section of note 29(iv)

3 The change in assumption reflects the risk that life expectancy rates might increase.

In reality inter-relationships exist between the assumptions, particularly between the discount rate and price inflation. The above analysis does not take into account the effect of these inter-relationships. Also, in practice any movement in obligations arising from assumption changes are likely to be accompanied by movements in asset values – and so the impact on the accounting deficit may be lower than the impact on the obligations shown above.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

(vi) Effect on future cash flows

Contribution rates are set in consultation with the trustees for each Scheme and each participating employer.

The average duration of the benefit obligation at the end of the year is 11 years for STPS and 8 years for STMIPS.

The most recently completed formal triennial actuarial valuations and funding agreements were carried out as at 31 March 2022 for the STPS and STMIPS. As a result of the STPS actuarial valuation, annual deficit reduction contributions of £34.2 million were agreed, with the March 2023 payment having been increased in line with the annual increase in CPI to November 2022. Thereafter, future contributions for the STPS will also increase in line with CPI inflation until March 2027. The first two contributions in March 2023 and March 2024 were payable directly into the STPS and it is expected that payments in future years will be payable to a limited liability partnership that the Group and Trustee have established.

Payments of £8.2 million per annum through an asset-backed funding arrangement will also continue to 31 March 2032 for the STPS. Further inflation linked payments of £15.0 million per annum are being made through an additional asset backed funding arrangement, with payments having started in the financial year ending 31 March 2018 and continuing to 31 March 2031.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

27 Retirement benefit schemes (continued)

a) Defined benefit pension schemes (continued)

(vi) Effect on future cash flows (continued)

These contributions will cease earlier should a subsequent valuation of the STPS show that these contributions are no longer needed. There are no deficit reduction contributions payable by the Group for STMIPS.

b) Defined contribution pension schemes

The Group also operates the Severn Trent Group Personal Pension, a defined contribution scheme, for its UK employees.

The total cost charged to operating costs of £40.5 million (2024: £33.9 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the scheme. As at 31 March 2025, no contributions (2024: nil) in respect of the current reporting period were owed to the schemes.

28 Provisions – Group and Company

	Insurance £m	Regulatory £m	Other £m	Total £m
At 1 April 2024	16.0	35.8	11.1	62.9
Charged to income statement	11.9	5.5	7.5	24.9
Utilisation of provision	(12.2)	(37.0)	(3.0)	(52.2)
Unwinding of discount	–	–	0.1	0.1
Other net additions	–	34.4	–	34.4
At 31 March 2025	15.7	38.7	15.7	70.1

	2025 £m	2024 £m
Included in		
Current liabilities	39.5	43.0
Non-current liabilities	30.6	19.9
	70.1	62.9

Insurance includes provisions in respect of insurance deductibles in Severn Trent Water Limited. The associated outflows are estimated to arise over a period of up to five years from the balance sheet date.

Regulatory comprises provisions for works in response to legally enforceable undertakings to regulators. The associated outflows are estimated to arise over a period of up to five years from the balance sheet date. The other net additions predominantly comprises of £30.8 million of new projects and legacy projects that have met the recognition criteria in the year.

Other provisions include provisions for dilapidations, commercial disputes, either from continuing or discontinued operations, and potential environmental claims. The associated outflows are estimated to arise over a period up to ten years from the balance sheet date.

29 Share capital – Group and Company

	2025 £m	2024 £m
Total issued and fully paid share capital		
601,250,100,000 ordinary shares of 0.1p (2024: 601,250,100,000)	601.3	601.3

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

30 Share Premium – Group and Company

	2025	2024
	£m	£m
As at 1 April and 31 March	249.7	249.7

31 Hedging reserve – Group and Company

	Hedging reserve £m
At 1 April 2023	(0.4)
Total comprehensive income for the year	9.6
At 1 April 2024	9.2
Total comprehensive income for the year	6.5
At 31 March 2025	15.7

The hedging reserve arises from gains or losses on interest rate swaps and energy swaps taken directly to equity under the hedge accounting provisions of IFRS 9.

32 Capital management – Group

The Group's principal objectives in managing capital are:

- to maintain a flexible and sustainable balance sheet structure;
- to maintain an investment-grade credit rating;
- to access a broad range of sources of finance to obtain both the quantum required and lowest cost compatible with the need for continued availability;
- to manage exposure to movements in interest rates to provide an appropriate degree of certainty as to its cost of funds;
- to minimise exposure to counterparty credit risk; and
- to provide the Group with an appropriate degree of certainty as to its foreign exchange exposure.

The Group seeks to achieve a balance of long-term funding or commitment of funds across a range of funding sources at the best possible economic cost. The Group monitors future funding requirements and credit market conditions to ensure continued availability of funds. Further details of the dividend policy and its application we set out in the Company's Annual Performance Report, which is available at stwater.co.uk.

The Group's capital at 31 March was:

	2025	2024
	£m	£m
Cash and cash equivalents	683.1	426.1
Borrowings (note 23)	(9,202.6)	(7,767.8)
Valuation adjustments*	32.5	49.5
Adjusted net debt	(8,487.0)	(7,292.2)
Equity attributable to owners of the Company	(2,995.8)	(2,828.3)
Total capital	(11,482.8)	(10,120.5)

* The valuation adjustments which comprise exchange gains/losses on amounts borrowed in foreign currencies, adjustments on foreign currency debt in fair value hedges and accounting adjustments on debt acquired with subsidiaries, are included in the carrying values of debt instruments, included in borrowings. However, as the foreign currency debt instruments are economically hedged, the sterling value of the matching hedge reflects the Group's sterling obligations. The accounting adjustments on acquisition will be amortised over the life of the debt and do not represent a liability that will be settled in cash. The valuation adjustments above result in adjusted net debt reflecting the Group's sterling obligations.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

33 Fair values of financial instruments – Group

a) Fair value measurements

The valuation techniques that the Group applies in determining the fair values of its financial instruments on a recurring basis are described below. The techniques are classified under the hierarchy defined in IFRS 13 which categorises valuation techniques into Levels 1 - 3 based on the degree to which the fair value is observable. The Group's valuation techniques are Level 2 unless otherwise stated below:

