

SEVERN
TRENT

INVESTING IN THE FUTURE

Severn Trent Plc Annual Report and Accounts 2026



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WELCOME TO OUR ANNUAL REPORT 2026

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Culture in Action

Group Highlights

Group turnover (£m)

2025/26	£2,831m
2024/25	£2,427m
2023/24	£2,338m
↑	16.6%

Group profit before interest and tax ('PBIT') (£m)

2025/26	£861m
2024/25	£590m
2023/24	£512m
↑	45.9%

Regulated Gearing (%) ¹

2025/26	63.6%
2024/25	62.7%
2023/24	61.3%
↑	1.4%

Dividend per share (p)

2025/26	126.02p
2024/25	121.71p
2023/24	116.84p
↑	3.5%

Basic earnings per share ('EPS') (p)

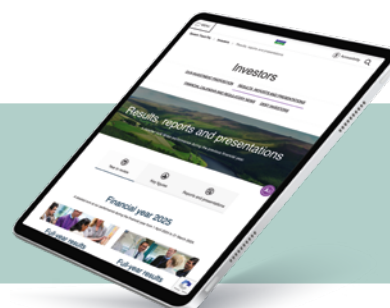
2025/26	123.5p
2024/25	76.6p
2023/24	51.0p
↑	61.2%

Adjusted basic EPS (p) ²

2025/26	184.4p
2024/25	112.1p
2023/24	79.4p
↑	64.5%

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Our Reporting



Severn Trent Water 2025
– 2030 Business plan



Community Fund
Annual Review



Gender and Ethnicity
Pay Gap Report



Customer
Vulnerability Strategy



¹ Regulated gearing is defined in note 35 to the financial statements.

² Adjusted earnings and the weighted average number of ordinary shares for the purpose of adjusted earnings per share are defined in note 14 to the financial statements.

Severn Trent at a Glance

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 purpose

Taking care of one of life's essentials

Driven by our strategy

Performance driven, sustainability led

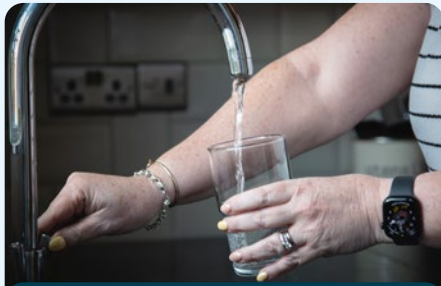


Scan to visit our sustainability web pages or [click here](#)

How we are structured

Our regulated water and wastewater businesses are Severn Trent Water and Hafren Dyfrdwy. The primary activities we focus on are:

Regulated water and wastewater businesses



Providing clean water

We provide over nine million people across our region with fresh, clean drinking water every day.



Treating wastewater

Over 3.17 billion litres of wastewater are treated every day, cleaned and returned to the environment.



Generating renewable energy

Severn Trent generates a proportion of its own energy through a variety of sources, including the anaerobic digestion of sewage sludge.

Severn Trent Infrastructure Services

Infrastructure Services operates a UK-based portfolio that complements the Group's core competencies and is well positioned to capitalise on market opportunities in these areas:



Operating Services

Operating Services provides a variety of operational water and wastewater services to private businesses across the UK.



Green Power

Severn Trent Green Power generates renewable energy from anaerobic digestion, hydropower, wind turbines and solar technology.



Property Development

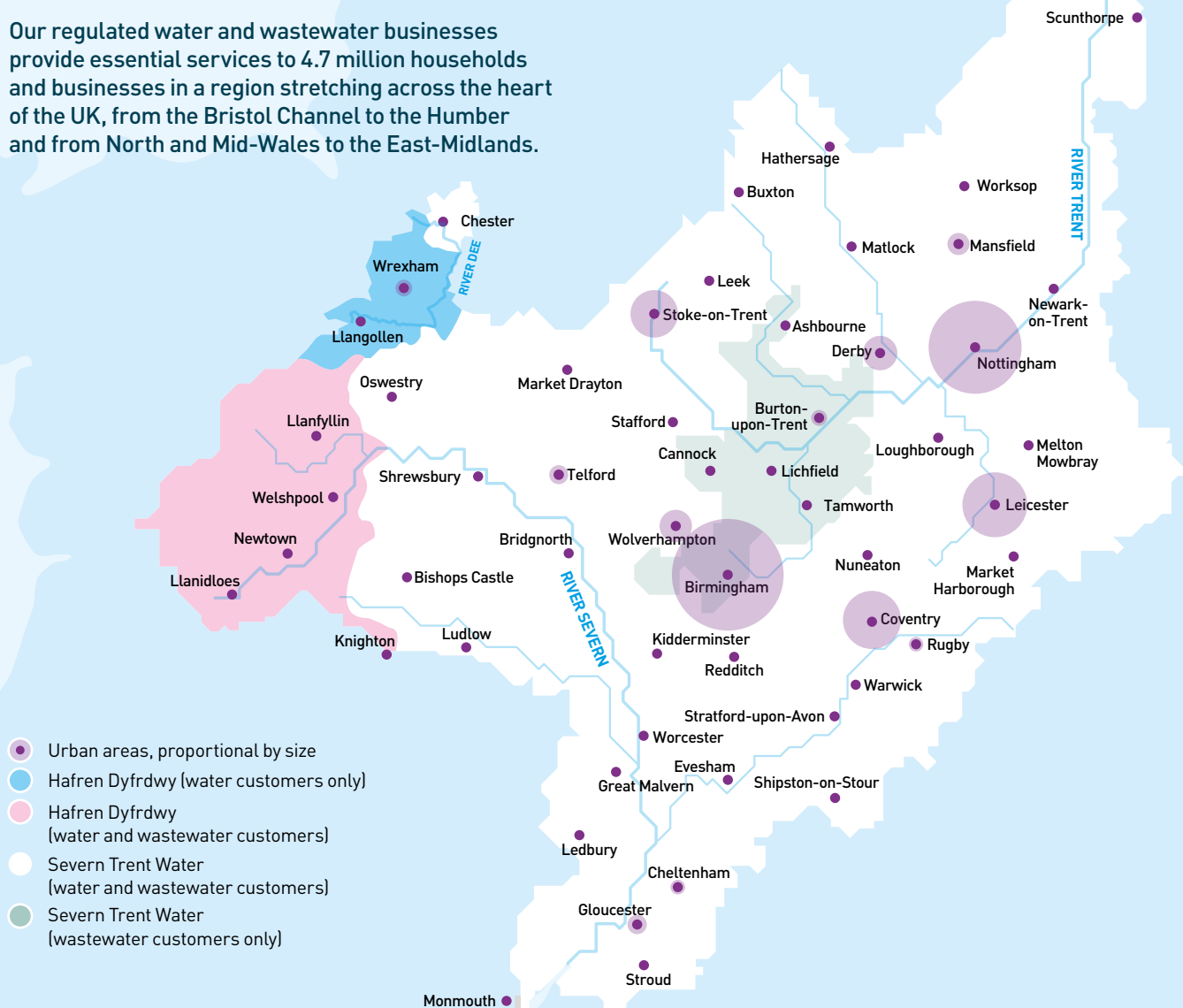
Our Property Development business manages the sale of surplus land.



Network Services

Network Services integrates IWJS and Watertight, securing critical operational capability, retaining value and strengthening resilience to support our AMP8 delivery.

Our regulated water and wastewater businesses provide essential services to 4.7 million households and businesses in a region stretching across the heart of the UK, from the Bristol Channel to the Humber and from North and Mid-Wales to the East-Midlands.



Our values

► Read more on page 19

HAVING
COURAGE

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.

SHOWING
CARE

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

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.

EMBRACING
CURIOSITY

Embracing Curiosity

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

Social channels



Severn Trent



Severn Trent



severntrent



@severntrentofficial



severntrent

Market Review – Water Sector

There are 16 regional businesses supplying water services in England and Wales, serving around 60 million people. Of these, 11 also provide wastewater services, including Severn Trent Water and Hafren Dyfrdwy. This year marked a period of change for the sector, with the publication of the findings from the Independent Water Commission's review. While the Government considers its plans for reform of the sector, we have been keeping a firm focus on delivering our current 2025-2030 Business Plan.



Working with our regulators and stakeholders

We are currently subject to regulation of our price and performance by economic, quality and environmental regulators, as outlined below. You can read more about how we engaged with our regulators and other stakeholders this year. ▶ See pages 79 to 83.

Regulation and representation



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



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 on land.



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.



Natural Resources Wales ('NRW') is the environmental regulator in Wales. It oversees how the country's natural resources are maintained, improved and used, both now and in the future.



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.



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.

We also work with a range of other regulators, including:

- Health & Safety Executive to ensure that the health and safety of our employees, customers, visitors and supply chain is preserved;
- Ofgem, the economic regulator of gas and electricity markets whose remit extends to renewable energy generation; and
- Ofsted, the regulator for education, children's services and skills, since our Academy became accredited.

Policy

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

In July 2025, the Independent Water Commission published its final report (the 'Cunliffe report'), commissioned by the Government, setting out recommendations for the most significant reforms to the UK Water sector since privatisation. Both the UK and Welsh Governments have responded positively to the report in their respective White and Green Papers, committing to publishing Transition Plans in response. The proposed reforms include substantial changes to the regulatory landscape.

In England, a new single water regulator is expected to be created, bringing together relevant functions currently undertaken by Ofwat, the DWI, the EA and Natural England. In Wales, a separate economic regulator is expected to be established.

We welcome the findings of the Cunliffe report and are working closely with industry partners, governments and other stakeholders to support the effective design and implementation of the proposed reforms.



Our 2025-2030 Business Plan

A strong start to AMP8

Every five years, water companies in England and Wales develop business plans setting out how they intend to deliver for customers and the environment over the next Asset Management Plan period ('AMP').

Our full plans and Ofwat's Final Determinations are available on our websites. Scan the QR codes below to see our Business Plans.



**Severn Trent
Water 2025-2030
Business Plan**



**Hafren Dyfrdwy
2025-2030
Business Plan**

Improving our assets for future generations

Our acceleration of over £450 million (2022/23 prices) of AMP8 spend into the final two years of AMP7 has contributed to our strong start, with capital investment levels smooth as we moved from AMP7 to AMP8.

As part of its PR24 Final Determinations, Ofwat included price control deliverables ('PCDs') to track companies' progress with delivering investment programme outputs. We have achieved all of our year one targets which cover water mains replacement and metering programmes. We have also delivered ahead of schedule on several of our phosphorus removal and storm overflow commitments.

Ofwat's Final Determinations introduced a cost change (or 're-opener') process for AMP8, allowing companies to apply for additional investment during the AMP in critical areas. Supported by 71% of households in independently conducted research, and totalling £481 million (2022/23 prices), we have submitted investment proposals in two areas – asset health and growth. This includes bringing forward investment in service reservoirs, treated water storage tanks, boreholes and sewers, to help to spread costs more fairly across current and future customers. It will also support faster than forecast regional growth by creating new capacity for the equivalent of around 11,000 people – taking our total AMP8 investment in growth to over £750 million (2022/23 prices).

We have proposed that this additional investment, if agreed by Ofwat later in 2026, should be added to the RCV and customers' bills from 2027/28 – an approach that helps to smooth bill increases over the longer term and means the impact over and above our existing plans by 2029/30 will be an additional £8 on the average household bill.



Severn Trent Water's 2025-30 Business Plan (covering AMP8) was awarded 'outstanding' status by Ofwat during its 2024 Price Review ('PR24') Final Determinations, in recognition of the level of ambition demonstrated.

We have made a strong start to delivery, with 78% of outcome delivery incentives ('ODIs') in green in the first year of AMP8. At £14.9 billion (2022/23 prices), we have also kicked off our largest ever five-year programme of investment, frontloading our expenditure to deliver faster for customers.

£14.9 billion

2025-30 programme of investment



Delivering for our customers and the environment

£6.4 billion (2022/23 prices) of our 2025-30 programme is dedicated to service and environmental enhancements. In our first year of delivery we are making progress in areas customers care about, including reducing internal sewer flooding incidents to a record low of 512 (against a regulatory target of 650). We also outperformed our regulatory target for leakage reduction for the eighth consecutive year – securing a three-year rolling average of 342.3 ML/d (against a target of 352.4 ML/d).

At the same time, we remain committed to keeping bills affordable. This year, we launched our largest ever affordability package, which will provide £575 million of support and help one in six households with their bills by 2030. During the year, we have helped over 332,000 households through our affordability schemes.

More information on our delivery of outcomes this year is included on pages 12 to 13.

Our Business Model

Our purpose

At Severn Trent, we are driven by our purpose – taking care of one of life's essentials.

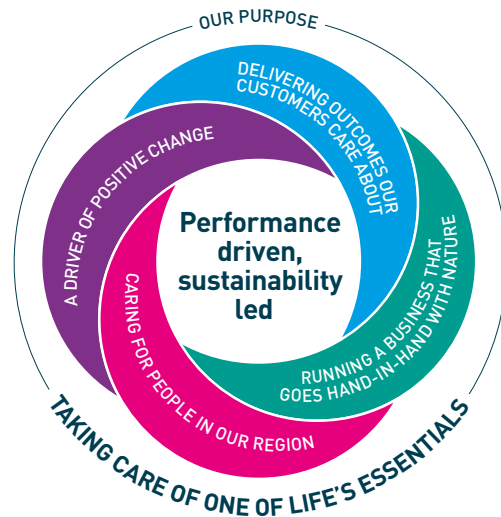
United behind a clear social purpose, we work together to deliver positive outcomes for our customers, colleagues, investors, regulators, the communities we serve and the environment we depend on.

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

What we do

We provide essential water and wastewater services to millions of customers across the Midlands and Mid-Wales. We abstract, treat and supply clean drinking water, collect and treat wastewater, and safely return it to the environment. Through sustained investment, innovation and responsible operations, we protect public health, support regional growth and enhance the resilience of water and natural ecosystems.

Driven by our strategy



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)

2025/26	78%
2024/25	83%

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)

2025/26	8.8
2024/25	8.6

Our communities

We support customers struggling to pay bills and support communities through jobs, skills training and funding for regional charities.

How we measure this

Severn Trent Community Fund (£m donated to charitable causes in our region)¹

2025/26	£1.8m
2024/25	£2m

Our shareholders and investors

We create value for equity investors through a reliable, index-linked dividend, underpinned by strong operational performance, and a growing RCV, which will lead to higher returns in the future.

How we measure this

Return on Regulated Equity ('RoRE') (%)²

2025/26	13.7%
2024/25	9.7%

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 anti-slavery and human trafficking commitments.

How we measure this

Average time to pay suppliers (days)³

2025/26	40
2024/25	34

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. Our infrastructure services businesses drive competition in the market, improving the quality and value in the water sector supply chain.

¹ During AMP7, we donated 1% of profit to the Community Fund. For AMP8, this has been capped at £2 million per year, inclusive of all running costs, which continue to rise annually.

² Based on the actual capital structure.

³ See page 21 for further information.

Our Business Model in Action

Collect raw water

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



Clean raw water

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



Distribute clean water

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



Customers enjoy our services

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



Collect wastewater

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



Clean wastewater

We carefully screen and treat wastewater at 984 treatment works, to meet stringent environmental standards.



Recycle water to the environment

We safely return treated water to rivers and watercourses.



Green energy

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



Chair's Statement

DELIVERING WITH PURPOSE



Dear Shareholder

This year has been one of strong progress, important reflection and continued commitment to serving our customers and communities. We enter AMP8 having made a strong start to the largest investment programme in our history, with delivery already accelerating to bring forward benefits for customers and the environment.

We have also seen meaningful momentum in the sector more widely, with the Independent Water Commission's review marking a positive step towards long term direction for the industry. As we move further into AMP8, the expectations on water companies remain high. We are supportive of the general direction of regulatory reform and rebuilding public trust across the sector, and await further clarity which is expected later in the year. This represents both a challenge and an opportunity, and one that we are keen to support and help shape for the benefit of the sector and, importantly, to help rebuild public trust.

Leadership transition

One of the most significant developments this year has been the leadership transition from Liv Garfield to James Jesic, who became Chief Executive Officer on 1 January 2026. The Board is immensely grateful to Liv for more than a decade of outstanding service and is pleased that the transition followed a well-planned and rigorous internal and external assessment process, reflecting strong long-term succession planning.

James brings over 20 years of experience across Severn Trent, including eight years on our Executive Committee where he has led customer operations, commercial services and our multi-billion-pound capital programme. His deep understanding of our network, his values-driven leadership, and his passion for innovation and customer service make him exceptionally well placed to lead the business through AMP8 and beyond. He has played a central role in strengthening our operational performance and, most recently, has overseen the delivery of our largest ever investment programme.

James has been clear with the Board: his approach will be evolution, not revolution. We welcome this. We have a sound strategy, a committed team, and clear focus for this regulatory period. Our focus now is on strong delivery, keeping customers and the environment at the heart of our decisions, and making sure our investment leads to impactful improvements for our communities.



Strong governance, disciplined long-term investment and a values-led culture guide the Company as we support regional growth and protect essential services. We remain focused on resilience, sustainability and creating enduring value for society, now and into the future.



Christine Hodgson
Chair

Sustaining strong environmental performance

Our environmental performance during the year reflects the sustained attention given to environmental protection and operational resilience across the Group. We are on track to achieve the EA's 4* Environmental Performance Assessment ('EPA') rating in 2025, which marks the seventh consecutive year for the Company. Delivering consistently strong performance over time requires continued vigilance and investment, particularly in the context of increasingly demanding targets and heightened public expectations. As we progress through the most ambitious investment programme in our history, we are committed to putting our communities and the environment at the forefront whilst we deliver meaningful and visible improvements across our region.

During the year, we were disappointed to have experienced two Category 1 pollution incidents¹. While such incidents are thankfully rare, we consider any serious pollution to be unacceptable. The Board engaged closely with the Executive Team to understand the root causes, ensure full transparency with our regulators, and oversee the steps being taken to prevent recurrence. Whilst both incidents were unforeseen, we will learn from them, strengthen controls where needed, and maintain our commitment to sector-leading environmental stewardship.

A Board focused on responsible oversight and long-term value

Throughout the year, the Board continued to operate as a cohesive, balanced and highly engaged group, combining deep industry expertise with external perspectives across sustainability, customer experience, finance, engineering and major project delivery. We have maintained strong succession planning, ensured appropriate committee oversight, and continued to hold management to account on performance, risk and long-term value creation.

We enter AMP8 with a clear and aligned view of the risks and opportunities ahead. Our Board culture remains one of constructive challenge and humility: recognising that we serve customers first, and that our licence to operate depends on delivering for them every day.

¹ We are currently undergoing an appeal process in relation to a third serious pollution.

Putting customers at the centre of everything we do

Providing outstanding customer service is at the heart of our purpose. While we have industry-leading Trustpilot scores and strong feedback across many service areas, we recognise that our end-to-end customer journey could be improved. The underlying message is unchanged: we must continue to improve the customer journey when they need to reach out to us.

The Board has challenged management hard on this, and we are encouraged by early signs from our migration to the Kraken customer platform. Improved data segmentation and more intuitive digital journeys are already enabling us to respond more effectively to customer needs. This transition will take time, but it is unquestionably the right path and we are working to ensure we deliver a step change in the quality of service.

Our commitment to affordability remains a priority. As a company serving some of the most diverse communities in the country, we recognise the pressure many households continue to face. While bills have risen again this year, these increases are essential to fund the investment needed to strengthen our network and protect the environment. To support those most affected, we operate one of the largest and most comprehensive assistance packages in the sector, providing tailored financial help to around one in six households in our region. Alongside this, our employability and community programmes continue to build skills, open access to opportunities and improve long-term resilience, ensuring our support extends far beyond the bill itself.

Driving a performance-driven culture

The Board remains immensely proud of our colleagues, whose commitment has once again delivered strong operational and financial performance. AMP8 has begun with momentum: delivering year-on-year reductions of 8% to our three-year average leakage position, 41% reduction in storm overflow spills, significant reduction in total pollutions and continued investment in resilience across our wastewater network. Our capital programme is progressing at pace, with expenditure in line with the record levels set out in our Business Plan. Colleague engagement remains amongst the top 5% of energy and utility companies globally, a testament to the inclusive and purpose-driven culture that underpins our performance, and our growing graduate pipeline further strengthens our future capability and reinforces our commitment to long-term excellence.

Investing for the long term

AMP8 represents the largest period of investment in Severn Trent's history, committing a record £14.9 billion to improving our water, protecting our environment and supporting the communities we serve. As we accelerate our investment programme, we remain focused on delivering at pace across our regions, bringing forward tangible benefits for customers and local communities. This investment is essential; it will modernise ageing infrastructure, improve river health, expand capacity to support population growth, and strengthen resilience in the face of a changing climate.

The Board maintains a relentless focus on efficiency, governance and the robustness of our supply chain. The progress we have made on capital efficiencies, vertical integration and direct procurement gives us confidence that we can both deliver our programme and create value for customers and shareholders.

Championing sustainability and trust

Over the past year we have continued to make strong progress on sustainability, including maintaining high alignment with the EU Taxonomy and achieving upgrades across key Environmental, Social and Governance ('ESG') indices. These external endorsements matter, but what matters more is the underlying work: reducing emissions, improving water quality, supporting biodiversity, and strengthening the resilience of our operations. Our longstanding commitment to net zero operational emissions by 2030 remains on track, driven by a shift to renewable energy and electrification of our fleet, where available.

Regulatory landscape and long-term stewardship

We also enter an important period for the sector as the regulatory landscape continues to evolve. Early signals from Government and policymakers have been encouraging, with a clear recognition of the need for a framework that enables long-term investment, supports environmental leadership, and delivers better outcomes for customers. In January, the Government published its White Paper response to the Independent Water Commission's report and in April appointed Dame Julia Black to advise on the transition to water sector reform.

The Board shares management's confidence in the long-term growth outlook for the sector, underpinned by inflation adjusted regulation, essential infrastructure investment and strong delivery capability. The Board continues to engage constructively with policymakers and regulators, advocating for a regime that supports the scale of investment required while maintaining fair and balanced expectations for performance. Whatever the final shape of the reforms, our priorities remain unchanged: delivering on our commitments, operating transparently, and maintaining the trust of the communities we serve.

Looking ahead

As we look to the year ahead, the Board's priorities are clear:

- **Supporting the CEO in his first year** – James is already deeply embedded in Severn Trent, with strong relationships across the organisation and a clear vision for the years ahead. The Board will work closely with him and the wider Executive Team to ensure continuity, momentum and alignment around his priorities.
- **Maintaining strong delivery** – As we move into a period of significant growth and investment, maintaining disciplined, high-quality delivery of our operational and capital commitments remains essential. The Board will continue to oversee performance closely to ensure our customers and stakeholders realise the benefits of the investment we have promised for the region.
- **Upholding sector-leading environmental performance** – Environmental stewardship remains a core Board priority. We are focused on delivering continuous improvements in ecological outcomes, reducing long-term pollution and spill averages, and strengthening operational resilience across our asset base. While the EPA provides an important external benchmark, our ambition extends beyond individual measures, encompassing high standards across all areas of environmental protection and in every community we serve.
- **Improving customer experience across all service areas** – The Board is committed to driving better outcomes for customers, focusing on improving service and experience at every touchpoint. Our ambition is to raise the standard of service across the business and to enhance the customer experience whenever they need to contact us.
- **Driving innovation to support efficient, high-quality delivery** – With a large capital programme ahead, innovation is fundamental to delivering faster, smarter and more efficiently. The Board will continue to encourage the adoption of new technologies and approaches that enable long-term, sustainable improvement.
- **Strengthening cyber resilience** – The threat of cyber attacks continues to grow across all sectors. Ensuring the business is aware of the risks, is well prepared, and supported by robust controls and business continuity plans remains a critical priority for the Board.

We have made a strong start to this regulatory period alongside a smooth leadership transition and look ahead with cause for optimism.

On behalf of the Board, I would like to thank our colleagues, customers, partners and shareholders for their continued support. We are committed to delivering reliable, affordable and sustainable services for the millions of people who depend on us every day.

Christine Hodgson
Chair

Chief Executive's Review

DELIVERING FOR ALL STAKEHOLDERS



This is my first report as Chief Executive, and it comes at a defining moment for our business and for our industry. The water sector is in a period of unprecedented investment shaped by climate change, population growth and rising expectations from customers and regulators. Against that backdrop, I am proud of the progress our teams have made this year and confident in the foundations we have built for long-term success.

We have made a strong start to the regulatory period, and preparations undertaken in the previous five years have enabled us to mobilise quickly, scale delivery and maintain focus on what matters most: providing resilient, high-quality water standards and wastewater services, improving outcomes for the environment, supporting our communities and delivering value for customers and shareholders.

This year, we experienced significant weather extremes, including extended periods of long drought followed by intense rainfall. These conditions create more pressure on water and wastewater networks and require operational excellence at every level. Despite this, we continued to avoid temporary use bans, maintained high drinking water quality and delivered improved outcomes across almost 80% of our operational measures. We earned £73 million in performance incentives during the year, reflecting a culture that is focused on strong operational performance for our customers and the environment.

We expect our regulated asset base to grow by around 10% per annum between 2025 and 2030, and the growth opportunity extends well beyond this period. We are investing to provide a resilient service for customers and the environment against a backdrop of climate change, population growth and increasing regulation. We are well positioned to deliver the long-term investment required responsibly and efficiently. In May, we submitted proposals to Ofwat for additional funding of almost £600 million for rebuilding and upgrading water storage tanks, securing the integrity of ground water sources, sewer network upgrades and supporting population growth across our region.

This year, we delivered a strong set of financial results, underpinning a year of robust operational performance and consistent delivery for our customers, the environment and shareholders. Our disciplined, cost-focused approach has further strengthened our financial position, enabling us to invest in our services while continuing to deliver value for stakeholders. Reflecting this performance, and in line with our policy for 2025-2030 of annual growth of CPIH, we have declared a final dividend of 75.62 pence per ordinary share for 2025/26. This gives a total dividend for the year of 126.02 pence per ordinary share.

2025/26 capital investment

£1.9 billion

2024/25 £1.7 billion

£73 million

in performance incentives

Group PBIT

£861 million

EPS

184.4 pence

Scaling delivery of the largest investment programme in our history

This year we invested £1.9 billion in our assets, the highest level of capital investment Severn Trent has ever delivered in a single year.

Our insourced delivery model has been a critical enabler, providing greater control over cost and quality, increasing resilience and allowing us to respond quickly as priorities evolve. Alongside this, collaborative relationships with our extended supply chain of over 150 partners reduces delivery risk and increases flexibility.

We have made good progress towards our capital efficiency target of at least £500 million this regulatory period. We are also targeting around £150 million of total operating cost efficiencies by 2030 through our 'right first-time' customer approach and scalable operational solutions.

With Artificial Intelligence ('AI') enabling us to forecast deterioration, model a multitude of investment scenarios and optimise long-term planning, we are driving efficiency through improved decision-making and reduced waste.

Water resilience and quality for customers

During the summer of 2025, water demand reached exceptional levels and our network performed strongly. We successfully treated and supplied increased volumes of water whilst maintaining the high quality our customers expect, reflective of our robust operations and long-term investment in our assets. 98% of our customers benefit from a second source of supply, enhancing security and reducing vulnerability to asset failure or extreme weather.

This year has seen particularly strong progress in leakage which, with an 8% year-on-year reduction to our three-year average, is now at our lowest ever level. Smart metering, pressure management, satellite detection and AI enabled monitoring are embedded across the business, and we are now using no-dig repair techniques on 44% of our communication pipe repairs to reduce disruption and environmental impact.

Climate change is altering consumption patterns and increasing volatility across the system. While we missed our per capita consumption target this year, the underlying trend reinforces the need for sustained investment in network resilience and customer water-efficiency measures. We are also investing £1.4 billion this regulatory period in water resources and resilience, as well as supporting customers with water efficiency measures.

Improvement in waste and the environment

During the year we invested around £1 billion in waste and continue to make progress to protect and improve river health.

Storm overflows remain a critical focus, and with the support of our supply chain we have now implemented over 3,000 solutions. We are seeing the benefits of our proactive investments in the previous regulatory period. In 2025, average spills reduced by 41% to 15 spills per storm overflow asset, outperforming our regulatory target and earning £10 million in reward.

We reduced pollution incidents by 35% year-on-year, and invested in building in-house capabilities and improved responsiveness when there is an issue.

Despite remaining confident of retaining the highest rating of 4* in the EA's Environmental Performance Assessment for the seventh consecutive year, we were disappointed to have had two¹ confirmed serious pollution events in 2025 and we know we can do better. It is worth noting the EA commended our prompt response and our mitigating actions and we have implemented findings from our detailed root cause analyses to help prevent future incidents.

By bringing reactive sewerage services in-house and strengthening our waste operating model, we have improved our ability to respond quickly and effectively when customers need us most, resulting in our best ever internal sewer flooding performance and continued reductions in external flooding incidents.

Advances in data, digital tools and AI are transforming wastewater operations. We are using predictive analytics to forecast daily demand, storm impacts, flooding risks and sewer blockages enabling proactive intervention and reduced service disruption.

Biodiversity performance was one of our strongest areas this year, reaching the financial reward cap. We delivered 510 biodiversity units, restored habitats across the region and reinforced our long-term commitment to protecting the natural environment alongside essential infrastructure.

Customer service improvements

Over the 23 years I have been in the business, I have experienced first hand the great work our teams do to deliver for our customers every day, and I believe there is an opportunity to do more. Improving experience for customers is one of our priorities to drive the business forward.

The performance incentive measure of customer experience, C-MeX, is scored using data from customer surveys which is benchmarked against the UK Customer Satisfaction Index. We incurred a penalty during the year and are taking actions to drive improvements to customer service.

We are making it easier for customers to contact us through several platforms and are focused on a 'right first-time' approach to fix issues at source and reduce hand-offs between departments. The implementation of our new billing system, Kraken, represents a step change in capability, using AI to validate readings, flag anomalies and support faster, more accurate resolution of customer queries.

We have also strengthened our regional customer service presence, opening new contact centres in Birmingham and Leicester and creating over 180 social recruitment roles for the people in our region as part of our insourcing strategy. But it is much more than just C-MeX. Improved customer experience will help drive efficiency and increase customer advocacy.

We recognise our role in supporting housing needs driven by population growth, and through our long-term relationships with developers, we continue to support this growth across our region, delivering new connections efficiently and earning maximum reward under the Developer Measure of Experience ('D-MeX').



James delivering one of his 70 All People Roadshows, where teams discussed priorities for the year ahead

Making a positive difference for our communities

Severn Trent plays an important role in our community - we live and work amongst our customer base every day. This year we reached more than 15,000 people through targeted community programmes, empowering our local communities to thrive in the job market by delivering job fairs and helping people build skills, improve employability and access fulfilling work.

Through our affordability schemes, we provided meaningful bill support to over 332,000 households who need it most and we work directly in communities to promote water efficiency, raise awareness of available support and help customers manage their bills.

We now employ more than 11,000 people and invest in training through our designated Academy, and this year we welcomed over 160 graduates and apprentices. Engagement remains high at 8.8, reflecting a culture that values inclusion, development and shared purpose.

Looking ahead

As a proud Midlander, it is a privilege to lead Severn Trent at such a pivotal time, and I look forward to the period of growth ahead. I am optimistic about the future and confident Severn Trent will continue to embrace what is next, delivering on the challenges and opportunities ahead.

I want to thank our people for their dedication, our customers for their trust and our stakeholders for their continued support. I am grateful too for the counsel, challenge and support from Christine and the Board.

Finally, I would like to thank Liv Garfield for her exceptional leadership over the previous 11 years. The energy, passion and determination she embedded into the Severn Trent culture will continue as we deliver our ambitious five-year plan.

James Jesic
Chief Executive

¹ We are currently undergoing an appeal process in relation to a third serious pollution.

Our Performance and Key Performance Indicators

Key

Performance:

- Outperformance against target
- In line with target
- Underperformance against target

Stakeholders:

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

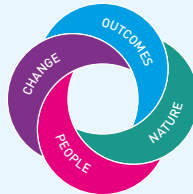
Remuneration:

- Linked
- Not linked

Strategic objectives:

C A Driver of Positive Change

P Caring for People in our Region



O Delivering Outcomes our Customers Care About

N Running a Business that Goes Hand-in-Hand with Nature

Customer Contacts About Water Quality (number of complaints)

9,111



ODI Target: 9,267

2025/26	9,111
2024/25	9,011
2023/24	7,696

Description:

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

Strategic objectives:

O

Stakeholders:



Remuneration:



Water Supply Interruptions (average number of minutes)

00:05:41



ODI Target: 00:05:00

2025/26	00:05:41
2024/25	00:04:34
2023/24	00:06:40

Description:

The average number of minutes lost per customer.

Strategic objectives:

O

Stakeholders:



Remuneration:



Customer Measure of Experience ('C-MeX') (Index)

62.04

2025/26 62.04

2024/25	74.43
2023/24	74.18

Description:

An industry view of customers' experience, measured through quantitative and qualitative metrics, and industry benchmarking and UKCSI.

Strategic objectives:

O

Stakeholders:



Remuneration:



Developer Measure of Experience¹ ('D-MeX') (Index)

88.27

2025/26 88.27

2024/25	92.16
2023/24	91.90

Description:

An industry view of developers' experience, measured through quantitative and qualitative metrics, and industry benchmarking.

Strategic objectives:

O

Stakeholders:



Remuneration:



Employee Engagement (score out of 10)

8.8

2025/26	8.8
2024/25	8.6
2023/24	8.6

Description:

Employee engagement score out of 10.

Strategic objectives:

P

Stakeholders:



Remuneration:

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

0.11

2025/26	0.11
2024/25	0.09
2023/24	0.08

Description:

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

Strategic objectives:

P

Stakeholders:



Remuneration:



Customer Bill Support (Number of customers)

332,713

2025/26	332,713
2024/25	281,067
2023/24	212,793

Description:

Number of customers supported with their bills.

Strategic objectives:

P

Stakeholders:



Remuneration:

Social Value (Cumulative number of customers)

41,342

2025/26	41,342
2024/25	26,078
2023/24	10,675

Description:

Our Societal Strategy, launched in 2022 aims to reach 100,000 people in, or at risk of, water poverty by 2030.

Strategic objectives:

P

Stakeholders:



Remuneration:



¹ 88.27 is our Q3 score. Our Q4 score will not be released until June 2026.

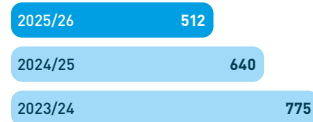
Internal Sewer Flooding²

(number of incidents)

512



ODI Target: 650



Description:

The number of sewer flooding incidents that occur inside customer properties.

Strategic objectives:

0

Stakeholders:



Remuneration:



External Sewer Flooding²

(number of incidents)

6,123



ODI Target: 6,445



Description:

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

Strategic objectives:

0 N

Stakeholders:



Remuneration:



Leakage

(ML/d) (three-year average)

342.3



ODI Target: 352.4 ML/d



Description:

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

Strategic objectives:

0

Stakeholders:



Remuneration:



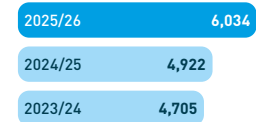
Mains Repairs³

(number of repairs)

6,034



ODI Target: 5,636



Description:

The number of repairs to our ground mains network as a result of burst mains.

Strategic objectives:

0

Stakeholders:



Remuneration:



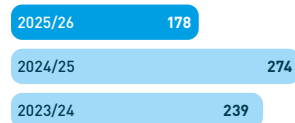
Pollutions⁴

(number of incidents)

178



ODI Target: 234



Description:

The number of pollution incidents that occur from our activities.

Strategic objectives:

0 N C

Stakeholders:



Remuneration:



Sewer Collapses

(number of collapses)

646



ODI Target: 726



Description:

Number of sewer collapses in our network, impacting service and/or the environment.

Strategic objectives:

0 N

Stakeholders:



Remuneration:



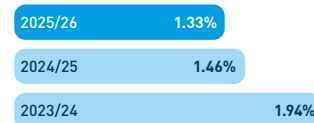
Unplanned Outages

(percentage of loss of peak week production capacity)

1.33%



ODI Target: 2.14%



Description:

The unplanned loss of peak week production capacity at our water treatment sites.

Strategic objectives:

0

Stakeholders:



Remuneration:



Storm Overflows

(average spill count)

15.0

2025/26 15.0

2024/25 25.4

2023/24 24.9

Description:

The average number of spills per site, EA definition.

Strategic objectives:

0 N C

Stakeholders:



Remuneration:



Biodiversity

(biodiversity units)

512.5



ODI Target: 0



Description:

Change in biodiversity units from baseline survey, where targets are set on an industry comparative basis. New definition for AMP8.

Strategic objectives:

0 N

Stakeholders:



Remuneration:



Net Zero

(gas emission reduction)

27%

2025/26 27%

2024/25 25%

2023/24 30%

Description:

Targeting a 46% reduction in Scope 1 and 2 emissions by 2031, from a 2019/20 baseline.

Strategic objectives:

0 N

Stakeholders:



Remuneration:



Self-Generation

(total renewable energy generation, GWh)

855

2025/26 855

2024/25 847

2023/24 757

Description:

Total generation of renewable electricity and biomethane generation.

Strategic objectives:

0 N

Stakeholders:



Remuneration:



Reasons for Not Achieving Good Status

(% of bodies with at least one 'RNAGS')

<9%

2025/26 <9%

2024/25 10.8%

2023/24 14.0%

Description:

Measurement of specific issues that negatively affect water quality.

Strategic objectives:

N

Stakeholders:



Remuneration:



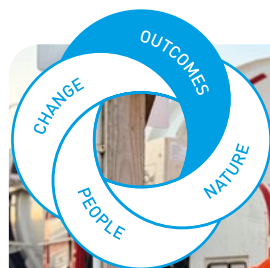
² Our FY25 performance has been restated following Ofwat's recategorisation of build-over flooding from External Sewer Flooding to Internal Sewer Flooding.

³ These are reactive repairs due to network bursts, therefore, fewer repairs against target indicate better performance. Although we did not meet our ODI target this year, we remain within the regulatory deadband and incurred no penalty.

⁴ We are currently undergoing an appeal process in relation to a third serious pollution.

Our Strategy

DELIVERING OUTCOMES OUR CUSTOMERS CARE ABOUT



In this section:

Customer experience	14
Water	16
Wastewater	17
Environmental performance	18

Water is central to our customers' daily lives, and we take that responsibility seriously. We value the trust they place in us, which is why we work hard to keep water flowing, manage wastewater safely, and support our customers and communities in using water wisely.

Customer experience

We are committed to giving our customers the highest standard of service, a commitment shared by everyone across our organisation. Our focus is on ensuring every interaction delivers a consistently positive and reliable experience.

Customer Measure of Experience ('C-MeX')

C-MeX is the water industry's customer satisfaction measure, overseen by Ofwat and based on independent surveys of customers' views across four areas: Water, Waste, Retail and Experience.

For AMP8, Ofwat has updated the weightings used in the C-MeX calculation. The three service components – Water, Waste and Retail – now carry greater emphasis, with 66.7% of our scores based on the customer service survey, equally covering operational contacts, and billing and general enquiries. The Experience element, assessing customer perception of Severn Trent, now has a reduced weighting, contributing 33.3% to the total score. Additionally there is a sector wide adjustment for UKCSI. This has historically been a challenging metric for us, with our May 2026 score ranking us 11th place when compared to the rest of the sector. Unfortunately, this means we are at the maximum ODI penalty for this measure.

- Across Water, C-MeX performance improved and we are supporting strong improvements in our customer engagement through greater use of digital channels. The year presented significant operational challenges, including record consumption and a 55% increase in burst mains between June and October compared to last year, due to dry conditions. Despite this, record leakage repair was delivered, returning leakage to historical lows by September without detriment to C-MeX performance.

- In Waste, improved response capacity and coordination delivered faster attendance and more effective resolution, supporting strong performance during extreme weather in December and January, contributing to a 45% reduction in complaints, over the last two years. Building on this progress, our specialist waste capability is being strengthened to improve first-time diagnosis and resolution and reduce repeat contact.

Flood Management is also being reinforced through a dedicated Customer Flooding Performance Team, improving network insight, reducing repeat flooding risk, and supporting timely, sustainable interventions for customers and the environment.

- In Retail, improvements continue in customer access and first-time query resolution, supporting further service improvements. Migration to the Kraken platform is nearing completion, with only a small number of the most complex accounts, including those involving debt or bespoke tariffs, yet to transition.

Customer contact centres

During the year, a fourth fully insourced customer contact centre was established in Edgbaston, increasing capacity and service resilience. We have onboarded 104 new regional roles supported by sector-specific training, increasing our total customer contact headcount to 377.

The second year of our Learning, Employability and Preparation ('LEAP') into Work programme has been successful, with strong partnerships formed with local Job Centres and roles secured for 66 individuals, some within our contact centres. Throughout this growth, we have remained committed to fostering a strong, customer-first culture focused on continuous improvement.

- In Experience, the latest Customer Experience Survey reaffirms that affordability, environmental impact and water quality remain customers' top priorities. In response, we are strengthening affordability support, improving transparency on environmental performance, and highlighting investments that enhance resilience and reduce leakage. Through our It's In Our Nature campaign and ongoing service improvements, we continue to align our actions with the communities we serve.

Developer Measure of Experience ('D-MeX')

Ofwat has updated its methodology for calculating D-MeX for AMP8, meaning that results are not directly comparable with previous years. However, we are pleased to have maintained our position as one of the leading companies in the sector, achieving a score of 88.27, as at March 2026. Our Q3 score demonstrates that we continue to deliver a consistent, first-class experience for our developer customers engaging with us on new connection services.

Our teams work hard to understand the differing and evolving needs of our developer customers, offering a tailored and personal approach to service delivery. This includes building long-term relationships with larger developers and key industry stakeholders, while offering enhanced support and touchpoints for one-off or smaller transactional customers. We are also continuing to invest in and enhance our digital service offering, ensuring customers can engage with us easily and through the channel that works best for them.

Customer bill support

This AMP, we launched our largest ever affordability package, worth £575 million, marking a significant step forward in supporting customers facing financial pressures. By 2030, our ambition is to assist around 700,000 households in need of support – equivalent to one in six of our customers.

We provide a wide range of assistance tailored to different needs, including bill reduction schemes, debt write-offs, payment matching, payment breaks and short-term payment arrangements. We also work closely with trusted partners to offer additional support, such as debt advice and income maximisation services. For customers experiencing severe hardship, we can also help with the purchase of essential household items including cookers, washing machines and fridge-freezers. Over the winter, we distributed 244 electric blankets to help customers struggling with cold temperatures and rising energy costs.

It's In Our Nature campaign



This year alone, we have provided £127.4 million of support to over 332,000 households through our affordability schemes. This includes around 27,000 customers we proactively identified as eligible for the Big Difference Scheme and automatically enrolled, ensuring they receive the ongoing support they are entitled to. This work will support our 2030 ambition to more than double the number of customers receiving a bill reduction through our Big Difference Scheme, extending support to almost 500,000 households, of which we have already supported more than half in our first year. Through these actions, we continue to strengthen our commitment to supporting customers who need it most.

332,000+ £127.4 million

households supported

support provided

Social Value

Since launching in November 2022, our Social Impact Strategy has focused on tackling the root causes of water poverty by building skills and creating routes into good work across our communities.

We provide targeted support to customers facing immediate financial pressures while building long-term economic resilience through place-based partnerships and convening employers to expand access to opportunity.

We are investing in skills and employability through schools outreach, placements and internships. To date, we have reached over 40,000 people towards our ambition to support 100,000 people in, or at risk of, water poverty.



Local pupils signing water pipes ahead of installation in Derbyshire

**“NICE TO
HAVE SOMEONE
TO LEAN ON”**

In the last year alone we helped
over 300,000 people with their bills.



It's in our nature



Delivering Outcomes our Customers Care About continued

Water Leakage

We are pleased to have outperformed our leakage target for the eighth consecutive year and have maintained last year's record-low level of leakage. Our three-year average outturned at 342.3 ML/d against a target of 352.4 ML/d, keeping us on positive trajectory towards a 31.6% reduction by 2030 and 50% by 2045, from 2017/18 performance, having continued to reduce leakage year-on-year.

Our focus on finding and fixing leaks has led to around 48,000 network repairs, 6% more than last year, and our enhanced pressure control delivered 16 ML/d of additional leakage benefit. We continue to support customers in identifying and repairing leaks on their own pipework, with 86% of these leaks being repaired by customers, supporting a reduction of overall water loss.

We continued to build on AMP7's Green Recovery investment by expanding our smart-metering programme. We now have more than 570,000 smart meters installed, with over 230,000 installed and upgraded this year, strengthening leakage control, consumption reduction and customer insight as we move towards our plan to install more than one million meters during AMP8.

Upstream leakage reporting

Following Ofwat's review of how leakage is calculated, we are improving how we monitor and report leaks on our larger upstream pipes. We are transitioning to a more proactive, detailed approach, called Flow Balance. During AMP7, we transitioned some of the network to this new methodology, with the remainder planned for AMP8. To support the transition we have established a permanent upstream detection team and strengthened our data analysis capability, alongside expanding upstream monitoring and metering. These changes mean we are finding and fixing more leaks earlier. Historically, we found and repaired around 540 upstream leaks annually; this has increased to over 800 this year, having proactively surveyed around half of the upstream network.

Mains repair

Mains repairs performance is heavily influenced by weather conditions, and this year we experienced both the hottest, driest recorded summer and a severe cold spell in December and January.

Performance was strong at the start of the year, supported by continued investment in our network. However, ground movement in July increased burst main repairs in the month, with higher-than-normal levels continuing through August and September as the ground took longer than usual to recover, and the typical seasonal improvement was delayed.

Further pressure was experienced over winter. January 2026 saw our highest number of January bursts on record at 1,177 repairs driven by freeze-thaw conditions affecting the network. The combined effects of extreme summer heat and winter weather temporarily impacted performance. Despite this, fewer bursts in February and March helped stabilise the network, allowing us to recover performance and avoid any penalty.

Water supply interruptions

While the five-minute regulatory target was not met in the first year of AMP8, we outperformed our AMP7 average by over 3 minutes. This year's outcome was influenced by adverse weather conditions, which placed additional pressure on the network.

In particular, Storm Goretti in January 2026 contributed 31 seconds to the annual average interruption time, resulting in a total performance of 5 minutes and 41 seconds. Prolonged hot and dry weather during July and August also led to increased ground movement and a higher number of burst mains, with interruption events during these months increasing by 95% compared with the previous year.

Although significant interruption events are 27% higher than last year's exceptionally strong performance, they remain 57% lower than the year prior, reflecting continued underlying improvements in network resilience.



Teams installing a smart meter, Coventry

Network investment

We take pride in our network and remain committed to ongoing investment to strengthen our asset base.

We continue to replace older, higher-risk pipework through our largest ever mains renewal programme, targeting 1,389 km of pipework in AMP8.

From April 2015 to March 2025, we have installed around 1,330km of new water mains and plan to deliver almost the same output in half the time. This year, we replaced 219.9 km of mains through fully in-house design and delivery, exceeding our PCD target of 208.4 km, and achieving 16% of our AMP8 target, striving to improve pressure management further.

Customer contacts about water quality

The quality of our customers' drinking water is central to our purpose, and delivering safe, clean and wholesome water is a responsibility we take great pride in at Severn Trent. Wholesome water is drinking water that meets all legal UK quality standards, contains nothing harmful to our health, and is acceptable in appearance, taste and smell. Throughout the year, we continued to outperform our regulatory target of 9,267, which for AMP8 is also inclusive of social media contacts for water quality, receiving a total of 9,111 drinking water quality complaints. This reflects sustained improvements in the quality of water delivered at the tap.

We will continue to prioritise year-on-year reductions in water quality contacts, supported by a strengthened flushing programme and enhanced proactive maintenance. We remain committed to innovation and industry-leading performance, using advanced design tools and network analytics to identify priority areas and minimise customer impact.

Innovating water quality monitoring

During 2025, our River Monitoring Team developed an innovative pumped kiosk system that continuously samples river water, analyses quality, and transmits data to our teams in near real time. Samples are safely returned to the river following analysis. Operating every 15 minutes, this live data enables us to adjust our operational processes promptly in response. This year we have started our pre-install works for 30 monitors, supporting our long-term ambition to deploy up to 1,000 river monitors during AMP8.

Unplanned outage

This year, we outperformed both our 2.14% target and our 1.40% AMP7 average, with performance at 1.33%. 87% of outages arose from groundwater sites, with the remaining 13% attributable to surface water treatment works.

Water quality issues accounted for 0.64% of the overall 1.33% ODI impact, of which 0.27% related to treatment outages that commenced prior to the current year and would not have been included under the AMP7 framework.



Wanlip Sewage Treatment Works, Leicestershire

Wastewater Sewer floodings

This year, we have achieved record-low internal sewer flooding performance, at 512 incidents. This represents a 20% reduction in incidents year-on-year.

External sewer flooding remains a key focus, and we are pleased to have started this AMP with better performance than the previous year. We recorded 6,123 external flooding incidents, a 12% reduction year-on-year. Performance was primarily driven by two factors: blockages, often caused by sewer misuse, and hydraulic flooding, associated with heavy rainfall. Of our external incidents, 313 were hydraulic incidents and 5,810 were attributable to flooding other caused ('FOC'). We review all repeat hydraulic incidents with the aim of installing mitigation measures to prevent future customer impacts. This includes the creation of our specialist investigation and flooding resolution team, ensuring customers receive faster and more effective support with repeat issues.

We recognise that any sewer flooding is unacceptable for customers, and we continue to strengthen our service. Alongside improving our waste operating model, which has reduced our response times to reported waste incidents, we have stood up a dedicated team of flooding liaison roles to work with local groups, improve our flooding response, build community relationships and strengthen local resilience plans.

20%

reduction in internal flooding incidents year on year

12%

reduction in external flooding incidents year on year

Pollutions

During the year, two confirmed serious pollution incidents occurred at Lubbesthorpe and Cheslyn Hay, which were classified by the EA as Category 1¹. The incidents resulted from unforeseen failures of assets that were operating effectively and within service life. The failures were not reasonably predictable and were compounded by third-party factors.

Both incidents were contained and mitigated promptly. Technical reviews have been completed and relevant asset management and operational controls have been reinforced. The incidents reflect the operational complexity of managing a network of over 93,000 km and the importance of continued robust asset management and operational oversight.

¹ We are currently undergoing an appeal process in relation to a third serious pollution.

We have outperformed our pollution target by 24% during the year, benefiting from our monitor installation programme and daily executive reviews. We also built upon our operational capability to prevent and minimise our total pollutions. Our Waste Operational Control Centre Teams are now fully established and act as the controlling mind for incident response, improving coordination and decision-making across the network. Our Pollution Response Teams and Incident Response Teams play a significant role in limiting impacts and successfully preventing escalation. Our Pollution Incident Reduction Plan ('PIRP') targets a reduction of 30% by the end of AMP8.

Risk is being further reduced through the Proactive Implementation and Maintenance Team, which delivers proactive maintenance and rapid pump station overhauls at higher risk sites, as well as our new dedicated team of ecologists, who are key in recommending actions that minimise environmental impact. We have also enhanced our digital and predictive capabilities through the continued rollout of Storm Harvester and the launch of the FRIEDA App, supporting faster evidence capture and more effective mitigation. Alongside these initiatives, we delivered industry-leading proactive repair programmes and completed our largest ever network cleanse, strengthening resilience and reducing future risk.

Looking ahead, our focus remains on completing and embedding these initiatives. From this year, pollution performance across the sector will be assessed under the EA's new guidance for reporting and assessing water industry regulation incidents ('WIRI'), introducing stricter reporting requirements and revised assessment criteria. This is expected to increase incidents attributed to water companies, even where these have been driven by third-party behaviours (including fly tipping, misuse of the sewer network, damaged assets and agricultural run-off), and will set a new baseline for future assessment.

We support robust environmental protection and transparent reporting. As the impact of the new reporting regime becomes clearer, we will keep our targets under review to ensure they remain appropriate and stretching. Regardless of changes to reporting or assessment, our priority and commitment remains unchanged: preventing pollution from happening in the first place and improving outcomes for the environment, our customers and the communities we serve.



Severn Trent tanker at Finham Sewage Treatment Works, Coventry

Storm overflows

In 2025, storm overflow spills decreased by 41% compared with 2024, driven by a combination of sustained, significant investment and drier weather conditions over the calendar year. Our targeted spills reduction programme has delivered over 2,700 solutions, including new storm tanks, cutting-edge treatment technology and upgrades across our network. This has positively reduced the average spill count from 25.4 per overflow in 2024 to 15.0 in 2025, demonstrating meaningful progress in reducing environmental impact despite periods of high intensity rainfall across the winter months.

Our performance also reflects the strength of our industry-leading Get River Positive programme, launched in 2022, which set out a series of ambitious pledges to ensure the long-term health of the region's rivers and waterways. You can find out more about our progress on pages 24 to 29.

Delivering Outcomes our Customers Care About continued

Environmental Performance Environmental Performance Assessment ('EPA')

We have achieved the highest possible EPA rating of 4* for the last six years, and we are confident that we will achieve this rating again for 2025, which would make it seven consecutive years – an unprecedented achievement within the sector.

No other UK water company has previously achieved more than three consecutive years at 4* status.

2025 EPA performance	2025 EPA green target	2025 performance	2025 status
Serious pollution incidents	1 or fewer	2 ¹	Amber
Pollution incidents per 100,000 km	182 or fewer	178 ¹	Green
Discharge permit compliance	99%	99.3%	Green
Self-reporting of pollutions	80% ²	87.5%	Green
Water Industry National Environment Programme ('WINEP') Delivery	100%	100%	Green
Sludge disposal	98.2%	98.2%	Green

¹ We are currently undergoing an appeal process in relation to a third serious pollution.

² Also requires that we report at least 90% of our incidents from Pumping Stations and Wastewater Treatment Works.

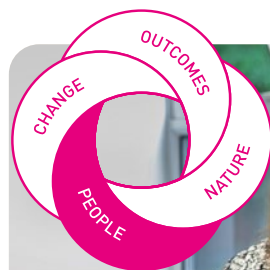
Overall, EPA targets are more stringent in 2026 than in 2025. The new WIRI guidance published by the EA will not impact our pollution incident performance ratings for 2026 and 2027, as the EA will not assign ratings while the new baseline is being established under the updated framework. Current understanding is that industry performance during 2026 and 2027 will inform the pollution incidents target for 2028. As a result, the WIRI changes are likely to lead to a significant increase in the number of recorded pollution incidents, reflecting more comprehensive monitoring, rather than a deterioration in performance.

Floating treatment wetlands, Witches Oak Water Treatment Works, Derbyshire



Our strategy

CARING FOR PEOPLE IN OUR REGION



In this section:

Building our future skills	19
An inclusive place to work	20
Rewarding and looking after our people	21
Supporting our customers who need us most	21

Caring for people sits at the heart of our purpose. This year we accelerated our Wonderfully You Diversity & Inclusion ('D&I') Strategy, underpinned by a clear ambition: to deliver brilliant service for customers, provide fulfilling careers for colleagues, and create meaningful opportunities for people across our region to step into work and out of water poverty. In doing so, we continue to turn purpose into practical impact, fully aligned with our 'performance-driven, sustainability-led' approach.

Graduates at Finham Sewage Treatment Works, Coventry



Building our future skills

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

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

This year, we delivered high-quality early career experiences, hosting 85 paid interns and placement students, and offering unpaid work experience to over 254 young people. We continued to broaden participation in our outreach programmes through partnerships with education and community organisations. During the year, we supported students from Hereward College and established a new partnership with Transition2 in Derby. Hereward College provides further education for young people with a range of complex disabilities and learning difficulties.

We remain focused on equipping our people with the technical, operational and leadership capabilities needed to serve customers today, while building future-focused skills in areas such as digital operations, environmental science, engineering and customer service. Our in-house Academy enables us to adapt training in line with regulatory and technological change. Its flexible facilities provide safe, practical environments where colleagues can develop essential skills to serve our customers and communities effectively.

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

Caring for People in our Region continued

An inclusive place to work

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

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

Looking ahead, we remain focused on strengthening representation and deepening inclusion of all kinds across all teams, ensuring every colleague can contribute fully and confidently.

As part of our statutory reporting obligations, we also provide a gender breakdown across our senior management and wider workforce. As at 31 March 2026, our Executive Committee comprised four female and five male members (44.4% and 55.6% respectively). Across our broader senior leadership population – which includes the Executive Committee – 23 colleagues (42.6%) were female and 31 (57.4%) were male. Within the wider organisation, female representation stood at 28.3% (3,272 colleagues) with male representation at 71.7% (8,272 colleagues).

In line with the requirements of the UK Corporate Governance Code and the Companies Act 2006, the gender and ethnicity breakdown of Directors, Senior Managers and all employees as at 31 March 2026 is presented in the table below. Senior Managers refers to our Executive Committee and Senior Management Team.

Gender representation

	Directors		Senior Managers		Graduates and Apprentices		All Employees	
	Number	%	Number	%	Number	%	Number	%
Female	4	50	23	42.6	91	26.1	3,272	28.3
Male	4	50	31	57.4	257	73.9	8,272	71.7

Ethnicity representation

	Directors		Senior Managers		Graduates and Apprentices		All Employees	
	Number	%	Number	%	Number	%	Number	%
Asian/Asian British	1	12.5	4	7.4	51	14.7	983	8.6
Black/African/Caribbean/ Black British	0	0	0	0	12	3.4	337	3
Mixed/Multiple Ethnic Group	1	12.5	1	1.9	15	4.3	251	2.2
Other Ethnic Group	0	0	0	0	4	1.1	53	0.5
Not specified/prefer not to say	0	0	0	0	38.5	12.4	1,469	12.9
White British or Other White (including minority-white groups)	6	75	49	90.7	223	64.1	8,298	72.8

➤ You can read more about our approach to Board diversity in our Nominations Committee Report on pages 105 to 107.

Our gender and ethnicity pay gap

In March 2026, we published our online Gender and Ethnicity Pay Gap Report. Our median gender pay gap moved from 8.2% to 5.4% and the mean gap fell from 1.9% to 0.5%. Median and mean ethnicity pay gaps decreased to 6.9% from 10.1% and from 7.6% to 6.1% respectively. Further details can be found in our full report which is available online.

Further details on employee pay can be found in our Directors' Remuneration Report (pages 118 to 145).



Rewarding and looking after our people

Fairly rewarding our people

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

Employees can also become part-owners of the Company through our all-employee Sharesave Scheme, which continues to see strong engagement with almost 70% participation, which is one of the highest rates in the FTSE100, including many colleagues saving the maximum £500 per month. We are particularly proud that so many choose to retain their shares, demonstrating confidence in the Company's future and belief in its long-term performance.

Looking after our people

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

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

We have continued to evolve our health and safety framework, updating our Group Policy, strengthening process safety capability and enhancing assurance processes across teams. This includes more consistent standards, improved oversight and closer integration between operational and specialist teams. We also progressed improvements across our estate, including enhancements to electrical safety, lightning protection and chemical gas store security, ensuring our working environments remain safe, resilient and compliant.

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

Looking ahead, our priority remains the same: creating a safe, supportive and well cared for environment where every colleague can perform at their best. Through continued investment in culture, capability and systems, we remain steadfast in our commitment that nobody is ever hurt or made unwell by what we do.

Fair pay and working conditions

We remain committed to fair, responsible employment practices. As an accredited Living Wage Employer, we also require all suppliers to pay the real Living Wage and to meet clear, prompt payment expectations. We aim to pay 95% of our small suppliers within 30 days, and for the period to 31 March 2026 our average payment time was 40 days. The increase in average days reflects transitional impacts associated with the implementation of our e-invoicing solutions which is being actively monitored as we embed the system.

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

Supporting our customers who need us most

Keeping bills affordable remains a priority for us. Our average combined household bill continues to be the second lowest in England, with the 2026/27 bill expected to be around £587 per year, well below the national average. At the same time, we are investing significantly to improve services while doing everything we can to keep costs down for our customers.

We recognise that many households still need support. Between 2025 and 2030 we will double the number of households eligible for help through a new £575 million support package, enabling nearly 700,000 households to access reduced bills.

We continue to widen access to our wider range of support schemes, including the Big Difference Scheme, WaterSure and the Customer Assistance Scheme, ensuring customers can receive help when they need it most.

Alongside financial support, we are committed to identifying and assisting customers who require additional help. 11.8% of our customers are now registered on our Priority Services Register, enabling them to receive tailored communication, personalised assistance and priority support during incidents. We continue proactive outreach to make sure those who would benefit are identified and supported.

Social mobility index

We have once again been recognised as one of the country's top-performing companies for improving social mobility. For the seventh consecutive year, we have been placed in the top 10 on the Social Mobility Index, ranking second overall, something we are immensely proud of. The Social Mobility Index assesses UK employers on their commitment to ensuring people from all social backgrounds have equal access to opportunities.

Community Fund

Our customers, and the communities we live in, are at the heart of everything we do. That's why in 2020 we decided to support local charities and community groups with over £20 million of support in the ten years from 2020. Since launching our Severn Trent Community Fund, we have awarded over £11 million to around 900 organisations, helping to strengthen communities and enhance local environments. In 2025/26, the Fund distributed £1.8 million to 92 organisations.

As part of our commitment to social mobility, we also ring-fence £50,000 each year for a dedicated bursary programme delivered in partnership with the Social Mobility Foundation, supporting disadvantaged young people to access education and career opportunities. This year almost £40,000 has been donated.

Caring for People in our Region continued

SOCIAL IMPACT DELIVERING LONG-TERM SOCIAL IMPACT ACROSS OUR REGION

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



Affordability as the foundation

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

Our approach focuses on proactive engagement and building trust in communities with the highest levels of deprivation. This includes targeted campaigns to improve awareness of the support available, as well as deeper partnerships with local organisations and charities who help us reach those most at risk of water poverty.



Place-based community impact

Our strategy focuses on Birmingham, Coventry, Derby and Leicester, areas where higher deprivation, youth unemployment and water poverty mean our efforts can deliver the greatest impact. Across these areas, our programmes have scaled significantly, reaching around 40,000 people and delivering approximately £15 million in social value to date.

Our place-based model is built on long-term school partnerships, recruitment pathways linked to local job opportunities, whether with us or other employees via our Big Boost job fairs, and tailored support for those facing the greatest barriers. This approach ensures our work translates into meaningful and lasting opportunities for local residents.



Supporting aspiration and skills from an early age

Our ambition to build long-term economic resilience starts early. Through a structured 'funnel' approach, we aim to inspire young people, raise aspirations and build confidence from primary school through to employment.

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



Pathways into employment

Practical exposure to the workplace plays a critical role in improving employability. We have committed to delivering 500 work experience placements annually, prioritising young people without existing networks and pupils from our partner schools. We have exceeded that ambition by providing over 800 face-to-face work experience places and a further 900 virtual placements this year. Our portfolio of work readiness programmes offers tailored opportunities for individuals at different stages, whether close to work or facing significant and complex barriers.



Joining Severn Trent through LEAP

LEAP is a two-day employability programme delivered with the Job Centre Plus, supporting unemployed candidates to navigate the recruitment process. We offer jobs through LEAP to people experiencing barriers to work, like Lavender.

After two years of unemployment and low confidence, Lavender joined LEAP. With tailored support, she secured a role at our Leicester Water Centre, became a top performer, and was promoted to Leakage Specialist within 10 months.

Driving inclusive recruitment and job creation

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

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

Flagship Programmes

LEAP (Learning, Employability & Preparation)

400+

participants since September 2024.

c.22%

conversion into Severn Trent employment.

84 hires

made to date, in the first recruitment wave.

Big Boost Job Fairs

6 job fairs

held in Coventry, Birmingham, Leicester and Derby.

c.3,000

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

88%

felt more confident with their job search after attending.

Care experienced programme

Delivered

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

38

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

Job Rotation (with Coventry City Council)

12-week

paid placements designed to build meaningful work experience.

50

participants, 64% NEET prior to joining.

49%

went on to achieve positive outcomes.

Youth Trailblazer (WMCA)

8-week

paid placements for young people who are NEET.



Our strategy

A DRIVER OF POSITIVE CHANGE



In this section:

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

Since launching Get River Positive in 2022, we have remained focused on reducing our impact on river systems and contributing to their long-term resilience, guided by five pledges that shape our ambition and actions. Over the past year, we have continued to make strong progress, supported by targeted investment, close collaboration with partners and communities, and a shared commitment to improving the natural environment.

Healthy rivers are vital to ecosystems and to the wellbeing of the communities we serve. We remain committed to investing in innovative, sustainable approaches that build resilience over the long-term.

We recognise and welcome the increased scrutiny of river health and the drive for stronger environmental protection. This aligns with our own ambitions and the high standards we set for ourselves.

In response to this evolving landscape, we have undertaken a review of our priorities and targets to ensure Get River Positive continues to align with customer and community expectations and demonstrates clear leadership on river health.

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



Our Get River Positive Pledges



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

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

Since launching the programme in 2024, we have completed more than 3,000 upgrades, delivered by a dedicated team completing an average of 21 schemes each week. These range from increased stormwater storage capacity to new treatment solutions and network interventions that reduce storm overflow spills.

Our data is now beginning to evidence the impact of this work. Defra recognised this progress in its Storm Overflow Discharge Reduction Plan Progress Report (December 2025), confirming that we exceeded our regulatory targets and ended 2025 with an average of 16 discharges (September 2024–August 2025).

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

Reducing harm

Pledge 1 extends beyond reducing the use of storm overflows; it also focuses on our wider contribution to river health. To strengthen our understanding of river ecosystems and enhance our capability for future monitoring, we are investigating the introduction of environmental DNA ('eDNA') analysis and Microbial Source Tracking ('MST') into our programme. These techniques will provide valuable insight into the sources of bacteria in our catchments, helping us identify the most effective interventions to improve rivers for drinking water abstraction and recreational use.

Across the UK, only a small proportion of waterbodies currently meet good ecological status. In 2024/25 we reduced our contribution to the Reasons for Not Achieving Good Status ('RNAGS') to 10.8%, with a further reduction to less than 9% in 2025/26. We are delivering measurable progress in restoring river health and enhancing the resilience of river systems.

To date, we have addressed our impacts completely on 181 waterbodies, and we remain on track to achieve our sector leading target of no more than 2% of RNAGS arising from our treatment works and storm overflows by 2030.

Phosphorus from everyday sources enters our sewers, and we are the last line of defence before it reaches rivers. In 2025, we cut phosphorus released from our sewage treatment works by over 38%, protecting local waterways. Customers expect strong performance and resilience to climate change, including more severe weather and flooding. As these pressures intensify, we focus on minimising river impacts and strengthening long-term environmental resilience across our region.

Flooding continues to be a significant concern for the communities we serve, and we work closely with partner organisations to ensure that both our operations and network are robust enough to meet increasing demand. Flood risk in our region is shaped by a range of factors, particularly surface water management, and we are one of several organisations that play a key role in addressing these challenges.

We proactively develop schemes that enhance resilience and mitigate flood risk where this is needed, working alongside local authorities, the EA and other partners. We have also recruited a dedicated community flooding team to work proactively with partner agencies, supporting customers during flood events alongside our operational colleagues, and helping communities become more resilient to flooding. We also continue to engage with developers to support the correct implementation of Sustainable Drainage Systems ('SuDS'), using our statutory consultee role to highlight concerns and recommend capacity improvements where required to enable sustainable growth.



Ready for extreme weather

Following the improvements made through our storm overflow reduction programme, we have undertaken improvements at nearly half of our sites, which supports our continuous drive towards resilience. However, we do see limitations during extreme wet weather events.

Over the past year, we have experienced a variety of weather extremes – ranging from a prolonged dry spell that led to drought conditions across the Midlands, to almost double the level of rainfall in November 2025 compared with 2024.

In November 2025, Storm Claudia brought a prolonged period of intense wet weather, with some areas receiving a full month's typical rainfall in just six days. Despite these conditions, our network recorded 32 spills per millimetre of rain, demonstrating a significant improvement in performance.

In comparison, during Storm Babet in October 2023, before our latest interventions, the network experienced 168 spills per millimetre of rainfall. This sharp reduction highlights the effectiveness of the upgrades we have delivered. After implementing new solutions, we are seeing materially fewer spills, including during extreme weather events.

Weather will always influence spill numbers, but these examples show that our sustained investment and targeted engineering interventions are making the network more resilient and delivering tangible benefits for customers, communities and the environment.

<9%

Contribution to the RNAGS reduced to 8.9% in 2025/26

2%

We remain on track to achieve our sector-leading target of no more than 2% of RNAGS by 2030

A Driver of Positive Change continued

Pledge 2 – Create more opportunities for everyone to enjoy our region's rivers

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

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

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

Following the success of our first supervised open water swimming trial at Carsington Water in 2024, we worked with our onsite sailing operator – who achieved Beyond Swim accreditation – to enable regular managed swim sessions in 2025. We also partnered with an event organiser to plan a triathlon at the site. However, unprecedented dry weather during spring and summer 2025 led to significantly reduced water levels, and all planned activities were cancelled to protect participant safety and maintain experience standards. Our commitment to these activities remains unchanged and we plan to progress events at Carsington Water and expand, with similar opportunities across additional sites from 2026 onwards.

Bathing water designations in Shropshire

In May 2024, Ludlow, Shrewsbury and Ironbridge were officially designated as bathing water sites. This reflects the long-standing commitment of local community groups who have championed their rivers. As designated sites, these waterbodies are now formally monitored by the Environment Agency for bacterial pollution during the bathing season.

Through Ofwat's PR24 Final Determination, funding has been confirmed to investigate what would be required to meet bathing water standards in a way that is sustainable, proportionate and affordable for customers. In Shrewsbury and Ironbridge, this work is progressing through Ofwat's large-scheme gated process, which allows time to build robust evidence before decisions are taken on future investment. In Ludlow, improvements are being delivered through existing programmes, building on earlier investment and ongoing regulatory requirements.

Initial assessments for Shrewsbury and Ironbridge indicate that meeting bathing water standards could require investment of several hundred million pounds in the assets for which we are responsible as a water company. As the bathing water designations were confirmed after our PR24 business plan was agreed, any additional investment would need to be funded across our wider customer base. We have recently conducted customer research to understand their views on this investment. To ensure this approach

remains fair and affordable, Ofwat has established a staged approval process, with funding released only once feasibility, costs and deliverability have been independently assessed.

Over the past year, our focus has been on developing the robust evidence needed to support informed, long-term decision-making. We have completed extensive desk-based studies across both catchments and, in September 2025, began onsite investigations into drainage systems, river flows, sources of bacterial pollution and local ecology. This work will inform realistic timescales and help identify the most effective and affordable solutions.

Shrewsbury's historic and flood-prone town centre, alongside Ironbridge's UNESCO World Heritage status, means that solutions must carefully balance environmental improvements with the protection of heritage, landscape and the local economy.

Progress in Ludlow and the wider catchment

At the same time, we are progressing improvements across the wider catchment. In Ludlow, we have moved into the next phase of our Bathing Rivers programme, building on progress delivered through the Green Recovery programme. Improving river health is a shared responsibility, and while we are tackling the elements we control, including storm overflows, sewers and treatment works, we continue to work with partners to address wider pressures such as agriculture, urban runoff and misconnections.



Pledge 3 – Support others to improve and care for rivers

Restoring the health of our rivers is a challenge far too great for any single organisation to solve alone.

By working alongside other industries, local residents, river user groups, schools and environmental partners, we can deliver far greater impact. Whether supporting restoration schemes, partnering with wildlife trusts or collaborating with farmers to reduce diffuse pollution, we remain committed to making a meaningful difference together.

Supporting community-led river improvements

Our Community Fund continues to strengthen local initiatives that protect and enhance river environments. Over the past year, we invested around £20,000 in a project dedicated to revitalising river health, enabling the purchase of an electric boat for river clean ups. This new capability is already improving the reach and efficiency of community-led restoration activity.



Partnering with farmers to improve water quality

Farmers play a crucial role in protecting water quality, and our ongoing collaboration across the region is helping reduce the agricultural pressures on river systems. Through strong relationships, technical support and targeted investment, particularly via our flagship Severn Trent Environmental Protection Scheme ('STEPS'), we are delivering long-term improvements in both land and water management.

This year, we revamped STEPS to align with the new AMP, opening the first round of funding to more farms than ever before. We introduced greater flexibility and a wider set of options tailored to different farm systems, helping enhance soil health and prevent pollutants such as pesticides, nitrates and Cryptosporidium from entering river systems.

474

applications for
STEPS options and
maintenance in 2025

320

farms represented across
45 catchments

To date, we have provided nearly £1.5 million in STEPS grants to support on-farm initiatives that improve water quality.



River Rangers and community engagement

Our River Rangers and wider environmental teams remain at the heart of our river protection work. They are out in the field year round, checking assets, sampling water quality and carrying out hands-on restoration across rivers, brooks and streams.

6,604

riverside inspections
in the last year

1,650

people engaged with on the
riverside and 157 meetings
attended with community groups

These conversations help build shared understanding, strengthen relationships and support collective action for healthier rivers.



Employee volunteering

Our colleagues continue to support our mission through volunteering. This year, 202 employees dedicated over 1,100 hours to river related projects delivered in partnership with the Canal & River Trust, helping to protect and improve rivers and canals across our region.

202

employees

1,100

volunteering hours

A Driver of Positive Change continued

Pledge 4 – Enhance our rivers and create new habitats so wildlife can thrive

At the heart of our work lies a steadfast commitment to nature protection and restoration. Biodiversity guides every decision and action, shaping how we manage water and nurture the environments we all depend on.

Our approach goes beyond compliance; we believe robust landscapes and flourishing wildlife are essential pillars of a sustainable future. Guided by our ambition to be 'performance driven, sustainability led', we are forging ahead with innovative, eco-friendly solutions that lay the groundwork for habitats to prosper and for nature to rebound by 2030.

Ofwat's Final Determination has levelled the playing field for all water companies, with a common Outcome Delivery Incentive for all biodiversity work, using the Biodiversity Net Gain ('BNG') matrix. This led us to rethink how we drive biodiversity improvements, ensuring we not only comply with the latest regulations but also embrace innovative, forward-thinking approaches.

Our ecology team continues to lead these efforts and this year we hired 11 additional ecologists to drive environmental improvements. They are restoring habitats across our estate, developing Biodiversity Action Plans ('BAP') for each of our sites, and undertaking biodiversity benchmarking in partnership with The Wildlife Trust. This work began at Tittesworth and will extend to a total of five sites by 2030.

We significantly outperformed our biodiversity targets in 2025/26, creating and enhancing over 31 km of habitat on third-party land – equivalent to around 300 biodiversity units – helped by strong partnerships with local farmers.

In 2020, the Great Big Nature Boost committed to improving habitats across 5,000 hectares of land in the Midlands however, by 2025, we exceeded that target, improving 16,200 hectares. We also pledged to plant 1.3 million trees by 2027 and have now planted over 1 million. The land improved for biodiversity during AMP7 will require ongoing management to ensure habitats continue to establish and thrive. We have pledged to fund our partners to complete this essential maintenance and will continue to support these locations to secure long-term ecological benefit.

Otter in the River Trent, Nottingham



Pledge 5 – Be open and transparent about our performance and our plans

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

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

Improving access to information

We continued to update our storm overflow map, showing planned and completed improvements at each Combined Sewer Overflow ('CSO') across our network. These updates make it easier for communities to see the progress being made on the CSOs and waterbodies that matter most to them.

We also significantly strengthened how we share Event Duration Monitoring ('EDM') information. Moving from annual publication to quarterly updates was a major step forward and this year we advanced further still by releasing monthly 'stop-start' data, giving communities a more immediate view of network performance.

Our Event Duration Monitors operated for an average of 96.3% of the time during 2025, and we are working hard to ensure our monitoring equipment is functioning reliably across the region. Alongside this, we are continuing to invest in new technologies and innovative methods to maintain – and further improve – the accuracy and availability of our data.

This year we also published our Open Data Strategy, enhancing the accessibility and usability of our datasets by improving documentation, adopting industry standard formats and licences, and providing richer contextual information. Collaboration with sector peers, customers and stakeholders remains central to building trust and supporting a more transparent water environment.

Continuous water quality monitoring

We continued preparations for the rollout of our Continuous Water Quality Monitoring Programme, a key tool to help us deliver the requirements of the Environment Act 2021. This programme will give a clearer picture of river health by continuously monitoring conditions upstream and downstream of our assets.

In 2025/26 our focus has been on building the capability needed for long-term delivery. We have been testing different technologies across a variety of watercourses, securing access for installations, and developing robust systems to manage and process high volume data so that results remain accurate, trusted and easy to interpret.

By 31 March 2030, we will have around 1,000 monitors across 500 priority sites, agreed with the Environment Agency and focused on environmentally sensitive or heavily used locations such as Sites of Special Scientific Interest ('SSSIs'), Special Areas of Conservation ('SAC') and Designated Bathing Waters. Rollout is being staged, beginning where better insight will deliver the greatest environmental benefit.

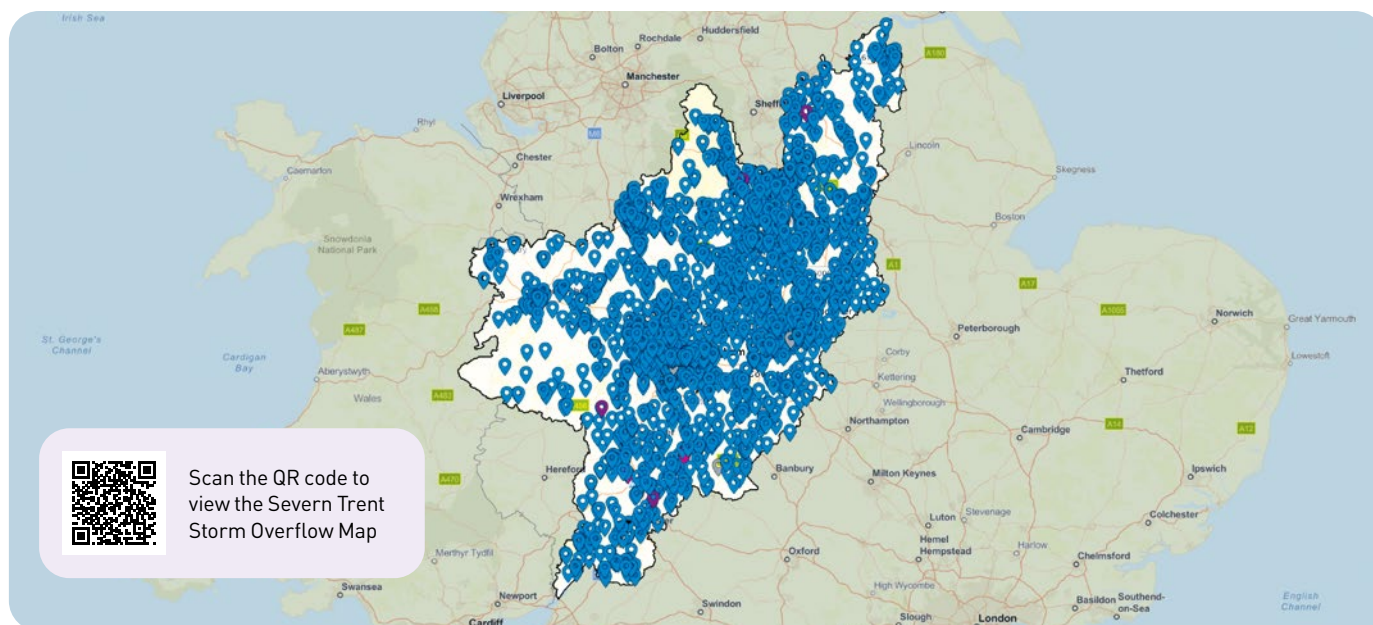
Each monitor will record temperature, turbidity, ammonia, pH and dissolved oxygen, helping to build a long-term baseline for ecological health. It is important to note that these devices are not designed to detect bacteria or indicate whether water is safe for recreational use; they support environmental recovery and help guide future investment.

Supporting citizen science

We continue to work with organisations across the region to strengthen citizen science, helping build shared understanding of river health. This year, we completed our Catchment Systems Thinking Cooperative ('CaSTCo') collaboration with the Severn Rivers Trust, which helped develop and refine methods for citizen scientists to monitor bacteria in the River Teme. This work will support wider community-led monitoring and contribute to more granular, high-quality evidence on river conditions.

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

Severn Trent storm overflow map



Our Strategy

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



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

Our approach to climate change and nature

We manage the risks and opportunities of climate change and nature using tools and processes that interlink across our risk management, strategy and governance. As a reminder, last year we conducted our double materiality assessment (see below) to identify the topics material to our stakeholders and our business, and we use the Locate, Evaluate, Assess, Prepare ('LEAP') process recommended by the Taskforce on Nature-related Financial Disclosures ('TNFD') to understand our material impacts and dependencies on nature. We plan and adapt in different scenarios (see page 31) and set targets to measure our progress (see page 40). We also report here against the Task Force on Climate-related Financial Disclosures ('TCFD') requirements.

What is double materiality?

If a sustainability topic has the potential to affect both our business resilience (financial materiality) and people or the planet (impact materiality), it is said to have 'double materiality'. Financial materiality to us is £20 million, as established through our risk management processes, and impact materiality was established using stakeholder views on what is important to them. The 12 topics material to both our business and our stakeholders are summarised here and reported on in more detail throughout this report.

To identify and assess our interactions with nature we use the LEAP structure:

Locate
the Company's interface with nature.

L

Evaluate
and consider nature dependencies and impacts.

E

Assess
the material risks and opportunities.

A

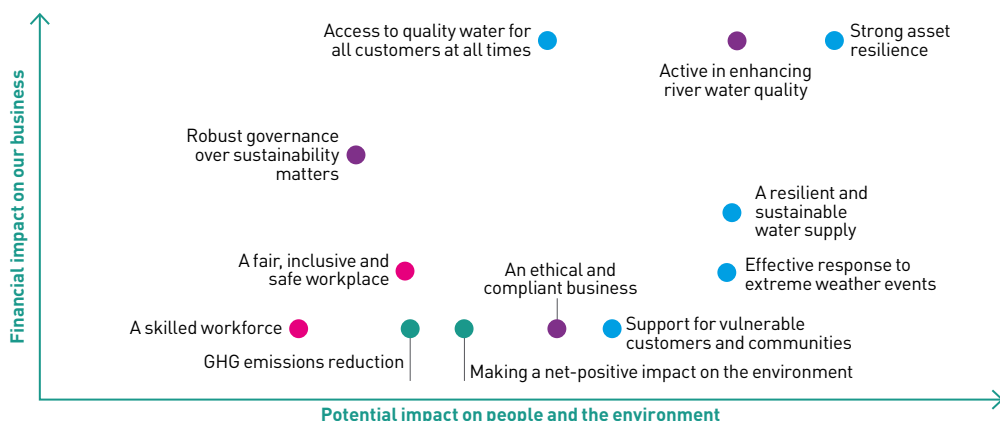
Prepare
steps towards responding and reporting.

P

Our material topics are reported across this report: See page

Delivering Outcomes our Customers Care About	14-18
Caring for People in our Region	19-23
A Driver of Positive Change	24-29
Running a Business that Goes Hand-In-Hand with Nature	30-55

Double Materiality Assessment Overview



Climate and nature strategies

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

- 1 Investing for resilience and adapting to climate change
- 2 Climate change mitigation and our Net Zero Transition Plan
- 3 Protecting and enhancing nature and the environment

1. Investing for resilience and adapting to climate change

Climate change increases flood risk, water scarcity and drought pressures. We learn from these events and model how impacts may change in future. This builds our resilience in uncertainty and helps us plan for different scenarios. Analysing impacts from the 2025 drought has further informed refinements to our approach; better site-level data is helping us to direct investment to vulnerable areas; and asset-specific scenario work (on sewers, boreholes and distribution service reservoirs) is being used to risk-assess our asset health measures. Our investment in recent years has already secured a second source of water supply for 98% of customers, ensuring strong resilience in a changing future.

