

TAKING
CARE OF
ONE OF
**LIFE'S
ESSENTIALS**



WONDERFUL ON TAP



Welcome to Severn Trent's first standalone Sustainability Report.

As a company taking care of one of life's essentials, water, we know that the resilience of our business is intrinsically linked to the resilience of our region, its communities and the natural environment.

Our long-standing commitment to sustainability is demonstrated in our leadership on renewable energy generation, sustainable management of our land, and dedicated programmes to support our people and our local communities. We've reported on these – and other sustainability metrics – in our Annual Report and Accounts for several years.

But now we're going further. Over the next five years, we will be investing **£1.2 billion in our sustainability ambitions**, from climate and biodiversity to supporting our customers who need us most.

That's why, as part of our commitment to transparent reporting, **it's the right time to tell you more about the environmental, social and governance commitments embedded in our business plan.** This report has been developed following the principles of the Global Reporting Initiative.

We hope you enjoy it.

From all of us at Severn Trent



**We always
welcome feedback
from stakeholders**
on how we can improve
our performance
and reporting.

✉ Please get in touch at:
corporate.responsibility@severntrent.co.uk

Find out more about how we are...



... living our purpose of taking care of one of life's essentials

As a company that relies on people, communities and the environment, sustainability is at our core. Our sustainability framework helps us to articulate our ambitious plans and illustrate the impact we are having across our business.

Read more on this in our **Introduction and strategy** chapter: pages 2 to 10

... delivering our Triple Carbon Pledge

of net zero carbon emissions, 100% electric vehicles*, and 100% of energy from renewable sources, by 2030.

Read more on this in our **Taking care of the environment** chapter: pages 14 to 28



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... supporting 195,000 customers

who struggle to pay their bill every year, by 2025. And how we are giving 1% of our profits (over £10 million) over the next five years to community projects in our region through the new Severn Trent Community Fund.

Read more on our support for our customers, colleagues and communities in our **Helping people thrive** chapter: pages 34 to 44

... acting in line with stakeholders' interests

We believe that a business with a strong sense of social purpose will deliver better and more sustainable outcomes for stakeholders over the long term.

Read more about how we are living our values and running our Company for the long term in our **Being a company you can trust** chapter: pages 48 to 58



* Assumes specialist vehicles such as tankers become available within the time window

WELCOME
FROM
OUR CEO



Liv Garfield

“On every day, in every way,
I cannot commend our entire
workforce enough for their
dedication in keeping our
vital services going.”

I'm delighted to be able to introduce our first standalone Sustainability Report. It's coming to you with a backdrop of near-term uncertainty across the globe, but our commitment to sustainable business for the long term remains paramount.

Recent events have reinforced how important our friends, family and community are to us – but they are also a reminder of our dependence upon the natural world. At Severn Trent, we're in a unique position to appreciate this; you can't run a water and waste water business without being acutely aware that the resilience of your business model depends on how you interact with the natural environment. The environment is our supply chain, and we need to look after it.

How companies respond in a crisis is a test of who they really are. We are – and have always been – committed to playing a wider role in society than simply delivering water and waste water services, but we haven't always shouted about it. We love that our stakeholders have told us they want to hear more, and we are pleased to do so.

Making strides on sustainability and articulating our social purpose

We believe that, to survive in the long term, all companies need to demonstrate that they have a social purpose – a purpose beyond profit. That's why we decided to articulate our social purpose, recognised by the Purposeful Company Task Force, and to ask our regulator Ofwat to make it legally binding.

Our social purpose allows us to show our customers that they can trust us to be a force for good in the communities we serve; to attract the top talent we need to help us innovate; and to secure the support of forward-thinking investors. In short, it's the future of business.

In the past five years, we've made significant strides in becoming a more sustainable company. I'm particularly proud of our investment of over £190 million in our green energy business that has allowed us to self-generate the equivalent of 51% of our own energy needs; our improvements to the quality of 1,600 km of rivers; and our support of almost 250,000 customers who struggle to pay their bills.

In spite of hitting regular targets on reducing pollution incidents, we know we need to do more. We are going to reduce total pollutions by one-third to deliver our business plan, and then push on a further 20% well beyond even Environment Agency stretch ambitions to be a sector leader, with an ambition to reduce pollutions by 50% by 2025.

Our £1.2 billion investment in sustainability

Our business plan for the next five years represents a step change in our approach to sustainability. We are making a number of ambitious commitments that will enable us to support our purpose of taking care of one of life's essentials. In total, we'll invest £1.2 billion in securing a sustainable, long-term future for our business.

This investment and the commitments it will deliver are embedded in our most ambitious business plan to date, developed over four years and involving over 30,000 customers. Ofwat awarded our 2020-25 business plan 'fast-track' status because of our high standards of governance, the sustainability of our business and our focus on customers and communities.

Through the delivery of our sustainability ambitions, Severn Trent is committed to upholding the UN Global Compact's Ten Principles on Human Rights, the Environment and Anti-Corruption.

In this report, you'll read more about the highlights of our approach. This includes the industry-leading Triple Carbon Pledge we made a year ago, our ambitious plans to enhance the biodiversity of 5,000 hectares of habitat (1% of the national target) and our work with around 9,000 farmers to find sustainable ways to improve water quality. Our agenda to help address social issues is equally ambitious and you will read about our plans to support customers, colleagues and communities in a range of unique and targeted ways that will have the biggest impact in the areas we serve. For example, our Community Fund will donate 1% of Severn Trent Water profits each year over the next five years to projects in our local communities which need it the most.

Resilience at our core

Above all, we know we can play a leading role in our sector to address the threat that climate change poses to the long-term sustainability of our business. Positively contributing to the mitigation of climate change while ensuring we are resilient to its impact is at the core of our approach.

A change of approach, investment and adapting our ways of working are essential to increasing the resilience of our region and maintaining the trust of the people we serve. This year we committed to developing Science-Based Targets to ensure our approach is in line with the goals of the 2015 Paris Agreement. Our renewable energy capabilities can also make a significant contribution to the decarbonisation of the UK and we will continue to strive to maximise this opportunity.

We have proudly held the Carbon Trust accreditation for over a decade. This report contains Severn Trent's first disclosure against the recommendations of the Task Force on Climate-related Financial Disclosures, and we'll be improving our disclosures year-on-year.

We are on a sustainability journey that will ultimately lead to a more robust, resilient and successful business, putting people and planet on an equal footing with profit. It is our belief that this balanced approach is the best solution for the long term.



Liv Garfield
Chief Executive

OUR RESPONSE TO COVID-19

The impacts of COVID-19 are being felt across the globe. As a socially purposeful company, we have carefully considered how we can make a positive impact for the good of our stakeholders but also for wider society. This section summarises our response and the impact we are having on our key stakeholders. For more information on our COVID-19 response, please see our full disclosure on page 10 in the Severn Trent Plc Annual Report and Accounts, which can be found on our [website](#).

Protecting our people

Our priority remains the safety and wellbeing of our people and customers. Around half of our people have been identified as key workers under the Government's plans to get services running. We've taken steps to protect the environment they work in by providing them with processes and Personal Protective Equipment they need to continue to deliver our essential services. Our IT infrastructure has proved to be stable and resilient, allowing over half our workforce to work safely from home so we can be there for our customers 24 hours a day, seven days a week.

Serving our customers and communities

Our teams continue to work tirelessly to provide a great experience for our customers – keeping them on supply and taking their waste safely away – and we have received some wonderful feedback from our customers recognising the dedication of our teams at this time. We understand that our vulnerable customers need additional support and we're using the information on our Priority Services Register ('PSR') to provide this for the c.50,000 customers who have registered with us. We're adding people to the PSR as soon as we become aware of them. We're also doing more to promote our schemes to support our customers who are struggling to pay – we currently support around 70,000 customers through schemes such as the Severn Trent Trust Fund, WaterSure and the Big Difference scheme.

In addition to supporting our customers directly, we have announced a £1 million emergency COVID-19 fund to support charities and non-profit organisations right on the front line of the COVID-19 response across our region. We've also provided a virtual education zone to help parents with home-schooling.

Supporting our suppliers

We're working closely with our whole supply chain to provide support in respect of their underlying COVID-19 plans and continuing to invest in our capital construction projects when it is safe to do so. This is an important focus given their roles as key employers in our region. We are also supporting our smaller suppliers' working capital by moving to immediate processing of payments for at least the next three months.

Looking to the long term

We continue to identify, and monitor closely, the potential economic impacts of COVID-19. We have modelled plausible and extreme scenarios to determine expected impacts and test the Group's financial resilience. Our strong balance sheet, gearing in line with the Ofwat model and significant committed facilities mean that we are well placed to withstand the economic shocks that COVID-19 may bring. Additional detail can be found in our Viability statement, on page 66 of the Severn Trent Plc Annual Report and Accounts.

TAKING CARE OF ONE OF LIFE'S ESSENTIALS

We believe that if we are united by a clear social purpose we will deliver better outcomes for all our stakeholders – our customers, our colleagues, our investors, the society we live in and the environment we depend on. It also makes good business sense. So at Severn Trent, we are first and foremost driven by our purpose – **‘Taking care of one of life’s essentials’** – and we’re guided by our values:



The outcomes we deliver

Our two regulated Water and Waste Water companies – Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig – focus on the delivery of nine outcomes designed with our customers to meet their needs and those of wider society.

1 A COMPANY YOU CAN TRUST	2 A POSITIVE DIFFERENCE	3 LOWEST POSSIBLE BILLS
4 A SERVICE FOR EVERYONE	5 AN OUTSTANDING EXPERIENCE	6 GOOD TO DRINK
7 WATER ALWAYS THERE	8 WASTE WATER SAFELY TAKEN AWAY	9 A THRIVING ENVIRONMENT

Our Regulated Water and Waste Water businesses, Severn Trent Water (excluding Bioresources) and Hafren Dyfrdwy.

The primary activities we focus on
 – Wholesale operations and engineering
 – Household customer services

About us
 We are two of 11 regulated water and waste water businesses in England and Wales. We provide high-quality services to more than 4.6 million households and businesses in the Midlands and Wales.



Turnover
£1,620.7m +2.4%

Underlying profit before interest and tax¹
£511.5m -2.9%

Litres of drinking water supplied each day
2.0bn

Employees²
5,824 +2.5%

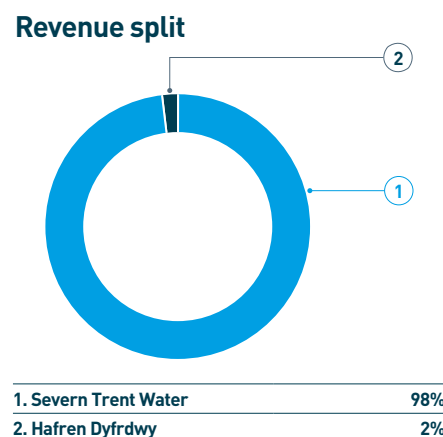
Where we operate
 Our region stretches across the heart of the UK, from the Bristol Channel to the Humber, and from North and mid-Wales to the East Midlands.

1. Underlying profit before interest and tax is profit before interest and tax excluding exceptional items as recorded in the income statement and amortisation of intangible assets recognised on acquisition of subsidiaries.
 2. Average during 2019/20.

Profit before interest and tax
£511.5m -1.3%

Households and businesses served
4.6m

Litres of waste water treated each day
3.2bn



BUSINESS SERVICES

Where we operate
 Business Services operates in the UK.

There are five parts of Business Services:

- **Bioresources**
 Business services includes the sludge treatment and related renewable energy generating activities within Severn Trent Water.
- **Green Power**
 Business Services, through Severn Trent Green Power, generates renewable energy from anaerobic digestion, crop, hydropower, wind turbines and solar technology.

– **Operating Services**
 Operating Services provides contract services to municipal and industrial clients in the UK and the UK Ministry of Defence ('MOD') for design, build and operation of water and waste water treatment facilities and networks, and services to developers.

– **Property Development**
 Property Development manages the sale of surplus land.

– **Other**
 Developer services and our property searches and affinity partnership businesses.

Turnover
£240.4m
 +19.7%

Underlying profit before interest and tax¹
£64.9m
 +1.2%

Profit before interest and tax¹
£62.8m
 -0.5%

Employees²
962
 +10.1%

OUR
APPROACH TO
SUSTAINABILITY

Severn Trent exists to take care of one of life's essentials: water.

Everything we do – from abstracting raw water to returning treated waste water and disposing safely of our other waste – is intrinsically linked to the natural environment.

Our core activities – providing clean water and removing waste water safely – provide an essential public service. Drinking, cooking and sanitation are not optional, and that means we have a responsibility to serve everyone, including those who struggle to pay their bills or who have additional needs.

We're privileged to serve over 4.6 million households and businesses in an area stretching across the heart of the UK, from the Bristol Channel to the Humber, and from the North and mid-Wales to the East Midlands. We take our name from the two main rivers, the Severn and the Trent, which run through our region – two of the three biggest rivers in the UK.

We have a rich mix of customers of 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. We have more urban conurbations than any other water company but we also serve predominantly rural counties, home to some of the UK's most beautiful environments, including the Wye River Valley, the Peak District, Sherwood Forest and the National Forest.