	2025 £m	2024 £m	Valuation techniques and key inputs
Cross currency swaps			Discounted cash flow
Assets	23.2	23.1	Future cash flows are estimated based on forward interest rates from observable yield curves at the period end and contract interest rates discounted at a rate that reflects the credit risk of counterparties. The currency cash flows are translated at spot rate.
Liabilities	(39.3)	(19.0)	
Interest rate swaps			Discounted cash flow
Assets	35.6	39.2	Future cash flows are estimated based on forward interest rates from observable yield curves at the period end and contract interest rates discounted at a rate that reflects the credit risk of counterparties.
Liabilities	(4.5)	(6.6)	
Energy swaps			Discounted cash flow
Assets	1.9	0.1	Future cash flows are estimated based on forward electricity prices from observable indices at the period end and contract prices discounted at a rate that reflects the credit risk of counterparties.
Liabilities	(3.7)	–	
Inflation swap			Discounted cash flow
Assets	6.0	8.8	Future cash flows on the RPI leg of the instrument are estimated based on observable forward inflation indices. Future cash flows on the CPI leg of the instrument are estimated based on the future expected differential between RPI and CPI ('the wedge').
			Both legs are discounted using observable swap rates at the period end, at a rate that reflects the credit risk of counterparties. This is considered to be a Level 3 valuation technique.
Investment			Net asset value
Asset	1,734.3	1,685.3	The fair value of the investment is considered to be the Group's share of its net assets. This is considered to be a Level 3 valuation technique.

Changes in the carrying values of instruments that are measured using a Level 3 technique were as follows:

	Inflation swaps £m	Investment £m
At 1 April 2023	7.3	1,603.8
Net gains recognised in profit or loss	1.5	81.5
At 31 March 2024	8.8	1,685.3
Net (losses)/gains recognised in profit or loss	(2.8)	49.0
At 31 March 2025	6.0	1,734.3

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

33 Fair values of financial instruments – Group (continued)

a) Fair value measurements (continued)

These Level 3 instruments are valued using unobservable inputs. In valuing the inflation swaps, we have identified the unobservable input as the CPI wedge. A change of 10bps in the CPI wedge would result in a change in the carrying value of £4.1 million.

b) Comparison of fair value of financial instruments with their carrying amounts

The Directors consider that the carrying amounts of all financial instruments, except those disclosed in the table below, approximate to their fair values. The carrying values and estimated fair values of other financial instruments are set out below:

	31 March 2025		31 March 2024	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Floating rate debt				
Bank loans	347.6	347.6	347.5	347.5
Other loans	147.5	154.5	147.9	155.9
Bank overdraft	–	–	2.0	2.0
	495.1	502.1	497.4	505.4
Fixed rate debt				
Other loans	6,272.9	5,819.1	4,950.1	4,713.9
Lease liabilities	100.9	100.9	109.2	109.2
	6,373.8	5,920.0	5,059.3	4,823.1
Index-linked debt				
Bank loans	155.6	145.9	150.7	141.9
Other loans	2,178.1	1,557.5	2,060.4	1,614.7
	2,333.7	1,703.4	2,211.1	1,756.6
	9,202.6	8,125.5	7,767.8	7,085.1

The above floating, fixed or indexed-linked classification does not take into account the impact of unhedged interest rate swaps or cross currency swaps.

Fixed rate loans are valued using market prices for similar instruments, which is a Level 2 valuation technique.

Index-linked bonds are rarely traded and quoted prices are not considered to be a reliable indicator of fair value. Therefore, these bonds are valued using discounted cash flow models with discount rates derived from observed market prices for a sample of bonds, which is a Level 2 valuation technique.

Fair values of the other debt instruments are also calculated using discounted cash flow models with discount rates derived from observed market prices, which is a Level 2 valuation technique.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

34 Risks arising from financial instruments – Group

The Group's activities expose it to a variety of financial risks:

- market risk (including interest rate risk, exchange rate risk and other price risk);
- credit risk;
- liquidity risk; and
- inflation risk.

The Group's overall risk management programme addresses the unpredictability of financial markets and seeks to reduce potential adverse effects on the Group's financial performance or position.

Financial risks are managed by a central treasury department ("Group Treasury") under policies approved by the Board of Directors. The Board has established a Treasury Committee to monitor treasury activities and to facilitate timely responses to changes in market conditions when necessary. Group Treasury operates under the Group's Treasury Procedures Manual and Policy Statement and identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board defines written principles for overall risk management, as well as written policies covering specific areas such as exchange rate risk, interest rate risk, credit risk and the use of derivative and non-derivative financial instruments. The Group's policy is that derivative financial instruments are not held for trading but may be used to mitigate the Group's exposure to financial risk. The types of derivative instruments held and the related risks are described below.

Interest rate swaps are held to mitigate the Group's exposure to changes in market interest rates. Further details are set out in sections a) (i) and note 35 below.

Cross currency swaps are held to mitigate the Group's exposure to exchange rate movements on amounts borrowed in foreign currencies. Further details are set out in section a) (ii) below.

Energy swaps are held to mitigate the Group's exposure to changes in electricity prices. Further details are provided in note 35 below.

Severn Trent Water operates under a regulatory environment where sales prices are linked to inflation measured by CPIH. In order to mitigate the risks to cash flow and earnings arising from fluctuations in CPIH, the Group holds debt instruments where the principal repayable and interest cost is linked to RPI/CPIH and the Group holds RPI/CPI basis swaps to mitigate the risk of divergence between RPI and CPIH.

a) Market risk

The Group is exposed to fluctuations in interest rates and, to a lesser extent, exchange rates. The nature of these risks and the steps that the Group has taken to manage them are described below.

(i) Interest rate risk

The Group's income and its operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from long-term borrowings.

Borrowings issued at variable rates expose the Group to the risk of adverse cash flow impacts from increases in interest rates.

Borrowings issued at fixed rates expose the Group to the risk of interest costs above the market rate when interest rates decrease.

The Group's policy is to maintain 40% to 70% of its interest bearing liabilities in fixed rate instruments in AMP7. In measuring this metric, management makes adjustments to the carrying value of debt to better reflect the amount that interest is calculated on. Details of the adjustments made are set out below:

	2025 £m	2024 £m
Adjusted net debt (note 37)	8,487.0	7,292.2
Cash and cash equivalents	683.1	426.1
Interest bearing financial liabilities	9,170.1	7,718.3

The Group manages its cash flow interest rate risk by borrowing at fixed or index-linked rates and by using interest rate swaps. Under these swaps the Group receives floating rate interest and pays fixed rate interest calculated by reference to the agreed notional principal amounts. In practice the swaps are settled by transferring the net amount. These swaps have the economic effect of converting borrowings from floating rates to fixed rates. The Group has entered into a series of these interest rate swaps to hedge future interest payments to beyond 2030.