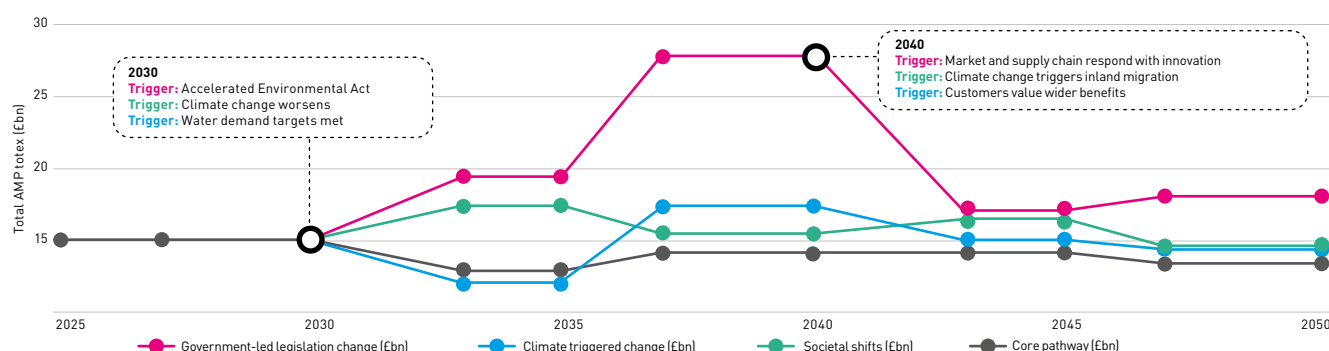
Climate-related scenario analysis

We model using temperature scenarios to plan for uncertainty and understand the investment needed. This ensures we remain resilient to future change, building plans into our business model, changing our strategies and reflecting location-specific dependencies across the management of our value chain (as set out on pages 34 to 35). The temperature scenarios we use model Representative Concentration Pathways ('RCPs') and range from a 1.5°C Paris-aligned ambition to 4°C 'business as usual' (i.e. if insufficient global action is taken), and vary depending on regulatory requirements:

Planning document

Water Resources Management Plan ('WRMP')	Drainage and Wastewater Management Plan ('DWMP')	Long-Term Delivery Strategy ('LTDS')	Climate change risk assessment in our Climate Change Adaptation Report	Climate change risk assessment for Bioresources sites	Climate change risk assessment for three asset classes (gravity sewers, distribution service reservoirs, boreholes)
Date published					
2024	2023	2024	2024	Provided to the Environment Agency 2024.	Internally 2026
Scenarios used					
RCP 6.0 after testing, RCP8.5 and RCP 2.6	'2°C and 4°C pathways' Equivalent to RCP 6.0, RCP 8.5 and RCP 2.6	RCP 6.0, RCP 8.5 and RCP 2.6	RCP 6.0 and RCP 8.5	RCP 6.0	RCP 6.0 and RCP 8.5
Time points assessed					
2070	2024, 2028	2050	2024, 2050, 2100	2025, 2050	2025, 2050, 2100
How scenarios were chosen					
Framework guidance from Ofwat.	Framework guidance from Ofwat.	PR24 guidance from Ofwat.	To enable us to plan for 2°C and assess risks for 4°C by 2100.	Guidance from the Environment Agency.	To enable us to plan for 2°C and assess risks for 4°C by 2100, covering the expected life of the assets involved.

Our adaptive pathways



To predict changes over future decades and fund outcomes for customers in any scenario, we model the uncertainties. We use a core pathway and three adaptive pathways that allow us to change our approach. The adaptive pathways use a collection of assumptions and over a thousand 'what if' scenarios (read more in our LTDS) based on external triggers that affect our investment choices. These pathways are:

- Climate-triggered change (in different temperature scenarios, presenting physical risks);
- Societal shifts (as consumer behaviour changes, presenting transition risks); and
- Government-led change (such as new policy or legislation, presenting transition risks).

Running a Business that Goes Hand-in-Hand with Nature continued

2. Climate change mitigation and our Net Zero Transition Plan

- Our Net Zero Transition Plan on pages 42 to 51 sets out our Paris-aligned pathway to net zero.
- We plan to invest £295 million this AMP to support delivery of our near-term targets. Preparations are underway to mobilise resources and roll out novel technologies at scale.
- Our emissions may rise as we scale up investment, but we expect to hit our 46% reduction target in Scope 1 and 2 emissions by 2031.
- We continue to share lessons learned from our Net Zero Hub and industry forums.
- We chair the Water UK Energy Managers Forum and co-chair the Water Carbon Network.
- As our 2026 targets mature, we are building new targets and developing our plans, which will reflect SBTi guidance when finalised in 2027 and challenge us to do more. These will incorporate our Scope 3 ambitions.

3. Protecting and enhancing nature and the environment

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

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

Aligning to the Global Biodiversity Framework

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

- Our Nature-related ODIs ▶ See pages 12 to 13.
- Our River Pledges ▶ See pages 24 to 29.
- Our climate and nature metrics and targets ▶ See page 40.
- On our Sustainability webpages.

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

Our biodiversity enhancement

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

Grassland and scrub also support healthy soils, which are essential for sustainable land management and in reducing pollution run-off from land (diffuse pollution). We work with third parties on moors, heathlands and peatlands, which all help regulate and filter water, prevent erosion and store carbon. Their restoration cuts greenhouse gas emissions, improves river resilience and improves raw water quality.

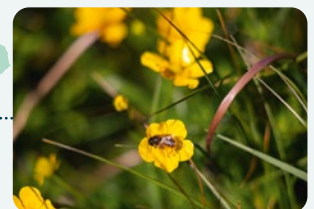
Woodland



Reedbed



Grassland



Key

 Reedbed
  Scrub
  Grassland
  Woodland

Climate and Nature Governance

To ensure we stay on track, maintain transparency, and consider our broad range of interactions with nature and the climate, we operate with robust governance over our activities and responsibility sits at all levels of our organisation:

Boards of Severn Trent Plc and Severn Trent Water Limited

The Board continues to consider and assess climate- and nature-related risks and opportunities as part of its oversight of strategy, performance and long-term planning. Climate and nature considerations are embedded within the Group's strategic decision-making and enterprise risk management processes, supported by established governance and reporting arrangements.

The Board reviews environmental and sustainability-related matters, including principal climate- and nature-related risks, physical risks and key environmental impacts and dependencies. Oversight is supported by the Board's committee structure,

with detailed review by the Corporate Sustainability Committee and, where relevant, the Audit and Risk Committee, informed by management reporting and external perspectives.

The Board monitors progress against climate- and nature-related plans, objectives and targets, and is kept informed of material stakeholder, customer and community engagement outcomes, ensuring sustainability considerations are integrated into the Group's overall strategic direction.

Frequency

- The Boards met five times this year.

Many Board members serve across multiple Board Committees, helping to ensure coordinated decision-making that considers risk, remuneration, funding and sustainability together. This structure enables the Board to maintain a holistic view of the connections between climate, nature, organisational risk and long-term strategy. Our governance framework is detailed on page 90.

Board expertise and policy evaluation

- The Board has strong collective experience and a diverse range of skills (see skills matrix on page 88).
- Sustainability-related skills and experience are considered, where appropriate, as part of Board succession planning and overall Board composition.
- Review and approval of our policies, including Doing the Right Thing, Anti-Slavery and Human Trafficking Statement (links to which are included in our ESG Databook) and supporting governance documents ensures the Board is kept informed and involved in protecting human rights, driving the culture of the organisation and driving due diligence on community impacts.
- Our policies also set expectations for supply chain partners to respect the rights of local communities and the workforce, and to consider their impact. Our approach to Human Rights incorporates all of our policies to protect our impacted stakeholders. We also have processes to manage, mitigate and remediate any adverse impacts on human rights, for example in the event of sewer flooding.
- We are committed to the UN Guiding Principles, OECD Guidelines and The UN General Assembly Resolution 76/300 on rights to a healthy environment.

Corporate Sustainability Committee

Board oversight of sustainability matters is supported by the Corporate Sustainability Committee through its consideration of material sustainability topics relevant to the Group's strategy and long-term objectives.

In fulfilling this role, the Committee reviews management reporting on climate-, environmental- and social-related matters, alongside emerging sustainability developments, to inform effective oversight and governance. The Committee operates

within established governance arrangements, enabling the timely escalation of sustainability matters to the Board where appropriate.

Frequency

- The Committee met four times this year.

Audit and Risk Committee

The Audit and Risk Committee supports Board oversight of climate-related and nature-related risks as part of the Group's broader risk and control environment.

The Committee considers ESG-related matters through its review of enterprise risk management updates, performance and assurance processes,

and oversight of compliance with applicable environmental, sustainability and wider regulatory reporting requirements.

Frequency

- The Committee met six times this year.

Remuneration Committee

The Committee oversees the integration of ESG objectives, targets and metrics within the Group's remuneration framework, aligning executive remuneration with strategic priorities and long-term value creation.

Frequency

- The Committee met six times this year.

Advocacy, lobbying and wider stakeholder engagement

We advocate for stronger river health and habitat protections, engaging government and regulators to shape environmental policy. We are working with the Green Finance Institute to develop nature transition plan guidance for businesses, lobbying for nature positive frameworks, and participating in policy consultations. Engagement with local communities, farmers and landowners, NGOs and customers is structured through our stakeholder engagement processes (read more on pages 79 to 83) to ensure we make informed decisions and understand our impact.

Remuneration

Our remuneration framework embeds climate and nature objectives in both the all-employee bonus and our Long-Term Incentive Plan, aligning incentives across the organisation. More information is set out in the Directors' Remuneration Report on pages 118 to 121.

CEO and Executive Committee

The Executive Committee, led by the CEO, is responsible for the implementation of the Group's sustainability strategy and for managing climate-related and nature-related risks and opportunities within day-to-day operations. It oversees delivery against sustainability objectives and targets, integrates climate and nature

considerations into business planning and decision-making, and provides regular reporting to the Board and its Committees.

Frequency

- The Executive Team meets weekly and reviews operational and performance information.

Senior Management Team

The Group's senior management team is responsible for delivering the Group's sustainability strategy at an operational level. This includes embedding climate- and nature-related considerations into day-to-day management, overseeing delivery against sustainability objectives and regulatory requirements, and monitoring risks and performance.

Senior management provides regular updates to the Executive Committee and supports reporting to the Board and its Committees as required.

Frequency

- Monthly functional performance reviews.
- Six-monthly Group senior management meetings are held for a full day to cascade key messages.

Our Value Chain is complex and has multiple touchpoints with the environment

This diagram sets out our material dependencies and impacts on nature and the environment across our value chain, our priority locations (which are managed across our network), and associated climate risks and opportunities. The TNFD symbols denote the drivers allocated in our Enterprise Risk Management ('ERM') system for each material risk in that area of the value chain.

Nature indicators of risk and opportunity



Land/freshwater/ocean

We protect water quality and natural habitats across peatlands, rivers, and our land through partnerships, innovation and volunteering.



Resource use and replenishment

We use treatment wetlands, like Hinckley, to recycle sludge whilst also boosting nature by creating rich wildlife habitats.



Pollution and pollution removal

Our 24/7 Pollution and Incident Response Teams provide rapid deployment and smarter pollution management, improving response times and supporting cleaner rivers.



Invasive non-native species ('INNS')

Our new Biosecurity Team is developing smarter ways to manage INNS risks and improve affected sites.



Climate change

Our climate change approach is set out in this report on pages 30 to 41 and in our Climate Change Adaptation Report.

Collect and clean raw water for distribution

Our operations use:

- 136 groundwater sources.
- Two sensitive designated areas.
- Zero water-stressed locations.
- 212 boreholes and eight springs from nine distinct aquifers.
- 48 surface water sources - 18 in designated sites.

Principal Risk 2



Dependencies:

- Surface and groundwater.
- Rainfall.
- Natural water purification.
- Soil water retention.
- Natural flood defences.

Impacts:

- Over-abstraction causes harm to rivers, wildlife and aquatic ecosystems.
- Storing raw water promotes wetland habitats and biodiversity.

Distribute clean water

We use over 50,000 km of clean water pipes to supply drinking water to customers.

Dependencies:

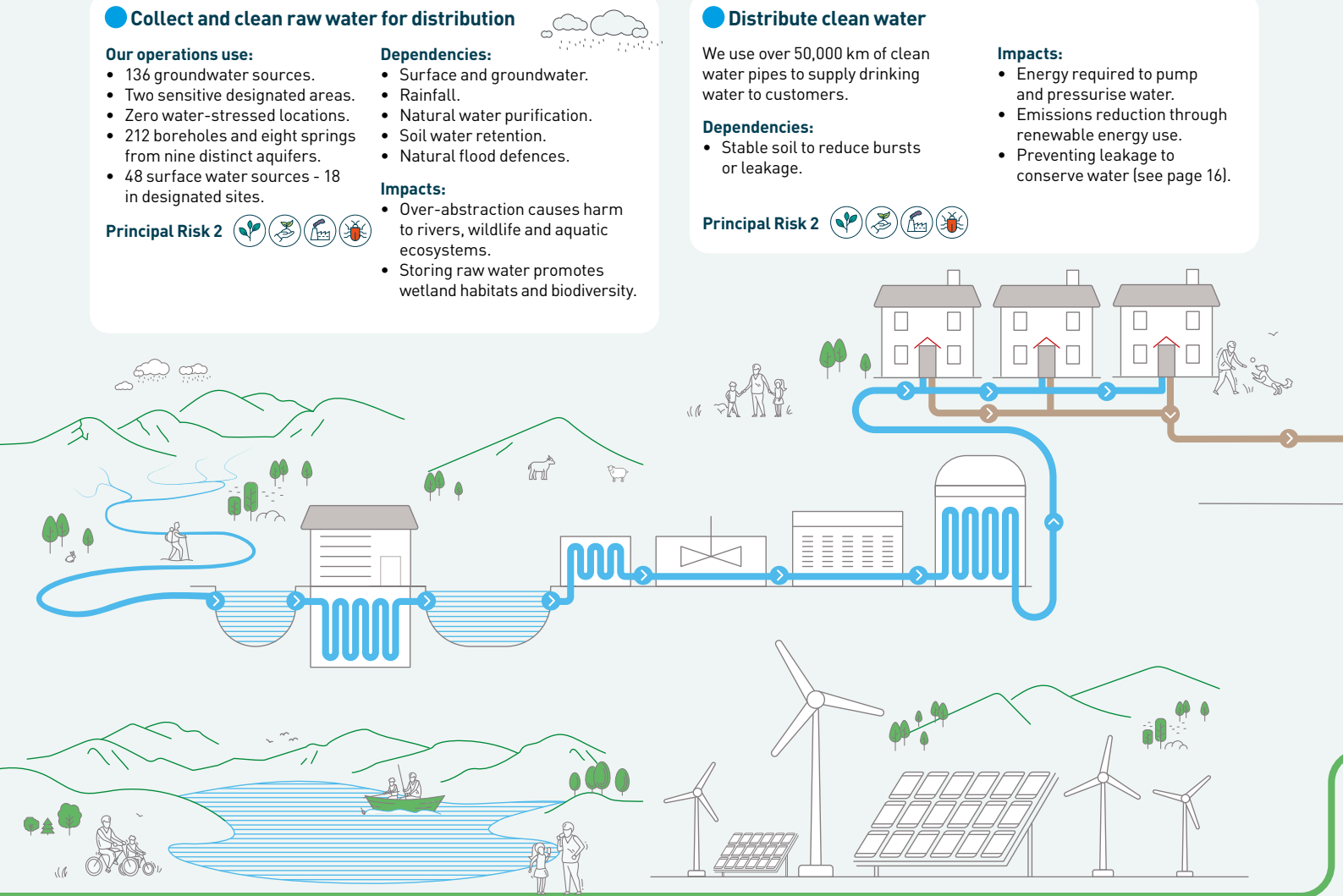
- Stable soil to reduce bursts or leakage.

Principal Risk 2



Impacts:

- Energy required to pump and pressurise water.
- Emissions reduction through renewable energy use.
- Preventing leakage to conserve water (see page 16).



Provision of green spaces

Many of our public green spaces are in designated areas like ancient woodland, areas of outstanding natural beauty and national parks, including:

- Reservoirs.
- Farmland.
- Woodland.

They support many recreational activities like:

- Angling.
- Sailing.
- Cycling.
- Walking.



Our two commercial forestry sites cover over 2,900 hectares at Lake Vyrnwy and the Upper Derwent Valley. Both are UKWAS-certified and support biodiversity, water quality and recreation, while also producing timber.

Dependencies:

- Clean air.
- Clean water.

Impacts:

- Spread of invasive non-native species through visitor movement.
- Transfer of water and soils.
- Water quality and ecosystem health impacted by activities.

Renewable energy production

We generate energy through:

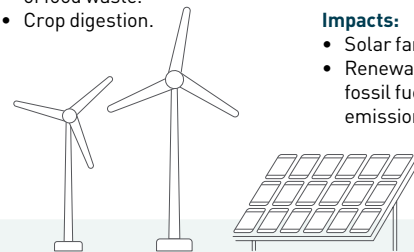
- Solar.
- Wind.
- Hydro.
- Anaerobic digestion of sewage sludge.
- Anaerobic digestion of food waste.
- Crop digestion.

Dependencies:

- Availability of wind, sunlight and water.
- Availability of food waste.
- Successful crop growth.
- Using a mix of energy sources reduces reliance on any single resource.

Impacts:

- Solar farms change land use.
- Renewable energy reduces fossil fuel reliance and emissions impact.



Upstream thinking – place-based planning

Working with Warwickshire Wildlife Trust on the River Avon we created a water resilience assessment that identifies opportunities to:

- Reduce flooding.
- Enhance biodiversity.
- Balance nutrients along the River Avon.

We are also developing a commercial platform to:

- Help landowners access carbon and BNG funding around the River Idle.
- Support nature-based solutions that improve water resilience.

Collect and clean wastewater

We operate over 93,000 km of sewer pipes, collecting around 3.17 billion litres of wastewater each day, with many treatment assets in designated areas:

- 153 in National Parks.
- 255 in Areas of Outstanding Natural Beauty.
- 79 in Ancient Woodlands.

Dependencies:

- Natural flood and storm defences.
- Rainfall volumes that do not exceed network capacity.

Impacts from treating wastewater:

- Energy use.
- Carbon emissions.
- Chemicals use.

Principal Risk 3 

Recycle water to the environment

Thousands of litres of treated water is discharged into rivers every day from our wastewater treatment works.

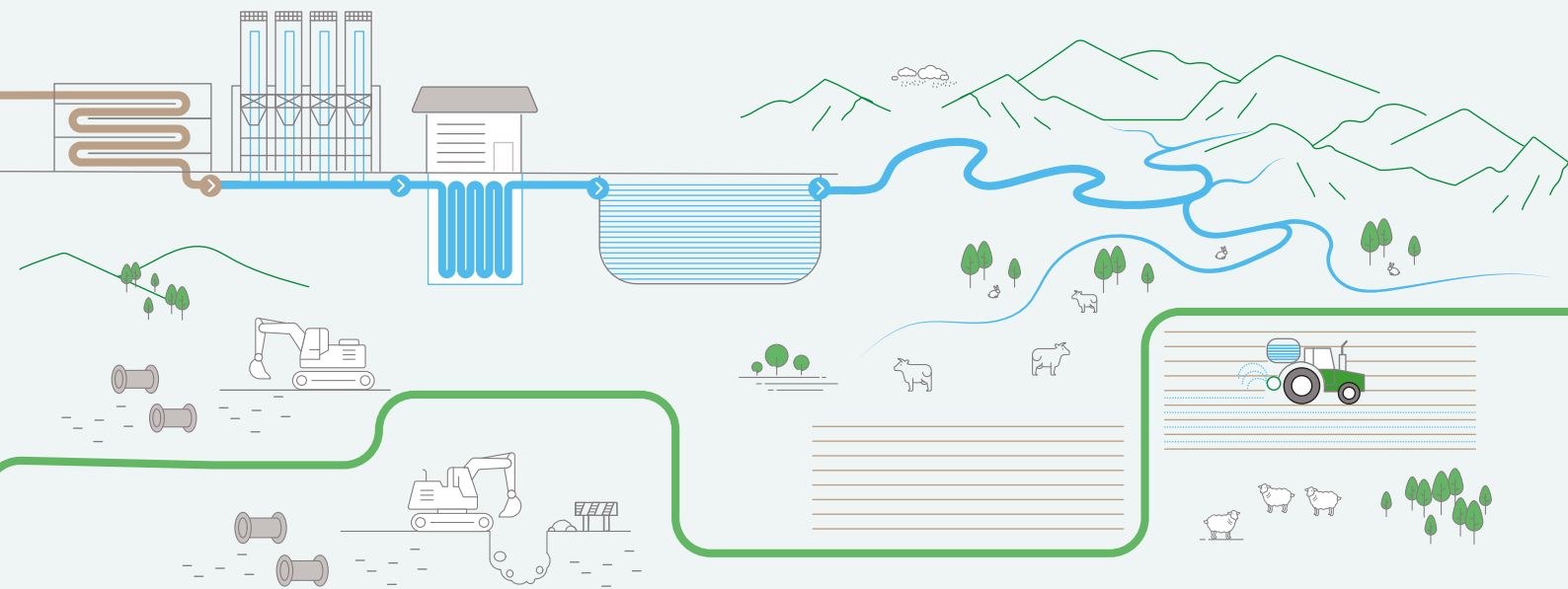
Dependencies:

- Microorganisms for treatment processes.
- Healthy aquatic ecosystems to safely receive effluent.

Impacts:

- Final effluent can impact river water quality and must meet permit requirements.
- Treated effluent can restore river volumes and support wildlife.

Principal Risk 7 



Construction projects

Construction and civil engineering maintain our networks and assets, improving services for customers and the environment.

Dependencies:

- Stable soils.
- Sediment retention.
- Flood mitigation.

Impacts:

- Vegetation clearance may fragment habitats.
- Trenching can cause erosion.
- Sediment can runoff to rivers and lakes.
- Using BNG and our internal net gain policy in our schemes helps to offset habitat loss and disturbance.

Principal Risk 2 

In line with TNFD guidance, we define sensitive locations as areas important for biodiversity, high ecosystem integrity, rapid decline in ecosystem integrity, high physical water risks, or areas of importance for ecosystem service provision. The biggest habitat type in our region is standing open water and canals, followed by broadleaved, mixed and yew woodland, and neutral grassland. Each SSSI in these areas has a bespoke management plan to reduce harm to ecosystem services we rely on. These and our nature priority locations are summarised in our ESG Databook.



More detail is included in our Natural Capital Accounts within our Sustainability Report on our website.

Running a Business that Goes Hand-in-Hand with Nature continued

Climate and Nature Risk Management

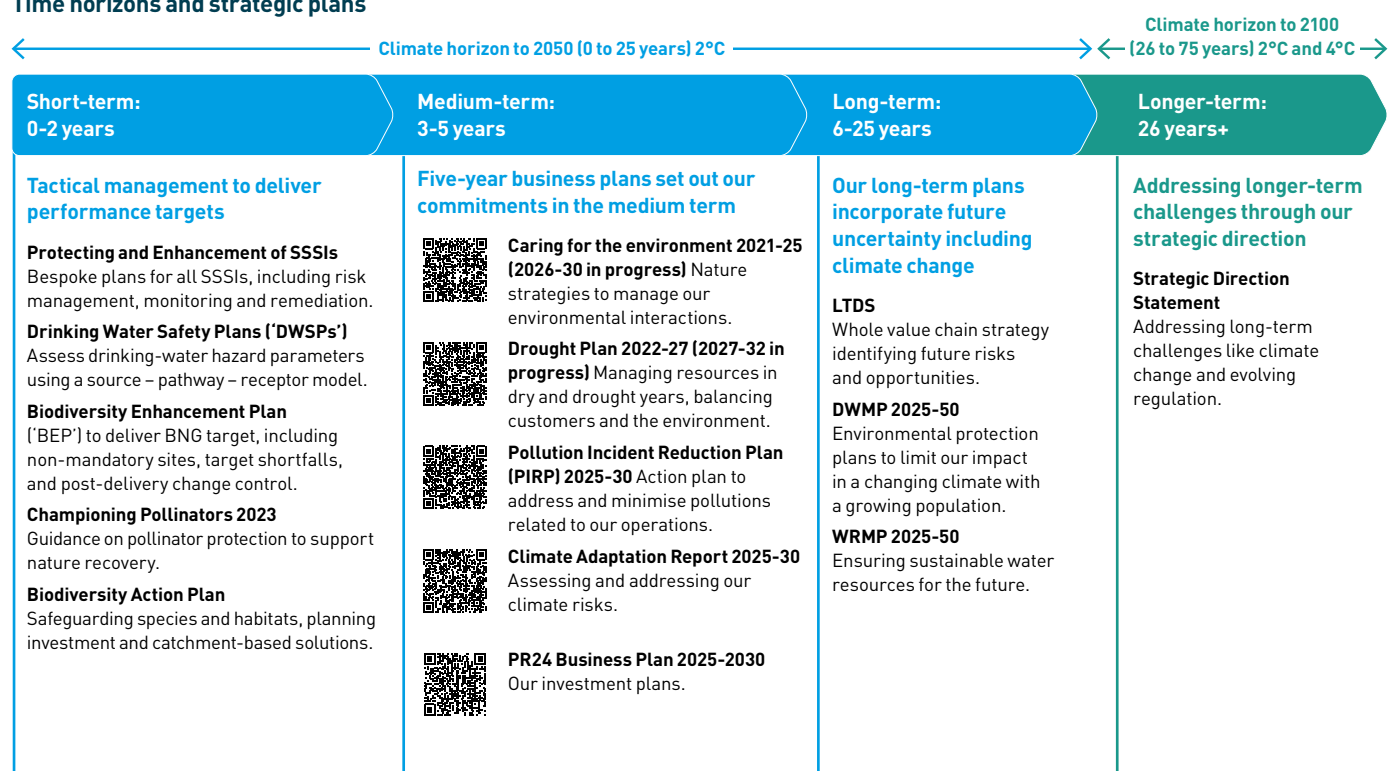
To manage each of the climate-related and nature-related risks to our business, we use our central ERM system and surrounding processes, which focus on the direct operations in our value chain (i.e. not upstream or downstream risks). Climate and nature drivers are integrated into this system to ensure all risks are identified, assessed and managed with climate and nature in mind. We manage risk using time horizons and scenarios in which each risk might occur, to identify the right planning approach and to invest in our assets and processes to mitigate risks effectively. We continue to rely on regulatory approval to fully fund our risk mitigation plans, but we are set up to drive efficiencies and maximise the resources we are granted.

How do risk time horizons interact with climate time horizons and our planning processes?

Our planning cycles are largely determined by our regulators such as Ofwat, so the risk time horizons align with these cycles. We incorporate climate scenarios into our risk management process according to these time horizons too, using only a 2°C scenario for risks managed within the next 25 years, and both 2°C and 4°C for longer-term risks.

Scenario modelling supports at a strategic level to reassess risks to our operations now and in the future, and we revisit our investment plans to ensure our decisions drive resilience. Our strategies cascade across the business into policies, process documents and planning tools that ensure operational and tactical decisions consider climate change and nature. These processes are set out in more detail across the following key documents:

Time horizons and strategic plans



Site level and operational plans

Standard Operating Procedures document and instruct on all tasks to ensure compliance. Local Operating Procedures set out operating parameters, local conditions and local instructions, specific to sites, locations or assets.

How do we manage risk?

Every six months, Risk Coordinators engage with senior management across the business to review existing risks and identify, assess and record all new risks. Identification of climate-related and nature-related risks and drivers is integrated into these reviews, which include assessing the size and scope of each risk, and outcomes are recorded in the ERM system. This system and our underlying operational risk management system incorporate detail on the impact of climate change and nature on specific assets, enabling us to effectively manage strategic and tactical asset investment plans with climate change and nature in mind. More detail on example mitigation actions for our Principal Risks is set out on pages 68 to 73.

Our ERM system includes:

- All business risks with potential financial impact of £20 million or over (increased from £10 million to reflect the increased scale of our business).
- All climate-related and nature-related risks with potential financial impact of £20 million or over, and climate and nature drivers that exacerbate existing risks, allocated to each ERM risk.
- Likelihood and financial impact for each ERM risk.
- Climate scenarios and time horizons over which the risk is managed.
- Mappings to Principal Risks and our value chain for all ERM risks.

What is financial impact?

Many of our most material risks are exacerbated by climate change or nature change, and particularly by changes in the weather. This means managing these risks is harder and our mitigation plans need greater investment. Set out on the next page are the financial impacts if our controls and mitigations fail. Climate change is only one driving factor. As a result of our controls and mitigations, including the large-scale investments that focus on managing the wider risks, as reflected on our balance sheet, no risk poses a material threat to our financial resilience and no financial statement adjustments have been made.

Managing material risks locally

As an example of one of our material risks, managing raw water quality requires controls such as sampling, which we do for more than 40 potential hazards like metals, nitrates, bacteria and pesticides. We carry out catchment risk assessments at set frequencies, or as required, and work with third parties on interventions. We manage the risks from source to tap, with controls in each stage, to ensure the highest quality of our water for customers:

Surface water and ground water catchment area risks

Treatment risks

Storage risks

Distribution network risks

Risks at customer properties

Examples of controls assessed at surface water catchments are:

- Farming for Water: pesticides, nitrate and cryptosporidium.
- Peatland Restoration.
- Bathing Rivers Scheme.
- Dee Water Protection Zone.
- ST Tenancy Catchment Conditions.
- Biosolids BAS.

How is climate change and nature reflected in risk reporting?

Material ERM risks for every Principal Risk affected by climate change or nature (as set out on pages 68 to 73) are summarised in the table below. All ERM risks with climate or nature drivers are summarised in the graphs on page 38.

Key

- Hotter, drier summers
- Warmer, wetter winters
- Extreme weather
- Legal/policy change
- Technology change
- Freshwater use change
- Land use change
- Resource replenishment
- Pollutions

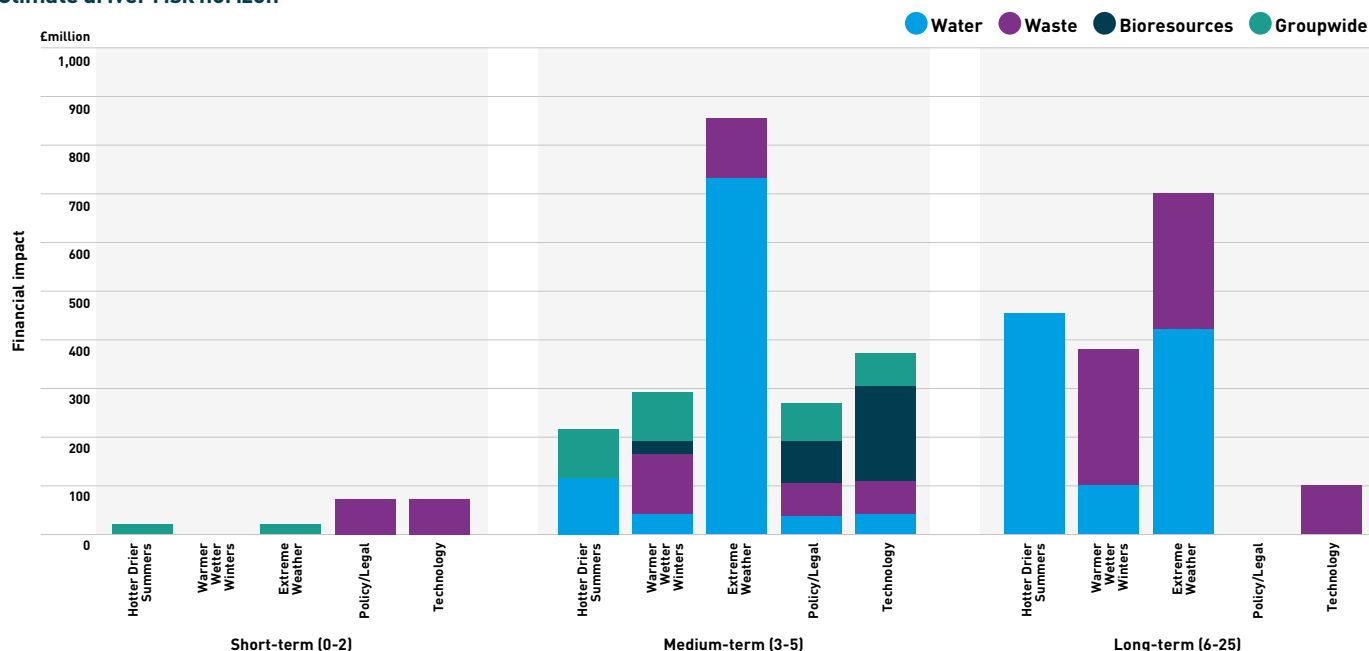
	Principal Risk	Example ERM Risks	Climate and nature risk drivers	Nature impact drivers	Climate scenario	Risk likelihood (%)	Financial impact	Risk management time horizon
Physical risk	We do not supply a safe and secure supply of drinking water to our customers.	Failure to ensure our network is resilient to meet supply requirements in future AMPs.			2°C	10-20%	£320 million	6-25 years
		Failure to address increased demand for water due to population growth and changing weather conditions.			2°C	10-20%	£35 million	6-25 years
	We do not transport and treat wastewater effectively, impacting our ability to return clean water to the environment.	Failure to safeguard future wastewater treatment capacity to meet future demand or increased environmental obligations.			2°C	2-10%	£100 million	6-25 years
		Failure to ensure waste capacity network is resilient to meet future demand.			2°C	10-20%	£180 million	6-25 years
	We fail to effectively mitigate our environmental impact and act as a steward of natural capital while ensuring our operations remain resilient to the effects of climate change.	Failure to abstract sufficient raw water for our customers or over-abstract, damaging the natural environment.			2°C	10-20%	£35 million	3-5 years
Transition risk	Uncertainty of regulatory, legislative and government reforms could fundamentally impact our operating environment and strategic ambitions.	Failure to comply with CSO permits or meet evolving stakeholder expectations.			2°C	10-20%	£50 million	0-2 years

Running a Business that Goes Hand-in-Hand with Nature continued

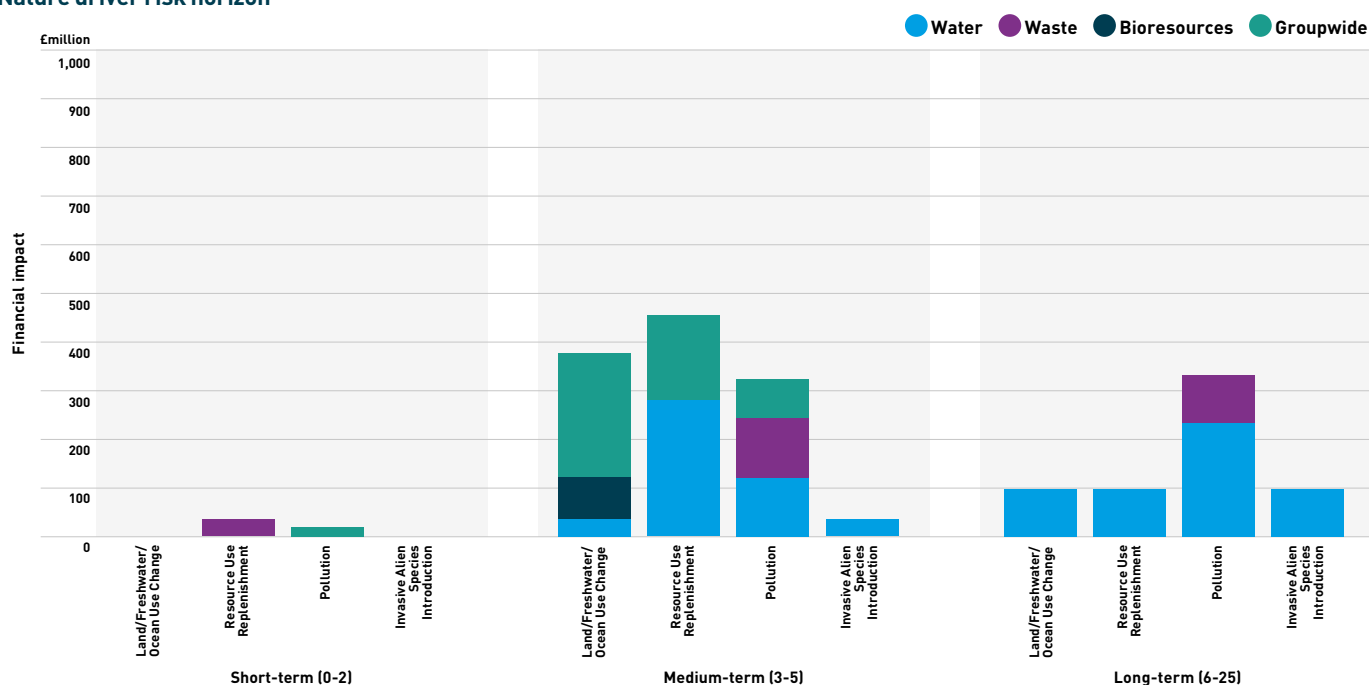
Climate change and nature drivers exacerbate our risks and are integral factors in how we manage our response. Significant events, like the drought experienced this summer, increase operational costs. This year we spent £10 million moving water around our network to maintain

supply. As the climate changes, these costs are increasingly likely, but so is the risk of significant outage. The graphs below demonstrate the scale of the risks we manage over different time horizons, in different events, to reduce the impact of climate change and increase our resilience.

Climate driver risk horizon



Nature driver risk horizon



How does this impact our financial statements?

Climate and nature risks undoubtedly impact how we operate and plan investments, but as they are long-term in nature and hard to predict, there isn't a present or quantifiable financial impact that can be reflected in the financial statements. In addition, many impacts we model are recoverable through future revenues, due to the regulatory mechanism that funds our activities through future customer bills, but we strive for balance between

building resilience and maintaining affordability. Our key dependency is on submitting an adequate business case for these impacts to be funded, which we recognise as an ERM risk as we approach each new planning cycle. And whilst our assets need to work harder, they won't be impaired, they will grow and improve as we invest at an unprecedented scale to build on our resilience.

Climate-related and nature-related opportunities

As we invest to meet fixed long-term targets; reducing CSO spills, leakage and GHG emissions; the uncertainty of climate change can mean our investment grows. This increases the capital value of our business and delivers material opportunities across a range of areas:

Opportunity type	Financial benefit	Our activities
Resource efficiency	Reduced operating costs, reduced financial risk	GHG leak detection and monitoring reduces wastage and methane emissions. Smart meters improve water efficiency and support demand management. Net Zero Hub partnerships enable trials in low-carbon wastewater treatment technologies. Use of technology, data & analytics in GHG reporting creates insights for better governance. Green energy markets and increasing our renewable energy investment both work to manage operating costs and reduce our environmental impact. Alternative technologies in asset construction and our operations will cut carbon intensity.
Markets	Cheaper borrowing costs	Access to Green finance through our Sustainable Finance Framework, EU Taxonomy reporting and sustainability-linked funding enables more impactful investment and access to a wider range of debt costs.
Nature-based solutions and Biodiversity enhancement	Reduced operating costs, increased revenue	Invasive species removal, including at Witches Oak, reduces costs associated with damage remediation. Local Nature Recovery Strategies ('LNRs') for our region intersect with priority zones for nature, creating higher BNG values and promoting targeted restoration, which supports our Biodiversity ODI. Tree planting provides habitat, ecosystems and carbon reduction and alleviates flooding. Nature-based solutions like treatment wetlands and water course improvements reduce our costs, limit our impact on the environment and create habitats for wildlife.
Circular economy and materials	Increased revenue	Low-carbon products can be made from our waste, such as using the cellulose that comes from toilet paper, which can be used as a low-carbon construction material, supporting a circular economy.



Running a Business that Goes Hand-in-Hand with Nature continued

Metrics and Targets

We measure our progress and our impact on the environment using a range of performance metrics and targets. We align these to our Principal Risks and stages of the value chain to demonstrate how strong performance in these areas supports active management of risk. The metrics for Severn Trent Water (as the material operational entity in our Group) are set out below against transition risks and opportunities (arising from the response to climate change) and physical risks and opportunities (through actual impacts of climate change). They are all measured over medium-term time horizons (i.e. across the next three to five years).

Climate and nature metrics and targets

	Measure	Climate and nature risk drivers	Metric & target	2024/25	2025/26	Capital deployed this year**	
Physical risk	We do not provide a safe and secure supply of drinking water to our customers						
	Per Capita consumption ¹	 	8.5% reduction by 2030 (2019/20 baseline)	0.4%	-0.3% (increase)	£1 million	Risk metrics
	Leakage reduction ¹	   	31.6% reduction by 2030 (2019/20 baseline)	16.8%	23.3%	£232 million	
	We do not transport and treat wastewater effectively, impacting our ability to return clean water to the environment						
	Internal sewer flooding ¹	   	Maximum incidents of 16.83 per 10,000 sewer connections (compared to in year target value)	640 (565)	512 (650)	£76 million	
	External sewer flooding ¹	   		6,939 (3,397)	6,123 (6,445)		
	River water quality ¹	     	57% reduction in phosphorus from treatment works discharge by 2030 (2020 baseline)	New target	38%	£6 million	
	Serious pollution incidents ¹	   	Maximum of zero serious pollution incidents in year	New target	2 ²	£178 million	
	Total pollution incidents ¹	   	Maximum of 182 per 100,000 km of sewer length in year	New target	178 ²		
	Combined sewer overflows ¹	   	Maximum of 16.88 spills per year on average	25.4	15.0	£36 million	
Transition risk	We fail to effectively mitigate our environmental impact and act as a steward of natural capital, while ensuring our operations remain resilient to climate change						
	Capital carbon reduction ¹	    	5% average reduction in capital carbon by 2030 for ODI qualifying projects delivered in AMP8 (2024/25 baseline)	New target	29.61%	£0.6 million	Opportunity metrics
	Carbon pricing***	  	Increased percentage of capital projects applying the approved external carbon price of £248/tCO ₂ e year-on-year	New target	1%		
	Net Zero Transition Plan*	  	100% reduction in operational emissions by 2030 (2019/20 baseline)	15%	26%	£17 million	
	Uncertainty of regulatory, legislative and government reforms could fundamentally impact our operating environment and strategic ambitions						
Community Fund	 	Donate £20 million by 2030 (cumulative), targeting £2 million per year	£11.6 million	£13.3 million	n/a		
Transition risk	Biodiversity enhancements ¹	   	15% biodiversity net gain (0.73 units per 100 km ²) across capital and infrastructure projects from 2026 to 2030	New target	1.38 units per 100 km ²	£3 million	
			1.3 million trees planted by 2027 (from 2019/20)	1 million	1.1 million		
		Big Difference Scheme		Support 700,000 households (cumulative) by 2030	203,722	531,405	£125 million

1 These metrics are associated with either our ODIs or other regulatory metrics, reported in line with methodologies defined by Ofwat or the EA, and may change as regulations change in future. They are subject to independent limited assurance by Jacobs. More detail can be found in our Annual Performance Report and on pages 12 to 13 of this report.

2 We are currently undergoing an appeal process in relation to a third serious pollution.

For further detail on core and additional TNFD metrics, including those not currently reported, please refer to our ESG Data Book.

Cross-industry metrics

Cross-industry metrics are marked above with an asterisk* or are reported elsewhere in this report as set out in the table below:

Cross-industry metrics (ISSB)	Read more
*GHG emissions	NZTP – pages 42 to 52
Physical risks – the amount and percentage of assets or business activities vulnerable to physical risks	Climate and Nature Risk Management – pages 36 to 38
Transition risks – the amount and percentage of assets or business activities vulnerable to transition risks	Climate and Nature Risk Management – pages 36 to 38
Climate-related opportunities – the amount and percentage of assets or business activities aligned with climate-related opportunities	Climate-related and nature-related opportunities – page 39
**Capital deployment – the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities	Metrics and targets table – above
***Internal carbon prices (amount and explanation of how it is used)	Metrics and targets table – above
Remuneration (% remuneration recognised in current period that is linked to climate-related considerations, and how these are factored in)	Directors' Remuneration Report – pages 118 to 121

How we report our activity

We embrace the reporting requirements on nature and climate, which increase business accountability and transparency; something we have always taken very seriously. We are early adopters of nature reporting created by the TNFD and have progressed our disclosure this year to consider all recommendations. Using the frameworks set out by the TNFD, the TCFD and the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 ('CFD'), we report our activity using the structure set out below, and are preparing for full disclosure under UK Sustainability Reporting Standards ('SRS') in future. More information can be found across this report:

Requirement/Recommendation		Read more
Governance	(CFD a) Describe the Company's governance arrangements in relation to assessing and managing climate-related risks and opportunities.	Governance Framework page 90 Board Skills page 88 Board Activities page 101 Board Performance Review page 103
	(TCFD a) Describe the Board's oversight of climate-related risks and opportunities.	Climate and Nature Governance page 33
	(TNFD a) Describe the Board's oversight of nature-related dependencies, impacts, risks and opportunities.	Section s172 Statement page 84
	(TCFD b) Describe management's role in assessing and managing climate-related risks and opportunities.	Severn Trent sustainability web pages
	(TNFD b) Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.	
Strategy	(TNFD c) Describe the organisation's human rights policies and engagement activities, and oversight by the Board and management, with respect to Indigenous peoples, local communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.	
	(CFD d) Describe the principal climate-related risks and opportunities arising in connection with the Company's operations, and the time periods by reference to which risks and opportunities are assessed.	Our Principal Risks pages 68 to 73
	(CFD e) Describe the actual and potential impacts of the principal climate-related risks and opportunities on the Company's business model and strategy.	Our Value Chain pages 34 to 35
	(CFD f) Analyse the resilience of the Company's business model and strategy, taking into consideration different climate-related scenarios.	Climate-related and nature-related opportunities page 39
	(TCFD a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Climate and Nature Strategies pages 31 to 32
	(TNFD a) Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.	Net Zero Transition Plan pages 42 to 52
	(TCFD b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	EU Taxonomy Disclosure pages 53 to 55
	(TNFD b) Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.	
	(TCFD c) Describe the resilience of the organisation's strategy, considering different climate-related scenarios, including a 2°C or lower scenario.	
Risk management	(TNFD c) Describe the resilience of the organisation's strategy to nature-related risks and opportunities taking into consideration different scenarios.	
	(TNFD d) Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.	Our Value Chain pages 34 to 35
	(CFD b) Describe how the business identifies, assesses and manages climate-related risks and opportunities.	Climate and Nature Risk Management pages 36 to 38
	(TCFD a) Describe the organisation's processes for identifying and assessing climate-related risks.	Our Value Chain pages 34 to 35
	(TNFD a) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).	Managing Risks and Opportunities pages 64 to 67
	(CFD c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the business' overall risk management process.	Our Principal Risks pages 68 to 73
	(TCFD b) Describe the organisation's processes for managing climate-related risks.	
	(TNFD b) Describe the organisation's processes for managing nature-related dependencies impacts, risks and opportunities.	
	(TCFD c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	
Metrics and targets	(TNFD c) Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.	
	(CFD g) Describe the targets used by the Company to manage climate-related risks and to realise climate-related opportunities, and performance against those targets.	Net Zero Transition Plan pages 42 to 52
	(CFD h) Describe the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities, and the calculations on which those key performance indicators are based.	Metrics and Targets page 40
	(TCFD a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	GHG emissions table page 50
	(TNFD a) Disclose the metrics used by the organisation to assess nature-related risks and opportunities in line with its strategy and risk management process.	
	(TNFD b) Disclose the metrics used by the organisation to assess and manage the dependencies and impacts on nature.	
	(TCFD b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas ('GHG') emissions and the related risks.	
	(TCFD c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	

This disclosure complies with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 ('CFD'). Our reporting is consistent with all 11 TCFD recommendations, in accordance with Listing Rule 6.6.6R, and we have aligned our reporting to all 14 TNFD recommendations. This means we consider the 'Recommendations of the Task Force on Climate-related Financial Disclosures' published in June 2017, the supplementary guidance entitled 'Implementing the Recommendations of the TCFD' published in October 2021 and 'Recommendations of the Taskforce on Nature-related Financial Disclosures' published in September 2023.

Running a Business that Goes Hand-in-Hand with Nature continued

Net Zero Transition Plan

Overview

Our commitment to mitigating and adapting to climate change remains a critical priority. As illustrated, we are heavily reliant on nature to provide our services.

The UK Government's "A New Vision for Water" White Paper reinforces priorities to reduce pollution and improve water quality and includes the need to act on climate change. This is important as complying with both existing and future regulation will likely increase our emissions.

What are we aiming for?

As a Group, we have committed to achieving net zero operational carbon emissions by 2030. By this date, we also aim to use 100% renewable energy sources and switch to 100% electric vehicles where available. Together, these targets are known as our Triple Carbon Pledge.

We have 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. Our performance against these targets is shown on page 49.

We also have an ambition across Severn Trent Plc to meet net zero across Scopes 1, 2 and 3 by 2050, and an intensity target to reduce our methane emissions by 30% by 2033.

Ensuring resilience

As we deliver an unprecedented £14.9 billion investment plan over this AMP to strength the resilience of our services to a changing climate, regulatory standards and growing population, we will remain focused on keeping bills affordable whilst reducing emissions.

The prolonged drought we experienced, during the warmest spring and summer on record, in 2025 underlines the need to adapt our operations. Increasingly extreme weather patterns are heightening both demand-side pressures and supply-side risks, making energy security a core component of climate resilience planning. In response, we have placed even greater emphasis on energy efficiency, power resilience, and expanding low-carbon energy generation, in line with the Government's energy security strategy.

Learning as we progress our plans

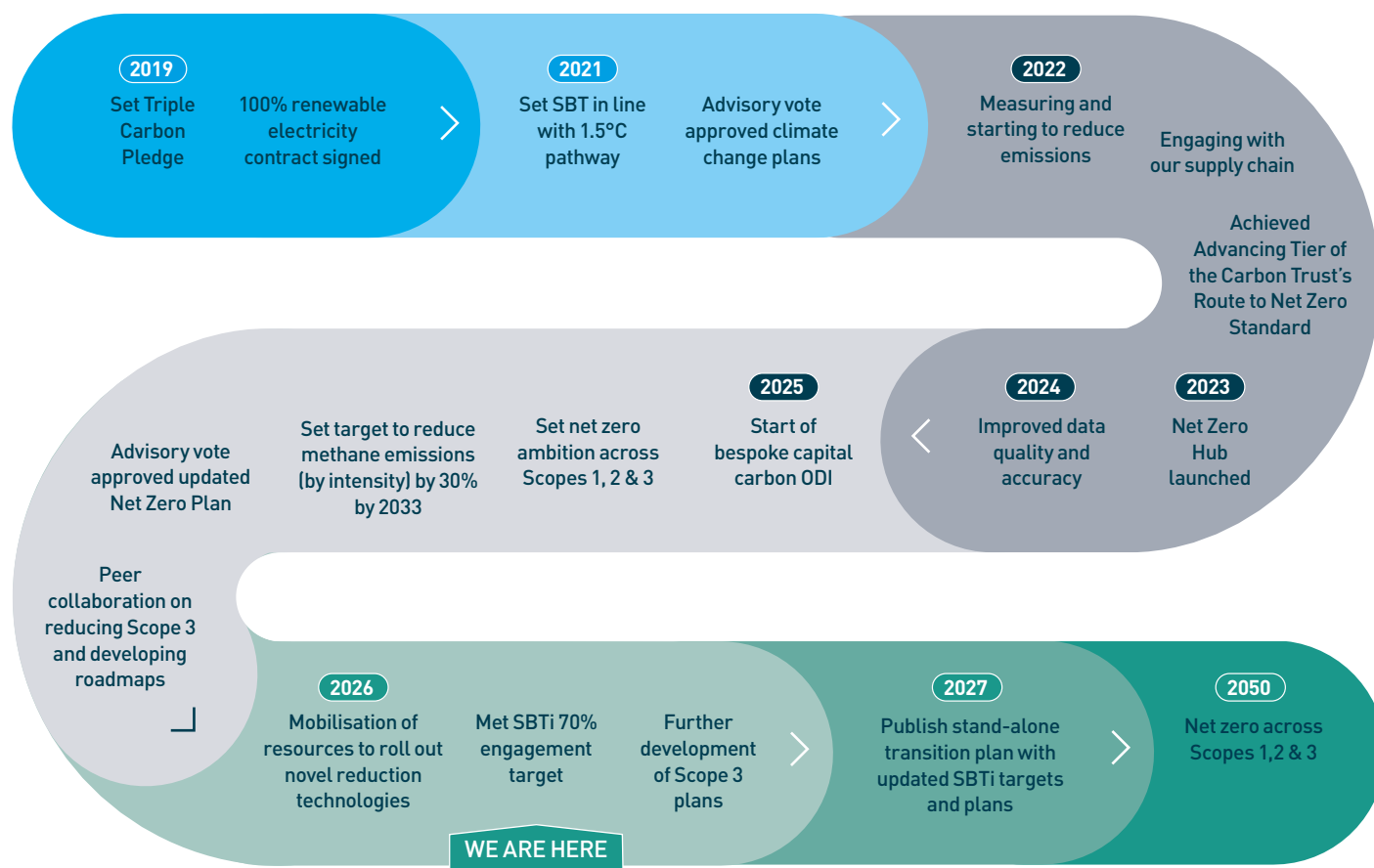
We are taking bold steps to lead our sector in reducing greenhouse gases unique to our sector. We recognise that real world performance will differ from modelled forecasts from new and innovative technologies. Through our Net Zero Hub, we have gained valuable insight into how different conditions influence the effectiveness of these technologies. As we move into the next phases, we will adapt deployment to ensure we deliver on all of our business and customer priorities.

Evolving our plans

Our Scope 3 emissions will continue to increase as a proportion of our emissions. However, despite increased investment in line with our Business Plan, our Scope 3 emissions have fallen due to decarbonisation within the UK electricity and cement sectors, benefiting us through lower emission factors. Through our engagement target, we have built a strong foundation by supporting our supply chain to develop the knowledge and capability needed to reduce emissions. This is reinforced by targeted action to lower the carbon intensity of our capital programme, though the benefits will take time to be fully realised. We will develop more detailed Scope 3 plans as SBTi guidance is finalised in 2027 and will set these out in our future NZTP.

An overview of our key milestones on our climate change journey are shown in our roadmap below.

Our net zero roadmap



Understanding our carbon footprint

57%

Major sources:

- Capital carbon
- Chemicals
- Purchased goods and services

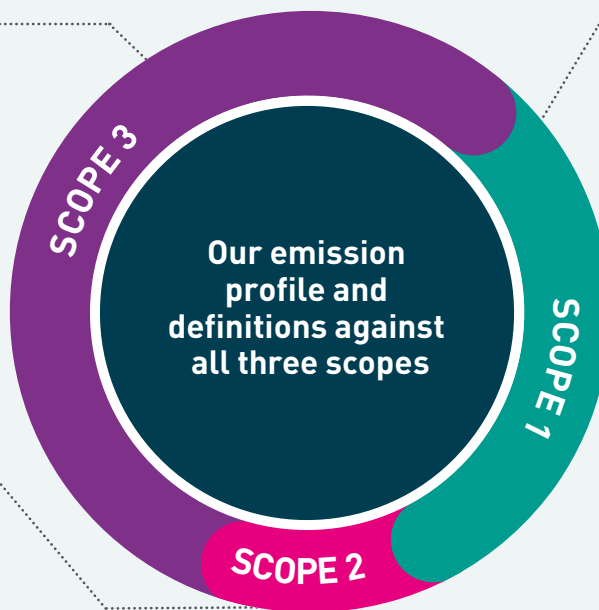
Emissions that are created by a company's value chain through the products and services it purchases from others.

Of these, capital carbon emissions from construction and maintenance of our assets are the largest.

12%

100% of our import supply is renewable-backed electricity, reducing our market-based Scope 2 emissions to zero, effective from 2020.

Emissions that a company indirectly causes, which come from the energy it purchases from others.



31%

- Combustion of fossil fuels
- Process and fugitive emissions
- Transport

Direct emissions that are owned or controlled by a company and its operations.

Of these, our process emissions – nitrous oxide and methane emissions from our wastewater and sludge treatment processes – are the most significant.

What do we mean by operational net zero?

To achieve operational net zero and minimise our impact on climate change, we will reduce our direct (and some indirect outsourced) emissions as far as possible by 2030, and then remove any residual emissions from the atmosphere. This may include the use of self-generated 'offsets' through renewable energy sales and 'insets' through supporting our supply chain to reduce emissions. We will only consider use of high-quality external offsets if it is absolutely necessary.

Net zero in AMP8

Our plans to reduce our most material Scope 1 emissions – nitrous oxide and methane emissions arising from our wastewater and sludge treatment processes (our process emissions) – are moving into the next phase.

Learning as we innovate

We are mobilising resources to be able to deploy emission reduction technologies across our wastewater treatment sites. The use of Membrane Aerated Biofilm Reactor ('MABR'), digital twin and cover-and-treat technologies reduces energy use and production of N_2O .

Our focus this year has been on testing the feasibility of where and how best to deploy the technologies that we have been trialling at our Net Zero Hub. We have undertaken site surveys; installed extensive monitoring; validated proof of concept; and, for the digital twin, issued tenders for services like modelling and system integration partners.

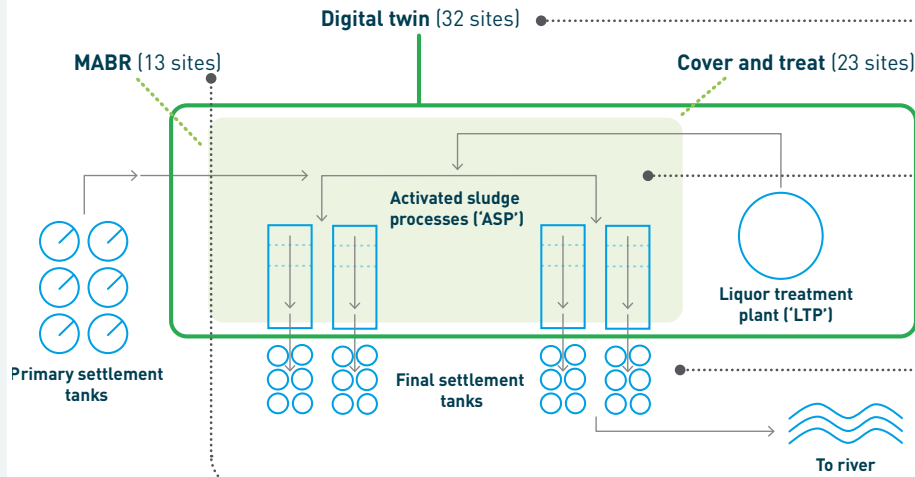
We are learning how specific conditions at individual sites and assets affect performance. These insights have been shared across the sector through dedicated working groups and with international partners via conferences. Further data and final trials will be important to maximise learning as we prepare for wider deployment and to ensure the most cost-efficient route is taken.



Running a Business that Goes Hand-in-Hand with Nature continued

Net Zero in AMP8 continued

Wastewater recycling – key sources of Nitrous Oxide (N₂O)



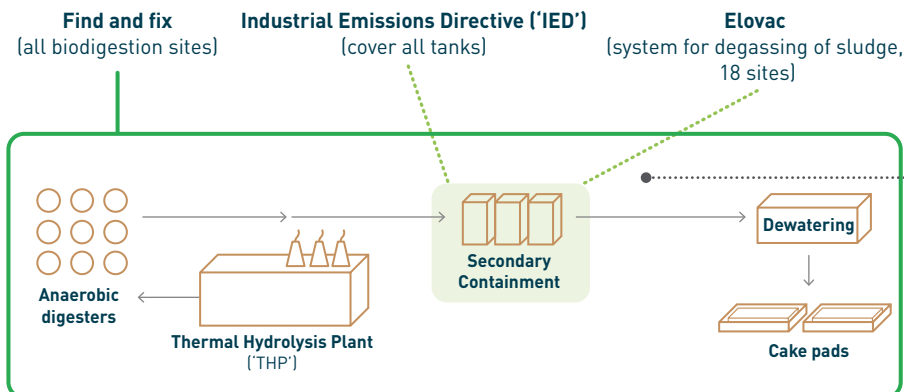
By verifying and comparing forecasts with real-world observations, we can understand the dedicated support operational staff need to realise the benefits from a **digital twin** model.

Treatment of N₂O is impacted by humidity, temperature and flux control. We are assessing the impact of these in our cover and treat programme.

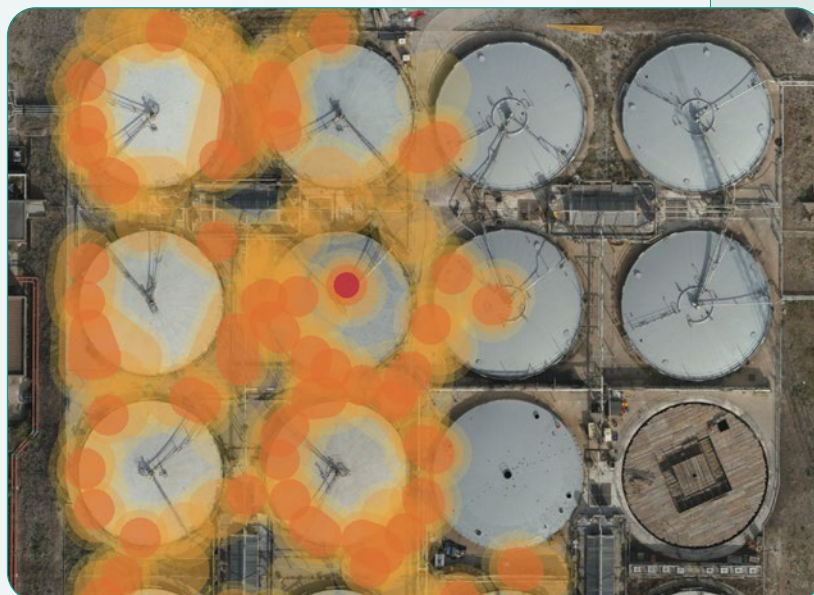
For **process optimisation** we have deployed ammonia feed control across two of our largest works, Wanlip and Stoke Bardolph, to optimise our algorithms, and reduce N₂O emissions and electricity consumption.

Two trials of **MABR** showed that N₂O is lower than anticipated and is dependent on the size and performance of anoxic zones within the ASP lanes. Consequently, we can target sites with anoxic zones with the right conditions to suppress N₂O effectively.

Bioresources – key sources of methane (CH₄)



Asset condition and location is key to accommodating installation of **Elovac** in a safe way, which reduces fugitive emissions from sludge storage and dewatering.



Methane spotlight

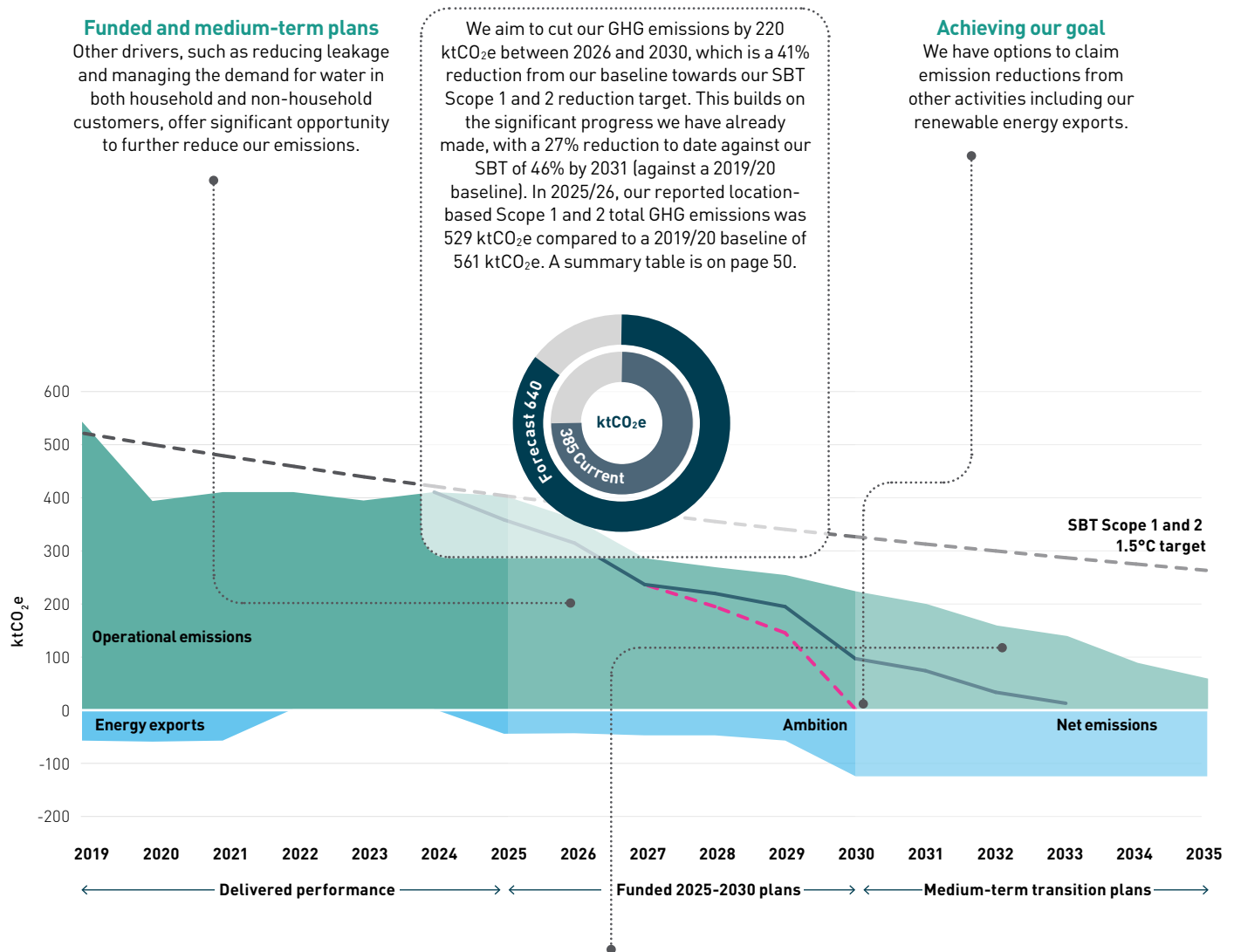
Our methane intensity target is a 30% reduction by 2033 (which accounts for approximately one third of our Scope 1 emissions). It is a potent short-lived GHG, which means any reduction in methane contributes to a rapid reduction in global warming potential. To build our real-time understanding of emissions, we have invested in more monitoring cameras. These are used to validate the impact of the asset changes shown in the diagram above. Results inform how we operate our biogas assets, and our maintenance programme now uses automated workflow to ensure effective repairs are raised as soon as a leak is found. These inform a forward-looking plan to stop any future leaks. Observed emissions are lower than previously estimated (see page 51 for reporting methodology).

Six digester tanks at our largest wastewater treatment site, Minworth, have now had their floating roofs replaced with fixed roofs. Drone surveys are now showing no emissions from covered tanks, as shown in the photo. All floating roofs will be replaced or decommissioned by 2030.

Our journey to net zero

Our investments will deliver performance improvements for customers and the environment as quickly as possible. External factors affect our emissions, such as the size of the population we serve, the severity of impacts from climate change and tightening policy and regulation. For example, the prolonged drought during the year presented significant operational challenges to ensure uninterrupted water supply to customers. We operated at full capacity to maintain service levels, which limited our flexibility in adapting and reducing energy.

Our customers still expect us to mitigate our impact on climate change, balancing growth and impact across a wider range of benefits. For example, our catchment management programme supports flood risk reduction, river quality improvement, biodiversity improvement and also carbon sequestration, providing a great example of balancing wider operational needs with the need to reduce emissions. We expect to achieve our goal as we collaborate across the business to identify the best operational, technological, and economical route to meeting our climate targets.



Building energy security

We are investing to strengthen asset resilience so we can meet customer demand under increasingly challenging conditions, with a clear focus on using energy more efficiently. Electricity makes up around 70% of our energy use, so we have introduced proactive and predictive maintenance to ensure pumps are serviced and replaced at optimal intervals. This improves reliability and reduces operational costs, even if it does not affect our market-based emissions. This approach is increasingly important as fixed energy costs continue to rise, driven in part by recent grid upgrades and government policy changes that place unavoidable cost pressures on businesses.

Key

Operational emissions
(market-based)

Energy
exports

Net
emissions

Ambition

SBT Scope 1 and 2
1.5°C target

Running a Business that Goes Hand-in-Hand with Nature continued

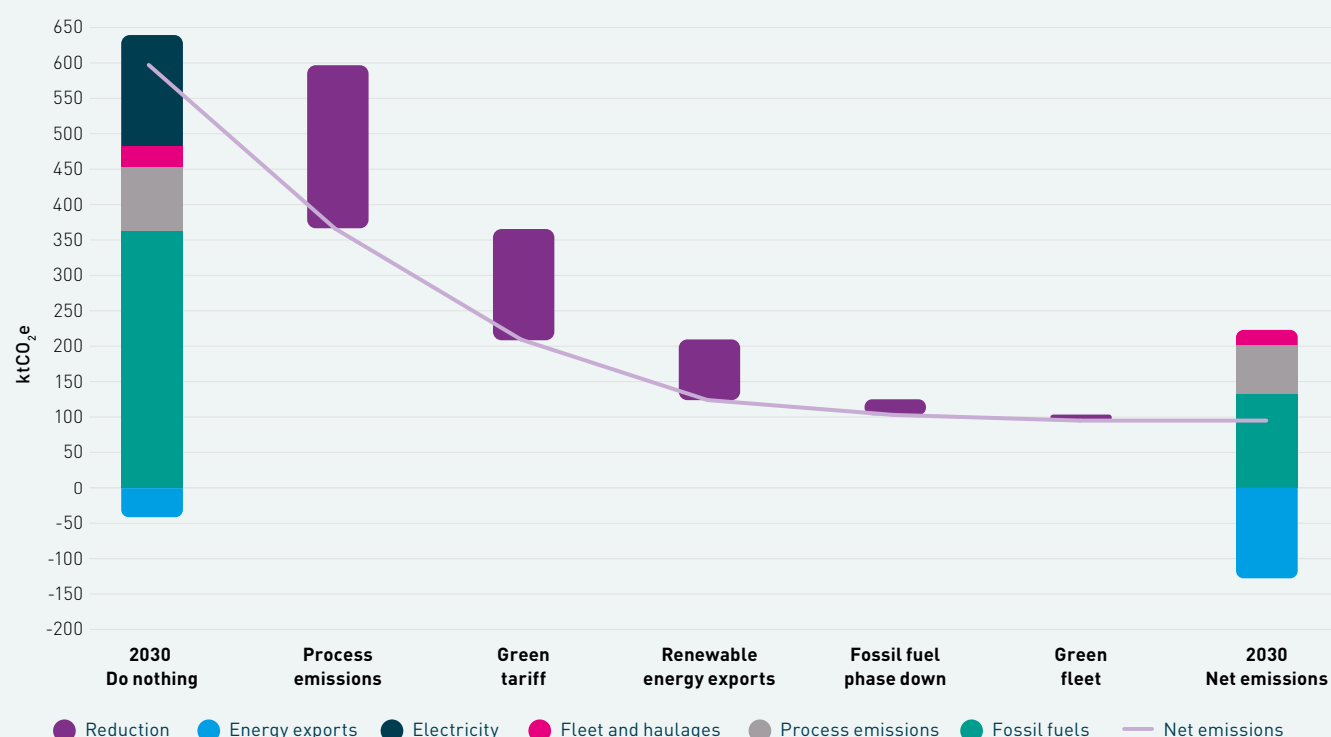
Scope 1 and 2 reduction waterfall

Combined, our total Scope 1 and 2 GHG emissions are forecast to rise to 640 ktCO₂e (location-based) by 2030, if no action is taken. The residual emissions relate to heat, fuel emissions and process emissions.

Our funded plans aim to deliver an estimated reduction of 502 ktCO₂e in total by 2030 versus a 'do nothing' scenario, leaving a 100 kt gap that we need to address in order to achieve operational net zero by 2030. There are inherent uncertainties associated with innovative solutions and therefore the reduction associated with each technology is likely to change over time.

This is being validated through the extensive testing and measurement being undertaken at our Net Zero Hub and Resource, Recovery and Innovation centre ('R2IC').

Meeting statutory environmental improvements will require us to treat larger volumes of water, which in turn increases asset use and nitrous oxide emissions. As we transition from planning into delivery, our updated forecast uses more conservative assumptions. Our understanding will continue to improve as we expand our monitoring programme from nine sites today to more than 100 sites by 2030.



Transitioning our fleet

Whilst we have begun decarbonising our car and light commercial vehicle ('LCV') fleet, solutions for larger and more complex vehicles are still not currently readily available. We have started to deploy hydrotreated vegetable oil selectively, as a transition fuel, for large and plant vehicles, focusing on securing the most appropriate and responsible sources available. For car and LCVs, we will electrify the remainder of our fleet in line with the natural replacement cycle of vehicles to ensure a cost-effective approach. This means there will be some parts of our fleet that are not fully electric by 2030, including c.60% of our LCVs and all HGVs and 4x4s.

GHG ODI update

We are in the first year of our new common ODI for operational GHG emissions, which has helped to bring more focus to the carbon impact of our operational decisions and to deliver better outcomes for our customers. Further detail on our ODI performance can be found in our Annual Performance Report ('APR'), which will be published on the Regulatory Hub on our website in July 2026.

Our Infrastructure Services

Our two regulated businesses, Severn Trent Water and Hafren Dyfrdwy, make up the majority of our operational emissions at 97%. Within Infrastructure Services, Severn Trent Operating Services is committed to reducing emissions by engaging with customers and suppliers. It publishes an annual update on its Carbon Reduction Plan.

Severn Trent Green Power aims to build a balanced portfolio through increasing generation of renewable energy in solar and potentially wind, as well as a significant increase in biomethane capacity via site expansion, and in new-build opportunities and acquisitions. Green Power has also started dedicated methane monitoring, along with targeted monitoring of GHG emissions to better understand how individual assets are performing.

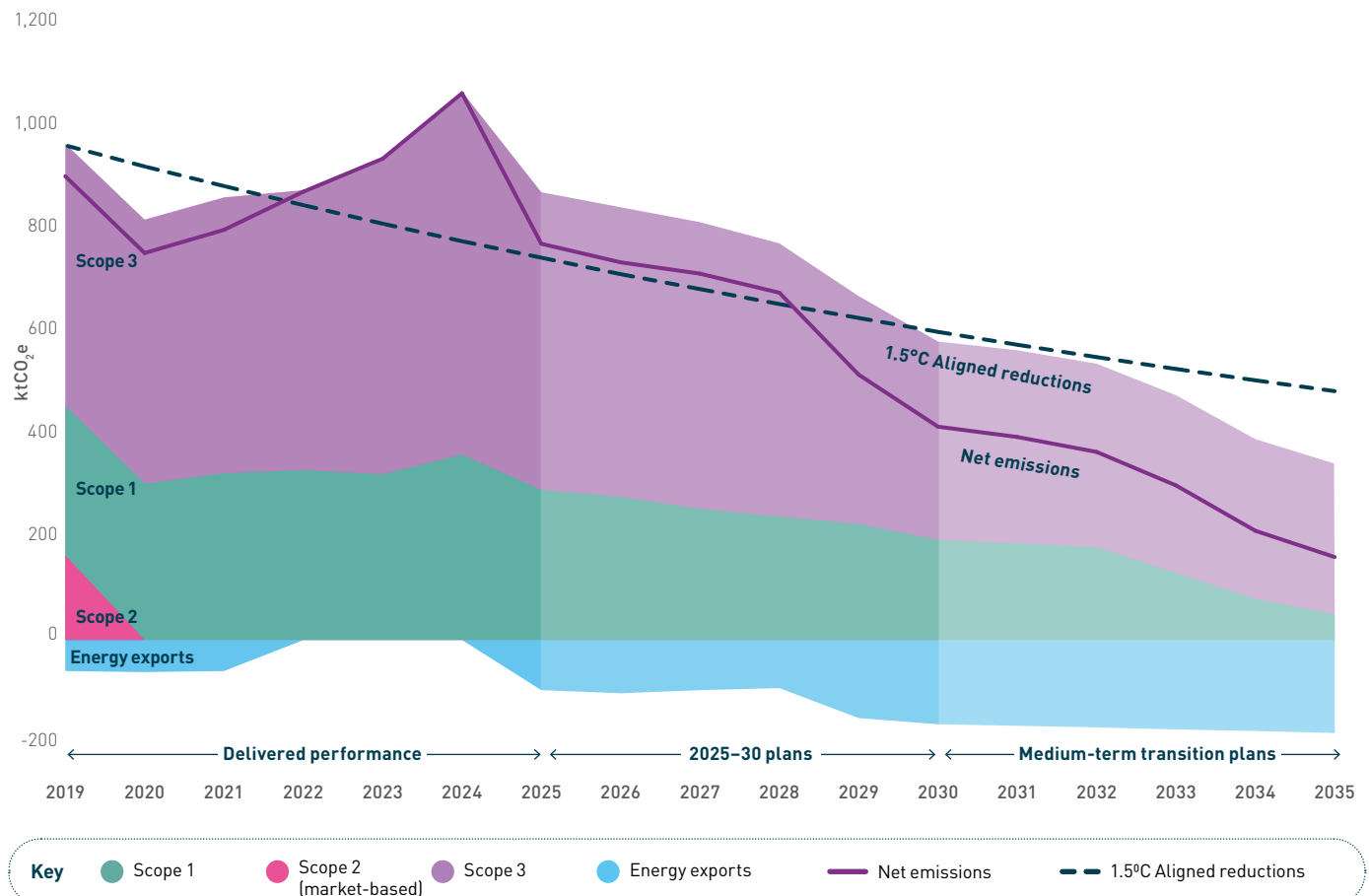
Our Scope 3 challenge

The scale of investment over the next decade means that Scope 3 emissions may increase before they fall. Some of this may be offset by continued decarbonisation within the UK electricity and cement sectors. Addressing capital carbon and adopting alternative solutions at scale to reduce GHG emissions remain essential to achieving our long-term ambition. To do this, we will work closely with our suppliers.

Understanding our footprint

Robust data sets are critical to identify hotspots and reductions in our capital projects emissions associated with construction and maintenance of our assets. We have developed a more granular carbon calculator to guide design decisions. In parallel, we have strengthened governance to ensure mandatory completion. Our bespoke ODI on capital carbon includes projects at two lifecycle stages and is part of this governance framework.

For purchased goods and services, we continue to collect volumetric data for chemicals which makes up 8% of Scope 3 emissions. We are trialling new AI-enabled software that analyses supplier data to provide supplier-specific emissions information. This will allow the emissions we report to more accurately reflect reduction actions taken across our supply chain.



Engaging with our supply chain

Our supply chain partners are critical to addressing emissions by offering alternative approaches, techniques and materials focused on decarbonisation, whilst also reflecting good value for our customers. Our engagement target is designed to build the knowledge and capability that our supply chain partners need to understand and reduce their emissions, so they can in turn help to reduce ours. To support this, we have engaged with many suppliers to explain the importance of emissions reductions, the business benefits, and the process of setting a Science Based Target. Recognising the diversity of our supply chain, we have focused on building practical capability via providing tailored resources and training. This year, for example, we partnered with a specialist provider to help SMEs to build their own company-specific action plans.

In the next phase, we will focus on improving the accuracy of supplier-specific and product-specific emissions which will strengthen decision-making; through software solutions and further supplier engagement. We will continue to work closely with our supply chain to support their delivery of reduction targets. Building upon our existing Sustainable Procurement training, we have added dedicated carbon learning pathways to further build knowledge across our Procurement teams.



Severn Trent's support has been a core part of our sustainability journey. Their collaborative approach and guidance, and engagement with our Executive Team, helped us chart a successful course through the SBTi process, crafting plans that will get us to net zero.



Ben Hawkins
Head of Strategic Projects, AVOVE

Running a Business that Goes Hand-in-Hand with Nature continued

Trials and research

1. Capital carbon: Working in collaboration

Reducing capital carbon requires collaboration across our sector, our supply chain, and partners beyond our industry, including research and testing of alternative solutions such as those set out here. We are building a bank of case studies, and running sessions across our engineering and construction teams to capture practical insights and strengthen collective knowledge and capability.

Our quarterly Capital Carbon Innovation Forum – set up to collaborate on low-carbon solutions – is well attended by our capital delivery partners. Through this forum we have delivered updates from our Environment and Sustainability Design Manual which details best practice in the selection, design and construction of assets. This includes guidance to avoid use of cement with 70% or more Portland cement, in favour of lower-carbon cement.

At our sewage treatment works at Hungarton in Leicestershire, we have used an aggregate alternative product, Ecofill. This technology transforms on-site in-situ clays and subsoils into an aggregate replacement suitable for temporary roads. This eliminates the need to use large volumes of aggregate or concrete; significantly reducing lorry movements otherwise required to transport these materials to site, saving 31 tCO₂e as well as reducing noise and traffic.



One of our quarterly Capital Carbon Innovation Forums

2. Purchased goods and services: Exploring low/no chemical solutions

We know that reducing the use of chemicals will be key to minimising Scope 3 emissions. We have begun trials on low and no chemical treatment solutions at Brinklow wastewater treatment works, testing coagulant recovered from sludge as a replacement for commercially purchased coagulant, with early results indicating significant potential cost and carbon savings.

We plan to use Hydrex – a coagulant made from black acacia tree bark – at our wastewater treatment plant in South Kilworth, to meet tightening ammonia and new phosphorus permits. Hydrex reduces the amount of ferric needed and is effective at removing biochemical oxygen demand ('BOD'), solids and fat, oils and grease, significantly lowering the load on secondary treatment and the need for additional assets. We estimate this will reduce embodied emissions by 160 tCO₂e and operational carbon by 1,500 tCO₂e over the lifetime of the asset, alongside time and cost savings.

3. Sold products: Managing emissions associated with recycling of biosolids to land

Once we treat sludge to the required standards, it is converted into biosolids which is spread on agricultural land. This reduces demand for chemical fertilisers. During the application of biosolids to land, small quantities of nitrous oxide are emitted. To address this we are investing in:

- 1 Advanced sludge treatment technologies to enhance biosolid quality which further improves biosolid stability.
- 2 Converting a proportion of our biosolids into pellets, which may enable biosolids to be spread on land over more of the year.
- 3 Alternative treatment technologies, such as transforming sewage sludge into sustainable transport fuels and materials.

Our Climate Change Targets

Our Triple Carbon Pledge

Net Zero

operational emissions Scope 1 and 2 by 2030 from a 2019/20 baseline



26%



0% Baseline

100% Target

- Preparations are underway to roll out novel technologies to reduce process emissions at scale using insights from our Net Zero Hub and R21C.
- Emissions for both methane and nitrous oxide – where they are monitored – are lower than previously estimated.
- We have retained REGOs and RGGOs generated by energy exports, which reduces our net operational emissions.
- Emissions from our transport fleet have increased slightly due to insourcing of operational teams; and business travel has increased slightly due to categorisation changes in reporting.

100%

electric vehicles, where available by 2030



28%



0% Baseline

100% Target

- We are on target to reach 100% electric cars and c.38% electric LCVs by 2030.
- We have gone out to tender to secure supply of our LCVs until 2031, to provide better availability and market leading solutions. However, further deployment of electric LCV and larger vehicles is challenged by the

- availability of suitable vehicles, the growth in our own fleet and the lack of funding for public infrastructure.
- We have started to deploy HVO selectively as a transition fuel, focusing on securing the most appropriate and responsible sources available.

100%

100% energy from renewable sources by 2030 (covering both electricity and gas)



87%



0% Baseline

100% Target

- We continue to procure 100% renewable-backed electricity.
- Consumption of natural gas has reduced slightly due to issues with one of the engines for some of the year.

- We generated slightly less energy this year (1,919GWh), including biogas, as some assets were unavailable, and lower levels of hydro power were generated due to lower rainfall.

Our Science Based Targets

46% reduction

in Scope 1 and 2 emissions by 2031 from a 2019/20 baseline



27%



0% Baseline

100% Target

- Our emission intensity has continued to decrease year on year.
- Preparations are underway to roll out novel technologies to reduce process emissions at scale using insights from our Net Zero Hub and R21C.
- Emissions for both methane and nitrous oxide – where they are monitored – are lower than previously estimated.
- For transport fleet, emissions have increased slightly due to insourcing of operational teams. Whilst our electric fleet has increased in size, overall emissions have decreased reflecting grid decarbonisation.

70%

of our supply chain (by emissions) having set a Science-Based Target by 2026

100%



0% Baseline

100% Target

- Since setting the target, over 262 suppliers have set a SBT for their organisation; building the knowledge and capability to collectively address emissions.
- Due to a changing supplier base, regulated tender cycles and validation timescales, performance includes organisations who have set a SBT or have formally set or agreed to set one through SBTi.

- Emissions are calculated using spend-based data. Capital spend has increased in line with our business plan, so we are expanding our supply chain, meaning more organisations, including less mature SMEs, are required to set a SBT.
- We have provided extensive and targeted support to supply chain partners, to gain business buy-in and build their internal capability to understand and address their own emissions.

13.5%

reduction in emissions from the use of sold products by 2031



25%



0% Baseline

100% Target

- The sold product category measures primarily our treated sludge. Due to a sector change in reporting methodology, there has been a 25% reduction in emissions from sold products, despite a slight increase in sludge volumes and population growth.
- Propane accounts for 40% of the overall emissions from sold products, which is used to meet national gas regulations for biomethane.

- Higher sludge treatment also allows us to produce higher volumes of biogas, and we are innovating to extract resources like ammonia from wastewater. This could increase emissions from sold products in the future. As a consequence, we will revisit this target in line with updating our targets.

Running a Business that Goes Hand-in-Hand with Nature continued

Summary of our greenhouse gas performance

The following table shows our greenhouse gas performance and accounts, which is the source data for our performance on page 49.

Our emissions have fallen by 27%, showing significant progress towards our SBT of a 46% reduction by 2031 against a 2019/20 baseline. This has been achieved, in part, due to an updated reporting methodology for our process emissions (please refer to the detail on page 51), which is also reflected in a marginal decrease in our Scope 1 emissions since 2024/25. Our emissions, per £million turnover, have also continued to decrease.

- For Scope 2 overall, despite increased treatment and pumping to meet water demand, due to the driest spring in 132 years and hottest summer on record, consumption of electricity increased. However, emissions overall fell as a result of reduced grid emission factors. Our use of natural gas has reduced slightly due to engine outages.
- We continue to report zero emissions from our 100% renewable-backed electricity tariff in market based emissions.
- Our transport fleet has grown in size and so have the associated emissions, due to further insourcing of operational teams.