This is our patch, and we're proud to be here.

We know first-hand that when our communities thrive, so do we. That's the driving force behind our contribution to our region's skills and knowledge, social mobility, and community projects.

Everything we do – from abstracting raw water to returning treated waste water and disposing safely of our other waste – is intrinsically linked to the natural environment. Put in simple terms, the environment is our supply chain. Looking after it is not only the right thing to do, but also helps us deliver our core activities more effectively and efficiently.

We also need to plan for the long term. Taking action now to secure water sources in the future is part of future-proofing our business – there's no business case for ignoring climate change and the destruction of natural systems, which will be among the greatest challenges our society faces this century. Our customers' water is safe in our hands, now and in the future.

We know that how we deliver our commitments is just as important as what we deliver. We're proud to be a purpose-driven company, with a strong set of values, and we believe that businesses with a strong sense of purpose beyond profit will deliver better and more sustainable outcomes for stakeholders over the long term.

We know that the interests of our stakeholders are often aligned. For example, managing our catchments well increases water quality, helps lower our costs, reduces bills, supports the wider environment, and is our best protection against the effects of climate change. A strong corporate governance framework that includes stakeholders will help us make the right long-term decisions for everyone – and an open, diverse culture with engaged employees will support not only our success, but that of our region.



OUR PURPOSE TAKING CARE OF ONE OF LIFE'S ESSENTIALS

DEVELOPING OUR SUSTAINABILITY FRAMEWORK

As a company that relies on people, communities and the environment, sustainability is not a new concept for us. In fact, it's been so embedded in our business that we have never needed to develop a separate sustainability strategy, as many other companies do.

But recently, as we developed our business plan for 2020-25, we took the opportunity to confirm that our view of what a good business looks like is aligned with that of our customers. Through this process, we articulated our commitment to being a purposeful company and defined our sustainability framework for the first time.

Our sustainability framework draws together our environmental, social and governance ambitions. While those ambitions will still be delivered as part of our business plan, fully embedded in the way we work, this framework helps us to articulate how we deliver our purpose.

We're also changing the way we measure several of our commitments, defining outcome-based measures to ensure we're tracking our true impact. To see our key sustainability metrics, go to page 59.

Whilst the focus of many of our activities is over our next regulatory period, 2020-25, this sustainability framework sets the foundations for how we intend to run our business into the next five-year period and beyond. In 2021 we will be publishing our Strategic Direction Statement, which continues to build on this thinking.

We have linked our sustainability framework to the UN Sustainable Development Goals ('SDGs') – see pages 8 to 9 for example contributions.

TAKING CARE OF THE ENVIRONMENT

Ensuring a sustainable water cycle

Secure water sources in the long term – through catchment management, demand reduction and climate change adaptation – so that we can deliver our services for future generations.

[Read more: from page 14](#)

Enhancing our natural environment

Protect and enhance nature at each stage of the water cycle by improving biodiversity and stopping pollution, benefiting nature, local communities and our business.

[Read more: from page 18](#)

Making the most of our resources

Generate renewable energy and other useful resources from our waste, and aim for zero waste to landfill through our business activities.

[Read more: from page 22](#)

Mitigating climate change

Play our part in reducing global carbon emissions in line with the Paris Agreement, aiming for net zero carbon and supporting the UK's energy transition.

[Read more: from page 24](#)

Linked SDGs



HELPING PEOPLE TO THRIVE

Delivering an affordable service for everyone

Work with our industry to end water poverty by supporting customers who struggle to pay their bills and providing priority support to those who need it.

[Read more: from page 34](#)

Providing a fair, inclusive and safe place to work

Build a workforce that is reflective of the community we serve, and foster a culture where everyone can be themselves, driving better decision making and performance.

[Read more: from page 37](#)

Investing in skills and knowledge

Support the skills base of our people and our region, and inspire the next generation of customers to adopt more sustainable behaviours.

[Read more: from page 42](#)

Making a positive difference in the community

Serve our local communities through community projects and volunteering, and global communities through charity partnerships.

[Read more: from page 44](#)

Linked SDGs



BEING A COMPANY YOU CAN TRUST

Living our values

Nurture a strong, open, one-team culture based on Company values that articulate what we stand for.

[Read more: from page 48](#)

Balancing the interests of all our stakeholders

Understand the needs of stakeholders in order to make business decisions that benefit shareholders, society and the environment.

[Read more: from page 52](#)

Running our Company for the long term

Put strong governance – leadership, ethics, and management of risks and opportunities – at the heart of our business.

[Read more: from page 55](#)

Being open about what we do and sharing what we know

Build trust through transparency, and work with our sector on innovative solutions to our shared challenges.

[Read more: from page 58](#)

Linked SDGs



SUSTAINABLE DEVELOPMENT GOALS

Severn Trent’s sustainability ambitions contribute to the Sustainable Development Goals, the UN’s 2030 blueprint for a better and more sustainable future for all. Our work touches all 17 of the goals in some way, but here we’ve outlined our most significant contributions through our core businesses and the way we run our Company.











This year, we plan to review our contribution to the Sustainable Development Goals in detail, mapping against target-level for the goals where we have the most significant impact.

WORKING WITH REGIONAL STAKEHOLDERS TO ACHIEVE THE SDGs

In 2017, we consulted 100 of Severn Trent’s stakeholders – including local government, environmental organisations, customer support organisations, business organisations, water industry regulators, policymakers and academics – to find out which of the Sustainable Development Goals (‘SDGs’) are most relevant to what they are trying to achieve in our region.

Respondents told us that two of the goals are most important to them: SDG 3 (Good Health and Wellbeing), and SDG 11 (Sustainable Cities and Communities). Stakeholders also identified additional goals that support their work, including SDG 8 (Decent Work and Economic Growth) and SDG 9 (Industrial Innovation and Infrastructure).

We hope to engage further with stakeholders in order to support the achievement of the SDGs in our region.

Sustainable Development Goal	Examples of our contribution	Find out more
Core business impact		
 <p>6 CLEAN WATER AND SANITATION</p> <p>Ensure availability and sustainable management of water and sanitation for all</p>	<ul style="list-style-type: none"> – Providing water and waste water services to 4.6 million households and businesses – Ending water poverty and supporting customers who struggle to pay their bill – Securing long-term water resources through our Water Resources Management Plan – Raising money for WaterAid to support access to clean water, decent sanitation and good hygiene worldwide – Trialling innovative solutions to our industry’s shared challenges through the World Water Innovation Fund 	<ul style="list-style-type: none">  Ensuring a sustainable water cycle, page 14  Delivering an affordable service for everyone, page 34  Making a positive difference in the community, page 44  Being open about what we do and sharing what we know, page 58
 <p>7 AFFORDABLE AND CLEAN ENERGY</p> <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	<ul style="list-style-type: none"> – UK leader in anaerobic digestion – Driving energy efficiency in our operations – Contributing to the UK’s energy transition through energy flexibility 	<ul style="list-style-type: none">  Making the most of our resources, page 22
 <p>13 CLIMATE ACTION</p> <p>Take urgent action to combat climate change and its impacts</p>	<ul style="list-style-type: none"> – Adapting to climate change through our long-term plans – Pledging to reach net zero carbon emissions by 2030 – Using 100% renewable energy in our operations by 2030 	<ul style="list-style-type: none">  Ensuring a sustainable water cycle, page 14  Mitigating climate change, page 24

Sustainable Development Goal	Examples of our contribution	Find out more
Significant impact		
 Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	<ul style="list-style-type: none"> Partnership working to deliver sustainable urban drainage and green communities. Developing infrastructure to secure the UK's water sources into the middle of the century Running large-scale technology trials at our Resource Recovery and Innovation centre £300 million Birmingham Resilience Programme providing a second supply option for 1.2 million customers in Birmingham 	 Ensuring a sustainable water cycle, page 14
 Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> Building population growth and increasing demand for water into our long-term plans Working with our supply chain to adopt more sustainable practices in line with our Sustainable Supply Chain Charter 	 Ensuring a sustainable water cycle, page 14  Living our Values, page 48
 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, and halt biodiversity loss	<ul style="list-style-type: none"> Improving the biodiversity of our region, contributing 1% of national target Extending our catchment management approach to deliver cleaner water to our treatment works. Playing our part in improving the quality of our region's rivers 	 Ensuring a sustainable water cycle, page 14  Enhancing our natural environment, page 18
Moderate impact		
 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	<ul style="list-style-type: none"> Offering graduate and apprenticeship schemes throughout our business New Training Academy in the Midlands Educating school children on the importance of caring for the environment and healthy hydration 	 Investing in skills and knowledge, page 42
 Achieve gender equality and empower all women and girls	<ul style="list-style-type: none"> Actively promoting gender equality in the workplace Promoting women into leadership positions, from Board through to front line and new talent Empowering women in Bangladesh through our fundraising for WaterAid 	 Providing a fair, inclusive and safe place to work, page 37
 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	<ul style="list-style-type: none"> Taking a zero-tolerance approach to modern slavery, including in our supply chain Having a 'goal zero' mindset to health and safety 	 Providing a fair, inclusive and safe place to work, page 37
 Reduce inequality within and among countries	<ul style="list-style-type: none"> Giving priority support to customers who need it Recruiting from social mobility cold spots Valuing and supporting diversity across our business. World Water Innovation Fund – benefiting 60 million people, many in less developed parts of the world 	 Delivering an affordable service for everyone, page 34  Providing a fair, inclusive and safe place to work, page 37
 Make cities and human settlements inclusive, safe, resilient and sustainable	<ul style="list-style-type: none"> Creating new green spaces in urban areas Pledging to reach 100% electric vehicles by 2030 (assumes specialist vehicles such as tankers become available within the time window) 	 Enhancing our natural environment, page 18  Mitigating climate change, page 24

OUR REGIONAL SUSTAINABILITY IMPACT

Biodiversity

- Increase 5,000 hectares of biodiversity by 2027 – 1% of the national target
- Planting 1.3 million trees over the next 10 years

Triple Carbon Pledge

Net zero carbon by 2030
Driven by real reductions in Scope 1, 2 and 3 emissions with Science-Based Targets, we have reduced our carbon emissions by 59% since 2008

Reducing leakage

- 15% reduction in leakage by 2025 and 50% by 2045
- Installed 40,000 sensors across our network

Reducing water demand

- At least 500,000 water meters installed
- Reduce per capita consumption by 3.5% by 2025

Water treatment

Investing to reduce chemical and energy usage in our treatment of water

Educating a generation

- Half a million school children educated on water usage in the next five years
- 1.3 million customers educated in total from 2015 to 2025

Communities

- Donating 1% of profits (equivalent to over £10 million) to good causes in our local communities over the next five years
- Targeting 40% of employees volunteering in our local communities each year until 2025

Investing in assets

Committed to reducing Scope 3 emissions by designing assets with carbon impact in mind and working collaboratively with our supply chain

Sustainable water resources

25-year water resource plan in place to balance supply and demand over the long term, adapting to the impacts of population growth and climate change

Catchment management

Working with c.9,000 farmers in our region (63%) to reduce agricultural pollution

Our people

- Investing £10 million in a training academy to have the most technically skilled workforce in the sector
- In top 5% of global utility companies for employee engagement
- Over 70% of employees own shares in Severn Trent

Triple Carbon Pledge

100% energy from renewable sources by 2030

- Achieved 10 years early with the equivalent of 51% self-generation of Severn Trent Waters' energy needs, and the remainder purchased solely from renewable sources

Customers

- Annually supporting 195,000 customers who struggle to pay their bill, by 2025
- Over £60 million donated to Severn Trent Trust Fund to date

Taking waste water away safely

Ambition to reduce pollution by 50% by 2025

Triple Carbon Pledge

100% electric vehicles ('EV') by 2030*

- Only EV cars purchased now with 100% in use by 2026
- Only EV vans purchased from 2023 with 100% in use by 2030
- 300 charging points by 2022
- * Assumes specialist vehicles such as tankers become available within the time window

Social mobility

43% of new starters in 2019/20 are from social mobility cold spots

Investing in research and development

£5 million investment in industry-leading Resource Recovery and Innovation centre at Spenal, with EU co-funding to trial production of hydrogen as a renewable energy source