The following tables show analyses of the Group's interest-bearing financial liabilities by type of interest. Debt which is hedged by interest rate swaps is included in the category after taking account of the impact of the swap. Debt raised in foreign currencies has been included at the notional sterling value of the payable leg of the corresponding cross currency swap since this is the amount that is exposed to changes in interest rates.

Valuation adjustments that do not impact the amount on which interest is calculated, such as fair value hedge accounting adjustments, are excluded from this analysis.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

34 Risks arising from financial instruments – Group (continued)

a) Market risk (continued)

(i) Interest rate risk (continued)

The net principal amount of swaps is shown as an adjustment to floating rate and fixed rate debt to demonstrate the impact of the Group's interest rate swaps on the amount of liabilities bearing fixed interest.

	Floating rate £m	Fixed rate £m	Index-linked £m	Total £m
2025				
Bank loans	(347.6)	–	(155.6)	(503.2)
Other loans	(633.8)	(5,780.4)	(2,151.8)	(8,566.0)
Lease liabilities	–	(100.9)	–	(100.9)
	(981.4)	(5,881.3)	(2,307.4)	(9,170.1)
Impact of swaps not matched against specific debt instruments	275.0	(275.0)	–	–
Interest-bearing financial liabilities	(706.4)	(6,156.3)	(2,307.4)	(9,170.1)
Proportion of interest-bearing financial liabilities that are fixed		67%		
Weighted average interest rate of fixed rate debt		4.04%		
Weighted average period for which interest is fixed (years)		8.6		

	Floating rate £m	Fixed rate £m	Index-linked £m	Total £m
2024				
Bank overdraft	(2.0)	–	–	(2.0)
Bank loans	(347.5)	–	(150.7)	(498.2)
Other loans	(145.1)	(4,929.9)	(2,033.9)	(7,108.9)
Lease liabilities	–	(109.2)	–	(109.2)
	(494.6)	(5,039.1)	(2,184.6)	(7,718.3)
Impact of swaps not matched against specific debt instruments	275.0	(275.0)	–	–
Interest-bearing financial liabilities	(219.6)	(5,314.1)	(2,184.6)	(7,718.3)
Proportion of interest-bearing financial liabilities that are fixed		69%		
Weighted average interest rate of fixed rate debt		4.09%		
Weighted average period for which interest is fixed (years)		8.9		

Interest rate swaps not hedge accounted

The Group has a number of interest rate swaps which are not accounted for as cash flow or fair value hedges. This has led to a gain of £2.1 million (2024: £3.4 million) in the income statement.

	Average contract fixed interest rate		Notional principal amount		Fair value	
	2025 %	2024 %	2025 £m	2024 £m	2025 £m	2024 £m
Pay fixed rate interest						
5-10 years	5.46	5.46	(75.0)	(75.0)	(4.5)	(6.6)
	5.46	5.46	(75.0)	(75.0)	(4.5)	(6.6)

Interest rate sensitivity analysis

The sensitivity after tax of the Group's profits, cash flow and equity, including the impact on derivative financial instruments, to reasonably possible changes in interest rates at 31 March is as follows:

	2025		2024	
	1.0% £m	-1.0% £m	1.0% £m	-1.0% £m
Profit or loss	(1.4)	1.2	2.9	(3.2)
Cash flow	(5.3)	5.3	(1.6)	1.6
Equity	(1.4)	1.2	2.9	(3.2)

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

34 Risks arising from financial instruments – Group (continued)

a) Market risk (continued)

(ii) Exchange rate risk

Except for debt raised in foreign currency, which is hedged, the Group's business does not involve significant exposure to foreign exchange transactions and therefore the sensitivity of the Group's results to changes in exchange rates is not material.

Certain of the Group's subsidiaries enter into transactions in currencies other than the functional currency of the operation. Exchange risks relating to such operations are not material but are managed centrally by Group Treasury through forward exchange contracts to buy or sell currency. These contracts led to no charge (2024: nil) in the income statement.

The Group has raised debt denominated in currencies other than sterling to meet its objective of accessing a broad range of sources of finance. The Group mitigated its exposure to exchange rate fluctuations by entering into cross currency swaps at the time that the debt was drawn down to swap the proceeds into sterling debt bearing interest based on SONIA.

Certain swaps, where the terms of the receivable leg of the swap closely match the terms of the underlying debt and are therefore expected to be effective hedges, have been accounted for as fair value hedges. The notional value and fair value of these swaps is shown in note 35 a).

The Group also has cross currency swaps with a sterling notional value of £1,322.6 million (2024: £526.4 million) which are not accounted for as fair value hedges. Economically these swaps act to mitigate the exchange rate risk of debt within the Group which is denominated in foreign currency and also swap the interest from fixed rate to floating, but they are not designated hedges under IFRS 9. There was a charge of £17.5 million (2024: £13.1 million) in the income statement relating to the swaps, as well as an exchange gain of £10.9 million (2024: £2.8 million) on the underlying debt.

The Group's gross and net currency exposures arising from currency borrowings are summarised in the tables below. These show, in the relevant currency, the amount borrowed and the notional principal of the related swap or forward contract. The net position shows the Group's exposure to exchange rate risk in relation to its currency borrowings.

	Euro €m	US Dollar \$m	Yen ¥bn	AUD \$m
2025				
Borrowings by currency	(1,469.9)	(220.0)	(10.3)	(40.0)
Cross currency swaps - hedge accounted	19.9	70.0	10.3	40.0
Cross currency swaps - not hedge accounted	1,450.0	150.0	–	–
Net currency exposure	–	–	–	–

	Euro €m	US Dollar \$m	Yen ¥Bn	AUD \$m
2024				
Borrowings by currency	(519.9)	(220.0)	(10.3)	(40.0)
Cross currency swaps - hedge accounted	19.9	70.0	10.3	40.0
Cross currency swaps - not hedge accounted	500.0	150.0	–	–
Net currency exposure	–	–	–	–

b) Credit risk

Operationally the Group has no significant concentrations of credit risk. Amounts provided against accounts receivable and movements on the provision during the year are disclosed in note 21.

Cash deposits and derivative contracts are only placed with high credit quality financial institutions, which have been approved by the Board. Group Treasury monitors the credit quality of the approved financial institutions and the list of financial institutions that may be used is approved annually by the Board. The Group has policies that limit the amount of credit exposure to any one financial institution.