- We have retained certificates we generate for both renewable electricity and bio-methane, which means our net operational emissions have decreased by 26% against a 2019/20 baseline progressing us towards our net zero operational emissions target.
- The proportion of propane required to export biomethane into the gas network is slightly lower this year than in 2024/25, meaning that emissions are slightly lower even with higher export levels.
- Our Group level commitment to fleet electrification continues, with 28% of our fleet now electric vehicles ('EVs') with 892 vehicles due to growth in our business. Of these, 78% of fleet cars and 18% of LCVs are EVs. This year we have also improved the accuracy of EV charging data and off-site/home charging are assumed to use non-renewable sources and are reported under market-based emissions. We have installed 538 charging units at employee homes.
- Our business travel has increased due to both insourcing of operational teams and a categorisation change of reporting.

Annual operational emissions – location- and market-based

Operational Emissions, tCO ₂ e	2025/26	2024/25	2019/20
Scope 1 – Combustion of fossil fuels on site ^{1,2}	61,632	64,771	18,363
Scope 1 – Process emissions – Revised methodology ¹	295,049	305,612	325,325
Scope 1 – Process emissions – CAW methodology ²	437,066 ²	441,932 ²	451,184 ²
Scope 1 – Transport fleet ^{1,2}	27,524	23,820	17,860
Scope 1 Total emissions	384,205	394,203	361,548
	(526,222)²	(530,523)²	(487,407)²
Scope 2 Emissions (Electricity purchased for own use) – location-based	145,010	156,759	199,635
Scope 2 Emissions (Electricity purchased for own use) – market-based	292	501	163,581
Scope 1+ 2 Total emissions (location-based)	529,215	550,962	561,183
	(671,232)²	(687,283)²	(687,042)²
Scope 1+ 2 Total emissions (market-based)	384,496	394,704	525,129
	(526,514)²	(531,024)²	(650,988)²
Scope 3 Emissions (Business travel)	3,450	1,496	1,447
Scope 3 Emissions (Outsourced bioresource activities)	3,355	2,979	3,187
Scope 3 Emissions (Electricity transmission and distribution)	15,154	13,855	16,985
Total annual gross operational emissions (location-based)	551,173	569,293	582,802
	(693,191)²	(705,613)²	(708,661)²
Total annual gross operational emissions (market-based)	406,455	413,034	546,748
	(548,473)²	(549,355)²	(672,607)²
Emissions reduction from renewable REGO certificates retired	-4,185	0	-12,924
Emissions reduction from biomethane RGGO certificates retired	-42,294	0	-46,954
Total annual net operational emissions (market-based)	359,976	413,034	486,870
	(501,993)²	(549,355)²	(612,729)²
Gross Location based operational GHG emissions of Severn Trent per £m turnover	195	235	316
	(245)²	(291)²	(384)²

¹ Methodology based on direct monitoring and updated emission factors reported as two-year rolling average. See page 51 for detail.

² The Carbon Accounting Workbook ('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.

Avoided emissions

Generation of energy from anaerobic digestion within Severn Trent Water and Severn Trent Green Power businesses provides us with the opportunity to export renewable energy to the grid. This energy displaces natural gas and electricity that might have come from fossil fuel sources. We estimate the benefit of these avoided emissions below, versus average grid emissions factors for electricity and natural gas in the UK. These emissions are also now shown in retained certificates.

Avoided emissions (tCO ₂ e)	2025/26	2024/25	2019/20
Estimated emissions benefit of the renewable electricity we export	26,206	34,030	20,002
Estimated emissions benefit of the renewable biomethane we export	42,691	82,067	0
Total avoided emissions	68,897	116,097	20,002

Biogenic emissions

Our out-of-scope biogenic emissions come from the release of CO₂ associated with non-fossil fuel or organic sources. It includes emissions from biogas combustion along with biomethane production and consumption. These have reduced in line with a slight reduction in biogas generation.

Biogenic emissions (tCO ₂ e)	2025/26	2024/25	2019/20
Biogenic emissions	287,354	297,069	219,691

Greenhouse gas reporting method

We report our Group greenhouse gas emissions in tonnes of carbon dioxide equivalent (tCO₂e) for the period from 1 April 2025 to 31 March 2026 alongside the prior year, to enable clear year-on-year comparison. Reporting covers operations within the UK and follows the Greenhouse Gas ('GHG') Protocol, using a financial control boundary which include assets we own and operate and where we can directly influence emissions. Our disclosures include Scope 1 emissions; Scope 2 emissions (both location-based and market-based); and ten relevant Scope 3 categories.

Method for calculating process emissions

Process emissions from wastewater and sludge treatment are calculated using our 'Revised methodology' (295,049 tCO₂e) which uses a combination of direct monitoring and emission factors. We have directly monitored nitrous oxide emissions for the last five years, now covering 43% of our wastewater treatment. We report direct monitoring at facility level where available, using a two-year rolling average to account for seasonal fluctuations and understanding of the science. For the remainder, we used the UKWIR Carbon Accounting Workbook ('CAW') methodology, which now uses IPCC global factors. This has been applied to our historical emissions to enable comparison. However, our monitored data shows that emissions are lower than the global emission factors set out by the IPCC.

For methane emissions we report monitored data using the CAW methodology. However, we now undertake monitoring covering 65% of our sludge treatment processes at Severn Trent. This also shows that methane emissions are lower than using CAW methodology.

For transparency, applying the UKWIR (IPCC) methodology alone would result in Group process emissions of 437,066 tCO₂e. As we further increase our direct monitoring we will use more of this primary data, where available, and then extrapolate across our estate. From the data we currently have available from our monitors, this would result in Group process emissions of c.220,000 tCO₂e which we believe is more representative of our asset base.

Assuring our data

The Group's non-financial assurer, Jacobs, was engaged to perform independent limited assurance in accordance with the International Standard on Assurance Engagements on greenhouse gas statements ('ISAE3410') over our GHG processes and data reported in the tables on page 50 and on this page.

Jacobs' assurance included both the 'CAW methodology' and the 'Revised methodology' related to process emissions. Jacobs raised an elevated reporting risk on the basis that we had chosen not to follow the standard CAW methodology for nitrous oxide. This decision was based on our assessment that the revised methodology showed closer alignment with our measured data and we therefore believe it is a more accurate record of our actual process emissions. Our aim over time is to measure process emissions using primary data specific to location, where possible, and we are working towards that. For full transparency, we have included both data lines in the tables on page 50.

Scope 3

Despite an increase in expenditure of 16%, our Scope 3 emissions remained broadly the same from 2024/25 as a result of decarbonisation across the UK (primarily from grid electricity). There have been several reporting method updates which are outlined below.

- Updated emission factors means that emissions from Purchased Goods and Services have only risen by 4% despite an increase in expenditure of 32% (category 1).
- Lower emission factors UK wide – in electricity and cement – mean that emissions in Capital Goods (our largest category) have reduced by 14%. We actively seek to drive further reductions in Capital Goods, supported by our bespoke regulatory incentive for capital carbon (category 2).
- The emission factor for sludge to land has been updated for reporting in 2025/26 following a sector wide decision to exclude methane from the CAW methodology (category 11).
- Transmission and Distribution now includes electricity upstream extraction and production to align with changes to regulatory reporting to Ofwat (category 3).
- Categorisation of business travel between Scope 1 and Scope 3 has been updated to accurately report journeys completed in personal and company vehicles (category 6).

Scope 3 Emissions (tCO ₂ e)	2025/26	2024/25	2019/20
1) Purchased Goods & Services	206,511	199,323	161,171
2) Capital Goods	311,319	360,718	250,546
3) Fuel & Energy related activities -T&D	59,912	18,417	21,148
3) Fuel & Energy related activities -WTT	19,480	19,045	
4) Upstream Transportation & Distribution	28,593	25,313	18,963
5) Waste Generated in Operations	21,137	19,030	6,440
6) Business Travel	3,459	1,496	1,447
7) Employee Commuting	8,596	7,674	3,471
8) Upstream leased assets	2,394	3,092	NA
9) Downstream transportation & Distribution	NA	NA	NA
10) Processing of Sold Products	NA	NA	NA
11) Use of Sold Products	24,769	39,113	32,907
12) End of Life treatment of sold products	NA	NA	NA
13) Downstream Leased Assets	11,175	9,139	10,469
14) Franchises	NA	NA	NA
15) Investments	NA	NA	NA
Total Scope 3	697,345	702,360	506,562

Running a Business that Goes Hand-in-Hand with Nature continued

Report on Energy

In line with energy and carbon reporting requirements, we have reported our energy consumption and generation for the last five years across the Severn Trent Group, which is also source data for the carbon emissions reported on page 50.

Energy performance

This year we have seen an increase in overall energy consumption, with our gross electricity consumption rising to 1,056 GWh. This was driven by environmental factors including the warmest summer on record, which increased our water demand to unprecedented levels, and required additional pumping of water into our reservoirs to refill them. This was then followed by a period of significant rainfall, including named storm events during autumn 2025, which increased energy demands across the wastewater network.

Energy efficiency

Managing energy consumption is ever more important due to the combination of extreme weather events and increased regulatory requirements as tighter permit restrictions require additional processing.

Measures taken this year have ranged from replacing aged and inefficient assets, pump system optimisation, continued on-site operational engagement and monthly business energy forums. We have also reviewed our standards in line with improving technologies, to mandate more energy efficient assets such as motors.

In parallel, we have an internal forum on power resilience, which includes comprehensive reviews of site-level and national outage preparedness. We also work closely with local Distribution Network Operators ('DNOs') to gain data insights which we use to inform our investments, like identifying locations for additional backup power supplies. As part of this strategy, we have procured mobile generators and have deployed enhanced power quality monitoring to strengthen overall system insight and reliability.



Our newly launched internal Energy Savers campaign highlights the importance of working together to operate efficiently. Even during periods of high demand, such as hot, dry weather when water use peaks, everyone plays a part in using energy wisely in running our assets.

This year we have also reviewed our Energy Management Policy to ensure we still adhere to best practice outlined in ISO 50001, the International Energy Management Standard.

Energy generation

We continue our longstanding commitment to energy self-generation, transforming waste into biogas, which powers Combined Heat and Power ('CHP') engines to produce electricity and heat. This circular approach underpins a diverse renewable portfolio spanning biogas, solar, wind, hydro, and crop digestion – strengthening our energy resilience and independence while reducing carbon emissions.

In 2025/26, we generated 855 GWh of renewable energy across the Group, with further growth ahead. Our four new large-scale solar farms, now in delivery phase, will generate up to 185 GWh annually, reinforcing our energy security.

Energy costs and risk management

We continue to apply our energy risk management policy, including our electricity and gas hedging strategy, to reduce exposure to market volatility. This approach enables us to secure future energy purchases and manage price risk across future years. Although wholesale prices had eased from recent highs, geopolitical tensions in the Middle East have reintroduced volatility, and prices remain above pre-2020 levels. At the same time, wholesale costs now represent a smaller share of our total energy bill, with ongoing grid investment and Government policy changes placing further upward pressure on third-party charges.

Methodology

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 2025 to 31 March 2026. All energy usage reported is within the UK. Our energy performance table aligns with Streamlined Energy and Carbon Reporting guidelines and has been verified through our third-line assurance process.

Type	All data in GWh unless stated otherwise	2025/26	2024/25	2023/24	2022/23	2021/22	2019/20 (baseline)
Consumption	Electricity ⁸	1,056	1,009	983	976	964	974
	Natural Gas	289	303	241	233	208	44
	Liquid Fuel ^{6,7}	146	136	121	107	104	96
	Consumption excluding Biogas	1,491	1,448	1,345	1,317	1,277	1,115
	Biogas ⁴	1,008	1,041	799	843	921	1,061
Total Consumption		2,499	2,488	2,144	2,160	2,198	2,175
Generation	Renewable electricity ¹	340	351	300	306	330	378
	Non-renewable electricity ²	56	65	63	48	43	0
	Biomethane ³	515	496	457	403	336	181
	Generation excluding Biogas consumed	911	912	820	757	709	559
	Biogas ⁴	1,008	1,041	799	843	921	1,061
Total Generation		1,919	1,953	1,619	1,599	1,630	1,619
Import	Electricity ⁵	818	757	769	775	752	780
	Natural Gas	289	303	241	233	208	44
	Fuel (mobile) ⁶	114	101	93	76	73	76
	Fuel (stationary) ⁷	32	34	28	31	31	20
Total Import		1,253	1,196	1,131	1,116	1,064	921
Export	Renewable Electricity	-158	-164	-149	-153	-160	-184
	Biomethane ³	-515	-496	-457	-403	-336	-181
	Total Export	-673	-660	-606	-556	-496	-364
Total (generation+import+export)		2,499	2,488	2,144	2,160	2,198	2,175
Intensity ratios	Energy Imported per unit of Revenue GWh/£m	0.44	0.49	0.48	0.52	0.55	0.50

1 Renewable energy generation includes solar, wind, sewage anaerobic digestion, crop anaerobic digestion 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 network's 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.

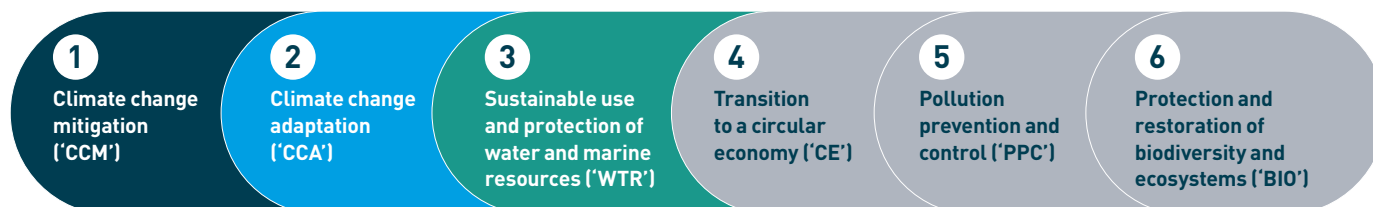
7 Fuel (other) includes stationary applications including back-up generation.

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

EU Taxonomy Disclosure

Our strategy is to focus investment that drives social and environmental value whilst being transparent about the impact we have. In this disclosure, we report voluntarily against the EU Taxonomy. This framework uses two key themes: 'eligibility' – business activities listed in the taxonomy that have the potential to contribute to one of six environmental objectives; and 'alignment' – meeting technical screening criteria to substantially contribute to one of these objectives whilst preventing significant harm¹ to any other. We reflect the 'minimum social safeguards' defined by the taxonomy within our policies, ensuring our actions have protections in place for customers, employees and across our supply chain and local communities.

Against the six environmental objectives set by the taxonomy we report alignment to three:



Reporting against this system provides us with valuable insight into improvement areas, strengthening our resilience. We use these insights to drive meaningful action across our key operating companies².

Our approach to the EU Taxonomy assessment is independently assured by DNV Business Assurance Services UK Limited ('DNV') and the assurance statement is available on our website. Our approach is structured in three stages:

- 1. Eligibility Assessment** – Reviewing regulations to identify our eligible activities, working with subject matter experts. We track all of our interpretations of legislation and any assumptions made during this process in a technical paper that is independently assured.
- 2. Activity Analysis** – Assessing each activity against the technical screening criteria, Do No Significant Harm ('DNSH') requirements and Minimum Social Safeguards, reassessing each year. We use software to support this review and ensure criteria are fully reviewed.
- 3. Financial Mapping** – Using our existing financial system to map the financial 'KPIs' for all eligible and aligned activities, i.e. Turnover, Operating expenditure ('Opex') and Capital expenditure ('Capex').

Our update for 2025/26

We continue to report eligibility against five of the six environmental objectives and now report alignment to three of these. This year, we made progress in the following areas:

- We now report alignment to the CCA objective for 10% of our Capex, reflecting the momentum across the organisation to build resilience and proactively plan for a changing climate.
- We concluded our climate change risk assessments for Severn Trent Green Power Limited and Severn Trent Services Operations UK Limited, contributing 1% to our Capex alignment this year.
- We continue to focus investment on pollution prevention, and take our impact on the environment very seriously. We reduced the number of total pollutions this year, but had two confirmed pollutions classified as serious by the EA³. Applying the DNSH criteria of the taxonomy, we have excluded activities from our alignment calculation to reflect this, representing 1% of our eligible Capex.
- Our overall alignment remains high – 95% of our Capex aligns to taxonomy objectives, remaining at the same level as reported in 2024/25.

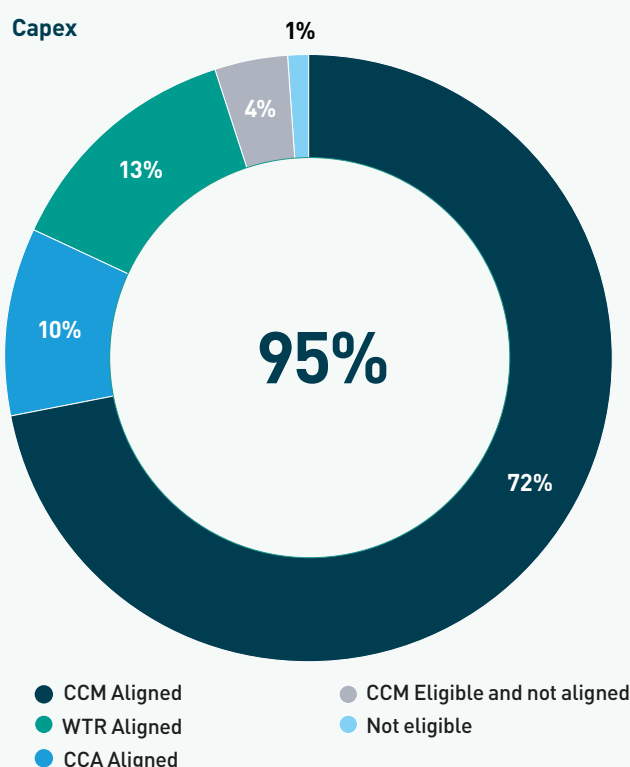
A Focus on DNSH

DNSH – Pollution prevention and control

Pollution prevention remains a top priority. To report taxonomy alignment, the DNSH requirements on pollution prevention define permissible pollutant levels based on UK legislation and EA targets. We determine alignment using the full suite of EA measures, reflecting our commitment to strong performance across all pollution metrics. We remain green on all but one measure, with amber performance for the two serious pollution incidents this year. To meet the DNSH criteria we should have no more than one. Therefore, we have identified and excluded activities within our waste operations in the areas impacted. We continue to invest in our people, assets and processes to strengthen and improve our performance.

Our alignment

We report alignment to three objectives, CCM, WTR and CCA and have eligible activities across two other objectives, CE and BIO (although with minimal spend this year). We continue to identify opportunities to expand this. The visual below summarises the eligible and aligned activities across our Capex profile, as this reflects how we manage our business and is most material to us.



¹ The definition of 'significant harm' applied in our analysis follows the EU Taxonomy's Do No Significant Harm ('DNSH') principle, supported by equivalent UK legislation such as guidance issued by the Environment Agency. We take this action planning extremely seriously and have embedded related objectives across our organisation.

² Severn Trent Water Limited, Hafren Dyfrdwy Cyfyngedig, Severn Trent Green Power Limited and Severn Trent Services Operations UK Limited.

³ We are currently undergoing an appeal process in relation to a third serious pollution.

Running a Business that Goes Hand-in-Hand with Nature continued

Our aligned activities

Set out below is a summary of our analysis for the financial year 2025/26, outlining our eligibility and alignment for the 17 activities we report, against five of the six climate and environmental objectives.

EU Taxonomy activity	Objective	Severn Trent activity that aligns to the criteria		Turnover (£m)	Opex (£m)	Capex (£m)	Turnover (%)	Opex (%)	Capex (%)
Construction, extension and operation of water collection, treatment and supply systems	CCM	Water network+	Aligned	499	149	238	18%	11%	11%
	CCA		Aligned	73	14	40	3%	1%	2%
	CCM		Eligible	11	0	0	0%	0%	0%
Renewal of water collection, treatment and supply systems	CCM	Water network+	Aligned	718	369	398	25%	26%	19%
	CCA		Aligned	2	1	1	0%	0%	0%
	CCM		Eligible	31	0	0	1%	0%	0%
Construction, extension and operation of waste water collection and treatment	CCM	Water network+	Aligned	670	201	870	24%	14%	40%
	CCA		Aligned	116	35	185	4%	2%	8%
	CCM		Eligible	14	4	17	1%	0%	1%
Anaerobic digestion of sewage sludge	CCM	Bioresources	Aligned	47	23	17	2%	2%	1%
	CCM		Eligible	174	83	61	6%	6%	3%
Afforestation	CCM	Biodiversity and conservation	Aligned	6	2	5	0%	0%	0%
Composting of bio-waste	CCM	STGP	Aligned	3	3	0	0%	0%	0%
Electricity generation using solar photovoltaic technology	CCM	STGP	Aligned	3	1	0	0%	0%	0%
Electricity generation from wind power	CCM	STGP	Aligned	4	1	0	0%	0%	0%
Electricity generation from bioenergy	CCM	STGP	Eligible	6	4	0	0%	0%	0%
Anaerobic digestion of bio-waste	CCM	STGP	Aligned	54	34	14	2%	2%	1%
Cogeneration of heat/cool and power from bioenergy	CCM	STGP	Eligible	6	4	0	0%	0%	0%
Climate change mitigation			Aligned	2,004	781	1,542	71%	55%	72%
			Eligible	201	95	79	7%	7%	4%
Climate change adaptation			Aligned	191	50	226	7%	3%	10%
Water Supply	WTR	Water resources, Water network+	Aligned	179	46	69	6%	3%	3%
Sustainable urban Drainage Systems ('SuDS')	WTR	SuDS	Aligned	0	0	2	0%	0%	0%
Urban Waste Water Treatment	WTR	Waste network+	Aligned	157	151	195	6%	11%	9%
			Eligible	3	2	1	0%	0%	0%
Nature-based solutions for flood and drought risk prevention and protection	WTR	Catchment management, reed beds	Aligned	12	4	10	0%	0%	1%
Sustainable use and protection of water and marine resources			Aligned	349	201	277	12%	14%	13%
			Eligible	3	2	1	0%	0%	0%
Conservation, including restoration, of habitats, ecosystems, and species	BIO	Biodiversity and conservation	Eligible	0	0	0	0%	0%	0%
Protection and restoration of biodiversity and ecosystems			Eligible	0	0	0	0%	0%	0%
Phosphorus recovery from waste water	CE	Innovation	Eligible	0	0	0	0%	0%	0%
Transition to a circular economy			Eligible	0	0	0	0%	0%	0%
Aligned activities* (A)		Total aligned activities		2,544	1,032	2,045	90%	72%	95%
Eligible activities (B)		Total eligible (and not aligned) activities		204	97	80	7%	7%	4%
Non-eligible activities (C)				83	304	29	3%	21%	1%
All activities (A+B+C)		Total business activities		2,831	1,433	2,154	100%	100%	100%

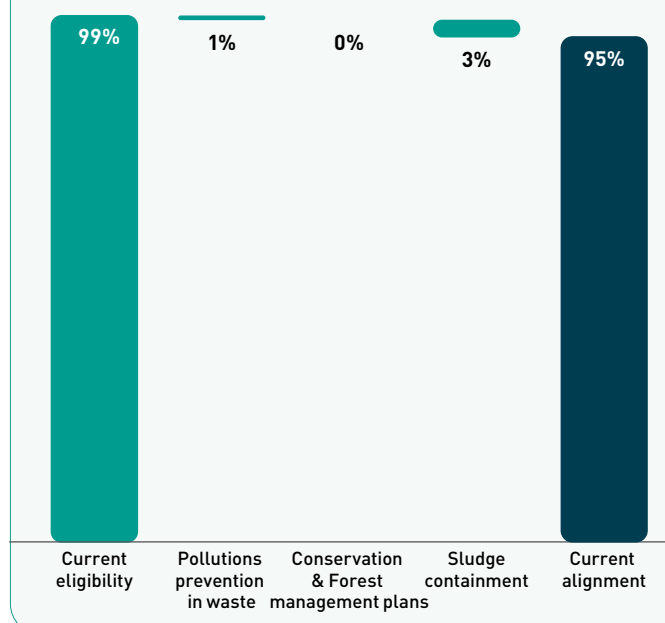
* Our final alignment percentages of 90% of Turnover, 72% of Opex and 95% of Capex were subject to third line assurance by DNV. Totals are derived from the statutory accounts included within this report. Opex here excludes depreciation and the charge for bad and doubtful debts. Capex excludes fair value adjustments to assets adopted at nil cost.

Our gap analysis 2025/26

Since our first EU Taxonomy disclosure, we have increased alignment by over 20 percentage points across all three financial KPIs, and continue to use this as a tool to focus investment. Our strengthened processes and high levels of organisational engagement give us greater insight on areas for improvement, driving action and setting ambitious future objectives. We continue to challenge the gaps between eligibility and alignment and build on the success of prior years to increase the positive impact we have. Set out below are our current gaps between eligibility and alignment for Capex across all objectives, alongside the next steps identified to address them.

Activity	Next steps	Objective	Alignment opportunity
Construction, extension and operation of waste water collection and treatment	Continued focus on pollution causes and prevention measures through immediate and proactive investment.	CCM	£17 million (2025/26)
Conservation and forest management	- Implement a process to calculate and analyse the climate benefit of forest management activities. - Adapt conservation management plans and finalise physical climate risk assessments.	CCM and BIO	£ future
Anaerobic digestion of sewage sludge	Continuing the rollout of our £274 million investment plan for sludge containment and risk mitigations for IED across AMP8.	CCM	£61 million (2025/26)

Gap analysis – Total Capex in year 2025/26



Our EU Taxonomy work to date reflects the momentum and pace of progress across our organisation, with stronger assessments, clearer DNSH safeguards and more activities aligned to the taxonomy's objectives. By deepening transparency and sharpening how we link our investment to environmental value, we're strengthening both our resilience and our impact. We'll carry this progress forward, continuing to focus on the areas where we can deliver the greatest benefit for nature, our customers and the communities we serve.



Activity assessment methodology: This disclosure follows the EU Taxonomy Delegated Acts: the Climate Delegated Act (EU) 2021/2139 for climate criteria and DNSH; the Disclosure Delegated Act (EU) 2021/2178 for reporting requirements; and the Environmental Delegated Act (EU) 2023/2486 for non-climate environmental objectives.

Infrastructure Services Performance Review

Infrastructure Services brings together our Operating Services, Green Power, Property Development and the newly formed Network Services businesses. The addition of Network Services strengthens the Group's operational resilience, supports delivery of our AMP8 commitments, and contributes to long-term value creation beyond the regulated business. Progress across this portfolio is strengthening the skills, capability and capacity needed to drive improved customer and environmental outcomes while generating long-term sustainable strategic value for stakeholders.

► Further information on Infrastructure Services' performance is provided in the CFO's review on pages 57 to 63.



Operating Services

Operating Services delivers long-term water and wastewater management for the Ministry of Defence ('MoD'), as well as water hygiene and legionella control, compliance services and conveyancing searches. These businesses continue to generate stable, predictable income supported by multi-year contracts.

Aqualytix strengthened its market position through both organic growth and strategic acquisitions. The acquisition of Reigate Environmental Services in April 2025 enhanced our presence in the water treatment market, while acquisition of Howlett Associates in January 2026 expanded our water hygiene and legionella control footprint and improved regional integration with specialist services.

Across water and wastewater services, we continue to support the MoD estate, broadening infrastructure services and growing our project portfolio with the MoD and external customers. Oren Environmental delivered increased capital schemes, supporting both the Mining Remediation Authority and Severn Trent Water's maintenance and enhancement programmes through natural capital solutions.

Severn Trent Searches delivered a resilient performance despite subdued conditions in the residential property market, with stable commercial volumes and operational efficiencies contributing to a positive outcome.

HomeServe continued to provide plumbing and drainage emergency cover services to Severn Trent customers. The migration to Kraken presented short-term operational challenges and is expected to enhance capabilities over the longer term.



Network Services

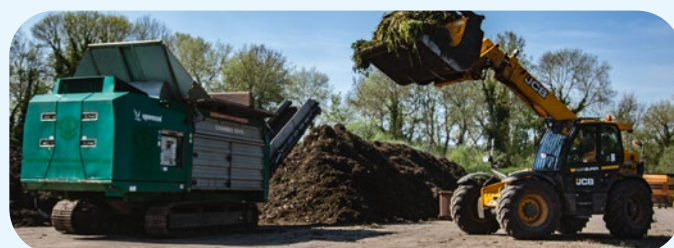
Network Services was established following the acquisition of Industrial Water Jetting Systems Holdings Limited ('IWJS') and Watertight, businesses providing civils, jetting, CCTV and sewer rehabilitation capability. As the first phase of our supplier integration strategy, these acquisitions secure critical operational capability, retain value within the Group and strengthen resilience. Together they add over 300 skilled colleagues and a fleet of specialist vehicles, supporting efficient delivery of our AMP8 Business Plan and reinforcing our long-term Infrastructure Services growth trajectory.

Green Power

Green Power remains the UK's largest producer of renewable energy from food waste, operating more than ten anaerobic digestion facilities alongside wind, solar and hydro assets.

In 2025/26, the business generated around 325 GWh giving enough renewable energy power to 120,000 homes, while continuing to broaden its variety of renewable technologies, supporting the Group's energy resilience and contributing to long-term environmental value.

This is further supported by planned expansion of our solar generation, which is expected to deliver over 200 GWh of incremental generation growth over the next three years, mostly through Project Verona, which comprises four large-scale solar farms. In 2025/26, we awarded the construction contract to BELECTRIC and secured a 15-year power purchase agreement, supporting our long-term operational resilience.



Property Development

Our operational footprint continues to evolve as innovation enables us to release surplus land for redevelopment across the region. We remain on track to deliver £150 million PBIT from surplus land sales between 2017 and 2032, reaffirmed through performance this year. Since 2018, we have sold land with planning permission for 1,650 homes and 1.7 million sq. ft. of commercial space, supporting more than 2,000 jobs. In 2025/26, the business delivered £4.6 million profit, a £1 million increase year-on-year, reflecting strong planning progress and growing engagement in natural-capital and biodiversity opportunities, which are enhancing the quality and potential of our land portfolio.

Looking ahead

Infrastructure Services is developing into a strategic enabler of resilience and growth for the Group. With strengthened capability across all business areas and early momentum within Network Services, we are increasingly well positioned to support delivery of our AMP8 commitments and the decades of investment ahead.

Chief Financial Officer's Review

Helen Miles
Chief Financial Officer



EPS

184.4p

RCV

£15,367m

RoRE

13.7%

We have delivered strong financial performance in the year and in line with expectations, with PBIT of £861 million, an increase of 46%. This demonstrates the resilience of the sector's regulatory model in challenging times against a backdrop of global economic uncertainty, and higher than forecast inflation.

This year's financial results do not reflect the benefits of our performance incentives and other regulatory income earned in the year. Our total regulatory income was £1,078 million (2024/25: £1,013 million), reflecting strong performance against the regulatory model in the year and the value generated from the index-linked uplift on our growing regulatory asset base.

Looking forward, we are monitoring the potential challenges from higher energy costs, and the impacts of higher oil prices on our input costs from chemicals and pipes made from materials derived from petrochemicals. We have hedged around 90% of energy costs to March 2029 including all of our expected consumption for next year at prices set before the conflict in the Middle East increased energy prices. A significant benefit of our regulatory model is its link to CPIH inflation along with over 50% of our totex protected by relevant indices.

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

	2026 £m	2025 £m	Change	
			£m	%
Turnover	2,831	2,427	404	16.6
PBIT	861	590	271	45.9
Net finance costs	(302)	(244)	(58)	(23.8)
Losses on financial instruments, share of results of joint venture and impairment of loans receivable	(35)	(26)	(9)	(34.6)
Profit before tax	524	320	204	63.8
Tax	(153)	(91)	(62)	(68.1)
Profit for the year	371	229	142	62.0

Group turnover was £2,831 million (2024/25 £2,427 million) up £404 million (16.6%), driven by higher revenues in our Regulated Water and Wastewater business (up £380 million) mainly from tariff increases, but also from higher consumption during the drought period. In our Infrastructure Services business we saw growth from higher recoveries on our Ministry of Defence ('MoD') contract in Operating Services and the acquisition of two Network Services businesses.

Group PBIT was up £271 million (45.9%) to £861 million. Regulated Water and Wastewater PBIT grew by £264 million driven by the higher revenue. In Infrastructure Services, EBITDA was £8 million higher.

Net finance costs were £58 million (24%) higher than the prior year at £302 million. Average net debt was up 19% at £9,237 million (2024/25: £7,755 million) and higher inflation in the year increased the cost of our index-linked debt by £22 million. Our effective interest cost was 4.8% (2024/25: 4.3%), with most of the increase due to higher interest rates on new debt raised.

Our adjusted effective tax rate of nil remained unchanged from 2024/25 and, as expected, there was no current tax payable in the year due to the capital allowances derived from the investment in our asset base. The tax charge of £153 million reflects our full effective tax rate this year of 29.2%, higher than the statutory rate of 25% due to prior year true-ups.

Group profit after tax was £371 million (2024/25: £229 million) and our adjusted basic EPS was 184.4 pence (2024/25: 112.1 pence) reflecting the increase in earnings. Basic EPS was 123.5 pence (2024/25: 76.6 pence).

Our balance sheet remains strong. At 31 March 2026 we held cash and short term deposits amounting to £796 million (2025: £1,048 million). Our adjusted net debt was £10,054 million (2025: £8,545 million) and our regulated gearing was 63.6% (2025: 62.7%).

Chief Financial Officer's Review continued

Our net pension deficit on an IAS 19 basis is £21 million (2025: £120 million). We paid contributions of £72 million, in line with our funding plan. Actuarial assumptions reduced the deficit by £39 million split evenly between changes in financial assumptions derived from market rates and changes to demographic assumptions to align with the latest funding valuation for the STPS. In line with our hedging strategy, these changes were partially offset by reductions in the value of hedging assets but overall the scheme's assets delivered a return of £108 million in the year. Net finance costs from unwinding of the discount on the opening deficit were £7 million and there were administration costs of £4 million.

Operational cash flow was £1,212 million, (2024/25: £869 million) as EBITDA increased by £311 million. Cash capex was £1,884 million, up £346 million due to the increasing capital programme. Net cash outflow before changes in net debt was £1,402 million (2024/25: outflow of £1,278 million).

Severn Trent Water's RoRE (Return on Regulated Equity) for the year, based on our actual capital structure, was 13.7%, 840 bps above the base return of 5.3%. Outperformance came mainly from financing, reflecting our outperformance against the iBoxx index when raising new debt and the benefit of a lower proportion of index-linked debt, as well as the benefit of tax allowances on our capital programme and strong performance against our ODI and PCD regulatory targets delivering rewards of £73 million, with 78% of our ODI measures in reward.

Our proposed final dividend of 75.62 pence (2024/25: 73.03 pence), is in line with our inflation-linked dividend policy and payable on 15 July 2026.

Regulated Water and Wastewater

Turnover for our Regulated Water and Wastewater business was £2,629 million (2024/25: £2,249 million) and PBIT was £850 million (2024/25: £586 million).

	2026 £m	2025 £m	Change	
			£m	%
Turnover	2,629	2,249	380	16.9
Net labour costs	(252)	(245)	(7)	(2.9)
Net hired and contracted costs	(318)	(275)	(43)	(15.6)
Power	(183)	(192)	9	4.7
Bad debts	(46)	(35)	(11)	(31.4)
Other costs	(360)	(321)	(39)	(12.1)
	(1,159)	(1,068)	(91)	(8.5)
Infrastructure renewals expenditure	(136)	(149)	13	8.7
Depreciation	(484)	(446)	(38)	(8.5)
PBIT	850	586	264	45.1

Turnover increased by £380 million compared to 2024/25 driven by a £378 million increase in core revenue. The movement in core revenue comprises:

- An increase of £66 million from the annual CPIH increase in prices
- A £358 million real change in allowance due to tariff increases
- A £45 million reduction due to the year-on year change in ODIs billed
- A £41 million reduction to Developer and Third Party revenue
- Other small increases of £40 million

Other revenue streams contributed a £3 million increase to turnover year-on-year with £7 million reduction to infrastructure renewal income, mostly in relation to HS2 work, which offsets in infrastructure renewals expenditure and a £10 million increase to income streams such as bulk water, OWC ('other water company') collection commission and tankered trade waste.

Net labour costs of £252 million were 3% higher than 2024/25. Investment in additional headcount to drive operational improvements in key strategic business areas such as pollutions, and to deliver the step up in our capital programme increased gross labour costs by £83 million. Annual pay increases, which take effect from 1 July each year, increased costs by £25 million. These increases were offset by a step up in capitalised salaries, reflecting the step up in the capital programme.

Net hired and contracted costs increased by £43 million (16%), £19 million of which relates to a planned step-up in licence costs for our new billing system, Kraken, and a further £15 million due to additional tankering to manage the impacts of the prolonged drought and prevent pollutions. Operational efficiencies of £7 million have been generated through our no-dig pipe repair solution, which allows us to complete jobs faster, with lower need for excavation and gang costs.

Power costs were £9 million or 5% lower period-on-period, driven by the lower wholesale weighted average hedged price of electricity on imports (around £23/MWh lower). This was partly offset by increased consumption at our Water Treatment sites during the hot summer months.

Bad debt charges increased by £11 million but remained broadly flat as a proportion of household revenue at 2.1% (2024/25: 2.0%).

Other costs were £39 million higher compared to 2024/25. Higher business rates and regulatory fees resulted in a £13 million increase to costs year-on-year. A further £17 million is driven by increased plant hire and material usage to manage extreme weather events and mitigate pollutions. The remaining variance is driven by a number of smaller increases such as chemical and sludge recycling costs.

Infrastructure renewals expenditure was £13 million lower compared to 2024/25, £7 million of which is due to lower HS2 activity, which offsets the same amount of lower infrastructure revenue above. The remaining reduction is driven by a higher proportion of capital works.

Depreciation of £484 million was £38 million higher due to our increasing asset base driven by our significant capital investment.

Return on Regulatory Equity ('RoRE')

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

Severn Trent Water's RoRE, based on our actual capital structure, for the year ended 31 March 2026 is set out in the following table:

	2025/26 %
Base return	5.3
Enhanced RoRE reward	0.3
Totex performance	0.2
ODI and PCD outperformance	1.2
Financing outperformance	3.9
Tax outperformance	2.8
Return on Regulatory Equity (based on the actual capital structure)	13.7

We have delivered RoRE of 13.7% in the year, outperforming the base return by 8.4% as a result of:

- delivery against our Performance Incentives with outperformance of 1.2%, driven by strong performance across the majority of ODI measures, with 78% meeting or exceeding regulatory targets and a strong start on our PCDs;
- financing performance of 3.9%, driven by our AMP8 financing strategy of maintaining a low level of index-linked debt; and
- the tax benefit of full expensing of certain capital expenditure.

Regulatory performance measures

In addition to RoRE we have developed further performance measures to highlight aspects of value created by the Group that are not reflected in our financial performance indicators. These are set out below.

Economic Equity Value Added

Our first measure gives an indication of the economic value generated by the Group over the AMP to date.

Our Economic Value Added metric measures the growth in our RCV and our investment in our non-regulated business net of changes in net debt, pension liabilities and cash tax. We measure this over the AMP period:

	2025/26 £m	AMP8 opening £m	Value added £m
Economic RCV	15,314	13,657	1,657
Revenue earned not billed	510	501	9
Regulated economic value	15,482	14,158	1,666
Other Group investments			52
Change in net debt, pensions and tax			(1,414)
Retained economic equity value added			304
Cashflows to equity holders			371
Economic equity value added			675

The components of Economic RCV are shown below

	2025/26 £m	AMP8 opening £m	Value added £m
FD RCV	15,367	13,657	1,710
Blind year RCV adjustments	(33)		(33)
Other	(20)		(20)
Economic RCV	15,314	13,657	1,657

Blind year adjustments arise from true ups to estimates that were included in the PR24 Final Determination in relation to the year ended 31 March 2025. They represent the difference between the amount estimated and the final amount.

Other comprises a number of small adjustments to the RCV at the start of the new AMP.

Regulatory income

This measure reflects income that will be recognised in IFRS financial statements in future years. IFRS financial statements do not currently reflect rights that we have earned in the period to bill additional revenue in future periods.

In addition, the inflation accretion on the principal amount of our index-linked debt is charged to finance costs in our IFRS financial statements but the inflation uplift on our RCV is not recognised under IFRS. Our regulatory income metric includes the benefit of inflation on RCV and the cost of inflation on index-linked debt for Severn Trent Water and Hafren Dyfrdwy combined.

	2025/26 £m	2024/25 £m
Adjusted IFRS earnings (see financial statements note 14)	554	336
Change in revenue earned not billed	9	263
RCV inflation	515	414
Total regulatory income	1,078	1,013

Chief Financial Officer's Review continued

The movement in revenue earned not billed in the year is set out below in its major components:

	Revenue £m	ODIs £m	Totex £m	True-ups £m	Total £m
At 1 April 2025	85	141	299	(24)	501
Inflation	6	9	23	(2)	36
Earned in year	47	73	13	(35)	98
Billed in year	(17)	(54)	(61)	7	(125)
Change in year	36	28	(25)	(30)	9
At 31 March 2026	121	169	273	(54)	510

Revenue is an adjustment for the difference between revenue billed and the amount allowed in the Final Determination. These adjustments are generally billed two years in arrears.

ODI rewards earned in a given period can be recovered through revenue after two years (or carried forward further at the Company's choice). This is shown net of tax, in current prices.

Differences between totex spent and the amount allowed are 'shared' with customers in the following AMP. Part of this difference is recovered through adjustments to revenue (included here) and the remainder through adjustments to the RCV.

The regulatory model includes a number of 'true-ups' for differences from original assumptions arising through the AMP and recovered from customers in the next AMP. These true-ups include cost of debt, third party services and delayed delivery cashflow mechanism and brought forward from AMP7: tax, land sales, cost of debt and the RPI-CPIH wedge.

Infrastructure Services

	2026 £m	2025 £m	Change £m	%
Turnover				
Operating Services and other	124	100	24	24.0
Green Power	83	83	–	–
Network Services	23	–	23	N/A
	230	183	47	25.7
EBITDA				
Operating Services and other	26	21	5	23.8
Green Power	24	23	1	4.3
Network Services	–	–	–	–
Property Development	5	3	2	66.7
	55	47	8	17.0

Infrastructure Services turnover was £230 million (up 25.7%) and EBITDA was £55 million (up 17%). This includes the performance of the two Network Services acquisitions, IWJS and Watertight Management Limited ('Watertight'), that were completed on 31 July and 1 August 2025 respectively.

In our Operating Services and Other businesses, turnover increased by £24 million due to recovery of higher charges from water and wastewater suppliers in our MoD contract, the acquisition of Reigate Environmental Services Limited and higher project revenue in Oren Services, our reed bed business.

EBITDA was £26 million, £5 million higher mainly due to the additional wholesaler charges above, partly offset by a refund of legal costs in relation to the Environmental Information Request ('EIR') case in 2024/25 and bid costs relating to the retender of the MoD contract which expires in 2030.

In Green Power, turnover was £83 million, flat year-on-year as a result of generation mix and higher export prices. This was offset by slightly lower generation (2 GWh) due to lower hydro activity over the drought period and downtime for asset replacements.

Network Services includes our two new acquisitions. IWJS provides sewer rehabilitation and jetting services, removing sewer blockages to prevent pollutions and sewer flooding events. Watertight was one of our key civil engineering suppliers and brings experience in complex mains renewals, infrastructure upgrades and incident response. Both businesses were acquired as part of a strategic vertical integration of the Severn Trent Water supply chain, securing this element of the supply chain and creating opportunities for Infrastructure Services to benefit from the increased sector investment over AMP8 and beyond. These businesses have contributed additional revenues to the period of £23 million and EBITDA of £2 million before acquisition costs of £2 million.

Profits from Property Development were £5 million, up £2 million. Our long-term plans to deliver £150 million profit by 2032 remain on track.

Corporate and other

Corporate costs were £15 million (2024/25: £20 million). The decrease includes £3 million due to lower Executive Directors' variable pay and £2 million lower professional costs as 2024/25 included legal fees incurred in relation to the collective action claim brought against Severn Trent Water at the Competition Appeal Tribunal, which was subsequently dismissed.

Our other businesses, which comprises our captive insurance company, generated PBIT of £1 million (2024/25: £1 million).

Net finance costs

Net finance costs for the year were £58 million (24%) higher than the prior year at £302 million. Average net debt was up 19% at £9,237 million (2024/25: £7,755 million) and higher inflation in the year increased the cost of our index-linked debt by £22 million. Our effective interest cost was 4.8% (2024/25: 4.3%), with most of the increase due to higher interest rates on new debt raised.

We issued £1,657 million of new debt at tight pricing with low credit spreads compared to the sector average and within the regulatory allowed cost of debt, and agreed a £100 million bilateral term loan which was undrawn at 31 March. Our effective cash cost of interest (excluding the RPI uplift on index-linked debt and pensions-related charges) was higher at 3.8% (2024/25: 3.4%).

Capitalised interest of £150 million was £47 million higher year-on-year, due mainly to increased capital work in progress compared to the previous year and also the higher cost of debt.

Our earnings before interest, tax depreciation and amortisation (EBITDA) interest cover was 4.6 times (2024/25: 4.5 times) and PBIT interest cover was 2.9 times (2024/25: 2.5 times). See note 46 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 £433 million floating to fixed, and cross currency swaps with a sterling principal of £3,133 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 net gain of £41 million (2024/25: net loss of £18 million) in relation to these instruments, partly offset by the exchange loss on the related currency loan (2024/25: gain of £11 million).

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 power cost management strategy, we have fixed the wholesale price for around 90% of our estimated wholesale energy usage to March 2029 including all of our expected consumption for 2026/27 through physical hedges with suppliers and natural hedges from the export of self-generated energy.

Share of loss of joint venture

Our share of Water Plus's result for the year was a loss of £5 million (2024/25: loss of £22 million). The brought forward carrying value of our investment in Water Plus was £2 million. As we do not have an obligation to contribute to the losses in excess of our investment, we have restricted the loss recognised in our income statement to the value of our investment at the start of the year, £2 million.

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 seventh consecutive year. We pay a range of taxes, including business rates, employer's 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.

	2026 £m	2025 £m
Tax incurred:		
Corporation tax	–	–
Business rates and property taxes	100	97
Employer's National Insurance	63	47
Environmental taxes	7	7
Other taxes	7	6
	177	157

Further details on the taxes and levies that we pay can be found in our report "Explaining our Tax Contribution 2025/26", which will be made available at www.severntrent.com/sustainability-strategy/reports-and-publications/tax/ when our Annual Report and Accounts is published in June.

The corporation tax charge for the year recorded in the income statement was £153 million (2024/25: £91 million) and we made net corporation tax payments in the year of £0.4 million (2024/25: £0.4 million). The difference between the tax charged and the tax paid is summarised below:

	2026 £m	2025 £m
Tax on profit on ordinary activities	153	91
Tax effect of timing differences	(139)	(85)
Under/(over) provisions in previous years	(14)	(6)
Net tax paid in the year	–	–

No tax was paid relating to the year as the allowances available from full expensing resulted in a loss for tax purposes (2024/25: nil).

Chief Financial Officer's Review continued

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

The current tax charge for the year was £3 million, which arose from adjustments to tax provisions from previous years (2024/25 nil). The deferred tax charge was £150 million (2024/25: £91 million).

Our effective tax rate was 29.2% (2024/25: 28.4%), which is higher than the UK rate of corporation tax of 25% in both years mainly due to prior year true-ups and permanent differences arising from costs that are not deductible for tax.

Our adjusted effective current tax rate was nil (2024/25: nil) (see note 46).

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 £2,392 million (2024/25 £1,768 million) that we have incurred as a result of the capital allowances claimed under the super deduction and full expensing.

Profit for the year and earnings per share

Total profit for the year was £371 million (2024/25: £229 million).

Basic earnings per share was 123.5 pence (2024/25: 76.6 pence). Adjusted basic earnings per share was 184.4 pence (2024/25: 112.1 pence). For further details see note 14.

Cash flow

	2026 £m	2025 £m
Operational cashflow	1,212	869
Cash capex	(1,884)	(1,538)
Net interest paid	(341)	(254)
Purchase of subsidiaries net of cash acquired	(35)	(14)
Net loans repaid by joint venture	20	–
Net proceeds/(payments) for swap terminations	2	(1)
Free cash flow	(1,046)	(938)
Dividends	(371)	(356)
Issue of shares	15	16
Change in adjusted net debt from cash flows	(1,402)	(1,278)
Non-cash movements	(107)	(79)
Change in adjusted net debt	(1,509)	(1,357)
Opening adjusted net debt	(8,545)	(7,188)
Closing adjusted net debt	(10,054)	(8,545)

	2026 £m	2025 £m
Net cash and cash equivalents	788	1,045
Bank loans	(785)	(785)
Other loans	(10,087)	(8,798)
Lease liabilities	(104)	(111)
Accounting adjustments on debt	83	33
Loans due from joint venture	51	71
Adjusted net debt	(10,054)	(8,545)

Operational cash flow was £1,212 million (2024/25: £869 million). The increase arose mainly from higher EBITDA.

Net cash capex increased to £1,884 million (2024/25: £1,538 million), our highest ever level of investment, reflecting our fast start on our AMP8 capital programme.

Our net interest payments of £341 million (2024/25: £254 million) were higher than the previous year due to the impact of higher net debt, and an increase in the effective cash cost of interest (which excludes the non-cash indexation charge on index linked debt).

The benefits of the full expensing capital allowances meant that we had no taxable profit in the year and no tax paid.

We received £15 million from the exercise of options under the employee Save As You Earn share scheme (2024/25 £16 million). Our dividends paid increased in line with our policy to increase by CPIH each year during AMP 8.

These cash flows, together with accounting adjustments to the carrying value of debt, resulted in an increase in adjusted net debt of £1,509 million (2024/25: increase of £1,357 million).

At 31 March 2026 we held £788 million (2025: £1,045 million) in net cash and cash equivalents. Average debt maturity was around 12 years (2025: 13 years). Including committed facilities, our cash flow requirements are funded until August 2027.

Adjusted net debt at 31 March 2026 was £10,054 million (2025: £8,545 million). Regulated gearing was 63.6% (2025: 62.7%).

The estimated fair value of debt at 31 March 2026 was £2,248 million lower than book value (2025: £1,051 million lower). The change in the difference between book and fair value is largely due to the impacts of inflation expectations on the fair value of our index-linked debt and of higher interest rate expectations 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 2026 interest rates for 64% (2025: 66%) of our gross debt of £10,984 million were fixed; 14% were floating and 22% were index linked. We continue to carefully monitor market conditions and our interest rate exposure.

Our long-term credit ratings are:

Long-term ratings	Severn Trent Plc	Severn Trent Water	Outlook
Moody's	Baa2	Baa1	Stable
Fitch	BBB	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 three defined benefit pensions arrangements, two from Severn Trent and one from Dee Valley Water. The schemes 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 2025. The future funding plan agreed with the Trustee was unchanged from the 2022 valuation (save for inflationary uplifts where applicable) and includes:

- Deficit reduction payments of £40 million to be made each year until 31 March 2027, with the March 2026 payment having been increased in line with the annual increase in CPI to November 2025. Thereafter future contributions for the STPS increase in line with CPI inflation. The contributions are paid into a limited liability partnership that the Group and Trustee have set up. It is expected that all future deficit reduction contributions will continue to be paid into this limited liability partnership, which is recognised as an asset of the Scheme.
- Payments under an asset-backed funding arrangement of £8.2 million per annum to 31 March 2032, which will only continue if the Scheme's assets are less than the Scheme's Technical Provisions; and
- Inflation-linked payments of £15 million per annum under an asset-backed funding arrangement, with payments having started in the year ended 31 March 2018, 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 Severn Trent Mirror Image Pension Scheme ('MIPS'), which represents around 4% of the Group's defined benefit liabilities, benefits from a bulk annuity buy-in. 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.

Hafren Dyfrdwy participates in the Dee Valley Water Limited Section of the Water Companies Pension Scheme ('DVWS'). DVWS funds are administered by trustees and held separately from the assets of the Group. DVWS is closed to new entrants. The most recent formal actuarial valuation of DVWS was completed as at 31 March 2023 and no deficit reduction contributions are required. The DVWS also benefits from a bulk annuity buy-in insurance policy that covers the majority of the scheme obligations and in March 2024 the DVWS closed to future accrual.

No deficit reduction contributions are payable for MIPS or DVWS.

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 £21 million (2025: £120 million). To calculate the pension deficit for accounting purposes, IAS 19 requires corporate bond yields to be used 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.

On an IAS 19 basis, the funding level increased to 99% (31 March 2025: 93%).

The movements in the net deficit during the year were:

	Fair value of scheme assets £m	Defined benefit obligations £m	Net deficit £m
At 1 April 2025	1,677	(1,797)	(120)
Amounts credited/(charged) to income statement	89	(102)	(13)
Actuarial gains taken to reserves	14	26	40
Net contributions received and benefits paid	(47)	119	72
At 31 March 2026	1,733	(1,754)	(21)

The income statement includes:

- Scheme administration costs of £4 million
- Interest on scheme liabilities and expected return on the scheme assets – together a net cost of £7 million.
- Past service cost of £2 million relating to unfunded obligations relating to enhanced benefits on redundancy granted in previous years.

Higher interest rate expectations increased the discount rate by 30bps. Inflation expectations have also increased by around 30bps since the previous year end. The impacts of these changes are broadly offsetting, but reduced liabilities by £18 million.

Demographic assumptions were updated to align with the recent funding valuation. This reduced liabilities by £19 million.

The actual outturn in the year for inflation was slightly higher than previous assumptions and this increased scheme liabilities by £11 million.

The overall return on scheme assets was £14 million higher than the interest return derived from the discount rate.

Contributions paid to the STPS in the year included:

- The amounts due under the asset-backed funding arrangements (£31 million); and
- The deficit reduction payment of £41 million, which was paid to our LLP funding vehicle.

Dividends

In line with our policy for AMP7 to increase the dividend by at least CPIH each year, the Board has proposed a final ordinary dividend of 75.62 pence per share for 2025/26 (2024/25: 73.03 pence per share). This gives a total ordinary dividend for the year of 126.02 pence (2024/25: 121.71 pence).

The final ordinary dividend is payable on 15 July 2026 to shareholders on the register at 29 May 2026.

Managing Risks and Opportunities

We operate a robust risk management framework to identify, assess and mitigate risks effectively in order to deliver our strategic objectives.

2025/26 External Environment

2025/26 marked a pivotal transition for the water industry in England and Wales as we entered AMP8. This period represented the beginning of a record £104 billion investment programme aimed at delivering transformative change in the areas that matter most to customers and stakeholders, including improving environmental performance and long-term resilience.

This also marked the start of a 'once-in-a-generation' reform of the water industry, supported by the Independent Water Commission's report and subsequent Defra White Paper, which together outline recommendations that will influence regulation beyond 2030. These proposed changes will create significant opportunities, and our framework will ensure we are well-positioned to respond.

Geopolitical tensions including the on-going wars in Ukraine and the Middle East impact the global and UK economy, disrupting supplies of fuel and other commodities. At the same time, challenges such as cyber security and climate change are placing increasing demands on organisations to strengthen their resilience and adapt to a rapidly changing environment. Emerging technologies and the opportunities and risks they bring, are also reshaping the external environment. Collectively, these dynamics underline the need for proactive, forward-looking risk management.

2025/26 Internal Environment

We have accelerated AMP8 investment (c. £15 billion) to ensure a strong start. Key areas of focus include improving water and wastewater services, upgrading critical infrastructure, enhancing river health, and reducing storm overflow spills, while keeping bills affordable. Our AMP8 plan was awarded the 'Outstanding' rating by Ofwat.

Our performance-driven culture continues to be a core strength, supporting sustained regulatory outperformance. Our ability to maintain a record of over 30 years without a hosepipe ban further demonstrates the effectiveness of proactive planning and our commitment to maintaining a secure water supply.

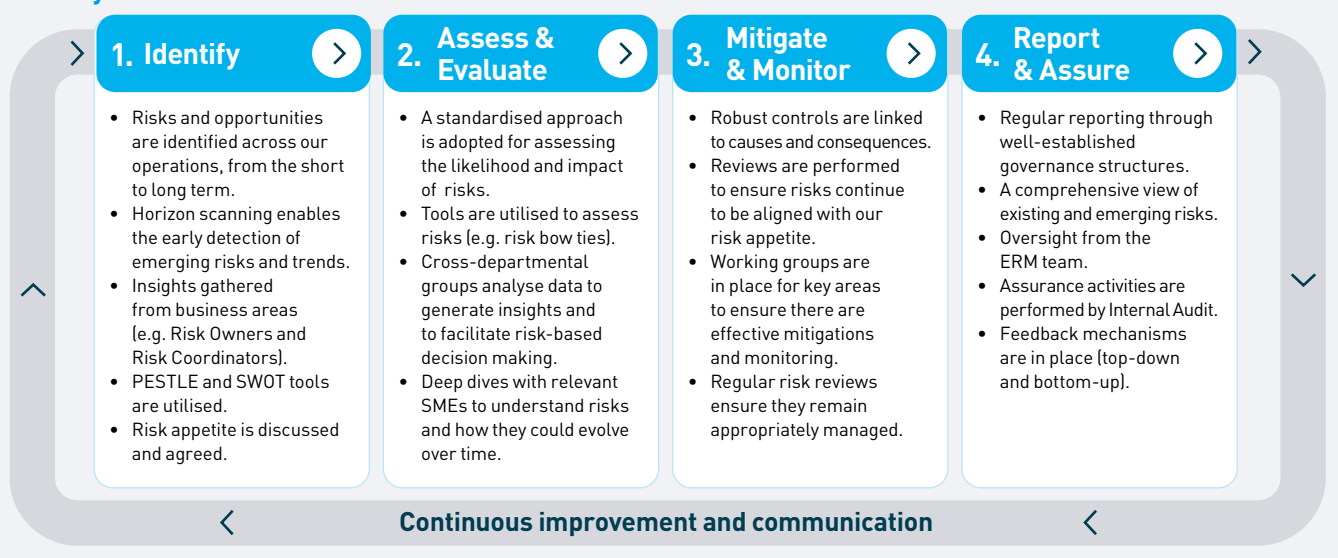
Our growth ambitions continue to ensure we invest in our people, technology (including AI), and new businesses to secure the capabilities we need for the future. This is underpinned by an ongoing commitment to risk management. Our ability to identify and capture opportunities is strengthened through external partnerships and the adoption of emerging technologies. As a result, we are in a strong position to accelerate growth and deliver long-term benefits for customers, communities and the wider region.

Risk Management Process

Risk management principles are embedded throughout the business and are a core component of our overarching structure that allows us to achieve our strategic priorities. Our established Enterprise Risk Management ('ERM') cycle 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 ensures significant risk events, including emerging risks, are managed within our risk appetite and supported by appropriate assurance.

Our ERM team oversees the ERM Policy, which forms part of the governance process and supports our values and culture. Our risk network, including Risk Owners and Risk Coordinators, helps to embed and drive effective risk management across the business. The Risk Governance Framework supports the effective management of risks which are focused on the short to long term and a standardised criteria is used to consider the likelihood and impact of risk, including financial and reputational. A strong culture of continuous improvement ensures we are constantly evolving our approach and applying best practice. Our framework also outlines the responsibilities across Severn Trent which are underpinned by effective communication channels.

ERM Cycle

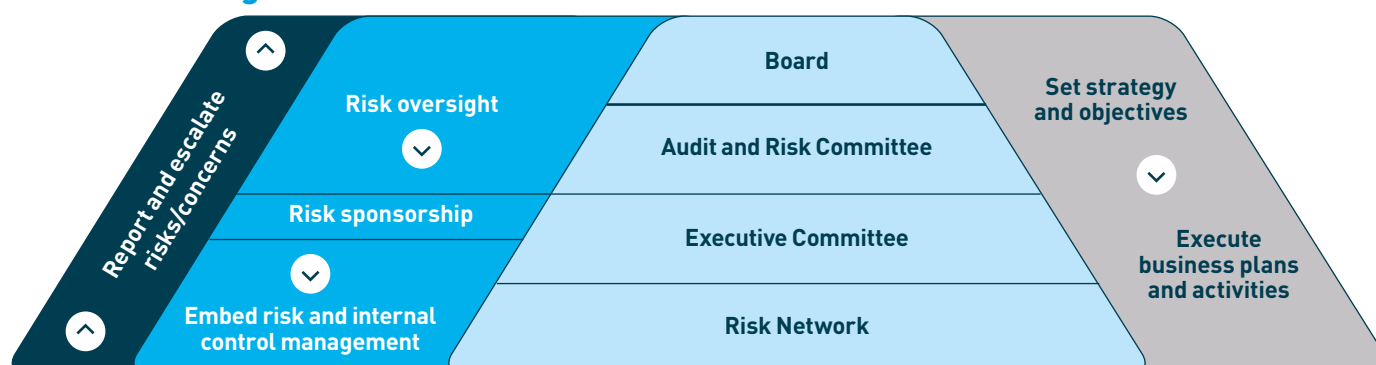


Risk Approach

The risk management approach allows us to utilise our three lines of assurance model and combine top-down with bottom-up risk 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, which was discussed throughout the year and with the Audit and Risk Committee and Board. The Risk Management Framework below also outlines the responsibilities across Severn Trent and incorporates robust reporting.

Our Risk Management Framework



The Board:

- Sets the risk culture.
- Defines and reviews the risk appetite.
- Challenges the level of risk taken to pursue the Company's objective.
- Makes risk-informed decisions and provides oversight for key strategic risks.
- Is responsible for effective risk oversight of enterprise-wide risks at Group level.
- Undertakes an annual assessment of Principal Risks.
- Provides insight and challenge to horizon scanning.

The Audit and Risk Committee:

- Supports the Board in monitoring significant risks and tracking progress against risk mitigation plans.
- Approves the ERM Policy.
- Reviews the outputs from assurance activity to ensure that risks and opportunities are being effectively managed.
- Provides insights and challenges to horizon scanning and emerging risks.

The Executive Committee:

- Supports the Board in the management and oversight of risk.
- Assesses the level of risk to achieve the Company's objectives.
- Individual members of the Executive Committee are assigned relevant ERM risks and the underlying risk mitigation strategies.
- Sets and evaluates risk tolerances.

Risk Network:

- Cross functional network of colleagues to ensure risks are effectively identified and managed, with appropriate oversight.
- Includes Risk Owners, Risk Coordinators and colleagues who provide oversight, implement controls and support risk governance.

Risk Reporting

Risk information is combined to provide a consolidated view across the Group. Our significant risks are reported to the Executive Committee and Board for review and challenge every six months. Reports include details of control effectiveness and action plans to improve where necessary. Critical risk information is also reported to the Audit and Risk Committee. Our ERM risks are linked with our licence obligations to enhance compliance-focused risk reporting.

Risk Ownership, Management and Oversight

1st line of assurance

Strategic Planning:

- Develop longer-term, holistic risk response plans (e.g. WRMP, DWMP).
- Establish critical controls for ensuring the effectiveness of our operations.

Operational Functions:

- Operate controls in their daily activities.
- Assess risk at an operational level.

ERM Risk Owners and Coordinators:

- Ensure risk-related information is up to date.
- Adhere to our risk management framework and work with SME's to develop, implement and monitor controls.

2nd line of assurance

Central ERM Team:

- Apply the Risk Management Framework and establish best practice risk processes.
- Own the ERM system and report key risk information, including response plans and tolerance.
- Provide guidance and training for the risk network.

Strategic Risk Forum:

- Share insights into emerging risks and areas for further analysis.
- Reviews and validates key ERM information.

Executive Reviews:

- Perform reviews to support and challenge.
- Report on matters related to risk and ensure risk is integral to management decisions and actions.

3rd line of assurance

Internal Audit:

- Provide assurance for significant risk mitigation strategies.
- Develop a three-year Internal Audit Plan which is agreed with the Audit and Risk Committee.
- Assess the effectiveness of risk programmes by testing controls.
- Evaluate the internal control environment.
- Complete reviews in line with Global Internal Audit standards and the Internal Audit Code of Conduct.

External Assurance:

- Independent testing and assurance of our controls through sampling procedures.
- Our main independent non-financial assurance provider is Jacobs.

Managing Risks and Opportunities continued

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 Executive Committee, Audit and Risk Committee and Board have carried out a robust assessment of the Group's Emerging Risks.

Emerging Risk management ensures potential risks are identified, with plans evaluated to bolster the Group'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 Group.

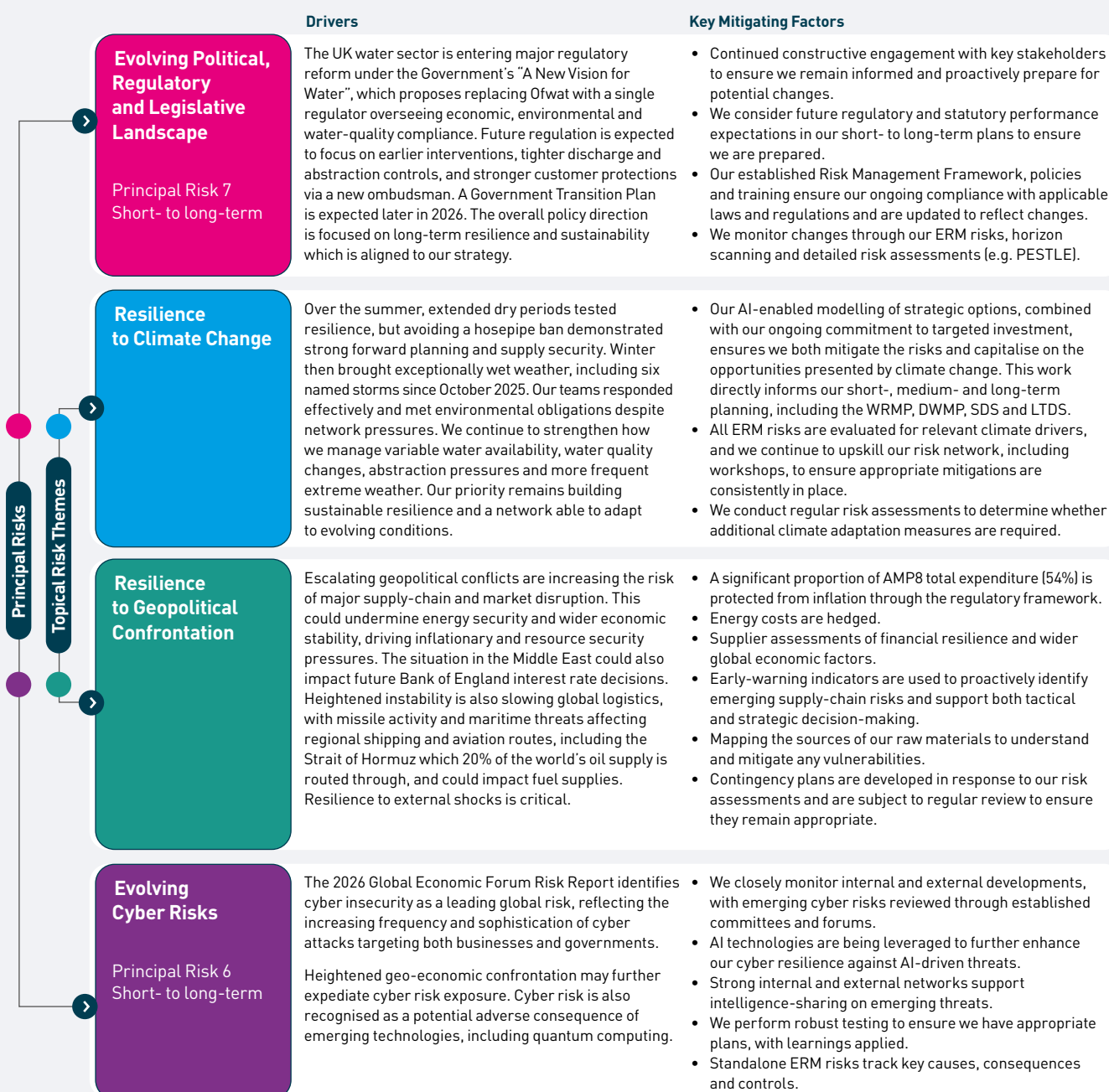
We continually identify and monitor Emerging Risks using top-down and bottom-up processes. Our risk network uses techniques such as cross-functional workshops and Political, Economic, Sociological, Technological, Legal and Environment ('PESTLE') analysis.

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.

During 2026, proactive horizon scanning and thematic analysis will remain essential components of our risk management approach. This will help us anticipate emerging trends and stay prepared for both potential threats and new opportunities in an increasingly unpredictable landscape, while continuing to protect our customers, colleagues and shareholders.

Emerging and Topical Risk Themes



Business continuity

Security and resilience remain a Principal Risk (page 71), reflecting our responsibility to deliver essential services and protect critical national infrastructure from malicious activity. We also recognise how they are intrinsically linked to all our Principal Risks. Heightened geo-political tensions and recent high-impact cyber incidents are reflected in our Emerging Risks and PESTLE analysis. We adopt a 'when, not if' mindset, with a strong focus on preparedness and proactive risk management. Our business continuity arrangements are designed to safeguard operational resilience and customer service, while prioritising the safety and well-being of our colleagues during significant disruption.

Our Approach

Our 'Being Prepared' framework integrates incident management, business continuity and emergency planning to ensure we have the capabilities, resources and plans required to remain resilient. Sustained investment in resilience, rigorous scenario testing and strong governance oversight ensure we continue to strengthen our ability to withstand, respond to and recover from the most significant threats to our operations. The level of cyber risk exposure remains unchanged as our control environment continues to evolve in line with external threats. We have also established a Cyber Defense Committee to provide strategic leadership and decision making in the event of an incident.

Our Board

The Board has demonstrated strong leadership and a commitment to maintaining a robust security culture, supported by regular discussions on the evolving security landscape and the recognition of the continued need for investment, vigilance and responsiveness. This included a dedicated cyber readiness deep-dive, covering threat detection, incident response capabilities, supply chain dependencies and data governance arrangements. During the year the Board also participated in a cyber incident simulation, with further details set out on page 93. The exercise was designed to replicate the pressure, pace and uncertainty of a real cyber attack, strengthening Board-level preparedness and decision making.

Examples of business continuity activities

Before

- Our security and resilience framework provides an integrated approach to identifying threats and strengthening resilience, supported by a dedicated cyber security function.
- Business impact analysis informs the identification of critical services, with robust continuity plans and defined service-level agreements for business-critical IT.
- Long-term strategic investment in people, processes and technology ensures our security capabilities continue to evolve in line with the changing risk landscape, with a strong focus on proactive cyber controls to reduce exposure.
- Clear accountabilities, including a Chief Information Security Officer, which are supported by regular awareness and training. Company-wide exercises ensure colleagues can identify threats and respond effectively.
- Our arrangements are regularly tested, including Board-level involvement and support from external partners, providing an opportunity to test key areas including decision-making, escalations and crisis communications.
- The Board and management also engage with external networks to share intelligence and best practice, strengthening collective preparedness.

During

- In the event of an incident, the appropriate operational, tactical or strategic teams are activated immediately. Clearly defined roles and responsibilities enable a coordinated and efficient response, supported by processes that have been consistently proven to be effective.
- Robust communication protocols ensure timely engagement with operational teams, the Board, regulators and key third parties. This enables clear oversight and support throughout the incident lifecycle.
- Established decision-making pathways focus on rapid containment and prioritisation, safeguarding the continuity of essential services.
- Rotas are in place to protect colleagues' well-being and ensure sufficient resources are maintained across critical activities.

After

- Post-incident reviews are undertaken following all exercises and any activation of the incident management process.
- Relevant security breaches across all sectors are reviewed to understand the root cause and emerging themes. The effectiveness of responses are evaluated to identify areas for improvement and further strengthen organisational resilience.
- Reporting is provided to stakeholders, setting out the incident timeline and ensuring that lessons learned are captured, shared and addressed on a timely basis.

Our Risk Appetite

► See page 68

All businesses are exposed to a variety of uncertainties and need to take on a degree of risk to achieve strategic objectives. Given the nature of our services, our operations carry inherent risks that must be managed proactively and responsibly. We are committed to managing these risks in line with the scale and criticality of our infrastructure, with a clear focus on protecting the environment and safeguarding the health, safety and wellbeing of our colleagues and the communities we serve. Our sector is subject to high levels of political, regulatory and financial security, and we recognise the importance of our stakeholders' evolving expectations and the impact of climate change when we are planning and responding to risk. Within the Group, our businesses have different risk priorities and tolerances:

- **Our regulated water and wastewater businesses** are monopoly providers, regulated and characterised by relatively stable, inflation-linked cash flows.
- **Infrastructure Services** have more variable cash flows and operate in less predictable and more competitive environments.

We will only take risks that are thoroughly understood, can be effectively managed, and are in line with our purpose, values and strategy. The Board monitors the Group's risk profile to ensure there is an appropriate balance

between risk and leveraging opportunities which are critical for delivering our strategic objectives. Additionally, the Board considers risks, and combinations of risks in the short, medium and long term. Our risk appetite is reviewed by the Audit and Risk Committee and approved by the Board. We have classified our risk appetite statements as Zero, Low, Medium and High. When distinguishing between Zero and Low appetite, the key differentiating factor is the degree of control we have over the risk. For example, although we have a Zero tolerance mindset for any escape of sewage negatively impacting the environment, a Zero risk appetite is neither practical or feasible given the length of our sewer network (over 90,000 km) and risk of inappropriate products entering the network. Wastewater is also more exposed to external factors and regulatory changes beyond our control. In addition, the EA's new WIRI guidance may introduce new reporting requirements, including responsibility for pollution incidents that are caused by third parties. In contrast, water quality is largely within our control through robust sampling across our network and dosing management. Please see pages 68 to 73 for our risk appetite statements.

Our Principal Risks

In accordance with the 2024 UK Corporate Governance Code, The Board and Audit and Risk Committee are 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 and Audit and Risk Committee have completed a robust review and assessment of the Principal Risks facing the Group, 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 Group's employees, customers, communities and assets;
- have a material impact on the financial or operational performance and resilience of the Group;
- impede achievement of the Group's strategic objectives and financial targets; and/or
- adversely impact the Group's reputation or stakeholder expectations.

Risks relating to our longer-term prospects and the viability of the Group have been assessed. You can read our Viability Statement on pages 74 to 78.

As part of our embedded ERM cycle, we reviewed our Principal Risks and reduced the total from 11 to 10 by consolidating the nature and climate risks into a single Principal Risk. Each of the Principal Risks are assessed to ensure we have appropriate risk strategies and there is an alignment with our strategic objectives and ERM risks.

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 the strategic objectives of our corporate strategy;
- how we have reviewed changes to the risk profile since the last report, assessing the potential impact and likelihood based on the control effectiveness and changes (internal and external). The ratings indicate whether the risk exposure has increased, decreased or no significant change; and
- key indicators which are used to track changes in the risk profile and ensure appropriate actions are taken to prevent the Principal Risk from materialising.

Our Principal Risks have also been assessed to determine how they are impacted by climate change, and more details can be found in our TCFD and TNFD disclosures on pages 30 to 41.

Key

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

	Risk Appetite			
	High appetite	Medium appetite	Low appetite	Zero appetite
Approach to risk	The business is willing to take greater risks/ pursue opportunities that are understood and managed within defined boundaries.	Some degree of risk taking under the right conditions. A balanced and informed approach to risk taking.	Reluctant to take risk and will chose the lowest risk option. Takes a prudent approach to risk taking.	Refusal of any risk, taking all necessary actions to prevent occurrence.
Risk vs. reward	Reasonable risks taken with negatives accepted when pursuing objectives.	Measured approach to achieving objectives.	Not willing to incur negative impacts when delivering objectives.	The priority is on risk avoidance and will not accept any level of exposure.
Risk tolerance	Flexibility in risk tolerance.	Limited in risk tolerance.	Low risk tolerance.	Zero risk tolerance.

Principal Risk

1. Health and Safety

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

Change in year ⬇

Strategic objective

Outcomes

People

Change

Stakeholders



KPIs

- Lost Time Incident ('LTI') rate, see page 12.

Risk appetite statement

We have a Zero risk appetite for health and safety risks that could lead to serious injury, fatality, or significant occupational illness. We adopt a zero tolerance approach for risks brought on by unsafe actions.

Risk mitigation examples

- Our 'Everybody Safe' strategy embraces the vision statement 'nobody gets hurt or is made unwell by what we do'.
- Our Health, Safety and Wellbeing ('HSW') Framework protects our colleagues, contractors and communities.
- Policies and standards are regularly reviewed to ensure compliance.
- Competency framework and mandatory training are regularly monitored.
- Work closely with our supply chain to drive performance, including monthly executive level engagement, safety and assurance forums, and the sharing of insights from root cause analysis and assurance findings.
- Health and safety bulletins are cascaded across the Group and our supply chain.
- Incidents and near misses are tracked, resolved promptly and reviewed for lessons learned.

Key updates in the year

- We have continued to strengthen our HSW framework and updated our Group Policy.
- Our Safety, Health, Environment and Quality Assurance working group, comprising of operational teams, is a key component of our three lines of assurance model and has fostered a positive HSW learning culture where best practice is consistently shared.
- We launched Team Manager Pathway Training to equip our team managers with the technical, leadership and behavioural capabilities required to lead high performing teams, including effective Health and Safety management and the safe operation of our sites.
- Process Safety Leadership Training has been implemented covering key elements of the framework to strengthen our capability in managing associated risks and controls. The programme will continue throughout 2026/27.
- We continue to contribute to sector-wide improvements through working with Water UK to share insights on high-impact incidents, strengthening safety outcomes and supporting positive change.

Principal Risk

2. Infrastructure failure and asset resilience (Water)

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

Change in year

Strategic objective

Outcomes Nature People Change

Stakeholders



KPIs

- CRI (index), see page 12.
- Supply interruptions (no. of minutes), see page 12.
- Leakage % (ML/d), see page 13.
- Customer contacts about water quality (number of complaints), see page 12.

Risk appetite statement

We have a Zero risk appetite for any provision of water to customers that is unsafe for public consumption.

We have a Low risk appetite for a disruption to water services which result in a loss of supply to our customers.

Risk mitigation examples

- Mandatory water quality competency training is in place for key operational staff.
- 24/7 Control Centre oversight with real time telemetry from network loggers.
- Water quality operational processes, standards and procedures are routinely reviewed and updated.
- Ongoing asset health monitoring, maintenance and enhancement across the network.
- Investment continues to enhance our in-house capability to accelerate response times.
- Comprehensive resilience plans are fully embedded and integrated into our strategic planning.
- We collaborate across the sector on Strategic Resource Options ('SROs') to strengthen long-term national and regional water supplies.
- Strategic modelling, utilising machine learning, assesses supply and demand scenarios, including climate change impacts.
- Business continuity plans are established, with experienced teams ready to manage incidents.
- WRMP sets out long-term water supply security, including climate change resilience.

Key updates in the year

- Witches Oak Water Treatment Works incorporates advanced on-site filtration processes, including granular activated carbon which is used to remove PFAS.
- Enhancements are underway of treatment processes at key sites, including UV installation at Strensham.
- Draft 2027-2032 Drought Plan approved by Defra, outlining how we will manage resources during dry and drought conditions while balancing customer, environmental and economic considerations.
- Over 175,000 smart meters installed, helping to reduce customer consumption.
- Continued deployment of no-dig technology, enabling faster repairs with less disruption and lower environmental impact.
- Network resilience strengthened through enhanced pressure management.
- Upstream Leakage Strategy launched, with a dedicated team targeting more challenging trunk main leaks.
- Innovative tools deployed, including drones, for leak detection and emergency response.
- Derwent Valley Aqueduct maintenance programme commenced to improve the resilience of a key strategic asset.
- £422 million Mains Renewal Programme underway, replacing 1,400 km of mains.
- AMP8 transfer, expansion and increased output capital schemes, as set out in WRMP24 have commenced across a number of sites.

3. Infrastructure failure and asset resilience (Waste)

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

Change in year

Strategic objective

Outcomes Nature People Change

Stakeholders



KPIs

- Internal sewer flooding (no. of incidents), see page 13.
- External sewer flooding (no. of incidents), see page 13.
- Storm Overflows (average spill count), see page 13.
- Pollutions (no. of incidents), see page 13.

Risk appetite statement

We have a Low risk appetite for an operational failure of our wastewater assets or processes that could negatively impact the environment.

- Leading sector-wide river quality improvements through the Get River Positive campaign, ensuring oversight and delivery of relevant environmental commitments, greater transparency, and stronger stakeholder engagement.
- Strategic modelling, such as for the Drainage and Wastewater Management Plans, utilises AI to assess potential changes to the demand on our wastewater network. This enables us to proactively manage the impact on our service and any potential damage to the environment.
- 24/7 control centres monitor our asset performance, including real-time telemetry coverage.
- 24/7 Incident Response Teams provide extra support during events, including delivering additional tankers.
- 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 permit requirements via our dedicated Flow Performance Team.
- Progressing our sector-leading CSO Improvement Plan and our 2025-30 PIRP.
- Asset health monitoring, maintenance and enhancement across the network.

- Operational resilience enhanced through three new specialist proactive and response teams including a dedicated Pollution Team.
- Through our WINEP Programme, work has commenced on the £320 million Wanlip Treatment Works to meet future capacity requirements and environmental standards. Progress was shared with Ofwat during a site visit in March 2026 as part of our Enhanced Engagement programme.
- £46 million investment across 416 priority sewage pumping stations has commenced, improving power resilience and condition-based monitoring.
- AI optimisation tool developed in conjunction with a third-party to identify appropriate network upgrades, through balancing performance and costs.
- Increased nature-based treatment innovation through additional roll out of reed beds.
- Over 3,000 CSO spill reduction interventions delivered, including valves, storage tanks, weir height adjustments and smart controls.
- AI-powered Storm Harvester platform deployed to predict responses to storms and proactively reduce spills, pollutions and flooding.
- Bio Block trial launched to proactively address sewer blockages using non-toxic organisms.
- AI-supported digital twin trial at Strongford improving real-time performance insight and optimisation.
- In-house capability enhanced through acquisition of IWJS, strengthening sewer services, waste management and industrial cleaning expertise.

Our Principal Risks continued

Principal Risk	Risk mitigation examples	Key updates in the year
4. Customer service and experience We do not meet the needs of our customers or anticipate changing expectations through the level of customer experience we provide. Change in year  Strategic objective Outcomes Nature Change Stakeholders  KPIs - C-MeX (index), see page 12. - D-MeX (index), see page 12. - Water quality complaints (no. of complaints), see page 12. - Customer bill support (number of complaints), see page 12. Risk appetite statement We have a Low risk appetite for not getting it right first time for our customers, and providing outstanding customer service is at the heart of what we do.	- Our specialist Digital Team proactively monitors activity, enabling timely customer engagement on planned and reactive work. - Robust incident management processes, with specific procedures to support vulnerable customers during service impacting events. - Service Level Agreements are clearly communicated to customers who require assistance. - The Priority Service Register enables us to provide personalised support and the right assistance to customers who need it most. - Customer insights utilised for our Business Plan (e.g. in-depth interviews) to ensure customer views are reflected. - Our Developer Services Team works proactively with new build developers to ensure effective planning and connection processes. - A dedicated Non-Household Customer Team maintains active engagement with market retailers to support service and performance. - Cost of living and community outreach events across our region to help raise awareness of our support schemes and services.	- Kraken customer platform continues to be embedded, with 99% of customer accounts migrated. The platform provides AI-intuitive tools that enhance frontline capability and support our ambition for excellent customer service. - Customer communications tailored across all channels, from community drop-ins to social media, ensuring effective message delivery and appropriate customer engagement. - One of the largest affordability support packages in the sector, with over 335,000 households receiving financial assistance this year. A new 'Bill Help Hub' has been launched, enabling customers to easily access support. - Over 11% of our customers supported through the Priority Services Register or financial support, enhancing accessibility and financial resilience for those who need it most. - Engaged with people across our region through our Societal Strategy, supporting our ambition to help customers out of water poverty by addressing underlying causes and creating employment opportunities. See pages 19 to 23 for further detail. - We are compliant with the new Guaranteed Standards Scheme, ensuring our customers can expect a high level of service.
5. Supply chain and capital project delivery Insufficient resilience in the supply chain impacts the deliverability of the capital programme (time, cost, quality). Change in year  Strategic objective Outcomes Change Stakeholders  KPIs - Number of project milestones completed on time (no. of projects). - Ratio of critical single source supplier (%). Risk appetite statement Our AMP8 capital programme includes a high number of time-bound regulatory commitments and we have a Low risk appetite for not achieving these. External risks are constantly monitored and mitigated as far as possible. We have a Medium risk appetite for pursuing supply-chain related business opportunities (e.g. new acquisitions) that align with our strategic objectives and improve our resilience.	- Supplier agreements provide a flexible and diverse supply chain. - Robust gated capital processes ensure strong governance and assurance throughout the project delivery lifecycle. - Commercial audits are carried out across the supply chain. - Regular performance reviews, including Director and CEO level meetings, to track KPIs and assess suppliers and markets. - Ongoing training strengthens contract management capability. - Robust verification of supply chain financial stability use lead indicators and multi-source credit agency monitoring. - Targeted supply chain audits cover modern slavery, health and safety and cyber security. - EcoVadis assessments are used to assess suppliers' sustainability risk and maturity. - Asset Planning prioritisation aligns delivery needs with supply chain capacity.	- Capital Delivery Team restructured to reflect the scale of the capital programme. - Insourcing of key activities, combined with the accelerated scale-up of the capital programme have enabled the delivery of significant capital investment. - Our supplier heat mapping has provided ongoing monitoring and early warning insights across our contracted supply chain. - Regularly monitored the financial stability of critical suppliers to ensure continuity and mitigate risk. - Continuity plans tested jointly with our Security and Resilience Team to validate preparedness. - Digital Business Case process enhanced to improve financial forecasting through to AMP9 and streamline programme planning. - Annual compliance review completed, confirming capital delivery suppliers meet contractual and regulatory requirements, with additional focus on health and safety and modern slavery. - In-house capability strengthened through the acquisitions of Watertight and IWJS, adding specialist expertise to support capital delivery.