Improving river quality

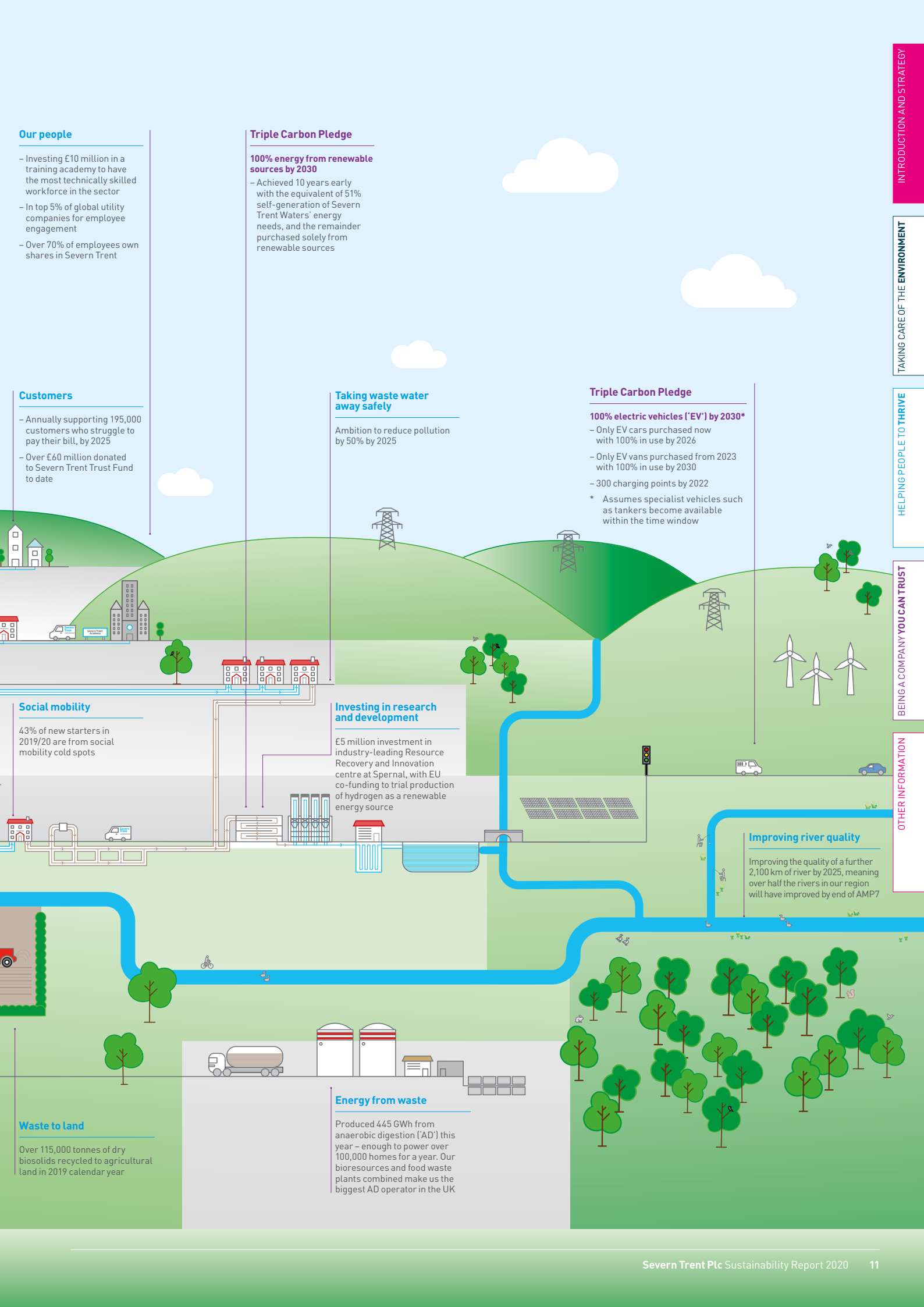
Improving the quality of a further 2,100 km of river by 2025, meaning over half the rivers in our region will have improved by end of AMP7

Waste to land

Over 115,000 tonnes of dry biosolids recycled to agricultural land in 2019 calendar year

Energy from waste

Produced 445 GWh from anaerobic digestion ('AD') this year - enough to power over 100,000 homes for a year. Our bioresources and food waste plants combined make us the biggest AD operator in the UK



TAKING CARE OF THE ENVIRONMENT

It's difficult to overstate the importance of the natural environment to the success of our business.

All across the water cycle, we constantly interact with and are dependent upon the health of the natural environment. It makes sense for our business – and for all our stakeholders – to invest now for benefits in both the short and long term.

We're in a unique position to both protect and enhance the environment, and we're lucky that our region is full of partners eager to help us do this: from farmers who can clean up our catchments and conservation organisations who can help us boost biodiversity, to sellers of food waste that we can turn into renewable energy.

We're the UK leader in anaerobic digestion, putting us in a strong position to contribute to our national climate change commitments while disposing of our waste safely and sustainably. As a significant user of energy, we also need to play our part in reducing emissions in line with the goals of the 2015 Paris Agreement.




Our customers trust us to secure their water in the long term, so ensuring a sustainable water cycle in our region is critical for our business – including making adaptations to protect water sources from the effects of climate change.



Priorities for Severn Trent

- Ensuring a sustainable water cycle
- Enhancing our natural environment
- Making the most of our resources
- Mitigating climate change



Over the last five years	In the next five years	
 <p>Key achievements</p> <ul style="list-style-type: none"> - Invested over £190 million in our green energy business to achieve our target of self-generating over 50% of our energy needs - Delivered the first of our commitments from the Triple Carbon Pledge, 10 years early with 100% of our energy coming from renewable sources - Reduced our net carbon emissions by 42% since 2015, and by 59% since 2008 - Confident in achieving top accolade 4* EPA status by the Environment Agency for the third year of the AMP, reflecting performance across a range of environmental measures - Improved the quality of 1,600 km of rivers – a quarter of the rivers in our region - Reduced leakage by 8% since 2015 - Reduced total pollutions by a third and serious pollutions by 70% since 2011 - Held Carbon Trust accreditation for over a decade and rated B for our CDP disclosure - Opened our £5 million Spernal Research Centre – the first of its kind in the UK – a vital tool in our ambition to create a circular economy from every element of what is traditionally seen as waste by turning it into a valuable resource 	 <p>Key commitments</p> <ul style="list-style-type: none"> - Triple Carbon Pledge – net zero carbon, 100% electric vehicles and 100% renewable energy – by 2030 - Develop Science-Based Targets and make real reductions in Scope 1, 2 and 3 emissions in line with the goals of the 2015 Paris Agreement - Enhance the biodiversity of 5,000 hectares of habitat (1% of the UK Government’s target for a Nature Recovery Network) by 2027 - Plant 1.3 million trees by 2030 in partnership with Non-Governmental Organisations (‘NGOs’), community groups and farmers - Aim to halve the number of pollutions in our region over the next five years - Play our part in improving water quality – improving the quality of a further third of the region’s rivers - Engage with around 9,000 farmers to stop pollutants from agriculture entering the watercourse in 44 priority catchments - Deliver a 15% reduction in leakage by 2025 and a 50% reduction by 2045 - Reduce per capita water consumption in our region by 3.5% on the three-year average, by 2025 	 <p>Key challenges</p> <ul style="list-style-type: none"> - We’ll need to deliver very strong performance on pollutions every year in order to meet our challenging targets. Many of the causes of pollutions are outside our control, so we’ll need to work closely with customers on behaviours, and wider society and other stakeholders, such as manufacturers of unflushables, to prevent pollutions at source - Similarly, our commitment to reducing the demand for water and securing our water sources for the long term means that we’ll need to work with customers to influence their behaviour; inspiring them to improve their water efficiency and fix leaks on their own property - As we develop our Science-Based Targets, we’ll need to implement robust measurement of our Scope 3 emissions and take action to reduce carbon in this area. Our work to date has focused on Scopes 1 and 2, so this will require new ways of working - In order to meet our net zero carbon commitment, we will also need to focus our efforts on reducing process emissions from our treatment processes, which will become a greater proportion of our footprint as we reduce emissions from energy

SECTION 1: TAKING CARE OF THE ENVIRONMENT



ENSURING A SUSTAINABLE WATER CYCLE

Our purpose is taking care of one of life's essentials, so ensuring a sustainable water cycle for the long term is at the very core of what we do.

The strain on our water sources and expectations for river quality are both higher than they've ever been, which means we need to work harder to look after our water sources. Climate change presents us with entirely new challenges which we need to address to ensure our rivers, lakes and aquifers are protected and improved for future generations.

Our customers are fully supportive of our commitment to a sustainable water cycle and 80% of them tell us that they trust Severn Trent to deliver our water services for future generations.

☆ Our goals:

1. Water sources –

protect our water sources by reducing unsustainable abstraction by 100 ML/day, leakage by 15% and per capita consumption by 3.5% by 2025.

2. Climate change adaptation –

build adaptation to the effects of climate change into our long-term planning.

3. River quality –

improve the quality of over 50% of the rivers in our region by 2025 by optimising effluent quality and stopping pollutions.

4. Nature-based solutions –

to improve the effectiveness of catchment management activities across 44 catchments, covering more than 432,000 hectares, by 2025.

SECURING WATER SOURCES FOR THE FUTURE

Our latest Water Resources Management Plan ('WRMP') was published in July 2019, and is our blueprint for ensuring the longevity of the water sources in our region. This 25-year strategic plan prioritises demand management – including a step change in leakage reduction, water efficiency and metering activity – as well as developing new, more environmentally sustainable water sources.

We have a well-established, mature process to include climate change in our WRMP, using the latest climate models to assess a wide range of climate-related scenarios and temperature increases.

Sustainable abstraction

Healthy rivers need to flow in order to function as a habitat for plants and animals, and to support the wellbeing of local people. That means we need to ensure that our abstraction of water – the point at which we pump water from rivers and aquifers – is at a sustainable level, without any negative impact on water flow or quality.

We have committed to manage our abstraction to ensure it is sustainable. One of the ways we are ensuring this is by reducing our abstraction in areas where it may be having an adverse impact on our rivers. We are working with partners on mitigation measures in 11 catchments, and are piloting abstraction management projects in two catchments in partnership with Defra.

REDUCING WATER CONSUMPTION

In order to ensure the longevity of the water sources in our region, we need to reduce the demand for water, particularly in times of extreme weather. Our focus is in two areas:

- reducing leakage of water before it reaches its destination, to;
- helping our customers use less water.

Tackling leakage

Water that leaks from pipes and other assets before it reaches our customers is wasted – and so is the energy that was used to treat it and move it around our network. So it benefits our business, our reputation and the environment to reduce leakage as much as possible.

In 2019/20, we reduced leakage by 4%, outperforming our target and putting us on a great trajectory for the next AMP. We have delivered our leakage target eight out of nine years. We've now committed to an ambitious goal to reduce leakage by 15% by 2025, and by 50% by 2045. Some of this reduction will come from fixing leaks in our network of pipes, and the rest from supporting our customers to fix leaks on their properties.

SUPPORTING NATIONAL WATER SOURCES

Long-term water source models show that the UK has enough water, but that it's not located in the areas that need it most. The South East of England is not only dryer than the North West, but its demand for water is higher due to its large population. By the mid-2030s, the South East could be short of around 1,300 million litres per day – the equivalent of 6 million people's average consumption.

Along with other water companies, Severn Trent is actively investigating ways of transferring water from the North West to the South East via an interconnector – a series of pipes, rivers and canals that can move water across the country when it's needed. Between now and 2025, we will invest £47 million in feasibility work on two options that could deliver an extra 1,500 million litres per day to the South East, developing a 'spade-ready' solution by 2025. This interconnector could play a vital role in securing the UK's water sources into the middle of the century.



DRIVING OWNERSHIP OF NETWORK LEAKS

This year we revamped the way we manage our team of 116 water network technicians, who are responsible for finding leaks in our network. First, we recruited new members of the team, hiring based on the right strengths, behaviours and a 'can-do' attitude. 30% of the new team members were completely new to leakage or the water industry. Next, we implemented a new, geographically-based operating model, giving network technicians ownership of performance in their own patch. Many aspects of this model reflect the approach used by our colleagues who joined us from Dee Valley, which had that local knowledge intrinsic to its approach.



Since joining the Leakage Operating Model in Warwickshire I have been given the right training and mentoring to deliver the leakage reduction required in my patch. I have overall ownership on how best to reduce leakage in this area along with new tools in the toolkit like the acoustic loggers. This way of working gives me the flexibility to solve some of the more challenging network problems.

Ryan, Water Network Technician, Warwickshire

To improve our network, we are focusing on finding leaks earlier – ideally, before they begin to cause a problem – and fixing them as fast as possible. Our 'find and fix' mode of working has benefited from the roll-out of 40,000 data loggers, and the UK's first trial of fibre optics in water mains in February 2020, to listen for leaks and alert our teams. We're also contributing to leakage reduction trials through the World Water Innovation Fund – (see page 58).

This work contributes to our sector's Public Interest Commitment to triple the rate of sector-wide leakage reduction by 2030. For more information, see the [Water UK website](#).

Helping customers to use less water

We can play a strong role in protecting water sources for the future by improving water efficiency across our region.

We have an ambitious water efficiency programme that has saved around 25 million litres per day (ML/d) of water between 2015 and 2020 through water efficiency advice for customers, free and subsidised water-saving products on request, and targeted home water efficiency checks. Because of this, we already have one of the lowest rates of per capita water consumption ('PCC') of about 130 litres per head per day.

By 2025, we aim to reduce PCC by 3.5%, saving around 36 million litres of water a day. We will achieve this through the following:

- **Education:** Rolling out our innovative schools programme, which aims to turn 500,000 school children into water efficiency experts by teaching them the value of water, responsible sewer use, and the importance of hydration in health. During 2019/20, we delivered assemblies and workshops to almost 100,000 children. We also have wider customer campaigns promoting water efficiency, and a partnership with Save Water Save Money providing various free or reduced water saving devices.
- **Home water efficiency audits:** Our target over AMP7 is to deliver 35,000 home audits every year, helping our customers to make the best use of water efficiency devices in their homes. In 2019/20, we completed over 23,000 home audits, allowing customers to save on average 10% on their daily water use. We have also gained better insights into the causes of leaks on customers' private supply pipes and fixtures.
- **Metering:** Tripling our rate of water meter installations by 2025, increasing the proportion of metered customers to 65%, providing us with the best possible data to help find and fix leaks and also target our water efficiency activities towards customers that need it the most. Our goal is for 90% of customers to have a water meter by 2030.