Credit risk analysis

At 31 March, the aggregate credit limits of authorised counterparties and the amounts held on short term deposits were as follows:

	Credit limit		Amount deposited		Number of counterparties	
	2025 £m	2024 £m	2025 £m	2024 £m	2025	2024
Triple A range	600.0	450.0	206.9	195.6	4	3
Double A range	125.0	200.0	60.0	135.0	1	2
Single A range	1,570.0	425.0	414.0	94.9	22	5
	2,295.0	1,075.0	680.9	425.5	27	10

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

34 Risks arising from financial instruments – Group (continued)

b) Credit risk (continued)

The fair values of derivative assets analysed by credit ratings of counterparties were as follows:

	Derivative assets	
	2025	2024
	£m	£m
Single A range	66.7	71.2

c) Liquidity risk

i) Committed facilities

Prudent liquidity management requires sufficient cash balances to be maintained; adequate committed facilities to be available and the ability to close out market positions. Group Treasury manages liquidity and flexibility in funding by monitoring forecast and actual cash flows and the maturity profile of financial assets and liabilities, and by keeping committed credit lines available.

At the balance sheet date the Group had committed undrawn borrowing facilities expiring as follows:

	2025	2024
	£m	£m
2 – 5 years	1,000.0	1,000.0

ii) Cash flows from non-derivative financial instruments

The following tables show the estimated cash flows that will arise from the Group's non-derivative net financial liabilities. The information presented is based on the earliest date on which the Group can be required to pay and represents the undiscounted cash flows including principal and interest.

Interest and inflation assumptions are based on prevailing market conditions at the year end date.

2025 Undiscounted amounts payable:	Floating rate £m	Fixed rate £m	Index-linked £m	Trade and other payables £m	Payments on financial liabilities £m
Within 1 year	(37.1)	(782.0)	(35.9)	(600.9)	(1,455.9)
1 - 2 years	(311.1)	(1,911.4)	(321.3)	–	(2,543.8)
2 - 5 years	(147.4)	(1,380.5)	(387.1)	–	(1,915.0)
5 - 10 years	(287.2)	(2,550.9)	(258.1)	–	(3,096.2)
10 - 15 years	–	(1,305.8)	(167.9)	–	(1,473.7)
15 - 20 years	–	(889.4)	(295.5)	–	(1,184.9)
20 - 25 years	–	–	(384.7)	–	(384.7)
25 - 30 years	–	–	(716.4)	–	(716.4)
30 - 35 years	–	–	(3,473.4)	–	(3,473.4)
35 - 40 years	–	–	(22.9)	–	(22.9)
40 - 45 years	–	–	(411.4)	–	(411.4)
Total	(782.8)	(8,820.0)	(6,474.6)	(600.9)	(16,678.3)

Undiscounted amounts receivable:	Trade and other receivables £m	Cash and short term deposits £m	Amounts due from group undertakings £m	Receipts from financial assets £m
Within 1 year	732.3	683.1	19.4	1,434.8
1-2 years	5.6	–	–	5.6
Total	737.9	683.1	19.4	1,440.4

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

34 Risks arising from financial instruments – Group (continued)

ii) Cash flows from non-derivative financial instruments (continued)

c) Liquidity risk (continued)

2024	Floating rate £m	Fixed rate £m	Index-linked £m	Trade and other payables £m	Payments on financial liabilities £m
Within 1 year	(137.5)	(202.8)	(91.6)	(571.1)	(1,003.0)
1 - 2 years	(34.7)	(722.3)	(40.0)	–	(797.0)
2 - 5 years	(298.0)	(1,027.5)	(360.3)	–	(1,685.8)
5 - 10 years	(844.6)	(2,661.3)	(439.5)	–	(3,945.4)
10 - 15 years	–	(1,337.1)	(177.3)	–	(1,514.4)
15 - 20 years	–	(1,079.9)	(308.9)	–	(1,388.8)
20 - 25 years	–	–	(409.1)	–	(409.1)
25 - 30 years	–	–	(725.4)	–	(725.4)
30 - 35 years	–	–	(3,699.8)	–	(3,699.8)
35 - 40 years	–	–	(25.8)	–	(25.8)
40 - 45 years	–	–	(400.2)	–	(400.2)
Total	(1,314.8)	(7,030.9)	(6,677.9)	(571.1)	(15,594.7)

Undiscounted amounts receivable:	Trade receivables £m	Cash and short term deposits £m	Amounts due from group undertakings £m	Receipts from financial assets £m
Within 1 year	651.4	426.1	87.5	1,165.0
1-2 years	5.3	–	–	5.3
Total	656.7	426.1	87.5	1,170.3

Index-linked debt includes loans with maturities up to 50 years. The principal is revalued at fixed intervals and is linked to movements in the RPI or CPIH. Interest payments are made bi-annually based on the revalued principal. The principal repayment equals the revalued amount at maturity. The payments included in the table above are estimates based on the forward inflation rates published by the Bank of England at the balance sheet date.

(iii) Cash flows from derivative financial instruments

The following tables show the estimated cash flows that will arise from the Group's derivative financial instruments. The tables are based on the undiscounted net cash inflows/(outflows) on the derivative financial instruments that settle on a net basis and the undiscounted gross inflows/(outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest and foreign currency rates derived from the forward curves existing at the balance sheet date. Actual amounts may be significantly different from those indicated below.

2025	Interest rate swaps £m	Inflation swaps £m	Energy swaps £m	Cross currency swaps		Total £m
				Cash receipts £m	Cash payments £m	
				Within 1 year	17.4	
1 – 2 years	5.3	0.7	(0.8)	172.6	(181.0)	(3.2)
2 – 5 years	7.4	5.9	0.4	189.1	(262.3)	(59.5)
5 – 10 years	0.3	4.1	–	783.6	(912.1)	(124.1)
10 – 15 years	–	(0.9)	–	783.2	(787.4)	(5.1)
	30.4	10.4	(1.9)	1,988.4	(2,237.6)	(210.3)

2024	Interest rate swaps £m	Inflation swaps £m	Energy swaps £m	Cross currency swaps		Total £m
				Cash receipts £m	Cash payments £m	
				Within 1 year	8.4	
1 – 2 years	6.4	0.6	0.1	44.8	(42.1)	9.8
2 – 5 years	10.9	2.3	–	213.7	(214.4)	12.5

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

5 – 10 years	2.1	7.5	–	656.0	(627.5)	38.1
10 – 15 years	–	–	–	62.2	(56.4)	5.8
	27.8	11.0	0.1	1,003.7	(973.2)	69.4