Principal Risk	Risk mitigation examples	Key updates in the year
6. Security and resilience Core operational capabilities are compromised through physical, people or technological threats. Change in year  Strategic objective Outcomes People Change Stakeholders  KPIs - Critical application recovery testing. - E-learning completion and awareness. - Phishing click-through rates (%). - Cyber incidents initial response and closure times. Risk appetite statement We have a Low risk appetite for a cyber attack which causes operational disruption.	- Cyber Security Steering Committee, Information Security Team and Data Privacy Officer provide ongoing oversight of security threats. - A dedicated Security Team and Alarm Receiving Centre monitor and respond to our critical sites. - Proactive and robust support for our monitoring technology, with appropriate maintenance plans. - Mandatory annual cyber training and a robust operational security programme strengthens readiness. - Operational and office locations have business continuity, crisis management and disaster recovery plans. - Regular internal and third-party testing assesses the resilience of our networks, systems and sites. - A comprehensive vulnerability management framework includes penetration testing, behavioural alerts, patching processes, data disposal and access controls. - Third-party IT Partners provide additional capability to mitigate risks and enhance technical standards. - Security standards and 'what if' scenarios are embedded across teams. - Security investigation process is documented, including root cause analysis.	- The current cyber security threat level continues to increase in complexity and severity. - Applied learnings from recent external cyber incidents to strengthen our resilience and response capabilities. - We have continued on track with the delivery of our Zero Trust Architecture Plan and delivery roadmap, which will utilise AI technologies to enhance our cyber resilience. - Progressing key AMP8 security-related programmes to ensure we evolve with the risk landscape. - Continued engagement with the National Cyber Security Centre and the wider water industry through established forums and communication channels. - Regular engagement with the DWI to discuss cyber security threats and our processes. - Continued compliance, including the Security of Network & Information Systems Regulations and Security and Emergency Measures Direction. - Cyber testing has been completed during the year to ensure our readiness in the event of an incident. - Regular internal communications to reinforce key messages and mandatory cyber e-learning continues to be completed by colleagues.
7. Political, legal and regulatory Uncertainty of regulatory, legislative and Government reforms which could fundamentally impact our operating environment and strategic ambitions. Change in year  Strategic objective Outcomes Nature People Change Stakeholders  KPIs We continue to monitor the external environment for regulatory, legislative and Government reforms. Risk appetite statement We constantly monitor, prepare for and engage with changes in the policy and legislative environment and maintain a Low risk appetite for operational or process weaknesses that could increase the risk of non-compliance.	- We actively engage with the UK Government, MPs, Welsh Government, regulators and wider stakeholders on the future direction of the sector. - Established Governance Framework, supported by policies and training, ensures ongoing compliance with applicable laws and regulations, and is regularly reviewed to capture changes. - Investment plans are reviewed on a regular basis to reflect changes in legislation, regulation and business priorities. - External legal advisers provide updates on forthcoming legislative changes affecting the Group. - Our Licence to Operate Compliance Framework ensures adherence to legal, statutory and regulatory obligations, with leadership completing declarations twice yearly. - Key updates to regulations and legislation are communicated across the business with training updated on a timely basis as required.	- Ongoing horizon scanning ensures preparedness for political, legal and regulatory change. - We maintain transparent and proactive engagement with regulators and policymakers through regular reporting, site visits and consultations (e.g., WIRI). - Actively preparing for policy and regulatory changes arising from the Cunliffe review and subsequent "A New Vision for Water" White Paper. - In line with the Economic Crime and Corporate Transparency Act 2023, we have further strengthened governance and fraud prevention controls. - Working with Defra, the EA and Water UK on future sludge-to-land regulations to ensure continued environmental protection and compliance. - We have cross-departmental working groups preparing for upcoming changes, including a PFAS working group proactively planning ahead of potential regulatory changes.

Our Principal Risks continued

Principal Risk	Risk mitigation examples	Key updates in the year
8. Financial liabilities Failure to responsibly manage our financial position to maintain financial resilience and a strong funding platform, and effectively manage market volatility. Change in year  Strategic objective Outcomes Change Stakeholders  KPIs - Months of liquidity (No. of months), see page 115. - Pension deficit (£m), see page 58. Risk appetite statement We have a Low risk appetite for breaching our Board-approved Liquidity Policy.	- 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. - The Company is represented on the Investment Committee of the scheme and the Investment Policy is formally approved by the CFO. - 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.	- During the year we raised c.£1.8 billion of funding to maintain appropriate levels of liquidity, which is in excess of our 15-month Treasury Policy. - We have continued our focus on diversifying funding sources, including two EUR bonds, a debt issue in the CHF market and private placements with Norwegian and Japanese investors. - We have accelerated delivery of our capital programme and are on track with our funding requirements. - The level of investment risk in the Severn Trent Pension Scheme ('STPS') has reduced over the last 12 months with the funding position hitting two derisking triggers. - Investment during the year has focused on insourcing to provide increased resilience and flexibility in capital delivery. - We are implementing AI-driven predictive forecasting within our financial and operational planning, combining historical data, external indicators and machine learning to support long-term planning, resilience and investment decision across the Group. - We have worked closely with the Trustees of the defined benefit pension schemes and pension advisers to meet the requirements of the schemes, including those set by the Pension Regulator. - The 2025 triennial valuation of the STPS has been finalised with a contribution plan where we expect the scheme will become fully funded within AMP8.
9. Climate change, environment and biodiversity We fail to ensure our operations remain resilient to the effects of climate change and effectively mitigate our environmental impact as a steward of natural capital. Change in year  Strategic objective Outcomes People Change Stakeholders  KPIs Please refer to the Metrics and Targets section of our TCFD and TNFD disclosures, see pages 40-41. Risk appetite statement We have a Medium risk appetite when evaluating opportunities to use innovative techniques to improve our resilience to climate change and reduce our environmental impact.	- We use scenario planning and data modelling to assess climate and nature-related impacts on critical ecosystems and conversely, their impact on our operations. - Our Corporate Strategy, Business Plan, WRMP and DWMP set out a robust long-term approach to future climate change and nature challenges. - We remain committed to net zero operational emissions by 2030, supported by 100% renewable energy ambition, a low-carbon fleet and continued investment in our Net Zero Hub. - Our Get River Positive pledges reflect our commitment to delivering positive outcomes for communities and the environment. - Through our regional Get Nature Positive initiative, we work with regulators and stakeholders to protect biodiversity. - Strategic plans and ODI commitments drive biodiversity enhancement and environmental protection, including pollution reduction initiatives, biodiversity improvements and relevant compliance-related activities. - Catchment management practices help reduce the impacts of pesticides, fertilisers and nutrients through collaboration with landowners. - Our in-house ecology expertise strengthens our capability to enhance biodiversity across the region.	- Early adopters of TNFD reporting, with disclosures now aligned to all recommendations. - We chair the Water UK Energy Managers Forum and co-chair the Water Carbon Network, where we share knowledge and embed learnings. - Enhanced Greenhouse Gas governance through improved technology, data and analytics. - Alternative construction and operational technologies are reducing carbon intensity. - Continued focus on nature-positive solutions to support habitat recovery by 2030. - Set a target of 15% Biodiversity Net Gain on all capital and infrastructure projects, which exceeds the 10% UK requirement. - Through an on-going partnership with the National Forest, we have invested c.£1.2 million to manage 870 hectares, fund landowner grants and support habitat improvements and monitoring. - Significant investment in climate change mitigation and our Net Zero Transition Plan. - We have published our fifth EU Taxonomy disclosure on pages 53-55 demonstrating alignment to climate change mitigation ('CCM'), adaptation ('CCA') and water ('WTR') objectives. - Our Biodiversity Strategy and Action Plan have driven targeted actions to safeguard and enhance key habitats and species across our region.

Principal Risk	Risk mitigation examples	Key updates in the year
10. People and culture Failure to maintain a workforce with the right capability, skill set and values to drive the Group's strategy. Change in year  Strategic objective Outcomes Nature People Change Stakeholders  KPIs Employee engagement score, see page 12. Risk appetite statement We have a Low risk appetite for failing to attract and retain colleagues with the right capabilities and behaviours to deliver our strategic ambitions, whilst protecting stakeholder trust.	'Doing the Right Thing' sets out who we are, what we stand for and how we work, ensuring our values are clear and consistently embedded across the organisation. - 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 D&I Strategy and our 'Wonderfully You' D&I ambition helps to ensure we reflect the communities we serve.	- We are committed to growing brilliant people with the right skills to deliver the best service for our customers. Our Academy has a training syllabus which includes more than 650 courses. - Our in-house technical apprenticeship programme continues to upskill our frontline workforce, supporting 132 learners this year, while maintaining a 100% pass rate and retaining 98.5% of apprentices within Severn Trent. - We launched our new Business Leader Development Pathway, a refreshed, experience-led approach to leadership learning. - We are helping colleagues across Severn Trent to use AI tools safely and effectively through e-learning, lunch and learns and hands-on workshops, ensuring we effectively embrace new technology. - The tenure of colleagues continues to be above average, Glassdoor rankings support that Severn Trent is one of the top companies to work for. Our annual engagement score (8.8 out of a possible 10 points) keeps us in the top 5% of businesses globally.

Viability Statement

Assessment of current position and long-term prospects

The Directors' assessment of the Group's current financial position is set out in the Chief Financial Officer's review on pages 57 to 63. Important aspects of that assessment that are most relevant to the assessment of viability are:

- The Group's RCV gearing at 65%, is 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 August 2027.
- The Group's credit ratings from two agencies (Fitch and Moody's) are two notches above the investment grade base level and are stable.
- The defined benefit pension deficit decreased to £21 million in the year, and we are in line with our deficit reduction plan in the most recently completed triennial valuation.

Severn Trent Water, the Group's principal subsidiary, is a regulated long-term business characterised by multi-year investment programmes and relatively stable revenues. The water industry in England and Wales is subject to economic regulation rather than market competition and Ofwat, the current 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 19 December 2024 and the base case for our assessment of viability for the period to 2030 is based on our business plans within this.

When considering the Group's prospects beyond 2030, it is necessary to make assumptions about the regulatory framework that will apply for the period 2030-2035 ('PR29'), and in particular the transition to a new regulator from 2030 onwards. The UK Government's "A New Vision for Water" White Paper published on 20 January 2026 confirmed the planned abolition of Ofwat and the creation of a new single integrated regulator, combining the economic, environmental, water quality and governance functions currently spread across several bodies. While the design and statutory framework of the new regulator will not be finalised until legislation is enacted, the White Paper signals an ongoing commitment to a regulatory model that supports long-term investment, sustainable returns, and a fair deal for customers and investors. We have therefore reflected this in our assumptions for the base case for the period beyond 2030.

We also considered:

- 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 Severn Trent Water's assessment of this;
- Severn Trent Water's financial structure, which is within Ofwat's acceptable range;
- Severn Trent Water'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
- Severn Trent 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 Severn Trent Water 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 12 years.

Our Business Plan for AMP8 included a significant increase in the size of our investment programme, and we are confident that we will continue to raise finance to fund this into the future. The Group has a strong and demonstrable track record of raising both debt and equity, with access to capital markets on favourable terms through a range of instruments, including long-dated public bonds, private placements and index-linked issuances. Investor demand for Severn Trent Water credit has remained consistently robust, supported by the stability of the regulated revenue model, our investment-grade credit ratings and our transparent financing strategy. The Group has access to a diverse range of capital markets, having successfully raised debt finance in Japan, Switzerland, the United States of America and Europe, as well as the United Kingdom. We also recognise the requirement for equity funding to play its part, and to that end we raised £1 billion in a private placing of equity in October 2023.

The Group actively engages with investors, constantly monitors availability of funding and mitigates funding risk by considering diversity of funding sources alongside pricing, when raising new debt.

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 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.
We do not provide a safe and secure supply of drinking water to our customers.	Catastrophic breach of a large raised reservoir (>25,000 cubic metres). Service failure leads to increased operating expenditure or failure to meet performance commitment targets.	An extreme one-off event. Totex underperformance in each year of the forecast. ODI penalty in a single year. ODI penalty in every year.
We do not transport and treat wastewater effectively, impacting our ability to return clean water to the environment.	An extreme breach in a sludge lagoon at a large sewage treatment works. Service failure leads to increased operating expenditure or failure to meet performance commitment targets.	An extreme one-off event. Totex underperformance in each year of the forecast. ODI penalty in a single year. ODI penalty in every year. A financial penalty.
We do not meet the needs of our customers or anticipate changing expectations through the level of customer experience we provide.	Our customer performance is well below their expectations across a range of measures.	ODI penalty in a single year. ODI penalty in every year.
Insufficient resilience in the supply chain impacts the deliverability of the capital programme (time, cost, quality).	Significant increase in capital programme costs. 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. ODI penalty in every year.
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.	An extreme one-off event. A financial penalty.
Uncertainty of regulatory, legislative and Government reforms which could fundamentally impact our operating environment and strategic ambitions.	A breach of law or regulations results in a significant one-off penalty. Failure to deliver regulatory obligations and expected performance levels. Failure to provide water network and treatment capacity to meet requirements in future AMPs. Failure to safeguard wastewater network and treatment capacity to meet demand or increased environmental obligations in future AMPs.	A financial penalty. ODI penalty in a single year. ODI penalty in every year. Totex underperformance in each year of the forecast.
Failure to responsibly manage our financial position to maintain financial resilience and a strong funding platform, and effectively manage market volatility.	Rising interest rates increase result in a significantly higher cost of debt.	Higher interest rates for two years.
We fail to effectively mitigate our environmental impact and act as a steward of natural capital, while ensuring our operations remain resilient to the effects of climate change.	Service failure leads to increased operating expenditure or failure to meet performance commitment targets. Failure to deliver regulatory obligations and expected performance levels.	Totex underperformance in each year of the forecast. ODI penalty in a single year. ODI penalty in every year.
Failure to maintain a workforce with the right capability, skill set and values to drive the Group's strategy.	Failure to adapt leads to operational inefficiencies and increased expenditure.	Totex underperformance in each year of the forecast.

Viability Statement continued

We also applied stress tests relating to economic factors: lower inflation and higher interest rates, and a combined scenario taking into consideration totex underperformance, ODI penalties and a financial penalty.

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 stress tests applied, potential impacts and the mitigating actions that would be available to address the impacts.

Stress test applied	Amount modelled	Potential impacts on viability without mitigating action	Mitigation available
An extreme one-off event – a one-off impact of £300 million at the point in the forecast with the lowest headroom	A one-off impact of £300 million at the point in the forecast with the lowest headroom.	Increased gearing and deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings although still at investment grade.	Engage with ratings agencies to discuss the short-term nature of the impacts. Manage liquidity by temporarily reducing working capital. Close out derivative financial instruments in asset positions to generate cash. Consider new sources of funding, including hybrid debt. Reprofile capital programme to ease short-term pressure on ratings. Consider reducing dividend in the year or downgrading the Dividend Policy.
Totex underperformance	An increase in totex of around £300 million in each year of the forecast.	Pressure on earnings and cash flows, but with average earnings higher than the dividend indicated by our current policy. Increased gearing and significant deterioration in credit metrics that, without mitigating action might lead to a downgrade although still at investment grade.	Cost reduction programme focused on reducing discretionary expenditure to support profitability. Manage liquidity by temporarily reducing working capital. Close out derivative financial instruments in asset positions to generate cash. Consider new sources of funding, including hybrid debt. Consider downgrading the Dividend Policy.
ODI penalty in a single year	A penalty of £130 million in a single year.	The penalty would flow through revenue two years after the performance commitment was breached. In that year, profit remains higher than the expected dividend to be paid. Increased gearing and deterioration in credit metrics with limited impact to credit ratings.	Accelerate recognition of accumulated ODI rewards not yet taken. Engage with ratings agencies to discuss the short-term nature of the impacts. Manage liquidity by temporarily reducing working capital. Consider reducing dividend in the year.
ODI penalty in every year	A penalty of £20 million in each year of the forecast.	The penalties would flow through revenue two years after the performance commitment was breached, leading to a deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings although still at investment grade.	Engage with ratings agencies to discuss the short-term nature of the impacts. Manage liquidity by temporarily reducing working capital. Consider reducing dividend in the year.

Stress test applied	Amount modelled	Potential impacts on viability without mitigating action	Mitigation available
Financial penalty	A penalty of £274 million in a single year (c.10% of appointee turnover).	Lower profits lead to dividend cover less than one in the third year of assessment. Profits remain above dividend declared thereafter. Deterioration in credit metrics that, without mitigating action, might lead to a downgrade although still at investment grade.	Manage liquidity by temporarily reducing working capital. Close out derivative financial instruments in asset positions to generate cash. Consider new sources of funding, including hybrid debt.
Combined scenario	An increase of totex of around £300 million in each year, an ODI penalty of £130 million in one year, and a one-off impact of £300 million in one year.	Significant reduction in profitability and cash flow. 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.	Engage with ratings agencies and banks to discuss the impacts on ratings and covenants. Manage liquidity by temporarily reducing working capital. Close out derivative financial instruments in asset positions to generate cash. Cost reduction programme focused on reducing discretionary expenditure to support profitability. Reprofile capital programme. Consider downgrading the Dividend Policy.
Sustained lower inflation	New debt financed at 4% above base case assumptions.	Pressure on profit and cash, but with average earnings higher than the dividend indicated by our current Policy. Increased gearing and deterioration in credit metrics that, without mitigating action might lead to a downgrade in credit ratings below investment grade.	Engage with ratings agencies to discuss the short-term nature of the impacts. Cost reduction programme focused on reducing discretionary expenditure to support profitability. Our Dividend Policy is index-linked and therefore low inflation would reduce the dividend payable. We would also consider downgrading the Dividend Policy.
Higher interest rates	An increase in totex of around £300 million in each year of the forecast.	Reduction in profit. Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings below investment grade.	Engage with ratings agencies to discuss the impacts and the regulatory true-up mechanism that would mitigate the impacts in the longer term. Cost reduction programme focused on reducing discretionary expenditure to support profitability. Manage liquidity by temporarily reducing working capital. Consider reducing dividend in the years impacted, or downgrading the Dividend Policy.

Viability Statement continued

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 PCDs, 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.
Consider new sources of funding, including hybrid debt	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	Our approved Dividend Policy for AMP8 is to grow the dividend by CPIH each year. If necessary, we would consider diverging from this Policy to deal with short-term pressure on credit metrics or ratings.
Consider downgrading the Dividend Policy	In circumstances where the pressure on metrics, ratings or covenants was sustained, we would consider amending our dividend policy for the AMP to relieve the pressure while giving investors a basis to set their expectations for returns.

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 the following key assumption:

- 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.

We have also undertaken a reverse stress test to consider the scale of adverse conditions that would threaten the Group's long-term viability in the period of lowest forecast headroom, before and after the application of the mitigating actions detailed above. The reverse stress test indicates that the point at which the Group's viability would be threatened lies materially beyond the impacts modelled in the Group's most severe plausible scenarios. This analysis supports the Directors' conclusion that the Group remains viable over the period of the Viability Statement.

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. Details of the Audit and Risk Committee's activity in relation to the Viability Statement are set out in the Audit and Risk Committee's report on page 109.

This Statement is subject to review by PwC, our External Auditor, as part of their Corporate Governance statement procedures, as set out in their audit report on pages 157 to 162.

Assessment of viability

The Board has assessed the viability of the Company over a seven-year period to March 2033, taking into account the Company's current position and principal risks.

Based on that assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2033.

Going Concern Statement

In preparing the financial statements, the Directors considered the Company'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 Assessment 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 in this section.

The Directors are satisfied that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 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, shareholders, the environment and wider stakeholders.

This section provides insight into how the Company engages with its stakeholders and how their views help inform our priorities and decision-making.

Understanding what matters most to our stakeholders is fundamental to the way the Board discharges its duties. The Board seeks to maintain open and constructive dialogue with key stakeholder groups to ensure their perspectives are properly considered when shaping strategy, assessing risk and making decisions over the long term. Further detail on the Board's approach is set out in our Section 172 Statement ('s.172') on pages 84 to 86. The Statement explains how the Board has had regard to the matters set out in s.172 of the Companies Act 2006 and provides examples of how the Board engaged with stakeholders during the year, with particular emphasis on how stakeholder views have influenced Board discussions and outcomes.

The principles that underpin s.172 are not confined to the boardroom. They are embedded within our culture and reflected in decision-making across the business, supported by the Board setting the right tone from the top.

In line with the requirements of the Companies Act 2006, the information within this section is incorporated by cross reference in the Governance Report on pages 88 to 156. Additional information on our approach to sustainability and stakeholder engagement is also available on the sustainability pages of our website.



Who are our stakeholders?



Our customers

In serving our customers, we want to provide strong service delivery over the long term.



Our colleagues

We strive to maintain an open and constructive relationship with our colleagues, supporting their development and recognising their contribution in ways that encourage them to perform at their best.



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.



Our shareholders and investors

Continued access to capital is vital to the long-term performance of our business. We work to ensure that our shareholders, investors and investment research analysts have a strong understanding of our strategy, performance, ambition and culture. Many of our shareholders are also our customers, colleagues and pensioners.



Our suppliers and contractors

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



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

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, the EA and others. We agree commitments with our regulators and report our performance against these. We work closely with our regulators to shape our industry and to help ensure the right outcomes for customers, communities and the environment.

Stakeholder Engagement continued



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:

- Ongoing tracker survey to monitor customer perceptions, including satisfaction, affordability, trustworthiness, reputation and awareness of our service and communications.
- Six-monthly survey and qualitative research exploring customers' concerns and their priorities for Severn Trent.
- Frequent surveys on a wide variety of topics amongst our online customer research community, TapChat.
- Engagement with CCW's Severn Trent Water Voice panel – monthly surveys and a six-monthly Accountability Session with Severn Trent's senior leaders.

Board engagement

In line with Ofwat's Consumer Involvement Rule, of which the Board receive quarterly updates, the Board maintains a clear line of sight over how customer views and experiences inform decision-making, receiving assurance on the effectiveness of customer engagement and the extent to which customer insights inform strategy and performance. Board members gain additional insight on the customer journey first hand through site visits, which allow them to observe the hard work of our teams in delivering our essential services to customers and our communities. You can read more about site visits undertaken by the Board on page 102.

What mattered most to our customers

- Affordability and value for money.
- Water quality.
- Responsible investment.
- Understanding how Severn Trent spends customers' money.
- Environmental performance, especially river water quality.
- Leakage reduction and resilience of supply.
- Good customer service and operational performance.
- Assistance in times of need and vulnerable circumstances.

How we delivered following engagement feedback

- Strong progress in leakage with an 8% year-on-year reduction to our three-year average, now at our lowest ever level.
- 11.8% of our customers signed up to our Priority Services Register.
- Provided over £127.4 million worth of support to over 332,000 customers through our affordability support schemes this year.

▼ Christine Hodgson gaining insight on the customer journey with the Warwickshire CSO Improvement Team





Our Colleagues

The culture of our organisation is critical to our success. Our colleagues 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 colleagues are fully understood. These include:

- Regular leadership events, attended by all of our leaders and team managers.
- Company, business and local Trade Union forums.
- Open dialogue through face-to-face line manager and departmental meetings.
- Our Company-wide channels, including updates on our intranet 'On Tap', our weekly news roundup 'News Splash', monthly Team Talks and Van Chat, our weekly podcast.
- CEO-led all-people roadshows.

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 2025, our overall engagement score was 8.8 out of a possible 10, maintaining our highest ever score and keeping us in the top 5% of energy and utility businesses globally.

Board engagement

Providing opportunities for our colleagues 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 which meets four times a year, facilitates this in a structured way.

Through the Company Forum, we engage with all levels of employees on ways of working and matters of strategic significance to the Group, ensuring employee views and insights are considered. It is jointly chaired by the Director of Capital and Commercial Services and the Joint Secretary of one of our Trade Unions, Unison. Board members are invited to attend and participate and, over the last 12 months, Christine Hodgson and Sharmila Nebhrajani, as well as former CEO Liv Garfield and current CEO James Jesic, 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 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 Company Forum is further used to explain how Executive Remuneration aligns with wider company pay policies.

Additionally, a 'Meet the Board' lunch in November 2025 provided our colleagues with the opportunity to meet the Board in an informal setting. Moreover, regular updates on Company performance, year-end results and significant change programmes are provided to the Board.

The Board discuss people matters at every 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 Audit and Risk Committee meeting. Talent and succession planning and diversity and inclusion discussions are also held regularly at the Nominations Committee.

What mattered most to our colleagues

- Health, safety and wellbeing.
- Delivering for our customers, communities and the environment.
- A diverse and inclusive workplace.
- Opportunities to reach full potential.
- An 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.
- Achieving 2nd on the Social Mobility Index (top 10 for the last seven years).
- A Glassdoor ranking of 4.5/5.
- Delivered more than 290,000 learning hours through our Academy this year.



▲ Tom Delay with Severn Trent colleagues at the 'Meet the Board' lunch



▲ Van Chat

Stakeholder Engagement continued



Our Communities

We have a unique link to the communities we serve. The vast majority of our colleagues live and work in these communities and are also our customers. 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 building and maintaining constructive relationships with community stakeholders, seeking to understand their perspectives and taking these into account where relevant in Board discussions and decision-making. Through an emphasis on openness and inclusivity, the Board aims to ensure that community views are appropriately heard and considered. Ongoing engagement with our communities helps to strengthen these relationships and supports the Board in making informed decisions that take account of the interests of a broad range of 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 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 undertakes regular engagement with Government officials and elected representatives on water and environment-related issues.

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 c.3,000 attendees.
- Hosted 500 students through a Discovery Day.
- Over 950 hours of employee time volunteered to support schools, reaching nearly 7,000 students.
- Implemented 11,000 enhancements at storm overflows across our region to reduce spills.
- We delivered an uplift of 510 biodiversity units and continued to enhance habitats across our region, including planting or rejuvenating 45 km of hedgerow, planting 10,000 trees and restoring 207 acres of habitat.
- Financial support was given to care leavers through our Big Difference Scheme.
- £1.8 million awarded to 92 organisations through our Community Fund this year.



Shareholders and Investors

It is important that investors have confidence in the organisation and how it is managed. Investors are critical to ensuring that continued investment can be made to deliver improved outcomes for our customers, communities and the environment. Our intention is to drive value for all of our stakeholders, delivering a high-quality, sustainable service both now and over the long term.

Company engagement

During the year, we held around 230 investor meetings and met with 208 existing and potential investors, representing 78.67% of our share register. The meetings focused on the Group's financial performance, our commitment to the environment, our positive outlook on AMP8 and customer affordability.

Investor meetings are primarily attended by our CEO, CFO and Head of Investor Relations, although other Executive Committee members also attend where appropriate. The Chair and individual Directors regularly engage with major shareholders to understand their views on governance and performance against our strategy.

Board engagement

Our AGM gives the Board the opportunity to present to attending shareholders and answer their questions. Board members also participate in investor meetings and presentations and the Board as a whole receives updates on shareholder activity from the CEO and CFO at every meeting. The Chair regularly undertakes engagement with major shareholders to understand their views. The Board regularly receives briefings on market commentary and shareholder analysis. The Board also receives both an annual market update and defence strategy analysis, with support and advice from the Group's external brokers.

What mattered most to our shareholders and investors

- CEO transition.
- Regulatory reform.
- Financial performance and returns.
- Delivery of capital programme.
- Environmental leadership.
- Climate-related risk management.
- Growth and affordability.
- Company culture.

How we delivered following engagement feedback

- Regulatory Return of 17.2%.
- RCV growth.
- Interim Group dividend for 2025/26 of 50.40 pence.
- Final Group dividend for 2025/26 of 75.62 pence.
- All resolutions received over 95% of votes in favour at our 2025 AGM.
- Published our annual Allocation and Impact report alongside our updated Sustainable Finance Framework.



Suppliers and Contractors

Good relationships with our supply chain partners help ensure projects are delivered on time, to a high quality and at efficient costs. Our AMP8 capital programme is the largest in our history, our investment plans therefore require a resilient and engaged supply chain. We take a proactive approach to supplier relationship management, with a dedicated Supplier Relationship Manager overseeing strategic engagement across our supply chain. Fostering strong relationships with our suppliers and contractors ensures alignment with our operational goals and collaboration on long-term value creation.

Company engagement

We maintain an open, ongoing dialogue with our suppliers and contractors through regular formal and informal meetings. Clear governance arrangements for all strategic suppliers, including Executive-level meetings focused on relationship development, support this. We operate Key Performance Measures ('KPMs') across the majority of our supply base to track delivery, safety, quality, sustainability and commercial performance.

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

Our 2025/26 highlights include:

- Achieved a second consecutive CDP (formerly the Carbon Disclosure Project) 'A' for Supplier Engagement, with all key capital partners holding science-based targets.
- Enhanced supplier maturity through EcoVadis, showing a predominantly low-risk supply base.
- Continued collaboration on climate innovation and delivered employability programmes supporting communities at risk of water poverty.

Board engagement

The Board receives updates on suppliers and contractors from the Executive Team. 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 approves our Anti-Slavery and Human Trafficking Statement each year.

What mattered most to our suppliers

- Health and safety and worker welfare.
- 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.
- Net Zero Hub at Strongford.
- Carbon Trust accredited.



Regulators, Government and NGOs

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.

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

- See pages 12 to 13 for our performance during the year.
- 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.



▲ John Whitby MP, visiting Severn Trent's Bakewell Sewage Treatment Works, Derbyshire

Section 172 Statement

Stakeholder engagement is integral to how we shape and deliver our strategy and is essential to the long-term sustainable success of the Company. The Board considers the needs of all stakeholder groups, including our colleagues, customers, suppliers, shareholders, regulators and the communities we serve, along with the long-term implications of every major decision.

Our engagement processes help the Board understand what matters most to our stakeholders. Regular updates from management, employee engagement forums, and customer insight reporting and supplier reviews provide the Board with the necessary information to inform Board discussions and decision-making. The principles of s.172 are embedded across the business and guide decision-making at every level. These principles are reinforced by a clear tone from the top and are incorporated into our governance and risk processes.

All significant Board decisions undergo an s.172 evaluation to assess their long-term implications and their impact on different stakeholder groups. While it is not always possible to deliver positive outcomes for all stakeholders, the Board carefully balances competing priorities and acts in the way it considers most likely to promote the long-term success of the Company.

Further detail on how the Board has had regard to each s.172 matter during 2025/26, including examples of key decisions and related stakeholder considerations, is set out on the following pages.

s.172 factor	Relevant disclosure	Page
The likely consequences of any decision in the long term	Corporate Strategy	2 to 3
	Our Business Model	6 to 7
	Performance Review	12 to 56
	Dividend Policy	154
	Sustainability	30 to 55
The interests of the Company's employees	Corporate Strategy	2 to 3
	Performance Review	12 to 56
	Caring for Our People	19 to 23
	Diversity and Inclusion	20
	Employee Engagement	81
	Whistleblowing	111
	Company Culture	94 to 95
The need to foster business relationships with suppliers, customers and others	Corporate Strategy	2 to 3
	Responsible Payment Practices	21 and 155
	Performance Review	12 to 56
	Modern Slavery	117
	Sustainability	30 to 55
	Our Business Model	6 to 7
	Whistleblowing	111
The impact of the Company's operations on the community and the environment	Corporate Strategy	2 to 3
	Sustainability	30 to 55
	Corporate Sustainability Committee Report	116 to 117
The desirability of the Company maintaining a reputation for high standards of business conduct	Corporate Strategy	2 to 3
	Market Review	4
	Whistleblowing	111
	Internal Controls and Risk Management	64 to 67 and 110 to 111
	Sustainability	30 to 55
The need to act fairly as between members of the Company	Corporate Strategy	2 to 3
	Stakeholder Engagement	79 to 83
	Annual General Meeting	97
	Dividend Policy	154
	Sustainability	30 to 55

Principal Decisions in 2025/26

Our approach, below, sets out how the Board is supported in carefully considering all the relevant factors in selecting the best course of action to ensure the long-term success of the Company:

Board information

- Leadership and management receive training on Directors' duties to ensure awareness of the Board's responsibilities.
- Stakeholder engagement activities are recorded and detail included in Board papers where applicable.
- Board papers requiring approval include a table setting out s.172 factors, including customer and community implications, and relevant information relating to them where applicable.



Board strategic discussion

- The Group's culture ensures that there is proper consideration of the potential impacts of decisions on stakeholders, both now and over time.
- The Board receives independent third party assurance on the quality of information presented and receives assurance from management where appropriate.
- s.172 factors are considered in the Board's discussions on strategy, including how they underpin long-term value creation and the implications for business resilience.
- The Chair ensures decision-making is sufficiently informed by s.172 factors and wider considerations.



Board decision

- Follow-up actions with Board oversight, as required.
- Engagement and dialogue with stakeholders, as required.

How the Board engages with our stakeholders



Our customers

- Service delivery for customers is discussed at every Board meeting.
- Customer perceptions of value for money are reported to our Corporate Sustainability Committee.
- Customer-shareholders engage with the Board and submit questions in advance of, or in person at, our AGM.
- Customer views are shared with the Board through updates on C-MeX and Licence Condition G relating to vulnerable customers.



Our colleagues

- Members of the Board 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 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 and Nominations Committee meetings.
- Employee-shareholders have the opportunity to meet the Board and submit questions at the AGM.



Our communities

- Members of the Board attend community events to engage with the communities we serve.
- Employees who live and work in our communities meet the Board at the Company Forum, AGM and through Board site visits.
- Community engagement is recognised by the Board as fundamental to maintaining trust, particularly in areas affected by significant investment and infrastructure activity.



Shareholders and investors

- The Chair hosts governance roadshows annually to meet with investors, hear views and answer questions, as well as receiving feedback.
- The Chair, Senior Independent Director, CEO, CFO and certain Non-Executive Directors attend investor meetings and feedback is reported to the Board.
- Regular meetings take place between the Investor Relations Team and the Chair to discuss feedback from investors.
- The Head of Investor Relations gives an update to the Board on a regular basis through the Board CFO Report, and the Investor Relations Strategy is discussed by the Board annually.



Suppliers and contractors

- The Board receives updates on the Group's capital programme at every meeting. Updates include engagement activity with the supply chain.
- Commercial performance is discussed at every Board meeting, including an update on our relationships with suppliers, as appropriate.
- Our Corporate Sustainability Committee regularly monitors progress on sustainability in our supply chain.
- The Board approves annually the Group's Anti-Slavery and Human Trafficking Statement.



Regulators and Government

- Regulatory matters are considered by the Board, including business plans, the WRMP and Scheme of Wholesale Charges.
- To deepen Board-level understanding of our regulators, our Chair and Non-Executive Directors meet with regulators including Ofwat, the EA and DWI.
- Regulatory consultation updates are considered by the Board and Board Committees as appropriate.

Section 172 Statement continued

Affordability and Vulnerability Support

Context

Supporting customers who are struggling with the cost of essential services remains a central element of our purpose and long-term strategy. In May 2025, the Board undertook a dedicated deep dive into affordability and vulnerability, recognising the increasing pressures on household finances and the need to ensure that help is accessible, fair and effective.

The discussion formed a core part of the Board's oversight of our wider £575 million AMP8 affordability package, including the ambition to support around one in six households across our region.

The Board reviewed the effectiveness of existing schemes, the evolving needs of vulnerable customers and the enablers required to strengthen support through to 2030.

Insights from these discussions, alongside customer research and engagement feedback from the CCW and other partners, informed the Board's decisions on how to evolve our strategy.

Outcomes and impact on long-term sustainable success

The Board's review strengthened the Company's approach to affordability and vulnerability for AMP8 and reinforced its commitment to support households most in need. Key outcomes included:

- confirming the scale and scope of the £575 million support package, enabling nearly 700,000 households to benefit by 2030;
- enhancing the role of data, partnerships and proactive outreach to support customers earlier;
- increasing focus on targeted support for priority groups, including those with additional needs, via the Priority Services Register ('PSR'); and
- maintaining a clear link between affordability support and long-term trust, customer outcomes and community wellbeing.

Through this work, the Board reaffirmed its commitment to ensuring that affordability and vulnerability support remains at the heart of Severn Trent's social purpose, helping customers through financial difficulty today while supporting resilient communities for the future.

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

Customers and Communities

The Board placed significant emphasis on the needs of customers experiencing financial vulnerability and the long-term social impact of affordability interventions. The deep dive highlighted the increased demand for support and the importance of ensuring that no customer fears their bill.

The Board reviewed performance against existing initiatives, including the Big Difference Scheme, payment matching, water efficiency support and tailored repayment plans. Consideration was given to how improvements in early identification, outreach and data-driven triage could enhance the reach and impact of support.

Colleague insights and customer feedback reinforced the value of clear communication, simple application processes and proactive engagement. The Board also acknowledged the critical importance of widening access to the PSR, particularly for customers with additional needs during incidents.

Regulators

Affordability remains a central priority for both Ofwat and CCW, and the Board considered the expectations set out in Licence Condition G (our customer-focused licence condition), alongside CCW commentary and emerging regulatory guidance. In 2025, the Board also engaged directly with CCW's Chief Executive, who was invited to a Board meeting and whose insights into customer needs and expectations informed and enriched the discussion.

The Board acknowledged the regulatory emphasis on fairness, transparency and the evidence-based targeting of support. These principles helped shape the Board's view on how future measures should be designed, monitored and reported to stakeholders.

Shareholders and Investors

The Board noted that long-term trust and stable investor confidence are influenced by how companies respond to affordability challenges. A sustainable and well-managed affordability strategy supports good regulatory relationships and helps secure the social licence needed to deliver record levels of investment.

The Board assessed the financial implications of expanding support and the balance between affordability interventions and delivering AMP8 commitments, ensuring the approach remained responsible, transparent and aligned with investor expectations.

Colleagues

The Board considered the experience of colleagues delivering support to customers at the front line. Feedback emphasised the importance of giving colleagues the tools, training and support to provide empathetic, tailored assistance.

The Board also recognised that many of our colleagues are themselves customers and therefore bring valuable personal insight into the everyday challenges households across our region face. This dual perspective strengthens the quality and sensitivity of the support provided and reinforces the importance of ensuring policies remain fair, accessible and grounded in real customer experience.

The Board further acknowledged the role of colleagues across customer service, operational teams and community outreach in identifying vulnerability early and helping customers access the right support.



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 414CA and 414CB of the Companies Act 2006. 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 79 to 83 s.172 Statement, pages 84 to 86 Board Activities, pages 101 to 102
Climate and environment - Delivering net zero - Managing risks and opportunities - Carbon performance, metrics and targets - Climate-related financial disclosures - Managing impacts on the natural environment and biodiversity	Group Environment Policy	TCFD and TNFD disclosures and Net Zero Transition Plan, pages 30 to 52 EU Taxonomy, pages 53 to 55 Corporate Sustainability Committee Report, pages 116 to 117 Stakeholder Engagement, pages 79 to 83 s.172 Statement, pages 84 to 86
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 Group Human Resources Policy	Caring for People in our Region, pages 19 to 23 Stakeholder Engagement, pages 79 to 83 Gender and Ethnicity Pay Gap, pages 20 and 134 Our Culture, pages 94 to 95 Governance Report, pages 88 to 156 Audit and Risk Committee Report, pages 108 to 113 Directors' Remuneration Report, pages 118 to 145
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 88 to 156 Corporate Sustainability Committee Report, pages 116 to 117
Human rights, anti-corruption and anti-bribery The Group operates a zero-tolerance approach to human rights abuses, bribery and corruption, with key risks arising managed through its Financial Crime and Anti-Bribery Policy framework, due diligence and controls, training and Speak-Up procedures, with further detail available on the Group's website as supplementary information.	Group Financial Crime, Anti-Bribery and Anti-Corruption Policy Group Conflicts of Interest Policy Group Security Policy Group Competition and Competitive Information Policy	Governance Report, pages 88 to 156 Audit and Risk Committee Report, pages 108 to 113 Anti-Slavery and Human Trafficking, page 117
Description of Principal Risks and impact of business activity		Managing Risks and Opportunities, pages 64 to 67 Our Principal Risks, pages 68 to 73 Our Emerging Risks, pages 66 Our Business Model, pages 6 to 7
Description of the Business Model		Our Business Model, pages 6 to 7
Non-Financial Key Performance Indicators		Strategic Report, pages 1 to 87 Key Performance Indicators, pages 12 to 13
Governance		S.172 Statement, pages 84 to 86 Sustainability Governance, page 33 and pages 116 to 117

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.



Didar Dhillon

Group General Counsel and Group Company Secretary

19 May 2026

GOVERNANCE OVERVIEW

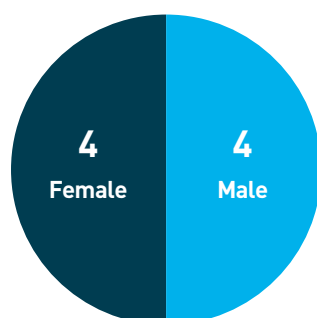
The purpose of this report is to demonstrate the Board's approach to corporate governance, which is underpinned by reporting against the 2024 UK Corporate Governance Code (the 'Code'). It provides an overview of the work of the Board and its Committees across the year.

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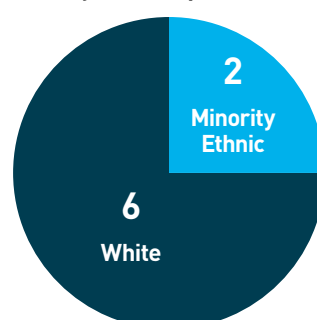
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Board Composition

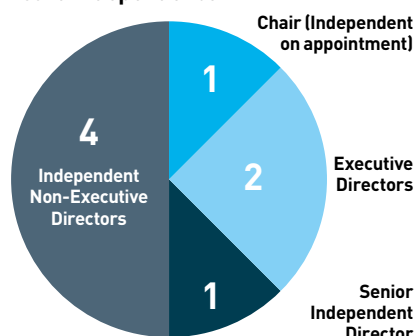
Gender representation



Minority ethnic representation



Board Independence



Board Skills

Accounting	●●●●●●●●
Brands	●●●●●●●●
Commercial procurement	●●●●●●●●
Construction/Infrastructure delivery	●●●●●●●●
Corporate Finance/Treasury	●●●●●●●●
Customer	●●●●●●●●
Large capital programmes	●●●●●●●●
M&A	●●●●●●●●
People management	●●●●●●●●
Political affairs	●●●●●●●●
Regulation	●●●●●●●●
Science and engineering	●●●●●●●●
Societal	●●●●●●●●
Strategy	●●●●●●●●
Sustainability, including climate change	●●●●●●●●
Technology/Innovation/Cyber	●●●●●●●●
Utility sector	●●●●●●●●

Chair and Non-Executive Director tenure

Christine Hodgson	6 years
Sharmila Nebhrajani	6 years
Tom Delay	4 years
Sarah Legg	3 years
Richard Taylor	2 years
Nick Hampton	1 year

* All data on this page is as at 19 May 2026.

Compliance with the 2024 UK Corporate Governance Code

The Group's long-term sustainable success is contingent on our commitment to the highest standards of corporate governance, and the Board continues to be guided in its approach through the application of the Code.

We believe good corporate governance is about effective oversight, including how we instil confidence in our stakeholders, both in how we perform and in how we report on that performance. The Board confirms that throughout the financial year ended 31 March 2026, the Company has applied the Principles and has complied with all relevant Provisions of the Code, as issued by the Financial Reporting Council ('FRC'). A full copy of the Code is available at www.frc.org.uk. The Board considers that the Company's governance arrangements are appropriate for its size, complexity and strategy, and that they support the long-term sustainable success of the Company.

The requirements under Provision 29 take effect from 1 April 2026. This means the Board will provide its first declaration on the effectiveness of material controls in our 2026/27 Annual Report and Accounts. The Board has received regular updates on the Company's readiness for the new requirements under Provision 29, including the internal controls assurance work underway to support the future declaration. The Company is well positioned for these requirements, reflecting the maturity of its existing internal control and assurance arrangements that have been previously established to meet its regulatory licence-to-operate obligations.

The Audit and Risk Committee remains dedicated to open and transparent reporting, and this page sets out where shareholders can evaluate how the Company has applied the Principles of the Code and where content can be found in this Annual Report.

Board Leadership and Company Purpose



Board site visit to Witches Oak Water Treatment Works, April 2026

- The role of the Board is set out in the Governance Report on pages 100 to 102.
- The Chair's Introduction to Governance can be found on pages 92 to 93.
- How the Board engages with stakeholders is detailed on pages 79 to 83 and 85.
- The Board's Section 172 Statement is included on pages 84 to 86.
- An overview of our purpose and values, including how these were established, is set out on pages 6 and 96 to 97.
- How the Board oversees the Company's strategy is detailed on pages 14 to 29.
- A list of our Group policies and practices can be found on page 87.
- How we assess risk and our Viability Statement is set out on pages 64 to 78.
- Our strategy, including performance against our ODIs and KPIs, can be found on pages 12 to 13 and 14 to 29.

Division of Responsibilities

- ▶ The Governance Framework set out on page 90 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 100.
- ▶ The division of responsibilities between the Chair, Chief Executive Officer and Senior Independent Director ('SID') is clearly defined on page 100 and set out in writing within our Charter of Expectations, which is available on our website.

Composition, Succession and Evaluation

- ▶ Details about the composition of the Board, along with individual Board members' biographies and tenure, are on pages 98 to 99.
- ▶ The outputs of this year's internal Board Performance Review are set out on pages 103 to 104.
- ▶ The Nominations Committee Report is on pages 105 to 107 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 64 to 73.
- ▶ Our climate and nature-related financial disclosures are set out on pages 30 to 41.
- ▶ The Audit and Risk Committee Report, set out on pages 108 to 113, 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, which includes the proposed updates to the Directors' Remuneration Policy, can be found on pages 118 to 145.

Governance Framework

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



Performance in the Round – Dividend 2025/26

The Board undertook a structured assessment of Severn Trent's performance in the round as part of its consideration of whether it was appropriate for the Company to pay a dividend in respect of the financial year without compromising its ability to deliver on customer, environmental and regulatory obligations. This assessment was undertaken alongside the Board's wider responsibilities for ensuring long-term success, financial resilience and the sustainable delivery of the regulated business.

How the Board approached its consideration

The Board focused on demonstrating that any dividend payment was justified and reflected strong operational performance for customers and the environment, did not compromise Severn Trent's ability to meet its statutory and regulatory obligations, and supported the Company's long-term stakeholder outcomes.

In reaching its determination, the Board considered performance across all key areas of delivery, covering customers, environmental performance and river health, operational delivery, people and communities, and financial resilience.

Board assessment of performance

Following this assessment, the Board concluded that Severn Trent delivered strong overall performance during the year, particularly when considered over time and in the context of demanding operating conditions, including periods of extreme drought conditions and exceptional rainfall, and heightened regulatory scrutiny.

The Board also considered areas where performance did not yet meet its ambition and confirmed that these were actively addressed as part of its overall assessment.

Financial resilience and dividend judgment

The Board assessed the proposed dividend in the context of the Company's financial performance, distributable reserves and balance sheet resilience. It concluded that the dividend:

- was fully supported by distributable reserves;
- did not impact regulated gearing, which remained below the levels required to maintain strong credit ratings;
- did not compromise covenant compliance, liquidity or the ability to finance future investment; and
- remained consistent with the assumptions underpinning the PR24 Business Plan.

The Board further noted that the dividend reflected performance delivered, rather than short-term financing effects, and preserved long-term financial resilience and was considered affordable, responsibly financed, and consistent with long-term financial resilience.

Regulatory standing and stakeholder relationships

The Company's regulatory and reputational position was assessed as very strong. Ofwat has awarded Severn Trent's PR24 Business Plan an 'Outstanding' rating, and the Company continues to sit in the top category for financial resilience. Severn Trent is one of only two companies to have achieved net ODI outperformance in every year of the 2020-25 AMP period, with cumulative outperformance of £434 million (pre-tax), and is expected to deliver the highest positive ODI outperformance in the first year of AMP8 at £54.48 million in 2022/23 prices. Constructive engagement with Ofwat, Defra, the Environment Agency and other stakeholders continues, with regular senior-level interactions and strong shareholder engagement supporting confidence in governance and performance.



In forming this judgment:

- **Supporting customers** in need was assessed as strong by the Board in several key areas. During the year, 36,000 customers were enrolled on the Company's Big Difference Scheme, an increase of 11,000 on the previous year, delivering over £6 million in bill savings, supported by £25 million of shareholder-funded assistance. In addition, 153,000 customers were proactively moved to metered billing where this resulted in financial benefit, generating average annual savings of £255 per customer. While household customer experience remains an area for improvement, the Board noted clear quarter-on-quarter improvement and was satisfied that credible, funded plans are in place to accelerate progress. This includes commitments to invest approximately £5 million in contact centre capacity and wider service improvements to help deliver better outcomes for customers. Performance in Developer Services continued to be sector leading, while outcomes for business customers have also improved significantly over the year, supported by enhanced data quality and service levels.
- **Environmental performance and river health** demonstrated sustained, industry-leading delivery over multiple years. The Board noted that Severn Trent was on track to achieve an unprecedented seventh consecutive years of an EPA 4* rating from the EA, an outcome the Board regarded as significant given the increasingly challenging environmental targets. The Board also recognised the significant investment and reduction in storm overflow spills, with a 41% year-on-year reduction, and continued reductions in the Company's operational contribution to RNAGS and improvements in river health, with CSOs down to an average of 15 spills this year from 25.4 spills last year. We remain on-track to be responsible for less than 2% RNAGS by 2030.
- **Operational delivery** experienced a strong start to AMP8. 78% of performance commitments that mean the most to customers were forecast to be delivered, with particular strengths in leakage reduction, reductions in sewer floodings and improved biodiversity outcomes. Leakage performance remains sector-leading, representing the lowest level of leakage ever achieved and the eighth consecutive year of meeting targets. Internal sewer flooding is forecast at a best-ever performance, while external sewer flooding continues to improve year on year. Forecast ODI performance and PCD rewards were regarded by the Board as evidence of effective execution, operational capability and disciplined risk management.
- **People and communities** remained a central consideration. The Board noted continued focus on workforce safety, investment in future skills through expanded graduate and apprenticeship programmes, and meaningful community impact, including the award of nearly £1.75 million across 92 organisations, supporting nearly 630,000 people through the Community Fund during the year. The Company's wider Social Impact Strategy has supported 39,000 people at risk of water poverty to date and has received external recognition for socially inclusive recruitment and accountability practices.

Board determination

Taking performance, resilience and future obligations together, the Board concluded that Severn Trent has demonstrated strong and improving delivery for customers and the environment, robust operational and financial performance, and effective management of risks.

Following its assessment, and in accordance with the Company's formal Dividend Policy, the Board concluded that the proposed Group dividend would not adversely affect the financial health of the Company. The decision was underpinned by strong

performance in the round and over time, and the Board was satisfied that the payment of a dividend for the year was responsible, balanced and consistent with its duties to customers, the environment and shareholders.

Further detail on the Board's approach to performance in the round for remuneration purposes is set out in the Remuneration Report from page 118.

Further detail specifically on Severn Trent Water's performance and dividends is set out in the Severn Trent Water Annual Report and Annual Performance Report.

Chair's Introduction to Governance

Christine Hodgson
Chair, Severn Trent Plc



Governance Highlights

CEO succession:

James Jesic appointed January 2026

Board independence retained at:

75%

Gender representation:

50%

Female

50%

Men

Stakeholder engagement:

4

customer forums

2

site visit

230

investor meetings

Dear Shareholders

I am pleased to introduce our Governance Report for 2025/26, on behalf of your Board. This has been a year of significant leadership transition, heightened public and regulatory scrutiny, and continued focus on strengthening the frameworks and behaviours that underpin effective governance and long-term trust. Throughout the year, the Board has remained focused on maintaining robust oversight, supporting the Executive through change, and upholding the highest standards of transparency, accountability and corporate governance in the interests of our customers, stakeholders and the communities we serve.

Strengthening Board Leadership & Seamless CEO Succession

Effective succession planning is a core element of the Board's governance framework and has continued to be an area of focus during the year. Following a structured process overseen by the Nominations Committee, James Jesic was appointed Chief Executive Officer with effect from 1 January 2026. The transition was managed to ensure continuity of leadership and strategic clarity, supported by a phased handover from Liv Garfield. The Board is grateful for Liv's leadership and for her support in enabling a smooth and orderly transition. The Board remains focused on maintaining the appropriate balance of skills, experience and independence to support effective oversight and the delivery of its strategic priorities through AMP8 and beyond.

Remuneration Policy Engagement

During the year, we also undertook a comprehensive review of our Directors' Remuneration Policy to ensure it remains aligned with the scale, complexity and ambition of AMP8, and continues to support sustainable long-term performance. These updates are being made to ensure the Policy can support our AMP8 ambitions through a rebalanced focus on long-term incentives, together with market benchmarked packages, that enable us to attract and retain the calibre of leadership required for the years ahead. As part of this, the Remuneration Committee is proposing measured enhancements to strengthen the link between reward, delivery and long-term value creation, including an increased emphasis on long-term incentives and strengthened shareholding requirements for Executive Directors.

We have engaged extensively with our major shareholders and proxy advisers throughout the review, and I am grateful for the constructive and transparent dialogue that has helped to shape our final proposals. We will be putting the updated Policy forward for shareholder approval at this year's Annual General Meeting. Further detail on the proposed changes, the engagement undertaken and our wider approach to remuneration can be found in the Directors' Remuneration Report on pages 118 to 145.

Maintaining Trust Through Strong Stakeholder Governance

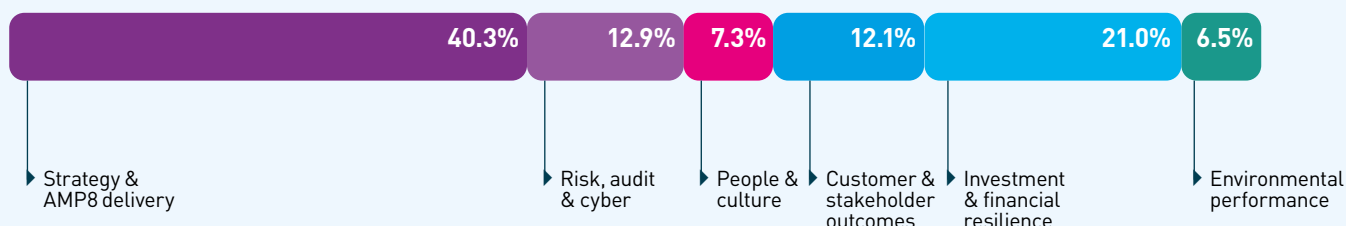
The Board continued to shape and monitor the culture of the organisation through regular engagement with colleagues, site visits and feedback from our workforce engagement forums. These insights remain invaluable in ensuring our culture continues to support both our AMP8 commitments and our long-term purpose.

Rebuilding and strengthening public trust across the water sector remains a central priority for the Board. We have continued to invest significant time in engaging with customers, regulators, investors, colleagues, community organisations, MPs and local councils and environmental groups. This includes customer engagement forums, regulatory dialogue, colleague forums and deep-dive sessions on environmental performance, cyber resilience and data quality. Further information is available within the Board's activities disclosure on page 101.

We know that maintaining trust requires more than just listening; it requires clear actions and openness about where we must improve. This year's performance included areas of strong delivery but also challenges such as two serious pollution incidents¹. Both incidents were unforeseen and the Board closely oversaw management's response to the incidents and lessons-learned, reinforcing our commitment to transparency and remediation.

¹ We are currently undergoing an appeal process in relation to a third serious pollution.

How the Board spent its time in 2025/26



Cyber Security, Data Integrity & Operational Resilience

With cyber threats intensifying across all regulated sectors, and a number of high-profile breaches across the retail and manufacturing sectors, the Board reinforced its oversight of cyber resilience this year. We held a dedicated cyber readiness deep-dive session covering detection capabilities, incident response, supply chain dependencies and data governance. Reflecting the Board's view that cyber risk should be managed on a 'when' not 'if' basis, management has been tasked with developing and rigorously testing detailed business continuity and response plans. Such plans must focus on building operational resilience, ensuring the business can continue to deliver its core services under a range of adverse scenarios. This includes strengthening processes, governance and capabilities so that critical activities can be sustained, even in the face of significant disruption.

During the year, the Board took part in a live cyber incident simulation, which you can read more about below.

Board Activities & Governance Focus Areas in 2025/26

Across the year, the Board and its Committees focused on a broad programme of work including leadership transition, AMP8 delivery, customer outcomes, risk management, environment, culture and workforce engagement, financial resilience and Provision 29 preparedness.

The Board also completed its annual performance review, which reaffirmed that we continue to operate effectively, with strong collaboration, open dialogue and constructive challenge, supported by high-quality information and engagement with management and stakeholders. The review highlighted the Board's strong strategic focus, values-led culture and effective Committee oversight. A small number of enhancements were identified, including continued focus on the agenda and Board reporting, and we are already taking these actions forward as part of our commitment to continuous improvement.

Looking Ahead

The year ahead will be pivotal as we continue to deliver on our AMP8 commitments, strengthen performance in priority areas, embed our leadership transition and respond to evolving regulatory expectations.

The Board remains fully committed to supporting management while providing rigorous oversight, ensuring Severn Trent remains a company trusted to deliver for its customers, communities, environment and shareholders.

Christine Hodgson, CBE
Chair, Severn Trent Plc



Strengthening Board Cyber Resilience

As part of our continued focus on operational resilience, the Board participated in a live cyber incident simulation during the year. This exercise replicated the pressure, pace and uncertainty of a real cyber attack, enabling Board members to test decision-making, escalation routes, crisis communication and regulatory reporting in a realistic environment.

The session was exceptionally valuable, strengthening our understanding of the evolving threat landscape and reinforcing the importance of robust governance, clear lines of accountability and rapid, coordinated action. The Board demonstrated strong engagement throughout and has since enhanced its oversight through more frequent reporting and deeper scrutiny of cyber resilience plans.

This exercise has only sharpened our focus to ensure we remain prepared, informed and confident in our ability to protect the essential public services our customers rely on every day.

Our Culture



Why culture matters to the Board

Our culture is one of Severn Trent's greatest strengths and continues to be a powerful differentiator at a time of heightened scrutiny across the water sector. Shaped over many years, it is defined by service, integrity, delivery and deep regional pride and has again underpinned our progress in 2025/26.

It is also a culture that drives consistent outperformance, with colleagues embracing high standards of operational excellence, environmental stewardship and customer care. This is reflected in our sector-leading ODI performance, continued strong environmental ratings and the momentum behind our record investment programme.

Our culture underpins how we think, act and make decisions across the Group, supporting sound judgement, responsible leadership and the delivery of high-quality services. Guided by Doing the Right Thing, it is reinforced through robust performance management, open feedback, and an emphasis on learning when things go wrong.

The Board sets clear expectations and leads by example, upholding the same standards expected of colleagues across the Group. To reinforce this alignment, all Directors complete a suite of mandatory training covering topics including Anti Bribery, Corporate Corruption and Fraud, Cyber Security, Doing the Right Thing, GDPR, Market Abuse and Modern Slavery. Completing this shared training framework ensures that Directors operate to the same cultural expectations and behavioural standards as colleagues. Our culture continues to be a lens through which the Board assesses organisational performance, capability and future resilience.

How the Board assesses and assures cultural alignment with purpose, values and strategy

The Board draws on structured insight and direct engagement to assess whether our culture aligns with our purpose and values and is consistently demonstrated across the business. Insight gathered through site visits, Meet Our Board sessions and the Company Forum provides a candid view of how colleagues experience openness, leadership visibility and safety in their day-to-day roles.

This is complemented by certain indicators, including colleague survey results, Speak Up themes, safety performance, wellbeing data and customer feedback. Together, these sources give the Board visibility of behaviours in practice and highlight areas where action may be required.

The Board also considers leadership and succession decisions as an important indicator of cultural alignment. The appointment of James Jesic as our new CEO demonstrates the strength of our internal talent pipeline and the resilience of our culture. With more than 20 years experience in operational and customer-facing roles, this appointment reinforces our focus in developing leaders who understand our regions, live our values and embody our cultural DNA.

This continuity reinforces cultural alignment, ensuring stability, ambition and a shared sense of responsibility for delivering AMP8 with pace and integrity.

How the Board accesses employee voice

The Board has considered the Code's three recommended workforce engagement mechanisms and continues to believe that Severn Trent's multi-channel colleague engagement method provides an effective and representative workforce view. The Corporate Sustainability Committee and the Board receive regular reports on colleague views, cultural indicators and workforce trends.

Whilst we do not operate a single designated workforce engagement Non-Executive Director, our collective model offers deeper and more frequent opportunities for engagement across a broad cross-section of the workforce. The Board keeps this approach to engagement under review and will continue to assess its effectiveness annually.

Company Forum

Severn Trent's chosen workforce engagement mechanism is the Company Forum, an established structure that brings together colleagues and Trade Union representatives together with members of the Board and the Executive Committee. This mechanism enables regular, structured dialogue and ensures that the workforce voice informs the Board's understanding of culture, strategic execution and the realities of day-to-day operations.

Non-Executive and Executive Directors attend sessions on a rotational basis, giving the attending Director direct exposure to workforce views and enabling employees to hear first-hand about the issues the Board is discussing, including strategic priorities, performance, and emerging risks. The Company Forum agenda is deliberately broad ranging from

customer service and operational performance to wellbeing, safety, technology adoption and cultural themes, allowing our Directors to gain deeper insight into how strategy is being delivered across various functions, teams and locations.

The Company Forum plays a critical role in helping the Board understand the lived experience of colleagues across a diverse range of roles, seniority levels, and demographic backgrounds. Following each meeting, the attending Directors provide a formal report to the Board summarising the insights, themes raised, and any emerging issues requiring consideration. This allows the Board to ensure workforce perspectives are meaningfully incorporated into Board-level discussions.

Across this year's sessions, key themes have included operational learning maturity, personal safety and wellbeing, customer impact, early career development and local leadership presence. The Board also observed shifts compared with the prior year, with discussions becoming more learning and delivery-focused, technology conversations moving towards stabilisation, behavioural change and operational readiness, wellbeing themes broadening to personal security and preventative support, and early career pathways becoming more evidence-based with measurable outcomes.

Read more in our Stakeholder Engagement section from page 79.

To build a rounded view of colleague experience and how culture is embedded across the Group, the Board draws on a range of complementary insight sources. Together, these insights inform the Board's assessment of how culture is embedded across the Group and ensure that any areas requiring focus or assurance are identified and acted upon.



Direct engagement:

Our 'Meet Our Board' events, site visits and operational deep dives, give Directors first hand exposure to colleague perspectives and workplace culture in practice.



Employee voice and engagement:

Insights are provided from the annual employee engagement survey, pulse surveys and feedback gathered through listening channels, including workforce comments raised during engagement events and the Company Forum.



Workforce policies and practices:

Regular reporting on people policies, wellbeing, leadership, development, and Speak Up themes, enable the Board to understand how consistently our purpose, values and expected behaviours are reflected across the Group.



Culture in Action

Developing our culture and capability through early career pathways

Our early career pathways strengthen our culture by widening access, removing barriers and supporting people to thrive from day one. Across apprenticeships, graduate roles and social recruitment programmes, we focus on values-based potential rather than background, building confidence, belonging and work readiness in young people.

With high completion rates and strong transitions into roles, these pathways are helping us grow the capability we need for the future, embedding our culture early, broadening our talent pipeline and supporting long-term workforce resilience.

Early careers to professional – strengthening pipeline, culture and retention

Individuals on early career pathways benefit from values-based recruitment, inclusive support and clear development pathways that help them transition successfully into professional roles. By combining mentoring, skills building and real-world experience, these early career programmes demonstrate how our culture is lived in practice and how we build capability for the long term.

Journey snapshot

- 18-24 months structured learning plus a six-month transition.
- Values-based entry routes with widened accessibility.
- Strong progression into permanent roles and broadening of future skills.
- High completion rates and positive colleague experience reinforce our culture.

How this reflects our culture

- Creates belonging and psychological safety from day one.
- Provides leadership visibility and two-way challenge.
- Strengthens colleague voice through early exposure to forums and networks.
- Embeds safety, integrity and collaboration through everyday experience.

Our culture remains aligned with our purpose and values and continues to support long-term sustainable success. Ongoing focus areas include colleague voice, leadership visibility and capability building to ensure our culture remains embedded and future ready.

Board Leadership and Company Purpose

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 on pages 98 to 99. Further detail on the role of the Chair and members of the Board can be found on pages 100 to 101.

The Board believes that its current composition provides an effective balance of experience, independence and sector-relevant skills to support delivery of the Group's strategy and regulatory commitments.

An effective Board

An effective Board not only requires the right mix of skills and experience, but also a diversity of perspectives and thinking styles shaped by Directors' varied backgrounds. As outlined in their biographies on pages 98 to 99, our Board brings together a broad and complementary range of capabilities, forming a balanced and effective leadership team focused on the long-term sustainable success of the Group.

The skills matrix on page 88 highlights the key areas of expertise that the Board has identified as particularly valuable for the effective oversight of the Company and execution of our strategy. The matrix sets out the specific skills that directors bring to the boardroom, ensuring we maintain a broad set of skills, strong strategic challenge and robust governance. The skills matrix is reviewed at least annually to ensure continuing alignment with the evolving needs of our business, both today and in the future. It is aligned with our strategic priorities, to ensure the Board remains fully equipped to oversee the delivery of our strategy and purpose, while providing constructive, high-quality challenge to our experienced Executive Committee.

The Board provides strong leadership and direction, ensuring that the Company's purpose, values and culture remain aligned with its long-term strategy. Directors have focused on the areas most critical to sustainable success, including AMP8 delivery, environmental performance, customer outcomes, resilience and affordability. This work is supported by comprehensive reporting and regular engagement across the business and with external stakeholders, giving Directors deep insight into operational realities and stakeholder expectations.

The Board's effectiveness is reinforced through continuous review and a commitment to high-quality governance. Together, these elements ensure decisions are made with independence, clarity and a long-term perspective, supporting value creation for customers, communities and shareholders.

► More detail on this year's performance review can be found on page 103.

Board composition

The Chair, SID and Non-Executive Directors are appointed for three-year terms, with each Director standing for annual re-election by shareholders following the outcomes of the Board performance review. Directors' Letters of Appointment are available on the Severn Trent Plc website.

The Nominations Committee regularly reviews the Board's composition and effectiveness, considering the balance of skills, tenure, experience and independence, in line with the Board Diversity Policy. New Board appointments follow a formal, rigorous and transparent process led by the Nominations Committee, although all appointment decisions remain reserved to the Board.

► Further detail on the Committee's work appears on pages 105 to 107.

The Board recognises that diversity of background, experience and perspective enhances decision-making and long-term performance. In the latest FTSE Women Leaders Review, Severn Trent ranked 4th for female representation at Board level, reflecting our ongoing commitment to diversity and inclusion. Progress also continues on ethnic diversity, consistent with the Parker Review expectations, ensuring the Board reflects the communities we serve.

These outcomes underscore our commitment to fostering an inclusive environment where diverse thinking strengthens Board discussions and decisions.

► Performance against our Board Diversity Policy and related targets is set out in the Nominations Committee Report on pages 105 to 107.

Board leadership and long-term success

The Board is responsible for safeguarding the long-term success of Severn Trent by providing clear strategic leadership and ensuring our objectives remain firmly aligned with the Company's purpose and values. We have a strong and highly capable Board whose breadth of professional backgrounds, sector knowledge and technical expertise positions Severn Trent to deliver on the scale and ambition of AMP8. Directors bring deep knowledge and experience across regulated utilities, sustainability, finance, large scale capital delivery, technology and operational transformation, equipping the Board to oversee the record levels of investment and rapid execution required over this AMP.

Upholding the highest standards of governance is central to the Board's role. Throughout the year, the Board provided effective oversight of performance, financial resilience, risk management and stakeholder engagement, supporting decision-making that prioritises long-term value for customers, communities, employees and shareholders. The diversity of skills and perspectives across the Board enables robust, balanced and well informed discussions characterised by constructive challenge and independent judgment.

During the year we delivered smooth transitions into key leadership roles, including the appointment of our new Senior Independent Non-Executive Director, Nick Hampton, in April 2025 and the transition to James Jesic as Chief Executive Officer on 1 January 2026. Both appointments reflect the Board's focus on leadership continuity, with their extensive operational and customer experience supporting the next phase of our AMP8 delivery.

Development, training and resources

In line with the Code, the Board ensures all Directors maintain the necessary skills and knowledge to discharge their responsibilities effectively. Ongoing development is tailored to the evolving external environment and the needs of the business.

The Board regularly reviews training priorities with the Group Company Secretary, drawing on professional advisers and subject matter experts for targeted updates. These sessions cover a broad range of strategic, operational and regulatory topics and support informed decision-making.

During the year, the Board participated in a number of deep dive sessions, including on:

- delivery plans for AMP8;
- environmental performance;
- customer affordability and vulnerability;
- exceptional weather preparedness;
- innovation and AI; and
- diversity and inclusion.

Directors also have access to an up to date online resource library containing governance materials, Investor Relations and regulatory briefings, and further reading on legislative developments and best practice.

Board induction

A structured and tailored induction programme is provided for each new Non-Executive Director. This includes meetings with the Chair, fellow Non-Executive Directors, the Chief Executive, Chief Financial Officer, Group General Counsel and Company Secretary, and members of the Executive Committee and Senior Management. New Directors undertake site visits across water and wastewater operations and capital projects, gaining insight into the Group's activities, strategy, culture and regulatory framework.

Directors also receive briefings on their statutory duties and on the expectations of Ofwat for Directors of regulated water companies. In line with regulatory expectations, prospective Directors also meet with Ofwat prior to formal appointment. Feedback from new Directors and findings from the Board performance review inform enhancements to the induction process, with induction materials available to all Directors through a dedicated online manual.

Feedback continues to indicate that the induction programme provides an effective foundation for new Directors to contribute quickly and confidently.

Board independence

The Board ensures strong independent oversight, with Non-Executive Directors providing challenge and holding the Executive Team to account. The Chair meets Non-Executive Directors privately to support open discussion, and all Directors have access to the Group General Counsel and Company Secretary and independent advice when needed.

The independence of our Non-Executive Directors is assessed annually by the Nominations Committee and as part of the Board performance review. The Nominations Committee and Board consider that there are no business or other circumstances that are likely to affect the independence of any Non-Executive Director and that all Non-Executive Directors continue to demonstrate independence.

► **Read more in the Nominations Committee Report on pages 105 to 107.**

All the Non-Executive Directors who served during 2025/26 were considered by the Board to be independent for the purposes of the Code and the Chair was considered to be independent upon her appointment.

In accordance with the Code, all Directors will retire at this year's AGM and submit themselves for election or re-election by shareholders. Each of the Non-Executive Directors seeking appointment are considered to be independent in judgment and character.

External directorships

Board members may hold external directorships and other outside business interests, and we recognise the valuable perspective that wider boardroom experience brings. Directors are required to obtain formal approval from the Board ahead of undertaking any new external appointments and before accepting an additional role, and we closely monitor both the nature and number of these external appointments to ensure they do not compromise the time commitment required for their roles at Severn Trent, and in line with shareholder advisory group guidelines. Our Non-Executive Directors commit sufficient time to their duties in accordance with the expectations set out in our Charter of Expectations, which is available on our website.

► **Details of the Directors' external directorships can be found in their biographies on pages 98 to 99.**

Schedule of Matters Reserved to the Board

To ensure the Board maintains oversight of the areas material to the delivery of the Group's strategy and purpose, the Board undertakes an annual review of the Matters Reserved to the Board. The latest review took place in March 2026 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 Schedule of Matters Reserved to the Board is available on the Severn Trent Plc website.

Strategy

Well evaluated strategic decisions are essential to delivering our strategy and achieving our purpose of taking care of one of life's essentials. The Board is responsible for approving the Group's strategy and ensuring the framework is in place for its effective delivery, acting in the interests of all stakeholders.

During the year, the Board oversaw the continued implementation of the Group's corporate strategy. Alongside standing strategic items at each Board meeting, the Board holds an annual Strategy Day with the Executive Committee to consider the Company's strategic direction over the short, medium and long term.

Responsibility for the development and execution of the Group's strategy and commercial objectives rests with the Chief Executive, supported by the Executive Committee.

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 within our Strategic Report on pages 1 to 87. 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 84 to 86 sets out how the Board has considered and contemplated the interests of all of our key stakeholders.

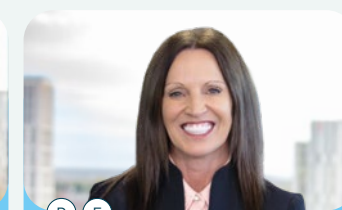
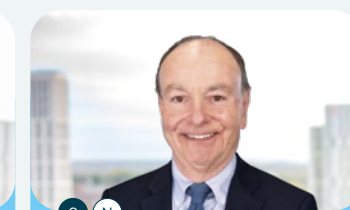
► **An overview of the Board's engagement with stakeholders is set out on pages 79 to 83 and page 85.**

Annual General Meeting ('AGM')

Our 2025 AGM was held on 10 July 2025, at which 82.97% of our shareholders voted on the resolutions put forward. We were delighted to receive in excess of 95% votes in favour for all of our resolutions. Shareholders were able to submit questions to the Board in advance of the AGM and to raise questions during the meeting.

The 2026 AGM will be held at 10.00am on Thursday, 9 July 2026. Full details on how to attend and the resolutions being proposed for shareholder approval are set out in the Notice of Meeting available on the Severn Trent Plc website.

Board of Directors

 Christine Hodgson CBE BSc (Hons), FCA Chair Appointed: Independent Non-Executive Director on 1 January 2020, Chair on 1 April 2020.	 James Jesic BEng (Hons), PhD, MChemE, CEng Chief Executive Appointed: Chief Executive on 1 January 2026.	 Helen Miles ACMA Chief Financial Officer Appointed: Chief Financial Officer Designate on 1 April 2023, Chief Financial Officer on 6 July 2023.	 Tom Delay CBE BSc (Hons), MBA, CEng, MIMechE Independent Non-Executive Director Appointed: Independent Non-Executive Director on 1 January 2022.
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.	Career and experience: James is Chief Executive Officer of Severn Trent, appointed on 1 January 2026, following more than two decades with the Company. James has held senior leadership roles across the business, including Customer Operations Director and Capital and Commercial Services Director, and became a member of the Executive Committee in 2017. He was also appointed Managing Director of Hafren Dyfrdwy, Severn Trent's licensed entity in Wales, in 2020. James has a proven track record of delivering industry-leading financial and environmental performance, driving operational transformation, and leading Severn Trent's multi-billion-pound capital investment programme.	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.	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. 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: 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 their stakeholders effectively and deliver their social purpose. Christine is a Fellow of the Institute of Chartered Accountants in England and Wales.	Skills and attributes which support our strategy and deliver long-term sustainable success: James a chartered engineer with a PhD in Chemical Engineering, is recognised for delivering growth, leading transformation, and championing sustainability. His exceptional technical expertise and strategic leadership are underpinned by a passion for innovation, operational excellence, and creating long-term value for customers, communities, and shareholders.	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.	Skills and attributes which support our strategy and deliver long-term sustainable success: Tom brings extensive experience in sustainability, strategy and the energy sector including advising on the transition to low-carbon economy. He contributes to the Board's oversight on climate-related risks and opportunities, supporting the Group's approach to long-term resilience and sustainability ambitions. His external perspective strengthens consideration of stakeholder and regulatory developments.
Other key appointments: – Chair of Whitbread Plc – Chair of Newton Group Holdings Limited – Non-Executive Director of Spencer Stuart	Other key appointments: – Managing Director of Hafren Dyfrdwy	Other key appointments: – Non-Executive Director of Breedon Group Plc – Director of Water Plus Limited	Other key appointments: – Chair and Non-Executive Director of Chapter Zero

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
 ● Committee Chair



A N R T

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:

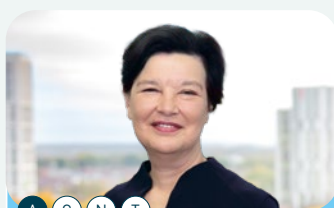
Nick was appointed Chief Executive of Tate & Lyle Plc in April 2018, having joined the Company in September 2014 as Chief Financial Officer. Prior to joining Tate & Lyle, Nick held a number of senior roles over a 20-year career at PepsiCo, including Senior Vice President and Chief Financial Officer, 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.

Other key appointments:

– Chief Executive of Tate & Lyle Plc



A C N T

Sarah Legg
MA, MSc, FCMA, FCT

Independent Non-Executive Director

Appointed:

Independent Non-Executive Director on 1 November 2022.

Career and experience:

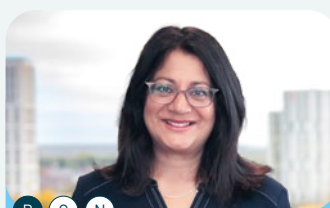
Sarah has spent her entire career in financial services with HSBC in various finance leadership roles. She has been the Group Financial Controller, a Group General Manager, and also Chief Financial Officer for HSBC's Asia Pacific region. Sarah previously spent eight years as a Non-Executive Director on the board of Hang Seng Bank Limited, a Hong Kong listed bank. Sarah also serves as the Chair of Hafren Dyfrdwy, the Group's Welsh regulated entity.

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.

Other key appointments:

– Non-Executive Director of Lloyds Banking Group Plc
– Non-Executive Director of Man Group Plc
– Non-Executive Director of Hafren Dyfrdwy



R C N

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, latterly as Chief Operating Officer for BBC Future Media and Technology, and was previously Chief Executive at Wilton Park. Previous Non-Executive roles include Deputy Chair of the Human Fertilisation and Embryology Authority and Chair of the Human Tissue Authority, and she also has served on the board of the Pension 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, bioethics, financial services and the media.

Other key appointments:

– Chair of the National Institute for Health and Care Excellence
– Non-Executive Director of ITV Plc
– Non-Executive Director of Halma Plc



T A N R

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.

Other key appointments:

– Managing Director and Chair of Greenhill & Co. International LLP



Non-Executive Director serving for part of the year

Kevin Beeston
FCMA

Kevin stepped down from the Board on 30 April 2025, having served as an Independent Non-Executive Director since 1 June 2016, and Senior Independent Non-Executive Director since 20 July 2016. The Board thanks Kevin for the experience, insight and constructive challenge he brought to the Board during his tenure.

Division of Responsibilities

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 Group. 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 Group General Counsel and Company Secretary, to whom all Directors have access for advice and corporate governance services.

Non-Executive Directors

Chair

Christine Hodgson

- Leads our Board and is responsible for its effectiveness.
- Fosters a culture of inclusivity and transparency and sets the 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 General Counsel and Company Secretary.
- Responsible for scrutinising the performance of the Executive Committee and overseeing the annual Board Performance Review process.
- 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

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, alongside 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 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, as required, chair various Committees of the Board.

Executive Directors

Chief Executive Officer

James Jesic

- Represents Severn Trent externally to all stakeholders, including government, regulators, customers, suppliers and the communities we serve.
- Sets the cultural tone of the organisation in line with the Group's 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 activities with the highest standards of integrity, probity and corporate governance. The CEO's Review can be found on pages 10 to 11.

Chief Financial Officer

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 57 to 63.
- 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 government, regulators, customers, Pension Trustees for the Company's defined benefit pension schemes, lenders, suppliers and the communities we serve.

Group General Counsel and Company Secretary

Group General Counsel and Company Secretary

Didar Dhillon

- 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, individually tailored induction for newly appointed Directors 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.
- Ensures monthly reporting to the Board on regulatory and legal risks so the Board is fully sighted on emerging issues.

Board and Committee Meeting Attendance 2025/26

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

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

Board Activities

These pages provide an overview of the key matters discussed by the Board throughout the year, reflecting a year in which the scale and pace of AMP8 delivery, coupled with changing legislation on environmental and customer performance, meant the Board devoted significant time to ensuring strong oversight of operational execution, investment delivery and cultural alignment. While not exhaustive, they offer clear insight into the Board's discussions and how its work remains focused on delivering our strategy (see page 14).

The Board follows a structured meeting schedule and forward agenda, supported by the Group Company Secretary. The forward agenda is structured to ensure appropriate focus on AMP8 delivery, customer experience, regulatory engagement, environmental outcomes and financial resilience, while remaining flexible enough to incorporate emerging risks such as cyber resilience and supply chain capacity. Each meeting is built around an agenda agreed by the Chair, Chief Executive Officer and Group General Counsel and Company Secretary to ensure time is used effectively.

A typical Board meeting will comprise the following elements:

- Reports from Board Committee Chairs outlining key discussions and matters requiring the Board's attention.
- Updates from each Company Forum, supplemented by reflections from attending Directors.

- Performance reporting, including the CEO Overview, CFO Report and Operational Performance Reports, with emphasis on customer delivery, environmental performance and progress against key AMP8 milestones and ODI trajectories.
- Deep dive papers on strategic priorities, opportunities and risks to assess progress and determine any required actions.
- Legal and governance updates, including delegated authority arrangements, whistleblowing procedures and approval of the Anti-Slavery and Human Trafficking Statement.
- Regular regulatory updates and regulator attendance.

Further detail on the Board's key considerations during 2025/26 is included in the Section 172 Statement on pages 84 to 86. After each meeting, the Chair typically holds a private session with the Non-Executive Directors, providing space for open discussion without Executive Directors or Senior Management. These sessions help maintain independent judgment and support effective strategic challenge.

Ahead of most scheduled meetings, the Non-Executive Directors also meet informally – either alone, with the full Board and the Group General Counsel and Company Secretary, with members of the Executive Committee, or occasionally with external attendees such as regulatory representatives. These discussions strengthen working relationships, bring in external perspectives, and enable reflection on wider strategic, operational and regulatory matters.

Stakeholder key

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

Strategic, regulatory and environmental



Stakeholders



Key activities

The Board sets the Company's strategy and spent significant time in the year considering its strategic execution. Key matters considered during the year included:

- Long-term environmental strategy, including the Net Zero Transition Plan
- Regulatory frameworks including PR24 deliverability
- Innovation, technology and AI strategy
- Customer vulnerability, affordability and consumer engagement
- Strategic growth and commercial development
- Major environmental and asset management strategies
- Board strategy deep dives (e.g., water quality, capital innovation, biosolids)

Outcomes

Sharper strategic focus on long-term environmental resilience, regulatory readiness and innovation, ensuring the business is well positioned for future growth.

Key approvals during the year

- Water Resource Management Plan 2025
- Long-term Net Zero Ambition and our Net Zero Transition Plan
- Pollution Incident Reduction Plan
- WICS Compliance Statement
- Approval of Indicative Wholesale Charges for 2026/27

Internal controls, risk management and governance



Stakeholders



Key activities

The Board sets the approach to risk management and oversees the effectiveness of our internal controls, including our governance framework.

Key matters considered by the Board, with the support of the Audit and Risk Committee, during the year included:

- Enterprise risk oversight and risk appetite
- Cyber security, data and technology resilience
- Emerging risks
- Safety, security and regulatory compliance (e.g., SSSIs, reservoir safety)
- Insurance, authorisation arrangements, and governance frameworks
- Annual governance assessments and control effectiveness reviews

Outcomes

More robust risk management and governance frameworks, enhancing assurance, cyber resilience and long-term operational stability.

Key approvals during the year

- Annual Risk Appetite Statement
- Annual review of Principal Risks

Board Activities continued



Board wastewater site visit

In April 2026, the Board visited Severn Trent's Hayden and Stoke Orchard sites to see how investment is improving service for customers and strengthening environmental performance. At Stoke Orchard, the Board viewed upgrades that help the site manage higher flows more reliably, supporting better river health and reducing the risk of spills during heavy rainfall.

Board members also saw new monitoring technology that helps teams spot issues earlier and modern lining methods that protect pipes from leaks and groundwater entering the network. The visit gave the Board valuable insight into how operational improvements directly benefit customers, communities and long-term asset resilience.

Financial



Stakeholders



Key activities

The Board receives updates on the Company's financial performance at each meeting and oversees the financial strategy across the Group. Key matters considered during the year included:

- Year-end reporting and financial planning
- Group-wide budget, funding and treasury strategy
- Dividend decisions (Group and subsidiary)
- Investor relations approach and shareholder engagement
- Pensions, tax, and wider financial risk management
- Long-term financial policy, including AMP8 dividend strategy

Outcomes

Disciplined financial stewardship supporting sustainable investment, resilient cash flows and strong long-term value for shareholders and stakeholders.

Key approvals during the year

- Establishment of Australian Medium-Term Note Programme
- Annual Report and Accounts 2024/25
- Annual Performance Reports 2024/25
- Viability and Going Concern

Culture, Diversity and Inclusion



Stakeholders



Key activities

The Board is responsible for monitoring and assessing the culture of the Group. Key matters considered during the year included:

- Employee voice and engagement
- Workforce policies, culture and Code of Conduct oversight
- Diversity, equity and inclusion progress
- Health, safety and wellbeing performance
- Whistleblowing and ethical conduct review

Outcomes

A more inclusive, values-led culture reinforced through active employee engagement, strengthened workforce policies and continued focus on wellbeing and representation.