We are advocating for legislation that will support mandatory water labelling and minimum standards for building regulations and water fitting regulations. As well as this, we are working with the Government and other stakeholders to change the way we all value water, supporting significant reductions in demand that will help us protect the environment in the long term.

We can play a strong role in protecting water sources for the future by improving water efficiency across our region. We already have one of the lowest rates of per capita water consumption of about 130 litres per head per day.

36_m litres

We aim to reduce per capita consumption by 3.5% by 2025, saving around 36 million litres of water a day

90%

Our goal is for 90% of customers to have a water meter by 2030

SECTION 1: TAKING CARE OF THE ENVIRONMENT

ADAPTING TO CLIMATE CHANGE

The UK's national planning guidance tells us to expect hotter, drier summers and wetter, stormier winters. The water sector is particularly vulnerable to the impacts of climate change, because everything we do is sensitive to both long-term changes in climate and extreme weather events. Adapting to climate change is essential to ensure we can maintain a great service for our customers.

Severn Trent prepares a Climate Change Adaptation Report for Defra every five years, outlining our key risks related to the impacts of climate change, and how we plan to adapt to them. Our latest report was published in 2015 and the four greatest risks identified for our Company are:

- failure to meet demand due to hotter, drier summers;
- exceeding sewer capacity due to heavy and increased rainfall;
- reduction in volume of water we can draw from lakes and rivers; and
- decrease in raw water quality, making purification more difficult.

Since then, we have been running the latest climate change projections (UKCP18) through our water resources models and found that, although there are some differences in the scenarios over the longer term, they do not materially change our plans.

We are adapting our business to the impacts of climate change in the following ways:

- **Managing water resources in a changing climate:** Changes in temperature and rainfall patterns put increased pressure on our water resources, affecting the quantity and quality of water available for us to extract. Our 25-year WRMP sets out how we will address supply and demand over the long term. We have a well-established, mature process to include climate change in our WRMP, using the latest climate models to assess over 10,000 climate-related scenarios and temperature increases.
- **Managing waste water services in a changing climate:** More intense rainfall and extended dry periods put pressure on our waste water infrastructure, increasing the risk of pollution and flooding. We are developing a Drainage and Wastewater Management Plan ('DWMP') along the same lines as our WRMP that includes climate change projections and 2D flood risk management modelling.
- **Adapting to extreme weather events:** Over the last few years, we have experienced extreme weather events that have challenged our operations – including Storms Ciara, Dennis and Jorge in 2019 that led to flooding across our region. In 2019/20, we delivered 13 schemes designed with other flood authorities, adding to the 13 delivered earlier in the AMP. We will use our experience to further embed this joined up approach to building flooding resilience within our network.

Our next Climate Change Adaptation Report will be published by the end of 2020 and will include an updated risk assessment based on the latest climate models, and adaptation plans for the next five years and beyond. We have also strengthened our climate risk reporting with our first disclosure against the recommendations of the Task Force on Climate-related Financial Disclosures [see pages 28 to 31].

IMPROVING OUR REGION'S RIVERS

From abstracting raw water to returning safely treated waste water, everything we do is intrinsically linked to rivers and other water bodies in our region. To us, the health of rivers represents the health of the whole landscape and the communities who live there.

Between 2015 and 2020, we delivered water quality improvements for around 1,600 km of river. Over the next five years we are improving a further 2,100 km, to bring this total to 3,700 km of river (over 50% of the rivers in our region), by improving the quality of our effluent discharge.

We will deliver our ambitious commitment in the following ways:

- **Using catchment-based approaches** to improve the quality of surface water run-off into our region's rivers.
- **Optimising the quality of the waste water we discharge** into rivers. We measure this through treatment works compliance, which is assessed by the Environment Agency, and aim for 100% compliance.
- **Employing nature-based solutions** to help us improve the quality of our waste water discharge. We are looking at the feasibility of using wetlands, which filter phosphate from treated water and also improve biodiversity, at six of our waste water treatment plants.
- **Preventing pollution incidents** – our ambition is to reduce pollutions by 50% by 2025, see pages 20 to 21.



SUPPORTING FARMERS TO PROTECT WATER QUALITY

Farmer Charles Antrobus has applied to the Severn Trent Environmental Protection Scheme ('STEPS') for the last three years, each year receiving the maximum £5,000 grant. Supporting his largely arable 430 hectare holding of wheat, oilseed rape, barley, oats and beans, Charles is experimenting with mob-grazing for his herd of 20 British White beef cattle, whereby fields are given more time to rest and not grazed as hard.

Charles has used the grants to plant cover crops, purchase electric fencing for the mob-grazing and to build a sprayer wash-down area with bio-filters and a rain water capture system. In addition to water quality improvements, Charles has seen improvements to soil health and an increase in wildlife, especially small birds.



I've seen these relatively small changes make a big difference, which motivates me to continue making improvements. I'm proud that I'm sending clean water downstream – protecting our soils is crucial for both our farm's productivity and our shared responsibility to protect the environment.

Charles Antrobus, Farmer



This work delivers benefits for the Water Framework Directive, a European Commission directive that aims to bring every river up to good ecological status by 2027.

If the water we abstract from rivers is already of good quality then it needs less treatment – which means fewer chemicals, a smaller carbon footprint and lower costs. The most efficient and effective way for us to treat water is often not to build better water treatment works, but to invest in better catchment management, working with farmers and landowners to stop pollutants entering the rivers in the first place.

In fact, for every £1 Severn Trent spends on better catchment management, we save between £2 and £20 in water treatment costs for removing pesticides, helping to reduce customers' bills. Even better, the same catchment management principles that improve river quality can also deliver £4 in wider environmental benefits, including cost savings for farmers, natural flood management, enhanced biodiversity and beautiful places to visit on our doorstep.

Performance in 2019/20

Over the last five years, STEPS has provided match funding for water quality initiatives on farmland, including better management of fertiliser, livestock and manure application. The scheme has distributed over 1,500 grants worth over £5 million for water quality improvements, negating the need for £74 million of investment in our treatment processes.

Throughout the last decade, our 21 farm advisers have engaged with 98% of the farmers in our priority catchments and built strong relationships with them: 98% of farmers who have worked with us say that it was a positive experience.

Our Farm to Tap scheme, launched in 2016, pays farmers to produce clean run-off from their land. This contributes to improvements in drinking water quality and helps us reduce energy, chemicals and further costs in our water treatment process. Using the principles of paid ecosystem services, the scheme raises awareness of water quality issues and drives long-lasting behaviour change. In 2019/20, Farm to Tap helped to ensure we had no pesticide drinking water quality failures at any of our treatment works.

Extending our catchment management approach

By 2025, we plan to improve the effectiveness of catchment management activities across 44 catchments, covering more than 432,000 hectares – a huge increase in our commitment to nature-based solutions. These 44 catchments were selected through extensive risk mapping, catchment walkovers and data analysis to find the priority areas where water quality is especially sensitive to how the land is managed.

As well as supporting farmers in our drinking water catchments, we're planning to extend STEPS to farmers in our waste water catchments, in order to improve the resilience of the river upstream of our effluent release points. We will also use the opportunity to build biodiversity improvements into the scheme.

To reach this target, we are aiming to provide £2.9 million in funding per year to farmers in 2020 and 2021, working with around 9,000 farmers – that's 63% of the farmers in our region – to implement river quality and biodiversity improvements.

We're also changing the way we measure improvements in river quality, setting an annual reduction target for the pollution load of each catchment and measuring progress against it every month.

SECTION 1:
TAKING CARE OF THE ENVIRONMENT



**ENHANCING
OUR NATURAL
ENVIRONMENT**

In recent years, our society has come to realise the essential role that nature, and in particular biodiversity, plays in maintaining healthy ecosystems.

As a water company, our core activities have a direct impact on nature. It's our responsibility as a socially purposeful company to ensure that our impact is positive – and, as the owner of 10,500 hectares of land across the Severn Trent Water area, we have a huge opportunity to boost biodiversity in our region.

But enhancing our region's natural environment is also a strategic business decision. Protecting and enhancing nature at each stage of the water cycle helps to deliver our core activities more effectively and efficiently, substantially reducing costs for our business and helping keep our bills low.

Our goals:

- 1. Biodiversity –**
improve the biodiversity of 5,000 hectares across our region by 2027 (1% of the UK Government's target for a Nature Recovery Network).
- 2. Priority species and sites –**
protect the most ecologically important sites and avoid the transfer of invasive species.
- 3. Pollutions –**
reduce the number of waste water pollutions in our region by 50% by 2025.

IMPROVING BIODIVERSITY

As a company intrinsically connected with rivers and their catchments, we have the opportunity to significantly enhance the biodiversity of our region – for the benefit of nature, society and our own business. It's an opportunity we've grasped over the past several years, improving the diversity of 244 hectares of land between 2015 and 2020 – more than our target of 75 hectares in that period.

We've seen such good results that we have set a bold new ambition to improve the biodiversity of 5,000 hectares of habitat by 2027 – a commitment we're calling our Great Big Nature Boost. Importantly, we're no longer confining our efforts to land designated as a Site of Special Scientific Interest ('SSSI'), but will work with partners to make a much bigger contribution across the region. We're also creating a dedicated in-house ecology and biodiversity team to manage risks and maximise biodiversity opportunities.

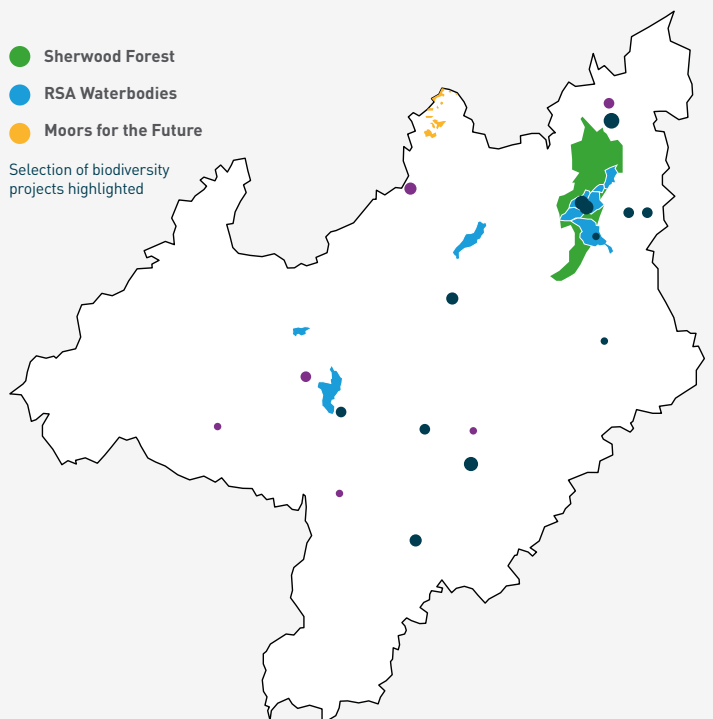
We will deliver our commitment by:

- changing how we manage our own land;
- working with partners to improve biodiversity on third party land;
- working with farmers to change their approaches; and
- offering grants to NGOs, schools, councils and community groups.

Our work in this area is part of our duty as a public authority to conserve biodiversity, as laid out in section 40 of the Natural Environment and Rural Communities Act 2006 and the Environment Wales Act 2016. It also supports Defra's mission to "halt overall biodiversity loss, support healthy well-functioning ecosystems and establish coherent ecological networks, with more and better places for nature for the benefit of wildlife and people" and follows the principles of its biodiversity strategy.

BIODIVERSITY PROJECTS ACROSS OUR REGION

- | Strategic Partnerships
(Area ha) | Boost for Biodiversity Projects
(Area ha) |
|-------------------------------------|--|
| ● 0.000000 – 10.000000 | ● 9.700000 – 10.000000 |
| ● 10.000001 – 25.000000 | ● 10.000001 – 25.000000 |
| ● 25.000001 – 50.000000 | |



Changing how we manage our land

Severn Trent Water owns over 10,500 hectares of land, including urban sites, freshwaters, grassland, farmland, woodland, mountains and moorlands. We have commissioned local Wildlife and Rivers Trusts to undertake biodiversity audits on over 60 of our sites, identified as sites with good opportunities for biodiversity improvements, including our visitor experience sites, which we will use to develop site-specific biodiversity action plans.

Working with partners to improve biodiversity on third party land

Through our research, we know our customers support an increase in biodiversity enhancement activity. Developing strategic partnerships allows us to set even more ambitious goals and deliver them faster.

Some of our key partnerships over the next five years will include:



Sherwood Forest – we will work with the RSPB in Sherwood Forest to preserve ancient woodlands, improving water drainage through the sandstone aquifer that supplies our groundwater boreholes. That way, we'll help preserve the boreholes as vital water supplies for the future, and also benefit nature in the area.