34 Risks arising from financial instruments – Group (continued)

(iii) Cash flows from derivative financial instruments (continued)

The Group has the right to settle net derivative cash (outflows)/inflows under ISDA master settlement arrangements with all derivative counterparties. The amounts do not meet the criteria for offsetting and so are not presented on a net basis in the balance sheet.

d) Inflation risk

The Group's parent company, Severn Trent Water Limited, operates under a regulatory environment where its prices are linked to inflation as measured by CPIH. Its operating profits and cash flows are therefore exposed to changes in inflation. In order to mitigate and partially offset this risk, Severn Trent Water Limited has raised debt which pays interest at a fixed coupon based on a principal amount that is adjusted for the change in inflation during the life of the debt instrument (index-linked debt). The amount of index-linked debt at the balance sheet date is shown in section a) (i) interest rate risk, and the estimated future cash flows relating to this debt are shown in section c) (ii) cash flows from non-derivative financial instruments.

Owat is moving the measure of inflation used in the economic regulatory model from RPI to CPIH over a period. In anticipation of this the Group has entered into CPI/RPI swaps with a notional value of £350 million (2024: £350 million) in order to mitigate the risk of divergence between inflation measured by CPIH and that measured by RPI.

Inflation rate sensitivity analysis

The finance cost of the Group's index-linked debt instruments varies with changes in CPI/RPI rather than interest rates. The sensitivity at 31 March of the Group's profit and equity to changes in CPI/RPI is set out in the following table. This analysis relates to financial instruments only and excludes any RPI impact on Severn Trent Water's revenues and Regulated Capital Value, or accounting for defined benefit pension schemes.

	2025		2024	
	+1.0%	-1.0%	+1.0%	-1.0%
	£m	£m	£m	£m
Profit or loss	(16.6)	16.6	(16.4)	16.4
Equity	(16.6)	16.6	(16.4)	16.4

35 Hedge accounting – Group

The Group uses derivative financial instruments to hedge exposures to changes in exchange rates and interest rates. Hedge accounting is adopted for such instruments where the criteria set out in IFRS 9 are met. Hedge ineffectiveness arises from credit risk, which is not hedged.

a) Fair value hedges

(i) Cross currency swaps

The Group raises debt denominated in currencies other than sterling. Cross currency swaps are entered into at the time that the debt is drawn down to swap the proceeds into sterling debt in order to mitigate the Group's exposure to exchange rate fluctuations. Where the terms of the receivable leg of the swap closely match the terms of the underlying debt, the swaps are expected to be effective hedges.

At the year end the amounts of cross currency swaps designated as fair value hedges were as follows:

	Notional principal amount		Fair value	
	2025	2024	2025	2024
	£m	£m	£m	£m
Euro	11.4	11.4	5.4	5.6
US dollar	55.4	55.4	(1.0)	(0.8)
Yen	59.8	59.9	(7.0)	(5.7)
Australian Dollar	21.4	21.5	(2.7)	(1.7)
	148.0	148.2	(5.3)	(2.6)

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

b) Cash flow hedges

(i) Interest rate swaps

The Group has entered into interest rate swaps under which it has agreed to exchange the difference between fixed and floating interest rate amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on future cash flow exposures arising from issued variable rate debt. Where the hedge is expected to be highly effective these interest rate swaps are accounted for as cash flow hedges.

Details of interest rate swaps that have been accounted for as cash flow hedges are summarised below:

35 Hedge accounting – Group (continued)

b) Cash flow hedges (continued)

(i) Interest rate swaps (continued)

Period to maturity	Average contract fixed interest rate		Notional principal amount		Fair value	
	2025	2024	2025	2024	2025	2024
	%	%	£m	£m	£m	£m
2 – 5 years	1.73	1.73	100.0	100.0	5.7	7.8
5 – 10 years	1.83	1.83	248.0	248.0	29.9	31.4
	1.80	1.80	348.0	348.0	35.6	39.2

The Group recognised no gain or loss on hedge ineffectiveness (2024: gain of £0.7 million) in gains/losses on financial instruments in the income statement in relation to interest rate swaps.

(ii) Energy swaps

The Group has entered into a series of energy swaps under which it has agreed to exchange the difference between fixed and market prices of electricity at six-monthly intervals up until 31 March 2030.

Details of energy swaps that have been accounted for as cash flow hedges are summarised below:

Period to maturity	Average contract price		Notional contracted amount		Fair value	
	2025	2024	2025	2024	2025	2024
	£/MWh	£/MWh	MWh	MWh	£m	£m
Less than 1 year	75.10	–	39,420	–	(0.4)	–
1 – 2 years	75.79	75.10	187,887	39,420	(0.7)	0.1
2 – 5 years	69.95	–	211,298	–	0.4	–
	72.39	75.10	438,605	39,420	(0.7)	0.1

c) Cumulative fair value adjustments

At the year end the cumulative fair value adjustments arising from the corresponding continuing hedge relationships were as follows:

2025

	Carrying amount of hedged items		Cumulative amount of fair value adjustments on the hedged items	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Cross currency swaps	–	(142.1)	–	7.0

2024

	Carrying amount of hedged items		Cumulative amount of fair value adjustments on the hedged items	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Cross currency swaps	–	(147.5)	–	1.8

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

The carrying amount of hedged items and the cumulative amount of fair value adjustments on the hedged items relate to fair value hedges.

36 Share based payments – Group

The Group operates a number of share based remuneration schemes for employees. During the year, the Group recognised total expenses of £8.6 million (2024: £7.6 million) related to equity settled share based payment transactions.

The weighted average share price of Severn Trent Plc during the period was £25.27 (2024: £25.78).

At 31 March 2025, there were no options exercisable (2024: none) under any of the share based remuneration schemes.

a) Long Term Incentive Plans ('LTIPs')

Under the LTIPs, conditional awards of shares may be made to Executive Directors and senior staff. Awards are subject to performance conditions and continued employment throughout the vesting period.

Awards outstanding

The 2021, 2022, 2023 and 2024 LTIP awards are subject to Severn Trent Water's achievement of Return on Regulated Equity in excess of the level included in the Severn Trent Water business plan over a three year vesting period. It has been assumed that performance against the LTIP non-market conditions will be 100% (2024: 100%).