Key approvals during the year

- Approval of Anti-Slavery and Human Trafficking Statement 2025

Talent and Succession Planning



Stakeholders



Key activities

The Board is responsible for monitoring and assessing talent and succession planning within the Group. Key matters considered during the year included:

- Organisation-wide talent review
- Executive and senior leadership succession planning
- Leadership diversity and future workforce needs
- Annual Board Performance and effectiveness review

Outcomes

Enhanced leadership capability and clear succession pipelines ensuring organisational resilience and readiness to deliver long-term strategic priorities.

Key approvals during the year

- CEO Succession
- Board Diversity Policy
- Gender and Ethnicity Pay Gap Report 2025

Board Performance Review

Ensuring high-quality governance, effective oversight and continuous improvement.

Board Performance Review Cycle

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

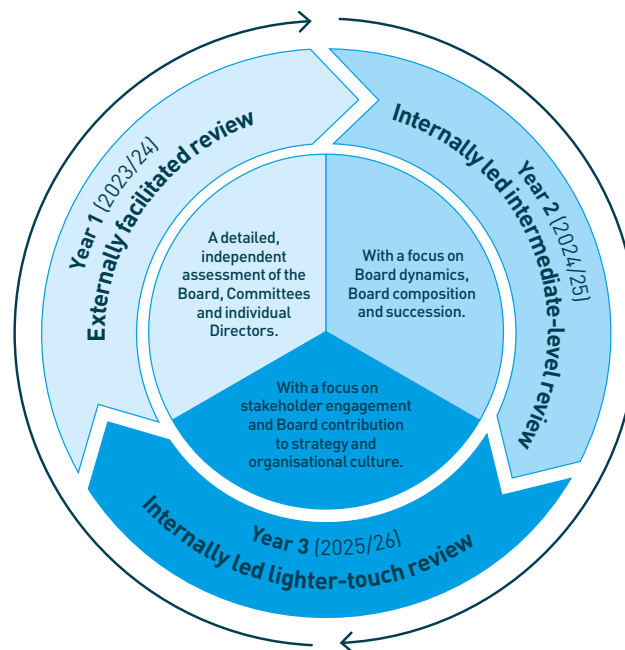
The review also assessed Board composition, including the balance of skills, experience, independence and diversity, and how these support effective collaboration and robust discussion. Diversity is recognised as a key contributor to Board effectiveness, bringing a range of perspectives and constructive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

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

2025/26 Board Performance Review Findings

The review confirmed that the Board continues to operate effectively, with strong strategic debate, constructive challenge and a positive, values-led culture. Directors highlighted high-quality information flows, supported by site visits and external speakers at meetings, and a strong working dynamic between the Board, Executive Directors and Senior Management. The Board's strategic focus, collaboration with the Executive Team and engagement across the organisation were all viewed as key strengths.

Stakeholder engagement remains robust, particularly with regulators, government and the workforce. Committees were assessed as highly effective with strong Chair leadership, and relationships around the Board table continue to be open and constructive.



2025/26 Board performance review process

To shape the 2025/26 performance review, the Group General Counsel and Company Secretary drew on insights from the 2023/24 externally-facilitated review, the 2024/25 internal review and Code expectations. A focused questionnaire was developed to capture Directors' views on Board performance across key areas, including accountability, oversight, strategy, value creation, culture, behaviours, stakeholder engagement and the quality of information provided to the Board and its Committees.

The Group General Counsel and Company Secretary consolidated all responses, identifying key themes and potential actions. A summary of the findings was prepared for the Chair to review, and the final report was presented to the Board at its March 2026 meeting.

The Board continues to oversee progress against agreed actions to ensure timely delivery. The Nominations Committee also plays a key role in monitoring actions relating to Board succession, composition, recruitment and induction.

Stage 1
Review & Plan

Stage 2
Input & Discuss

Stage 3
Evaluate & Report

Stage 4
Consider & Agree

Stage 5
Monitor & Track

Directors completed the questionnaire and participated in comprehensive one-to-one meetings with the Group General Counsel and Company Secretary. Separate discussions were held to assess the effectiveness of the CEO, CFO and Group General Counsel and Company Secretary, led by the Chair, while the SID oversaw the Chair's own performance review.

The findings were used to agree a set of actions, formally recorded for implementation and monitoring. The review outcomes also informed recommendations on the appointment and reappointment of Directors, including breadth of skills, independence, time commitment and individual performance.

The 2025/26 performance review confirms a highly effective Board, strong governance foundations and a clear commitment to continuous improvement.

Board Performance Review continued



Progress on 2024/25 actions

Recommendation:

Opportunities to strengthen risk management framework, including enhancing horizon scanning to identify potential emerging or low-likelihood, high-impact risks.

Progress to date:

Horizon scanning and 'black swan' considerations embedded into risk cycle.

Recommendation:

Further enhancements to Board agendas could include dedicating more time to strategic opportunities, customer insight and innovation/AI, and scheduling key legal and governance items earlier where helpful.

Progress to date:

Board agendas continue to evolve to sharpen strategic focus and ensure appropriate attention on the right matters.

Recommendation:

Notwithstanding the high quality of Board reporting, and excellent progress made in enhancing reporting during the year, there was an opportunity for reports to be more succinct and executive summaries to be crisper.

Progress to date:

Feedback from last year's review led to clearer, more focused Board papers. We continue to refine guidance, templates and the use of AI to ensure continued progress.

Recommendation:

The introduction of 'Meet the Board' events had been very positive. It was considered that these could be held more frequently moving forward.

Progress to date:

'Meet the Board' sessions are now a regular part of our stakeholder engagement programme and continue to provide valuable two-way insight.



Priorities for 2026/27

The Board agreed the following focus areas for the coming year:

Sharpen strategic priorities and direction

Action:

Refine Board forward agenda to protect time for strategic discussion on emerging themes, strategic priorities and new CEO priorities.

Initial Progress:

An initial review of the forward agenda has been undertaken to check overall coverage of the right matters, alongside preserving space for future strategic matters.

Continue to improve the quality, focus and structure of Board papers

Action:

Review Board paper templates and guidance, to enable the streamlining and clarity of reporting packs.

Initial Progress:

We are reviewing Board paper guidance and templates and have added some optional AI tools on the Board paper platform to support with sharper, focused Board discussions.

Consider how culture is being embedded and reported to the Board

Action:

Continue to provide the Board with visibility of the Company culture.

Initial Progress:

We will continue to share insights on Company culture with the Board through ongoing employee engagement activities and regular feedback channels, such as QUEST.

Explore additional routes for customer insight and other broader stakeholder engagement

Action:

Give greater prominence to customer service. Receive regular reports on how customer insights feature in related Board decisions in line with the new Ofwat Consumer Involvement obligations.

Initial Progress:

Initial steps have been taken to incorporate more customer-focused discussions into the Board forward agenda. Board papers have also been updated to highlight customer considerations alongside other Section 172 factors.

Continue to strengthen regulatory capability and sustainability discussions to include wider resilience themes

Action:

Continue to keep under review the appropriate balance of dedicated regulatory and sustainability briefings and regulator attendance at Board meetings.

Initial Progress:

External speakers diarised to attend certain Board meetings throughout the year, as appropriate.

Ensure robust leadership succession and alignment with long-term value creation

Action:

Maintain a strong, forward-looking approach to Board and Executive succession, while ensuring remuneration arrangements continue to support long-term sustainable value creation for shareholders.

Initial Progress:

Succession planning remains a regular item for the Nominations Committee, with updates to the Board. Consultation on the AMP8 Remuneration Policy took place during the year, with details of the proposed policy on page 122 to 127.

Nominations Committee Report

Christine Hodgson
Chair of the Nominations
Committee



Dear Shareholder

I am pleased to present the work of the Nominations Committee over the past year as we continued to ensure that the Board has the right balance of skills, experience, knowledge and diversity to provide effective leadership and support the long-term success of the Company. We also maintained strong oversight of the Executive Committee's succession plans to ensure a stable and capable leadership team for the years ahead.

A major area of focus this year was the CEO succession process, which was completed following a thorough and objective process. Succession remains a key priority for any well-governed Board and given Liv Garfield's lengthy and successful leadership of the Group over the past 11 years, the Board had been regularly assessing its succession plans. The process undertaken was rigorous, assessing the operational, financial and wider stakeholder management requirements of the role, against a strong and diverse field of candidates. James Jesic emerged as the standout candidate, and the Board unanimously approved his appointment as CEO.

James' promotion to CEO created a vacancy in the Executive Team, and we were delighted with the depth of internal talent which allowed for the appointment of Paul Baxter to the critical role of Capital Delivery Director. Paul brings considerable operational experience gained across many areas of Severn Trent and provided a seamless transition.

Following the announcement of Kevin Beeston's retirement as Senior Independent Director on 30 April 2025, Nick Hampton was appointed as an Independent Non-Executive Director on 4 April 2025 and subsequently succeeded Kevin as Senior Independent Director, effective from 1 May 2025. Nick also joined the Audit and Risk, Remuneration, Treasury and

Committee membership and attendance

All members of the Committee are Independent Non-Executive Directors, with the exception of the Chair of the Board (who was independent on appointment). Only Committee members are entitled to attend meetings; the Chief Executive, Director of Human Resources, Group General Counsel and Company Secretary, senior management and external advisers may attend by invitation. The Committee is authorised to obtain external professional advice as required.

► Membership and attendance during 2025/26 are shown in the table on page 100.

Board composition

The Committee remains satisfied that all key roles have credible succession and contingency plans in place. The Committee considers succession and contingency planning at each of its meetings and continues to make appropriate recommendations to the Board as necessary.

The Committee continued to strengthen our succession plans to ensure that both the Board and the Executive Team maintain the right balance of skills, diversity and experience, building on the strong foundations established in previous years. Recognising the importance of a robust and diverse leadership pipeline, we placed particular focus on executive succession to support Severn Trent's long-term strategy and operational delivery. During the year, alongside completing the CEO succession process and appointing a new Non-Executive Director, the Committee undertook a comprehensive review of senior management talent across the Group.



Documents available at severntrent.com

Board Diversity Policy

'Wonderfully You', our Diversity and Inclusion Strategy

Charter of Expectations

Committee Terms of Reference

Nominations Committees. Further details on his career and experience are provided on page 99. Nick's breadth of experience, combined with his commercial and operational insight, strengthens the Board's capability as we continue to grow the Group sustainably and maintain strong delivery for our customers and the communities we serve.

Diversity and Inclusion remains a priority for the Board. During the year, we reviewed the Board Diversity Policy and progress against its objectives, confirming that and the Company continues to meet all the Listing Rules diversity targets, and ensuring the Board reflects the diversity of our region and stakeholder base. The Committee also maintained oversight of the Company's wider talent and succession plans for the Board and senior leadership, building on the successful executive transitions delivered during the year. In collaboration with management, we continued to enhance internal succession pipelines, with a strong emphasis on developing future leaders with the potential to step into senior positions.

As part of our broader governance responsibilities, we reviewed Directors' independence, external commitments and conflict authorisations. The Committee concluded that all Non-Executive Directors remain independent, fully able to commit the required time to their roles, and are not overboarded. These recommendations were approved by the Board.

Further details of the Committee's activities during the year are set out in this report.

Christine Hodgson

Chair of the Nominations Committee

These changes ensured that the Board and Executive Team continues to have an appropriate blend of experience, skills and independence. The Committee will continue to prioritise planning for upcoming Non-Executive Director retirements to maintain the Board's balance and effectiveness.

Enhanced review of independence

The Board recognises the value of experience but remains mindful of the Code requirements, which expects Non-Executive Directors to be subject to rigorous review after six years. In line with this, the Committee undertook an assessment of the independence, time commitment and contribution for Christine Hodgson who reached the end of her current term in January 2026, and Sharmila Nebhrajani who will reach the end of her term in May 2026. The Committee and Board concluded that both Non-Executive Directors continue to demonstrate independence, effective challenge and strong commitment, and remain well placed to act in the long-term interests of all stakeholders, with reappointment subject to shareholder approval at the upcoming 2026 AGM.

Board performance review

An internally facilitated Board performance review concluded that the Board and its Committees continue to operate effectively. The review identified a small number of opportunities for enhancement, including refining Board objectives and increasing visibility of executive succession planning. The Chair held one-to-one meetings with each Director to discuss their performance and development, and the Senior Independent Director carried out the annual review of the Chair's performance.

Nominations Committee Report continued



Key Areas of focus in 2025/26

Succession Planning

- Considering Non-Executive Director succession, including tenure, diversity and the skills matrix.
- Overseeing Executive succession planning for the CEO, CFO, and Executive Committee, considering composition, capability development and longer-term succession readiness.
- Reviewing the criteria for Non-Executive and Executive Director appointments and recommended the appointments of James Jesic as CEO, and Nick Hampton as Non-Executive Director and Senior Independent Non-Executive Director.

Board Composition

- Reviewing the composition of the Board and Committees, ensuring alignment with the skills, experience and diversity needed for current and future strategic priorities.
- Reviewing Director independence, including all external commitments, overboarding considerations and conflicts of interest.
- Overseeing Executive Committee and senior leadership succession, including talent development programmes.
- Reviewing and applying the Board Diversity Policy, ensuring alignment with the UK Listing Rules and best practice.
- Monitoring progress against diversity objectives and discussing how diversity supports Board effectiveness.

Governance

- Reviewing and recommending updates to the Committee's Terms of Reference, concluding they remain appropriate.



Looking Ahead

In the year ahead, the Nominations Committee will continue to support the Board in ensuring it is appropriately composed to provide effective leadership, challenge and oversight, both now and over the longer term. Succession planning will remain a key focus, with regular reviews of Board and Executive succession to support continuity and alignment with the Company's strategic priorities.

The Committee will maintain oversight of Board composition, independence and tenure, ensuring an appropriate balance of skills, experience and perspectives, informed by performance evaluations and evolving governance expectations. Promoting diversity and inclusion at Board and senior management level will remain a priority, with continued oversight of progress against the Severn Trent Board Diversity Policy.

Through this work, the Committee aims to ensure the Board remains effective, diverse and well positioned to support the long-term success of Severn Trent Plc.

Diversity on our Board

The Committee and Board continue to drive the agenda of diversity across the Group in setting the right tone from the top and are proud of the progress being made to date. The Nominations Committee reviews the Board Diversity Policy (the 'Policy') on an annual basis and makes recommendations to the Board where it identifies changes that can be made to contribute further to improving the diversity of the Board, Committees and Executive Committee.

The Annual Statement on Board Diversity Targets can be found below, and the main objectives contained in the Policy, along with an overview of the action taken to implement the Policy, are set out on pages 106. The full Policy is available on the Severn Trent Plc website.

Board diversity targets

As at 31 March 2026, the Board met all three targets set out in the Board Diversity Policy, which align with the Listing Rules' diversity and inclusion requirements. The Company also met the FTSE Women Leaders Review recommendations and the Parker Review target for ethnic minority representation, and in several areas exceeded the UK Listing Rules on gender and ethnic diversity.

- ↑ Above target
- On target
- ↓ Below target

Board Diversity Policy target:

At least 40% of the individuals on the Board of Directors are women

50% ↑

50% of the individuals on the Board of Directors are women.

Board Diversity Policy target:

At least one of the senior positions (Chair, Chief Executive, Senior Independent Director, Chief Financial Officer) on the Board of Directors is held by a woman

2 ↑

The Chair is a woman.
The Chief Financial Officer is a woman.

Board Diversity Policy target:

At least one member of the Board of Directors is from a minority ethnic background, defined by reference to categories recommended by the Office for National Statistics ('ONS') excluding those listed, by the ONS, as coming from a white ethnic background

2 ↑

Two members of the Board of Directors are from minority ethnic backgrounds.

* All data is at 31 March 2026

	Severn Trent Plc Board			Severn Trent Plc Executive Committee	
	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management	Percentage of Executive Management
Gender representation as at 31 March 2026					
Men	4	50	2	6	66.7
Women	4	50	2	3	33.3
Not specified/prefer not to say	0	0	0	0	0

	Severn Trent Plc Board			Severn Trent Plc Executive Committee	
	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management	Percentage of Executive Management
Ethnicity representation as at 31 March 2026					
White British or Other White (including minority-white groups)	6	75	4	8	88.9
Mixed/Multiple Ethnic Groups	1	12.5	0	0	0
Asian/Asian British	1	12.5	0	1	11.1
Black/African/Caribbean/Black British	0	0	0	0	0
Other Ethnic Group	0	0	0	0	0
Not specified/prefer not to say	0	0	0	0	0

Data concerning gender and ethnicity representation is collected directly from all individual Board and Executive Committee members through a Diversity and Inclusion Monitoring Form (the 'Form') which is issued for completion on an annual basis. The Form asks individuals to disclose their gender and ethnicity using the options included on the Form, which

align with the detail in the left-hand columns of the tables above and includes the option to not specify an answer. This data is collated by the Company Secretariat and held securely and in accordance with the Group's data protection processing and retention guidelines.

Board Diversity Policy Objective

Objective	Implementation
Ensure that the Board and senior management comprise individuals with a range of skills, experience, knowledge, perspectives and backgrounds.	Board and senior management succession planning arrangements are regular items for discussion at Nominations Committee meetings. In addition, during the year, the Board reviewed the internal talent pipelines within the organisation and the activities undertaken to develop and retain our people.
Focus on the development of a pipeline of diverse high-calibre candidates for all senior management roles.	
Only engage search firms who are signed up to the voluntary code of conduct for executive search firms.	During the year, the Board engaged Russell Reynolds to support the appointment of Nick Hampton as Non-Executive Director and Senior Independent Director. Russell Reynolds has no other connections with the Company. As part of the CEO succession process, the Board engaged Spencer Stuart to provide external assessment and market mapping. Following this process, James Jesic was appointed as Chief Executive Officer. Christine Hodgson is an Independent Director on the Board of Spencer Stuart. The Board considered Christine's external role and was satisfied that appropriate safeguards were in place to manage any potential conflict of interests.
Ensure that Board and senior management candidate lists are inclusive according to the widest definition of diversity.	The Board and Nominations Committee recognise the importance and benefits of greater diversity, including gender diversity, social and ethnic background and cognitive and personal strengths, throughout the organisation, including on the Board itself. On instruction of an executive search firm, the specification will ensure that candidates with no listed company board experience are fully considered.
Consider candidates for Board and senior management appointments from a wide pool, including those with no listed company experience.	
Oversee plans for diversity and inclusion across the business and receive regular updates in relation to these.	The Board receives a dedicated update on diversity and inclusion at least annually, with interim updates forming part of regular reports from the Director of Human Resources.

Audit and Risk Committee Report

Sarah Legg
Chair of the Audit
and Risk Committee



Documents available at severntrent.com

Non-Audit Services Policy

Explaining Our Tax Contribution

Our Tax Strategy

Group Financial Crime, Anti-Bribery and Anti-Corruption Policy

Internal Audit Charter

Charter of Expectations

Committee Terms of Reference

Dear Shareholder

I am pleased to introduce this year's report, which outlines how the Audit and Risk Committee has supported the Board in safeguarding the integrity of the Group's financial, regulatory and narrative reporting.

Over the year, the Committee oversaw the effectiveness and independence of Internal Audit and the External Audit, monitored the robustness of the Group's internal control framework, and reviewed the processes enabling the Board to assess principal risks and risk appetite. This included regular consideration of the Group's top and emerging risks, the effectiveness of the Enterprise Risk Management ('ERM') Framework, and the adequacy of management's actions to mitigate material risk exposures, within the context of the approved risk appetite. I maintained regular dialogue with Committee members, management and both our outgoing and incoming External Auditors to ensure we received the information and insight needed to provide informed challenge and assurance. As part of the transition to PwC, I met regularly with the new auditors to understand and review audit planning and ensure audit quality. I also spent time with our wider internal audit and assurance teams to understand at a more detailed level their planning processes and capabilities.

The Board maintains internal controls and risk management systems in relation to financial reporting, designed to ensure the accuracy, integrity and reliability of the Group's external reporting. These include a defined control environment with clear structures, delegated authorities and Group accounting policies; structured financial reporting processes; and procedures to identify and manage financial reporting risks, including those arising from significant accounting judgments. The Audit and Risk Committee oversees financial controls, key judgments, audit findings and financial reporting risks, supported by control activities such as reconciliations, segregation of duties and system-based controls, and by management review, internal audit and external audit. The Board reviewed the effectiveness of these systems during the year and up to the date of approval of this Annual Report and Accounts and concluded that they operated effectively. Details of the significant matters considered are set out on page 113.

Following a thorough assessment, we advised the Board that the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position,

performance, business model and strategy. The External Auditor performs its statutory audit in accordance with applicable auditing standards, relevant laws and regulations, and PwC's audit report can be found on pages 157 to 162.

During the year, we reviewed and agreed management's recommendation that the Company's long-term Viability Statement should continue to cover a seven-year period. This remains appropriate given the nature of the water sector's regulatory framework and Ofwat's duty to ensure that companies can finance the proper carrying out of their functions (see pages 74 to 78). The Committee also dedicated substantial time to reviewing and challenging the Group's ERM processes and the effectiveness of internal controls in mitigating risk. More detail on our approach to managing risks and opportunities is available on pages 64 to 67. Strengthening and evidencing material controls in readiness for Provision 29 of the Code was a particular area of focus to enable the Board's declaration required next year.

We continued to oversee key areas of environmental and climate-related reporting supported by independent assurance and working alongside the Corporate Sustainability Committee. We also maintained oversight of major regulatory and technology programmes, including assurance over the implementation of Kraken, our customer platform migration.

The Committee oversees the Group's whistleblowing arrangements on behalf of the Board. The Board annually reviews their effectiveness and receives reports on significant matters to support oversight of culture, risk and stakeholders. The Board remains satisfied that these arrangements enable proportionate, independent investigations and appropriate follow up actions. The annual Board performance review confirmed that the Committee continues to operate effectively, and that members bring a strong mix of financial expertise and relevant sector experience. Further details of Committee members' backgrounds can be found on pages 98 to 99.

I would like to thank Committee members, management, Internal Audit, PwC and Jacobs for their ongoing commitment and constructive engagement throughout the year.

Sarah Legg

Chair of the Audit and Risk Committee

Committee Membership and Attendance

All members of the Committee are Independent Non-Executive Directors of the Board. The Committee Chair is a member of the Treasury Committee and Corporate Sustainability Committee providing good linkage across the related areas of reporting and risk management.

The Board considers that all members of the Committee have recent and relevant financial experience and competence relevant to the sector, with the Chair and the majority of the Committee members being qualified accountants. Membership of the Committee during 2025/26 is shown in the meeting attendance table on page 100.

Only members of the Committee can attend the meetings. Other regular attendees that attend by invitation of the Committee include, the Chair of the Board, Chief Executive, Chief Financial Officer, Group General Counsel and Company Secretary, Group Financial Controller, Head of Group Internal Audit, Head of Group Compliance, Risk and Assurance, other members of senior management, representatives from the External Auditor, PwC, and non-financial regulatory and technical External Assurer, Jacobs.



Key Areas of focus in 2025/26

The Committee has an extensive agenda focusing on the audit, risk, internal controls and assurance processes within the business which it deals with in conjunction with management, the External Auditor, Internal Audit, Finance and Compliance, Risk and Assurance Teams.

Internal Audit and Assurance

- Consideration of Internal Audit reports presented to the Committee in order to satisfy itself that management had resolved, or was in the process of resolving, any outstanding issues or actions.
- Review and approval of the Internal Audit Plan and approach for the upcoming year.
- Appraisal of the quality and effectiveness of Internal Audit and the effectiveness of the current co-source arrangements.
- Consideration of findings of the assurance relating to regulatory submissions.

Internal Controls and Risk Management

- Evaluation of the effectiveness of the Group's ERM processes and procedures and internal control systems, and integration of the components of the risk framework into Board and Committee reporting, prior to making a recommendation to the Board.
- Oversight of management's preparations for future compliance with Provision 29 of the Code, including updates on the approach to material controls, progress on the controls assurance programme, and early review of control assessments.
- Oversight of the control environment, maintenance and development of finance systems, particularly regarding the migration of customers to a new technology platform, Kraken.
- Review of updates on legal, regulatory, corporate governance and ethical matters, and monitoring of fraud reporting and incidents of whistleblowing, including a review of the adequacy of the Group's whistleblowing processes and procedures, prior to reporting to the Board on this activity.
- Oversight and monitoring of the Group's compliance with the Bribery Act 2010, including a review of the adequacy of the anti-bribery, corruption and fraud processes and procedures and associated policies.

External Audit

- Oversaw the onboarding of PwC as incoming external auditors, which included providing structured briefings and access to key materials to ensure the audit team are fully briefed with organisational context, processes and reporting requirements.
- Management of the relationship for the statutory audit, including the key audit risks and level of materiality applied by PwC, audit reports from PwC on the financial statements and the areas of particular focus for the audit.
- Consideration and agreement of the statutory audit fee for the year ended 31 March 2026.
- Review and approval of the non-audit services provided by the External Auditor, and related fees.
- Oversight of External Auditor independence.

Financial and Regulatory Reporting

- Review and discussion of reports from the CFO on the financial statements, considering management's significant accounting judgments and the policies being applied, and assessment of the findings of the statutory audit in respect of the integrity of the financial reporting of full-year and half-year results.
- Assessment of the integrity of regulatory documents relating to Severn Trent Water, including the Annual Performance Report prior to submission to Ofwat and the Pollution Incident Reduction Plan prior to submission to the EA.

- Review of the Annual Report and Accounts to provide a recommendation to the Board that, as a whole, it is 'fair, balanced and understandable'.
- In-depth review of specific disclosures which relate to areas under the remit of the Committee, including TCFD, TNFD and the EU Taxonomy.
- Challenge and scrutiny of management's detailed assessment of the Group's long-term viability and its ability to continue as a going concern. In doing so, the Committee took into account the risks facing the business, and its ability to withstand a number of severe but plausible scenarios in isolation and combination. Having considered management's assessment, the Committee recommended to the Board the long-term Viability Statement, set out on pages 74 to 78, and the Going Concern Statement, on page 78, for inclusion in the Annual Report and Accounts.
- Considering the response to a letter received from the FRC seeking further information on the transactions that established Severn Trent Water's investment in Severn Trent Trimpley Limited, the purpose of these transactions and the judgments underlying the accounting treatment within the Severn Trent Water financial statements, noting that there was no impact on the Severn Trent Plc financial statements;
 - We answered the FRC's questions in full and on 23 May 2025 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 the accounting treatment within the Severn Trent Water financial statements other than making updates to our critical accounting judgments. The FRC's summary of its review of this matter is available on its website¹.
 - The Committee has reviewed the responses given to the FRC and confirmed that they remain valid, noting that a formal plan to repay the inter-company loan that formed part of the structure, had been established, in line with the timetable set out in the response to the FRC.

¹ 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.

Governance

- Review and approval of the Committee's Terms of Reference during the year, prior to making a recommendation to the Board. In completing its review, the Committee concluded that the Terms of Reference remained appropriate and reflected the duties of the Committee.



Looking Ahead

In the year ahead, the Committee will continue to support the Board in overseeing the integrity of the Group's financial and regulatory reporting, risk management and internal controls.

The Committee will focus on reviewing interim and year-end reporting, overseeing external audit and assurance, monitoring principal and emerging risks, progressing readiness for Provision 29 of the Code, and maintaining oversight of cyber, data protection, whistleblowing and compliance matters.

The Committee confirms its compliance with the FRC's Audit Committees and the External Audit: Minimum Standard, including requirements on membership, independence and financial competence, including the review of External Audit effectiveness. Members maintain their sector relevant expertise through formal training, external briefings and regular updates on emerging accounting, audit and regulatory developments.

The Committee regularly holds private discussions with the Head of Group Internal Audit and representatives from the External Auditor and External Assurer separately, without management present.

The Chair of the Committee regularly holds separate one-to-one meetings with the CFO, Head of Financial Control, Head of Group Internal Audit, Head of Group Compliance, Risk and Assurance, External Auditor and with Committee members outside of scheduled meetings to better understand any issues or areas for concern.

The Committee is authorised to seek external legal or other independent professional advice as it sees fit but did not need to do so during the year.

Audit and Risk Committee Report continued



Fair, balanced and understandable reporting

The Board considers, based on the assurance received from the Audit and Risk Committee and the governance processes outlined below, that the 2025/26 Annual Report and Accounts ('ARA') is fair, balanced and understandable ('FBU') and provides shareholders with the information necessary to assess the Company's position, performance, business model and strategy.

The Disclosure Committee reviewed the ARA throughout drafting and completed a detailed FBU assessment before reporting to the Audit and Risk Committee.

Internal Audit reviewed the ARA, oversaw verification of factual disclosures and reported its findings to the Audit and Risk Committee.

The External Auditor considered any material inconsistencies across the Strategic Report, Directors' Report and governance disclosures based on audit knowledge and applicable legal and regulatory requirements.

The External Auditor presented the results of its audit work. The significant issues the Audit and Risk Committee considered were consistent with those identified by the External Auditor in its report (see pages 157 to 162 for more detail).

1. Regular Disclosure Committee review

2. Year End Steering Group review

3. Internal Audit verification and oversight

4. FBU assessment

5. External Auditor considered

6. Recommendation to the Board

The Year End Steering Group reviewed the ARA to ensure balance and consistency across the narrative and financial statements. This work was overseen by the Disclosure Committee, whose members are not involved in drafting content.

The Audit and Risk Committee reviewed and approved the process supporting the FBU assessment and confirmed that all key matters reported to the Board had been appropriately reflected in the ARA.

On the basis of this work, the Audit and Risk Committee recommended to the Board that the FBU statement could be made. The Board's declaration is included in the Directors' Responsibility Statement on page 151.

Internal controls and risk management

Internal Audit

Internal Audit is an independent assurance function available to the Board, Audit and Risk Committee and all levels of management, and is a key element of the Group's corporate Governance Framework. Additional support is provided by co-source partners.

Co-source arrangements are reviewed regularly, and we believe this structure adds value, through greater access to specific areas of expertise, increased ability to flex resources, and the ability to challenge management independently. Co-source specialists continue to bring expertise to support the team and delivery of the Internal Audit Plan where relevant.

Internal Audit Plan and actions

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

A three-year strategic audit planning approach is applied, from which Internal Audit develops an annual risk-based plan; this facilitates an efficient deployment of resource in providing assurance coverage over time across the whole business. The Committee's role is to review and challenge the plan, specifically whether the key risk areas identified as

part of our ERM process are being audited with appropriate frequency and depth. Individual Committee members also bring an external view of risks the Company may be exposed to. Once approved by the Committee, regular reporting enables the Committee to monitor delivery of the Internal Audit Plan and ensure that Internal Audit performs its work in accordance with the mandatory aspects of the International Professional Practice Framework of the Chartered Institute of Internal Auditors (the 'CIIA'), with integrity, honesty, diligently, responsibly, and objectively, without conflicts of interest.

Following the completion of each planned audit, Internal Audit seeks feedback from management and reports to the Committee on the findings, including any action that may be required. Where any failings or weaknesses are identified in the course of the review of internal control systems, management puts in place robust actions to address these on a timely basis. No material weaknesses were identified during the year. Action closure is reported to, and monitored by, the Committee, thereby demonstrating the strong focus management places on closing audit actions and ensuring timely completion.

The Internal Audit function also liaises with the External Auditor, discussing relevant aspects of their respective activities which ultimately supports the assurance provided to the Committee and Board.

Effectiveness

An independent External Quality Assessment ('EQA') of the Internal Audit function was undertaken in December 2025, in accordance with the Institute of Internal Auditors' Global Internal Audit Standards, which requires an external assessment at least every five years.

The assessment found that Internal Audit is highly regarded across the business, with stakeholders consistently valuing its insight, constructive challenge and support on risk and control matters.

The Committee considered the findings of the EQA and welcomed the positive assessment of the function's maturity, independence and effectiveness. Actions arising from the review have been incorporated into Internal Audit's ongoing quality and improvement plan. Taking the EQA outcomes and its own oversight into account, the Committee is satisfied that Internal Audit remains an effective, independent and valued provider of assurance over the Group's risk management and internal control framework.

Internal controls

An internal control system can provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives. The Committee reviews the Group's internal control systems and receives updates on the findings of Internal Audit's investigations at every meeting, prior to reporting any significant matters to the Board, which retains overall responsibility for the effectiveness of the full suite of internal controls across the Group.

The Committee has oversight of the Group's preparations to ensure compliance against the Code, particularly in relation to the introduction of the new Provision 29. We are fully committed to ensuring that the Group's audit and governance arrangements reflect best practice and address any new requirements within the expected timeframes. As part of this, during the year, a detailed review of the Group's systems, processes and procedures was undertaken by the Committee in order to provide assurance to the Board that the Group's internal control systems, including those which cover financial reporting, continue to operate effectively.

Further to the reports received by the Committee, which set out the Group's processes, systems and assurance procedures, the Committee concluded that it has complied with its obligations under the Code in relation to the assessment of risk and monitoring and review of the effectiveness of internal controls and risk management. The Committee is pleased to confirm that, based on its review and monitoring activities, it has not been made aware of any material control weaknesses in the Group's internal controls systems and risk management framework and has not identified any itself from its work.

Risk management

The Group has an ERM process in place through which our Principal Risks and related controls are identified and assessed. The Board has overall responsibility for setting the Group's risk appetite and ensuring that there is an effective risk management framework in place and has delegated responsibility for review of the risk management methodology and effectiveness of internal controls to the Committee. The Committee reviews the processes for, and outputs from, the Group's ERM activity, through which our Principal Risks and related controls are identified. It also reviews the effectiveness of the risk management system on behalf of the Board and keeps under review ways in which the control and assurance arrangements can be enhanced. The Committee is complemented by a Strategic Risk Forum and the Severn Trent Executive Committee, comprising senior leaders from across the Group's operations, which adds value by assisting the Committee in reviewing the risk management system, internal controls that mitigate risks and undertaking reviews of assurance risk reports prior to Audit and Risk Committee meetings.

The Committee also received regular updates on emerging risks, including developments in cyber security, climate-related exposure and changes in the political and regulatory landscape.

The Head of Group Compliance, Risk and Assurance also undertook a review of the integration of the components of the ERM framework into Board and Committee reporting, prior to making a recommendation to the Board. During the year, the Committee spent a considerable amount of time reviewing the Group's ERM processes and procedures, with good progress made in enhancing its effectiveness during the year. The Committee also reviewed the Group's Risk Appetite Statements for each Principal Risk and recommended this for consideration and approval by the Board. You can read more about this important work on pages 68 to 73.

The Committee received half-yearly reports from the Head of Group Compliance, Risk and Assurance, detailing the significant risks and uncertainties faced by the Group. Each risk submitted for review includes an assessment of the overall risk status, status of the control environment and a summary of the risk mitigation plan to take the risk to the target risk position, which needs to be in line with the risk appetite. The risk mitigation plan covers action plans to improve controls where this has been assessed as necessary and assesses whether actions are on target, with the correct prioritisation in place. Further details of the Group's risk management systems and controls and Principal Risks can be found in the Strategic Report on pages 64 to 73.

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.

We are committed to maintaining a culture in which colleagues feel safe to raise concerns. Our Speak Up Policy sets clear expectations of ethical behaviour and provides confidential channels for reporting, including our independent helpline, Safecall. Colleagues may also raise issues through management or HR, ensuring multiple accessible routes to speak up.

All concerns are investigated independently, with outcomes reported to the Committee and significant matters escalated directly to the Board. Themes and lessons learned are shared across the business to support continuous improvement.

Our arrangements are reviewed regularly by Internal Audit and independent external assurers and benchmarked annually against industry practice. The Board conducts a formal annual review of the effectiveness of the whistleblowing framework and remains satisfied that it enables proportionate, independent investigation and appropriate follow up, while supporting broader oversight of culture, risk and stakeholder engagement.

Audit and Risk Committee Report continued

External Auditor

The Committee has primary responsibility for overseeing the relationship with the External Auditor, including assessing its performance, effectiveness and independence annually, and making a recommendation to the Board in respect of its reappointment or removal.

Tender and appointment

As set out in the 2024/25 Annual Report, a competitive tender process was undertaken in accordance with regulations requiring audit tenders at least every 10 years. The tender concluded with the Committee recommending to the Board that PwC be proposed as the Group's External Auditor at the 2025 AGM for the financial year ended 31 March 2026. PwC were subsequently appointed by shareholders at the 2025 AGM.

The Company has complied with the provisions of the Competition and Markets Authority's 2014 Order during the year under review regarding audit tendering and the provision of non-audit services. There are no contractual obligations that restrict the Committee's choice of auditor; the recommendation is free from third-party influence; and no auditor liability agreement has been entered into.

Effectiveness and competence

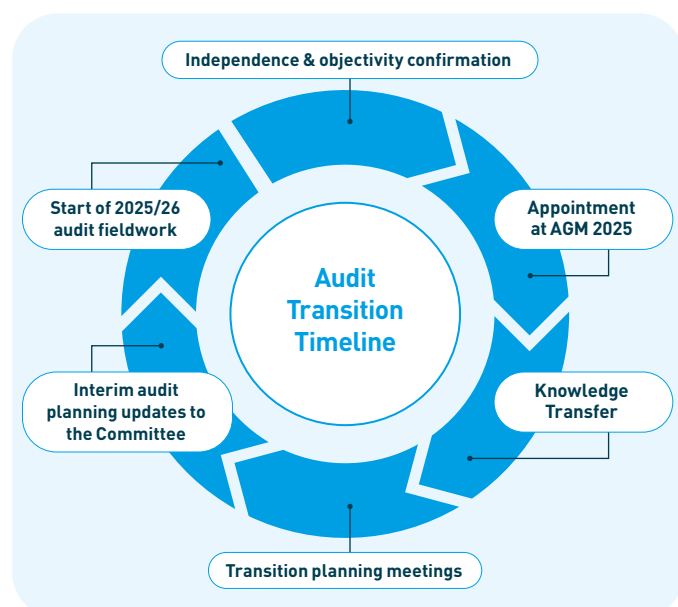
Oversight of PwC's transition and first-year audit

During the year, the Committee took an active role in overseeing the transition from Deloitte to PwC to ensure an orderly and well controlled handover.

The Committee reviewed PwC's transition plan, including their proposed audit approach, key areas of focus, resource allocation and team structure. The Committee also received PwC's formal independence and objectivity confirmations and assessed the robustness of their onboarding processes, including familiarisation sessions with management and review of prior year audit files.

Throughout the transition period, the Committee received regular updates from PwC to monitor progress, provide early visibility of any issues and ensure transparency in their audit planning. The Committee received additional updates to ensure appropriate knowledge transfer between Deloitte and PwC to support a smooth commencement of the 2025/26 audit.

The Committee continued to monitor PwC's performance over the course of the first year's audit and the full effectiveness review of PwC will be finalised upon completion of their first year's audit.



Independence

The Committee regards independence of the External Auditor as crucial in safeguarding the integrity of the audit process and takes responsibility for ensuring the relationship between the Committee, the External Auditor and management remain appropriate.

The Committee recognises that independence is also a key focus for the External Auditor, and PwC has confirmed that it has complied with its own ethics and independence policies, which are consistent with the FRC's Revised Ethical Standard 2024. This includes the External Auditor's assurances that all of its partners and staff involved with the audit are independent of any links to the Group and that none of its employees working on our audit hold any shares in Severn Trent Plc.

PwC provides confirmation of independence during the planning stage of the audit, disclosing matters relating to its independence and objectivity. There were no independence issues raised in respect of the 2025/26 audit.

The Committee also develops and recommends to the Board the Group's policy on non-audit services and associated fees paid to the External Auditor, to ensure the External Auditor is not providing any additional services which could impede its independence. You can read more about this policy below.

Non-audit services

To preserve objectivity and independence, the External Auditor is not asked to provide other services unless it is in the best interests of the Company that these are provided by the External Auditor rather than another supplier, in accordance with our Non-Audit Services Policy (the 'Policy').

We reviewed the Policy during the year to reflect the FRC's Revised Ethical Standard 2024. No substantial changes were required to the Company's existing arrangements.

The Policy requires Committee approval for all such non-audit services. The Policy also prohibits aggregate fees for non-audit services in excess of 70% of the average audit fee for the previous three financial years.

Non-audit services for which the External Auditor may be used include audit-related services required by statute or regulation and other audit or assurance services as set out in the Ethical Standard.

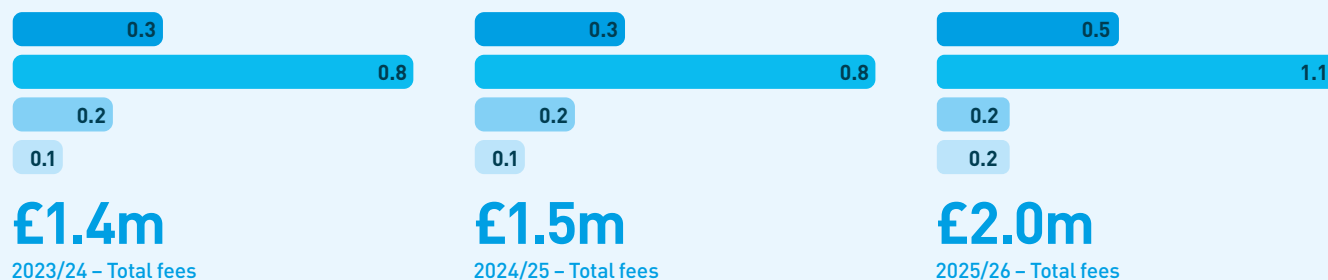
Details of the audit and non-audit fees and the significant work undertaken during the year are set out in the table on the following page, and in note 7 to the financial statements. The more significant non-audit services provided by PwC were the audits of financial information contained within Sections 1 and 2 of Regulatory Accounts included within the Severn Trent Water and Hafren Dyfrdwy Annual Performance Reports and the independent review of the Company's half-yearly financial report.

In approving these non-audit fees, the Committee considered the overall ratio of non-audit fees to audit fees and, given the scope of work, considered that PwC was best placed to perform these services. Where PwC was chosen, this was as a result of its detailed knowledge of our business and understanding of our industry, as well as demonstrating that it had the necessary expertise and capability to undertake the work cost effectively whilst maintaining objectivity and independence.

Ahead of commencing its shadowing of the 2024/25 audit, PwC had confirmed to the Committee that all non-audit services that had been provided by PwC previously had been transitioned to other suppliers.

Audit and non-audit fees (£m)

● Statutory audit – the Company ● Statutory audit – subsidiaries ● Audit-related assurance services ● Other assurance services



Nature of service	Reason for PwC's appointment	Fees (£'000)
Audit-related assurance services		
Interim review	This work is allowed by Ethical Standards and is expected to be performed by the External Auditor.	150
Assurance of regulatory returns	Audit of Sections 1 and 2 of the Regulatory Accounts included in the Severn Trent Water and Hafren Dyfrdwy Annual Performance Reports is closely related to the External Auditor's statutory audit work and the two assignments are performed in parallel.	230
Sub-total		380
Other assurance services		
Reporting under Group financing documents	These documents require reports and it is normal practice for the External Auditor to provide these.	8
Other assurance	This comprises assurance services performed as part of the year end reporting process and subscription to PwC accounting literature.	10
Sub-total		18
Total 2025/26 non-audit fees		398

Significant matters considered and addressed in relation to the financial statements

The Committee looked carefully at those aspects of the financial statements that require significant accounting judgements or where there is estimation uncertainty. These areas are explained in note 4 to the financial statements. The Committee also considered the accounting treatment for revenue and accrued income. It received detailed reports from both the CFO and the External Auditor on these areas and on any other matters which they believed should be drawn to the Committee's attention. The Committee discussed the range of possible treatments both with management and with the External Auditor, confirming that the judgments made by management were robust and supportable. For all the matters described below, the Committee concluded that the treatment adopted in the financial statements was appropriate.

Significant matter	How the matter was addressed by the Committee
Going concern basis for the financial statements and long-term Viability Statement	The Committee reviewed and challenged the evidence and assumptions underpinning the use of the going concern assumption in preparing the accounts and in making the statements in the Strategic Report on going concern and long-term viability. In particular, the Committee considered severe but plausible scenarios modelled in relation to the Company's Principal Risks, noting the stress tests performed by management and the potential mitigating actions identified. Our Business Model can be found on pages 6 to 7. Principal Risks and uncertainties can be found on pages 68 to 73. The Viability Statement can be found on pages 74 to 78 and the Going Concern Statement on page 78.
Determination of the provision for impairment of trade receivables in Severn Trent Water Limited	At 31 March 2026, the provision in the Group's financial statements was £151 million and the charge for the year was £46 million. Severn Trent Water Limited has a statutory obligation to continue to supply water and wastewater services to customers even when their bills are unpaid. This increases the risk of bad debts. In addition, it has a large and diverse customer base which requires impairments against trade receivables to be assessed on a systematic basis. The Committee challenged management's change in its approach to the assessment of the impact of changes in the link between macroeconomic conditions and the Group's bad debt experience, noting the consistency in collection performance over a long period that included: the impacts of various significant events including the economic impacts of the Brexit referendum and its implementation; the Covid-19 pandemic; the Russian invasion of Ukraine; and cost of living pressures. The Committee considered the work performed by the External Auditor and the conclusions they reached regarding the adequacy of the provision. The Committee determined that no adjustment to the amounts recorded was required.
The proposed classification of costs between operating expenditure and capital expenditure in Severn Trent Water Limited	Severn Trent Water Limited has a significant capital programme that includes projects made up of combinations of expenditure and activities, some of which are recognised as property, plant and equipment and some of which are recognised as operating costs. For most of the expenditure this distinction is clear but there is an element where subjective judgments are required to determine the appropriate accounting treatment. The Committee considered the application of the Group's accounting policies in relation to capital expenditure during the year. The Committee enquired of management whether the policies had been applied consistently from year to year. The Committee considered the results of the External Auditor's work and discussed the conclusions with the External Auditor. The Committee determined that no adjustment to the amounts recorded was required.
Determination of the amount of the Group's retirement benefit obligations	At 31 March 2026, net retirement benefit obligations amounting to £21 million were recognised. The net obligation recognised on the balance sheet is the difference between the fair value of the schemes' assets at the balance sheet date and the present value of the benefits expected to be paid to members of the schemes. This requires assumptions to be made for the expected age of retirement and longevity of members, future inflation rates and increases to benefits. It is also necessary to determine an appropriate discount rate to calculate the present value of the estimated gross obligations. Management takes advice from external qualified actuaries who perform the calculation of the present value of the benefits based on the assumptions set by management. The Committee scrutinised the assumptions underlying the valuation of the obligations and obtained explanations for the significant reduction in the deficit recorded. The Committee considered whether the assumptions, taken as a whole, were appropriate, taking into account the work of the External Auditor and the benchmark information provided. The Committee also scrutinised the methodologies applied in assessing the fair values of the schemes' assets, and considered that the assumptions and methodologies were reasonable, and that no adjustment was required to the draft financial statements.

Treasury Committee Report

Richard Taylor
Chair of the Treasury
Committee



Documents available at severntrent.com

Sustainable Finance Framework

Sustainable Bond Allocation and Impact Report

Charter of Expectations

Committee Terms of Reference

Dear Shareholder

I am pleased to present the report of the Treasury Committee for the year ended 31 March 2026.

This has been a year of significant activity as the Group entered its current five-year investment programme (AMP8). Our total expenditure for AMP8 is £14.9 billion which represents a significant increase from AMP7. As at 31 March 2026, the Group maintained £0.8 billion of cash and £1.6 billion of committed bank facilities. The Group's funding plan during AMP8 anticipates further increases in the Group's debt and hedging levels.

The backdrop for the Group's funding plan is one of increased market volatility, evolving regulatory expectations and continued scrutiny of the water sector. In the light of this and the increased scale and pace of funding for AMP8, the Committee has been particularly focused on the Group's funding strategy, approach to risk management and on its delivery plan.

During the year the Committee reviewed the Treasury function's policy framework and the Committee's Terms of Reference. This resulted in limited amendments to ensure they are aligned fully with the Group's funding objectives. In addition, the Committee reviewed the effectiveness of the Treasury function's internal controls.

The Committee receives regular updates from the Treasury Team on the Group's debt portfolio, and this includes details of recent debt issuance and associated hedging.

The Committee noted the very proactive approach of the Executive Team with debt investors and credit rating agencies. This has enabled the Group to deliver its largest ever annual fund raising, accessing a variety of markets and investors, and this sets up the Group well for its funding programme for the rest of AMP8 and beyond.

The annual Board performance review process, which was facilitated internally this year, included an assessment of our performance as a Committee and I am pleased that the review concluded that we operate effectively, and that the Board takes assurance from the high quality of our work.

The Board is satisfied that Committee members bring a wide range of financial experience across various industries and all members have competence relevant to our sector, with significant recent and relevant financial experience. Further information about each Committee member is contained in their individual biographies which can be found on pages 98 to 99.

I am extremely grateful to the Executive Team, our advisers and my fellow Committee members for their excellent contribution during a year of significant activity.

Richard Taylor
Chair of the Treasury Committee

Committee Membership and Attendance

All members of the Committee are Independent Non-Executive Directors of the Board. Membership of the Committee during 2025/26 is shown in the meeting attendance table on page 100. Only members of the Committee have the right to attend Committee meetings. Other regular attendees who attend meetings at the invitation of the Committee include the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, the Group Treasurer, the Group Financial Controller, the Group General Counsel and Company Secretary and representatives from the Group's debt advisers, Rothschild & Co. None of these attendees are members of the Committee.

The Committee is authorised to seek external legal or other independent professional advice (in addition to that provided by its debt advisers) as it sees fit, but did not need to do so during the year.

Role of the Treasury Committee

During the year, the Committee supported the Board by overseeing the Group's treasury strategy, funding position and financial risk management as the business entered its largest ever investment programme under AMP8. In a volatile market and evolving regulatory environment, the Committee focused on maintaining strong liquidity, resilience and access to diversified funding, while reviewing the effectiveness of treasury policies, internal controls and governance. Working closely with the CFO, the Treasury Team and external advisers, the Committee provided challenge and oversight on key developments and is satisfied that the Group's treasury arrangements are robust and well positioned to support delivery of the Group's strategy. Further detail on the work of the Committee in the year is provided overleaf.



Key Areas of focus in 2025/26

Funding and Capital Markets Activity

The Committee oversaw a significant programme of funding activity to support delivery of AMP8. Over the year, the Group issued over £1.8 billion of new debt (including an undrawn £100 million term loan), across multiple markets (including Euro, Swiss Franc, Norwegian Krone and Japanese Yen) building on the strong issuance momentum achieved in 2024/25.

The Committee also reviewed a number of bank financing actions, including approval of additional bilateral bank facilities totalling £417 million, supporting diversification of lender relationships and strengthening the banking group ahead of the planned refinancing of the Group's revolving credit facilities. In January 2026, the Committee approved entry into a new £100 million bilateral term loan with an existing relationship bank.

Investor engagement continued across UK, European and international markets, ensuring the Group remained well positioned to access funding as required. The Committee reviewed the funding and treasury risk management plan for the 2026/27 financial year, recommending it to the Board. The Committee remained supportive of the Group's strategy of maintaining flexible and diversified access to global debt markets.

Liquidity and Financial Resilience

The Committee received regular updates on the Group's liquidity position and continued to monitor compliance with its liquidity policy. As at 31 March 2026, the Group maintained £0.8 billion of cash and £1.6 billion of committed bank facilities, providing liquidity headroom in excess of the minimum 15-month requirement.

The Committee reviewed the funding plan for AMP8. The Committee noted the expected funding requirement of between £1.5 billion and £2 billion in 2026/27, reflecting refinancing of maturing debt and ongoing capital investment. The Committee also received updates on the planned refinancing of the Group's revolving credit facilities, noting preparatory work to engage lenders and optimise the refinancing timetable.

Treasury Risk Management

The Committee continued to oversee the Group's management of interest rate, inflation, energy price risk and foreign exchange risks, noting that the Group maintained a balanced portfolio across fixed, floating and index linked debt. The Committee also reviewed the Group's increased use of derivatives linked to AMP8 issuance activity, including cross currency and interest rate swaps.

During the year, the Committee approved a number of updates to the Treasury Policy Statement, ensuring that the policy remains aligned to the increased scale and pace of AMP8 treasury activity.

Sustainable Finance

The Committee oversaw continued application of the Group's existing Sustainable Finance Framework, and publication of a new Framework incorporating stronger alignment with International Capital Market Association ('ICMA') Green Bond Principles, improved EU Taxonomy mapping, the inclusion of Blue and Nature Bonds, and enhanced impact reporting in line with ICMA guidelines. The Committee oversaw the continued application of the Group's Sustainable Finance Framework, which remains an important component of the Group's funding

strategy. It also reviewed updates to the Sustainable Finance Policy noting the framework is applied appropriately while maintaining flexibility and cost effectiveness.

Internal Controls and Treasury Governance

The Committee reviewed the effectiveness of internal controls across all treasury activities and received assurance that the control environment remained robust. Enhancements during the year included updates to the Treasury Business Continuity Plan and improvements to counterparty risk methodologies.

Pension Matters

The Committee received regular updates on the Group's defined benefit pension schemes, covering funding, investment strategy and the IAS19 position. In January 2026, the Committee noted the Trustee's updated Statement of Investment Principles, noting the introduction of supporting policies covering hedging, asset allocation, rebalancing and derisking triggers.

Advisor Review

The Committee carried out its annual review of treasury advisers and concluded that the quality and strategic insight provided remained strong. The Committee also confirmed continued engagement with its advisers to support the Group's funding strategy and market activity.



Looking Ahead

In the year ahead, the Committee will continue to support the Group's strategy to ensure it remains appropriately funded to support the delivery of AMP8. Key areas of attention will include:

- overseeing further capital markets activity across a range of currencies and markets;
- monitoring liquidity headroom and ensuring continued compliance with the Group's liquidity policy;
- considering the impact of RPI reform on the Group's existing index-linked debt;
- supporting the refinancing of the Group's core bank facilities;
- continuing to review treasury risks and controls as the volume of funding and derivatives activity increases further in AMP8;
- monitoring macroeconomic and political conditions and assessing their potential impact on the Group's funding strategy and delivery plan; and
- ensuring the treasury framework continues to evolve in line with best practice and the Group's long-term strategic priorities.

Corporate Sustainability Committee Report

Tom Delay
Chair of the Corporate
Sustainability
Committee



Documents available at severntrent.com

- Anti-Slavery and Human Trafficking Statement
- ESG Databook
- Charter of Expectations
- Committee Terms of Reference

Dear Shareholder

I am pleased to present the Corporate Sustainability Report for the year ended 31 March 2026.

Our focus throughout this year has been on ensuring that sustainability continues to drive long-term resilience and value across the business, reflecting the rising expectations of regulators, investors and the communities we serve.

In particular, the Committee prioritised strengthening climate resilience, advancing nature recovery and ensuring affordability considerations remain central to long-term decision making. In this context, the Committee placed increased emphasis on resilience and adaptability, focusing on how effectively climate, regulatory and affordability risks are anticipated and embedded into forward planning and long-term decision making. In a year shaped by significant policy and regulatory change, including the Government's "New Vision for Water" and Ofwat's Climate Change Principles, the Committee used these developments to actively shape its oversight of climate resilience, nature recovery and wider customer outcomes, maintaining a clear focus on long-term stability and strategic alignment.

Social value remained a core focus, with continued progress in programmes supporting communities across our region.

We further supported improvements to the Group's sustainability reporting, endorsing clearer, more concise disclosures, stronger alignment across TCFD, TNFD and EU Taxonomy, and preparation for the introduction of UK Sustainability Reporting Standards in 2026/27.

The Committee also maintained a strong focus on the quality and robustness of sustainability data and disclosures, recognising the increasing importance of reliable, decision-useful information for our stakeholders.

This year's internally facilitated Board Performance Review included an evaluation of our Committee's effectiveness. The review confirmed that the Committee continued to operate effectively, with strong Board confidence in the quality of its oversight. As expectations continue to evolve, the Committee remains committed to ensuring our sustainability strategy stays focused, ambitious and aligned to long-term value creation.

I would like to thank my fellow Committee members and colleagues for their insight, challenge and commitment throughout the year.

Tom Delay

Chair of the Corporate Sustainability Committee

Committee Membership and Attendance

All members of the Committee are Independent Non-Executive Directors, except for Christine Hodgson, who was independent on appointment.

Membership of the Committee during 2025/26 is shown in the meeting attendance table on page 100. Other regular attendees that attend by invitation include, the Chief Executive, Group General Counsel and Company Secretary, Head of Strategy and Group Transformation, Group Environment Policy Lead, other members of senior management and external guest speakers.

As part of its annual cycle, the Committee reviewed its Terms of Reference and confirmed that they remain appropriate, accurately reflecting the way the Committee discharges its duties.

Role of the Corporate Sustainability Committee

The Corporate Sustainability Committee supports the Board in overseeing the Group's approach to sustainability and wider corporate responsibility. It reviews the development and delivery of the Group's sustainability strategy, monitors performance against key environmental, social and governance priorities, and considers emerging risks and opportunities, including those related to climate change. The Committee also oversees relevant policies and significant sustainability-related disclosures, and reports regularly to the Board on matters within its remit.



Key Areas of focus in 2025/26

Environmental Sustainability and Resilience

The Committee reviewed major sector developments to ensure our oversight remained aligned with the evolving regulatory landscape. This included scrutiny of how resilience considerations were embedded into planning and decision-making, and how emerging regulation and scenario analysis informed long-term priorities. The Committee emphasised the importance of adaptive governance to ensure plans remained resilient as external conditions evolved. We oversaw the continued strengthening of the Group's climate adaptation approach, supporting a more integrated and forward-looking assessment of long-term risks and resilience across the business.

We reviewed AMP8 biodiversity plans, including a strengthened habitat baseline, and supported enhanced in-house ecological capability and improved engagement with landowners to deliver river health and biodiversity outcomes.

Progress towards net zero was monitored through the Capital Carbon ODI, with a focus on embedding stronger design standards and governance into AMP8 to reduce capital carbon. Broader oversight included environmental performance, sustainable abstraction and water resource management, circular economy principles, and emerging environmental risks and priorities.

ESG Reporting and Controls

The Committee oversaw continued enhancements to sustainability reporting and controls, improving the clarity, consistency and decision-usefulness of disclosures and supporting alignment with TCFD, TNFD and the EU Taxonomy, as well as readiness for UK Sustainability Reporting Standards from 2026/27.

We noted continued strong Carbon Disclosure Project ('CDP') performance, achieving an 'A' rating for climate and water, and oversaw improvements to sustainability data governance and controls to support external assurance and alignment with Provision 29 of the Code.

Further details are available on our website.



Scan the QR code to visit the [ESG Databook](#)

Human Rights and Modern Slavery

The Committee maintained oversight of human rights and modern slavery risks across the business, including supply chain considerations.

Our full Anti-Slavery and Human Trafficking Statement can be found on our website.



Scan the QR code to visit the [Anti-Slavery and Human Trafficking Statement](#)

Social Impact and Affordability

The Committee oversaw progress on the Social Impact Strategy, including initiatives addressing affordability, poverty and youth unemployment and, reviewed evidence of improved outcomes in work-readiness, employee retention and progression.

Discussions on customer vulnerability, regional inequalities and the need for targeted support deepened the Committee's understanding of affordability pressures across the region.

Insights from these discussions, together with the review of Social Impact Strategy performance and outcomes, has informed oversight and challenge of the forward planning of support programmes, with a focus on ensuring they remain targeted and effective.

ESG-related Reward and Remuneration

In line with its remit, the Committee recognises the importance of ensuring that executive remuneration and incentives appropriately reflect the Group's environmental, social and customer priorities over the long term. Where relevant, the Committee provided sustainability related insight to the Remuneration Committee to support alignment with the Group's long-term sustainability objectives.

Further detail on the Group's remuneration framework and performance measures is set out in the Directors' Remuneration Report and Remuneration Policy (pages 118 to 152).



Looking Ahead

In the year ahead, the Committee will continue to focus on adaptive oversight, ensuring that resilience considerations remain embedded as AMP8 delivery progresses and external expectations continue to evolve.

Key focus areas will include:

- providing robust oversight of delivery against AMP8 environmental priorities, with particular emphasis on operational execution, regulatory performance and long-term value creation;
- maintaining oversight of resilience and adaptability in forward planning, including how climate adaptation, water scarcity, nature recovery and affordability considerations are reflected in investment decisions and managed as delivery progresses;
- continuing to focus on climate-related risks and opportunities, nature-positive outcomes and customer impacts, recognising the need for plans and governance arrangements to remain responsive to evolving external conditions;
- monitoring progress across key AMP8 programmes over time, including climate adaptation, biodiversity and net zero, to ensure learning informs future planning and prioritisation;
- maintaining oversight of the evolving external sustainability and regulatory landscape, supporting timely and effective challenge as expectations continue to change; and
- ensuring governance arrangements, controls and assurance processes remain fit for purpose, as regulatory, reporting and delivery requirements evolve.

Directors' Remuneration Report

**Sharmila
Nebhrajani OBE**
Chair of the
Remuneration
Committee



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Dear Shareholder

On behalf of the Remuneration Committee of Severn Trent (the 'Committee'), I am pleased to present our Remuneration Report for 2025/26. This report explains the remuneration outcomes for our Executive Directors and wider workforce for the financial year ended 31 March 2026.

A key focus for the Committee this year has been the review of our Directors' Remuneration Policy, including how we ensure strong alignment to the performance delivered for our stakeholders. I would like to thank our shareholders for their continued support for our approach to executive remuneration.

Introduction

This year marks the beginning of a new five-year regulatory period, AMP8, which is intentionally ambitious and includes our largest ever investment programme to enhance outcomes for customers and the environment. The first year of AMP8 has been another period of sector-leading performance for Severn Trent, delivered against a backdrop of heightened public scrutiny and regulatory change.

The Committee's focus throughout the year has been to ensure that the Committee's decisions fairly reflect this performance, remain aligned with the interests of our stakeholders, and support the long-term success of the Company. However, as explained in more detail below, due to the application of Ofwat's new regulatory framework on performance-related pay ('PRP'), the final outcomes we are able to deliver to Executive Directors this year will not adequately reflect our sector-leading performance.

This year, we will be seeking shareholder approval for a new Remuneration Policy, which is set out on pages 146-152 and explained in more detail later in this letter and on pages 122-127.

Performance for the year under review

2025/26 represented a significant step up in ambition as Severn Trent entered AMP8, with increased investment and stretching commitments for customers, communities and the environment. Against this backdrop, the Company delivered another very strong year of performance, continuing to demonstrate its position as a leading performer in the sector.

Environmental performance remained a key area of focus. We are highly confident of achieving the maximum Environmental Performance Assessment ('EPA') rating of 4* for a seventh consecutive year, a level of consistency unmatched in the sector. Performance on Combined Sewer Overflow ('CSO') spill reduction continued to improve materially, alongside further reductions in pollution incidents, while leakage was maintained at its lowest ever level. These outcomes reflect sustained investment and a continued focus on long-term environmental improvement.

Improving outcomes for customers also remained a priority. Progress was made in modernising customer systems and operating models, which will underpin service improvements over AMP8. However, while performance improved across a number of customer and asset health measures, including internal and external sewer flooding, the Committee is disappointed that the Company has still not managed to improve the customer experience. The Board expects to see faster improvement in this area in 2026/27. The Committee therefore welcomes the introduction of a new measure into the bonus to drive greater efficiency and improved outcomes. More detail on this measure is provided later in this report.

The business has continued to place significant emphasis on financial resilience. During the year, Severn Trent again outperformed regulatory expectations, maintaining a strong balance sheet, disciplined financing arrangements and an investment-grade credit rating. This financial strength is critical to supporting the scale of investment required through AMP8 whilst protecting the interests of customers and investors.

Finally, Severn Trent continued to demonstrate a strong commitment to its social purpose. Through its Social Impact Strategy and Community Fund, the Company supported a wide range of initiatives aimed at improving access to employment and supporting vulnerable communities across the region.

2025/26 bonus outcomes

A consistent bonus design operates throughout the organisation, the full detail of which is set out on page 128.

Consistent with the broader performance of the business, our performance against the stretching targets set for the specific metrics within the annual bonus has been particularly strong in 2025/26. Details of outcomes on the individual metrics are as follows:

- **Profit Before Interest and Tax ('PBIT'):** Despite very challenging operating conditions, including the driest summer since records began and one of the wettest ever winters, Severn Trent's relentless focus on efficiency and cost management helped deliver 46% PBIT growth year on year, to £861 million. As a result, this metric paid out at full stretch.
- **Outcome Delivery Incentives ('ODIs'):** Despite the reduced ODI opportunity and more challenging targets that came with the start of the new AMP, Severn Trent delivered outstanding performance. 78% of our ODI measures met or exceeded the stretching regulatory commitments, helping deliver a net ODI reward of £56 million in 2025/26. This excellent performance for customers and the environment means this metric paid out at stretch.
- **EPA 4*:** Severn Trent is highly confident of achieving an EPA 4* rating for an unprecedented seventh year in a row, resulting in maximum payout for the wider business.
- **CSO solutions:** Despite an increase in the complexity of the solutions needing to be implemented, 2025/26 saw the delivery of a further 1,100 CSO solutions in the year, exceeding the stretch performance level set. These enhancements will help us tackle spills more effectively going forwards, and drive improvement in our average spills as we move through AMP8.
- **CSO spill reduction:** Exceptionally strong performance on this metric delivered an outturn of 15 average spills. This was well ahead of the regulatory target set by Ofwat (18.8), which was also used as the required target for this binary metric. As a result, this element of the bonus paid out in full.
- **Health & Safety:** Continued strong safety performance (Lost Time Incident ('LTI') rate of 0.11) resulted in payout midway between target and stretch.

The combined outcome of this performance would have resulted in a payout of 98% of the maximum. However, in line with our philosophy of ensuring stretching targets for PRP, the EPA 4* element, representing 10% of the bonus, included a binary underpin for Executive Directors, whereby if the EPA serious pollutions metric was not 'green', the amount payable on this element of the bonus would be zero.

Unfortunately, two serious pollution incidents were attributed to Severn Trent in 2025¹. The Company did not agree that the incidents met the threshold for Category 1 classification and formally appealed the assessments, however, those appeals were unsuccessful. Consequently, the EPA serious pollutions underpin was triggered, which resulted in a reduction to formulaic outcomes for those Executive Directors in role at the time of the incidents. The new Chief Executive Officer, who was not an Executive Director at the time, was not impacted by this underpin.

As a result, the formulaic outturn of the bonus was 98% of the maximum opportunity for the CEO and 88% of maximum opportunity for the CFO and former CEO, Liv Garfield. However, as described below, despite the strength of performance reflected in this outcome, no bonus will be paid to the CFO and former CEO. For the CEO, half of the bonus will be deferred into shares for three years, in line with the Policy applicable to 2025/26.

Ofwat's PRP Prohibition Rule

Ofwat's PRP Prohibition Rule (the 'Rule') was finalised in June 2025, coming into effect for PRP relating to years beginning on or after 1 April 2024. Under this framework, the payment of PRP is prohibited in respect of a year when one of four standards (Consumer Matters, Environment, Financial Resilience and Criminal Liability) has not been met.

However, the Rule operates on a binary basis, such that a single breach of a single standard results in full prohibition, regardless of overall performance or materiality. Through the year, the Committee has repeatedly voiced its concerns to Government and our regulators regarding aspects of the Rule's practical operation, believing that its lack of proportionality risks unintended consequences, including failing to differentiate pay outcomes between strong and poor performers in the water sector, and undermining the ability of the sector to attract and retain the leadership capability required to deliver sustained improvement for customers and the environment.

We are therefore particularly frustrated that, despite Severn Trent's impressive sector-leading performance across a broad range of metrics in 2025/26, the conclusions reached by the Committee on the appropriate bonus payout have been overruled by Ofwat's Prohibition Rule, and have prevented us paying any bonus this year to those Executive Directors who were in place at the relevant time (Liv Garfield and Helen Miles). This is due to Severn Trent triggering the environmental standard of the rule, as a result of the two Category 1 pollution incidents referred to earlier.

While the Committee recognises the seriousness of any Category 1 incident, this outcome illustrates our misgivings regarding the lack of proportionality in the current framework and the failure to take broader operational performance into account. Given our acute concerns regarding the longer-term impact on recruitment and retention, the Committee will continue to engage with Ofwat on this matter, with the ambition to have a fair and proportionate regime that better addresses persistent performance failures, rather than penalise organisations demonstrably delivering sector-leading performance in the round. For further information on annual remuneration outcomes and the impact of the PRP Prohibition, please see page 128.

The four standards in Ofwat's PRP Prohibition Rule

1. **Consumer matters**
 - Breached a principal statutory duty where Ofwat decides that the breach does warrant a financial penalty or states that it would have imposed such a penalty but for undertakings provided; OR,
 - Failed to comply with any enforcement order linked to such a breach.
2. **Environment**
 - Given a 1-star EPA rating for the last calendar year; OR,
 - Incurred a Category 1 pollution for the last calendar year.
3. **Financial resilience**
 - Breached its licence requirement in the PRP year to hold a sufficient credit rating; OR,
 - Failed to subsequently comply with an enforcement order or undertaking linked to the licence breach.
4. **Criminal liability**
 - Received a sentence in the PRP year, following a conviction for a criminal offence, unless the court has made low culpability or low harm findings against the Company.

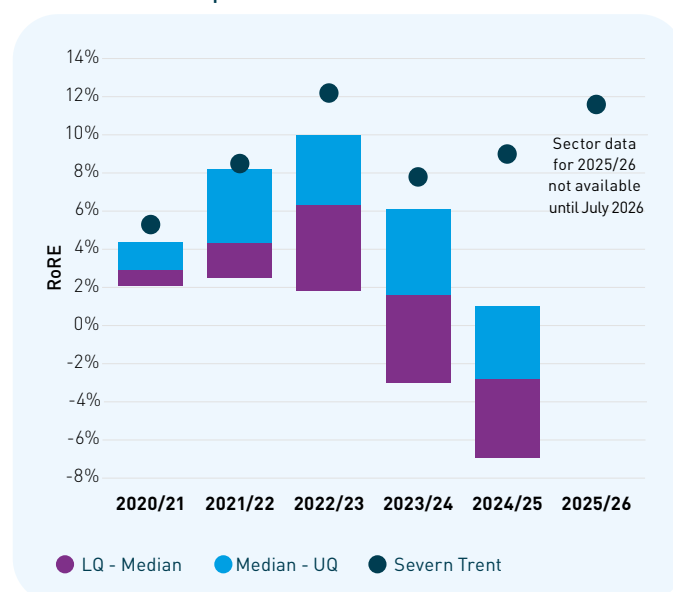
¹ We are currently undergoing an appeal process in relation to a third serious pollution.

Directors' Remuneration Report continued

2023 Long-Term Incentive Plan ('LTIP') vesting

Vesting under the 2023 LTIP reflected the Company's strong performance over the three-year period. Performance against the Return on Regulated Equity ('RoRE') measure significantly exceeded Ofwat's allowance, resulting in full vesting of this element. On the sustainability component of the award, aligned to the Company's environmental commitments, two out of the four binary metrics paid out, with scope 3 supply chain engagement and the rollout of our Net Zero Hub both exceeding the targets. However, both scope 1 and 2 emissions reduction, and self-generation of renewable energy, fell marginally short and did not pay out. Overall, this resulted in 10% of the sustainability component vesting, out of a maximum of 20%, demonstrating the level of stretch in the targets set by the Committee.

Severn Trent RoRE performance versus the sector across AMP7



The remaining element of the 2023 LTIP award, which assesses upper-quartile performance relative to sector peers, will be confirmed in July 2026 and reported in next year's report.

2022 Upper Quartile ('UQ') LTIP vesting

Vesting under the upper-quartile element of the 2022 LTIP was confirmed during the year, marking the fifth consecutive year in which this element has vested in full and demonstrating Severn Trent's sustained outperformance relative to the wider sector.

LTIP outcomes and the impact of Ofwat's PRP Prohibition Rule

It is noted that both the 2022 and 2023 LTIP awards are outside of the scope of Ofwat's Prohibition Rule, as they were granted before the applicable period in the Rule. However, the LTIP awards granted since 2024 will be subject to a reduction, on a pro-rata basis, if the Rule applies for a particular year. As a result of triggering the rule in 2025/26, we will be required to reduce the value of the 2024 and 2025 LTIP awards by at least one sixth each when they vest, in July 2027 and July 2028 respectively. The impact of these adjustments will be reflected in future remuneration reports. This further exacerbates our concerns around recruitment and retention.

Assessment of Performance in the Round

In assessing remuneration outcomes, the Committee considered performance in the round, taking into account outcomes for customers, the environment, shareholders and employees. Having done so, the Committee concluded that the formulaic outcomes appropriately reflected overall performance and no discretion was required. The Committee's full assessment of Performance in the Round is set out in detail on page 129.

As noted above however, the Committee's assessment of outcomes on the annual bonus was overridden in 2025/26 by Ofwat's PRP Prohibition Rule. While we must clearly abide by the law and comply with the outcome,

the Committee reiterates its belief that this outcome is neither proportionate nor reflective of the Company's broader performance for shareholders, customers and the environment.

AMP8 Remuneration Policy review

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

AMP8 represents the most ambitious investment programme in Severn Trent's history, with a £14.9 billion plan to deliver stretching commitments for customers, communities and the environment. Against this backdrop, and informed by updated benchmarking, the Committee concluded that a rebalancing of the overall remuneration package towards long-term incentives was appropriate, better aligning executive reward with the long-term interests of stakeholders.

During the year, the Committee engaged extensively with shareholders, proxy advisers and the regulator on its proposals. Feedback received has been thoughtful and constructive, and has played an important role in shaping the final Policy put forward in this report.

The principal changes proposed to the Policy are set out clearly in the Remuneration Policy Review section of this report on pages 122 to 127, with the full detail of the proposed 2026 Policy set out on pages 146 to 152. In summary, the four key changes are:

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

CEO succession

The year also marked an important transition in leadership. Following the departure of Liv Garfield after more than ten highly successful years as CEO, the Board appointed James Jesic to the role, following a rigorous internal and external recruitment process. The Committee is pleased that the Company's focus on succession planning enabled a smooth transition, with remuneration arrangements applied in line with the existing Policy and best practice. James Jesic's starting salary of £775,000 is 11% below our former CEO, positioning his salary below the lower quartile compared to benchmark. Liv has been treated as a 'good leaver' for the purposes of outstanding share awards, following the application of discretion by the Committee. Full details are set out on page 135.

Remuneration for the year ahead

In line with the revised Policy, the Committee has considered remuneration arrangements for the year ahead, including base salaries, incentives and fees. Executive Director salary decisions have taken into account individual experience, role scope and market positioning, while remaining mindful of the importance of alignment with the wider workforce. Further detail is set out in the relevant sections of this report.

Base salaries and fees

As part of the AMP8 Policy review, the Committee noted that Helen's salary was positioned around the lower quartile of our benchmarking peer group. Helen has been in role for over three years (appointed 1 April 2023) and has performed exceptionally during that period. The scope of Helen's role has been expanded to include responsibility for additional non-regulated businesses within the Group, for which the Board has significant growth ambition. Helen's leadership will play a key part in driving this growth. Taking the above factors into account, the Committee decided to increase her salary to £615,000, effective from 1 January 2026.

The next annual review of Executive Director salaries will be in 2027.

Negotiations for the salary increase for the wider workforce are ongoing as at the date of this report. Recognising that the wider workforce increase is one of the reference points in the decision, 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.

2026/27 bonus

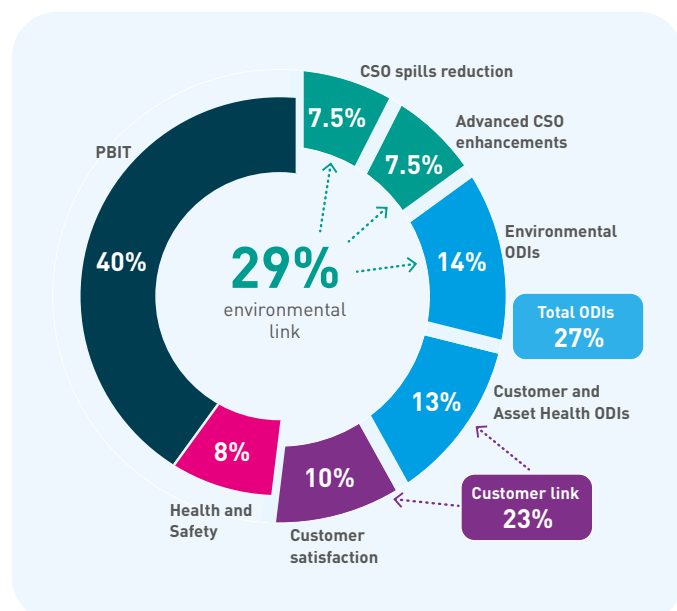
While we are down-weighting the bonus as part of rebalancing the overall package towards the longer term, it remains an important incentive mechanism to drive performance on an annual basis in critical areas for customers and the environment, including ODI and CSO performance. With the bonus metrics being cascaded down through the whole organisation, this also ensures alignment with the wider workforce on key performance measures.

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

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

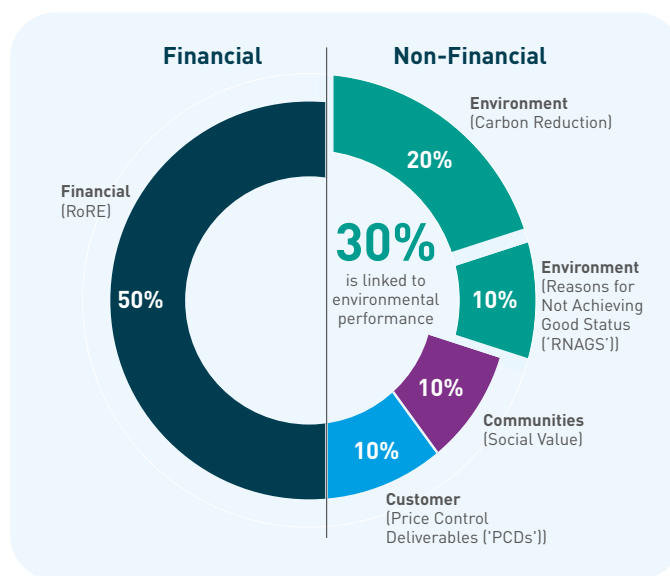
Whilst the removal of the EPA metric reduces the environmental weighting in the bonus, we note that it remains significant, at 29%, and this allows us to increase the focus on customers, with 23% of the bonus now linked to customer metrics.

All other elements of the bonus structure remain the same as in 2025/26, so the resulting structure for the 2026/27 annual bonus is as follows:



2026 LTIP award

Our LTIP structure was designed to deliver balanced outcomes for all our stakeholders, which has been achieved through an equal split between financial and non-financial measures. The non-financial measures consist of a selection of environment, customer and community measures to ensure the interests of all of our stakeholders are considered. The Committee reviewed the existing structure and determined that it remains fit for purpose. The performance measures and weightings for the 2026 LTIP award are set out in the chart below:



It is the Committee's view that the specific targets which have been set for each metric represent a genuinely stretching level of outperformance and directly align with the Company's strategy and Business Plan. Further detail on the targets can be found on page 126.

The Committee will assess the value of the 2026/27 annual bonus and the 2026 LTIP award at the end of their respective performance periods, and will ensure that the final outturn reflects all relevant factors, including an assessment of broader Performance in the Round.

Closing remarks

Looking ahead to AMP8, the Committee remains focused on ensuring that Severn Trent's remuneration framework is capable of supporting delivery of one of the most ambitious investment programmes the sector has ever undertaken. The proposed Remuneration Policy has been designed to strengthen long-term alignment with shareholders, customers and the environment, while remaining fit for purpose in an increasingly challenging regulatory context.

In shaping the Policy, the Committee has paid particular attention to the growing risks around recruitment and retention of high-calibre executive talent. The scale and complexity of AMP8 underscores the importance of maintaining a remuneration framework that is competitive and aligned with long-term value creation.

The Committee is grateful for the constructive engagement received from shareholders during the year, which has directly informed the final proposals set out in this Report. At a time of heightened complexity and delivery risk for the sector, we believe the proposed Remuneration Policy is both necessary and proportionate, and is firmly in the long-term interests of the Company and its stakeholders. The Committee therefore seeks your support on the proposed Remuneration Policy at the forthcoming Annual General Meeting, recognising its importance in enabling Severn Trent to attract, retain and motivate the leadership capability required to deliver successfully through AMP8.

Sharmila Nebhrajani OBE

Chair of the Remuneration Committee

Remuneration Policy Review

Context for the review

In April 2025, Severn Trent commenced its most ambitious five-year AMP. The scale of the investment we have committed to deliver (£14.9 billion) represents a material step change from previous AMPs and will need to be delivered alongside the stretching performance targets we have set across customer, environmental and community measures. Our AMP8 delivery ambition now sits within a complex backdrop of heightened public and Government scrutiny of the water sector, a changing regulatory and legislative landscape, and an expectation that companies must do more to drive rapid and sustainable performance improvements. Our successful execution of this step change in investment and performance is expected to deliver significant long-term value for all our stakeholders.

Delivery on this scale will require the very best executive talent. The overarching duty of the Remuneration Committee is therefore to ensure our remuneration structures attract, secure, and fairly reward the calibre of leadership required to run a high-performing, critical national infrastructure organisation, and pay them in a way that is motivational and aligned with investor and broader stakeholder interests.

We signalled in last year's report that we might conduct a Policy review earlier than the usual triennial timeline requires. With the first year of AMP8 behind us, we now have a clear understanding of the challenges and opportunities that this investment period will bring. As discussed on page 119, we now also have greater clarity on the impact of Ofwat's Rule following its finalisation in June 2025. We believe now is therefore the opportune point to review and refine our Policy such that it can support and reinforce our long-term success.

Throughout the Policy review, the Committee has remained acutely conscious of the evolving regulatory environment, in particular the impact of the Rule. The Committee continues to have serious concerns about how the Rule will operate in practice, including how it will interact with the Environment Agency's Water Industry Regulatory Incidents ('WIRI') framework. Under the revised WIRI guidance (which came into effect from 1 January 2026, but was still draft at the point of our initial consultation), pollution incidents caused by third parties are expected to be increasingly attributed to water companies. Combined with the binary nature of the Rule, PRP outcomes are likely to be driven by factors beyond management control or accountability, preventing fair, market-aligned, and performance-linked reward.

As discussed on page 119, the Committee continues to engage constructively with regulators and the Government as the framework evolves. In the meantime, the Committee considers it appropriate to proceed with the proposed Policy, which it believes best balances proportionality, long-term performance alignment and shareholder outcomes.

As the regulatory framework settles and the combined effect of the PRP rule and WIRI guidance becomes clearer in practice, the Committee recognises that it may be appropriate to undertake a further review of the remuneration approach, should this interaction risk producing outcomes that are no longer well aligned with performance or the original intent of the regime.

Key objectives for the 2026 Policy review

1. **Support Severn Trent's sector-leading performance**, particularly through AMP8, for the benefit of all stakeholders.
2. **Secure and fairly reward high-calibre leadership** to deliver sustainable financial and operational outcomes.
3. **Balance** evolving market practice with the requirements of Ofwat and its successor regulators.
4. **Responsibly maintain market competitiveness and governance best practice** for a FTSE100 listed company in line with the 2024 UK Corporate Governance Code and other investor guidance.
5. **Preserve strong stakeholder engagement and support** by ensuring we have a Remuneration Policy that has clarity in both its purpose and its execution.

Overview of the proposed Remuneration Policy

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

Four principal changes are proposed to the Policy:

1. Reduce annual bonus maximum from **120%** to **100%** of salary for both CEO and CFO.
2. Increase LTIP award levels to **400%** of salary for the CEO and **350%** for the CFO (from 200% and 175%).
3. Increase minimum shareholding requirements to **400%** of salary for the CEO and **350%** for the CFO.
4. Remove mandatory bonus deferral once the relevant shareholding requirements are met.

At the heart of the proposed Policy is a re-balancing between short- and long-term incentives. The annual bonus maximum for Executive Directors will be reduced to 100% of salary, which will be one of the lowest across the FTSE 100. The re-balancing of incentives will see LTIP award levels increase to 400% and 350% of salary, for the CEO and CFO, respectively. This shift reflects the long-term nature of the business and is intended to reinforce executive focus on sustained performance over AMP8 and beyond. This long-term orientation is particularly important given the multi-decade nature of investment required across the water sector, where strategic decisions and capital deployment made today will shape customer outcomes, environmental performance and shareholder value over many years. We will also continue to set highly stretching performance targets for both annual bonus and LTIP awards, an approach which has helped underpin our sector-leading performance.

The Committee firmly believes this re-balanced approach provides a more appropriate alignment between executive decision making and the long-term interests of shareholders and other stakeholders. To further enhance alignment with shareholder interests we will also increase the minimum shareholding requirements, to 400% of salary for the CEO and 350% for the CFO, from 300% and 200% respectively. These levels position shareholding above the upper quartile of our peer group, and reinforce the expectation that Executives maintain a substantial personal investment in the Company over time. In this context, the new Policy will also remove the requirement for further bonus deferral once these enhanced shareholding requirements have been met, while maintaining robust malus and clawback provisions.