Moors for the Future – we will enhance the biodiversity of over 600 hectares in the Upper Derwent catchment by planting sphagnum moss and blocking the gullies that were dug many years ago to drain the bogs. Our long-standing partners in this project include the Peak District National Park Authority, the Environment Agency, the National Trust, Pennine Prospects, the RSPB, United Utilities and Yorkshire Water.



Nature Recovery Networks – we will support the Wildlife Trusts in our region by creating new woodlands, hedgerows and wetlands, and help wildflower meadows and wild grasses to thrive. We are already planning to improve over 600 hectares of habitat to support wildlife corridors throughout our region.



Tree planting – we will plant 1.3 million trees in our region over the next 10 years in partnership with NGOs, community groups and farmers. As well as capturing carbon, trees help to alleviate flooding and improve water quality, meaning that we can reduce our use of chemicals and energy in water treatment. We've mapped the areas in which trees will be planted to ensure we're planting the right tree in the right place.

ENHANCING NATURAL CAPITAL

We are exploring how to incorporate natural capital – the ecosystem the land we own provides – into our business plans and decisions. There is significant natural capital in the land we own, including biodiversity, flood mitigation, carbon sequestration and improvements to water and air quality, as well as social and cultural value for local people. We are already supporting natural and social capital through actions such as installing sustainable urban drainage systems ('SUDS') that mimic natural drainage systems, reducing surface water flooding and providing green spaces for the local community.

Our new waste water performance commitment, Green Communities, measures the natural and social capital that we generate by creating green open spaces and managing rainfall sustainably, allowing us to factor them into our business decisions. Throughout 2020-25, we will use a benefits estimation tool to evaluate the additional benefits of building enhanced SUDS, focusing on air quality, amenity, carbon sequestration, education, health, rainwater harvesting and recreation.



SMALL WOODS – BOOST FOR BIODIVERSITY

The team at Small Woods secured a grant from Severn Trent's Boost for Biodiversity fund.

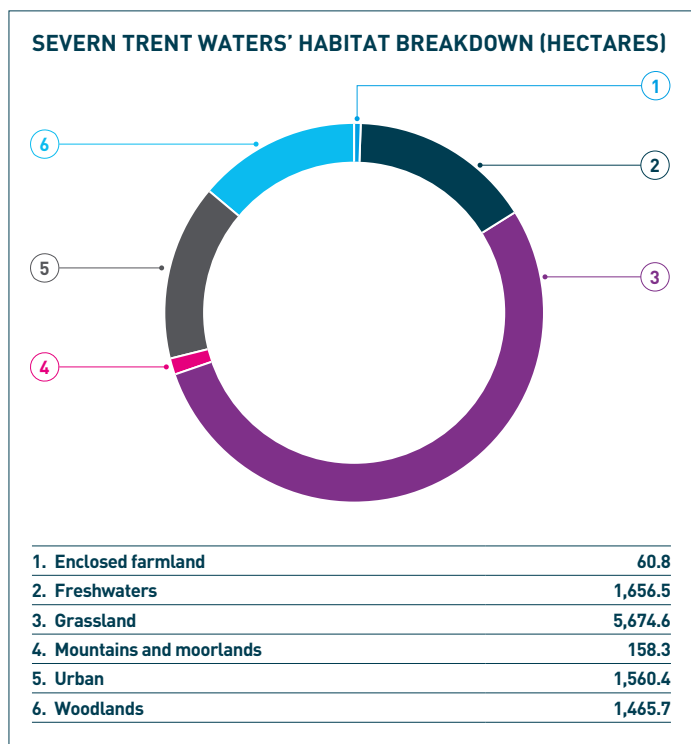
This is already helping to restore and manage areas of woodland that would otherwise be neglected. The work helps to enhance woodland floor biodiversity by allowing more light through the canopy, providing food and shelter for both insects and mammals. Co-ordinator Tristan Haynes explained that the charity not only manages approximately 500 hectares of woodland across the Telford and Wrekin area but also supports unemployed individuals to get back on the career ladder or into volunteering positions through a programme of woodcraft sessions and supportive planning.



Severn Trent funding means we can restore and preserve woodlands while helping vulnerable members of society find their feet.

Tristan Haynes, Co-ordinator at Small Woods

SECTION 1: TAKING CARE OF THE ENVIRONMENT



Working with farmers to change their approaches

In 2019, we extended our water quality-focused STEPS to include biodiversity activities, helping farmers to enhance the natural environment. To read more about this scheme, see page 17.

Offering grants to ('NGOs'), schools and community groups

Our Boost for Biodiversity grant scheme offers funding to NGOs, schools, councils, farmers and community groups to deliver biodiversity projects.

In 2019/20, the scheme attracted 50 applications and funded six projects across the region. Severn Trent contributed over £90,000 to the fund and Environment Agency partners a further £8,000. The applicants themselves matched every £1 of Severn Trent funding with an additional £4.80. In total, this first round of Boost for Biodiversity will deliver 150 hectares of biodiversity improvements.

We have committed to contribute at least £100,000 to Boost for Biodiversity annually for the next five years.

PROTECTING PRIORITY SPECIES AND ECOLOGICALLY IMPORTANT SITES

Our approach to enhancing the environment places a strong emphasis on protecting the most ecologically important sites and avoiding the transfer of invasive species. This is important not only for improving the biodiversity of our region, but also for reducing the environmental impact of our treatment processes.

The biodiversity audits of over 60 Severn Trent sites, which we are undertaking in partnership with local Wildlife and Rivers Trusts, will identify priority species (as defined by the Natural Environment and Rural Communities Act 2006) and put relevant plans in place to protect and enhance their habitats. We will also integrate wildflower-rich 'insect pathways' into our planning and increase pollinator habitats on our sites.

We are committed to maintaining the SSSIs on our land, and are developing SSSI maintenance and enhancement plans as part of our wider biodiversity commitments.

All improvements to SSSIs are independently verified by Natural England and Natural Resources Wales. We also focus our pollution prevention efforts on the most environmentally sensitive sites near our assets.

PROTECTING NATURE BY PREVENTING POLLUTION

Severn Trent works throughout the water cycle, treating raw water from rivers to supply customers with drinking water, and collecting and treating waste water from customer properties. A failure or blockage anywhere in the system can mean that pollutants can enter the water course – so it's clear that our approach to enhancing our natural environment must include preventing damage through pollution.

We recognise that every pollution can cause harm to the water environment, and we also know that every pollution brings a risk to Severn Trent's reputation, even when we work quickly to fix the problem. That's why we bring a 'zero-pollution' mindset to our work.

What are pollutions?

A pollution is a discharge of any noxious or polluting matter into controlled waters. They are categorised by the Environment Agency based on their impact.

Regulators refer to 'Total pollutions' as the sum of all Category 1, Category 2 and Category 3 pollutions.

Environment Agency	Serious	Category 1 (major)	An incident with a serious, extensive or persistent impact on the environment, people or property (e.g. a large number of fish deaths)	High impact	Natural Resources Wales
		Category 2 (significant)	An incident with a lesser, but still significant, impact		
	Minor	Category 3	Incidents with a minor or minimal impact on the environment, people and/or property with a limited or localised effect on water quality	Low impact	

Most of the pollutions linked to our assets are the result of waste water escaping before it is properly treated. This is typically caused by asset failure, sewers being overwhelmed during heavy rainfall or customers putting the wrong things down the toilet or sink, blocking the sewers. It's our job to manage and mitigate the challenges and risks from operating such an extensive network. Our plan is therefore based on preventing issues in the first place, and responding rapidly when incidents do occur.

Performance in 2019/20

We have a strong track record of limiting pollutions from our operations and we have beaten our Category 3 pollutions Ofwat target every year for the past five years. We have reduced total pollutions by a third – and serious pollutions by over 70% – since 2011. We are also one of only a handful of companies to regularly achieve the industry's highest accolade of 4* EPA from the Environment Agency, reflecting performance across a range of environmental measures. We also have a strong record of self-reporting more pollutions to the Environment Agency than the industry average each year. In the last 12 months we've reduced the number of Category 3 incidents by 12% to our lowest level in a decade.

In the first four years of AMP6, we made substantial improvements in our waste service, including a 62% reduction in external sewer flooding and 38% reduction in sewer flooding. However, with a 28% and 36% increase respectively over the last year, our performance on internal and external sewer flooding has been disappointing and we were challenged by persistent wet weather, highly saturated ground and increased run-off of water in the second half of the year.

Our ambition to halve pollutions

Our mindset on pollutions starts from the position that we are aiming to stop them from happening at all – especially the ones which have the most serious impact. However, given the challenges of operating a diverse and complex network, with many issues that are often out of our control, we are setting an ambition for the next five years to halve pollutions, stretching ourselves beyond the water sector target set by Ofwat and the 40% reduction target set by the Environment Agency. We have developed this stretch target for ourselves because we want to do more to mitigate the impact we have on the natural environment. We truly believe that this is the right thing to do and we know that improving the environment is something supported by our customers as well.

Halving pollutions by 2025 means we will need to achieve our best-ever performance in every asset class, for example, sewage treatment works, pumping stations, sewer overflows, at the same time, and then deliver a further improvement of 30%.

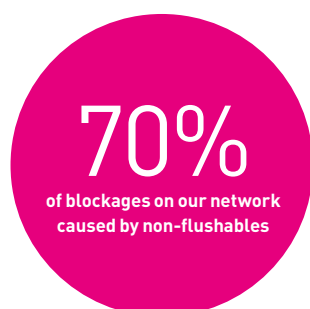
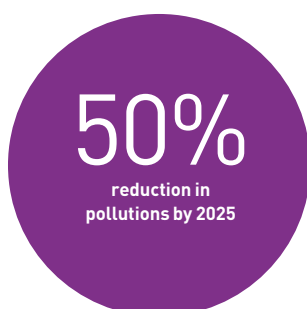
Along with other water companies, we have developed a Pollution Incident Reduction Plan, which we will be tracking with the Environment Agency. In it, we detail our approach, track record, and our plan to reduce pollutions over the next five years and over the longer term.

Our improvement strategy builds on our past learning and focuses on targeted interventions on assets that pose the greatest risk, along with ensuring we adopt best practice. With the ambition of being in pole position as one of the best performers in our sector, we have defined our own 'POLE' (Prevent, Operate, Learn, Engage) improvement strategy, with interconnected actions required across each area of focus linked to asset class, all based on our root cause analysis.

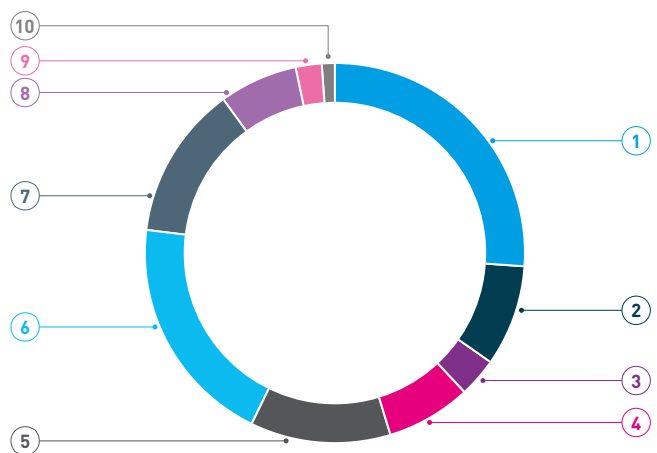
Tackling non-flushables

Around 70% of blockages on our network are caused by customers flushing non-flushable items or fats, oils and greases ('FOG') down toilets and sinks. To achieve our target, we will encourage changes in customers' behaviour, with measures including the following:

- Working with the industry to set flushable standards for disposable wipes. The language used on products in the home can be confusing, so we have continued to push the industry's 'Fine to Flush' messaging through partnering with other companies in an accreditation scheme for wet wipes.
- Working with businesses to install fat traps to stop fats, oils and greases from reaching the waste water stream, and prosecuting where necessary.
- Education through our Wonderful Water Tour. Our dedicated team of Education Officers offer a visit to every primary school. From 2020 we will be collecting behaviour change commitments around avoiding sewer blockages, saving water and drinking more tap water for a healthy lifestyle and a plastic-free environment. Find out more about our approach to education on page 42.



DELIVERING OUR 50% AMBITION – BENEFITS BY PROGRAMME



1. P – Proactive network intervention	24 – 26%
2. P – Network monitoring	8 – 9%
3. P – ('CSO') Combined sewer overflow monitoring and control	3%
4. P – Scheme-based interventions	6.6 – 7%
5. P – Proactive rising mains	11 – 12%
6. O – Effective response and assurance – above ground assets	18 – 20%
7. O – Zero assets out	12 – 13%
8. L – Continuous improvement	6 – 7%
9. E – FOG prevention	2%
10. E – Misconnections	1%

SECTION 1: TAKING CARE OF THE ENVIRONMENT



MAKING THE MOST OF OUR RESOURCES

Waste, some say, is simply a resource in the wrong place. We've taken this advice to heart – and opened up a world of opportunity for our business and the planet.