Details of changes in the number of awards outstanding during the year are set out below:

	Number of awards
Opening at 1 April 2023	573,274
Transferred to Severn Trent Plc	(292,543)
Granted during the year	120,773
Vested during the year	(83,868)
Lapsed during the year	(1,200)
Outstanding at 1 April 2024	316,436
Granted during the year	174,844
Vested during the year	(84,028)
Lapsed during the year	(14,636)
Outstanding at 31 March 2025	392,616

Details of LTIP awards outstanding at 31 March were as follows:

Date of grant	Normal Date of Vesting	Number of awards	
		2025	2024
July 2021	2024	–	84,542
July 2022	2025	106,419	111,116
July 2023	2026	115,011	120,778
July 2024	2027	171,186	–
		392,616	316,436

The awards outstanding at 31 March 2025 had a weighted average remaining contractual life of 1.7 years (2024: 1.5 years).

Details of the basis of the LTIP scheme are set out in the Directors' remuneration report on pages [125] and [126].

b) Employee Sharesave Scheme

Under the terms of the Sharesave Scheme, the Board may grant the right to purchase ordinary shares in Severn Trent Plc to those employees who have entered into an HMRC approved Save As You Earn contract for a period of three or five years.

Options outstanding

Details of changes in the number of options outstanding during the year are set out below:

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

36 Share based payments – Group (continued)

b) Employee Sharesave Scheme (continued)

	Number of share options	Weighted average exercise price
Outstanding at 1 April 2023	3,401,704	1,981p
Granted during the year	1,385,479	2,120p
Forfeited during the year	(33,615)	2,118p
Cancelled during the year	(242,686)	2,179p
Exercised during the year	(758,772)	1,770p
Lapsed during the year	(7,054)	1,985p
Transferred during the year	200,251	2,183p
Outstanding at 1 April 2024	3,945,307	2,067p
Granted during the year	1,110,047	2,053p
Forfeited during the year	(46,422)	2,152p
Cancelled during the year	(294,468)	2,148p
Exercised during the year	(858,092)	1,772p
Lapsed during the year	(4,409)	2,109p
Transferred during the year	8,255	2,095p
Outstanding at 31 March 2025	3,860,218	2,067p

Sharesave options outstanding at 31 March were as follows:

Date of grant	Normal date of exercise	Option price	Number of awards	
			2025	2024
January 2019	2024	1,474p	–	201,991
January 2020	2025	1,787p	127,730	133,129
January 2021	2024 or 2026	1,860p	120,776	771,978
January 2022	2025 or 2027	2,307p	557,665	601,549
January 2023	2026 or 2028	2,183p	777,424	869,787
January 2024	2027 or 2029	2,120p	1,181,386	1,366,873
January 2025	2028 or 2030	2,053p	1,095,237	–
			3,860,218	3,945,307

The awards outstanding at 31 March 2025 had a weighted average remaining contractual life of 2.1 years (2024: 2.0 years).

c) Fair value calculations

The fair values of the share awards made and share options granted during the year were calculated using the Black Scholes method. The principal assumptions and data are out below:

	2025			2024		
	LTIP	SAYE		LTIP	SAYE	
		3 year scheme	5 year scheme		3 year scheme	5 year scheme
Share price at grant date (pence)	2,351	2,496	2,496	2,791	2,555	2,555
Option life (years)	3	3.3	5.3	3	3.3	5.3
Vesting period (years)	3	3	5	3	3	5
Expected volatility (%)	18.2	18.2	18.2	18.2	18.2	18.2
Expected dividend yield (%)	5.2	4.9	4.9	4.0	4.4	4.4
Risk free rate (%)	n/a	5.2	4.4	n/a	3.7	3.6
Fair value per share (pence)	2,327	499	470	2,773	469	470

Expected volatility is measured over the three years prior to the date of grant of the awards or share options. Volatility has been calculated based on historical share price movements.

The risk-free rate is derived from yields at the grant date of gilts of similar duration to the awards or share options.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

The dividend yield is calculated using the expected dividend for the year divided by the share price at the date of grant.

37 Cash flow statement

a) Reconciliation of operating profit to operating cash flows

	2025	2024
	£m	£m
Profit before interest and tax	604.4	496.4
Depreciation of property, plant and equipment	385.3	366.8
Depreciation of right-of-use assets	5.7	3.9
Amortisation of intangible assets	33.5	30.4
Impairment of property, plant and equipment	11.4	–
Defined benefit pension scheme administration costs	3.7	3.9
Defined benefit pension scheme contributions	(69.2)	(67.4)
Share based payments and deferred bonus charge	9.1	7.6
Profit on sale of property, plant and equipment and intangible assets	(2.2)	(3.2)
Gain on disposal of subsidiaries	(13.9)	–
Fair value uplift on forestry assets	–	(2.6)
Release of deferred credits	(17.5)	(16.6)
Contributions and grants received	43.1	49.5
Provisions charged to the income statement	24.9	16.0
Utilisation of provisions for liabilities	(52.2)	(38.1)
Operating cash flows before movements in working capital	966.1	846.6
Increase in inventory	(0.5)	(2.0)
Increase in amounts receivable	(18.4)	(62.9)
(Decrease)/increase in amounts payable	(70.7)	50.2
Cash generated from operations	876.5	831.9
Tax received	–	9.0
Tax paid	(5.0)	–
Net cash generated from operating activities	871.5	840.9

b) Non-cash transactions

Non cash investing and financing transactions disclosed in other notes are:

- Acquisition of right-of-use assets (note 18)
- Acquisition of infrastructure assets from developers at no cost (note 16)
- Shares issued to employees for no cash consideration under the LTIP (note 36)

c) Exceptional cash flows

There were no cash flows from items classified as exceptional in the income statement (2024: nil).