The re-balanced packages will support our objective of ensuring market competitive reward to reflect the scale and complexity of the business, which can continue to drive sustained sector-leading performance. In calibrating proposed award levels, the Committee has continued to adopt a robust and responsible approach to benchmarking, which is one of many factors taken into account. We considered market data for companies of similar size and complexity (FTSE 30-100), but critically we excluded those in financial services or with significant global exposure.

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

Shareholder Consultation

We have remained committed to an open and ongoing dialogue with our shareholders on our approach to executive pay. In support of the Policy review, we have engaged widely, with shareholder feedback taken on board by the Committee in finalising the proposed Policy and how we will implement it.

Our initial engagement covered our largest 30 shareholders, representing around 75% of the register. The Committee was encouraged by the positive engagement we had from many of our shareholders, who understood the challenges we were facing and expressed broad support for the overall direction of the proposals, particularly the continued emphasis on performance-related pay, the re-balancing of incentives towards long-term outcomes through the LTIP, and the strengthening of shareholding requirements. There was also strong support for the Committee's thoughtful and responsible approach to market benchmarking.

A key theme in the feedback was the importance of ensuring that the new Policy remains sufficiently competitive especially in scenarios of sustained exceptional performance, given the scale of delivery expected through AMP8 and the challenges and uncertainties in the regulatory environment, while maintaining robust governance discipline and the focus on performance.

Based on the feedback received in the first round of engagement, the Committee refined the proposal, in particular recalibrating LTIP award levels to further re-balance packages towards the long-term. A second round of consultation was then undertaken, including with the proxy voting agencies, which indicated continued support for the proposals.

Remuneration Policy Review continued

Responsible and robust approach to remuneration benchmarking

Recognising the huge ambition and complexity within Severn Trent's long-term plans, the Committee is acutely aware of the need to retain, attract and motivate an experienced and highly-effective leadership team that can deliver the changes and improvements required. At the same time, the Committee recognises the need for market benchmarking to be both robust and responsible, ensuring that it can support proposals which are fair and do not unnecessarily inflate executive reward. The market data considered by the Committee in this Policy review was based on the approach we disclosed in last year's report, and has been welcomed by our shareholders in consultation.

The starting point for our peer group was companies ranked between 30 and 100 in the FTSE by market capitalisation (the 'FTSE30-100'), based on Severn Trent's current ranking of around 50th. As shown in the chart below, this creates a group in which Severn Trent is one of the largest companies, with market capitalisation in the upper quartile compared to the group.

We also acknowledged that some companies within the FTSE30-100 could be argued to operate a sufficiently different type of business to warrant exclusion from the group. In particular, we recognise the increased number of FTSE companies materially increasing incentive award levels as a result of exposure to the US talent market.

Therefore, we continued to sensibly exclude from the peer group companies within the financial services sector and those with significant global exposure.

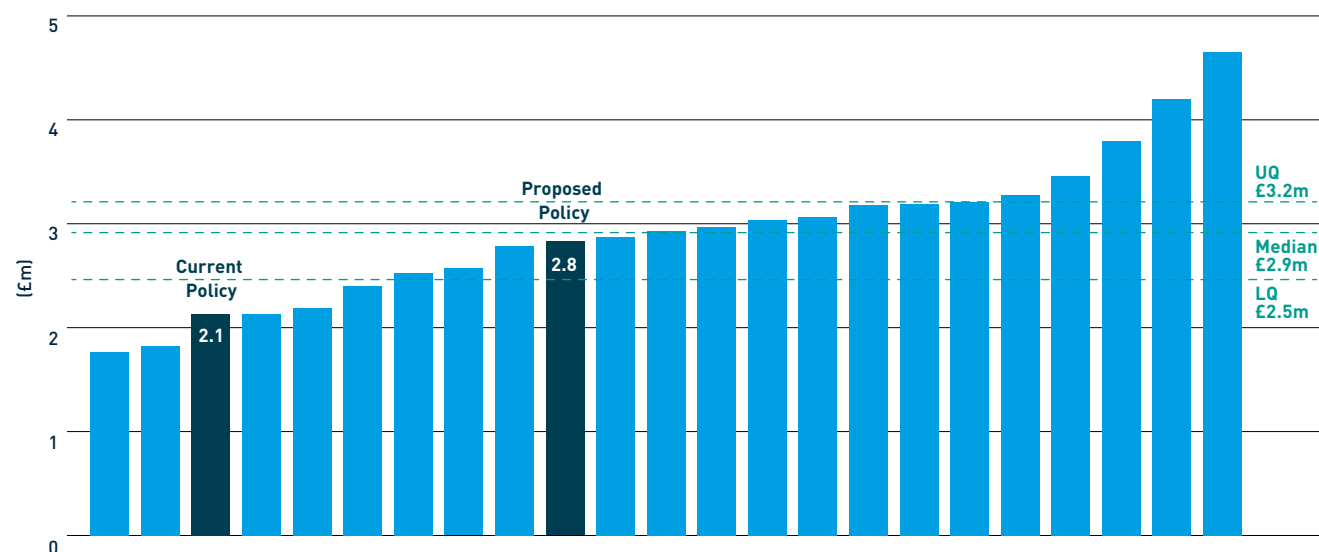
We recognise our position as a regional regulated monopoly. However, we strongly believe that effectively leading a modern water company and navigating the challenges it brings is equally comparable to the demands faced by the leaders of others in our peer group. Severn Trent is by no means a simple business. Our Executive Directors have critical responsibilities to deliver safe and reliable water and wastewater services to 4.7 million households and businesses, as well as manage and motivate a growing workforce of over 11,000 employees. Our AMP8 plan is hugely ambitious, with significant levels of capital investment and performance improvements required. We also operate within a complex regulatory environment, requiring the careful management of a wide range of stakeholders, and amidst the increasingly demanding backdrop of climate change, population growth, customer affordability challenges, an ageing network of assets and a heightened ambition to minimise the impact our operations have on the environment. Furthermore, we have significant ambition within our rapidly growing non-regulated segment, in which we aim to more than double EBITDA to £100 million in 2030.

Market capitalisation of peer group (£bn)



The analysis is based on total target compensation, which comprises salary and pension, as well as short- and long-term incentives, and assumes that incentives pay out at 50% of maximum (assuming no impact from the Rule). As illustrated below, the CEO's total compensation based on the current Policy would be positioned close to the bottom of the group, an unsustainable market position given Severn Trent's upper quartile positioning on market capitalisation. The proposed Policy would position the CEO closer to, but still below, the median of the Group.

Total compensation benchmarking – target CEO



The FTSE30-100 group, after exclusions, includes: Auto Trader, Barratt Redrow, Berkeley Group, BT, Centrica, Easyjet, Howden Joinery, J Sainsbury, Kingfisher, Land Securities, Londonmetric Property, Marks & Spencer, Next, Persimmon, Rightmove, Segro, SSE, Taylor Wimpey, Unite Group, United Utilities and Whitbread.

Summary of Remuneration Policy and Implementation for 2026/27

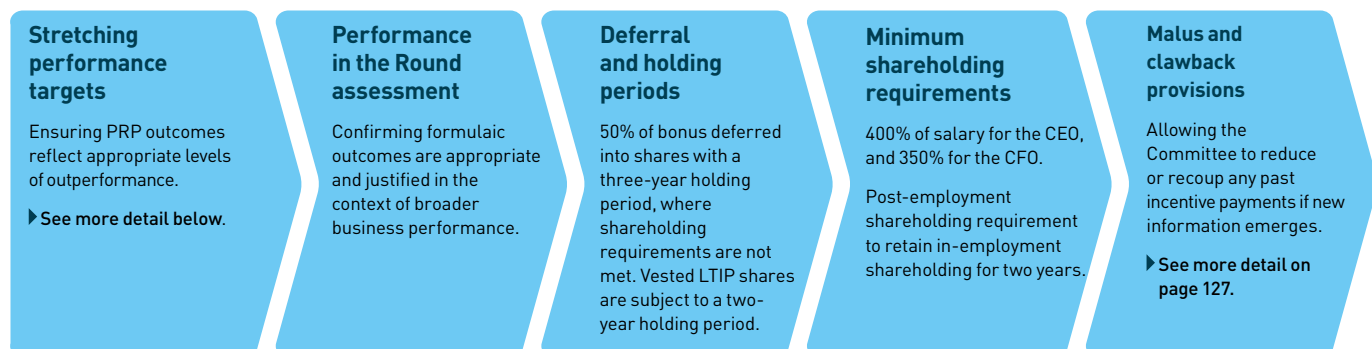
The tables below illustrate the balance of pay and time period of each element of the Policy for Executive Directors, and how we plan to implement the Policy in 2026/27.

Total pay over five years

Total pay over five years	Year 1	Year 2	Year 3	Year 4	Year 5
Fixed pay	Salary: reviewed annually, no prescribed maximum Benefits: market competitive Pension: aligned to wider workforce				
Annual bonus (Subject to Ofwat's PRP Prohibition Rule. Malus and clawback provisions also apply.)	Up to 100% of salary Based on performance measured over one financial year 50% in cash¹		50% in shares¹ Three-year deferral period No further performance conditions		
LTIP (Subject to Ofwat's PRP Prohibition Rule. Malus and clawback provisions also apply.)	Up to 400% of salary Three-year performance period			Two-year holding period No further performance conditions	
Shareholding requirement	Executive Directors' minimum shareholding requirements: CEO: 400% Other Executive Directors: 350% Post-employment shareholding requirement applies: Leavers must maintain their in-employment shareholding requirement (or actual shareholding, if lower) for two years following cessation of employment.				

¹ Where the shareholding requirement has been met, the bonus will not be subject to deferral and will be paid fully in cash.

Safeguards



How does the Committee set and review performance targets?

The Committee has a well-established process for setting stretching targets to ensure that incentives drive our strategic outcomes and deliver value for our stakeholders.

1. Review and approve targets

Management proposes targets for the bonus and the LTIP, taking into consideration the AMP8 Business Plan, Company strategy, the Board-approved budget, historical performance, consensus forecasts, stakeholder expectations and wider market and economic conditions. The Committee reviews the proposed targets (including the underlying assumptions) to ensure they are suitably stretching but also realistic. Following this review, the Committee approves the targets.

2. Assess performance

At the end of the performance period (one year for the bonus and three years for the LTIP), the formulaic outcomes of each performance measure are assessed on a standalone basis, including those that are independently verified by our economic regulator, Ofwat. The UQ element for LTIP awards can only be measured once data for all Water and Sewerage Companies ('WaSCs') is available. A specific Committee meeting is scheduled for this purpose.

3. Determining final outcomes

The Committee assesses whether formulaic outcomes are fair in the context of overall business performance and service delivery for customers and the environment. The Committee has a well-established process to review formulaic outcomes and, as part of this process, independent external advice is sought whereby the Committee looks at Performance in the Round. The Committee has the ability to exercise discretion to adjust formulaic incentive outcomes.

► Read more on page 129.

Summary of Remuneration Policy and Implementation for 2026/27 continued

Element	Implementation for 2026/27																																										
Base salary	James Jesic was appointed to the CEO role on a salary of £775,000, effective from 1 January 2026. The salary for our CFO, Helen Miles, was increased to £615,000 on 1 January 2026, as part of the Policy review, and reflected the growth in her responsibilities. The next annual review of Executive Director salaries will be in 2027.																																										
Benefits	Normal company benefits provision.																																										
Pension	The Company contribution and/or cash allowance is 15% of base salary for both the CEO and CFO, aligned with the opportunity available to the majority of the wider workforce.																																										
Annual bonus	The maximum bonus opportunity has been set at 100% for both the CEO and CFO. Performance measures (as a % of maximum) are: PBIT (40%), ODIs (27%), CSOs (15%), customer satisfaction (10%), H&S (8%). The Committee considers the forward-looking targets to be commercially sensitive but full disclosure of the targets and performance outcome will be set out in next year’s Directors’ Remuneration Report.																																										
LTIP	Grant levels for the 2026 LTIP have been set at 400% for the CEO and 350% for the CFO. The measures, targets and vesting levels have been set out in the table below. <table><tr><th>Measure</th><th>Sub-measure</th><th>Weighting</th><th>Threshold</th><th>Target</th><th>Maximum</th></tr><tr><td>Financial</td><td>RoRE¹</td><td>50%</td><td>Ofwat’s base return</td><td>1.39x Ofwat’s base return</td><td>Upper quartile performance compared to the other WaSCs in the sector.</td></tr><tr><td>Environment</td><td>Cumulative scope 1 and 2 emissions reduction against 2019/20 baseline by 31 March 2029.</td><td>10%</td><td>36% reduction</td><td>42% reduction</td><td>48% reduction</td></tr><tr><td></td><td>Self-generation – total renewable generation by 31 March 2029.</td><td>10%</td><td>815 GWh</td><td>840 GWh</td><td>865 GWh</td></tr><tr><td></td><td>RNAGS – cumulative reduction by 31 March 2029.</td><td>10%</td><td>Reduction of 80</td><td>Reduction of 101</td><td>Reduction of 122</td></tr><tr><td>Customer</td><td>PCDs – % assessed as ‘green’ RAG status, as per our reporting to Ofwat, at 31 March 2029.</td><td>10%</td><td>70% ‘green’</td><td>85% ‘green’</td><td>100% ‘green’</td></tr><tr><td>Communities</td><td>Social Value generated between 1 April 2026 and 31 March 2029.</td><td>10%</td><td>£14.5 million</td><td>£16.0 million</td><td>£17.5 million</td></tr></table> ¹ Threshold performance on RoRE will pay out 37.5% of salary for the CEO and 29.2% of salary for the CFO. Target performance on RoRE will pay out at 150% of salary for the CEO and 116.7% for the CFO.	Measure	Sub-measure	Weighting	Threshold	Target	Maximum	Financial	RoRE ¹	50%	Ofwat’s base return	1.39x Ofwat’s base return	Upper quartile performance compared to the other WaSCs in the sector.	Environment	Cumulative scope 1 and 2 emissions reduction against 2019/20 baseline by 31 March 2029.	10%	36% reduction	42% reduction	48% reduction		Self-generation – total renewable generation by 31 March 2029.	10%	815 GWh	840 GWh	865 GWh		RNAGS – cumulative reduction by 31 March 2029.	10%	Reduction of 80	Reduction of 101	Reduction of 122	Customer	PCDs – % assessed as ‘green’ RAG status, as per our reporting to Ofwat, at 31 March 2029.	10%	70% ‘green’	85% ‘green’	100% ‘green’	Communities	Social Value generated between 1 April 2026 and 31 March 2029.	10%	£14.5 million	£16.0 million	£17.5 million
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All-employee share plans	Participation in the all-employee share plan (Sharesave) on the same basis as all employees.																																										
Shareholding Requirement	CEO – 400% of salary. CFO – 350% of salary. Post-employment shareholding requirement applies.																																										

► See page 141 for further details on shareholding requirements and outstanding share awards.

Case Studies

P

Caring for people in our region



Social value

Delivering long-term social impact is central to our purpose. It reflects our commitment to customers today, and our responsibility to help build stronger, more resilient communities across our region. That is why Social Value forms part of our LTIP.

Our social impact work is about supporting people at risk of water poverty to develop skills, confidence and pathways into good jobs. These are life-changing outcomes that rely on deep community partnerships and take time to achieve. To achieve our ambitious goals, we need the whole Company to support on the multi-year delivery plan, making this metric well suited to long-term reward.

The target is intentionally stretching. A significant proportion of our social value comes from supporting individuals who face the greatest barriers to work, including care experienced young people, young people who are NEET (Not in Education, Employment or Training), and those who have been long-term unemployed, into jobs. Helping these individuals into sustainable roles requires intensive support, multiple touchpoints and pastoral care that goes well beyond traditional recruitment. As we progress through AMP8, the challenge increases, as our programmes become more focused on people further from the labour market, who require even greater levels of support.

There are multiple variables to manage to deliver our social value targets, including attracting and retaining high volumes of apprentices and graduates, and engaging with a range of external partners to support delivery. Together, these challenges make the measure genuinely stretching and reflective of real world complexity.

Performance against the LTIP measure is assessed using the Government endorsed National TOMs (Themes, Outcomes and Measures) framework. This provides a consistent, externally benchmarked basis for valuing outcomes and ensures that higher social value is only attributed where we deliver deeper, evidence-based impact, for example supporting individuals with significant barriers into sustained employment. Our results are independently verified each year through the Social Value Portal, giving assurance over both our methodology and delivery. This ensures that LTIP outcomes reflect genuine, measurable benefit for the communities we serve.

O

Delivering outcomes our customers care about

Robust and comprehensive malus/clawback provisions

As shown on page 125, our executive remuneration framework contains a range of safeguards to ensure we align executive reward with performance, shareholder interests, and regulatory requirements. The malus and clawback provisions form an important part of this framework.

Under these provisions, the Committee may reduce or recoup incentive payments if certain 'trigger' events occur within a period of three years from the award of a bonus or the vesting of an LTIP award.

The trigger events represent a comprehensive range of scenarios aligned to best practice guidance and FTSE100 market practice. The list of trigger events has also been expanded under the new Policy to ensure full alignment with the relevant requirements of Ofwat's PRP Rule.

Another key safeguard in our framework is the use of bonus deferral, LTIP holding periods, and shareholding guidelines, all of which are primarily intended to create a direct alignment between our Executive Directors and our shareholders. Under the proposed Policy, once an Executive has met their shareholding guideline, and sufficient alignment has therefore been created, deferral will no longer be mandated.

The Committee recognises that deferral also provides one of the available routes for effecting the implementation of the malus provision. We therefore reviewed the malus and clawback provisions, including all supporting policy and procedure, and concluded that they would remain robust and enforceable following the proposed change to deferral. The malus and clawback provisions form part of



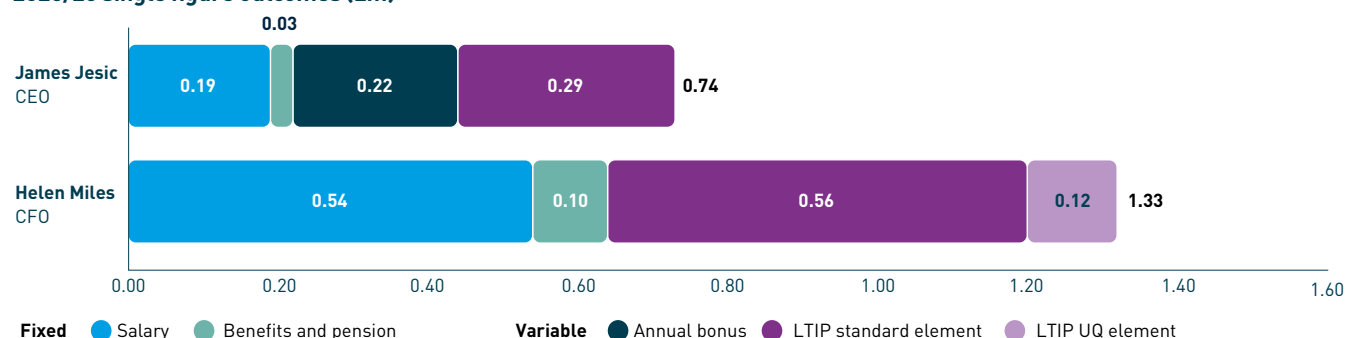
the service contracts for our Executive Directors and the Committee would have the ability to adjust a range of in-flight awards or reclaim remuneration paid and/or shares subject to holding requirements, if required in the circumstances.

Triggering events:

- Financial misstatement
- Errors in calculation
- Misconduct
- Reputational damage
- Regulatory censure
- Corporate failure of the Company
- Failures of risk management or of the operational systems and controls
- Any of the events described in Ofwat's PRP Prohibition Rule

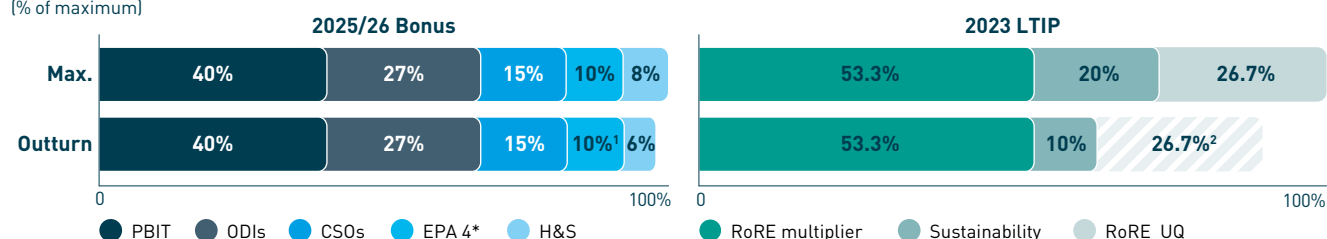
Remuneration for the Year in Review, at a Glance

2025/26 single figure outcomes (£m)

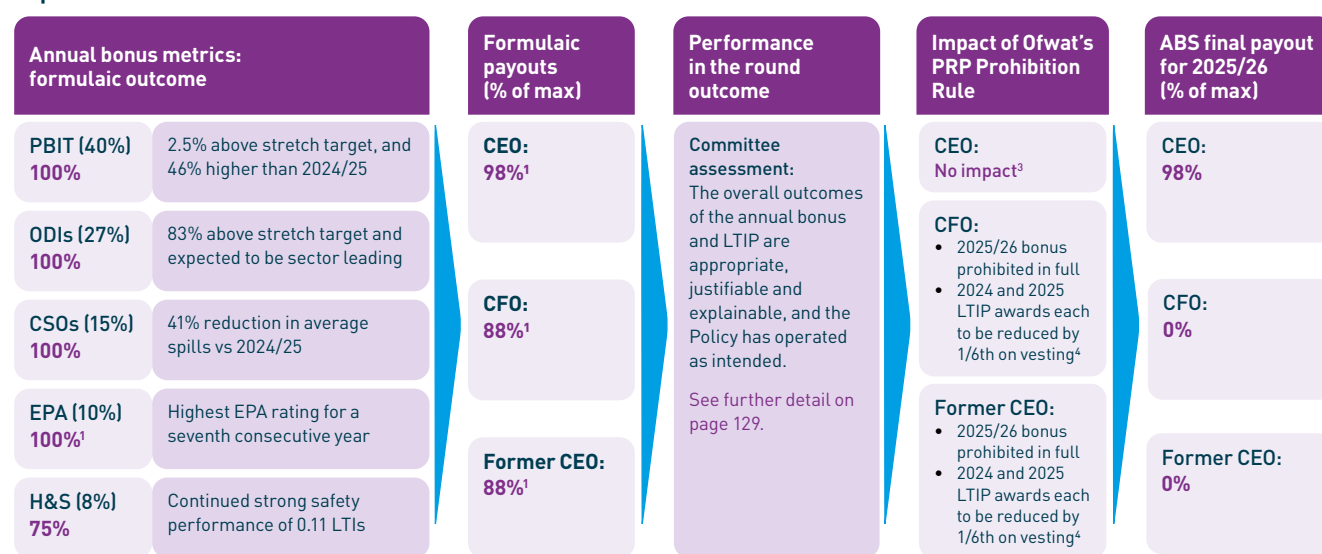


Performance-Related Pay Outcomes (before the impact of Ofwat's PRP Prohibition Rule)

(% of maximum)



Impact of Ofwat's PRP Prohibition Rule



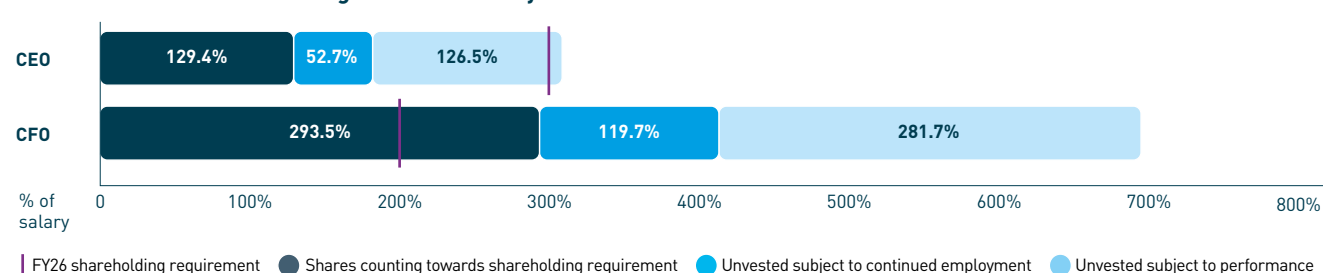
1 The binary underpin on the EPA 4* metric was triggered for Helen Miles and the former CEO, Liv Garfield, so this element of the bonus will pay out at zero for them. James Jesic is not impacted because he was not in role at the time of the triggering incidents.

2 The outcome of the RoRE UQ stretch element (26.7%) will not be known until July 2026, when comparative RoRE performance is published by Ofwat.

3 As with the binary underpin, James Jesic is not impacted by Ofwat's PRP Prohibition Rule, due to the triggering incidents occurring prior to his appointment as CEO.

4 The 2023 LTIP is out of scope of Ofwat's PRP Prohibition Rule.

Executive Director shareholdings % of base salary



Performance in the Round - Remuneration 2025/26

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. Of fundamental importance to the Committee's assessment are the principles of proportionality and culpability. Any adjustments to the formulaic outturn must be proportionate in terms of the event that triggered the adjustment, and there must be clear culpability of management, through their actions, decisions or lack thereof.

Factors considered by the Committee

Delivery for customers	With 27% of the 2025/26 annual bonus structure based on ODI performance, and the financial rewards of ODIs flowing into the Company's RoRE performance, customer performance metrics are embedded within the formulaic calculation of Executive remuneration. In assessing Performance in the Round, the Committee considered the Company's performance across all of its performance commitments both over time and relative to the performance of other WaSCs. While our overall ODI reward is a strong indicator of customer performance, the Committee looks wider, considering performance on individual ODIs, such as leakage, internal floodings and C-Mex, as well as progress on broader customer initiatives, including technology investment to improve the customer experience.
Environmental performance	For 2025/26, environmental measures make up 39% of the annual bonus, through a combination of environmental ODIs (14%), EPA 4* rating (10%) and CSO measures (15%). Beyond the formulaic outturn, the Committee considered the Company's performance against a broad range of environmental performance indicators, supported by deep dives into the following key areas: - The EA's overall EPA framework, including Company performance against all of the measures that make up the EPA rating, both in year and over time. - CSO performance, including improvement activity underway and planned. - Progress against the Company's stated environmental commitments, including the Get River Positive pledges, and the Company's ambition to be net zero for operational emissions by 2030.
Financial performance and resilience	Whilst 40% of the 2025/26 bonus is based on Group PBIT performance, and this subsequently feeds into the RoRE performance that influences the LTIP outturn, not all measures of the Company's financial performance are readily visible in this top-level number. The Committee therefore considered other factors when assessing the Company's financial performance in the round, including gearing and financial resilience, progress on capital investment plans and RCV growth.
Impact on our communities	The Committee considered the long-term value creation for the mutual benefit of our customers and communities, supported by deep dives into the following key areas: - Affordability, and the role the Big Difference Scheme has played in supporting customers. - The impact the Severn Trent Community Fund has had in supporting community initiatives. - Progress achieved on our Social Impact Strategy, which aims to support 100,000 people at risk of water poverty over 10 years.
Alignment to wider workforce	In addition to the Committee's annual update on workforce policies and practices, the Committee considered the alignment between Executive remuneration outcomes and the wider workforce experience, supported by reviews of the following key areas: - Assessment of employee policies and benefits, including performance management, talent programmes and skills development. - Internal and external benchmarks of employee experience – including maintenance of the Company's best ever employee engagement score and very high Sharesave participation rate. - Health and safety performance, including our people, supply chain and the customers and communities we serve.
Stakeholder relationships	The Committee reviews the strength and status of the Company's relationship with key stakeholders, including its regulators, regional MPs, local business forums and shareholders.

Independent assessment

An independent assessment of Performance in the Round was provided by the Committee's independent external remuneration advisers.

Decision in determining whether any adjustment is required to remuneration outcomes

Following this review, the Committee confirms that the overall outcomes of the annual bonus and LTIP are appropriate, justifiable and explainable, and that the Policy has operated as intended. The Committee also confirms that no use has been made of malus or clawback provisions during the year.

Application of Ofwat's PRP Prohibition Rule, to determine if PRP can be paid for the year

Although the Committee was satisfied that overall performance warranted the payment of PRP as determined by the formulaic outturns, due to triggering the environmental standard within the Rule, Severn Trent is prohibited from paying the 2025/26 annual bonus to Liv Garfield (former CEO) and Helen Miles (CFO), as they were both Executive Directors at the time of the triggering incidents. James Jesic was not however, so he will receive the formulaic outturn of the bonus.

Aligning our Remuneration for the Year Ahead to our Stakeholders and Strategic Ambitions

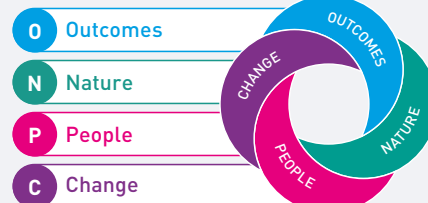
The approach to remuneration across the Group ensures all employees are rewarded and incentivised to deliver Severn Trent's 'performance driven, sustainability-led' strategy. Delivering against this strategy is critical to the creation of long-term value for our stakeholders: customers, communities, employees, shareholders, suppliers, contractors and regulators.

In determining the right performance measures for our incentive plans, the Committee seeks to strike a balance between short- and long-term financial, operational and sustainability goals. As we are a long-term business, actions taken in a single year flow through to longer-term performance.

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

The diagram below illustrates the performance measures that we use within our incentives and explains how they help deliver the Company's strategic goals as well as delivering balanced outcomes for all of our stakeholders, driving long-term performance for the benefit of all groups.

Our corporate strategy



Stakeholder key



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

Company Remuneration at Severn Trent

This section sets out the steps we take to make sure that our pay and reward framework is transparent and fair, beyond Executives and Senior Management, in a way that is meaningful and useful.

The table below sets out details of how the cascade of the reward framework applies across different levels within the organisation, combined with a summary of the information which the Committee has received as part of its annual review process.

Pay and alignment across the business

Alongside our thriving culture and inclusive working environment, our reward framework is designed to attract, motivate and retain people who are inspired by Severn Trent's purpose, and who live our values every day.

Our reward package recognises the great performance of our employees, as we deliver our essential services to customers across the region, and is designed to fairly reward all colleagues throughout the organisation. The terms and conditions from which our employees benefit evolve in line with external practice and new initiatives from within Severn Trent. We pride ourselves on keeping pace with trends in talent management and acquisition, and skills development, in order to motivate, develop and retain a positive working environment.

This section of the report also covers our CEO pay ratios, and our gender and ethnicity pay gap reporting.

Eligibility	No. of employees covered	Remuneration element	Details and implementation at Severn Trent	Committee focus areas
All employees	11,544 (as at 31 March 2026)	Salary	- The increase in average annual salary across the workforce in 2025/26 was 2.8%. - The Company has real Living Wage and real Living Hours employer accreditation and reviews employment terms and salaries in this context. - Enhanced visibility on salary ranges within the organisation to enable fairness and transparency.	- Wider workforce increases versus the Executive population. - Differences across employee groups. - Benchmarking against market rates.
		Benefits	All employees are eligible to participate in our flexible benefits scheme, which we believe is one of the best in the industry and is designed to support physical, mental and financial wellbeing.	- Ensuring a consistent approach is applied across the business for benefits. - Reviewing the breadth of benefit offerings.
		Pension	- We offer a market-leading defined contribution pension scheme and double any contributions that employees make (up to a maximum of 15% of salary). - Employer pension contributions for Executive Directors are aligned with the broader workforce. - We are proud that over 97% of our employees are members of the pension scheme and 61% pay contributions above the minimum of 3%.	- Alignment of pension contributions across the workforce. - Support levels for workers approaching retirement.
		Annual bonus	- All of our people share in our success by participating in our all-employee Annual Bonus Scheme, ensuring all employees are aligned with the same measures and rewarded for achieving our key objectives. - At all levels, performance outcomes are measured against the same metrics. - Our frontline colleagues and team managers benefit from a fixed bonus payment. - Bonus opportunities vary by grade. - We also operate some sub-schemes in Infrastructure Services, to reflect specific business needs.	- A consistent design is operated throughout the business. - Details of performance measures and targets. - Malus and clawback provisions are in place.
		Sharesave	- All employees of the Severn Trent Group can participate in the Save As You Earn Scheme – Sharesave. - Enables all colleagues to share in the long-term success of the Company, aligning participants with shareholder interests. - Significant take-up of this benefit with almost 70% of employees participating in the scheme, and nearly a quarter of those saving the maximum £500 per month.	Participation rates.
Management and Senior Management	482	LTIP	- The LTIP is available to Executive Directors, the Executive Committee and some members of Senior Management, eligibility for which is reviewed annually. - The LTIP is designed to deliver balanced outcomes for all of our stakeholders, driving long-term financial and non-financial performance for the benefit of all groups. The retention of shares by Executive Directors for the longer term also supports a shared ownership culture in the Group. - The performance period is three years, with 50% based on RoRE performance and 50% on a range of non-financial measures. - The Executive Directors are subject to an additional two-year post-vesting holding period. - LTIP opportunities vary by role from 25% of salary to 400% of salary.	- Eligibility. - Cost. - Dilution. - Details of performance measures and targets. - Malus and clawback provisions are in place.
Executive Directors and Executive Committee	9	Shareholding requirements	- Shareholding requirements as a % of salary are in place. For 2025/26, these were: 300% for CEO, 200% for CFO and 100% for members of the Executive Committee. - Supports alignment of Executives' interests with shareholders. - A post-employment shareholding requirement was introduced for Executive Directors as part of the 2021 Policy.	Requirements versus actual shareholdings.
Our supply chain			- All colleagues across Severn Trent are paid in line with the real Living Wage, for which we hold accreditation. - We expect this of all new contracts within our supply chain and detail this within our Sustainable Supply Chain Charter.	

Wider Workforce Considerations and our Approach to Fairness

We recognise how critical our people are in delivering improvements for our customers, the environment, and wider stakeholders, and as such, we seek to create an inclusive working environment, reward our employees in a fair and equitable manner, and provide fulfilling careers.

The Severn Trent culture is fundamental to our success as a business. We want our people to feel they are in a work environment which enables everyone to contribute fully and be the best they can be. We are proud of our achievements, with our annual employee engagement score being the highest it has ever been, placing us in the top 5% of energy and utility businesses globally.

The Committee and management are committed to fair pay across the organisation. We continue to see diversity and inclusion as central to everything we do, and we are pleased to see the commitment that management has in reducing pay gaps. More detail can be found on our pay gaps on page 134.

To ensure the voice of our employees is heard, we have an active Company employee forum which meets every quarter to discuss business challenges and opportunities. The Company Forum is chaired jointly by a member of the Executive Committee and the Trade Unions. Members include representatives from HR, joint Trade Unions and employees from our other business area employee forums. The objectives of the Company Forum are to:

- involve employees by sharing information on the future of our business and the water industry;
- work together on issues that affect our employees; and
- work in partnership to deliver better solutions to improve the way we work.

All of our employees benefit from:



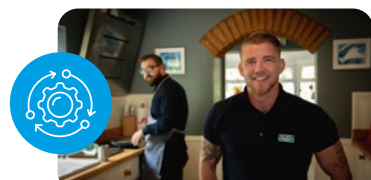
Market competitive pay

We balance competitive pay for employees with responsible use of our customers' money. As a real Living Wage employer, we are committed to paying all our direct employees and our supply chain a wage based on the cost of living today. We also closely monitor the rates of pay of people who are training with us, to make sure they remain fair and competitive and have established pay frameworks to ensure transparency, alignment to the external market and parity between our new talent cohorts.



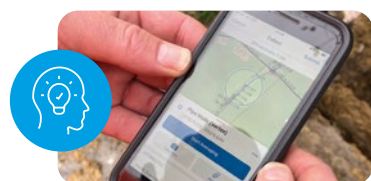
Sharing in success

We want our employees to share in our success, and our all-employee bonus plan ensures everyone in the business is aligned with the same measures and rewarded for achieving our key objectives. We also offer a Sharesave Scheme, which gives employees a chance to save up to £500 per month over three or five years, with the option to buy Severn Trent Plc shares at a discounted rate at the end of the period. This is hugely popular, with almost 70% of our employees choosing to participate.



Flexibility

We provide a flexible benefits scheme for all, which we believe is amongst the best in the industry. It recognises that our people's life, wellbeing, family and finances all play a part in how they feel about coming to work, and the scheme is structured accordingly. It includes a broad range of physical, mental and financial wellbeing offerings, as well as leisure and retail opportunities, and charitable giving. We also have a range of family leave policies, including a FTSE-leading Maternity and Adoption Policy, which enable our employees to work around the demands of a busy family life.



Building a career

As a major regional employer, we recognise the importance of equipping our colleagues with the skills for now and the future. Our focus is on both leadership and technical development across the whole organisation. We support the development of colleagues at all stages of their career, from foundation apprenticeships and graduate entrants, through to higher level apprenticeships and Masters degrees. Our aim is to ensure that every employee feels competent and confident in their everyday work.



An opportunity to save for the future

We know many of our colleagues want to be able to save for their future security. We offer a market-leading defined contribution pension scheme and double any contributions that employees make (up to a maximum of 15% of salary), regardless of level or seniority. When colleagues get closer to retirement, we provide education and support to help plan for the next stage of their lives. We are proud that over 97% of our people are members of the pension scheme and 61% pay contributions above the statutory minimum of 3%.



Diversity and inclusion

At Severn Trent, diversity is a huge part of who we are as a business, how we operate and how we continue to deliver against our bold ambitions. We positively celebrate diversity and inclusion, and embrace every individual's contribution. We believe that we have all been shaped by different things – whether it is our backgrounds, upbringings, life experiences or cultures – and it is those things that make us brilliant at work. Embracing those differences means we can deliver at our absolute best for our customers, communities and the environment.



Investing in the community

We launched our Societal Strategy in November 2022 to support 100,000 people over 10 years who are at risk of water poverty. Our focus has been on skills development, training, and employment across areas of high deprivation within our region. We have proudly supported more than 40,000 people, generating nearly £15 million of Social Value since 2022. This is supported by our employee volunteering programme, which gives all employees two paid days per year to participate in voluntary work in our communities.

The Relationship Between the Remuneration of the CEO and all Employees

The Company's approach to remuneration is consistent for all employees, as outlined on page 131 and in our 2026 Policy.

The table below shows how the CEO's total single figure of remuneration compares with the equivalent figures for employees occupying the 25th, 50th and 75th percentiles. We have chosen Option A under the Regulations for the calculation, which takes into consideration the full-time equivalent basis of all employees and provides a representative result of employee pay conditions across the Company.

Total pay and benefits for all have been calculated as at 31 March 2026, in accordance with the single figure methodology, and are based on full-time equivalent pay and benefits. We have not omitted any pay elements from the calculation. The median CEO ratio is consistent with the pay and progression policies for the Company's employees as a whole.

For the financial year ended 31 March 2026, Liv Garfield was CEO until 31 December 2025 and James Jesic was CEO from 1 January 2026. In calculating the CEO pay ratio we have therefore used the aggregate of the amounts set out in the single figure table on page 135 which reflect their respective periods of service as CEO.

CEO pay ratio

CEO	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Total single figure (£'000) ¹	2,765.1	3,084.0	3,948.4	3,116.9	3,203.8	3,432.4	1,826.2
Ratio of CEO's single total remuneration figure shown:							
To employee at the 25 th percentile	84.5	92.8	116.0	91.1	86.3	88.2	46.0
To employee at the 50 th percentile	65.7	72.3	90.8	71.0	67.0	67.4	34.8
To employee at the 75 th percentile	53.9	59.8	75.3	58.9	55.0	55.4	28.4
Ratio of CEO's single total remuneration figure shown to the median Executive Committee member:							1.7

¹ Figures for 2025 have been restated to reflect the updated 2022 LTIP award values and outturn, based on the share price at the date of vesting and including dividend equivalents in respect of vested shares.

The median CEO pay ratio has decreased from 67.4 to 34.8 year on year, driven by a combination of:

- The change in CEO during the year, with the new CEO, James Jesic, starting on a lower salary than his predecessor, and having an LTIP vesting which was granted before he became CEO, and therefore at a lower level; and
- The impact of Ofwat's PRP Prohibition Rule, which resulted in the payment of Liv Garfield's annual bonus for 2025/26 being prohibited in full. More details on the impact of the Rule are set out on page 119.

The Committee is satisfied that the individuals identified within each relevant percentile appropriately reflect the employee pay profiles at those quartiles and that the overall picture presented by the ratios is consistent with our pay, reward and progression policies. Over the long-term, it is reasonable to expect there to be a degree of volatility year on year in the CEO pay ratio given that the CEO's single figure is made up of a higher proportion of performance-related pay than that of our employees, in line with the expectations of our shareholders and the Company's remuneration approach. This introduces a higher degree of variability each year which affects the ratio. It should be noted that all employees in the Company who meet the service requirement are eligible to receive a bonus based on the same broad Company performance

conditions. This ensures all employees share in the success of the Company.

Additional factors to note for this year's CEO pay ratio are as follows:

- Long-term incentives are provided in shares, and therefore any increase in share price over the three years, as has been observed when previous LTIP awards have vested, can magnify the impact of a long-term incentive award vesting in a particular year.
- None of the lower quartile, median or upper quartile employees identified this year are participants in the LTIP. If the value of the LTIP is excluded from the CEO total remuneration pay ratio calculation, the ratios would be as follows:
 - To employee at the 25th percentile: 30.5
 - To employee at the 50th percentile: 23.0
 - To employee at the 75th percentile: 18.8

The table below sets out the base salary and total pay benefits details for the CEO and employees at the 25th, 50th and 75th percentiles.

CEO	2025/26
Base salary (£'000)	
• Employee at the 25 th percentile	31.8
• Employee at the 50 th percentile	37.7
• Employee at the 75 th percentile	47.1
Total pay and benefits (£'000)	
• Employee at the 25 th percentile	39.7
• Employee at the 50 th percentile	52.6
• Employee at the 75 th percentile	64.4

The Relationship Between the Remuneration of the CEO and all Employees continued

Gender and Ethnicity Pay Gap Reporting

We are delighted to have published our fourth combined Gender and Ethnicity Pay Gap Report.

Gender pay gap

Gender pay gap reporting legislation came into force in April 2017 and requires all UK employers with 250 or more employees to publish annual information illustrating pay differences between male and female employees. We reported our gender pay gap in March 2026 in line with statutory requirements, based on figures from 5 April 2025.

The difference in hourly pay between male and female employees in 2025 is:

Median
5.4%

Mean
0.5%

The difference in annual bonus pay between male and female employees in 2025 is:

Median
-0.5%

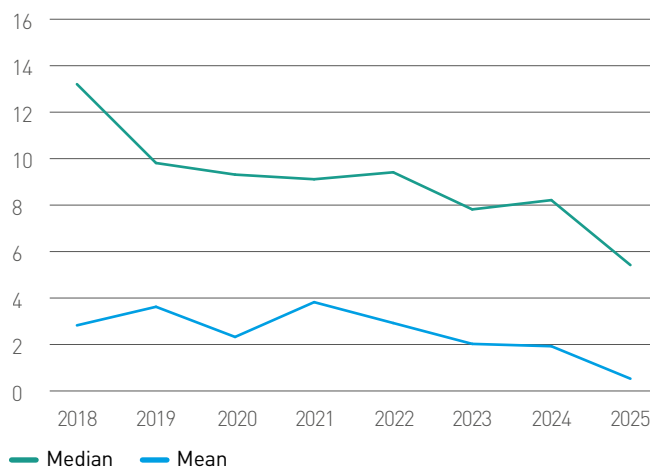
Mean
-64.3%

Our median gender pay gap has decreased to 5.4% in 2025, from 8.2% in 2024, and is now at its narrowest since reporting began. We have made innovative and sustained efforts over successive years to increase female representation across the organisation. This includes new strategies targeting better recruitment, retention, and progression of women. We believe this is the key factor in delivering the improvements seen in our gender pay gap.

Our mean gender pay gap has also decreased to its lowest reported level of 0.5% in 2025 from the 1.9% seen in 2024. This continues to be driven by the high proportion of women in our management and Senior Management roles.

Our median gender bonus gap remains relatively stable with small fluctuations caused by one-off recognition vouchers and long service award payments. Our mean gender bonus gap continues to be as a result of the high percentage of women in our Executive and Senior Management populations.

Gender pay gap (%)



Ethnicity pay gap

In our fourth year of publishing our ethnicity pay gap information, the median gap is 6.9% (2024: 10.1%) and the mean gap is 6.1% (2024: 7.6%).

The difference in hourly pay between white and minority ethnic employees in 2025 is:

Median
6.9%

Mean
6.1%

The difference in annual bonus pay between white and minority ethnic employees in 2025 is:

Median
0.0%

Mean
30.6%

Since the launch of our first D&I strategy in 2021, we have seen a gradual increase in the percentage of ethnic minority employees, rising to 15% at April 2025. We are particularly pleased to see strong growth over the last year, with ethnic minority representation increasing from 13% to 15%, coinciding with the launch of our refreshed D&I strategy in 2024. We are making good progress with our ambition for a workforce which represents the communities we serve, at 18.9% minority ethnic background.

We believe the narrowing we have seen in our ethnicity pay gaps is due to the ethnic minority talent which has joined us in recent years beginning to progress through the organisation, alongside efforts to attract a more diverse range of applicants for roles throughout the various levels of the Company.

2025 Pay distributed by gender:

Upper quartile	69%	31%
Upper middle quartile	78%	22%
Lower middle quartile	79%	21%
Lower quartile	58%	42%
Overall	71%	29%

● Men ● Women

2025 Pay distributed by ethnicity:

Upper quartile	87%	13%
Upper middle quartile	87%	13%
Lower middle quartile	88%	12%
Lower quartile	78%	22%
Overall	85%	15%

● White ● Minority ethnic



The full Gender and Ethnicity Pay Gap Report can be found online at severntrent.com.

This outlines the methodology and definitions, and includes insight on what we are doing about our pay gaps, as well as how we think about Diversity and Inclusion more broadly at Severn Trent.



Scan to download our
2025 Gender and
Ethnicity Pay Gap Report

Annual Report on Remuneration

The annual report on remuneration and the annual statement will be put to an advisory shareholder vote at the AGM on 9 July 2026.

Total single figure of remuneration (audited)

The table below sets out the total single figure of remuneration received by the Executive Directors for 2025/26 (or for performance periods ended in 2025/26 in respect of long-term incentives) and 2024/25 for comparison.

Where necessary, further explanations of the values provided are included below. The table and the explanatory notes have been audited.

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

1 Salaries are shown before the deductions of benefits purchased through the Company's salary sacrifice scheme, such as pension contributions.

2 Benefits include a green travel allowance of £15,000 p.a., family-level private medical insurance, life assurance worth six times salary and participation in an incapacity benefits scheme. This also includes benefit-in-kind relating to electric vehicles.

3 The Executive Directors' maximum pension contribution is aligned with the wider workforce at 15%. Neither of the Executive Directors accrued benefits under any defined contribution pension plans during the year or have participated in a defined benefits scheme whilst an Executive Director.

4 This figure relates to the difference between the market price and the discounted option price relating to a SAYE option granted during the financial year.

5 James Jesic's annual bonus is paid 50% in cash and 50% in shares, with the portion deferred into shares subject to continued employment for three years but with no further performance conditions attached. See page 137 for further details of the annual bonus outturn for 2025/26.

6 For 2025/26, the value of the LTIP is based on the outcome of the standard element of the total potential 2023 LTIP vesting, plus the UQ element of the 2022 LTIP. For 2024/25, the value of the LTIP is based on the standard element of the total 2022 LTIP vesting, plus the UQ element of the 2021 LTIP. The prior year LTIP figure has been restated using the share price at the date of vesting and includes dividend equivalents in respect of vested shares. Details of share prices used to calculate these values are set out on pages 138-139.

7 The 2025/26 total remuneration figures include £125.0k for the CFO and £328.7k for the former CEO in respect of UQ performance for the 2022 LTIP, which is published one year in arrears and therefore relates to the 2024/25 remuneration figure. The figure for the CEO is not disclosed, as this was awarded to him prior to him becoming an Executive Director.

8 The single figure values for James Jesic reflect the amounts he has earned since he became an Executive Director, on 1 January 2026.

9 Liv Garfield stepped down from the Board on 31 December 2025. Her 2025/26 single figure amount therefore reflects what she had earned up to that point. Further details are set out below.

Treatment of former CEO's remuneration on stepping down (audited)

Liv Garfield stepped down as CEO and Executive Director of Severn Trent Plc on 31 December 2025. Her remuneration arrangements were treated in line with the shareholder approved Policy. This section sets out the remuneration arrangements that were agreed by the Committee.

Employment and notice

- Liv remained employed by the Company until 30 April 2026.
- She continued to receive her salary (£291.1k), pension contributions (£43.7k), and contractual benefits (£5.7k) until that date. Total payments for the four month period to 30 April 2026 were therefore £340.4k.

Annual bonus

- Liv remained eligible for the annual bonus for the financial year ending 31 March 2026, although as noted previously, due to Ofwat's PRP Prohibition Rule being triggered, she will not be paid a bonus in relation to 2025/26.

Share awards

- All outstanding awards remain subject to the terms of the relevant share plans. The Committee made the decision to apply discretion, with Liv being treated as a 'good leaver' for the purposes of outstanding share awards.
- Outstanding LTIP awards granted in 2023, 2024 and 2025 will continue to vest on their normal dates and subject to the original performance conditions.
- The 2024 and 2025 awards will be pro-rated to her leave date and reduced by one sixth due to triggering Ofwat's PRP Prohibition Rule in 2025/26. The maximum number of shares that could vest will therefore be 38,668 for the 2024 LTIP award, and 18,390 for the 2025 LTIP award.
- For the 2023 award, as Liv remained in employment until the end of the performance period, no pro-rating will be applied, and it is out of scope of Ofwat's PRP Prohibition Rule.
- Vested LTIP shares will remain subject to the standard two-year holding period and malus/clawback provisions.
- Liv will not receive an LTIP award in 2026.
- Outstanding deferred share awards granted in 2023, 2024 and 2025 will vest on the original vesting date. The maximum number of shares that could vest under each award will be 6,521, 12,131 and 15,524 respectively.

Other payments and arrangements

- No other payments for loss of office have, or will, be made.
- Liv's two-year Post Employment Shareholding Requirement ('PESR') period, which requires her to hold 300% of salary in shares, commenced the day after she stepped down from the Board, on 1 January 2026.

Payments to former Directors

Outside of the payments made to the former CEO explained above, there have been no other payments made in relation to former Directors during the year.

Annual Report on Remuneration continued

Remuneration of the CEO

The total remuneration for the CEO over the last 10 financial years is shown in the table below. The annual bonus payout and LTIP vesting level as a percentage of the maximum opportunity is also shown.

Year ended 31 March	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2026
	Liv Garfield	Liv Garfield	Liv Garfield	Liv Garfield	Liv Garfield	Liv Garfield	Liv Garfield	Liv Garfield	Liv Garfield	Liv Garfield	James Jesic
CEO											
Total remuneration (£'000) ¹	2,424.0	2,193.5	2,478.8	2,765.1	3,084.0	3,948.4	3,116.9	3,203.8	3,432.4	1,085.6	740.7
Annual bonus (% of maximum)	75.8%	60.4%	58.5%	74.0%	63.8%	81.0%	38.5%	60.9%	82.5%	0.0% ²	98.0%
LTIP vesting (% of maximum)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0% ³	70.0% ⁴	63.3% ³

¹ 2018 onwards includes any SAYE grants made during the year, as well as dividend equivalents in respect of vested LTIP shares.

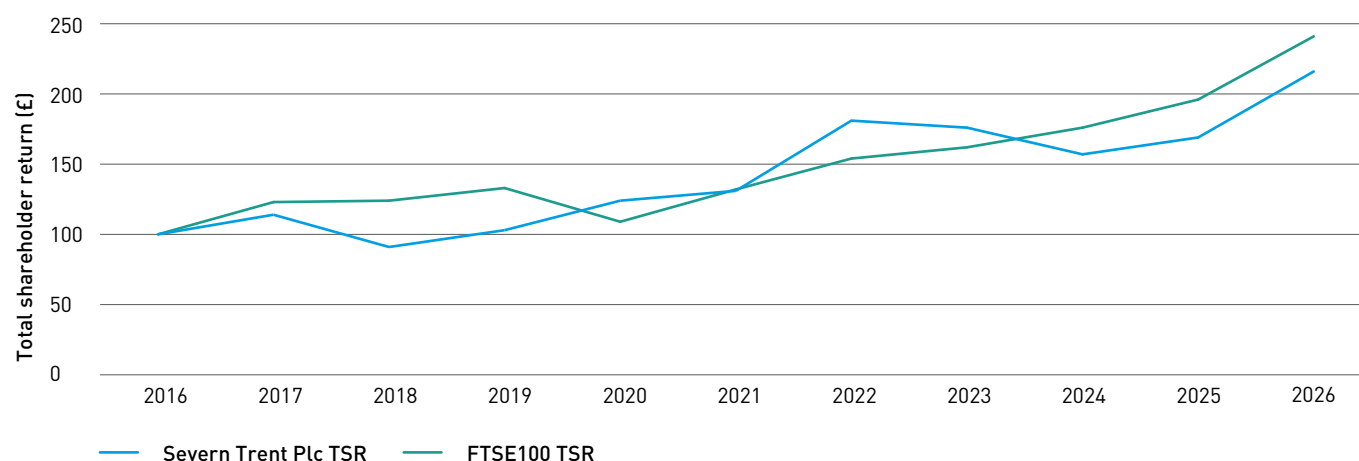
² On a formulaic basis, Liv's bonus for 2025/26 should have been 88.0%, but payout was reduced to 0% due to the impact of Ofwat's PRP Prohibition Rule.

³ The vesting of the 2022 LTIP award was reported in the 2024/25 Directors' Remuneration Report as 80% of maximum. In light of UQ performance being achieved, the UQ element of the 2022 LTIP award has since vested in full. To reflect this, the LTIP vesting percentage for 2025 has been restated. The additional LTIP value arising from the full vesting of the UQ element (£328.7k) is included in the total remuneration value for 2025/26.

⁴ The value of the 2023 LTIP award for 2025/26 is based on the Committee's assessment of the vesting of the standard element of the LTIP. The UQ element cannot be measured until the end of July 2026; such vesting, if any, will form part of the total remuneration value for 2026/27.

Total shareholder return ('TSR')

The graph below shows the value at 31 March 2026 of £100 invested in Severn Trent Plc on 1 April 2016 compared with the value of £100 invested in the FTSE100. The FTSE100 was chosen as the comparator index because the Company is a constituent of that index. The intermediate points show the value of the intervening financial year ends.



Benefits for 2025/26 (audited)

The value of benefits is based on the cost to the Company and there is no pre-determined maximum limit. The range and value of the benefits offered are reviewed periodically. We show below the benefits received by the individual Executive Directors in the year, and their typical annual value where possible.

Benefits for 2025/26 (audited)	Typical annual value 2025/26
Green travel allowance	£15,000
Private medical insurance	£2,108
Life assurance	Up to 6x salary
Personal accident cover	As per the Group-wide Policy
Biennial health screening	£822 per health screen
Incapacity benefits	Worth 75% of salary for a period of five years (subject to qualifying criteria)

Annual bonus outturn for 2025/26 (audited)

Our all-employee annual bonus ensures that all of our people, from Executive Directors to our frontline employees, are aligned with the same measures and rewarded appropriately for achieving key objectives. Full detail on the Company's performance during the financial year can be found in the Strategic Report.

Bonus element	Threshold (0% payable)	Target (50% payable)	Maximum (100% payable)	Stretching targets	Actual	Weighting	Outcome achieved
Group PBIT	£760m	£800m	£840m	49% growth vs prior year	£861m	40%	40%
Customer and Environment ODIs	£20m	£25m	£30m	Sector leading	£56m	27%	27%
Combined Sewer Overflows ('CSOs') ¹	0%	50%	100%	Sector leading	See footnote 1	15%	15%
EPA Rating ²	N/A	N/A	Achieved	Sector leading	Highly confident of EPA 4*	10%	10% / 0%
Health and Safety ³	0.17	0.13	0.09	Sector leading	0.11	8%	6%
Total						100%	98% / 88%⁴

¹ Our CSOs element is split into two equally weighted sections for reduction in CSO spills and completion of agile CSO solutions. The outcome represents full payout on the CSO spills element (average spills per CSO of 15.0 versus a binary target of 18.8), and maximum outcome against the CSO solutions element (achievement of 1,100 versus threshold of 600, target of 800 and maximum of 1,000).

² This measure only pays out if we achieve the highest EPA 4* rating. It also includes a binary underpin, whereby the EPA serious pollutions metric needs to be 'green' for the previous calendar year for the metric to pay out. Although we are highly confident of achieving EPA 4* for the seventh consecutive year, due to two serious pollutions in 2025, this metric was 'amber', so this element was reduced from 10% to a zero payout for our CFO, Helen Miles, and former CEO, Liv Garfield. Our new CEO, James Jesic, was not an Executive Director at the time of the incidents, so he is not impacted by the underpin.

³ Measured as number of Lost Time Incidents divided by number of hours worked multiplied by 100,000.

⁴ As explained on page 119, due to the impact of Ofwat's PRP Prohibition Rule, the 2025/26 payout for the CFO and former CEO will be reduced from 88% to 0%.

Annual Report on Remuneration continued

Deferred shares under the Annual Bonus Scheme (including awards granted during the year)

One half of the bonus earned in respect of performance during 2024/25 was deferred into shares, as detailed below:

	Award	Basis of award	Number of shares granted ¹	Grant date	Face value of award at grant (£'000)	Vesting date	Three-day average share price used for grant calculations
Liv Garfield	2025 Annual Bonus Scheme	Deferred	15,524	05/06/2025	415.5	05/06/2028	26.77
Helen Miles	relating to 2024/25	bonus	9,319		249.4		

¹ Annual bonus shares are deferred shares which are subject to continued employment, but are not subject to further performance conditions.

LTIP outturn

LTIP awards vesting in relation to performance in 2025/26 (audited)

The outcome of the 2023 LTIP award is based on performance over the three-year period from 1 April 2023 to 31 March 2026. This is the sixth LTIP award vesting that includes a stretch measure relative to the UQ performance of the other WaSCs.

With 80% of the 2023 LTIP award being based on our RoRE performance, it was critical that the targets set in relation to it were sufficiently stretching, so as to only reward genuinely impressive performance. To ensure this, the Committee adopted a dual approach for the target, which required achieving a multiple of 1.39x the allowed base return from Ofwat to earn the standard element, plus a further target of being UQ versus the broader sector to achieve stretch payout. For maximum payout on this element, the approach ensured both a material return over and above the base regulatory allowance, and that Severn Trent be one of the top performers in the sector.

The remaining 20% of the LTIP was based on four sustainability measures. These measures comprise of a combination of enabling measures and delivery measures, all of which are linked to our Triple Carbon Pledge commitments and the strategy we have to deliver it. Our carbon ambitions are significant and, if achieved, will result in us being net zero on our Scope 1 and 2 operational emissions by 2030. The strategy and workstreams which underpin this, and on which the LTIP measures are based, are correspondingly ambitious.

The table below shows the 2023 LTIP award vesting schedule for performance levels as a percentage of salary:

	RoRE			Sustainability				Total maximum
	Threshold FD	1.39x FD	UQ RoRE performance relative to WaSCs	Scope 1&2 emissions reduction	Self-generation target	Scope 3 supply chain engagement	Roll-out of Net Zero hub	
CEO	16%	64%	96%	6%	6%	6%	6%	120%
CFO	20%	80%	120%	7.5%	7.5%	7.5%	7.5%	150%
Former CEO	30%	120%	160%	10%	10%	10%	10%	200%

We note that the vesting schedule for the CEO (James Jesic) applies to the awards that were granted prior to his Board appointment at a level of 120% of salary.

2023 LTIP award: standard RoRE element

The standard RoRE element of the 2023 LTIP award measures the Company's performance against RoRE set by Ofwat's Final Determination. Over the three-year period of the 2023 LTIP award, the Company achieved a RoRE of 2.14x against the target of 1.39x the base RoRE return.

Based on the performance levels set out above, this results in full vesting of the standard RoRE element of the 2023 LTIP award, which is equivalent to 53.3% of maximum for the total 2023 LTIP award for the CEO and CFO, and 60% of maximum for the former CEO. Full details are set out in the table below.

	Standard proportion of 2023 award (Absolute RoRE plus sustainability elements)									
	Total number of shares granted	Value of award at grant (£'000)	End of performance period	Standard element of award vesting (% max)	Number of shares vesting	Vesting date	Value attributable to share price movement ² (£'000)	Value of LTIP shares vesting ³ (£'000)	Value of dividend equivalents due ⁴ (£'000)	Value of standard element of LTIP (single figure) (£'000)
James Jesic	13,543	368.3	31/03/2026	63.3% ¹	8,577	27/07/26	25.5	258.7	28.7	287.4
Helen Miles	26,477	720.0		63.3% ¹	16,769		49.8	505.8	56.2	562.0
Liv Garfield	57,094	1,552.6		70% ¹	39,966		118.7	1,205.5	133.9	1,339.4

¹ For James and Helen, this figure includes 53.3% vesting for the standard RoRE element, plus 10% vesting for the sustainability element. For Liv, it includes 60% vesting for the standard RoRE element, plus 10% vesting for the sustainability element.

² The appreciation in share price over the vesting period has increased the value of the LTIP awards by the amount shown in the table. Based on the average share price over the final three months of the performance period of £30.16, this equates to 844 shares for James, 1,651 shares for Helen and 3,936 shares for Liv.

³ Based on the average share price over the final three months of the performance period of £30.16, as the awards will not be released until July 2026.

⁴ Based on dividends paid in the period since the date of grant to 31 March 2026.

2023 LTIP award: UQ RoRE element

The UQ element of the 2023 LTIP award cannot be measured, and so the associated vesting will not be known until the end of July 2026, when comparable statistics for the other WaSCs are published and provided to Ofwat; such vesting, if any, will therefore be disclosed in the 2026/27 Directors' Remuneration Report.

2023 LTIP award: sustainability element

The sustainability element of the 2023 LTIP award measures the Company's performance against four different binary measures aligned with our environmental commitments to reach net zero operational emissions by 2030. Over the three-year period of the 2023 LTIP, the Company achieved the following:

Measure	Description	Target	Actual	Weighting	Outcome achieved
Scope 1 & 2 emissions reduction	Achieving a cumulative reduction in our Scope 1 & 2 emissions of 30% against a 2019/20 baseline (of 508.4 kT) by 31 March 2026.	30%	27%	5%	0%
Self-generation	Achieving an outturn of 137 GWh additional generation from the 2019/20 baseline of 486 GWh, enabling a minimum total renewable generation of 623 GWh by 31 March 2026.	623 GWh	621 GWh	5%	0%
Scope 3 supply chain engagement	To have suppliers representing 70% of our Scope 3 emissions committed to a Science-Based Target at 31 March 2026.	70%	71%	5%	5%
Roll-out of Net Zero Hub	Achieving a cumulative reduction in Scope 1, 2 and 3 emissions of 15 kT by 31 March 2026.	15.0 kT	15.3 kT	5%	5%
				20%	10%

2022 LTIP UQ RoRE element

As reported last year, the standard element of the 2022 LTIP award vested in full, being equivalent to 80% and 73.3% of maximum for the total 2022 LTIP award for the former CEO and CFO respectively. Full vesting was based on delivering UQ RoRE performance relative to the other WaSCs over the three-year performance period to 2024/25 (the UQ element). Vesting under the UQ element of the 2022 LTIP award was only known at the end of July 2025 when comparable statistics for the other WaSCs were published and provided to Ofwat. We now know that Severn Trent achieved UQ performance, and therefore the UQ element is included in the 2025/26 single figure for the former CEO and CFO (equivalent to 20% and 26.7% of maximum of the total 2022 LTIP award respectively).

No discretion has been exercised by the Committee to override the formulaic outturns of either the 2022 or 2023 LTIP awards.

The table below reflects the vesting of the UQ element of the 2022 LTIP award (as a percentage of the maximum award). The 2022 LTIP vested at 100% of maximum when the standard and UQ elements are combined.

	Total number of shares granted	Value of award at grant (£'000)	End of performance period	UQ element of award vesting (% max)	Number of shares vesting	Vesting date	UQ element of 2022 award			
							Value attributable to share price movement ¹ (£'000)	Value of LTIP shares vesting ² (£'000)	Value of dividend equivalents due ³ (£'000)	Value of UQ element of LTIP (single figure) (£'000)
Liv Garfield	52,951	1,517.6	31/03/2025	20.0%	10,590	24/07/2025	(13.3)	290.2	38.5	328.7
Helen Miles	15,102	432.8		26.7%	4,027		(5.0)	110.4	14.6	125.0

1 The depreciation in share price over the vesting period has reduced the value of the LTIP awards by the amount shown in the table, which means there was no value attributable to share price appreciation.

2 Based on the three-day average share price to 24 July 2025 of £27.41.

3 Based on dividends paid in the period since date of grant to 24 July 2025.

Annual Report on Remuneration continued

Breakdown of the LTIP single figure value

The LTIP single figure amounts include share price movement between grant and vesting, as well as any dividend equivalents.

For 2025/26, the reportable LTIP figures are the standard RoRE element of the 2023 LTIP award, the sustainability element of the 2023 LTIP award, and the UQ element of the 2022 LTIP award. For 2024/25, the reportable LTIP figures are the standard RoRE and sustainability elements of the 2022 LTIP award and the UQ element of the 2021 LTIP award.

The table below shows the comparative value of each of the elements included in the single figures.

	CEO		CFO	
	2024/25 ¹	2025/26 ²	2024/25 ¹	2025/26 ²
Standard RoRE element	N/A	242.1	250.0	473.3
Sustainability element	N/A	45.1	93.8	88.7
UQ RoRE element	N/A	N/A ³	119.1	125.0
LTIP total in single figure values (£'000)	N/A	287.4	462.9	687.0

1 For the 2024/25 valuation, the share price used for the standard RoRE and sustainability elements was based on the share price on vesting of the 2022 LTIP, of £27.41. The UQ RoRE element was calculated using the share price on vesting of the 2021 LTIP, of £25.14.

2 For the 2025/26 valuation, the share price used for the standard RoRE and sustainability elements was based on the average share price over the final three months of the performance period, of £30.16. The UQ RoRE element was calculated using the share price on vesting of the 2022 LTIP, of £27.41.

3 As per the regulations, figures are not included for James Jesic in respect of the 2024/25 UQ element, as he was not an Executive Director during the performance period.

LTIP awards granted during the year (audited)

2025 LTIP award

	Number of shares granted ¹	Grant date	Face value of award at grant (£'000)	End of performance period	Vesting date	Three-day average share price used for grant calculations ²
James Jesic	15,162		415.7			
Helen Miles	32,162	01/07/2025	881.9	31/03/2028	25/07/2028	£27.42
Liv Garfield	61,232		1,679.0			

1 LTIP awards are conditional share awards subject to performance conditions, as set out below.

2 The three days used for the average share price calculation were 26, 27 and 30 June 2025.

		Financial			Non-Financial¹					
		RoRE		Environmental			Customers	Communities		
		UQ performance								
		Threshold FD baseline (% salary)	1.39x FD (% salary)	UQ performance relative to WaSCs (% salary)	Scope 1 and 2 reduction	Self- generation	RNAGS	PCDs	Social Value	Max outturn (% salary)
2025 LTIP Award										
Vesting for performance	CEO	10%	40%	60%	12%	12%	12%	12%	12%	120%
	CFO	14.6%	58.3%	87.5%	17.5%	17.5%	17.5%	17.5%	17.5%	175%
	Former CEO	18.8%	75%	100%	20%	20%	20%	20%	20%	200%

1 For the non-financial measures, if threshold performance targets were met, these elements would vest at 2.25% of salary for the CEO, 3.28% for the CFO and 3.75% for the former CEO.

Performance measure details

Measure	Sub-measure	Weighting	Threshold	Target	Maximum
Financial	RoRE	50%	Ofwat's base return	1.39x Ofwat's base return	Upper quartile performance compared to the other WaSCs in the sector
Environment	Cumulative scope 1 and 2 emissions reduction against 2019/20 baseline by 31 March 2028	10%	34% reduction	40% reduction	46% reduction
	Self-generation – total renewable generation by 31 March 2028	10%	of 751 GWh	of 775 GWh	of 799 GWh
	RNAGS – cumulative reduction by 31 March 2028	10%	Reduction of 59	Reduction of 74	Reduction of 89
Customer	PCDs – % assessed as 'green' RAG status, as per our reporting to Ofwat, at 31 March 2028	10%	70% 'green'	85% 'green'	100% 'green'
Communities	Social Value generated between 1 April 2025 and 31 March 2028	10%	£10 million	£11.5 million	£13 million

Executive Director shareholdings

Shareholding requirement

The Committee believes it is an essential part of the Policy that Executive Directors become material shareholders, and this is evidenced by the number of shares held by both Executive Directors. The retention and build-up of equity is important in a long-term business such as Severn Trent as it encourages decisions to be made on a long-term sustainable basis for the benefit of all stakeholders.

The Executive Directors have built significant shareholdings during their employment with the Company and have also increased their shareholdings further through personal share purchases.

The following table sets out the minimum shareholding requirements and the shareholdings of the Executive Directors. The shareholding requirement must be built up over five years and then subsequently maintained. The shareholding requirements for the CEO and CFO remained unchanged in 2025/26.

Executive Director shareholdings % of base salary

	Shareholding requirement	Shares counting towards shareholding requirement ¹	Unvested subject to continued employment ²	Unvested subject to performance ³
CEO	300%	129.4%	52.7%	126.5%
CFO	200%	293.5%	119.7%	281.7%

1 Represents beneficially owned shares as well as shares held in trust as part of the annual bonus deferred share awards (of which 47% are deducted to cover statutory deductions).

2 Represents 2023 LTIP shares (where the performance period is now complete) which are subject to an ongoing vesting period and a two-year holding period post-vesting, plus shares held as part of the Sharesave Scheme. This value assumes that the UQ element of the 2023 LTIP vests in full.

3 Represents the 2024 and 2025 LTIP awards which are subject to ongoing performance.

Directors' shareholdings and summary of outstanding share interests (audited)

Directors	Beneficially owned	LTIP shares ^{1,2}	Annual bonus shares ³	SAYE options	Shareholding requirement as a % of salary	Current shareholding as a % of salary ⁴	% shareholding requirement achieved
James Jesic							
1 January 2026 – present	24,571	43,906	14,859	1,029	300%	129%	43%
Helen Miles							
1 April 2023 – present	47,697	79,895	20,230	0	200%	294%	147%
Non-Executive Directors							
Christine Hodgson							
1 January 2020 – present	7,486	–	–	–	–	–	–
Nick Hampton							
4 April 2025 – present	1,500	–	–	–	–	–	–
Tom Delay							
1 January 2022 – present	300	–	–	–	–	–	–
Sarah Legg							
1 November 2022 – present	1,912	–	–	–	–	–	–
Sharmila Nebhrajani							
1 May 2020 – present	231	–	–	–	–	–	–
Richard Taylor							
1 April 2024 – present	2,911	–	–	–	–	–	–
Former Directors⁵							
Liv Garfield							
Resigned 31 December 2025	461,087	108,443	34,176	875	300%	1,696%	565%
Kevin Beeston							
Resigned 30 April 2025	5,996	–	–	–	–	–	–

1 LTIP awards are conditional share awards subject to ongoing performance conditions.

2 Additional dividend equivalent shares may be released where provided in the rules.

3 Annual bonus shares are deferred shares which are not subject to further performance conditions.

4 The share price used to calculate the percentage of the shareholding guideline achieved for both current and former Directors was £30.90 (as at 31 March 2026). The guideline figures include unvested annual bonus shares (47% deducted to cover statutory deductions).

5 The shareholdings of former directors are shown at the date of stepping down from the Board.

There has been one change to the Directors' interests in the ordinary share capital of the Company between those set out above and 19 May 2026. This relates to the exercise of James Jesic's 2023 Sharesave scheme, on 1 May 2026, which increased James' holding by 164 shares.

Annual Report on Remuneration continued

Chair and Non-Executive Directors' fees (audited)

The Chair, Senior Independent Director and Non-Executive Directors are appointed for a three-year term, subject to annual re-election by shareholders at the AGM following the annual Board Performance Review process. The current Letters of Appointment are available on the Severn Trent Plc website.

Negotiations for the 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.

Chair and Non-Executive Fees effective from 1 July 2025 (audited)

Annual fee increases take effect from 1 July each year. The table below shows the fee structure currently in place. As described above, any changes for the year ahead will be no higher than the percentage increase agreed for the wider workforce.

Operation	Fees 2025/26 (£'000)
Chair's fee	353.3
Fee paid to all Non-Executive Directors	68.0
Supplementary fees:	
• Senior Independent Director	17.3
• Audit and Risk Committee Chair	19.6
• Corporate Sustainability Committee Chair	17.3
• Remuneration Committee Chair	19.6
• Treasury Committee Chair	18.4

Chair and Non-Executive Fees paid for the year ending 31 March 2026 (audited)

The table below sets out all amounts received by Non-Executive Directors during the year for their services to the Severn Trent Plc Board. These amounts comprise of their fees only; Non-Executive Directors do not receive benefits from the Company, but are reimbursed for any reasonable business expenses incurred.

	Fees 2024/25 (£'000)	Fees 2025/26 (£'000)
Christine Hodgson 1 January 2020 – present	335.7	349.9
Nick Hampton 4 April 2025 – present	0.0	82.3
Tom Delay 1 January 2022 – present	81.0	84.5
Sarah Legg 1 November 2022 – present	83.2	86.8
Sharmila Nebhrajani 1 May 2020 – present	83.2	86.8
Richard Taylor 1 April 2024 – present	80.1	85.6
Former Directors		
Kevin Beeston Resigned 30 April 2025	81.0	6.8

Percentage change in the remuneration of the Executive Directors and Non-Executive Directors

The Committee looks to ensure that the approach to fair pay is implemented in practice throughout the Group, and monitors year-on-year changes between the movement in salary, benefits and annual bonus for the CEO between the current and previous financial year compared with that of the average employee.

The Committee has elected to use the average earnings per employee, as this avoids the distortions that can occur to the Group's total wage bill as a result of the movements in the number of employees.

The Committee monitors this information carefully to ensure that there is consistency in the fixed pay of the Executive Directors and Non-Executive Directors compared with the wider workforce. Also, this information demonstrates the Company's approach to having an all-employee bonus throughout the organisation with employees and the CEO benefiting when the Company does well.

	Salary/Fees ¹					Benefits ²					Bonus ³				
	21/22	22/23	23/24	24/25	25/26	21/22	22/23	23/24	24/25	25/26	21/22	22/23	23/24	24/25	25/26
Executive Directors															
James Jesic ⁴	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Helen Miles ⁴	–	–	–	3.8%	8.8%	–	–	–	[24.3]%	[0.3]%	–	–	–	31.5%	[100]%
Non-Executive Directors⁵															
Christine Hodgson	1.7%	2.3%	2.9%	4.5%	4.2%	–	–	–	–	–	–	–	–	–	–
Nick Hampton	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Tom Delay	–	19.3%	8.2%	4.5%	4.2%	–	–	–	–	–	–	–	–	–	–
Sarah Legg	–	–	8.9%	25.5%	4.2%	–	–	–	–	–	–	–	–	–	–
Sharmila Nebhrajani	8.7%	8.3%	17.8%	4.5%	4.2%	–	–	–	–	–	–	–	–	–	–
Richard Taylor	–	–	–	–	6.9%	–	–	–	–	–	–	–	–	–	–
Former Directors															
Liv Garfield	2.3%	2.3%	2.8%	4.5%	[22.1]%	[3.1]%	5.3%	1.8%	2.7%	[29.4]%	30.0%	[51.3]%	62.8%	42.3%	[100]%
Kevin Beeston ⁶	6.8%	4.9%	2.7%	4.5%	[91.6]%	–	–	–	–	–	–	–	–	–	–
Colleagues															
Average per employee	2.1%	3.4%	6.8%	6.4%	2.8%	0.3%	2.8%	[1.0]%	[2.9]%	[6.5]%	9.9%	[41.6]%	67.2%	28.9%	4.9%

1 The salary/fees, benefits and bonus figures shown are based on full-time equivalent comparisons.

2 The benefits figures include green travel allowance and family-level private medical insurance for senior and middle managers.

3 The figures shown are reflective of any bonus earned during the respective financial year. Bonuses are paid in the following June.

4 As per the regulations, figures are not included for James Jesic in respect of 2024/25 and earlier, as he did not become an Executive Director until 1 January 2026. Similarly, figures are not included for Helen Miles in respect of 2022/23 and earlier, as she did not become an Executive Director until 1 April 2023.

5 Non-Executive Directors receive fees only and do not receive any additional benefits or bonus payments.

6 Retired from the Board on 30 April 2025.

Please see previous Directors' Remuneration Reports for historical details of events that impact the changes in remuneration, such as role changes, joiners and leavers.

Relative importance of spend on pay

The table below shows the expenditure of the Company on staff costs against dividends paid to shareholders for both the current and prior financial periods and the percentage change between the two periods.

	2024/25 £m	2025/26 £m	% change
Relative importance of the spend on pay			
Staff costs	552.8	670.7	21.3%
Dividends	356.0	371.3	4.3%

There were no other significant payments or distributions to shareholders, including share buybacks, in either the current or prior year.

External directorships

James Jesic does not hold any external directorships outside of the Severn Trent Group.

Helen Miles has been a Non-Executive Director at Breedon Group Plc since April 2021, and retains any fees associated with this appointment.

Service contracts for Executive Directors

Copies of the service contracts for the Executive Directors are available for inspection at the Company's registered office during normal business hours.

All Directors will retire at this year's AGM and submit themselves for appointment or reappointment by shareholders at the AGM on 9 July 2026. James Jesic and Helen Miles have service contracts which provide for a notice period of one year. Non-Executive Directors do not have service contracts; their Letters of Appointment can be found on the website and are available for inspection at the Company's registered office during normal business hours.

Name	Date of service contract	Nature of contract	Notice period	Termination payments
James Jesic	01/01/2026	Rolling	12 months	Payments for loss of office comprise a maximum of 12 months' salary and benefits only.
Helen Miles	01/04/2023			

Committee Governance

The Remuneration Committee's agenda for 2025/26

The Committee carries out an annual review of remuneration elements, policies and processes. This process was introduced in 2019 for the Committee to expand its responsibility to oversee and review wider workforce pay and policies, and to ensure they are designed to support the Company's desired culture and values.

The Committee believes that the context and knowledge shared is a useful underpin to ensure that our future decision-making around Executive and Senior Management pay supports fair and equal remuneration throughout the entire workforce.



Key areas of focus

Review of the current Policy, to ensure it remained optimally structured to retain and motivate Executives through AMP8.

Review of Performance in the Round for 2025/26 ahead of approving the formulaic outturns for the 2025/26 annual bonus and the 2023 LTIP award.

Review of the Company's incentive scheme structures, ensuring alignment with regulatory guidance and broader stakeholder priorities.

Consideration of an independent update, provided by Alvarez & Marsal ('A&M'), on current market practice and future remuneration trends.

Completion of its annual assessment on wider workforce policies and practices, including updates on:

- changes to our default defined contribution pension investment fund to deliver more optimal long-term retirement outcomes for members;
- going beyond the statutory requirements for neonatal care, offering full pay for up to 12 weeks;
- expansion of our physiotherapy offering, including the introduction of on-site appointments;
- the Severn Trent 2025 Gender and Ethnicity Pay Gap Report; and
- alignment of Executive and wider workforce annual pay increases.



The Committee reported to the Board on these matters.

Committee member attendance at the Company Forum to share guiding remuneration principles with employee and Trade Union representatives.

Review of the expenses claim procedure for the Chair and CEO.

Review and approval of the Committee's Terms of Reference during the year, prior to making a recommendation to the Board. In completing its review, the Committee concluded that the Terms of Reference remained appropriate and reflected the manner in which the Committee was discharging its duties.

Ensuring fairness and alignment with the wider workforce

Each year, the Committee is presented with interim and annual updates that set out developments in Severn Trent's wider workforce pay policies and practices. The provision of these reports meets the requirements of the Code. The Committee continues to be engaged on the mechanisms for how the reward framework is applied across different levels within the organisation, which in turn has been shared in this report.

Meeting attendance in 2025/26

Committee Members	09/04/25	14/05/25	23/07/25	13/11/25	16/01/26	05/03/26
Sharmila Nebhrajani	●	●	●	●	●	●
Christine Hodgson	●	●	●	●	●	●
Richard Taylor	●	●	●	●	●	●
Nick Hampton	●	●	●	●	●	●
Kevin Beeston ¹	●	●	●	●	●	●

1. Kevin Beeston resigned from the Board on 30 April 2025.

What the Committee will look at in 2026/27

The Company remains committed to continuous improvement of terms and conditions. We pride ourselves on keeping pace with trends in talent management and acquisition, and skills development, in order to motivate, develop and retain a positive working environment, to ensure the best prospects for the long-term success of the Company.

Below are some of the focus areas for the Committee during 2026/27:



Implementation of new Policy

Ongoing review of the AMP8 Remuneration Policy to ensure it remains optimally structured and balanced to retain and motivate Executive Directors to deliver our hugely ambitious AMP8 plans, and drive rapid and sustained performance improvements for customers and the environment.



Employee wellbeing

The Committee will continue to review the support we provide to employees across all three pillars of wellbeing (physical, mental and financial) to ensure we are embodying our value of 'Showing Care' as much as possible.



Fair and transparent pay

Continued commitment to monitor and evaluate developments in our pay framework and the review of Executive pay in line with the wider workforce.

We will continue to clarify the contribution of unique role types to ensure an equal and fair reward package that is representative of roles with similar skill types.

Governance matters

The Committee's performance was assessed as part of the internally facilitated Board Performance Review. The Committee is regarded as operating effectively and it is noted that the Board takes assurance from the quality of the Committee's work.

2025 AGM shareholder voting outcome

Resolution	Votes for	Votes against	Votes withheld
Approve Directors' Remuneration Report	249,163,730 (98.82%)	2,976,194 (1.18%)	59,502

2024 AGM shareholder voting outcome

Resolution	Votes for	Votes against	Votes withheld
Approve Directors' Remuneration Policy	234,640,456 (95.45%)	11,185,775 (4.55%)	88,369

Committee advisers

To ensure that the Company's remuneration practices are in line with best practice, the Committee has appointed independent external remuneration advisers, A&M. This appointment in 2024 followed a formal selection process. A&M attends meetings of the Committee.

A&M is a member of the Remuneration Consultants Group Code of Conduct and adheres to this Code in its dealings with the Committee. The Committee reviews the appointment of its advisers annually and is satisfied that the advice it receives is objective and independent.

Fees, on a time-spent basis, for the advice provided by A&M to the Committee during the year were £113.7k excluding VAT. A&M has not provided any other consultancy or advisory services during the year and there are no connections between A&M and individual Directors to be disclosed.

The CEO, CFO, Director of Human Resources and the Head of Reward and HR Operations also attend meetings, by invitation, to provide advice and respond to specific questions. Such attendances specifically excluded any matters concerning their own remuneration. The Group General Counsel and Company Secretary acts as secretary to the Committee.

Sharmila Nebhrajani OBE

Chair of the Remuneration Committee

Directors' Remuneration Policy

This section contains Severn Trent Plc's proposed Directors' Remuneration Policy (the 'Policy') that will govern and guide the Company's future remuneration payments to Directors. The Policy described in this section is intended to apply for three years and will be applicable from the date of approval by shareholders at the Company's 2026 Annual General Meeting ('AGM').

Summary of changes to the proposed Remuneration Policy

Four changes to the Policy are proposed:

- Reduce annual bonus maximum from 120% to 100% of salary for CEO and CFO;
- Increase LTIP award levels to 400% (CEO) and 350% (CFO) of salary (from 200% and 175%);
- Increase shareholding requirements to 400% (CEO) and 350% (CFO) of salary; and
- Remove bonus deferral once shareholding guidelines are met.

Base salary	Purpose and link to strategy	To recruit and reward Executive Directors of a suitable calibre for the role and duties.
	Operation	Salaries for individual Executive Directors are reviewed annually by the Committee and normally take effect from 1 July. When determining the salary of the Executive Directors, the Committee takes into consideration a number of factors including the scale and complexity of the Company, the scope and responsibilities of the role, the skills, experience and contribution of the individual, the Committee's assessment of the competitive environment including consideration of market data for similar roles, Company performance, affordability, the wider economic environment and internal relativities.
	Maximum opportunity	There is no prescribed maximum salary. Current salary levels of the Executive Directors are set out in the Annual Report on Remuneration on page 126. The Committee will take account of the factors outlined in this table when considering salary increase for Executive Directors. This includes consideration of the average increase for the employee population, although increases above this level may be awarded, if considered appropriate, to reflect the range of factors described in this table.
	Performance measures	Not Applicable.