For over 40 years, we've been disposing of our main waste product – waste water sludge – by turning it into biogas. We are now the UK leader in this space. Generating value from our waste not only makes good business sense, but also means we'll make a significant contribution to the UK's carbon reduction ambitions and help to build a circular economy.

We also have an important role to play in reducing waste from construction and other activities, and by encouraging our suppliers and customers to play their part.

☆ Our goals:

1. Bioresources –

maximise the conversion of sludge into biogas and other useful resources and ensure the safe disposal of the remaining biosolids.

2. Operational waste –

minimise the general and construction waste we send to landfill and maximise the circular economy and the amount we reuse, recycle and recover.

3. Suppliers and customers –

minimise waste in our supply chain and help our customers to reduce their consumption of plastic water bottles.

GENERATING ENERGY FROM WASTE

The majority of our waste is the sludge we produce as part of our waste water treatment process. Our sewage treatment works produce around 11,000 tonnes of sludge per day, or approximately 4.2 million tonnes per year – the perfect example of a resource in the wrong place. In fact, sludge is a valuable material we can use to generate renewable energy, solving our waste problem and combating climate change at the same time.

Severn Trent is the UK leader in AD. What started as a quirk of fate – as a land-locked company, we couldn't discharge our sludge into the sea as other water companies did – has now become a key asset in our approach to climate change. We invested in AD, which breaks down organic material in the absence of oxygen to produce biogas, a methane-rich gas that can be used as a fuel, and biosolids (also known as 'cake'), a source of nutrients that can be used as a fertiliser. Over the last 40 years, we have turned this into an environmental and commercial advantage, using AD to treat our sludge and produce biogas. In 2018, we were the first water company to set up a dedicated Bioresources business.

In the last 10 years, we have used our expertise in AD to build a second standalone business, Green Power, that generates energy from food waste. We buy food waste from local councils and other organisations who collect it, and grow crops on land that is not suitable for growing food for human consumption. In 2019, we acquired Agrivert, a market leader in the development and operation of organic waste treatment facilities, giving us greater scale and capabilities. We now operate eight food waste facilities and process around a quarter of England's food waste.

Performance in 2019/20

Together, our Bioresources and Green Power businesses make us the largest owner and operator of AD plants in the UK. In 2019/20, we delivered 445 GWh of renewable energy from our 37 AD sites – that's enough to power around 100,000 homes for a year, saving the equivalent of 110,000 tonnes of carbon.



INNOVATING TO TURN SLUDGE INTO A RESOURCE

In February 2020, Severn Trent and CCm Technologies were awarded an innovation grant of around £1 million from the Department for Business, Energy and Industrial Strategy ('BEIS') and the Carbon Trust to convert biosolids from our AD plants into a high-quality fertiliser. The process also captures carbon dioxide from our combined heat and power ('CHP') plants, together with ammonia from our treatment works.

The next step is to build a pilot plant to test the technology, a world first for the waste water sector. If the project is successful, it will substantially reduce our carbon emissions and transportation costs and increase the agricultural markets we can sell to.

Wherever possible, we use the energy we generate to power our operational sites. Severn Trent generated the equivalent of 51% of our own energy needs across 2019/20, and biogas from AD accounts for the majority of this total – making it by far the biggest contributor to delivering our carbon commitments, see page 24 for more details. Generating our own energy also protects us from future volatility in energy prices.

In the 2019 calendar year we recycled over 115,000 tonnes of dry solids to agricultural land.

Recycling the organic matter and plant nutrients in anaerobically digested biosolids to agricultural land is widely viewed as the most sustainable sludge management option. However, we support continued research into potential contaminants in the biosolids, for example from micro-plastics, to make sure all risks are managed and mitigated appropriately. We contributed to research published by UK Water Industry Research that demonstrated that our water and waste water treatment processes are extremely effective at removing micro-plastics. We are also working with the other UK water companies and the Environment Agency on a national chemical investigation programme to gain further insight into potential risks associated with emerging contaminants.

The future of bioresources

The growth of energy from waste is no longer driven solely by the need to dispose of waste safely, but by a far greater challenge: climate change. The UK has ambitious plans to reduce its carbon emissions to net zero by 2050, and AD will play a critical role in achieving this goal. In 2019, Ofwat encouraged the development of the bioresources market by creating a dedicated price control, creating the opportunity for us to buy other water companies’ sludge and trade waste to be treated in our AD plants. We are well placed to be a key player in this market as it expands over the coming years.

As well as growing our business, we plan to:

- **Upgrade our technology** from conventional digestion to Thermal Hydrolysis Plants (‘THPs’). We already have two of these plants, which use heat and pressure to treat sewage sludge, enabling the extraction of up to 30% more energy than conventional processes.
- **Recover other valuable resources from sludge**, including nitrogen, phosphorus, nutrients and cellulose. Our Nottingham plant already recovers nitrogen and phosphorus, and our new RRI centre at Sernal will test innovative technologies and processes for extracting even more value from sludge.
- **Explore carbon capture** from our AD processes in order to decarbonise our energy generation. This has already begun, with a trial starting at Minworth in 2020.

REDUCING SINGLE-USE PLASTIC BOTTLES

Severn Trent is an active supporter of City to Sea’s Refill campaign, which aims to cut down on single-use plastic water bottles by giving free and easy access to tap water when out and about. In 2019/20, Severn Trent employee volunteers have helped to sign up around 600 businesses in our region, asking them to display a blue sticker letting passers-by know that they can fill up their reusable water bottle inside.

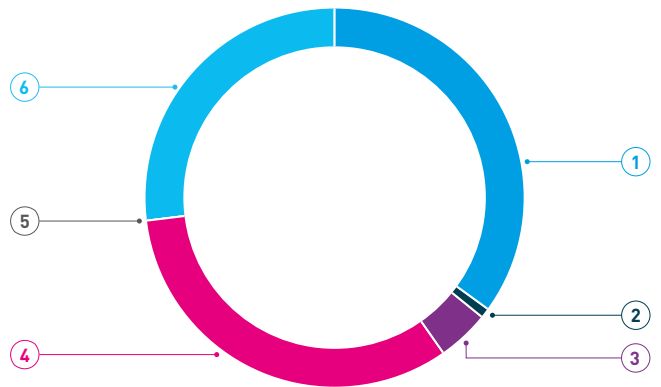
There are now over 20,000 Refill stations across England, easily identifiable through the downloadable Refill app. City to Sea estimates that 14 million single-use plastic bottles could be saved every year if each refill station is used just twice a day.

This project contributes to our sector’s Public Interest Commitment to prevent the equivalent of 4 billion plastic bottles ending up as waste by 2030. For more information, see the [Water UK website](#).

REDUCING WASTE IN OUR OPERATIONS

Sludge accounts for a large proportion of our waste, but it’s also important that we address the remainder, which is made up of excavated highway waste from network operations, construction waste from civil and engineering projects, office and operational waste. In 2019/20, we worked with Bureau Veritas to audit our different waste streams to give us better visibility. See the breakdown of our waste generated below.

TOTAL WASTE GENERATED (METRIC TONNES) 2019/20



1. Excavated Highway Waste	157,248
2. FM and operational Waste	3,420
3. Grit and screenings	20,144
4. Biosolids water and waste (dry) (wet 646,677)	146,038
5. IT hardware and WEEE¹ Waste	15
6. Construction from capital works	120,028

¹ Waste Electrical and Electronic Equipment.

This year Bureau Veritas completed a waste audit covering Categories 1 to 5, using 2018/19 data as the last full years’ data available. Categories 2, 3, 4 and 5 have been verified by Bureau Veritas (2 and 3 have limited source data due to COVID-19 restrictions). Within category 1, 89,612 tonnes has been verified. The remaining 67,636 tonnes could not be verified, instead estimated based on job volumes and average waste excavation.

Our aspiration is to send zero waste to landfill from our operations. Waste streams such as Facilities Management (‘FM’) and operational waste, Biosolids and IT hardware have landfill diversion rates as high as 99%. We are currently developing a plan to increase the percentage of all waste streams diverted from landfill, and will use this audited data to set robust targets for waste reduction, reuse, recycling and recovery across all waste streams.

We have banned our most visible office waste – disposable coffee cups and single-use plastics – from our head office in Coventry, and are planning to roll this out to other sites.

ENCOURAGING SUPPLIERS AND CUSTOMERS TO REDUCE WASTE

Our work to date has focused on our own waste, but in order to create a truly sustainable future we’ll need to support those around us to minimise waste and maximise reuse, recycling and recovery. In the next year we’ll be engaging with our suppliers on waste, alongside other sustainability considerations, and building waste-related requirements into our supplier selection criteria.

SECTION 1: TAKING CARE OF THE ENVIRONMENT



MITIGATING CLIMATE CHANGE

Climate change is one of the greatest challenges our society will face this century.

We're better placed than many other businesses to understand the scale of the challenge we face. As a company providing an essential service drawn from nature, we know that our sector is particularly vulnerable to the effects of climate change. In fact, we've already felt the impacts of extremes in weather over the past few years.

Our goals:

- 1. Direct emissions –**
reduce the direct emissions from our processes, networks and operations, including 100% electric vehicles by 2030.
- 2. Energy –**
minimise our energy consumption, use 100% renewable energy in our operations, and maximise our own generation of renewable energy.
- 3. Supply chain –**
reduce the emissions in our supply chain and the embedded carbon in our assets.

MITIGATING CLIMATE CHANGE

This challenge will only grow in the longer term, which is why we recognise the impact of extreme and unpredictable weather due to climate change as one of Severn Trent's principal business risks. For more on how we are adapting to a changing climate, see page 16.

We also want to play our part in mitigating climate change, setting ourselves an ambitious Triple Carbon Pledge and committing to Science-Based Targets to ensure our carbon reduction is in line with the 2015 Paris Agreement. As a large consumer of energy, these targets will be challenging for us to meet – but we are determined to lead on this critical issue.

Our climate change commitments cut across many of our Company's activities, from energy generation and catchment management through to water efficiency and how we work with our supply chain. It will mean we need to create completely different ways of working across the whole business. And it's a challenge we're ready to take on.



Our climate commitments

Triple Carbon Pledge

- **Net zero** carbon by 2030
- **100%** electric vehicles by 2030*
- **100%** renewable energy by 2030

These commitments contribute to our sector's Public Interest Commitment to achieve net zero carbon emissions for the sector by 2030. For more information, see the [Water UK website](#).

In March 2020, we were the first water company in the UK to commit to developing **Science-Based Targets**. This means that we will develop longer-term commitments to make real reductions across Scope 1, 2 and 3 emissions, in line with the goal of the 2015 Paris Agreement to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.

* Assumes specialist vehicles such as tankers become available within the time window



Our climate credentials

We have held the Carbon Trust standard for over 10 years, recognising our best practice in measuring, managing and reducing our environmental impact.

Our 2019 CDP rating was B, an improvement on our 2018 ranking of C.

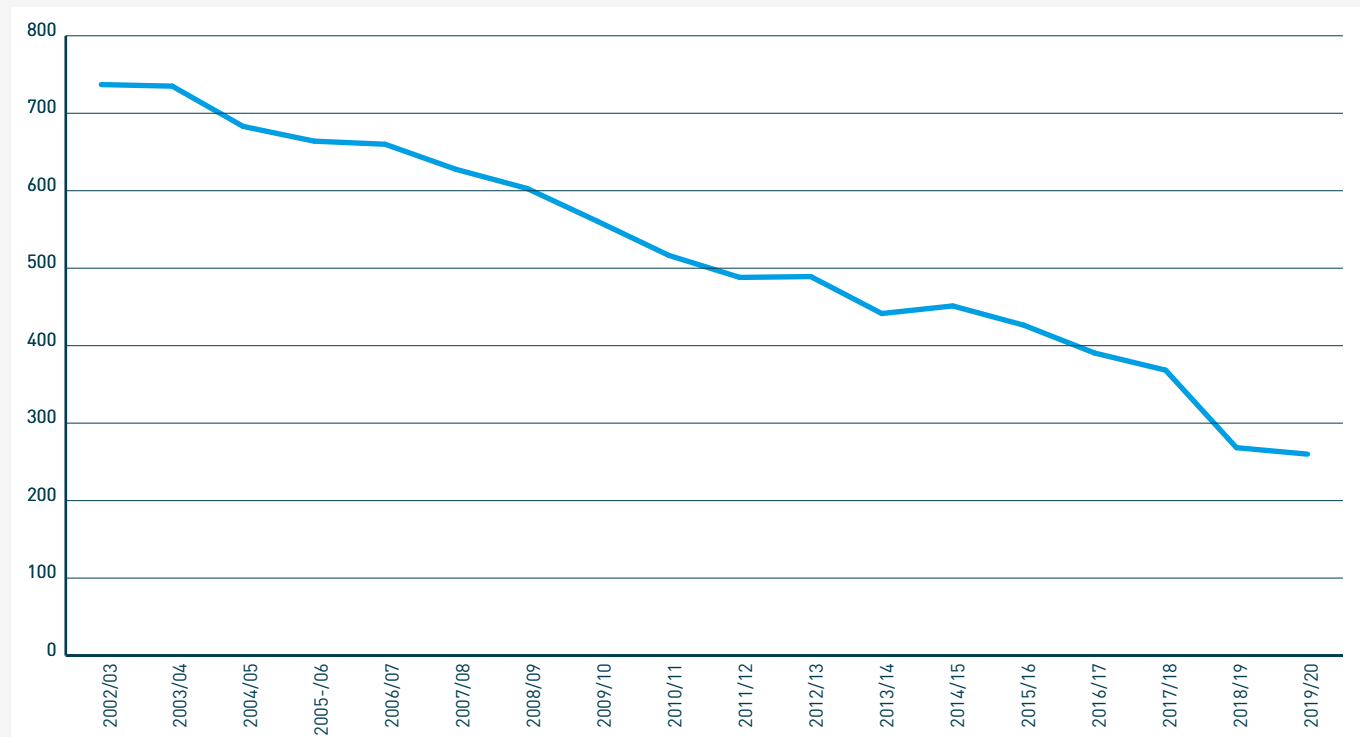


Severn Trent Group carbon footprint

Our gross emissions total in the table below applies the 'location-based' accounting methodology for grid emissions, which is consistent with previous years' carbon reporting in the Annual Report and Accounts. We also show the net benefit of our renewable energy procurement via our suppliers, applying the 'market-based' accounting methodology, which is included in our net emissions total. Our GHG emissions are reported in tonnes of carbon dioxide equivalent (tCO₂e), for the period 1 April 2019 to 31 March 2020.