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

37 Cash flow statement (continued)

d) Reconciliation of movement in cash and cash equivalents to movement in adjusted net debt

Group

	At 1 April 2024	Cash flow	Fair value adjustments	Inflation uplift on index- linked debt	Foreign exchange	Other non- cash movements	At 31 March 2025
	£m	£m	£m	£m	£m	£m	£m
Net cash and cash equivalents	424.1	259.0	–	–	–	–	683.1
Bank loans	(498.2)	–	–	(4.6)	–	(0.4)	(503.2)
Other loans	(7,158.4)	(1,390.0)	6.4	(65.3)	10.3	(1.5)	(8,598.5)
Leases	(109.2)	12.1	–	–	–	(3.8)	(100.9)
Fair value accounting adjustments	29.8	–	(6.4)	–	–	(0.3)	23.1
Exchange on currency debt not hedge accounted	19.7	–	–	–	(10.3)	–	9.4
Adjusted net debt	(7,292.2)	(1,118.9)	–	(69.9)	–	(6.0)	(8,487.0)

Liabilities from financing activities comprise loans due to parent company, bank loans, other loans and leases.

e) Liabilities from financing activities

	Bank loans	Other loans	Lease liabilities	Derivatives	Interest accrual	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2023	(689.4)	(6,274.5)	(103.2)	71.9	(68.6)	(7,063.8)
Cash flow	197.5	(802.4)	9.1	4.4	236.9	(354.1)
Fair value adjustments	–	18.1	–	–	–	18.1
Inflation adjustment on index-linked debt	(5.8)	(102.9)	–	–	–	(108.7)
Foreign exchange	–	2.8	–	–	–	2.8
Other non-cash movements	(0.5)	0.5	(15.1)	(30.7)	(253.4)	(299.6)
At 1 April 2024	(498.2)	(7,158.4)	(109.2)	45.6	(85.1)	(7,805.3)
Cash flow	–	(1,390.0)	12.1	1.6	280.2	(1,096.0)
Fair value adjustments	–	6.4	–	–	–	6.4
Inflation uplift on index-linked debt	(4.6)	(65.3)	–	–	–	(69.9)
Foreign exchange	–	10.3	–	–	–	10.3
Other non-cash movements	(0.4)	(1.5)	(3.8)	(28.0)	(291.4)	(325.2)
At 31 March 2025	(503.2)	(8,598.5)	(100.9)	19.2	(96.3)	(9,279.7)

38 Contingent liabilities – Group and Company

a) Bonds and guarantees

Group undertakings have entered into bonds and guarantees in the normal course of business. No liability (2024: nil) is expected to arise in respect of either bonds or guarantees.

b) Banking offset arrangements

The banking arrangements of the Group operate on a pooled basis with certain fellow group undertakings. Under these arrangements participating companies guarantee each other's balances only to the extent that their credit balances can be offset against certain overdrawn balances of other Severn Trent group companies. As at 31 March 2025, the Company had no liabilities due to financial guarantees as the credit risk is very low and probability of default is remote (2024: nil).

c) Claims under the Environmental Information Regulations 2004 regarding property searches

The 31 March 2024 financial statements contained a contingent liability with respect to claims under Environmental Information Regulations 2004 regarding property searches. The case was dismissed on 28 June 2024, with a significant proportion of incurred costs recovered by the Group. As such, the Group no longer recognises a contingent liability in respect of this matter.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

38 Contingent liabilities – Group and Company (continued)

d) Ongoing combined sewer overflow investigations

Ofwat and the Environment Agency are each conducting their own investigations into the wastewater industry. The Environment Agency is investigating all English wastewater companies in respect to compliance with conditions of permits. Ofwat is investigating all English and Welsh wastewater companies' compliance with licence conditions, section 94 of the Water Industry Act 1991 and the Urban Wastewater Treatment Regulations.

In summer 2024, Ofwat served notice upon Severn Trent Water Limited along with the other companies that had previously been excluded from the original list of enforcement cases, to enable Ofwat to request information to ascertain whether or not there has in-fact been any non-compliance in relation to their wastewater treatment processes as part of Ofwat's sector wide investigation. Both the Ofwat and EA investigations are ongoing, and it is not yet clear what the outcomes will be. We have responded quickly and comprehensively to all questions from the regulators and have had open conversations with them on the issues under investigation.

e) Collective Action Claim

In December 2023, the Company and its ultimate parent undertaking, Severn Trent Plc, were served with the collective proceedings order ('CPO') application, alongside five other water and sewerage companies for separate (but equivalent) claims, in respect of potential collective proceedings to be brought before the Competition Appeal Tribunal ('CAT') (formerly referred to as the "Leigh Day Claim"). The Group have received a claim for £239 million (excluding interest) on behalf of a class comprising certain consumers of the Company (on an opt-out basis) who alleged to have been overcharged for sewerage services as a result of an alleged abuse of a dominant position.

The preliminary Certification Hearing to determine if the claim is capable of being heard by the CAT and should proceed to trial was held on 23 September 2024; and on 7 March 2025 the CAT handed down judgment. The CAT concluded that the claims for abuse of dominance were excluded by section 18(8) of the Water Industry Act 1991 and unanimously dismissed the claim. The Claimant sought to appeal the judgment and on the 20 May 2025 the CAT unanimously rejected the petition to appeal and awarded costs to Severn Trent. The Claimants petitioned the Court of Appeal for permission to appeal. The Court of Appeal granted permission to hear the appeal on 25 June 2025, on the basis of wider public interest, and we await a date for the actual appeal to be scheduled (likely by the end of the year). We maintain that the CAT's original judgment was robust and, if appealed, should be upheld by the Court of Appeal.

39 Financial and other commitments – Group and Company

a) Investment expenditure commitments

Capital commitments are as follows:

	2025	2024
	£m	£m
Contracted for but not authorised in the financial statements	744.7	863.5

In addition to these contractual commitments, the Group and Company have longer term expenditure plans which include investments to achieve improvements in performance mandated by the Director General of Water Services (Ofwat) and to provide for growth in demand for water and wastewater services.

40 Post balance sheet events – Group and Company

Following the year end the Board of Directors approved a dividend of £359.0 million.

On 14 April 2025 Severn Trent Utilities Finance Plc issued a 200 million Swiss Franc denominated bond maturing in 2032 and issued a back-to-back bond on equivalent terms to the Company. The proceeds were swapped to GBP fixed rates.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

41 Related party transactions – Group and Company

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in this note. Transactions between the Group, the ultimate parent Severn Trent Plc and other related parties are disclosed below.

Transactions

	Transactions with fellow subsidiary undertakings		Transactions with ultimate parent		Transactions with other related parties	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
Sale of services	3.3	3.7	–	–	233.4	264.7
Purchase of services	6.5	6.4	–	0.4	–	–
Net interest income/expense	–	0.4	–	(1.7)	5.4	5.3
Dividends paid to related parties	192.0	300.0	–	–	–	–
Balances outstanding at 31 March:						
Amounts due from related parties	19.4	87.5	–	–	–	–
Amounts due to related parties	(5.4)	(81.6)	(2.0)	(2.2)	(1.1)	–
Loans due from related parties	–	–	–	–	–	–

The related parties are fellow subsidiary undertakings, the ultimate parent Severn Trent Plc, and Severn Trent Plc's joint venture, Water Plus Limited.