Benefits	Purpose and link to strategy	To provide competitive benefits in the market to enable the recruitment and retention of Executive Directors.
	Operation	Current benefit provision includes a green travel allowance, family-level private medical insurance, life assurance, personal accident insurance, health screening, an incapacity benefits scheme and other incidental benefits and expenses. The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of securing the calibre of executive talent required. The Committee may therefore determine that Executive Directors should receive additional benefits if appropriate, taking into account factors such as relevant market practice, the role and circumstances of the Executive Director and the Company, and the impact of the regulatory environment. Therefore, additional benefits or allowances to support a particular objective may be paid if appropriate in the circumstances. For example, should an executive be required to relocate working location, then relocation, disturbance and expatriate allowances, and tax equalisation may be paid as appropriate. Such allowances may be delivered in cash or shares. Directors will be reimbursed for any reasonable business expenses incurred in the course of their duties, including the tax payable thereon. The Executive Directors are able to participate in HMRC tax-advantaged all-employee share plans on the same terms as other eligible employees.
	Maximum opportunity	There is no pre-determined maximum limit. Benefits are set at a level which the Committee determines is reasonable and appropriate and the value may vary depending on the benefit provided and the market cost of the benefit given the individual's personal circumstances. The maximum limit under tax-advantaged all-employee plans are as set by HMRC.
	Performance measures	Not Applicable.

Pension	Purpose and link to strategy	To provide pension arrangements comparable with similar companies in the market to enable the recruitment and retention of Executive Directors.
	Operation	Executive Directors may participate in a defined contribution scheme and/or receive a cash supplement in lieu of pension.
	Maximum opportunity	For Executive Directors, the Company contribution to a pension scheme and/or cash allowance is aligned to the maximum available to members of the Severn Trent Group Personal Pension (the majority of the wider workforce), which is currently 15% of salary.
	Performance measures	Not Applicable.

Annual Bonus

Purpose and link to strategy	To encourage improved financial, operational and environmental performance, and to ensure Executive Directors reach their shareholding guidelines through the partial deferral of payment into long-term shares.
Operation	Bonuses are based on performance measured over one financial year. Where an Executive Director has not met their shareholding guideline, 50% of the bonus is paid in cash and 50% in shares which vest after three years, subject to continued employment. Any exercise of discretion by the Committee will be communicated to shareholders in full in the following year's Directors' Remuneration Report. Recovery and dividend equivalent provisions apply (see explanatory notes).
Maximum opportunity	The maximum annual bonus in respect of a financial year is 100% of salary.
Performance measures	The performance measures and targets for the annual bonus are selected annually to align with the business strategy and the key drivers of performance set under the regulatory framework, and may comprise financial, operational, strategic or environmental metrics. The annual weighting between the various metrics may vary depending on the key priorities of the business for the year ahead. Robust and demanding targets are set, taking into account the operating environment and priorities, market expectations and the business plan for the year ahead. For the current financial year, the performance measures are: • Profit Before Interest and Tax ('PBIT') (40%) • Outcome Delivery Incentives ('ODIs') (27%) • Combined Sewer Overflow ('CSO') spills (7.5%) • Advanced CSO enhancements (7.5%) • Customer satisfaction, as measured by repeat contacts (10%) • Health and safety (8%) The Committee retains discretion to use different or additional measures or weightings in future years to ensure that the bonus framework appropriately supports the business strategy and objectives for the relevant year. For threshold performance, 0% of maximum opportunity will normally be paid. For target performance 50% of maximum opportunity will be paid. The Committee retains discretion to change the performance measures, weightings and/or targets during the performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate. The Committee may also make adjustments to the amount of bonus earned resulting from the application of the performance measures, if the Committee believes that the bonus outcomes are not a fair and accurate reflection of underlying business performance and stakeholder experience.

LTIP

Purpose and link to strategy	To encourage strong and sustained improvements in financial performance, in line with the Company's strategy and long-term shareholder returns.
Operation	Awards are granted annually under the LTIP and will vest subject to continued employment and, in normal circumstances, performance over a period of three years. Awards may be granted in the form of conditional shares or nil-cost options. A two-year holding period will apply to vested shares following the three-year vesting period. Recovery and dividend equivalent provisions apply (see explanatory notes).
Maximum opportunity	The maximum LTIP award in respect of a financial year is 400% of salary. Award sizes to be granted during 2026 are set out on page 126.
Performance measures	The LTIP will be based on a combination of financial and non-financial measures. Financial measures will normally constitute at least 50% of the LTIP performance measures. The non-financial measures will be made up of a selection of metrics which may include environment, customer and/or communities measures. For the first LTIP awards under this Policy, the following measures will apply: • Return on Regulatory Equity ('RoRE') – 50% • Environmental performance, comprising 20% on carbon reduction and 10% on reduction of Reasons for Not Achieving Good Status ('RNAGS'). • Long-term customer performance through Price Control Deliverables ('PCDs') – 10% • A communities-related performance measure, focused on creating Social Value – 10% Up to 25% of an award may vest for threshold performance. The Committee will review the measures, weightings and targets before each grant to ensure they remain appropriate. 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 Committee retains discretion to change the performance measures, weightings and/or targets during the performance period, if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate. The Committee may make adjustments to the amount earned resulting from the application of the performance measures, if the Committee believes that the LTIP outcomes are not a fair and accurate reflection of business performance.

Directors' Remuneration Policy continued

Share ownership guidelines	Purpose and link to strategy	To encourage strong shareholder alignment both during and after employment with the Company.
	Operation	The Company operates shareholding requirements under which Executive Directors are expected to build and maintain a shareholding in the Company. The CEO is expected to build and maintain a holding of shares to the value of 400% of salary, and other Executive Directors 350% of salary. Executive Directors are expected to retain all of the net of tax number of shares they receive through the LTIP and deferred bonus vesting until the shareholding requirements have been met. In addition, a post-employment shareholding requirement applies to Executive Directors who leave the Company. Leavers must maintain their in-employment shareholding requirement (or actual shareholding, if lower) for two years following cessation of employment. The enforcement mechanism for the Post-Employment Shareholding Requirement is facilitated through the Employee Benefit Trust ('EBT'). On LTIP vesting, shares are transferred to the EBT (net of tax and National Insurance liabilities) to be held on behalf of the Executive Directors for two years following cessation of employment. Shares purchased by Executive Directors utilising their own funds are not included in the Post-Employment Shareholding Requirement.
	Maximum opportunity	Not Applicable
	Performance measures	Not Applicable

Notes to the Policy table

Dividend equivalents

Dividend equivalents may be applied to vesting awards under the deferred bonus and LTIP. Dividend equivalents are based on the dividends that could have been acquired on the vested shares during the vesting period. Awards may be settled in shares or cash.

Recovery provisions

All elements of the incentive framework are subject to malus and clawback provisions, which the Committee may invoke in circumstances which include:

- Financial misstatement
- Errors in calculation
- Misconduct
- Reputational damage
- Regulatory censure
- Corporate failure of the Company
- Failures of risk management, or of operational systems and controls
- Any of the events described in Ofwat's PRP Prohibition Rules

In such circumstances, the Committee has discretion to:

- Require a participant to repay some or all of the cash or shares received under the annual bonus at any time up to the third anniversary of award; and
- Reduce (including down to zero) an LTIP award prior to vesting and/or require, at any time within three years of vesting, a participant to return part or all of the value of the award received.

The timeframe for these recovery provisions reflects the period over which the Company's processes and systems are likely to uncover any of the circumstances listed above.

Selection of performance measures and targets

The Committee selects performance measures for the annual bonus and LTIP which appropriately support the business strategy and objectives for the relevant periods.

Performance targets applying to the annual bonus and LTIP are determined annually by the Committee, and are set at an appropriately stretching level based on a number of internal and external reference points. Annual bonus targets are set by reference to the budget where possible and are agreed by the Board. LTIP targets reflect the Board's long-term plan, prevailing industry and regulatory context, and expectations of what will constitute appropriately challenging long-term performance levels.

The structure of the non-financial measures and targets will vary based on the nature of the target set (e.g. for milestone targets it may not always be practicable to set such targets using a graduated scale and so vesting may take place in full for strategic targets if the criteria are met in full). Full disclosure of targets and the verification process for measures will be disclosed in future Directors' Remuneration Reports.

Discretion

The Committee has discretion in several areas of the Policy. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules.

The discretions cover aspects such as the timing of grant and vesting of awards, determining the size of the award (subject to the Policy limits), the treatment of leavers, retrospective adjustment of awards (e.g. for a rights issue, a corporate restructuring or for special dividends) and, in exceptional circumstances, the discretion to adjust previously set targets for an incentive award if events happen which cause the Committee to determine that it would be appropriate to do so. In exercising such discretions, the Committee will take into account generally accepted market practice, best practice guidelines, the provisions of the Listing Rules and the Company's approved Remuneration Policy.

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments), notwithstanding that they are not in line with the Policy where the terms of the payment were agreed (i) before this Policy came into effect, or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

The Committee may make minor amendments to the Policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval.

External directorships

Executive Directors are permitted to take on external Non-Executive directorships, though normally only one other appointment, to bring a further external perspective to the Group and help in the development of key individuals' experience. In order to avoid any conflicts of interest, all appointments are subject to the approval of the Board, on the recommendation of the Nominations Committee. Executive Directors are permitted to retain the fees arising from such appointments.

Approach to recruitment and promotion

The Company's approach is for the remuneration of any new Executive Director to be assessed in line with the principles applied to the existing Executive Directors. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate calibre and experience needed for the role.

Salary, benefits and pension	These will normally be set in line with the Remuneration Policy for existing Executive Directors. The Committee, where appropriate, may set salary levels below the market reference salary at the time of appointment, with the intention of bringing the salary levels in line with the market as the individual gains the relevant experience. In such cases, subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved.
Annual bonus	Maximum annual participation will be set in line with the Company's Policy for existing Executive Directors and will not exceed 100% of salary.
LTIP	Maximum annual participation will be set in line with the Company's Policy for existing Executive Directors and will not exceed 400% of salary.
Maximum variable remuneration	In addition, the Committee has discretion to include any other remuneration component or award which it feels is appropriate taking into account the specific circumstances of the recruitment, subject to the limit on variable remuneration set out below. The maximum variable remuneration which may be granted is 500% of salary (excluding any buyouts).
'Buyout' of incentives forfeited on cessation of employment	Where an individual forfeits remuneration with a previous employer as a result of appointment to the Company, the Committee may make compensatory payments or awards to facilitate recruitment. In determining an appropriate structure for such awards, the Committee will consider all relevant factors including the form of award, time horizons and any performance conditions of the forfeited remuneration. There is no limit on the value of such compensatory awards, but the Committee's intention is that the value awarded would be no more generous than the broadly equivalent economic value of the forfeited remuneration.
Relocation policies	In instances where the new Executive Director is required to relocate or spend significant time away from his/her normal residence, the Company may provide additional compensation to reflect the cost of relocation for the Executive Director. The level of the relocation package will be assessed on a case-by-case basis but will take into consideration any cost of living differences/housing allowance, disturbance allowances and schooling.
Internal promotions	In the case of an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to the terms on which it was originally granted. Otherwise their remuneration would be set applying the principles set out above.

► The Company's Policy when setting fees for the appointment of new Non-Executive Directors is to apply the Policy which applies to current Non-Executive Directors, which is set out on page 151.

Service contracts and Letters of Appointment

Executive Directors are appointed on contracts with notice periods of 12 months. The policy on payments for loss of office is set out in the next section and detail on the current contracts is provided on page 143. Copies of the service contracts of the Executive Directors and the Letters of Appointment of the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours.

Directors' Remuneration Policy continued

Policy on payments for loss of office

When determining any loss of office payment for a departing Executive Director, the Remuneration Committee will always seek to minimise the cost to the Group while complying with the contractual terms agreed, and seeking to reflect the circumstances in place at the time.

The remuneration related elements of the current contracts for Executive Directors are shown in the table below, together with details of the treatment on cessation of employment.

Element	Treatment on cessation of employment	
General	The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.	
Salary, benefits and pension	These will be paid over the notice period. The Company has discretion to make a lump sum payment in lieu.	
Annual bonus	Good leaver reason⁽ⁱ⁾ Performance conditions will be measured at the bonus measurement date. Bonus will normally be pro-rated for the period worked during the financial year.	Other reason No bonus will be payable for year of cessation.
	Discretion The Committee has the following elements of discretion: - To determine that an Executive Director should be treated as a good leaver and receive a bonus for the year of cessation; it is the Committee's intention to use this discretion only in circumstances where there is an appropriate business case which will be explained in full to shareholders. - To determine whether to pro-rate the bonus for time; the Remuneration Committee's normal policy is to pro-rate for time. It is the Committee's intention only to use discretion not to pro-rate in circumstances where there is an appropriate business case, based on the circumstances of the Executive Director's departure. Use of discretion will be explained in full to shareholders. - The bonus would be paid at the same time as for the other Executive Directors and, if the Executive has left employment by that date, it may be paid solely in cash.	
Annual bonus deferred share awards	Good leaver reason⁽ⁱ⁾ All subsisting deferred share awards will vest on the original timeline.	Other reason All subsisting deferred share awards will vest on cessation with the exception of summary dismissal of the participant, when any deferred share award held by the individual shall lapse immediately on such termination.
	Discretion The Committee has the following elements of discretion: - To determine whether deferred shares should vest at the end of the original deferral period or at the date of cessation; the Committee will make this determination depending on the reason for cessation. - To determine whether to pro-rate the maximum number of shares for time from the date of grant to the date of cessation; the Committee's normal policy is not to pro-rate awards for time. The Committee will determine whether to pro-rate based on the reason for cessation.	
LTIP	Good leaver reason⁽ⁱ⁾ Subsisting awards continue to be capable of vesting on a pro-rated time and performance basis.	Other reason All subsisting awards will lapse on cessation.
	Discretion The Committee has the following elements of discretion: - To determine that an Executive Director should be treated as a good leaver such that LTIP awards continue to be capable of vesting; it is the Committee's intention to use this discretion only in circumstances where there is an appropriate business case which will be explained in full to shareholders. - To allow awards to vest, and to measure, at the date of cessation. The Committee will make this determination depending on the reason for cessation. - To determine whether to pro-rate for time; the Committee's normal policy is to pro-rate awards based on the proportion of the performance period which has elapsed to the date of cessation. In circumstances where there is an appropriate business case based on the circumstances of the Executive Director's departure, the Committee may use discretion and not pro-rate. Use of discretion will be explained in full to shareholders.	

Element	Treatment on cessation of employment
Holding Periods	Where cessation of employment occurs during any holding period, the LTIP award will continue as normal. However, the Committee retains discretion to allow the award to vest when cessation of employment occurs in certain circumstances, such as: • Where the reason for departure is death, disability or ill-health; • Where there are extenuating factors which impact at the time of departure (such as unforeseen changes to personal circumstances); or • Any other reason, permitted by the Committee in its absolute discretion in any particular case, except where termination is for dishonesty, fraud, misconduct or other circumstances justifying summary dismissal (in which cases it is very likely any outstanding LTIP awards would lapse on cessation regardless).

(i) Good leaver reasons include injury, ill-health or disability, redundancy or retirement (in each case, as determined by the Committee) and death. The Committee also retains an overall discretion to determine that an individual be treated as a good leaver.

Outplacement services and reimbursement of legal costs may be provided where appropriate. Any statutory entitlements or sums to settle or compromise claims in connection with a termination would be paid as necessary. Outstanding savings/awards under the SAYE and the legacy Share Incentive Plan would be transferred in accordance with the terms of the plans as approved by HMRC.

Policy on change of control

The change of control provisions applying to incentive awards are set out in the relevant plan rules and are summarised below.

Element	Operation	Discretion
Annual bonus	Pro-rated for time and performance to the date of the change of control.	The Committee has discretion regarding whether to pro-rate the bonus for time; the Committee's normal policy is that it will pro-rate the bonus for time. In circumstances where there is an appropriate business case, the Committee may use discretion and not pro-rate. Use of discretion will be explained in full to shareholders.
Annual bonus deferred share awards	Subsisting deferred share awards will vest on a change of control.	The Committee has discretion regarding whether to pro-rate the awards for time; the Committee's normal policy is that it will not pro-rate awards for time. The Committee will make this determination depending on the circumstances of the change of control.
LTIP	Subsisting LTIP awards will vest on a change of control, pro-rated for time and performance. The holding period will not apply on change of control.	The Committee has discretion regarding whether to pro-rate the LTIP awards for time; the Committee's normal policy is that it will pro-rate the LTIP awards for time. In circumstances where there is an appropriate business case, the Committee may use discretion and not pro-rate. Use of discretion will be explained in full to shareholders.

Chair and Non-Executive Directors

The Remuneration Policy for Non-Executive Directors, other than the Chair, is determined by the Chair and Executive Directors. The fee for the Chair is determined by the Remuneration Committee (without the Chair present). No changes to the 2024 Policy are proposed.

Non-Executive Directors	Purpose and link to strategy	To recruit and retain Non-Executive Directors of a suitable calibre for the role and duties required.
	Operation	The fees for the Non-Executive Directors (excluding the Chair) are determined by the Board. The fees for the Chair are determined by the Committee. The fee for Non-Executive Directors encompasses a basic fee and may also include supplementary fees for other Board duties, including the role of Senior Independent Director and for chairing the Board Committees. The Chair receives a single fee in respect of all Board duties. Fees are paid monthly. Fees are currently paid in cash, but the Chair and/or Non-Executive Directors may receive part of their fee(s) in company shares. Directors will be reimbursed for any reasonable business expenses incurred in the course of their duties, including the tax payable thereon. The fees for the Non-Executive Directors and Chair are set taking into account the time commitment of the role and market rates in comparable companies. The fees are normally reviewed annually (but not necessarily increased), effective from 1 July. In exceptional circumstances, fees may also be paid for additional time spent on the Company's business outside of normal duties. Non-Executive Directors do not participate in any variable remuneration or receive any other benefits.
	Maximum opportunity	Details of the current fee levels for the Non-Executive Directors are set out on page 142. The fee levels are set subject to the maximum limits set out in the Company's Articles of Association.

Non-Executive Directors normally serve terms of three years. They do not have service contracts. Instead, Non-Executive Directors are engaged by Letters of Appointment which are terminable by either party with no

notice period and no compensation in the event of such termination, other than accrued fees and expenses. All directors are subject to annual appointment or reappointment at the AGM.

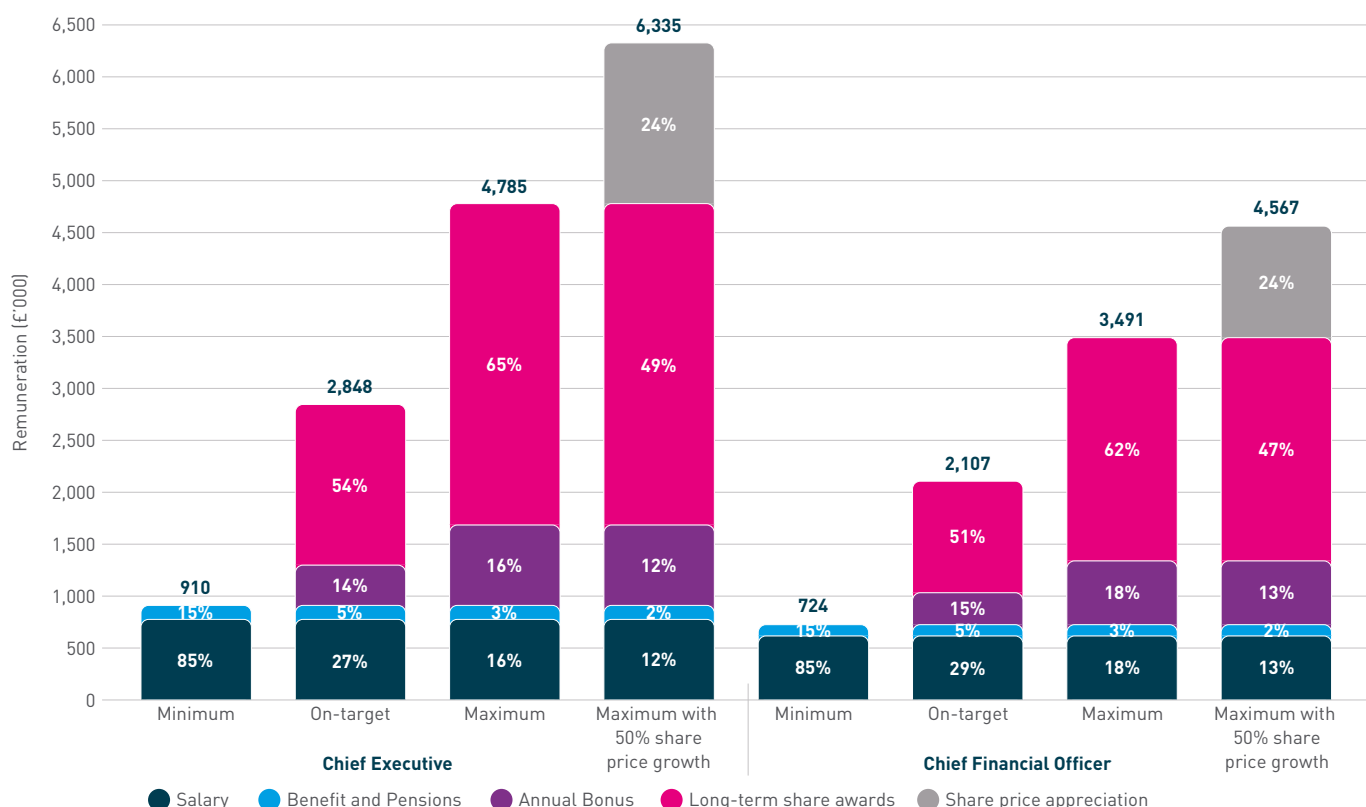
Directors' Remuneration Policy continued

Application of the Remuneration Policy

The charts below provide an illustration of what could be received by each of the Executive Directors under the new Remuneration Policy in respect of the 2026/27 package. These charts are illustrative, as the actual value will depend on business performance in the year 2026/27 (for the annual bonus) and in the three-year period to 2028/29 (for the LTIP), as well as share price performance to the date of the vesting of LTIP awards in 2029.

The maximum scenario also includes an additional bar which shows the impact of 50% share price growth on the LTIP outcome over the relevant

performance period to show how the package value is aligned to shareholders. It is a key part of our Remuneration Policy to align interests of the Executive Directors and shareholders through the provision of a substantial element of remuneration in shares. Increases in the value of remuneration through an increase in share price are evidence of the direct link between the interests of the two.



Note: Minimum pay is fixed pay only (i.e. salary + benefits + pension). On-target pay includes fixed pay, 50% of the maximum bonus (equal to 50% of salary for both the CEO and the CFO) and 50% vesting of the LTIP awards (with grant levels of 400% of salary for the CEO and 350% of salary for the CFO). Maximum pay includes fixed pay and assumes 100% vesting of both the annual bonus and the LTIP awards. Salary levels (which are the base on which other elements of the package are calculated) are based on those applying at 1 July 2026. The value of taxable benefits is the cost of providing those benefits in the year ended 31 March 2026 on an annualised basis. The Executive Directors are also permitted to participate in HMRC tax advantaged all-employee share plans, on the same terms as other eligible employees, but they have been excluded from the above graph for simplicity.

Linkage to all-employee pay

The Committee reviews changes in remuneration arrangements in the workforce generally as we recognise that all employees play an important role in the success of the Company. Severn Trent is committed to creating an inclusive working environment and to rewarding employees throughout the organisation in a fair and transparent manner. When making decisions on executive pay, the Committee considers wider workforce remuneration and conditions to ensure that they are aligned on an ongoing basis. In particular, the Committee considers wider workforce salary increases when determining those for Executive Directors. We believe that employees throughout the Company should be able to share in the success of the Company. Therefore, the annual bonus scheme is cascaded throughout the organisation and all employees may participate in the HMRC tax advantaged Save As You Earn ('SAYE') scheme.

As part of our commitment to fairness, the 'Company Remuneration at Severn Trent' section on page 131 sets out the steps we take to make sure that our pay and reward framework below Executives and Senior Management, is transparent in a way that is meaningful and useful. This section also includes more information on our wider workforce pay conditions, our gender and ethnicity pay statistics and our CEO pay ratio disclosure.

Although the Committee takes into account the pay and conditions of other employees, the Company did not consult with employees when developing the Policy. There are however a number of different mechanisms in place to gather feedback from employees, including on remuneration. Relevant feedback is presented to the Board to help to inform decision-making.

Consideration of shareholder views

The views of the Company's shareholders are very important and the Committee welcomes constructive feedback with respect to the remuneration policies or structure. In developing this Policy, the Committee Chair engaged extensively with major shareholders outlining proposals and the rationale for these. Feedback received was taken on board when finalising the Policy.

Directors' Report

The Directors of Severn Trent Plc present their Annual Report together with the audited consolidated financial statements for the year ended 31 March 2026. The Directors' Report, prepared in accordance with the requirements of the Companies Act 2006 and the UK Listing Rules ('UKLR'), and Disclosure and Transparency Rules, comprises the Governance Report (pages 88 to 156), the Directors' Report (pages 153 to 155) and the Shareholder Information section at the back 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 1 to 87, as the Board considers them to be of strategic importance.

Specifically, these are:

- the Performance Review on pages 12 to 13, which provides detailed information relating to the Group, its business model and strategy, operation of its businesses and the results and financial position for the year ended 31 March 2026;
- 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 1 to 87;
- information on the Group's greenhouse gas ('GHG') emissions and energy consumption for the year ended 31 March 2026 on pages 52 to 53;
- how we have engaged with our people and stakeholders on pages 79 to 83; and
- business relationships (throughout the Strategic Report).

Board

Directors and their interests

Biographies of the Directors currently serving on the Board, or who have served on the Board during 2025/26, are set out on pages 98 to 99. As set out in the Notice of Meeting, all Directors will retire at this year's Annual General Meeting ('AGM') and submit themselves for reappointment or, in the case of James Jesic, appointment by shareholders. All Directors seeking reappointment were subject to a formal and rigorous performance review, further details of which can be found on pages 103 to 104.

Details of Directors' service contracts are set out in the Directors' Remuneration Report on pages 118 to 145. The interests of the Directors in the shares of the Company are also shown on page 141 of that report.

Conflicts of interest

Directors have a statutory duty to avoid situations in which they have, or may have, interests that conflict with those of Severn Trent Plc. The Company has in place procedures for managing conflicts of interest. The Articles of Association (the 'Articles') also contain provisions to allow the Board to authorise potential conflicts of interest so that a Director is not in breach of his or her duty under company law. Should a Director become aware that he or she has an interest, directly or indirectly, in an existing or proposed transaction with Severn Trent Plc, he or she must notify the Board in accordance with the Articles and statute. Directors have a continuing duty to update any changes to their interests.

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, and to the extent permitted by law, the Company indemnifies each of its Directors and other Officers of the Group against certain liabilities that may be incurred as a result of their positions with the 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.

Business relationships

Pages 79 to 83 and 87 demonstrate how the Directors have had regard to key stakeholders and how the effect of that regard influenced the principal decisions taken by the Company during the financial year and are therefore incorporated into the Directors' Report by cross reference.

Employees

The average number of employees within the Group is shown in note 8 to the financial statements. Severn Trent Plc 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.

We are an equal opportunities employer and welcome applications from all individuals.

All of our training, promotion and career development processes are in place for all of 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.

The Company is committed to being an inclusive employer and to supporting disabled people to participate fully and fairly in employment. During the financial year, the Company applied policies and practices designed to ensure equal opportunity, retention, and progression for disabled employees.

(a) Recruitment and selection

The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their individual aptitudes and abilities. Recruitment processes are designed to be inclusive, and applicants are encouraged to request reasonable adjustments at any stage of the recruitment process. Selection decisions are based on objective role requirements, and managers are supported to ensure that disabled candidates are assessed fairly and without disadvantage.

(b) Retention, support and training when an employee becomes disabled

Where an employee becomes disabled during their employment, the Company aims to support the continuation of their employment wherever practicable. This includes access to a comprehensive Occupational Health service to assess individual needs and provide professional advice to support employees and managers. Reasonable adjustments are considered and implemented where appropriate, including adjustments to duties, working arrangements, equipment, or the working environment. The Company operates a Workplace Adjustment Passport to capture agreed adjustments and ensure continuity of support where roles or managers change. Employees are also supported to access appropriate training to enable them to continue effectively in their role or, where necessary, to transition to an alternative suitable role.

Directors' Report continued

(c) Training, career development and promotion

Disabled employees are supported to access training, career development and promotion opportunities on an equal basis with other employees. Learning and development programmes are designed to be inclusive, and reasonable adjustments are available to support participation. The Company promotes a culture where employees feel confident to discuss support needs and request adjustments, helping to remove barriers to progression and enabling disabled employees to develop and progress their careers.

Additional information on our diversity aims and progress can be found on pages 20, 81 and 103.

Employee engagement

Due to our commitment to transparent and best practice reporting, we have included the sections on our people on pages 19 to 23 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 81 and 85 demonstrate how 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. The Company also encourages greater employee involvement in the Group's performance through share ownership. To help align employees' interests with the success of the Company's performance, we operate an HMRC-approved all-employee plan, the Severn Trent Sharesave Scheme ('Sharesave'), which is offered to UK employees on an annual basis. Almost 70% of Severn Trent's employees now participate in Sharesave, including many colleagues saving the maximum of £500 per month.

Contributions for political purposes

Severn Trent does not, and has not, made political donations. However, given the broad ranging definitions of support defined in the Companies Act, which include sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling public duties, and support for bodies representing the business community in policy review or reform, we have an established practice of tabling a precautionary political donations resolution at our AGM on an annual basis.

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 Plc nor its subsidiaries made any political donations or incurred political expenditure in the financial year under review.

Relevant audit information

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

Shares Dividends

An interim dividend of 50.40 pence per ordinary share was paid on 12 January 2026. The Directors recommend a final dividend of 75.62 pence per ordinary share to be paid on 15 July 2026 to shareholders on the register of members on 29 May 2026. This would bring the total dividend for 2025/26 to 126.02 pence per ordinary share (2024/25: 121.71 pence). The payment of the final dividend is subject to shareholder approval at the 2026 AGM. You can read more about the process that the Board followed in assessing the Company's Performance in the Round in the context of determining whether to recommend a dividend on page 91.

Dividend Policy

In January 2025, the Board approved our Dividend Policy for the period 2025-2030. With effect from 1 April 2025, dividends during the AMP8 period will increase by annual growth of CPIH.

The Dividend Policy reflects our strong operational delivery and financial performance, the Final Determination, and our robust balance sheet and financial resilience. When determining the Dividend Policy, the Board considered various scenarios and sensitivities, and reviewed the impact of adverse changes in inflation and interest rates on key metrics. The Board believes that the Dividend Policy is commensurate with a sustainable investment grade credit rating.

Capital structure

Details of the Company's issued share capital and of the movements during the year are shown in note 32 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. Details of employee share schemes are set out in note 39 to the financial statements. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

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.

With regard to the appointment and resignation of Directors, the Company is governed by its Articles, the Code, 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 Plc Matters Reserved to the Board document and the Articles, both of which can be found on our website.

Authority to allot shares

Under the Articles, the Directors have authority to allot ordinary shares, subject to the aggregate nominal amount limit set at the 2025 AGM. At the AGM held on 10 July 2025, shareholders granted the Directors authority, in accordance with section 551 of the Companies Act 2006, to allot ordinary shares in the capital of the Company and to grant rights to subscribe for, or to convert any security into, ordinary shares. This authority permits the Directors to allot ordinary shares up to an aggregate nominal value of £98,117,660. Authority will again be sought by shareholders at this year's AGM to allot up to an aggregate nominal value of £98,456,779.

Authority to purchase shares

The Company was given authority at its AGM in 2025 to make market purchases of ordinary shares up to a maximum number of 30,068,315 ordinary shares. During the year, no ordinary shares have been repurchased. Authority will again be sought from shareholders at this year's AGM to purchase up to a maximum of 30,172,238 ordinary shares. The Directors believe that it is desirable to have the general authority to buy back the Company's ordinary shares in order to provide maximum flexibility in the management of the Group's capital resources. However, the authority would only be used if the Board was satisfied at the time that to do so would be in the best interests of shareholders.

Employee Benefit Trust

For shares held by the Severn Trent Employee Share Ownership Trust, the Trustee abstains from voting.

Substantial shareholdings

The following disclosure is based on notifications received by the Company in accordance with the Disclosure Guidance and Transparency Rules and information provided by shareholders directly to the Company. As at 31 March 2026, the Company had received the following disclosures of interests representing 3% or more of the Company's voting rights.

Name of Holder	Number of Ordinary shares	Voting rights held (%)
Qatar Holding LLC	34,855,379	11.58
ClearBridge Group	10,476,600	3.48
Legal & General Investment Management	10,455,376	3.47
Atlas Infrastructure	10,454,899	3.47
Vanguard Group	8,272,535	2.75

As at 19 May 2026, the Company had received no disclosures of interests representing 3% or more of the Company's voting rights. The percentage of voting rights detailed above was calculated at the time the relevant disclosures were made, in accordance with DTR 5.

Annual General Meeting

A copy of the Notice of Meeting for the 2026 AGM can be found on the Severn Trent Plc website.

Other

Disclosures required under Listing Rule 6.6.4R

The information required to be disclosed under UKLR 6.6.1R can be located in the following pages of this Annual Report:

Section	Information to be included	Location
(1)	A statement of the amount of interest capitalised	Page 180
(3)	Details of long-term incentive schemes	Pages 138 to 140
(2), (4) – (13)	Not applicable	Not applicable

Principal activity

The principal activity of the Group is to treat and provide water and remove wastewater in the UK. Details of the principal joint ventures, associated and subsidiary undertakings of the Group as at 31 March 2026 are shown in note 47 of the financial statements.

Areas of operation

During the course of 2025/26, the Group had activities and operations in the UK.

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. Expenditure on research and development for the year totalled £5 million.

Internal controls

Details of our internal control framework can be found in the Audit and Risk Committee Report on pages 108 to 112.

Treasury management

Details on our Treasury Policy and treasury management are set out in the Chief Financial Officer's Review on pages 57 to 63.

Post balance sheet events

Details of post balance sheet events are set out in note 44 to the financial statements.

Supplier payment policy

Individual operating companies within the Group are responsible for establishing appropriate policies with regard to the payment of their suppliers and 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 Group 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 Group policy to ensure that suppliers know the terms on which payment will take place when business is agreed. You can read more about how we have worked with our suppliers and contractors on page 85. For the payment practices reporting period ended 31 March 2026, the average time to pay for Severn Trent Water Limited was 40 days.

Carbon footprint

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 Task Force on Climate-related Financial Disclosures and Taskforce on Nature-related Financial Disclosures on pages 30 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 Group and how we manage energy use.

Accounts of Severn Trent Water and Hafren Dyfrdwy

Separate Annual Reports for each of Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig will be made available on their respective websites in due course. Additionally, Annual Performance Reports for each of Severn Trent Water and Hafren Dyfrdwy are prepared and provided to Ofwat. Copies will be made available on their respective websites in due course.

By order of the Board



Didar Dhillon

Group General Counsel and Company Secretary
19 May 2026

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and Accounts 2025/26 in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company, and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts 2025/26, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Governance Report, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

This responsibility statement was approved by the Board of Directors on 19 May 2026 and is signed on its behalf by order of the Board:



James Jesic
Chief Executive
19 May 2026



Helen Miles
Chief Financial Officer
19 May 2026

Independent auditors' report to the members of Severn Trent Plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Severn Trent Plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2026 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise:

- the Consolidated and Company balance sheet as at 31 March 2026;
- the Consolidated income statement for the year then ended;
- the Consolidated statement of comprehensive income for the year then ended;
- the Consolidated statement of changes in equity for the year then ended;
- the Company statement of changes in equity for the year then ended;
- the Consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 7, we have provided no non-audit services to the parent company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- Following our assessment of the risk of material misstatement of the consolidated financial statements, we identified one component where we performed a full scope audit of its complete financial information due to size.
- We further identified two components where we performed audit procedures over specific financial statement line items.
- All in-scope components were audited by the UK group engagement team.
- In addition, the group engagement team performed audit procedures over centralised functions and financial statement line items, the group consolidation and financial statement disclosures.
- The parent company is comprised of one reporting unit which was subject to a full scope audit by the group engagement team for the purposes of the parent company financial statements

Key audit matters

- Valuation of the ECL provision for household trade receivables in Severn Trent Water Limited (group)
- Capital Programme expenditure in Severn Trent Water Limited (group)
- Recoverability of investments in subsidiary undertakings (parent)

Materiality

- Overall group materiality: £34,400,000 based on 4% of Profit before Interest and Tax.
- Overall parent company materiality: £55,700,000 based on 1% of Total assets.
- Performance materiality: £25,800,000 (group) and £41,700,000 (parent company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Independent auditors' report to the members of Severn Trent Plc continued

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

Key audit matter

Valuation of the ECL provision for household trade receivables in Severn Trent Water Limited (group)

Refer to the audit and risk committee report and note 23 for trade and other receivables – group and company.

The Group's provision for expected credit losses on household trade receivables in Severn Trent Water Limited is a key audit matter due to continued industry-wide scrutiny and the level of audit effort required in assessing the appropriateness of management's methodology and assumptions relative to other areas of the audit.

The provision represents a substantial proportion of gross household trade receivables and is determined using a multi-step expected credit loss ("ECL") model. This model is based on historical write-off experience for older debt categories, adjusted for recent cash collection performance, and considers the impact of future external economic factors.

How our audit addressed the key audit matter

We evaluated management's accounting policy with reference to the relevant accounting standards and assessed the design and implementation of relevant controls over the application of the accounting policy.

We have performed a look back test on the ECL provision as at 31 March 2025 by verifying the level of write-offs which occurred during the year to 31 March 2026 to assess management's ability to estimate accurately.

We obtained a detailed understanding of how management calculate the ECL provision. We considered historical and recent cash collection trends to assess whether past experience remains a reasonable basis for estimating future recoverability and evaluated whether collections are materially sensitive to plausible macroeconomic risks.

We reperformed management's ECL calculation to test the mathematical accuracy and integrity of the model and assessed the completeness of balances being assessed for ECL.

On a sample basis we tested the key data inputs in the ECL model being billing, cash collections and the ageing of debt balances.

We assessed how severe a deterioration in collections would be required to result in a material misstatement, and considered whether such a scenario was plausible given the regulated nature of the business and observed collection performance.

We tested the ECL disclosures made by management and assessed compliance with accounting standards.

Capital Programme expenditure in Severn Trent Water Limited (group)

Refer to the audit and risk committee report, note 4 for significant accounting judgments and key sources of estimation uncertainty and note 17 for property, plant and equipment – group.

Due to the high level of judgement exercised between allocating costs to capital or operating expenditure there is potential for misstatement between the statement of financial position and the income statement and therefore has been designated as a key audit matter.

We evaluated management's accounting policy for the recognition and classification of capital expenditure in accordance with relevant accounting standards. Our procedures included assessing the design and implementation of relevant controls over the application of the accounting policy.

We obtained a detailed analysis of total expenditure split by capital expenditure, operating expenditure/infrastructure renewal expense and own work capitalised. We performed analytical procedures over the percentage of total expenditure capitalised.

We performed a controls-based test for a sample of projects that have moved through authorisation gates in the year to ensure the judgement for amounts designated as capital is appropriate.

We tested staff and other costs capitalised and the model management use to apportion these costs to capital expenditure. We challenged the judgements applied by management in making this apportionment.

We evaluated the directors' determination of whether there were any indicators of impairment with specific consideration given to the following:

- the market capitalisation of the group, which is significantly in excess of the investments balance, noting that substantially all of the market capitalisation is considered to be in relation to one indirect subsidiary (Severn Trent Water Limited) of the parent company;
- the trading results of the Company's subsidiaries which are no worse than expected and are not expected to be worse in future periods; and
- any significant changes with an adverse impact in relation to the technological, market, economic or legal environment in which the Company's subsidiaries operate, noting that there were no such changes.

Recoverability of investments in subsidiary undertakings (parent)

Refer to note 21 for investments in subsidiaries – company.

Investment in subsidiary undertakings are accounted for at cost less provision for impairment. Investments are tested for impairment if indicators exist. If such indicators exist, the recoverable amounts of the investments in subsidiary undertakings are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognised in the income statement.

A review for indicators of impairment was performed by the directors, including considering the latest available forecasts and developments in the Group during the year. The assessment identified no impairment indicator in respect of the investment in subsidiary undertakings.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

The group financial statements are a consolidation of multiple components across the UK, comprising the group's operating businesses and centralised functions.

In establishing the overall approach to the Group audit, we identified one component which, in our view, required an audit of their complete financial information due to its' size. We also performed audit procedures over specific financial statement line items of two other components to ensure sufficient coverage within the group consolidation. All in-scope component work was performed by the Group engagement team. The Group consolidation, centralised balances and financial statement disclosures were audited by the Group audit team.

The parent company is comprised of one reporting unit which was subject to a full scope audit by the group engagement team for the purposes of the parent company financial statements.

The impact of climate risk on our audit

In planning our audit, we considered the potential impact of climate change on the Group's financial statements. We made enquiries of the directors to understand the process for assessing climate-related risks and opportunities, the extent of the potential impact of climate change risk on the Group's financial statements and the Group's preparedness for this. The TCFD statement describes and explains how climate change could have an impact on the group's business. Using our knowledge of the business we considered whether the risks identified are consistent with our knowledge of the business and remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any additional risks of material misstatement, or material inconsistencies between the financial statements and the other climate related information presented.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – parent company
Overall materiality	£34,400,000.	£55,700,000.
How we determined it	4% of Profit before Interest and Tax	1% of Total assets
Rationale for benchmark applied	Profit before Interest and Tax is a key metric for both internal and external stakeholders and is a commonly used benchmark to measure business performance.	The parent company does not trade and therefore total assets is considered to be the most appropriate benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £26,800,000 to £32,600,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £25,800,000 for the group financial statements and £41,700,000 for the parent company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £1,720,000 (group audit) and £2,780,000 (parent company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- Testing the mathematical integrity of the cash flow forecasts and the models supporting these forecasts and reconciling them to Board approved budgets;
- Assessing the key assumptions the directors have applied in developing their base case and severe but plausible downside scenarios;
- Assessing the accuracy of the cash flow forecast prepared in the prior years so as to obtain evidence over the ability of the directors to prepare accurate forecasts;
- Obtaining and understanding the terms of the Group's financing and available credit facilities including the related financial covenants;
- Reviewing the directors' analysis of both liquidity and covenant compliance to ensure there is sufficient liquidity and no forecast covenant breaches during the going concern period;
- Assessing the extent of mitigating actions that could be taken by the directors, if necessary, to increase liquidity or to avoid a covenant default; and
- Assessing the appropriateness of the disclosures within the financial statements relating to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the 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.

Independent auditors' report to the members of Severn Trent Plc continued

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

In relation to the directors' reporting on how they have 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.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2026 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Strategic Report and Governance section is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and parent company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and parent company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and parent company and their environment obtained in the course of the audit.

In addition, 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 that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and parent company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibility Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to environmental regulations, Ofwat regulations and the FCA Listing Rules, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as corporate tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries that improve financial performance and management bias in significant accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussions among the engagement team covering the potential for material misstatements due to error or fraud, the risks associated with related parties and emphasis on the need to maintain professional scepticism throughout the engagement;
- Inquiries of the directors and others within the entity, including those outside of finance, as to their knowledge, awareness and concerns regarding fraud, or breaches in laws and regulations;
- Identification and testing of journal entries that met our risk criteria and incorporating an element of unpredictability in the nature, timing and extent of audit procedures performed;
- Testing significant accounting estimates and judgements made by the directors and assessing whether these included any bias;
- Reading the minutes of the Board meetings to identify any inconsistencies with other information provided by management;
- Reviewing internal audit reports insofar as they related to the financial statements;
- Reviewing legal expense accounts to identify items which may indicate the existence of material legal claims;
- Reviewing the Material Litigation Report; and
- Reviewing correspondence with regulatory authorities.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Severn Trent Plc continued

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were first appointed by the parent company for the financial year ended 31 March 2026. Our uninterrupted engagement covers one financial year.

Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R – 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Mark Skedgel (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
19 May 2026

Consolidated income statement

For the year ended 31 March 2026

	Note	2026 £m	2025 £m
Turnover	5,6	2,831	2,427
Operating costs before charge for bad and doubtful debts	7	(1,924)	(1,802)
Charge for bad and doubtful debts	7	(46)	(35)
Total operating costs		(1,970)	(1,837)
Profit before interest and tax		861	590
Finance income	9	150	143
Finance costs	10	(452)	(387)
Net finance costs		(302)	(244)
Net losses on financial instruments	11	(33)	(15)
Share of net loss of joint venture accounted for using the equity method	20	(2)	(11)
Profit on ordinary activities before taxation		524	320
Current tax	12	(3)	–
Deferred tax	12	(150)	(91)
Taxation on profit on ordinary activities	12	(153)	(91)
Profit for the year		371	229
Earnings per share (pence)			
	Note	2026	2025
Basic	14	123.5	76.6
Diluted	14	123.1	76.4

Consolidated statement of comprehensive income

For the year ended 31 March 2026

	Note	2026 £m	2025 £m
Profit for the year		371	229
Other comprehensive income			
Items that will not be reclassified to the income statement:			
Net actuarial gains	30	40	38
Deferred tax on net actuarial gains	12	(10)	(9)
		30	29
Items that may be reclassified to the income statement:			
Gains on cash flow hedges		17	9
Deferred tax on gains on cash flow hedges	12	(4)	1
Net gains on cash flow hedges transferred to the income statement		(9)	(13)
Net losses on terminated hedges transferred to losses on financial instruments		7	13
Deferred tax on transfer to the income statement	12	–	(3)
		11	7
Other comprehensive income for the year		41	36
Total comprehensive income for the year		412	265

Consolidated statement of changes in equity

For the year ended 31 March 2026

	Note	Equity attributable to owners of the Company				Total £m
		Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	
At 1 April 2024		295	1,363	168	8	1,834
Profit for the year		–	–	–	229	229
Net actuarial gains	30	–	–	–	38	38
Deferred tax on net actuarial gains	12	–	–	–	(9)	(9)
Gains on cash flow hedges		–	–	9	–	9
Deferred tax on gains on cash flow hedges	12	–	–	1	–	1
Net gains on cash flow hedges transferred to the income statement		–	–	(13)	–	(13)
Net losses on terminated hedges transferred to losses on financial instruments	11	–	–	13	–	13
Deferred tax on transfers to the income statement	12	–	–	(3)	–	(3)
Total comprehensive income for the year		–	–	7	258	265
Share options and LTIPs						
– proceeds from shares issued	32, 33	1	15	–	–	16
– value of employees' services	39	–	–	–	11	11
Issue from treasury shares		–	–	–	2	2
Deferred tax on share based payments	12	–	–	–	(1)	(1)
Dividends paid	13	–	–	–	(356)	(356)
Transactions with owners, recognised directly in equity		1	15	–	(344)	(328)
At 1 April 2025		296	1,378	175	(78)	1,771
Profit for the year		–	–	–	371	371
Net actuarial gains	30	–	–	–	40	40
Deferred tax on net actuarial gains	12	–	–	–	(10)	(10)
Gain on cash flow hedges		–	–	17	–	17
Deferred tax on gain on cash flow hedges	12	–	–	(4)	–	(4)
Net gains on cash flow hedges transferred to the income statement		–	–	(9)	–	(9)
Net losses on terminated hedges transferred to losses on financial instruments	11	–	–	7	–	7
Total comprehensive income for the year		–	–	11	401	412
Share options and LTIPs						
– proceeds from shares issued	32, 33	1	14	–	–	15
– value of employees' services	39	–	–	–	13	13
Deferred tax on share based payments	12	–	–	–	1	1
Dividends paid	13	–	–	–	(371)	(371)
Transactions with owners, recognised directly in equity		1	14	–	(357)	(342)
At 31 March 2026		297	1,392	186	(34)	1,841

Company statement of changes in equity

For the year ended 31 March 2026

	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 April 2024		295	1,363	157	2,920	4,735
Profit for the year		–	–	–	755	755
Total comprehensive income for the year		–	–	–	755	755
Share options and LTIPs						
– proceeds from shares issued	32, 33	1	15	–	–	16
– value of employees' services	39	–	–	–	11	11
Issue from treasury shares		–	–	–	1	1
Dividends paid	13	–	–	–	(356)	(356)
Transactions with owners, recognised directly in equity		1	15	–	(344)	(328)
At 1 April 2025		296	1,378	157	3,331	5,162
Profit for the year		–	–	–	204	204
Total comprehensive income for the year		–	–	–	204	204
Share options and LTIPs						
– proceeds from shares issued	32, 33	1	14	–	–	15
– value of employees' services	39	–	–	–	13	13
Deferred tax on share based payments		–	–	–	(1)	(1)
Dividends paid	13	–	–	–	(371)	(371)
Transactions with owners, recognised directly in equity		1	14	–	(359)	(344)
At 31 March 2026		297	1,392	157	3,176	5,022

Included in retained earnings are profits of £1,221 million that arose from group restructuring arrangements in previous years and are therefore not distributable.

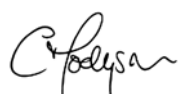
Consolidated and Company balance sheet

As at 31 March 2026

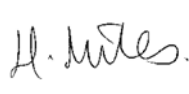
	Note	Group		Company	
		31 March 2026 £m	31 March 2025 £m	31 March 2026 £m	31 March 2025 £m
Non-current assets					
Goodwill	15	152	117	–	–
Other intangible assets	16	224	207	–	–
Property, plant and equipment	17	15,079	13,307	–	–
Biological assets	18	4	5	–	–
Right-of-use assets	19	142	141	–	1
Investment in joint venture	20	–	2	–	–
Investments in subsidiaries	21	–	–	3,610	3,600
Derivative financial instruments	22	99	60	–	–
Deferred tax asset	29	–	–	5	1
Trade and other receivables	23	67	91	1,901	1,723
Retirement benefit surplus	30	5	5	–	–
		15,772	13,935	5,516	5,325
Current assets					
Inventory	24	48	43	–	–
Trade and other receivables	23	933	878	45	50
Derivative financial instruments	22	22	6	–	–
Cash and cash equivalents	25	796	1,048	14	314
		1,799	1,975	59	364
Current liabilities					
Borrowings		(366)	(533)	(8)	(3)
Derivative financial instruments	26	(1)	(3)	–	–
Trade and other payables	27	(872)	(862)	(12)	(19)
Provisions for liabilities	28	(52)	(47)	(1)	–
Current tax payable	31	(4)	–	(27)	(18)
		(1,295)	(1,445)	(48)	(40)
Net current assets		504	530	11	324
Total assets less current liabilities		16,276	14,465	5,527	5,649
Non-current liabilities					
Borrowings	26	(10,618)	(9,164)	(495)	(480)
Derivative financial instruments	27	(50)	(45)	–	–
Trade and other payables	28	(2,064)	(1,839)	(4)	–
Deferred tax	29	(1,634)	(1,472)	–	–
Retirement benefit obligations	30	(26)	(125)	(6)	(6)
Provisions for liabilities	31	(43)	(49)	–	(1)
		(14,435)	(12,694)	(505)	(487)
Net assets		1,841	1,771	5,022	5,162
Equity					
Called up share capital	32	297	296	297	296
Share premium account	33	1,392	1,378	1,392	1,378
Other reserves	34	186	175	157	157
Retained earnings		(34)	(78)	3,176	3,331
Total equity		1,841	1,771	5,022	5,162

The Company's profit for the year is £204 million (2025: £755 million).

Signed on behalf of the Board who approved the accounts on 19 May 2026.



Christine Hodgson
Chair



Helen Miles
Chief Financial Officer

Company Number 02366619

Consolidated cash flow statement

For the year ended 31 March 2026

	Note	2026 £m	2025 £m
Cash generated from operations	41	1,265	913
Tax paid	41	–	–
Net cash generated from operating activities		1,265	913
Cash flows from investing activities			
Purchase of subsidiaries net of cash acquired		(35)	(14)
Purchases of property, plant and equipment		(1,896)	(1,553)
Purchases of intangible assets		(46)	(40)
Proceeds on disposal of property, plant and equipment		5	11
Net loans repaid by joint venture		20	1
Interest received		58	58
Net cash outflow from investing activities		(1,894)	(1,537)
Cash flows from financing activities			
Interest paid		(399)	(312)
Dividends paid to shareholders of the parent		(371)	(356)
Repayments of borrowings		(517)	(55)
Principal elements of lease payments		(15)	(14)
New loans raised		1,657	1,440
Issues of shares		15	16
Proceeds/(payments) for swaps		2	(1)
Net cash inflow from financing activities		372	718
Net movement in cash and cash equivalents		(257)	94
Net cash and cash equivalents at the beginning of the year		1,045	951
Net cash and cash equivalents at the end of the year		788	1,045
Cash at bank and in hand		33	59
Bank overdrafts		(8)	(3)
Short term deposits		763	989
		788	1,045

Notes to the Financial Statements

1 General information

The Severn Trent Group's operations are described in the segmental analysis in note 5.

Severn Trent Plc is a company incorporated and domiciled in the United Kingdom. The address of its registered office is shown on the back of the cover of the Annual Report and Accounts.

Severn Trent Plc is listed on the London Stock Exchange.

2 Accounting policies

a) Basis of preparation

The financial statements for the Group and the parent company have been prepared on the going concern basis (see strategic report on page 74 which sets out the Group's considerations relating to viability and going concern) under the historical cost convention, except for the revaluation of financial instruments including derivatives (refer to accounting policy note v), accounting for the transfer of assets from customers (refer to accounting policy note i), biological assets (refer to accounting policy note j) and retirement benefit surplus and obligations (refer to accounting policy note r).

(i) Consolidated 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 Accounting Standards.

(ii) Parent company financial statements

The parent 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 Accounting 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 parent company has taken advantage of the disclosure exemptions available under that standard in relation to statement of cash flows, share based payment, 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.

As permitted by Section 408 of the Companies Act 2006, no profit or loss account is presented for the parent company. The profit for the year is disclosed in the Company statement of changes in equity and the Company balance sheet.

Severn Trent Plc is a partner in Severn Trent Limited Partnership and Severn Trent 2017 Limited Partnership ('the partnerships'), which are registered in Scotland.

As the partnerships are included in the consolidated accounts, the parent company has taken advantage of the exemption conferred by Regulation 7 of The Partnership (Accounts) Regulations 2008 from the requirements of Regulations 4 to 6.

The key 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 Plc and its subsidiaries and joint ventures. 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.

Joint venture undertakings are accounted for on an equity basis where the Group exercised joint control under a contractual arrangement.

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.

Foreign currency denominated assets and liabilities of the Company and its subsidiary undertakings are translated into the relevant functional currency at the rates of exchange ruling at the year end. Any exchange differences so arising are dealt with through the income statement.

Foreign currency transactions arising during the year are translated into sterling at the rate of exchange ruling on the date of the transaction. All gains and losses on exchange arising during the year are dealt with through the income statement.

c) Revenue recognition

Revenue includes turnover.

Turnover represents the fair value of consideration receivable, excluding value added tax, trade discounts and intercompany sales, in the ordinary course of business for goods and services provided.

Turnover is not recognised until the service has been provided to the 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.

Operating services revenue is recognised in line with the delivery of each performance obligation. Further details of the performance obligations are detailed in note 6.

The expected turnover over the life of a contract is allocated to each performance obligation based on the stand-alone selling price of each performance obligation, which is based on the forecast costs incurred and expected margin for each obligation. Any changes to the revenue relating to performance obligations already delivered are recognised in the period in which they are identified. Differences between amounts recognised as revenue and amounts billed are recognised as contract assets or liabilities.

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.

d) 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.

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 income 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.

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 also 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 the 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, whilst goodwill arising on acquisition of associates or joint ventures is included in interests in associates or joint ventures respectively. 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 and indefinite life intangibles are tested for impairment in accordance with the policy set out in note 2 m) 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.

g) Other intangible 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	15-25

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 note 2 m) 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 costs can be measured reliably.

Research expenditure is expensed when it is incurred.

h) Pre-contract costs

Incremental costs incurred in obtaining contracts with customers are recognised as an asset and written off to the income statement over the life of the contract where it is expected that the costs will be recovered.

All other costs of obtaining contracts are written off to the income statement as incurred.

i) Property, plant and equipment

Property, plant and equipment is held at cost (or at deemed cost for infrastructure assets on transition to IFRS) less accumulated depreciation and impairment. 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 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 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

Notes to the Financial Statements continued

2 Accounting policies continued

j) Biological assets

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 by the Group as they are intended to be used for commercial activity and meet the following criteria as set out in IAS 41 – Forestry Assets:

- 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) Leased assets

Where the Group enters 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.

l) Grants and contributions

Grants and contributions received in respect of non-current assets, including certain charges made for new connections to the water and sewerage networks, are treated as deferred income and released to revenue 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 revenue in the period that they become receivable.

m) 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.

n) Parent company investments

The parent company recognises investments in subsidiary undertakings at historical cost. Impairment losses are recognised in line with policy set out in m) above.

o) Inventory

Inventories are stated at the lower of cost and net realisable value. For properties held for resale, the cost includes the cost of acquiring and developing the sites.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

p) 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 loan receivables 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.

The Group recognises a loss allowance for expected credit losses ('ECL') on its loans receivable from joint ventures. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group recognises lifetime ECL 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 Group measures the loss allowance at an amount equal to the 12 month ECL.

p) Loans receivable continued

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 Group compares the risk of default over the remaining life of the asset at the reporting date with the risk of default for the same period at initial recognition. In making this assessment, the Group considers 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, the Group presumes 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 the Group has reasonable and supportable information that demonstrates otherwise.

Definition of default

The Group considers that a default has taken place where information developed internally indicates that the borrower is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above analysis, the Group considers that default has occurred when a loan receivable is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

q) 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 Group applies the simplified approach permitted by IFRS 9 for estimating expected credit losses on trade and other receivables. For trade receivables that are assessed not to be impaired individually, expected credit losses are estimated based on the Group's historical experience of trade receivable write-offs and reasonable, supportable forward-looking information which is available without undue cost or effort.

r) 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 remeasurements, 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 to participating Group companies. Therefore, the parent recognises a charge in the income statement which is equal to the contributions payable in the year. The net defined benefit cost for these schemes is recognised by the sponsoring employers, Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig.

(ii) Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the income statement in the period in which they fall due.

s) 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 Group'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.

t) Purchase of own shares

Where market purchases of Severn Trent ordinary shares are made through an obligating contract, a liability for the present value of the redemption amount is recognised and charged to retained earnings. Payments for the purchase of shares are charged to the liability when made.

Shares held by the Severn Trent Employee Share Ownership Trust that have not vested unconditionally by the balance sheet date are deducted from equity until such time as they vest.

u) Borrowings

The accounting policy for borrowings that are the hedged item in a fair value hedge is set out in note 2 v) and the accounting policy for lease liabilities is set out in note 2 k).

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 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 in the income statement.

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 in the income statement.

Notes to the Financial Statements continued

2 Accounting policies continued

v) Derivative financial instruments

Derivative financial instruments are stated at fair value, including accrued interest. Fair value is determined using the methodology described in note 36 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 in the income statement.

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 its risks associated with foreign currency, interest rate and energy price fluctuations.

At the inception of each hedge relationship, the Group documents:

- the economic relationship between the hedging instrument and the hedged item;
- its 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 the income statement on the same line as the hedged item.

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.

In all other cases embedded derivatives are accounted for in line with the accounting policy for the contract as a whole.

w) 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.

Share based compensation plans are satisfied in shares of the parent company. Where the fair value of the awards is not recharged to participating Group companies, the parent company records the fair value of the awards as an increase in its investment in the subsidiary. The investment is adjusted to reflect shares that do not vest as a result of failing to meet a non-market based condition.

x) Cash flow statement

For 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 and amounts drawn under the Group's revolving credit facility.

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.

y) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. The identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date except that:

- deferred tax assets or liabilities and retirement benefit assets or obligations are recognised and measured in accordance with the policies set out under notes 2 e) and 2 r) above; and
- assets or disposal groups that are classified as held for sale are measured in accordance with the policy set out below.

Where an asset or group of assets (a disposal group) is available for immediate sale and the sale is highly probable and expected to occur within one year, then the disposal group is classified as held for sale. The disposal group is measured at the lower of the carrying amount and the fair value less costs to sell. Depreciation is not charged on such assets.

y) Business combinations continued

Where the initial accounting for a business combination is incomplete at the end of the reporting period, the Group reports provisional amounts and finalises these within one year of the acquisition date (the 'measurement period').

Contingent consideration is measured at fair value at the acquisition date.

During the measurement period, changes in provisional fair values of assets and liabilities acquired, or of contingent consideration, are recognised as adjustments to goodwill or bargain purchase gain. Outside the measurement period, changes in fair value of contingent consideration that is not classified as equity are recognised in profit or loss.

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 Significant accounting judgments and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, the Group is required to make certain judgments, estimates and assumptions that it believes 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) Significant accounting judgments

(i) Classification of costs between operating expenditure and capital expenditure

Severn Trent Water'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 £136 million (2025: £149 million). Expenditure which results in quality or capacity enhancements to the operating capability of the infrastructure networks is capitalised and amounted to £365 million (2025: £316 million).

(ii) Income from connections to the water and wastewater networks

The Group receives income from developers and domestic customers for 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 period the Group received infrastructure assets with a fair value of £124 million (2025: £188 million), infrastructure charges amounting to £28 million (2025: £26 million) and other charges relating to the provision of infrastructure amounting to £5 million (2025: £15 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) Climate change

The Group has performed its 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 on page 30.

We have considered the impact of the climate change related risks to which the Group is exposed in the preparation of these financial statements. 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.

Notes to the Financial Statements continued

4 Significant accounting judgments and key 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 i). The average useful life of property, plant and equipment by asset category is detailed as follows:

	Average useful economic life (years)
Land and buildings	42
Infrastructure assets	141
Fixed plant and equipment	27
Moveable plant	12

The impact on the annual depreciation expense of a 15 per cent increase and decrease in useful economic life ('UEL') of property, plant and equipment by asset category is detailed as follows:

	15 per cent increase in UEL	15 per cent decrease in UEL
Impact on annual depreciation (£m)	£m	£m
Land and buildings	(16)	22
Infrastructure assets	(7)	9
Fixed plant and equipment	(33)	44
Moveable plant	(2)	2

(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 30 to the financial statements.

5 Segmental analysis – Group

a) Background

The Group is organised into two main business segments:

Regulated Water and Wastewater includes the activities of Severn Trent Water Limited, except affinity products, hydro-electric generation and property sales, and Hafren Dyfrdwy Cyfyngedig.

Infrastructure Services (formerly Business Services) includes the Group's Operating Services businesses, the Green Power business including Severn Trent Water's hydro-electric generation, Network Services, the Property Development business and our other non-regulated businesses including affinity products and searches.

The Severn Trent Executive Committee ('STEC') is the Group's chief operating decision maker. The reports provided to STEC include segmental information prepared on the basis described above.

Results from interests in our joint venture are not included in the segmental reports reviewed by STEC.

Goodwill is allocated and monitored at the segment level.

Transactions between reportable segments are included within segmental results, assets and liabilities in accordance with Group accounting policies. These are eliminated on consolidation.

The measure of profit or loss that is reported to STEC for the segments is profit before interest and tax ('PBIT'). A segmental analysis of turnover and PBIT is presented below.

b) Segmental results

The following table shows the segmental turnover and PBIT:

	2026		2025	
	Regulated Water and Wastewater £m	Infrastructure Services £m	Regulated Water and Wastewater £m	Infrastructure Services £m
External turnover	2,629	202	2,249	178
Inter-segment turnover	–	28	–	5
Total turnover	2,629	230	2,249	183
Profit before interest and tax	850	29	586	25

Profit before interest and tax is stated after:

	2026		2025	
	Regulated Water and Wastewater £m	Infrastructure Services £m	Regulated Water and Wastewater £m	Infrastructure Services £m
Depreciation of property, plant and equipment	425	18	394	16
Depreciation of right-of-use assets	7	–	6	1
Amortisation of intangible assets	47	3	34	3
Profit on disposal of fixed assets	–	(5)	–	(5)
Impairment	5	5	12	2

The reportable segments' turnover is reconciled to Group turnover as follows:

	2026 £m	2025 £m
Regulated Water and Wastewater	2,629	2,249
Infrastructure Services	230	183
Corporate and other	2	2
Consolidation adjustments	(30)	(7)
	2,831	2,427

Included in the revenues of Regulated Water and Wastewater of £2,629 million (2025: £2,249 million) is £238 million (2025: £233 million) which arose from sales to Water Plus Group. No single customer contributed 10% or more to the Group's revenue for 2026.

Notes to the Financial Statements continued

5 Segmental analysis – Group continued

b) Segmental results continued

Segmental PBIT is reconciled to the Group's profit before tax as follows:

	2026 £m	2025 £m
Regulated Water and Wastewater	850	586
Infrastructure Services	29	25
Corporate and other	(15)	(20)
Consolidation adjustments	(3)	(1)
Profit before interest and tax	861	590
Net finance costs	(302)	(244)
Net losses on financial instruments	(33)	(15)
Share of net loss of joint ventures accounted for using the equity method	(2)	(11)
Profit on ordinary activities before taxation	524	320

The Group's treasury and tax affairs are managed centrally by the Group Treasury and Tax departments. Finance costs are managed on a Group basis and hence interest income and costs are not reported at the segmental level. Tax is not reported to STEC on a segmental basis.

c) Segmental capital employed

Separate segmental analyses of assets and liabilities are not reviewed by STEC. The balance sheet measure reviewed by STEC on a segmental basis is capital employed.

	2026		2025	
	Regulated Water and Wastewater £m	Infrastructure Services £m	Regulated Water and Wastewater £m	Infrastructure Services £m
Operating assets	16,055	421	14,241	389
Goodwill	63	89	63	55
Segment assets	16,118	510	14,304	444
Segment operating liabilities	(3,014)	(41)	(2,866)	(42)
Capital employed	13,104	469	11,438	402

Operating assets comprise other intangible assets, biological assets, property, plant and equipment, right-of-use assets, retirement benefit surpluses, inventory and trade and other receivables.

Operating liabilities comprise trade and other payables, retirement benefit obligations and provisions.

The reportable segments' assets are reconciled to the Group's total assets as follows:

	2026 £m	2025 £m
Segment assets		
Regulated Water and Wastewater	16,118	14,304
Infrastructure Services	510	444
Corporate and other	9	6
Other financial assets	918	1,114
Investment in joint venture	–	2
Loan receivable from joint venture	51	71
Consolidation adjustments	(35)	(31)
Total assets	17,571	15,910

The consolidation adjustments comprise elimination of intra-group debtors and unrealised profits on fixed assets.

5 Segmental analysis – Group continued

The reportable segments' liabilities are reconciled to the Group's total liabilities as follows:

	2026 £m	2025 £m
Segment liabilities		
Regulated Water and Wastewater	(3,014)	(2,866)
Infrastructure Services	(41)	(43)
Corporate and other	(35)	(36)
Other financial liabilities	(11,035)	(9,745)
Deferred tax liabilities	(1,634)	(1,472)
Current tax payable	(4)	–
Consolidation adjustments	33	23
Total liabilities	(15,730)	(14,139)

The consolidation adjustments comprise elimination of intra-group creditors.

The following table shows the additions to other intangible assets, property, plant and equipment and right-of-use assets:

	2026		2025	
	Regulated Water and Wastewater £m	Infrastructure Services £m	Regulated Water and Wastewater £m	Infrastructure Services £m
Other intangible assets	45	1	39	1
Property, plant and equipment	2,186	49	1,953	13
Right-of-use assets	6	2	4	1

d) Geographical areas

All of the Group's sales were derived from the UK in 2026 and 2025.

6 Revenue from contracts with customers – Group

Revenue recognised from contracts with customers is analysed by type of revenue and by business segment below:

	Regulated Water and Wastewater £m	Infrastructure Services £m	Corporate and other £m	Consolidation adjustments £m	Group £m
Year ended 31 March 2026					
Water and wastewater services	2,581	–	–	–	2,581
Operating services	–	107	–	(4)	103
Network services	–	23	–	(18)	5
Renewable energy	42	83	–	(6)	119
Other sales	6	17	2	(2)	23
	2,629	230	2	(30)	2,831
	Regulated Water and Wastewater £m	Infrastructure Services £m	Corporate and other £m	Consolidation adjustments £m	Group £m
Year ended 31 March 2025					
Water and wastewater services	2,204	–	–	–	2,204
Operating services	–	85	–	–	85
Renewable energy	40	83	–	(5)	118
Other sales	5	15	2	(2)	20
	2,249	183	2	(7)	2,427

a) Water and wastewater services

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.

Notes to the Financial Statements continued

6 Revenue from contracts with customers – Group continued

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 in relation to connections were as follows:

	2026 £m	2025 £m
At 1 April	1,869	1,655
Contributions and grants received	53	44
Assets transferred at no cost	124	188
Amounts released to income statement	(18)	(18)
At 31 March	2,028	1,869

Revenue amounting to £18 million (2025: £18 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 (2025: 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::

	2026 £m	2025 £m
In the next year	18	30
Between one and five years	74	121
After more than five years	1,936	1,718
	2,028	1,869

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:

	2026 £m	2025 £m
Contract liability at 1 April	174	149
Revenue recognised	(1,970)	(1,669)
Cash received	1,869	1,694
Contract liability at 31 March	73	174

b) Operating services

The Operating Services business includes a material 25-year contract with multiple performance obligations. Under this contract with the Ministry of Defence ('MoD'), the Group bills the customer based on an inflation-linked volumetric tariff and invoices are payable on normal commercial terms. The performance obligations, which are satisfied as the services are performed, are:

- operating and maintaining the customer's infrastructure assets;
- upgrading the customer's infrastructure assets;
- administering the services received from statutory water and sewerage undertakers; and
- administering billing services of the customer's commercial and Non Base Dependent customers.

Revenue has been allocated to each performance obligation based on the stand-alone selling price of each performance obligation, which is based on the forecast costs incurred and expected margin for each obligation. Changes to projected margins are adjusted on a cumulative basis in the period that they are identified.

Other than the provision of water and wastewater services, there is no direct correlation between the satisfaction of the performance obligations and the timing of billing and customer payments. The estimated transaction price for the contract is derived from estimates of the customer's consumption at the contract tariff rate, adjusted for inflation. This estimate is updated on an annual basis. The estimated transaction price has increased from 31 March 2025 as a result of higher inflation and consumption. At 31 March 2026 the aggregate amount of the estimated transaction price allocated to performance obligations that were not satisfied was £249 million (2025: £306 million). This amount is expected to be recognised as revenue as follows:

	2026 £m	2025 £m
In the next year	60	59
Between one and five years	189	247
	249	306

The assumptions and other sources of estimation uncertainty in relation to this contract do not present a significant risk of a material adjustment to the carrying amounts of assets and liabilities in the next financial year and therefore are not included as a source of estimation uncertainty in note 4 b).

6 Revenue from contracts with customers – Group continued

Revenue recognised in excess of amounts billed is recorded as a contract asset and amounts billed in excess of revenue recognised are recorded as contract liabilities. Changes in contract assets in the year were as follows:

	2026 £m	2025 £m
Contract asset at 1 April	31	47
Amounts billed	(64)	(64)
Revenue recognised	62	48
Contract asset at 31 March	29	31

No contract liabilities arose from the Group's Operating Services contract with the MoD.

7 Net operating costs – Group

	2026 £m	2025 £m
Wages and salaries	538	452
Social security costs	68	47
Pension costs	53	43
Share based payments	13	11
Total employee costs	672	553
Power	177	187
Raw materials and consumables	140	125
Rates	100	97
Charge for bad and doubtful debts	46	35
Services charges	61	52
Depreciation of tangible fixed assets	441	410
Depreciation of right-of-use assets	7	7
Impairment	10	14
Amortisation of intangible fixed assets	50	38
Hired and contracted services	385	341
Hire of plant and machinery	21	12
Profit on disposal of tangible fixed assets	(5)	(5)
Infrastructure maintenance expenditure	136	149
Ofwat licence fees	13	8
Other operating costs	87	83
Other operating income	(3)	(3)
	2,338	2,103
Own work capitalised	(368)	(266)
	1,970	1,837

During the year the following fees were charged by the auditor:

	2026 £'000	2025 £'000
Fees payable to the Company's auditor for:		
- the audit of the Company's annual accounts	545	300
- the audit of the Company's subsidiary accounts	1,068	900
Total audit fees	1,613	1,200
Fees payable to the Company's auditor and its associates for other services to the Group:		
- audit related assurance services	230	100
- other assurance services	168	100
Total non-audit fees	398	200

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 108 and 113. No services were provided pursuant to contingent fee arrangements.

Details of directors' remuneration are set out in the Directors' Remuneration Report on pages 118 to 145.

Notes to the Financial Statements continued

8 Employee numbers – Group and Company

Average number of employees (including Executive Directors) during the year:

	Group		Company	
	2026 Number	2025 Number	2026 Number	2025 Number
By business segment				
Regulated Water and Wastewater	10,047	8,989	–	–
Infrastructure Services	793	535	–	–
Corporate and other	20	15	20	15
	10,860	9,539	20	15

9 Finance income – Group

	2026 £m	2025 £m
Interest income earned on bank deposits	51	53
Other financial income	6	5
Total interest receivable	57	58
Interest income on defined benefit scheme assets	93	85
	150	143

10 Finance costs – Group

	2026 £m	2025 £m
Interest expense charged on:		
Bank loans and overdrafts	39	41
Other loans	309	242
Lease liabilities	4	4
Total borrowing costs	352	287
Other financial expenses	–	4
Interest cost on defined benefit scheme liabilities	100	96
	452	387

Borrowing costs of £150 million (2025: £103 million) incurred funding eligible capital projects have been capitalised at an interest rate of 4.9% (2025: 4.4%). Tax relief of £38 million (2025: £26 million) was claimed on these costs which has created tax losses carried forward, and a related deferred tax asset of £38 million (2025: £26 million).

11 Net losses on financial instruments – Group

	2026 £m	2025 £m
Loss on swaps used as hedging instruments in fair value hedges	(12)	(1)
Gain arising on debt in fair value hedges	13	5
Exchange (loss)/gain on other loans	(69)	11
Net loss on terminated hedges transferred from equity	(7)	(13)
Gain/(loss) arising on swaps where hedge accounting is not applied	41	(18)
Amortisation of fair value adjustment on debt	1	1
	(33)	(15)

The gains from financial assets and liabilities mandatorily measured at fair value through profit or loss was £29 million (2025: loss of £19 million). There were no financial assets or liabilities designated as at fair value through the profit or loss (2025: nil).

The Group's hedge accounting arrangements are described in note 38.

12 Taxation – Group

a) Analysis of tax charge in the year

	2026 £m	2025 £m
Current tax		
Current year at 25% (2025: 25%)	–	1
Prior years	3	(1)
Total current tax charge	3	–
Deferred tax		
Origination and reversal of temporary differences:		
Current year	139	85
Prior years	11	6
Total deferred tax charge	150	91
Total tax charge	153	91

b) Factors affecting the tax charge in the year

The tax expense for the year is higher (2025: higher) than the standard rate of corporation tax in the UK of 25% (2025: 25%). The differences are explained below:

Total Tax

	2026 £m	2025 £m
Profit before taxation	524	320
Tax at standard rate of corporation tax in the UK 25% (2025: 25%)	131	80
Tax effect of depreciation on non-qualifying assets	4	6
Other permanent differences	4	–
Adjustments in respect of prior years	14	5
Total tax charge	153	91

Current Tax

	2026 £m	2025 £m
Profit before taxation	524	320
Tax at standard rate of corporation tax in the UK 25% (2025: 25%)	131	80
Tax effect of depreciation on non-qualifying assets	4	5
Other permanent difference	4	–
Tax effect of accelerated capital allowances	(327)	(274)
Other temporary differences	14	(16)
Tax losses carried forward	174	206
Adjustments in respect of prior years	3	(1)
Total current tax charge	3	–

The most significant factor impacting the Group's current tax 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 29.

Notes to the Financial Statements continued

12 Taxation – Group

b) Factors affecting the tax charge in the year continued

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 Group is within the scope of these OECD Pillar Two model rules. Pillar Two legislation was enacted in the United Kingdom, the jurisdiction in which Severn Trent Plc is incorporated, and was effective for the Group from financial year beginning 1 April 2024.

The Group has performed an assessment of its potential exposure to Pillar Two income taxes. This assessment is based on a combination of the most recent tax filings, country-by-country reporting and financial statements for constituent entities in the Group. Other than the Group's captive insurance subsidiary, which is tax resident in Guernsey, all of the Group's subsidiaries are tax resident in the UK. Based on the assessment performed, the Pillar Two simplified effective tax rate for the Group in the UK is above the transitional safe harbour rate of 16%. Accordingly, the Group expects to rely on the UK transitional safe harbour provisions and, as a result, is not required to perform a full GloBE calculation. If a full GloBE calculation were required, the Group does not expect any UK Pillar Two top-up tax to arise based on the Group's current tax profile. No current tax expense in respect of Pillar Two top-up tax has therefore been recognised in these financial statement.

Therefore, in the UK, the Group will apply the transitional safe harbour rules which will exempt it from applying the full Pillar Two rules in the UK. For Guernsey where the transitional safe harbour relief does not apply, the effective tax rate is above 15% under the full GloBE calculation. Therefore, the Group does not expect a potential exposure to Pillar Two top-up taxes. The Group continues to monitor ongoing OECD developments including future safe harbour frameworks, to assess their potential impact on subsequent reporting periods.

The Group has applied the temporary exception under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two rules.

c) Tax charged directly to other comprehensive income or equity

The following amounts of deferred tax have been (credited)/charged to other comprehensive income or equity:

	2026 £m	2025 £m
Deferred tax on:		
Actuarial gains	10	9
Cash flow hedges	4	(1)
Share based payments	(2)	1
Transfers to the income statement	–	3
Total deferred tax charged to other comprehensive income or equity	12	12

13 Dividends – Group and Company

Amounts recognised as distributions to owners of the Company in the year:

	2026		2025	
	Pence per share	£m	Pence per share	£m
Final dividend for the year ended 31 March 2025 (2024)	73.03	220	70.10	210
Interim dividend for the year ended 31 March 2026 (2025)	50.40	151	48.68	146
Total dividends paid	123.43	371	118.78	356
Proposed final dividend for the year ended 31 March 2026	75.62	228		

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

14 Earnings per share – Group

a) Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding treasury shares and those held in the Severn Trent Employee Share Ownership Trust, which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's shares during the period. Potential ordinary shares are not treated as dilutive if their conversion does not decrease earnings per share or increase loss per share.

Basic and diluted earnings per share are calculated on the basis of profit attributable to the owners of the Company.

14 Earnings per share – Group continued

The calculation of basic and diluted earnings per share is based on the following:

(i) Earnings for the purpose of basic and diluted earnings per share

	2026 £m	2025 £m
Profit for the year	371	229

(ii) Number of shares

	2026 m	2025 m
Weighted average number of ordinary shares for the purpose of basic earnings per share	300.4	299.5
Effect of dilutive potential ordinary shares:		
- share options and LTIPs	1.1	0.7
Weighted average number of ordinary shares for the purpose of diluted earnings per share	301.5	300.2

b) Adjusted earnings per share

	2026 pence	2025 pence
Adjusted basic earnings per share	184.4	112.1
Adjusted diluted earnings per share	183.7	111.8

Adjusted earnings per share figures are presented for continuing operations. These exclude the effects of net gains/losses on financial instruments, current tax on net gains/losses on financial instruments, and deferred tax in both 2026 and 2025. The denominators used in the calculations of adjusted basic and diluted earnings per share are the same as those used in the unadjusted figures set out above.

The adjustments to earnings that are made in calculating adjusted earnings per share are as follows:

	2026 £m	2025 £m
Earnings for the purpose of basic and diluted earnings per share	371	229
Adjustments for:		
- net losses on financial instruments	33	15
- deferred tax	150	91
Earnings for the purpose of adjusted basic and diluted earnings per share	554	335

Current tax on net losses on financial instruments was nil in both years.

15 Goodwill – Group

	2026 £m	2025 £m
Cost		
At 1 April	117	113
Acquisition of subsidiary – Severn Trent Green Power Lodge Farm Limited	–	1
Acquisition of subsidiary – Severn Trent Green Power Atherstone Limited	–	1
Acquisition of subsidiary – Severn Trent Green Power Cayton Limited	–	1
Acquisition of subsidiary – Severn Trent Green Power Church Farm Limited	–	1
Acquisition of trade and assets – Industrial Water Jetting Systems Limited	7	–
Acquisition of subsidiaries – Watertight Management Limited and Synergen Holdings Limited	21	–
Acquisition of subsidiary – Reigate Environmental Services Limited	6	–
Acquisition of subsidiary – Howlett Associates Water Treatment Limited	1	–
At 31 March	152	117

On 1 May 2025, Severn Trent Services Operations UK Limited acquired 100% of the issued shares in Reigate Environmental Services Limited for a total consideration of £7 million.

On 31 July 2025, Severn Trent Holdings Limited acquired the trade and assets of Industrial Water Jetting Systems Limited for a total consideration of £13 million.

On 1 August 2025, Severn Trent Holdings Limited acquired 100% of the issued shares in Watertight Management Limited and Synergen Holdings Limited as part of a strategic supply chain integration, for a total consideration of £26 million.

On 10 December 2025 Severn Trent Services Operations UK Limited acquired 100% of the issued shares in Howlett Associates Water Treatment Limited, for a total consideration of £2 million.

Notes to the Financial Statements continued

15 Goodwill – Group continued

The acquisitions have been accounted for using the acquisition method. Goodwill of £35 million was recognised, attributable to the anticipated future opportunities and increase in the Group's infrastructure services market share. The goodwill valuation was based on management's best estimates of the fair values of the assets and liabilities acquired, which was estimated at £13 million.

Goodwill relates to specific cash-generating units ('CGUs') hence no allocation of goodwill is required. A summary of the carrying amount of goodwill by CGU is presented below.

	2026 £m	2025 £m
Regulated Water and Wastewater	62	62
Green Power	46	46
Operating Services	11	4
Severn Trent Green Power Lodge Farm Limited	1	1
Severn Trent Green Power Atherstone Limited	1	1
Severn Trent Green Power Cayton Limited	2	2
Severn Trent Green Power Church Farm Limited	1	1
Industrial Water Jetting Systems Limited	7	–
Watertight Management Limited and Synergen Holdings Limited	21	–
	152	117

Regulated Water and Wastewater also has an intangible asset with indefinite useful life amounting to £4 million (2025: £4 million). This is reviewed for impairment as part of the Regulated Water and Wastewater impairment review, set out below.

a) Regulated Water and Wastewater

On 1 July 2018 Instruments of appointments 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 of England and Wales. As a result, the business that the goodwill relates to is now partly in Severn Trent Water and partly in Hafren Dyfrdwy, consequently this goodwill is allocated to the Regulated Water and Wastewater cash-generating unit.

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 Regulated Water and Wastewater CGU was determined on the basis of fair value, through a level 3 valuation, less costs of disposal.

The fair value, determined using a discounted cash flow calculation for the Regulated Water and Wastewater segment is based on the most recent financial projections available for the business, which cover the five year period to 31 March 2031.

The key assumptions underlying these projections are the cash flows in the projections and the following:

	%
Discount rate	6.4
CPIH long-term inflation	2.1
Growth rate in the period beyond the detailed projections	2.0

The discount rate is an estimate for the weighted average cost of capital at the year end date based on the post-tax WACC detailed in the Ofwat PR24 final determination, which is a real rate (i.e. excluding inflation), adjusted to reflect current market conditions.

The rate disclosed above is the equivalent pre-tax nominal rate (2025: 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.

The fair value less costs of disposal for the CGU exceeded its carrying value by £5,669 million. An increase in the discount rate to 7.2% or a reduction in the growth rate in the period beyond the detailed projections to 1.3% would reduce the recoverable amount to the carrying amount of the CGU.

b) Green Power

On 30 November 2018, the Group acquired Agrivert Holdings and its subsidiary undertakings resulting in goodwill of £29 million. Subsequent to this, on 1 September 2023 the Group also acquired Andigestion Limited, resulting in goodwill of £17 million.

This goodwill has been allocated to the Green Power South CGU which is determined to be the lowest level of independent cash flows relating to the goodwill. Green Power South is included within the Green Power part of the Infrastructure Services segment.

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 Green Power South CGU was determined on the basis of a value in use calculation.

The value in use determined using a discounted cash flow calculation for the Green Power South CGU is based on the most recent financial projections available for the business to 31 March 2031.

The key assumptions underlying these projections are the cash flows in the projections and:

Key assumption	%
Discount rate	7.6
Growth rate in the period beyond the detailed projections	2.7

The discount rate was based on a review of a range of external sources of information about the cost of capital for the Severn Trent energy business. This rate was then converted to the equivalent pre-tax discount rate disclosed above (2025: 7.0%).

Cash flows beyond the end of the five-year period are extrapolated using assumed growth of 2.7% in the Group's free cash flows, informed through external market trends.

The value in use for the CGU exceeded its carrying value by £28 million. An increase in the discount rate to 8.1% or reduction in the growth rate in the period beyond the detailed projections to 1.9% would reduce the recoverable amount to the carrying amount of the CGU.