Operational Greenhouse Gas Emissions (tCO ₂ e)	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Scope 1 Emissions (Combustion of fuel and operation of facilities)	132,535	132,406	134,584	138,131	134,307	132,360	156,014
Scope 2 Emissions (electricity purchased for own use) – Location-Based	330,679	357,756	337,028	294,426	279,393	217,726	199,635
Total Annual Gross Operational Emissions	463,214	490,163	471,612	432,557	413,700	350,086	355,649
Emissions benefit of the renewable energy we export (including biogas for which we hold green gas certificates)	21,672	38,878	45,085	42,069	45,333	46,986	59,878
Market-based carbon accounting benefit from supply of electricity import which is REGO-backed renewable						34,818	35,784
Total Annual Net Operational Emissions – Market-Based	441,542	451,285	426,527	390,488	368,367	268,283	259,987
Annual GHG intensity ratio (tCO₂/unit)							
Net Operational GHG emissions of Severn Trent per £m turnover	248.6	255.2	234.7	214.0	217.4	151.8	141.0

OVERALL CARBON FOOTPRINT REDUCTION OVER TIME (ktCO₂E)



In line with the latest Government energy and carbon reporting requirements, please see page 127 of our Annual Report and Accounts for more information on our energy consumption for the last two years across the Severn Trent Group.

SECTION 1: TAKING CARE OF THE ENVIRONMENT

REDUCING OUR DIRECT EMISSIONS

In 2019/20, Severn Trent Group produced 156,014 tCO₂e direct (Scope 1) emissions from our operations. The majority (c.65%) were from our water and waste water treatment processes, with the remainder split between on-site energy generation (c.30%) and our transport fleet (c.5%). Reducing these emissions is our first priority in delivering our net zero carbon commitment.

Moving to 100% electric vehicles

We have been taking action to reduce our transport carbon emissions for several years, buying low-emission diesel vehicles, trialling electric vehicles and fitting additional particulate filters to our HGVs. In 2019, we joined The Climate Group's EV100 group and committed to a fully electric fleet by 2030 – assuming specialist vehicles such as tankers become available within that time window.

Electric vehicles are a natural choice for Severn Trent, with our large fleet of vehicles operating locally and sites that generate excess renewable energy. We estimate that this strategy will begin to deliver whole-life cost benefits from 2022, helping to lower our operating costs.

Our commitment will roll out gradually to all our vehicles:

- **Cars:** from now on, we will purchase only electric cars, reaching 100% in use by 2026 in line with our fleet replacement programme.
- **Vans:** in 2020 we will start purchasing small electric vans for shorter trips. We expect suitable larger models to become available in the next few years, and plan to be buying only electric vans from 2023 onwards. We'll also explore how we can weight our fleet toward smaller vans – for example, by carrying less kit – to speed up this process.
- **HGVs and tankers:** based on today's outlook, electric options may not be available by 2030, so we are working with electric vehicle suppliers to speed up this process. We are also exploring alternative low-carbon options such as hydrogen and biogas – fuels that we may be able to produce from our own operations.

To support our commitment to 100% electric vehicles, we are installing over 300 charge points across 65 sites over the next 18 months.

Tackling process emissions

Reducing emissions from our treatment processes is one of the most important – and also most challenging – elements of our climate change mitigation strategy. Methane and nitrous oxide, greenhouse gases more potent than carbon dioxide, are released during the biological treatment of waste water. As we make progress in other areas, they will soon become our biggest source of direct operational emissions. We are currently improving the process by which we calculate emissions and reviewing the best options for emissions reduction – from simple maintenance to fix leaks, to new, innovative approaches – to inform our strategy.



TRIALLING A REVOLUTIONARY LOW-CARBON TREATMENT PROCESS

Last year we committed to net zero carbon emissions by 2030 and this year we committed to creating Science-Based Targets in line with the goal of the 2015 Paris Agreement. We know we have to reduce the level of emissions that come from our processes, which is why we are working with partners across our supply chain to trial a new way of treating waste water in our sewage treatment process. We are trialling an anaerobic membrane bioreactor ('AnMBR') that allows us to treat waste water anaerobically at lower temperatures than traditional methods, based on 10 years of research at Cranfield University. Compared to conventional waste water treatment, this new system has significantly lower operating costs and a much smaller carbon footprint. The process also produces less nitrous oxide, a greenhouse gas around 300 times more potent than carbon dioxide. The project is part funded by the EU Horizon 2020 NextGen programme and will begin to show results in 2022. AnMBR is one of three projects underway at our new Resource Recovery and Innovation centre at Spernal – the first of its kind in the UK – that allows us to run large-scale technology trials.

DRIVING ENERGY EFFICIENCY AND RENEWABLES

We currently consume around 2,037 GWh energy per annum. That makes energy one of our largest controllable costs, second only to our investment in people. We are managing our carbon emissions from energy by reducing consumption and by shifting our energy sources towards renewables.

Minimising our energy consumption

We have been running an energy efficiency programme for the last decade, enabling us to make energy-intensive quality and service improvements and to deliver more water to meet rising demand – all without increasing our energy use.

In order to continue increasing energy efficiency, we are continuing to improve operational behaviours, monitor site energy performance, and maintain our buildings, pipes and other assets. We encourage our teams to reduce their energy consumption at work: our monthly Kill-a-Watt league recognises those who achieve the best energy saving measures. In the longer term, our focus on innovation in our treatment processes will also bring significant energy savings.



One of the best ways to minimise our energy consumption is to reduce the volume of water we pump and treat. To deliver this, we're working to reduce leakage throughout our network and help our customers use water more efficiently – see page 15 for details. We are also extending our catchment management approach, which delivers cleaner water to our treatment works and means we use less energy to treat it – see page 16 for details.

Sourcing 100% of our energy from renewables

In May 2019, we pledged to source 100% of the energy we use from renewable sources by 2030 – and on 1 April 2020, we delivered on our commitment 10 years early. Across 2019/20, we met the equivalent of 51% of our energy needs through self-generation, with a monthly high of 54%. The majority of our self-generation came from energy generated from sludge, crops and food waste (see page 22) and a small percentage from solar, wind and hydro-power at sites that consume large amounts of energy. The remainder is renewable energy purchased on the wholesale market, certified by the Ofgem-regulated REGO scheme.

We are looking to increase the amount of energy we generate ourselves, which not only supports our renewables commitment but also protects us from future volatility in energy prices. Our commitment to develop Science-Based Targets means that we will need to begin exploring the capture of carbon from our AD processes, in order to decarbonise our renewable energy generation. Our innovative new partnership with CCm Technologies is piloting the capture of carbon from our AD process and using it to turn other by-products of our waste water treatment process into high-quality fertiliser – see page 23 for more details.

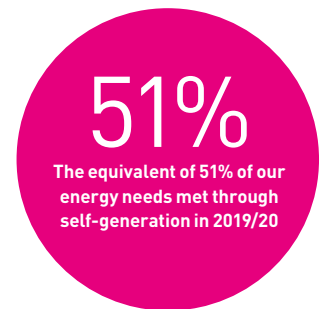
We also plan to enter into dedicated power purchase agreements ('PPAs') to meet a proportion of our energy needs, starting with our first in 2020. PPAs allow us to support new, local renewable generation directly by agreeing to become a long-term purchaser of energy, lowering the risk of investment for others – and also to secure lower energy costs, allowing us to maintain lower bills for our customers.

Supporting the UK's transition to renewables

Many types of renewables are decentralised and generate power intermittently, making it harder to balance supply and demand across the electricity network. In order to meet the UK's commitment to being net zero carbon by 2050, we will need to build flexibility into our energy system – and Severn Trent is well placed to support this change, making a real contribution to our national energy transition.

One example of this is 'demand side response'. Our operations use a significant amount of energy, but we can often be flexible about when that energy is used. For a number of years, we have reduced our demand to around 40% of normal levels in periods of peak demand (and high electricity prices) during the winter, saving around £2.5 million per year.

We also operate 'frequency response' on several sites – thousands of tiny, automatic changes to our energy use that have no impact on our treatment processes. The investment in the control equipment we use to enable this pays back within two years.



TACKLING SCOPE 3 EMISSIONS

Our commitment to developing Science-Based Targets means that understanding our Scope 3 emissions is a priority. We are currently assessing our baseline position across all Scope 3 categories. This includes our supply chain emissions, where we are assessing ways to establish an effective baseline. This will enable us to work with our suppliers, particularly those with the highest impact, to help measure, report and reduce their emissions. This will form a key part of our programme for supplier sustainability, see pages 50 to 51.

Reaching net zero carbon

Although we will prioritise carbon reduction in order to meet our goal to be net zero carbon by 2030, it is likely that we will also need to offset the remaining emissions. We are currently working out our strategy, and are committed to ensuring that our work in this area is robust. For example, we intend to offset internally – by planting trees and restoring peatlands in our region – before we look to offset externally.

Environmental standards and assurance

We have held our ISO 14001 Environmental accreditation for our Environmental Management System since April 2011. Our ISO accreditations cover:

- 43% of our waste water recycling operational sites;
- combined heat and power plant activities;
- head office functions relating to waste water;
- transfer and storage of excavated highway waste; and
- landfill activities.

External certification of our management systems provides the business with an independent view of the suitability, adequacy and effectiveness of our systems and identifies improvement opportunities. This robust framework leads to better management of risks and continuous improvement of processes, adding value for our customers and decreasing the risk of outcomes that could damage our reputation. In 2017, we developed an Environmental Management System assurance plan to focus on specific areas of risk, legal and process compliance.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

We are fully supportive of the Task Force on Climate-related Financial Disclosures ('TCFD') and are committed to ensuring that our disclosures align with their recommendations. This is our first disclosure and we will continue to evolve our approach and reporting in future years.



Documents available at:
www.severntrent.com

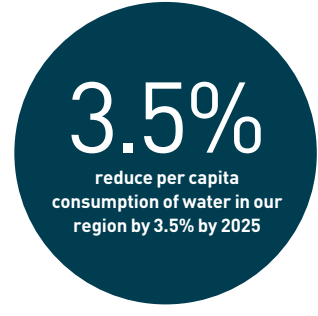
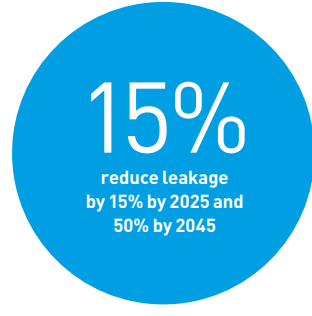
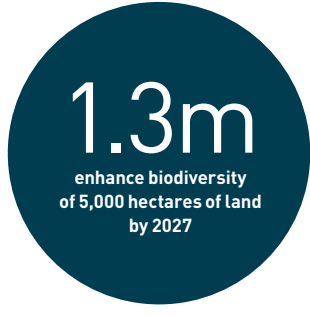
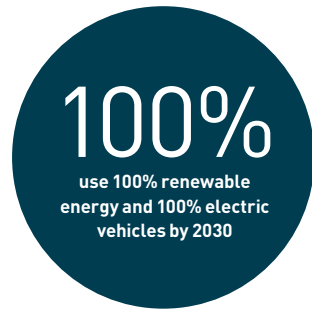
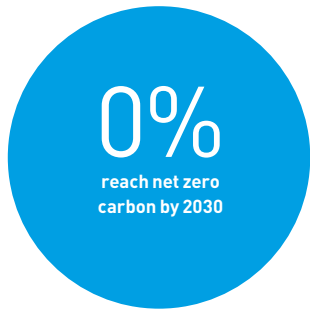
Recommended disclosure	Response	References
2.1. Governance		
a. Describe the Board's oversight of climate-related risks and opportunities.	<p>The Board has overall responsibility for ensuring that risk is managed effectively across the Group and that there is an effective risk management framework in place. The Board, and Audit Committee, continually review our principal risks, and related controls, including the impact of extreme and unpredictable weather due to climate change. Our sustainability framework, including action on climate change, is signed off by the Chair of the Board.</p> <p>Our Enterprise Risk Management ('ERM') process establishes target risk positions for each of our significant risks. The Board formally discusses the progress towards this position and the mitigating actions being undertaken during risk review meetings every six months. The Board meets 10 times a year to review strategic matters and in 2019 held a session focused specifically on carbon. Our Board skills matrix in the Annual Report and Accounts sets out which Directors possess sustainability – and, in particular, climate change – experience and expertise.</p> <p>The Corporate Sustainability Committee (a Board Committee) has oversight of Severn Trent's key non-financial risks. In 2019/20, the Committee's Terms of Reference were updated to include a greater focus on climate change. Throughout the year the Committee discussed our approach to climate change adaptation and approved the commitment to develop Science-Based Targets. Going forwards we will establish a formal annual review of climate risks and opportunities.</p>	<ul style="list-style-type: none"> – Corporate Sustainability Report, pages 99 to 101 in Annual Report and Accounts – Board skills matrix, page 83 in Annual Report and Accounts
b. Describe management's role in assessing and managing climate-related risks and opportunities.	<p>Assessing and managing climate-related risks and opportunities forms an integral part of our business planning process. Both mitigation and adaptation are integrated into the performance objectives and business plans for the energy and environment teams, and we are exploring how to ensure climate change is reflected in company-wide remuneration.</p> <p>Subject experts feed into a sustainability steering group that reports into the Corporate Sustainability Committee.</p>	<ul style="list-style-type: none"> – PR19 Business Plan – How we manage sustainability, page 49