Remuneration of key management personnel

Key management personnel comprise the members of STEC during the year, and non-executive directors of the Company.

The remuneration of the directors paid by the Company is included within the amounts disclosed below.

2025	Fixed pay and benefits £'000	Bonus £'000	Bonus	LTIPs £'000	Total £'000
			(deferred into shares) £'000		
Executive Directors	1,562.1	–	–	–	1,562.1
Other members of the executive committee	2,421.9	1,124.2	1,124.2	1,196.9	5,867.2
	3,984.0	1,124.2	1,124.2	1,196.9	7,429.3
2024	Fixed pay and benefits £'000	Bonus £'000	Bonus (deferred into shares) £'000	LTIPs £'000	Total £'000
Executive Directors	1,659.7	–	–	–	1,659.7
Other members of the executive committee	2,232.6	731.0	676.7	1,013.5	4,653.8
	3,892.3	731.0	676.7	1,013.5	6,313.5

The retirement benefit schemes entered into by the Group are considered to be related parties. Details of transactions and balances with the retirement benefit schemes are disclosed in note 27.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

42 Alternative performance measures – Group

Financial measures or metrics used in this report that are not defined by IFRS are alternative performance measures ('APM's). The Group uses such measures for performance analysis because they provide additional useful information on the performance and position of the Group. Since the Group defines its own APMS, these might not be directly comparable with other companies' APMS. These measures are not intended to be a substitute for, or superior to, IFRS measurements.

a) Exceptional items

Exceptional items are income or expenditure which individually or, in aggregate if of a similar type, should, in the opinion of the Directors, be disclosed by virtue of their size or nature if the financial statements are to give a true and fair view. In this context, materiality is assessed at the segment level. There were no exceptional items in the years ended 31 March 2025 and 2024.

b) Adjusted net debt

Adjusted net debt comprises borrowings excluding fair value accounting adjustments on debt and net cash and cash equivalents. Foreign currency borrowings that are hedged by cross currency swaps are included at the notional principal of the sterling payable leg of the swap. See note 35.

c) Effective interest cost

The effective interest cost is calculated as net finance costs, excluding net finance costs from pensions, plus capitalised finance costs divided by the monthly average adjusted net debt during the year.

	2025 £m	2024 £m
Net finance costs	241.1	297.3
Net finance costs from pensions	(10.3)	(13.4)
Capitalised interest	101.2	68.1
	332.0	352.0
Average adjusted net debt	7,723.6	7,181.7
Effective interest cost	4.3%	4.9%

This APM is used as it shows the average finance cost for the adjusted net debt of the business.

d) Effective cash cost of interest

The effective cash cost of interest is calculated on the same basis as the effective interest cost except that it excludes finance costs that are not paid in cash but are accreted to the carrying value of the debt (principally indexation adjustments on index-linked debt).

	2025 £m	2024 £m
Net finance costs	241.1	297.3
Net finance costs from pensions	(10.3)	(13.4)
Indexation adjustments	(72.2)	(108.0)
Capitalised interest	101.2	68.1
	259.8	244.0
Average adjusted net debt	7,723.6	7,181.7
Effective cash cost of interest	3.4%	3.4%

This is used as it shows the average finance cost that is paid in cash.

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

42 Alternative performance measures – Group (continued)

e) PBIT interest cover

The ratio of PBIT to net finance costs excluding net finance costs from pensions.

	2025	2024
	£m	£m
PBIT	604.4	496.4
Net finance costs	241.1	297.3
Net finance costs from pensions	(10.3)	(13.4)
Net finance costs excluding net finance costs from pensions	230.8	283.9
	Ratio	Ratio
PBIT interest cover ratio	2.6	1.7

This is used to show how the PBIT of the business covers the financing costs associated only with adjusted net debt on a consistent basis.

f) EBITDA and EBITDA interest cover

The ratio of profit before interest, tax, depreciation and amortisation to net finance costs excluding net finance costs from pensions.

	2025	2024
	£m	£m
PBIT	604.4	496.4
Depreciation (including right-of-use assets)	391.0	370.7
Amortisation	33.5	30.4
Impairment of property, plant and equipment	11.4	–
EBITDA	1,040.3	897.5
Net finance costs	241.1	297.3
Net finance costs from pensions	(10.3)	(13.4)
Net finance costs excluding finance costs from pensions	230.8	283.9
EBITDA interest cover ratio	4.5	3.2

This is used to show how the EBITDA of the business covers the financing costs associated only with adjusted net debt on a consistent basis.

g) Adjusted effective current tax rate

The current tax charge for the year, excluding prior year charges and current tax on financial instruments, divided by profit before tax and net losses/gains on financial instruments.

	2025		2024	
	Current tax thereon		Current tax thereon	
	£m	£m	£m	£m
Profit before tax	397.6	–	257.8	–
<i>Adjustments:</i>				
Net gains on financial instruments	(34.3)	–	(58.7)	–
	363.3	–	199.1	–
Adjusted effective current tax rate		0.0%		0.0%

Severn Trent Water Limited

Notes to the Group and Company financial statements (continued)

For the year ended 31 March 2025

42 Alternative performance measures – Group (continued)

h) Operational cashflow

Cash generated from operations less contributions and grants received.

	2025	2024
	£m	£m
Cash generated from operations	876.5	831.9
Contributions and grants received	(43.1)	(49.5)
Operational cashflow	833.4	782.4

This APM is used to show operational cash excluding the effect of contributions and grants received as part of capital programmes.

i) Cash capex

Cash paid to acquire property, plant and equipment and intangible fixed assets less contributions and grants received and proceeds on disposal of property, plant and equipment and intangible fixed assets.

	2025	2024
	£m	£m
Purchase of property, plant and equipment	(1,513.9)	(1,214.9)
Purchase of intangible assets	(39.3)	(29.0)
Contributions and grants received	43.1	49.5
Proceeds on disposal of property, plant and equipment	2.2	4.6
Cash capex	(1,507.9)	(1,189.8)

This APM is used to show the cash impact of the Group's capital programmes.

43 Ultimate parent undertaking

The immediate parent undertaking is Severn Trent Draycote Limited.

The ultimate parent undertaking and controlling party is Severn Trent Plc, which is the parent undertaking and controlling party of the largest group to consolidate these financial statements. Copies of the Severn Trent Plc consolidated financial statements can be obtained from Severn Trent Plc's registrars at Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.