16 Other intangible assets – Group

	Computer software		Internally generated assets under development	Other intangible assets	Total
	Internally generated	Purchased			
	£m	£m	£m	£m	£m
Cost					
At 1 April 2024	383	198	–	48	629
Additions	35	5	–	–	40
Disposals	(22)	(2)	–	–	(24)
Reclassification	25	(25)	–	–	–
Acquisition of subsidiaries	–	–	–	18	18
At 1 April 2025	421	176	–	66	663
Additions	13	–	33	–	46
Transfers on commissioning	46	–	(46)	–	–
Transfers from property, plant and equipment	21	–	–	–	21
Reclassifications	(75)	–	75	–	–
At 31 March 2026	426	176	62	66	730
Amortisation					
At 1 April 2024	(283)	(148)	–	(11)	(442)
Amortisation for the year	(25)	(10)	–	(3)	(38)
Disposals	22	2	–	–	24
Reclassification	(5)	5	–	–	–
At 1 April 2025	(291)	(151)	–	(14)	(456)
Amortisation for the year	(37)	(10)	–	(3)	(50)
At 31 March 2026	(328)	(161)	–	(17)	(506)
Net book value					
At 31 March 2026	98	15	62	49	224
At 31 March 2025	130	25	–	52	207

Other intangible assets include the instrument of appointment acquired with Dee Valley Water, customer contracts and energy subsidy contracts both acquired with Agrivert and contracts for delivery of biodiversity improvements. 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 15. As at 31 March 2026 no impairment was recorded (2025: nil).

Additionally, Severn Trent Green Power Atherstone Limited, Severn Trent Green Power Lodge Farm Limited, Severn Trent Green Power Cayton Limited, and Severn Trent Green Power Church Farm Limited include licences to connect and provide electricity to the UK grid network. These licences have a useful life of up to 42 years.

Notes to the Financial Statements continued

17 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 2024	4,455	6,375	5,753	98	2,020	18,701
Additions	117	259	178	5	1,410	1,969
Transfers on commissioning	150	57	112	5	(324)	–
Disposals	(13)	–	(195)	(5)	–	(213)
Reclassifications	–	–	–	1	–	1
Acquisition of subsidiary undertaking	–	–	1	–	–	1
At 1 April 2025	4,709	6,691	5,849	104	3,106	20,459
Additions	138	221	197	52	1,627	2,235
Transfers on commissioning	414	144	642	12	(1,212)	–
Transfers to other intangible assets	–	–	–	–	(21)	(21)
Disposals	(2)	–	(11)	(5)	–	(18)
Acquisition of subsidiary undertaking	–	–	9	–	–	9
Reclassifications	(5)	–	4	1	–	–
At 31 March 2026	5,254	7,056	6,690	164	3,500	22,664
Depreciation						
At 1 April 2024	(1,838)	(1,565)	(3,483)	(48)	–	(6,934)
Charge for the year	(120)	(47)	(233)	(10)	–	(410)
Disposals	12	–	191	4	–	207
Reclassifications	(8)	–	8	–	–	–
Reclassifications from right-of-use	–	–	–	(1)	–	(1)
Impairment	–	–	–	–	(14)	(14)
At 1 April 2025	(1,954)	(1,612)	(3,517)	(55)	(14)	(7,152)
Charge for the year	(126)	(50)	(252)	(13)	–	(441)
Disposals	2	–	11	5	–	18
Impairment	–	–	–	–	(10)	(10)
At 31 March 2026	(2,078)	(1,662)	(3,758)	(63)	(24)	(7,585)
Net book value						
At 31 March 2026	3,176	5,394	2,932	101	3,476	15,079
At 31 March 2025	2,755	5,079	2,332	49	3,092	13,307

Additions include assets transferred from developers at no cost, which have been recognised at their fair value of £124 million (2025: £189 million) and provisions for works in response to legally enforceable undertakings to regulators amounting to £42 million (2025: £42 million).

The net book value of land and buildings is analysed as follows:

	2026 £m	2025 £m
Freehold	3,176	2,755

18 Biological assets – Group

Biological assets comprise forestry assets situated at Lake Vyrnwy in Wales and the Upper Derwent Valley in England. 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.

	2026 £m	2025 £m
Value at 1 April	5	6
Biological assets felled	(1)	(1)
Value 31 March	4	5

The Group holds 293 hectares (2025: 354) of forestry assets.

19 Leases – Group

a) The Group's leasing activities

The Group leases 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 2 k).

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:

	2026 £m	2025 £m
Depreciation charge of right-of-use assets:		
Land and buildings	1	1
Infrastructure assets	1	1
Fixed plant and equipment	–	1
Moveable plant	5	4
Total depreciation of right-of-use assets	7	7
Interest expense included in finance cost	4	4

Notes to the Financial Statements continued

19 Leases – Group continued

c) Balance sheet

The balance sheet includes the following amounts relating to leases:

	2026 £m	2025 £m
Right-of-use assets:		
Land and buildings	15	16
Infrastructure assets	109	110
Fixed plant and equipment	3	3
Moveable plant	15	12
	142	141

Additions to right-of-use assets were £8 million (2025: £5 million). Disposals were £1 million (2025: nil). There were no right-of-use assets acquired as part of business combinations (2025: nil).

	2026 £m	2025 £m
Lease liabilities:		
Current	17	13
Non-current	87	98
	104	111

Obligations under lease liabilities were as follows:

	2026 £m	2025 £m
Within 1 year	19	18
1 - 2 years	19	17
2 - 5 years	53	49
After more than 5 years	39	52
Gross obligations under leases	130	136
Less future finance charges	(26)	(25)
Present value of lease obligations	104	111

Net obligations under leases were as follows:

	2026 £m	2025 £m
Within 1 year	17	13
1 - 2 years	15	14
2 - 5 years	46	42
After more than 5 years	26	42
Included in non-current liabilities	87	98
	104	111

d) Cash flow

The total cash outflow for leases in the year was £19 million (2025: £17 million) which consists of £4 million (2025: £4 million) payments of interest and £15 million (2025: £14 million) repayment of principal elements. This is included in financing cash flows.

20 Investment in joint venture – Group

Particulars of the Group's principal joint venture undertaking at 31 March 2026 were:

Name	Type	Country of incorporation	Class of share capital held	Proportion of ownership interest
Water Plus Group Limited	Joint venture	Great Britain	Ordinary B	50%

Water Plus is the largest business retailer in the non-household retail water market in England and Scotland. Its principal activities are core retail services including billing, meter reading, call centre support and water efficiency advice as well as key account management services and value added solutions.

Water Plus competes in England and Scotland for customers ranging from small and medium-sized enterprises through to large corporate entities in both the private and public sectors.

Movements in the investment were as follows:

	2026 £m	2025 £m
Carrying value of joint venture investment at 1 April	2	13
Group's share of loss after tax and comprehensive loss	(2)	(11)
Carrying value of joint venture investment at 31 March	–	2

During the current year, the Group has recognised its share of Water Plus's losses of £2 million (2025: £11 million) against the value of the investment.

As at 31 March 2026, the Group's unrecognised share of joint venture losses amounts to £3 million (2025: nil). These losses have not been recognised in the consolidated financial statements.

As at 31 March 2026 and 2025 the joint venture did not have any significant contingent liabilities to which the Group was exposed and the Group did not have any significant contingent liabilities in relation to its interests in the joint venture. The Group had no capital commitments in relation to its interests in the joint venture at 31 March 2026 or 2025.

The Company has given guarantees in favour of Water Plus Limited in respect of the joint venture's liabilities to wholesalers in the Open Water market. The guarantees are capped at £51 million (2025: £51 million).

The registered office of Water Plus Group Limited is Prospect House, Gordon Banks Drive, Trentham Lakes, Stoke-on-Trent, United Kingdom, ST4 4TW.

Balance sheet and income statement extracts can be found below for Water Plus:

At 31 March	2026 £m	2025 £m
Non-current assets	36	39
Current assets ¹	219	235
Current liabilities ²	(94)	(91)
Non-current liabilities ³	(163)	(199)
Net liabilities	(2)	(16)

¹ Includes cash of £1 million (2025: £2 million)

² Includes current financial liabilities (excluding trade and other payables and provisions) of nil (2025: nil)

³ Includes non-current financial liabilities of £163 million (2025: £199 million)

For the year ended 31 March	2026 £m	2025 £m
Revenue	912	780
Depreciation and amortisation	(5)	(5)
Finance income	1	–
Finance costs	(12)	(15)
Tax charge	(2)	(2)
Comprehensive loss for the year	(11)	(22)

The below shows a reconciliation from the net liabilities of Water Plus to the carrying value as above:

	2026 £m	2025 £m
Net liabilities of Water Plus at 31 March	(2)	(16)
Severn Trent's share of net liabilities	(1)	(8)
Water Plus financial liabilities classified as part of net investment in joint venture	–	10
Share of Water Plus losses not recognised	3	–
Other	(2)	–
Carrying value of joint venture investment at 31 March	–	2

The net liabilities position of Water Plus is derived from the best information available at the time the financial statements of the Group are approved. The impact on the Group of any subsequent changes in the net assets of Water Plus will be reflected in the financial statements prepared to 31 March 2027.

Notes to the Financial Statements continued

21 Investments in subsidiaries – Company

	£m
At 1 April 2025	3,600
Additions arising from share based payment arrangements	10
At 31 March 2026	3,610

22 Categories of financial assets – Group

	Note	2026 £m	2025 £m
Fair value through profit and loss			
Cross currency swaps - not hedge accounted		70	14
Inflation swaps - not hedge accounted		5	6
Energy swaps - not hedge accounted		1	–
		76	20
Derivatives designated as hedging instruments			
Cross currency swaps - fair value hedges		2	9
Interest rate swaps - cash flow hedges		30	36
Energy swaps - cash flow hedges		13	1
		45	46
Total derivative financial assets		121	66
Financial assets at amortised cost			
Trade receivables	23	433	370
Accrued income	23	342	358
Other amounts receivable	23	87	91
Loan receivable from joint venture	23	51	71
Short term deposits	25	763	989
Cash at bank and in hand	25	33	59
Total financial assets at amortised cost		1,709	1,938
Total financial assets		1,830	2,004
Disclosed in the balance sheet as:			
Non-current assets			
Derivative financial assets		99	60
Trade and other receivables		2	6
Loan receivable from joint venture		51	71
		152	137
Current assets			
Derivative financial assets		22	6
Trade and other receivables		860	813
Cash and cash equivalents		796	1,048
		1,678	1,867
		1,830	2,004

23 Trade and other receivables – Group and Company

	Group		Company	
	2026 £m	2025 £m	2026 £m	2025 £m
Current assets				
Net trade receivables	431	364	–	–
Other amounts receivable	87	90	–	1
Contract assets	29	31	–	–
Prepayments	44	35	1	–
Net accrued income	342	358	–	–
Amounts owed by group undertakings	–	–	44	49
	933	878	45	50
Non-current assets				
Net trade receivables	2	6	–	–
Prepayments	14	14	–	–
Loan receivable from joint venture	51	71	51	71
Amounts owed by group undertakings under loan agreements	–	–	1,850	1,652
	67	91	1,901	1,723
	1,000	969	1,946	1,773

Prepayments include unamortised success fees paid as a result of winning the MoD contract (see note 6) amounting to £2 million (2025: £3 million). The costs are being amortised on a straight-line basis over the life of the contract.

The Company offers loan facilities to several of its subsidiaries, using the Bank of England base rate. The details of these facilities are detailed below:

	Amount drawn £m	Facility amount £m	Margin %	Maturity date
2026				
Etwell Land Limited	10	12	1.375	29 March 2028
Hafren Dyfrdwy Cyfyngedig	30	35	1.700	8 March 2028
Midlands Land Portfolio Limited	15	31	1.375	29 March 2028
Severn Trent Draycote Limited	799	1,000	1.375	16 July 2027
Severn Trent Green Power Limited	45	50	1.375	28 August 2027
Severn Trent Holdings Limited	83	100	1.375	17 March 2029
Severn Trent Investment Holdings Limited	816	875	1.375	15 December 2027
Severn Trent (W&S) Limited	52	60	1.375	10 March 2028
2025				
Etwell Land Limited	10	12	1.375	29 March 2028
Hafren Dyfrdwy Cyfyngedig	14	30	1.375	8 March 2028
Midlands Land Portfolio Limited	15	31	1.375	29 March 2028
Severn Trent Draycote Limited	745	1,000	1.375	16 July 2027
Severn Trent Green Power Limited	21	25	4.750	31 August 2028
Severn Trent Holdings Limited	42	50	1.375	17 March 2027
Severn Trent Investment Holdings Limited	805	875	1.375	15 December 2027

The carrying values of trade and other receivables are reasonable approximations of their fair values.

a) Credit risk

(i) Trade receivables and accrued income

Credit control policies and procedures are determined at the individual business unit level. By far the most significant business unit of the Group is Severn Trent Water Limited, which represents 91% of Group turnover and 92% of net trade receivables. Severn Trent Water has a statutory obligation to provide water and wastewater services to domestic customers within its region. Therefore there is no concentration of credit risk with respect to its trade receivables from these services and the credit quality of its customer base reflects the wealth and prosperity of all of the domestic households within its region.

In the current and prior year, the Group's joint venture, Water Plus, was the largest retailer for non-domestic customers in the Severn Trent region. The trade receivables and amounts shown as loans receivable from joint ventures are disclosed within note 45, Related party transactions. 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, contract assets 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 forecasts of the future impact of external economic factors on the Group's collection of trade receivables.

Notes to the Financial Statements continued

23 Trade and other receivables – Group and Company continued

a) Credit risk continued

(i) Trade receivables and accrued income continued

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 (2025: nil).

(ii) Contract assets

The contract assets represent the Group's right to receive consideration from the MoD for services provided. On that basis the Group considers that the credit risk in relation to these assets is immaterial and therefore no provision for expected credit losses has been recognised (2025: nil).

(iii) Loan receivable from joint venture

As well as trade receivables from Water Plus, the Group has advanced loans to its joint venture. These loans are assessed for impairment under the three stage impairment model in IFRS 9.

b) Expected credit loss allowance

(i) Trade receivables and accrued income

The expected credit loss at 31 March 2026 and 2025 was as set out below. The loss allowance is based on historical credit losses adjusted for expected changes in cash collection. The loss rate disclosed is calculated by applying the loss allowance to the gross carrying amount for each age category.

	Expected loss rate %	Gross carrying amount £m	Loss allowance £m	Net carrying amount £m
2026				
Unbilled amounts	1	347	(5)	342
Billed amounts, up to 1 year past due	17	303	(53)	250
1 – 2 years past due	24	90	(22)	68
2 – 3 years past due	25	59	(15)	44
3 – 4 years past due	29	38	(11)	27
4 – 5 years past due	33	27	(9)	18
5 – 6 years past due	33	18	(6)	12
6 – 7 years past due	56	16	(9)	7
7 – 8 years past due	58	12	(7)	5
8 – 9 years past due	71	7	(5)	2
More than 9 years past due	100	9	(9)	–
		926	(151)	775
2025				
Not past due	3	491	(17)	474
Up to 1 year past due	14	89	(12)	77
1 – 2 years past due	25	86	(22)	64
2 – 3 years past due	30	60	(18)	42
3 – 4 years past due	40	40	(16)	24
4 – 5 years past due	45	30	(14)	16
5 – 6 years past due	44	20	(9)	11
6 – 7 years past due	49	21	(10)	11
7 – 8 years past due	59	13	(7)	6
8 – 9 years past due	61	8	(5)	3
More than 9 years past due	99	9	(9)	–
		867	(139)	728

Movements on the expected credit loss allowance were as follows:

	2026 £m	2025 £m
At 1 April	139	137
Charge for bad and doubtful debts	46	35
Amounts written off during the year	(34)	(33)
At 31 March	151	139

(ii) Loan receivable from joint venture

The Company has a facility of £95 million available to Water Plus Limited. The loan is unsecured and attracts interest at the Bank of England base rate + 3.25% and matures on 15 December 2029.

In previous years, the Group has determined that there has been a significant increase in the credit risk since inception relating to its loans receivable of £55 million (2025: £75 million) from Water Plus, in the light of significant losses incurred by Water Plus. Following the loss incurred by Water Plus in the current year, the Group determines that there continues to be credit risk since inception on the loan receivable balance from Water Plus. The Group has therefore assessed the lifetime expected credit loss of its loans to Water Plus at 31 March 2026 based on Water Plus's financial projections. The Group has maintained the expected credit loss provision at £4 million (2025: £4 million) resulting in a net loan receivable of £51 million (2025: £71 million).

24 Inventory – Group

	2026 £m	2025 £m
Consumables	28	23
Land held for sale	20	20
	48	43

25 Cash and cash equivalents – Group and Company

	2026 £m	2025 £m
Cash at bank and in hand	33	59
Short term deposits	763	989
	796	1,048

£22 million (2025: £33 million) of cash at bank and in hand is restricted for use on the MoD contract and £1 million (2025: £1 million) is held as security for insurance obligations. Neither are available for use by the rest of the Group.

Company

	2026 £m	2025 £m
Cash at bank and in hand	6	6
Short term deposits	8	308
	14	314

26 Borrowings – Group and Company

	Group		Company	
	2026 £m	2025 £m	2026 £m	2025 £m
Current liabilities				
Bank overdraft	8	3	8	3
Other loans	341	517	–	–
Lease liabilities	17	13	–	–
	366	533	8	3
Non-current liabilities				
Bank loans	785	785	232	232
Amounts due to group undertakings under loan agreements	–	–	63	49
Other loans	9,746	8,281	200	199
Lease liabilities	87	98	–	–
	10,618	9,164	495	480
	10,984	9,697	503	483

See note 35 for details of interest rates payable and maturity of borrowings.

Company

Amounts due to group undertakings under loan agreements are as follows:

	Amount drawn £m	Facility amount £m	Margin %	Maturity date
2026				
Lyra Insurance Guernsey Limited	16	16	1.375	30 March 2028
Severn Trent Property Solutions Limited	7	10	1.375	11 December 2028
Severn Trent Services Operations UK Limited	35	45	1.375	18 January 2029
Severn Trent Services (Water and Sewerage) Limited	3	5	1.375	8 December 2027
Severn Trent Data Portal Limited	1	2	1.375	15 July 2027
Industrial Water Jetting Systems Holdings Limited	2	5	1.375	29 September 2027
	Amount drawn £m	Facility amount £m	Margin %	Maturity date
2025				
Lyra Insurance Guernsey Limited	14	15	1.375	30 March 2028
Severn Trent Property Solutions Limited	4	4	1.375	11 December 2026
Severn Trent Services Operations UK Limited	30	35	1.375	18 January 2027
Severn Trent Services (Water and Sewerage) Limited	1	5	1.375	8 December 2027

Notes to the Financial Statements continued

27 Categories of financial liabilities - Group

	Note	2026 £m	2025 £m
Fair value through profit and loss			
Cross currency swaps - not hedge accounted		27	25
Interest rate swaps - not hedge accounted		3	5
Energy hedges - not hedge accounted		-	2
		30	32
Derivatives designated as hedging instruments			
Cross currency swaps - fair value hedges		20	15
Energy hedges - cash flow hedges		1	1
		21	16
Total derivative financial liabilities		51	48
Other financial liabilities			
Borrowings	26	10,984	9,697
Trade payables	28	183	174
Other payables	28	31	15
Accruals	28	604	457
Total other financial liabilities		11,802	10,343
Total financial liabilities		11,853	10,391
Disclosed in the balance sheet as:			
Non-current liabilities			
Derivative financial liabilities		50	45
Borrowings		10,618	9,164
Accruals		54	-
		10,722	9,209
Current liabilities			
Derivative financial liabilities		1	3
Borrowings		366	533
Trade payables		183	174
Other payables		31	15
Accruals		550	457
		1,131	1,182
		11,853	10,391

28 Trade and other payables – Group and Company

	Group		Company	
	2026 £m	2025 £m	2026 £m	2025 £m
Current liabilities				
Trade payables	183	174	-	-
Social security and other taxes	17	12	-	-
Other payables	31	15	-	4
Accruals and receipts in advance	550	457	8	9
Amounts due to group undertakings	-	-	4	6
Contract liabilities	73	174	-	-
Deferred income	18	30	-	-
	872	862	12	19
Non-current liabilities				
Other payables	-	-	4	-
Accruals and receipts in advance	54	-	-	-
Deferred income	2,010	1,839	-	-
	2,064	1,839	4	-
	2,936	2,701	16	19

Movements in the contract liabilities and deferred income balances are set out in note 6 to the financial statements.

29 Deferred tax – Group and Company

Group – Deferred tax liabilities

An analysis of the movements in the major deferred tax liabilities and assets recognised by the Group is set out below:

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Tax losses £m	Fair value of financial instruments £m	Other £m	Total £m
At 1 April 2024	1,602	(10)	(218)	(11)	2	1,365
Charge/(credit) to income statement	314	3	(224)	(1)	(1)	91
Acquisition of subsidiary	–	–	–	–	4	4
Charge to equity	–	9	–	2	1	12
At 1 April 2025	1,916	2	(442)	(10)	6	1,472
Charge/(credit) to income statement	317	–	(154)	(9)	(4)	150
Charge/(credit) to equity	–	10	–	4	(2)	12
At 31 March 2026	2,233	12	(596)	(15)	–	1,634

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:

	2026 £m	2025 £m
Deferred tax asset	(611)	(452)
Deferred tax liability	2,245	1,924
	1,634	1,472

Company – Deferred tax asset

	Retirement benefit obligations £m	Other £m	Total £m
At 1 April 2024	1	–	1
Charge to income statement	–	–	–
At 1 April 2025	1	–	1
Credit to income statement	–	3	3
Credit to equity	–	1	1
At 31 March 2026	1	4	5

30 Retirement benefit schemes – Group and Company

a) Defined benefit pension schemes

(i) Background

The Group operates a number of defined benefit pension schemes. The Severn Trent Pension Scheme and the Severn Trent Mirror Image Pension Scheme closed to future accrual on 31 March 2015, while the Dee Valley Water Limited Section of the Water Companies Pension Scheme, which is a sectionalised scheme, closed to future accrual on 31 March 2024.

The defined benefit pension 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 2025
Severn Trent Mirror Image Pension Scheme ('STMIPS')	31 March 2022
Water Companies Pension Scheme – Dee Valley Water Limited Section ('DVWS')	31 March 2023

* The STPS is by far the largest of the Group's UK defined benefit schemes, comprising around 94% of the Group's overall defined benefit obligations.

The defined benefit scheme assets have been updated to reflect their market value at 31 March 2026. 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.

Notes to the Financial Statements continued

30 Retirement benefit schemes – Group continued

a) Defined benefit pension schemes continued

(ii) Amount included in the balance sheet arising from the Group's obligations under the defined benefit pension schemes

	2026 £m	2025 £m
Fair value of assets	1,733	1,677
Present value of the defined benefit obligations	(1,754)	(1,797)
	(21)	(120)
Presented on the balance sheet as:		
Retirement benefit obligation – funded schemes in surplus	5	5
Retirement benefit obligation – funded schemes in deficit	(19)	(119)
Retirement benefit obligation – unfunded schemes	(7)	(6)
Retirement benefit obligation – total	(26)	(125)
Net retirement benefit obligation	(21)	(120)
	2026 £m	2025 £m
STPS, STMIPS, and DVWS		
Fair value of scheme assets		
Equities	9	21
Annuity policies*	99	104
Corporate bonds	588	491
Liability-driven investment funds ('LDI's)	696	728
Property	129	209
Cash	212	123
Other	–	1
	1,733	1,677

* On 29 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. In March 2023, the DVWS also entered into a bulk annuity buy-in investment policy with JUST that covers the majority of the scheme obligations.

Some of the invested assets have quoted prices in active markets, including equity (£8 million), corporate bonds (£196 million) and cash (£212 million). Within LDIs are government bonds (£244 million), index linked bonds (£735 million) and fixed income futures (£3 million) which are quoted and unquoted liabilities which are repurchase agreements (£269 million) and swap contracts (£17 million).

The remaining investment assets, with the exception of annuities, are held in pooled investment vehicles which are unquoted, although some of the assets held by those funds may be within actively traded markets.

Movements in the fair value of the scheme assets were as follows:

	2026 £m	2025 £m
Fair value at 1 April	1,677	1,805
Interest income on scheme assets	93	85
Contributions from the sponsoring companies	72	70
Return on plan assets (excluding amounts included in finance income)	14	(162)
Scheme administration costs	(4)	(4)
Benefits paid	(119)	(117)
Fair value at 31 March	1,733	1,677

Movements in the present value of the defined benefit obligations were as follows:

	2026 £m	2025 £m
Present value at 1 April	(1,797)	(2,018)
Past service cost	(2)	–
Interest cost	(100)	(96)
Actuarial gains/(losses) arising from changes in demographic assumptions	19	(1)
Actuarial gains arising from changes in financial assumptions	18	201
Actuarial losses arising from experience adjustments	(11)	(1)
Benefits paid	119	118
Present value at 31 March	(1,754)	(1,797)

The Group has an obligation to pay pensions to a number of former employees, whose benefits would otherwise have been restricted by the Finance Act 1989 earnings cap. Provision for such benefits amounting to £7 million (2025: £6 million) is included as an unfunded scheme within the retirement benefit obligation.

The Group 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 and therefore the surplus in the DVWS has been recognised in full.

(iii) Amounts recognised in the income statement in respect of these defined benefit pension schemes

	2026 £m	2025 £m
Amounts charged to operating costs:		
Past service cost	(2)	–
Scheme administration costs	(4)	(4)
	(6)	(4)
Amounts charged to finance costs:		
Interest cost	(100)	(95)
Amounts credited to finance income:		
Interest income on scheme assets	93	85
Total amount charged to the income statement	(13)	(14)

The actual return on scheme assets was £108 million (2025: loss of £76 million).

Actuarial gains and losses have been reported in the statement of comprehensive income.

(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 estates. 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, but has reduced this allocation over the year. The STMIPS and DVWS are 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 and floors. 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 has received confirmation that past amendments made are compliant.

Notes to the Financial Statements continued

30 Retirement benefit schemes – Group continued

a) Defined benefit pension schemes continued

(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:

		2026 % pa	2025 % pa
Price inflation – RPI		3.4	3.1
Price inflation – CPI	Pre 2030:	2.4	2.1
	Post 2030:	3.3	3.0
Discount rate		6.1	5.8
Pension increases		3.4	3.1

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. 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:

	2026		2025	
	Men	Women	Men	Women
Remaining life expectancy for members currently aged 60 (years)	26.0	27.9	25.8	28.7
Remaining life expectancy at age 60 for members currently aged 40 (years)	27.2	29.2	27.1	29.9

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% p.a.	Decrease/increase by £18 million
Price inflation ²	Increase/decrease by 0.1% p.a.	Increase/decrease by £15 million
Mortality ³	Increase in life expectancy by 1 year	Increase by £58 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 30 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, 8 years for STMIPS and 10 years for DVWS.

The most recently completed formal triennial actuarial valuations and funding agreements were carried out as at 31 March 2025 for the STPS, 31 March 2022 for the STMIPS and 31 March 2023 for DVWS. As a result of the STPS actuarial valuation, annual deficit reduction contributions of £40 million were agreed, with the March 2026 payment having been increased in line with the annual increase in CPI to November 2025. Thereafter, future contributions for the STPS also increase in line with CPI inflation until March 2027. The contributions are paid into a limited liability partnership that the Group and Trustee have set up. It is expected that all future deficit reduction contributions will continue to be paid into this limited liability partnership, which is recognised as an asset of the Scheme.

Payments of £8 million per annum through an asset backed funding arrangement will continue to 31 March 2032 for the STPS. Further inflation-linked payments of £15 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. These asset backed funding 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 and DVWS.

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 £51 million (2025: £43 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the scheme. As at 31 March 2026, no contributions (2025: nil) in respect of the current reporting period were owed to the schemes.

Hafren Dyfrdwy operates two defined contribution pension schemes, neither of which were material in either the current or prior year.

31 Provisions – Group and Company

	Insurance £m	Regulatory £m	Other £m	Total £m
At 1 April 2025	18	56	21	95
Charged to income statement	12	–	9	21
Other net additions	–	42	–	42
Utilisation of provision	(8)	(50)	(5)	(63)
At 31 March 2026	22	48	25	95

	2026 £m	2025 £m
Included in:		
Current liabilities	52	47
Non-current liabilities	43	49
	95	96

Insurance includes provisions in respect of Lyra Insurance Guernsey Limited, a captive insurance company and a wholly owned subsidiary of the Group, and insurance deductions 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 £31 million of new projects and projects which have moved to the relevant stage for provision recognition.

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.

Company

	2026 £m	2025 £m
At 1 April 2025 and 31 March 2026	1	1
	2026 £m	2025 £m
Included in:		
Current liabilities	1	–
Non-current liabilities	–	1
	1	1

Notes to the Financial Statements continued

32 Share capital – Group and Company

	2026 £m	2025 £m
Total issued and fully paid share capital		
303,308,247 ordinary shares of 97 17/19p [2025: 302,650,803]	297	296

At 31 March 2026, 2,218,618 treasury shares [2025: 2,438,224] were held at a nominal value of £2,171,910 [2025: £2,386,893].

Changes in share capital were as follows:

	Number	£m
Ordinary shares of 97 17/19p		
At 1 April 2024	301,742,969	295
Shares issued under the Employee Sharesave Scheme	907,834	1
At 1 April 2025	302,650,803	296
Shares issued under the Employee Sharesave Scheme	657,444	1
At 31 March 2026	303,308,247	297

33 Share premium – Group and Company

	2026 £m	2025 £m
At 1 April	1,378	1,363
Share premium arising on issue of shares for Employee Sharesave Scheme	14	15
At 31 March	1,392	1,378

34 Other reserves – Group and Company

	Capital redemption reserve £m	Hedging reserve £m	Total £m
At 1 April 2024	157	11	168
Total comprehensive income for the year	–	7	7
At 1 April 2025	157	18	175
Total comprehensive income for the year	–	11	11
At 31 March 2026	157	29	186

The capital redemption reserve arose on the redemption of B shares.

The hedging reserve arises from gains or losses on interest rate swaps and energy swaps taken directly to other comprehensive income under the hedge accounting provisions of IFRS 9.

Company

	Capital redemption reserve £m
At 1 April 2024, 1 April 2025 and 31 March 2026	157

The capital redemption reserve arose on the redemption of B shares.

35 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.

The Group has continued to monitor market conditions and limit its exposure to floating interest rate debt, which comprises 14% (2025: 10%) of our gross debt portfolio at the balance sheet date, with a further 22% (2025: 24%) of index-linked debt and 64% (2025: 66%) of fixed rate debt.

Exposure to credit risk (excluding credit risk relating to amounts receivable from contracts with customers) is set out in note 37 b).

Foreign exchange risk is set out in note 37 a) (ii).

At 31 March 2026 the Group had the following credit ratings:

	Fitch	Moody's
Severn Trent Plc	BBB	Baa2
Severn Trent Water	BBB+	Baa1

The ratings were stable.

A key metric in measuring financial sustainability and capital efficiency for companies in the water sector is regulated gearing. This is measured as Severn Trent Water Group's adjusted net debt plus Hafren Dyfrdwy Cyfyngedig's adjusted net debt divided by the RCV published by Ofwat in its annual update. At 31 March 2026 the regulated gearing was 63.6% (2025: 62.7%). See note 46 for the definition of adjusted net debt.

The Group's dividend policy is a key tool in achieving its capital management objectives. This policy is reviewed and updated in line with Severn Trent Water's five-year price control cycle and takes into account, inter alia, the planned investment programme, the appropriate gearing levels achieving a balance between an efficient cost of capital and retaining an investment grade credit rating and delivering an attractive and sustainable return to shareholders. The Board has decided to set the 2025/26 dividend at 126.02 pence, an increase of 3.5% compared to the total dividend for 2024/25 of 121.71 pence. Our policy for AMP 8 is to grow the dividend annually at CPIH.

The Group's capital at 31 March was:

	2026 £m	2025 £m
Cash and cash equivalents	796	1,048
Loans receivable from joint venture	51	71
Borrowings (note 26)	(10,984)	(9,697)
Valuation adjustments*	83	33
Adjusted net debt	(10,054)	(8,545)
Equity attributable to owners of the Company	(1,841)	(1,771)
Total capital	(11,895)	(10,317)

* 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.

Notes to the Financial Statements continued

36 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 all Level 2:

	2026 £m	2025 £m	Valuation techniques and key inputs
Cross currency swaps			Discounted cash flow
Assets	72	23	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	(47)	(39)	
Interest rate swaps			Discounted cash flow
Assets	30	36	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	(3)	(5)	
Energy swaps			Discounted cash flow
Assets	14	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	(1)	(3)	
Inflation swaps			Discounted cash flow
Assets	5	6	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 CPI wedge'). Both legs are discounted using observable swap rates at the period end, at a rate that reflects the credit risk of counterparties.
Liabilities	–	–	

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:

	2026		2025	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Floating-rate debt				
Bank loans	624	624	629	629
Other loans	148	154	148	155
Overdraft	8	8	3	3
	780	786	780	787
Fixed-rate debt				
Other loans	7,679	7,148	6,472	5,986
Lease liabilities	104	104	111	111
	7,783	7,252	6,583	6,097
Index-linked debt				
Bank loans	161	156	156	146
Other loans	2,260	1,564	2,178	1,557
	2,421	1,720	2,334	1,703
	10,984	9,758	9,697	8,587

The above floating, fixed or index-linked classification does not take into account the impact of 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 loans are rarely traded and quoted prices are not considered a reliable indicator of fair value. Therefore, these loans 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.

37 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 section a) (i) of this note and note 38 b) (i).

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) of this note and note 38 a).

Energy swaps are held to mitigate the Group's exposure to changes in wholesale energy prices. Further details are provided in note 38 b) (iii).

Severn Trent Water, the Group's most significant business unit, operates under a regulatory environment where its 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/CPI/CPIH and the Group holds RPI/CPI 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 annual 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 during AMP 8. In measuring this metric, management uses adjusted net debt excluding financial assets.

	2026 £m	2025 £m
Adjusted net debt (note 35)	10,054	8,545
Cash and cash equivalents	796	1,048
Loans receivable from joint venture	51	71
Interest bearing financial liabilities	10,901	9,664

The Group manages its cash flow interest rate risk by borrowing at fixed or index-linked rates or by using interest rate swaps. Under these swaps the Group receives variable 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 variable rates to fixed rates. The Group has entered into a series of these interest rate swaps to hedge future interest payments 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 or cross currency 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.

Notes to the Financial Statements continued

37 Risks arising from financial instruments continued

a) Market risk continued

(i) Interest rate risk continued

The net principal amount of unhedged swaps is shown as an adjustment to floating rate and fixed rate debt to demonstrate the impact of the swaps on the amount of liabilities bearing fixed interest.

	Floating rate £m	Fixed rate £m	Index- linked £m	Total £m
2026				
Overdraft	(8)	–	–	(8)
Bank loans	(614)	(10)	(161)	(785)
Other loans	(1,133)	(6,633)	(2,238)	(10,004)
Lease liabilities	–	(104)	–	(104)
	(1,755)	(6,747)	(2,399)	(10,901)
Impact of swaps not matched against specific debt instruments	275	(275)	–	–
Interest bearing financial liabilities	(1,480)	(7,022)	(2,399)	(10,901)
Proportion of interest bearing financial liabilities that are fixed		64%		
Weighted average interest rate of fixed debt		3.98%		
Weighted average period for which interest is fixed (years)		8.8		
	Floating rate £m	Fixed rate £m	Index- linked £m	Total £m
2025				
Overdraft	(3)	–	–	(3)
Bank loans	(614)	(15)	(156)	(785)
Other loans	(634)	(5,980)	(2,152)	(8,766)
Lease liabilities	–	(111)	–	(111)
	(1,251)	(6,106)	(2,308)	(9,665)
Impact of swaps not matched against specific debt instruments	275	(275)	–	–
Interest bearing financial liabilities	(976)	(6,381)	(2,308)	(9,665)
Proportion of interest bearing financial liabilities that are fixed		66%		
Weighted average interest rate of fixed debt		3.99%		
Weighted average period for which interest is fixed (years)		8.7		

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 credit of £1 million (2025: £2 million) in the income statement.

	Average contract fixed interest rate		Notional principal amount		Fair value	
	2026 %	2025 %	2026 £m	2025 £m	2026 £m	2025 £m
Pay fixed rate interest						
2 - 5 years	5.52	–	(35)	–	(2)	–
5 - 10 years	5.41	5.46	(40)	(75)	(1)	(5)
	5.46	5.46	(75)	(75)	(3)	(5)

In addition to the above the Group has cross currency swaps that also swap fixed rate interest to floating (see below).

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 changes in interest rates at 31 March is as follows:

	2026		2025	
	+1.0% £m	-1.0% £m	+1.0% £m	-1.0% £m
Profit or loss	(8)	8	(3)	3
Cash flow	(11)	11	(7)	7
Equity	(8)	8	(3)	3

(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. Substantially all of the Group's profits and net assets arise from Severn Trent Water, which has very limited and indirect exposure to changes in exchange rates, 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 nil charge (2025: 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.

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, hence the swaps may be accounted for as fair value hedges. The notional value and fair value of these swaps is shown in note 38 a)(i).

The Group also has cross currency swaps with a sterling notional value of £2,997 million (2025: £1,323 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. This has led to income of £39 million (2025: charge of £15 million) in the income statement, as well as an exchange loss of £69 million (2025: gain of £11 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.

	EUR €m	USD \$m	YEN ¥bn	AUD \$m	NOK Krm	CHF Frm
2026						
Borrowings by currency	(3,000)	(220)	(20)	(40)	(1,350)	(200)
Cross currency swaps - hedge accounted	-	70	10	40	-	-
Cross currency swaps - not hedge accounted	3,000	150	10	-	1,350	200
Net currency exposure	-	-	-	-	-	-

	EUR €m	USD \$m	YEN ¥bn	AUD \$m
2025				
Borrowings by currency	(1,470)	(220)	(10)	(40)
Cross currency swaps - hedge accounted	20	70	10	40
Cross currency swaps - not hedge accounted	1,450	150	-	-
Net currency exposure	-	-	-	-

b) Credit risk

Operationally the Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history, other than in Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig, whose operating licences oblige them to supply domestic customers even in cases where bills are not paid. Amounts provided against accounts receivable and movements on the provision during the year are disclosed in note 23.

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	
	2026 £m	2025 £m	2026 £m	2025 £m	2026 £m	2025 £m
Triple A range	750	600	283	394	5	4
Double A range	1,125	125	186	60	13	1
Single A range	1,145	1,570	294	535	13	22
	3,020	2,295	763	989	31	27

The fair values of derivative assets analysed by credit ratings of counterparties were as follows:

	Derivative assets	
	2026 £m	2025 £m
Single A range	121	66

Notes to the Financial Statements continued

37 Risks arising from financial instruments continued

c) Liquidity risk

(i) Committed facilities

Prudent liquidity management requires sufficient cash balances to be maintained; adequate committed facilities to be available; and market position to be closed out when required. 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:

	2026 £m	2025 £m
2 – 5 years	1,617	1,100

(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.

2026	Floating rate £m	Fixed rate £m	Index-linked £m	Trade and other payables £m	Payments on financial liabilities £m
Undiscounted amounts payable:					
Within 1 year	(97)	(522)	(43)	(792)	(1,454)
1 – 2 years	(95)	(515)	(45)	(28)	(683)
2 – 5 years	(550)	(1,550)	(558)	–	(2,658)
5 – 10 years	(266)	(4,181)	(294)	–	(4,741)
10 – 15 years	–	(3,359)	(263)	–	(3,622)
15 – 20 years	–	(785)	(514)	–	(1,299)
20 – 25 years	–	–	(366)	–	(366)
25 – 30 years	–	–	(830)	–	(830)
30 – 35 years	–	–	(3,315)	–	(3,315)
35 – 40 years	–	–	(28)	–	(28)
40 – 45 years	–	–	(395)	–	(395)
Total	(1,008)	(10,912)	(6,651)	(820)	(19,391)

	Loans due from joint ventures £m	Trade and other receivables £m	Cash and short term deposits £m	Receipts from financial assets £m
Undiscounted amounts receivable:				
Within 1 year	–	2	796	798
1 – 2 years	51	846	–	897
Total	51	848	796	1,695

2025	Floating rate £m	Fixed rate £m	Index-linked £m	Trade and other payables £m	Payments on financial liabilities £m
Undiscounted amounts payable:					
Within 1 year	(54)	(791)	(36)	(647)	(1,528)
1 – 2 years	(328)	(1,933)	(321)	–	(2,582)
2 – 5 years	(440)	(1,427)	(387)	–	(2,254)
5 – 10 years	(287)	(2,598)	(258)	–	(3,143)
10 – 15 years	–	(1,473)	(168)	–	(1,641)
15 – 20 years	–	(889)	(296)	–	(1,185)
20 – 25 years	–	–	(385)	–	(385)
25 – 30 years	–	–	(716)	–	(716)
30 – 35 years	–	–	(3,473)	–	(3,473)
35 – 40 years	–	–	(23)	–	(23)
40 – 45 years	–	–	(412)	–	(412)
Total	(1,109)	(9,111)	(6,475)	(647)	(17,342)

	Loans due from joint ventures £m	Trade and other receivables £m	Cash and short term deposits £m	Receipts from financial assets £m
Undiscounted amounts receivable:				
Within 1 year	71	813	1,048	1,932
1 – 2 years	–	6	–	6
Total	71	819	1,048	1,938

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, CPI or CPIH. Interest payments are made biannually based on the revalued principal. The principal repayment equals the revalued amount at maturity.

(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.

	Interest rate swaps £m	Inflation swaps £m	Energy swaps £m	Cross currency swaps		Total £m
				Cash receipts £m	Cash payments £m	
2026						
Within 1 year	7	(1)	8	238	(271)	(19)
1 – 2 years	6	(1)	4	122	(167)	(36)
2 – 5 years	12	(7)	1	408	(531)	(117)
5 – 10 years	–	(4)	–	2,532	(2,347)	181
10 – 15 years	–	1	–	1,778	(1,565)	214
	25	(12)	13	5,078	(4,881)	223

	Interest rate swaps £m	Inflation swaps £m	Energy swaps £m	Cross currency swaps		Total £m
				Cash receipts £m	Cash payments £m	
2025						
Within 1 year	16	1	(3)	60	(95)	(21)
1 – 2 years	5	1	–	172	(181)	(3)
2 – 5 years	8	6	–	188	(262)	(60)
5 – 10 years	–	4	–	784	(912)	(124)
10 – 15 years	–	(1)	–	784	(788)	(5)
	29	11	(3)	1,988	(2,238)	(213)

The Group has the right to settle on a net basis, derivative cash (outflows)/inflows under ISDA master settlement arrangements with all derivative counter parties, in certain circumstances, for example insolvency of either party. The amounts do not meet the criteria for offsetting and so are not presented on a net basis in the balance sheet.

	Amounts presented in the balance sheet £m	Amounts subject to master netting arrangements £m	Net amounts £m
2026			
Derivative financial assets	121	(27)	94
Derivative financial liabilities	(51)	27	(24)

	Amounts presented in the balance sheet £m	Amounts subject to master netting arrangements £m	Net amounts £m
2025			
Derivative financial assets	66	(23)	43
Derivative financial liabilities	(48)	23	(25)

d) Inflation risk

The Group's principal operating subsidiary, Severn Trent Water, 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 has raised debt that 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.

Ofwat has moved 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 (2025: £350 million) in order to mitigate the risk of divergence between inflation measured by CPIH and that measured by RPI.

Notes to the Financial Statements continued

37 Risks arising from financial instruments continued

d) Inflation risk continued

Inflation rate sensitivity analysis

The finance cost of the Group's index-linked debt instruments varies with changes in CPI/CPIH/RPI rather than interest rates. The sensitivity at 31 March of the Group's profit and equity to changes in CPI/CPIH/RPI is set out in the following table. This analysis relates to financial instruments only and excludes any CPI/CPIH/RPI impact on Severn Trent Water's revenues and Regulatory Capital Value, or accounting for defined benefit pension schemes.

	2026		2025	
	+1.0% £m	-1.0% £m	+1.0% £m	-1.0% £m
Profit or loss	(18)	18	(17)	17
Equity	(18)	18	(17)	17

38 Hedge accounting

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 mainly 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 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	
	2026 £m	2025 £m	2026 £m	2025 £m
Euro	–	12	–	6
USD	55	55	(3)	(1)
Yen	60	60	(13)	(7)
AUD	21	21	(2)	(3)
	136	148	(18)	(5)

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:

	Average contract fixed interest rate		Notional principal amount		Fair value	
	2026 %	2025 %	2026 £m	2025 £m	2026 £m	2025 £m
Period to maturity						
Less than one year	1.70	–	50	–	1	–
1 – 2 years	2.33	–	60	–	2	–
2 – 5 years	1.83	2.19	248	116	27	5
5 – 10 years	–	1.83	–	248	–	30
	1.90	1.95	358	364	30	35

The Group recognised no gain or loss on hedge ineffectiveness (2025: nil) in 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:

	Average contract price		Notional contracted amount		Fair value	
	2026 £/MWh	2025 £/MWh	2026 MWh	2025 MWh	2026 £m	2025 £m
Period to maturity						
Less than 1 year	74.90	75.10	309,058	39,420	7	–
1 – 2 years	67.22	73.04	338,184	139,553	4	–
2 – 5 years	67.68	69.78	519,559	193,827	1	–
	69.46	71.14	1,166,801	372,800	12	–

c) Cumulative fair value adjustments

At the year end the cumulative fair value adjustments arising from the corresponding continuing hedge relationships were as follows:

	Carrying amount of hedged items		Cumulative amount of fair value adjustments on the hedged items	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
2026				
Cross currency swaps	–	(117)	–	20
	Carrying amount of hedged items		Cumulative amount of fair value adjustments on the hedged items	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
2025				
Cross currency swaps	–	(142)	–	7

39 Share based payment – Group

The Group operates a number of share based remuneration schemes for employees. During the year, the Group recognised total expenses of £13 million (2025: £11 million) related to equity settled share based payments transactions.

The weighted average share price during the year was £27.72 (2025: £25.27).

At 31 March 2026, there were no options exercisable (2025: none) under any of the share based remuneration schemes.

a) Long Term Incentive Plan ('LTIP')

Under the LTIP, 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.

(i) Awards made under the LTIP

The 2022, 2023, 2024 and 2025 LTIP awards are subject to Severn Trent Water's achievement of Return on Regulatory Equity in excess of the base return included within the Final Determinations over a three-year vesting period, as well as performance across a range of non-financial metrics. The 2022 LTIP vested at 100% in July 2025. It has been assumed that overall performance against the 2023 LTIP metrics will be 90%, while for the 2024 and 2025 LTIPs, 100% has been assumed (2025: 100%).

(iii) Awards outstanding

Details of changes in the number of awards outstanding during the year are set out below:

	Number of awards
Outstanding at 1 April 2024	632,418
Granted during the year	324,281
Vested during the year	(185,056)
Lapsed during the year	(19,855)
Outstanding at 1 April 2025	751,788
Granted during the year	328,408
Vested during the year	(194,051)
Lapsed during the year	(26,316)
Outstanding at 31 March 2026	859,829

Details of LTIP awards outstanding at 31 March were as follows:

Date of grant	Normal Date of Vesting	Number of awards	
		2026	2025
July 2022	2025	–	205,961
July 2023	2026	220,724	225,204
July 2024	2027	314,562	320,623
July 2025	2028	324,543	–
		859,829	751,788

The awards outstanding at 31 March 2026 had a weighted average remaining contractual life of 1.6 years (2025: 1.7 years).

Details of the basis of the LTIP scheme are set out in the Directors' Remuneration Report on pages 118 and 145.

Notes to the Financial Statements continued

39 Share based payment – Group continued

b) Employee Sharesave Scheme

Under the terms of the Sharesave Scheme, the Board may grant the right to purchase ordinary shares in the Company 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:

	Number of share options	Weighted average exercise price
Outstanding at 1 April 2024	4,205,017	2,068p
Granted during the year	1,401,938	2,053p
Forfeited during the year	(50,821)	2,152p
Cancelled during the year	(328,231)	2,147p
Exercised during the year	(907,834)	1,773p
Lapsed during the year	(5,459)	2,111p
Outstanding at 1 April 2025	4,314,610	2,119p
Granted during the year	1,360,092	2,276p
Forfeited during the year	(64,245)	2,102p
Cancelled during the year	(274,070)	2,094p
Exercised during the year	(657,444)	2,199p
Lapsed during the year	(8,908)	2,169p
Outstanding at 31 March 2026	4,670,035	2,155p

Sharesave options outstanding at 31 March were as follows:

Date of grant	Normal date of exercise	Option price	Number of awards	
			2026	2025
January 2020	2025	1,787p	100	131,801
January 2021	2026	1,860p	119,648	125,190
January 2022	2025 or 2027	2,307p	71,393	591,776
January 2023	2026 or 2028	2,183p	783,241	832,156
January 2024	2027 or 2029	2,120p	1,136,336	1,252,419
January 2025	2028 or 2030	2,053p	1,205,670	1,381,268
January 2026	2029 or 2031	2,276p	1,353,647	–
			4,670,035	4,314,610

The options outstanding at 31 March 2026 had a weighted average remaining contractual life of 2.0 years (2025: 2.1 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 set out below:

	2026			2025		
	LTIP		SAYE	LTIP		SAYE
	3 year scheme	5 year scheme		3 year scheme	5 year scheme	
Share price at grant date (pence)	2,774	2,943	2,943	2,351	2,496	2,496
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 (%)	4.5	4.3	4.3	5.2	4.9	4.9
Risk-free rate (%)	n/a	3.8	4.0	n/a	5.2	4.4
Fair value per share (pence)	2,751	647	652	2,327	499	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.

The dividend yield is calculated using the expected dividend for the year divided by the share price at the date of grant.

40 Acquisitions – Group

Details of the more significant acquisitions are set out below.

Goodwill recognised on business combinations is not deductible for tax purposes.

a) Industrial Water Jetting Systems Limited

On 31 July 2025, the Company acquired the trade and assets of Industrial Water Jetting Systems Limited for a total consideration of £13 million. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	£m
Purchase consideration	
Cash paid	12
Deferred consideration	1
Total consideration	13

The assets and liabilities recognised as a result of the acquisition are as follows:

	£m
Property, plant and equipment	6
Net identifiable assets acquired	6
Add: goodwill	7
	13

The fair value of the acquired net assets of £6 million is provisional, as management evaluation of the fair value of net assets remains ongoing.

b) Watertight Management Limited and Synergen Holdings Limited

On 1 August 2025, the Company acquired 100% of the issued shares in Watertight Management Limited and Synergen Holdings Limited as part of a strategic supply chain integration, for a total consideration of £26 million. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	£m
Purchase consideration	
Cash paid	20
Deferred consideration	4
Contingent consideration	2
Total consideration	26

The assets and liabilities recognised as a result of the acquisition are as follows:

	£m
Property, plant and equipment	1
Trade and other receivables	4
Cash and cash equivalents	4
Inventory	1
Trade and other payables	(5)
Net identifiable assets acquired	5
Add: goodwill	21
	26

The fair value of the acquired net assets of £5 million is provisional, as management evaluation of the fair value of net assets remains ongoing.

The Group also paid £9 million consideration relating to the acquisition of Reigate Environmental Services Limited and Howlett Associates Water Treatment Limited resulting in the recognition of £8 million goodwill.

Total acquisition related costs of £1 million were recognised as an expense in the income statement.

Notes to the Financial Statements continued

41 Cash flow statement – Group

a) Reconciliation of operating profit to operating cash flows

	2026 £m	2025 £m
Profit before interest and tax	861	590
Depreciation of property, plant and equipment	441	410
Depreciation of right-of-use assets	7	7
Amortisation of intangible assets	50	38
Impairment of property, plant and equipment	10	14
Pension service cost	2	–
Defined benefit pension scheme administration costs	4	4
Defined benefit pension scheme contributions	(72)	(70)
Share based payment charge	13	11
Profit on sale of property, plant and equipment and intangible assets	(5)	(5)
Release from deferred credits	(18)	(18)
Contributions and grants received	53	44
Provisions charged to the income statement	21	26
Utilisation of provisions for liabilities	(63)	(56)
Operating cash flows before movements in working capital	1,304	995
Increase in inventory	(5)	(2)
Increase in amounts receivable	(45)	(64)
Increase/(decrease) in amounts payable	11	(16)
Cash generated from operations	1,265	913

b) Non-cash transactions

Non cash investing and financing cash flows disclosed in other notes were:

- Acquisition of right-of-use assets (note 19).
- Acquisition of infrastructure assets from developers at no cost (note 17).
- Shares issued to employees for no cash consideration under the LTIP (note 39).

c) Reconciliation of movement in cash and cash equivalents to movement in adjusted net debt

	Net cash and cash equivalents £m	Bank loans £m	Other loans £m	Lease liabilities £m	Fair value accounting adjustments £m	Exchange on currency debt not hedge accounted £m	Loans due from joint venture £m	Adjusted net debt £m
At 1 April 2025	1,045	(785)	(8,798)	(111)	23	10	71	(8,545)
Cash flow	(257)	6	(1,146)	15	–	–	(20)	(1,402)
Fair value adjustments	–	–	19	–	(19)	–	–	–
Inflation uplift on index-linked debt	–	(5)	(88)	–	–	–	–	(93)
Foreign exchange	–	–	(69)	–	–	69	–	–
Other non-cash movements	–	(1)	(5)	(8)	–	–	–	(14)
At 31 March 2026	788	(785)	(10,087)	(104)	4	79	51	(10,054)

d) Liabilities from financing activities

	Bank loans £m	Other loans £m	Lease liabilities £m	Derivatives £m	Interest accrual £m	Total £m
At 1 April 2024	(784)	(7,358)	(120)	45	(90)	(8,307)
Cash flow	5	(1,390)	14	2	308	(1,061)
Fair value adjustments	–	6	–	–	–	6
Inflation uplift on index-linked debt	(5)	(65)	–	–	–	(70)
Foreign exchange	–	10	–	–	–	10
Other non-cash movements	(1)	(1)	(5)	(29)	(317)	(353)
At 1 April 2025	(785)	(8,798)	(111)	18	(99)	(9,775)
Cash flow	6	(1,151)	15	2	406	(722)
Fair value adjustments	–	19	–	–	–	19
Inflation uplift on index-linked debt	(5)	(88)	–	–	–	(93)
Foreign exchange	–	(69)	–	–	–	(69)
Other non-cash movements	(1)	–	(8)	50	(394)	(353)
At 31 March 2026	(785)	(10,087)	(104)	70	(87)	(10,993)

42 Contingent liabilities – Group and Company

Group

a) Bonds and guarantees

Group undertakings have entered into bonds and guarantees in the normal course of business. No liability (2025: nil) is expected to arise in respect of either bonds or guarantees.

b) 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 (therefore excluding Hafren Dyfrdwy Cyfyngedig). Ofwat has been 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 notices upon Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig, 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 we await the decision. We have responded comprehensively to all questions from the regulators and continue to engage positively with them on the issues under investigation.

c) Collective Action Claim

In December 2023, Severn Trent Water Limited and 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 STW (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 held that the alleged failure of the potential defendants to supply accurate information for the statutory regime of price control under the Water Industry Act 1991 was an "essential ingredient" of the claimant's claims for breach of statutory duty under the Competition Act 1998. As a result, the CAT concluded that the claims for abuse of dominance were excluded by s18(8) of the Water Industry Act 1991 and dismissed. On 28 March 2025 the claimant sought permission to appeal the dismissal by the CAT with the Court of Appeal. On 5 March 2026, the Court of Appeal dismissed the appeal. On 9 April 2026, Professor Roberts applied for permission to appeal to the Supreme Court. It is unknown if the Supreme Court will grant permission to hear the appeal as it does not raise any legal principles of general public interest and the Supreme Court recently considered the leading authority for this claim (i.e. Manchester Ship Canal). A decision from the Supreme Court is not expected until Autumn 2026.

Company

Bank offset agreements

The banking arrangements of the Company operate on a pooled basis with certain of its subsidiary undertakings. Under these arrangements participating companies guarantee each other's overdrawn balances to the extent of their credit balances, which can be offset against balances of participating companies. As at 31 March 2026, the Company had no contingent liabilities (2025: nil).

43 Financial and other commitments – Group

Investment expenditure commitments

	2026 £m	2025 £m
Property, plant and equipment contracted for but not provided for in the financial statements	857	759

In addition to these contractual commitments, Severn Trent Water Limited has 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.

44 Post balance sheet events – Group and Company

Following the year end the Board of Directors has proposed a final dividend of 75.62 pence per share.

Notes to the Financial Statements continued

45 Related party transactions – Group and Company

Group

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in this note. Trading transactions between the Group and its joint venture Water Plus are disclosed below.

	2026 £m	2025 £m
Sale of services	238	234
Net interest income	4	5
	242	239

Outstanding balances between the Group and the joint venture as at 31 March were as follows:

	2026 £m	2025 £m
Amounts due to related parties	–	(1)
Loans receivable from joint venture	51	71
	51	70

The retirement benefit schemes operated by the Group are considered to be related parties. Details of transactions and balances with the retirement benefit schemes are disclosed in note 30.

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 is included within the amounts disclosed below. Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report on pages 118 to 145.

	Fixed pay and benefits £'000	Bonus £'000	Bonus (deferred into shares) £'000	LTIPs £'000	Service Contracts £'000	Total £'000
2026						
Non-Executive Directors	–	–	–	–	783	783
Executive Directors	1,625	112	112	1,304	–	3,153
Other members of the Executive Committee	2,621	1,319	1,301	1,616	–	6,857
	4,246	1,431	1,413	2,290	783	10,793
2025						
Non-Executive Directors	–	–	–	–	754	754
Executive Directors	1,562	665	665	1,884	–	4,776
Other members of the Executive Committee	2,422	1,124	1,124	1,197	–	5,867
	3,984	1,789	1,789	3,081	754	11,397

The remuneration amounts disclosed above for executives are equivalent to those disclosed in the 'total single figure of remuneration (audited)' in the annual report on remuneration with the exception of members who have not been in office for the full financial year. The remuneration for these individuals is pro-rated in the Directors' Remuneration Report whereas the table above presents their remuneration for the full financial year.

Company

The Company has applied the exemption in FRS 101 from disclosing transactions with its wholly owned subsidiaries.

46 Alternative Performance Measures ('APMs') – Group

Financial measures or metrics used in this report that are not defined by IFRS are alternative performance measures ('APMs'). 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) Adjusted earnings per share

Adjusted earnings per share figures exclude the effects of net gains/losses on financial instruments, current tax on net gains/losses on financial instruments and deferred tax. The Directors consider that the adjusted figures provide a useful additional indicator of performance and remove non-performance related distortions. See note 14.

b) Adjusted net debt

Adjusted net debt comprises borrowings excluding fair value accounting adjustments on debt, net cash and cash equivalents, and loans to joint ventures. 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 41.

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.

	2026 £m	2025 £m
Net finance costs	302	244
Net finance costs from pensions	(7)	(10)
Capitalised finance costs	150	103
	445	337
Average adjusted net debt	9,237	7,755
Effective interest cost	4.8%	4.3%

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).

	2026 £m	2025 £m
Net finance costs	302	244
Net finance costs from pensions	(7)	(10)
Indexation adjustments	(93)	(70)
Capitalised finance costs	150	103
	352	267
Average adjusted net debt	9,237	7,755
Effective cash cost of interest	3.8%	3.4%

This is used as it shows the average finance cost that is paid in cash.

e) PBIT interest cover

The ratio of PBIT to net finance costs excluding net finance costs from pensions.

	2026 £m	2025 £m
PBIT	861	590
Net finance costs	302	244
Net finance costs from pensions	(7)	(10)
Net finance costs excluding net finance costs from pensions	295	234
	ratio	ratio
PBIT interest cover ratio	2.9	2.5

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.

Notes to the Financial Statements continued

46 Alternative Performance Measures ('APMs') – Group continued

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.

	2026 £m	2025 £m
PBIT	861	590
Depreciation (including right-of-use assets)	448	416
Amortisation	50	38
Impairment	10	14
EBITDA	1,369	1,058
Net finance costs	302	244
Net finance costs from pensions	(7)	(10)
Net finance costs excluding finance costs from pensions	295	234
EBITDA interest cover ratio	4.6	4.5

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, net losses/gains on financial instruments and share of net loss of joint ventures accounted for using the equity method.

	£m	2026 Current tax thereon £m	£m	2025 Current tax thereon £m
Profit before tax	524	–	320	–
Adjustments				
Share of net loss of joint venture	2	–	11	–
Net losses on financial instruments	33	–	15	–
	559	–	346	–
Adjusted effective current tax rate		0%		0%

This APM is used to remove distortions in the tax charge and create a metric consistent with the calculation of adjusted earnings per share in note 14. Share of net loss of joint ventures is excluded from the calculation because the loss is included after tax and so the tax on joint venture profits is not included in the current tax charge.

h) Operational cashflow

Cash generated from operations less contributions and grants received.

	2026 £m	2025 £m
Cash generated from operations	1,265	913
Contributions and grants received	(53)	(44)
Operational cashflow	1,212	869

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.

	2026 £m	2025 £m
Purchases of property, plant and equipment	1,896	1,553
Purchases of intangible assets	46	40
Contributions and grants received	(53)	(44)
Proceeds on disposal of property, plant and equipment	(5)	(11)
Cash capex	1,884	1,538

This APM is used to show the cash impact of the Group's capital programmes.

j) Capital investment

Additions to property, plant and equipment and intangible fixed assets less contributions and grants received, assets contributed at no cost, and capitalised finance costs.

	2026 £m	2025 £m
Additions to property, plant and equipment	2,235	1,969
Additions to intangible assets	46	40
Contributions and grants received	(53)	(44)
Assets contributed at no cost	(124)	(189)
Capitalised finance costs	(150)	(103)
Capital investment	1,954	1,673

Includes £42 million (2025: £42 million) of provisions for future capital expenditure arising from regulatory obligations (See notes 17 and 31).

47 Subsidiary undertakings – Group and Company

Details of all subsidiary undertakings as at 31 March 2026 are given below. Details of the joint venture are set out in note 20. All subsidiary undertakings have been included in the consolidation.

Owned directly by Severn Trent Plc	Country of operation and incorporation	Percentage of share capital held	Class of share capital held
Athena Holdings Limited	Hong Kong	100%	Ordinary

The following subsidiary undertakings all operate and are incorporated in the United Kingdom. The percentage of share capital held is 100% and the class of share capital held is ordinary.

All subsidiary undertakings

Chester Water Limited	Severn Trent Green Power Limited
Dee Valley Group Limited	Severn Trent Green Power Lodge Farm Limited
Dee Valley Limited	Severn Trent Holdings Limited
East Worcester Water Limited	Severn Trent Investment Holdings Limited
Etwall Land Limited	Severn Trent LCP Limited
Hafren Dyfrdwy Cyfyngedig	Severn Trent Leasing Limited
Howlett Associates Water Treatment Limited	Severn Trent Metering Services Limited
Industrial Water Jetting Systems Holdings Limited	Severn Trent MIS Trustees Limited
Lakeside Water and Building Services Limited	Severn Trent Overseas Holdings Limited
M A Solutions (LINDUM) Ltd	Severn Trent Pension Scheme Trustees Limited
Mains Infrastructure Construction Limited	Severn Trent PIF Trustees Limited
Midlands Land Portfolio Limited	Severn Trent Property Solutions Limited
Reigate Environmental Services Limited	Severn Trent Reservoirs Limited
Severn Trent (W&S) Limited	Severn Trent Retail and Utility Services Limited
Severn Trent Bower Limited	Severn Trent Services (Water and Sewerage) Limited
Severn Trent Data Portal Limited	Severn Trent Services Defence Holdings Limited
Severn Trent Draycote Limited	Severn Trent Services Defence Limited
Severn Trent General Partnership Limited	Severn Trent Services Holdings Limited
Severn Trent Green Power (Andigestion) Limited	Severn Trent Services International (Overseas Holdings) Limited
Severn Trent Green Power (Ardley) Limited	Severn Trent Services International Limited
Severn Trent Green Power (Bridgend) Limited	Severn Trent Services Operations UK Limited
Severn Trent Green Power (Cassington) Limited	Severn Trent Solar Finance Limited
Severn Trent Green Power (CW) Limited	Severn Trent Solar Holdings Limited
Severn Trent Green Power (Hertfordshire) Limited	Severn Trent SSPS Trustees Limited
Severn Trent Green Power (North London) Limited	Severn Trent Trimpley Limited
Severn Trent Green Power (RBWM) Limited	Severn Trent Utilities Finance Plc
Severn Trent Green Power (Wallingford) Limited	Severn Trent Water Limited
Severn Trent Green Power (West London) Limited	Severn Trent Wind Power Limited
Severn Trent Green Power Atherstone Limited	Synergen Holdings Limited
Severn Trent Green Power Biogas Limited	Synergen Utilities Limited
Severn Trent Green Power Cayton Limited	Watertight Holdings Limited
Severn Trent Green Power Church Farm Limited	Watertight Management Limited
Severn Trent Green Power Composting Limited	Watertight Management Holdings Limited
Severn Trent Green Power Group Limited	Wrexham Water Limited
Severn Trent Green Power Holdings Limited	

Notes to the Financial Statements continued

47 Subsidiary undertakings – Group and Company continued

The Group owns 100% of the share capital of the following subsidiary undertakings.

All subsidiary undertakings	Country of operation and incorporation	Class of share capital held
Lyra Insurance Guernsey Limited	Guernsey	Ordinary
Severn Trent Carsington Limited	United Kingdom	A and B Ordinary

Unless stated below, the registered office of the aforementioned entities is Severn Trent Centre, 2 St John's Street, Coventry, CV1 2LZ, United Kingdom.

Company	Registered office
Athena Holdings Limited	One 33, Hysan Avenue, Causeway Bay, Hong Kong
Dee Valley Limited	Packsaddle, Wrexham Road, Rhostyllen, Wrexham, LL14 4EH
Hafren Dyfrdwy Cyfyngedig	Packsaddle, Wrexham Road, Rhostyllen, Wrexham, LL14 4EH
Lakeside Water and Building Services Limited	Unit 6, Enterprise Court, Eagle Business Park, Falcon Way, Peterborough, Cambridgeshire, PE7 3GR
Lyra Insurance Guernsey Limited	St Martin's House, Le Bordage, St Peter Port, GY1 4AU, Guernsey
Severn Trent General Partnership Limited	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ
Severn Trent Green Power (Andigeston) Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power (Ardley) Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power (Bridgend) Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power (Cassington) Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power (CW) Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power (Hertfordshire) Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power (North London) Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power (RBWM) Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power (Wallingford) Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power (West London) Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power Atherstone Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power Biogas Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power Cayton Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power Church Farm Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power Composting Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power Group Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power Holdings Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power Lodge Farm Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB

Subsidiary audit exemptions

Severn Trent Plc has issued guarantees over the liabilities of the following companies at 31 March 2026 under section 479C of Companies Act 2006 and these entities are exempt from the requirements of the Act relating to the audit of individual accounts by virtue of section 479A of the Act.

Company	Company Number
Chester Water Limited	2888872
East Worcester Water Limited	2757948
Etwall Land Limited	7559793
Industrial Water Jetting Systems Holdings Limited	6044159
Lakeside Water and Building Services Limited	03631827
MA Solutions (LINDUM) Ltd	5107976
Midlands Land Portfolio Limited	07559692
Severn Trent (W&S) Limited	3995023
Severn Trent Bower Limited	14513739
Severn Trent Carsington Limited	7570384
Severn Trent Data Portal Limited	8181048
Severn Trent Draycote Limited	7681784
Severn Trent General Partnership Limited	SC416614
Severn Trent Green Power (Ardley) Limited	5807721
Severn Trent Green Power (Hertfordshire) Limited	6771560
Severn Trent Green Power (North London) Limited	9689098
Severn Trent Green Power (West London) Limited	8308321
Severn Trent Green Power Atherstone Limited	12559241
Severn Trent Green Power Cayton Limited	11780059
Severn Trent Green Power Church Farm Limited	13207815
Severn Trent Green Power Composting Limited	4927756
Severn Trent Green Power Lodge Farm Limited	12558704
Severn Trent Holdings Limited	5656363
Severn Trent Investment Holdings Limited	7560050
Severn Trent LCP Limited	7943556
Severn Trent Leasing Limited	6810163
Severn Trent Metering Services Limited	2569703
Severn Trent Reservoirs Limited	3115315
Severn Trent Retail and Utility Services Limited	2562471
Severn Trent Services International (Overseas Holdings) Limited	3125131
Severn Trent Services International Limited	2387816
Severn Trent Solar Finance Limited	16018635
Severn Trent Solar Holdings Limited	16015007
Severn Trent Trimpley Limited	10690056
Synergen Holdings Limited	15009862
Synergen Utilities Limited	12717978
Watertight Holdings Limited	10060805
Watertight Management Limited	07245349
Watertight Management Holdings Limited	15009731

Five Year Summary

	2026 £m	2025 £m	2024 £m	2023 £m	2022 £m
Continuing operations					
Turnover	2,831	2,427	2,338	2,165	1,943
Profit before interest and tax	861	590	512	509	506
Increase in expected credit loss on loan receivable	–	–	(3)	–	–
Net interest payable before losses on financial instruments	(302)	(244)	(282)	(363)	(269)
(Losses)/gains on financial instruments	(33)	(15)	(22)	22	39
Results of associates and joint ventures	(2)	(11)	(4)	–	(2)
Profit on ordinary activities before taxation	524	320	201	168	274
Current taxation on profit on ordinary activities	(3)	–	(6)	–	5
Deferred taxation	(150)	(91)	(56)	(36)	(72)
Exceptional tax	–	–	–	–	(294)
Profit/(loss) for the year	371	229	139	132	(87)
Net assets employed					
Property, plant and equipment	15,079	13,307	11,767	10,717	10,609
Other net liabilities excluding adjusted net debt, retirement benefit obligation, provisions and deferred tax	(1,504)	(1,322)	(1,129)	(1,037)	(1,381)
Derivative financial instruments	70	18	45	72	15
Net retirement benefit obligation	(21)	(120)	(213)	(279)	(128)
Provisions for liabilities and deferred tax	(1,729)	(1,567)	(1,448)	(1,378)	(1,381)
	11,895	10,316	9,022	8,095	7,734
Financed by					
Called up share capital	297	296	295	249	248
Reserves	1,544	1,475	1,539	722	1,016
Total shareholders' funds	1,841	1,771	1,834	971	1,264
Adjusted net debt	10,054	8,545	7,188	7,124	6,471
	11,895	10,316	9,022	8,095	7,735
Statistics					
Earnings per share (continuing) - pence	124	77	51	53	(35)
Adjusted earnings per share - pence	184	112	79	58	97
Adjusted dividends per share - pence	126	122	117	107	102
Dividend cover ¹	1.5	0.9	0.7	0.5	1.0
Ordinary share price at 31 March - pence	3,090	2,531	2,470	2,879	3,078
Average number of employees					
- Regulated Water and Wastewater	10,047	8,989	8,150	7,176	6,612
- Other	550	550	541	475	506

¹ Dividend cover has been calculated as adjusted earnings per share divided by adjusted dividends per share.

Glossary

A&M

Alvarez & Marsal

ABS

Annual Bonus Scheme

AD

Anaerobic Digestion

ADRs

American Depositary Receipts

AGM

Annual General Meeting

AI

Artificial Intelligence

AMP

Asset Management Plan

APD

Acid Phase Digestion

ARA

Annual Report and Accounts

ASP

Activated Sludge Processes

ATC

Advanced Thermal Conversion

BABE

Burst and Background Estimate

BAP

Biodiversity Action Plan

BIO

Protection and Restoration of Biodiversity and Ecosystems

BNG

Biodiversity Net Gain

BOD

Biochemical Oxygen Demand

CAW

Carbon Accounting Workbook

CAPEX

Capital Expenditure

CCA

Climate Change Adaptation

CCM

Climate Change Mitigation

CCW

Consumer Council for Water

CDP

Carbon Disclosure Project

CE

Circular Economy

CEO

Chief Executive Officer

CFD

Climate-related Financial Disclosures

CFO

Chief Financial Officer

CHP

Combined Heat and Power

C-MeX

Customer Measure of Experience

CPIH

Consumer Prices Index including owner occupiers' housing costs

CRI

Compliance Risk Index

CSO

Combined Sewer Overflow

CSRD

Corporate Sustainability Reporting Directive

D&I

Diversity and Inclusion

Defra

Department for Environment, Food and Rural Affairs

DMA

Double Materiality Assessment

D-MeX

Developer Measure of Experience

DNOs

Distribution Network Operators

DNSH

Do No Significant Harm

DNV

DNV Business Assurance Services UK Limited

DRIP

Dividend Reinvestment Plan

DWI

Drinking Water Inspectorate

DWMP

Drainage and Wastewater Management Plan

DWSP

Drinking Water Safety Plan

EA

Environment Agency

EBITDA

Earnings Before Interest, Tax, Depreciation and Amortisation

EBT

Employee Benefit Trust

EDMs

Event Duration Monitoring

eDNA

Environmental DNA

EPA

Environmental Performance Assessment

EPS

Earnings Per Share

EQ

Equiniti

ERM

Enterprise Risk Management

ESG

Environmental, Social and Governance

EV

Electric Vehicle

FBU

Fair, balanced and understandable

FCA

Financial Conduct Authority

FOC

Flooding Other Causes

FRC

Financial Reporting Council

FRIEDA

Field Response Investigation Evidence and Data App

FRS

Financial Reporting Standards

FTSE

Financial Times Stock Exchange Index

GAC

Granular and Powdered Activated Carbon

GFI

Green Finance Institute

GHG

Greenhouse Gas

GWh

Gigawatt hour

H&S

Health and Safety

Ha

Hectares

HGV

Heavy Goods Vehicle

HR

Human Resources

HSW

Health, Safety & Wellbeing

HVO

Hydrotreated Vegetable Oil

IED

Industrial Emissions Directive

IFRS

International Financial Reporting Standards

INNS

Invasive Non-Native Species

IPPC

International Plant Protection Convention

ISSB

International Sustainability Standards Board

KPM

Key Performance Measure

LEAP

Learning, Employability and Preparation

LCV

Light Commercial Vehicle

LTDS

Long-Term Delivery Strategy

Glossary continued

LTIP Long-Term Incentive Plan	PSR Priority Services Register	STEPS Severn Trent Environmental Protection Scheme
LTI Lost Time Incident	R2IC Resource, Recovery and Innovation Centre	SuDS Sustainable urban Drainage Systems
LTP Liquor Treatment Plant	RAG Red/Amber/Green status	TCFD Task Force on Climate-related Financial Disclosures
MABR Membrane Aerated Biofilm Reactor	RCP Representative Concentration Pathway	tCO₂e Tonnes of carbon dioxide equivalent
MoD Ministry of Defence	RCV Regulatory Capital Value	THP Thermal Hydrolysis Plant
MPs Members of Parliament	REGO Renewable Energy Guarantees	TNFD Taskforce on Nature-related Financial Disclosures
MRA Mining Remediation Authority	RGGO Renewable Gas Guarantees of Origin	TOMs Themes, Outcomes and Measures
MST Microbial Source Tracking	RNAGS Reasons for Not Achieving Good Status	TSR Total Shareholder Return
NEET Not in Education, Employment or Training	RoRE Return on Regulated Equity	UKCSI UK Customer Satisfaction Index
NGO Non-Governmental Organisation	RPI Retail Price Index	UKWIR UK Water Industry Research
NRW Natural Resources Wales	RS Renewable Sources	UQ Upper Quartile
NZTP Net Zero Transition Plan	s.172 Section 172 Statement	UV Ultraviolet
ODI Outcome Delivery Incentive	SAC Special Areas of Conservation	UWWT Urban Wastewater Treatment
ONS Office for National Statistics	SBT Science-Based Targets	WaSCs Water and Sewerage Company
OPEX Operating Expenditure	SBTi Science-Based Targets initiative	WFD Water Framework Directive
OWC Other water company	SDS Strategic Direction Statement	WINEP Water Industry National Environment Programme
PBIT Profit before Interest and Tax	SEND Special Educational Needs and Disabilities	WIRI Water Industry Regulation Incidents
PCC Per Capita Consumption	Sharesave Severn Trent Sharesave Scheme	WMCA West Midlands Combined Authority
PCD Price Control Deliverable	SID Senior Independent Non-Executive Director	WRMP Water Resources Management Plan
PESTLE Political, Economic, Sociological, Technological, Legal and Environment	SOAF Storm Overflow Assessment Framework	WTR Sustainable Use and Protection of Water and Marine Resources
PESR Post-Employment Shareholding Requirement	SPS Sewage Pumping Station	WWF-UK World Wide Fund for Nature
PFAS Per and Polyfluoroalkyl Substances	SRF Strategic Risk Forum	ZTA Zero Trust Architecture
PIRP Pollution Incident Reduction Plan	SROs Strategic Resource Options	
PPC Pollution Prevention and Control	SRS UK Sustainability Reporting Standards	
PR24 Price Review 2024	SSSIs Sites of Special Scientific Interest	
PRP Performance Related Pay	STEC Severn Trent Executive Committee	

Information for Shareholders

Equiniti

The Company's registrar is Equiniti ('EQ'). If you have any queries relating to your Severn Trent Plc shareholding, contact EQ on:

Telephone: +44 (0) 371 384 2967¹

Online: www.shareview.co.uk

Accessibility: For deaf and speech impaired customers, EQ welcome calls via Relay UK. Please see www.relayuk.bt.com for more information.

By post: Equiniti, Highdown House, Yeoman Way, Worthing, West Sussex, BN99 6DA, UK. Please include your shareholder reference and details of your query.

Corporate Website

Shareholders are encouraged to visit our website severntrent.com for more information on:

- who we are, our businesses and plans;
- our governance arrangements;
- our approach to sustainability and innovation; and
- how to join the Severn Trent Team.

We operate a dedicated investors section on the website that provides up-to-date information on our investment proposition. In the Shareholder centre you will find:

- share price information;
- dividend history; and
- access to current and historical shareholder information.

Digital Communications

EQ's Shareview Portfolio service is an online, secure service that is free to shareholders and easy to use and allows shareholdings to be managed in one place. It allows shareholders to access a range of information about their shareholdings via the internet. This includes holding details (such as name and address), indicative share prices, recent balance changes and dividend information. By registering for Shareview, notifications are set to digital by default and the following benefits are enabled for shareholders:

- manage your personal details;
- buy and sell shares;
- vote at company meetings; and
- view tax vouchers and statement online.

This enables us to reduce our impact on the environment and benefit from savings associated with reduced printing and mailing costs. If you need to, you can amend your notification preferences through the My Details page once you have logged in.

For further information and to register for electronic shareholder communications visit www.shareview.co.uk and register for an online portfolio account or scan the QR code.



Scan the QR code to sign up for the
Shareview Portfolio service

Financial Calendar

Ex dividend date – final dividend	28 May 2026
Record date to be eligible for the final dividend	29 May 2026
DRIP election date – final dividend	24 June 2026
AGM	9 July 2026
Final dividend payment date	15 July 2026

Dividends

The Directors are recommending a final dividend of 75.62 per ordinary share to be paid on 15 July 2026 to shareholders on the register as at 29 May 2026.

Dividend Payments

Dividends are now paid by direct transfer, and cheque payments have ceased. This change demonstrates our commitment to reducing our environmental impact, while also providing a faster, more efficient payment method. Benefits of direct payment include:

- receive cleared funds into your bank account on the payment date;
- avoid postal delays and reduce the risk of lost cheques in the post; and
- reduce the volume of paper in dividend mailing.

To provide or update your bank mandate details, contact EQ or register/log in to www.shareview.co.uk and select 'Arrange direct dividend payments'.

Dividend Reinvestment Plan ('DRIP')

The DRIP gives shareholders the option of using their dividend payments to buy more Severn Trent Plc shares instead of receiving cash. If you would like to participate in the DRIP, please request a dividend reinvestment plan mandate from Equiniti Financial Services Limited via the Customer Experience number below or arrange online via www.shareview.co.uk by registering for/logging in to your portfolio account (via Help, the Dividend FAQ and Re-investment options). Information on the DRIP can be accessed directly via www.shareview.info/products/drip/.

Other Information

Buying and selling shares in the UK

If you wish to buy or sell certificated Severn Trent Plc shares, you may need to use a stockbroker or high street bank which trades on the London Stock Exchange. There are also many telephone and online services available to you.

If you are selling, you will need to present your share certificate at the time of sale. Details of dealing services offered by Equiniti Financial Services Limited may be obtained from www.shareview.co.uk or by contacting 03456 037 037² for assistance, or for general enquiries you can email enquiries@equinitishareviewdealing.com.

Arranging a sale via telephone will incur additional fees.

Share price information

Shareholders can find share price information and interactive tools on our website. For a real-time buying or selling price, you should contact a stockbroker of your choice, or this service is available via Shareview.

American Depositary Receipts ('ADRs')

The Bank of New York Mellon ('BNY Mellon') acts as Depositary a sponsored Level 1 ADR programme which trades under the symbol STRNY on the OTC Market. Each ADR represents one Severn Trent ordinary share. If you have any enquiries regarding Severn Trent ADRs, please contact BNY Mellon.

Post: BNY Shareowners Services, PO Box 43006, Providence, RI 02940-3078, US

Telephone: If calling from within the US: (888) 269 2377 (toll-free), or if calling from outside the US: +1 201 680 6825

Email: shrrelations@cpushareownersservices.com

Website: www.computershare.com/investor

Donate to Charity

It is possible to donate your shares, or proceeds to charity. If you'd like to use your investment to help others, please visit <https://www.severntrent.com/shareholder-centre/manage-your-shares/>.

¹ Please use the country code when calling from outside the UK. Lines are open from 8.30am to 5.30pm (UK time), Monday to Friday (excluding public holidays in England and Wales). Calls from a landline are charged at national rates. Calls from a mobile device may incur network extras.

² Lines are open Monday to Friday, 8.00am to 4.30pm for dealing, and until 6.00pm for enquiries (excluding public holidays in England and Wales). Calls from a landline are charged at national rates. Calls from a mobile device may incur network extras.

Information for Shareholders continued

Fraud Awareness

Fraudsters use persuasive and high-pressure tactics to entice investors into scams. Shareholders are advised to be wary of any unsolicited advice or offers whether over the phone through the post or by email.

If you receive any unsolicited communication, please check that the company or person is authorised by the Financial Conduct Authority ('FCA') before engaging in communication. The FCA maintains a Warning List of unauthorised companies to avoid, please visit www.fca.org.uk/consumers/warning-list-unauthorised-firms.

To find out how to spot the warning signs of investment, pension and other financial scams, visit fca.org.uk/scamsmart.

If you buy or sell shares from an unauthorised company or person you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.

Report any suspicious activity to the FCA via www.fca.org.uk/consumers/report-scam, or contact them on 0800 111 6768 (freephone), 0300 500 8082 (from the UK), +44 207 066 1000 (from abroad) or (18001) 0207 066 1000 (next generation text relay). If you have already paid money to fraudsters contact Report Fraud on 0300 123 2040 or online via www.reportfraud.police.uk.

Always consider obtaining independent financial and professional advice before you hand over any personal data, documents or money.

Unsolicited Mail

The Company is legally obliged to make its share register available to the general public. Consequently, some shareholders may receive unsolicited mail. If you wish to limit the amount of unsolicited mail you receive, please contact: Mailing Preference Service, DMA House, 70 Margaret Street, London, W1W 8SS. Alternatively, register online at www.mpsonline.org.uk or call the MPS Team on 0207 291 3310.

Cautionary statement

This document contains statements that are, or may be deemed to be, 'forward-looking statements' with respect to Severn Trent's financial condition, results of operations and business and certain of Severn Trent's plans and objectives with respect to these items.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'will', 'would', 'should', 'expects', 'believes', 'intends', 'plans', 'projects', 'potential', 'reasonably possible', 'targets', 'goal', 'estimates' or words with a similar meaning, and, in each case, their negative or other variations or comparable terminology. Any forward-looking statements in this document are based on Severn Trent's current expectations and, by their very nature, forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future.

Forward-looking statements are not guarantees of future performance and no assurances can be given that the forward-looking statements in this document will be realised. There are a number of factors, many of which are beyond Severn Trent's control, that could cause actual results, performance and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to: the Principal Risks disclosed in our latest Annual Report and Accounts (which have not been updated since the date of its publication); changes in the economies and markets in which the Group operates; changes in the regulatory and competition frameworks in which the Group operates; the impact of legal or other proceedings against or which affect the Group; and changes in interest and exchange rates.

All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to Severn Trent or any other member of the Group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. This document speaks as at the date of publication. Save as required by applicable laws and regulations, Severn Trent does not intend to update any forward-looking statements and does not undertake any obligation to do so. Past performance of securities of Severn Trent Plc cannot be relied upon as a guide to the future performance of securities of Severn Trent Plc.

Nothing in this document should be regarded as a profits forecast.

Certain information contained herein is based on management estimates and Severn Trent's own internal research. Management estimates have been made in good faith and represent the current beliefs of applicable members of Severn Trent's management. While those management members believe that such estimates and research are reasonable and reliable, they, and their underlying methodology and assumptions, have not been verified by any independent source for accuracy or completeness and are subject to change without notice, and, by their nature, estimates may not be correct or complete. Accordingly, no representation or warranty (express or implied) is given to any recipient of this document that such estimates are correct or complete.

This document is not an offer to sell, exchange or transfer any securities of Severn Trent Plc or any of its subsidiaries and is not soliciting an offer to purchase, exchange or transfer such securities in any jurisdiction. Securities may not be offered, sold or transferred in the United States absent registration or an applicable exemption from the registration requirements of the US Securities Act of 1933 (as amended).

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