Recommended disclosure	Response	References
2.2. Strategy		
<p>a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.</p>	<p>The most significant physical risks climate change poses are hot, dry summers leading to water shortages, and wetter winters with more intense rainfall exceeding sewer capacity and causing surface flooding. Water quality is also likely to be impacted.</p> <p>Our WRMP demonstrates that we have long-term plans in place to accommodate the impacts of population growth, drought, our environmental obligations and climate change uncertainty in order to balance the supply and demand for water in the communities we serve. Specifically, for our WRMP we have tested scenarios forecasting 80 years ahead to identify any gaps or shortfalls in our schemes which contributes to our decision making when considering future capital schemes.</p>	<ul style="list-style-type: none"> - Principal Risks, pages 58 to 62 in Annual Reports and Accounts - Climate Change Adaptation Report 2015-2020
<p>b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.</p>	<p>Climate change is a key consideration in our business planning – PR19 clearly sets out the potential impacts and builds in resilience. Our approach constantly evolves: in 2019 we made our Triple Carbon Pledge, and in 2020 we have committed to develop Science-Based Targets. Climate change and carbon reduction are primary considerations in our choice of solutions. Recognising the important role of innovation in reducing carbon, much of our innovation is focused on low-carbon solutions: for example, our new RRI centre at Spernal is exploring low-carbon technologies and processes. Our financial planning supports these strategic objectives and includes investment in and managing the financial risk of climate change. For example, the outputs of our WRMP fundamentally impact our long-term investment plans. We also work regionally with other water companies to ensure consistent modelling and regional planning.</p> <p>We use a structured approach for managing our drought risk. We have a pre-determined management structure with set actions for consideration or implementation. Our Drought Permit Environmental Appraisal reports are updated on a rolling basis and our online monitoring programme enables us to compare our baseline data with that under drought conditions.</p>	<ul style="list-style-type: none"> - PR19 Business Plan - Mitigating climate change, page 24 - Water Resources Management Plan 2019 - Draft Drought Plan 2019
<p>c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>Our WRMP and DWMP are tested against many of the UK Climate Projections 2009 and 2018 scenarios which encompass several impacts, including not just temperature but also extremity and duration of drought. Drought has been extensively assessed as part of the WRMP, using historical data sets dating back to 1880 to model droughts of varying durations and severities. Our current asset systems build in resilience to 1 in 200-year events. However, we are working towards a drought resilience level of 1 in 500-year events.</p> <p>We are constantly learning and improving our processes and resilience, for example the reliability of our network and assets, ensuring they operate at or close to their design maximum even during extreme weather conditions.</p> <p>We are building additional network redundancy and flexibility, improving our response and recovery to extreme weather events. We are also continuing to build on the effectiveness of our seasonal weather campaigns to drive customer action to further improve resilience.</p>	<ul style="list-style-type: none"> - Water Resources Management Plan 2019 - Draft Drainage and Waste Water Management Plan 2018 - Draft Drought Plan 2019

SECTION 1: TAKING CARE OF THE ENVIRONMENT

Recommended disclosure	Response	References
2.3. Risk management		
a. Describe the organisation's processes for identifying and assessing climate-related risks.	<p>The principal risks that comprise our Company risk register are identified, assessed, managed and monitored through our ERM process. Our significant risks are reported to our Executive Committee, Audit Committee and Board every half year, while specific risk topics are discussed at the Board throughout the year. Assessment of the influence that climate change has on our significant risks forms part of our ERM process. As part of our ongoing ERM process, we constantly review the risk landscape to recognise new risks or to reassess existing risks due to a change in the risk landscape. This is completed through top-down activities with our Executive Committee, including horizon-scanning and risk workshops.</p> <p>We have also participated in the first two rounds of Climate Change Adaptation reporting under the Climate Change Act 2008, and are updating our full risk assessment this year, which we will embed within our risk management process. We are developing a separate climate change risk, and going forwards want to further understand potential financial implications of climate risk. This will be our focus as we continue to evolve our disclosures.</p>	<ul style="list-style-type: none"> – Climate Change Adaptation Report 2015-2020 – Risk Management, page 57 in Annual Report and Accounts
b. Describe the organisation's processes for managing climate-related risks.	<p>Our approach to managing climate-related risks reflects our status as a regulated utility providing essential services and operating as part of the Critical National Infrastructure for the UK. The understanding we gain from our ERM process allows us to put in place effective mitigation strategies. The resilience of our service is vital, and we regularly carry out exercises jointly with other agencies such as local authorities, police and fire services to test this resilience.</p> <p>We have undertaken a detailed and rigorous review of all our risks and how they interrelate 'in the round'. These include corporate and financial risks, as well as risks that traditionally receive more focus e.g. operational risks. Climate change is a key factor that influences many of our risks and this is addressed from a system perspective. We have operational systems that build in levels of redundancy to ensure we can continue to provide an excellent service to customers when a component or asset within a system fails. Just as importantly, this approach considers third party risks such as power supply failures and puts in place responses to tackle them should they occur. We also look to work in collaboration, for example with the Environment Agency to manage operational response to flooding.</p>	<ul style="list-style-type: none"> – Water Resources Management Plan 2019
c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	<p>We have a robust risk network within our organisation consisting of risk co-ordinators, risk champions and risk owners. On a quarterly basis, all ERM-level risks are updated and signed off by the senior risk owners. Within each business unit, bottom-up risk sessions help identify new ERM risks, opportunities and emerging risks. Our central risk team engages with the Executive Committee to discuss the risk backdrop at a higher level to drive the development of new ERM risks.</p> <p>As part of our business planning process, we also engaged with our established network of regional stakeholders to understand the challenges they will face over the next 25 years and help inform where we target resources to improve resilience.</p>	<ul style="list-style-type: none"> – Risk Management, pages 57 to 62 in Annual Report and Accounts

Recommended disclosure	Response	References
2.4. Metrics and targets		
a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	<p>We use a dedicated risk management system which incorporates our Principal Risks, as reported in our Annual Report and Accounts. Individual ERM risks are linked to our Principal Risks for reporting and categorisation.</p> <p>Our Climate Change Adaptation Report provides a full risk assessment of the risks and opportunities posed by climate change, using a 50-point scale.</p>	<ul style="list-style-type: none"> – Climate Change Adaptation Report 2015-2020
b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	<p>We have a long history of reducing carbon emissions and have held the Carbon Trust accreditation for over a decade. We have made significant steps in reducing our energy use through efficiencies and innovation, reducing carbon by around 59% since 2008. We are rated B in CDP.</p> <p>In line with our commitment to develop Science-Based Targets, we are focused on understanding our Scope 3 emissions in more detail and working collaboratively with the industry and our supply chain.</p>	<ul style="list-style-type: none"> – Severn Trent Group carbon footprint, page 25
c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	<p>We manage climate-related risks and opportunities through our long-term sustainability commitments, which include the following:</p> <ul style="list-style-type: none"> – Reach net zero carbon by 2030. – Use 100% renewable energy and 100% electric vehicles by 2030. – Maximise the conversion of sludge into biogas and other useful resources. – Enhance the biodiversity of 5,000 hectares of habitat by 2027. – Plant 1.3 million trees by 2030. – Reduce leakage by 15% by 2025 and 50% by 2045. – Reduce per capita consumption of water in our region by 3.5% by 2025. 	<ul style="list-style-type: none"> – Mitigating climate change, pages 24 to 27 – Making the most of our resources, pages 22 to 23 – Enhancing our natural environment, pages 18 to 21 – Ensuring a sustainable water cycle, pages 14 to 17



HELPING PEOPLE TO THRIVE

As a company taking care of one of life's essentials, we're proud to be at the heart of our region.

We're determined to make a real difference to the people we interact with every day, whether they are customers, colleagues, or people in the communities we serve.

There's much less difference between these three groups than you might think: around 87% of our employees are also our customers and they live in our communities, giving us a uniquely strong connection to our region.

Customers

We serve over 4.6 million households and businesses in our region, in some of the most affluent areas of the country as well as some of the most deprived. As the provider of an essential public service, we're committed to providing a service for everyone, and to delivering extra support where it's needed. Water poverty – being faced with a water bill that is more than 5% of your disposable income – has no place in a thriving society, so we're committed to eradicating it by 2030.

Colleagues

Our colleagues' close connection to our region means that they really care about their work and are motivated to do their best for our customers and communities. We are committed to providing them with a working environment where everyone can succeed and an open, diverse culture to make better business decisions. This also helps us with recruitment, engagement and retention of the best people.

Communities

When our communities thrive, so do we. That's the driving force behind our contribution to our region's skills and knowledge, social mobility and community projects. Making a positive difference in our communities is also good for our business, helping us to earn the trust of our customers and other stakeholders, and reinforcing our reputation as a purposeful company.

To find out more about how we are supporting our customers, colleagues and communities throughout COVID-19, see pages 10 to 11 of our Annual Report and Accounts.

Over the last five years | **In the next five years**



Key achievements

- Supported almost 250,000 customers who struggle to pay their bill each year, over AMP6
- Severn Trent Water continued to offer the lowest bills in England, and Hafren Dyfrdwy the lowest bills in Wales
- Employee engagement scores put us in the top 5% of utility companies across the world
- Ranked third in the FTSE100 for gender balance in the Hampton-Alexander Review
- Ranked third in the Social Mobility Index and hired 43% of new starters from social mobility cold spots
- Trained 2,166 employees in mental health awareness
- Raised over £1,320,000 for WaterAid



Key commitments

- Support 195,000 of our customers who struggle to pay their bill each year, by 2025
- Extend our commitment to paying the real Living Wage to people who work with Severn Trent in our supply chain, not just our direct employees
- Invest £10 million in a new technical training academy, enhancing skills in the Midlands
- Donate 1% of Severn Trent Water's profits (over £10 million over the next five years) into our new community fund
- Inspire 500,000 school children to use water efficiently, drink more tap water and avoid sewer blockages, by 2025



Key challenges

- Eradicating water poverty will be a core challenge for our sector – not least because water poverty is a reflection of overall poverty, which has complex causes outside our control. We need to play our part as a provider of an essential service to ensure all our customers can access water and waste water services
- We are proud of our progress in creating a diverse and inclusive workforce, but we know there is more to be done and we want to set even bolder ambitions. In order to do that, we need to be even more transparent about the make up of our workforce



Priorities for Severn Trent

- Delivering an affordable service for everyone
- Providing a fair, inclusive and safe place to work
- Investing in skills and knowledge
- Making a positive difference in the community

SECTION 2:
HELPING PEOPLE TO THRIVE



DELIVERING AN AFFORDABLE SERVICE FOR EVERYONE

We provide an essential public service – so we need to serve everyone, no matter who they are.

Our water and waste water bills are among the lowest in the UK. 66% of our customers agree that we represent good value for money, and we’re planning a 9% reduction in real terms by 2025. But some of our customers struggle to pay their bills – and others need additional support, particularly during service interruptions.

Supporting people in challenging circumstances is clearly the right thing to do, and can make a real difference to their lives. It also makes good business sense for us. It costs our paying customers £7 per year on their bill to offset the cost of those who don’t pay – so helping customers to pay what they can is an important part of keeping our bills low.

Our goals:

1. Affordability –
by 2025, support 195,000 customers per year who struggle to pay their bills, with a goal to eradicate water poverty by 2030.

2. Accessibility –
identify customers with additional needs and make them a priority for care and support during supply interruptions.

ERADICATING WATER POVERTY

We’re proud to have some of the lowest bills in England and Wales, but we know that for some of our customers, even £1 a day can be a struggle, if only for a short period of time. That’s why we, along with our sector, are committing to eradicating water poverty – meaning that, by 2030, none of our customers will be faced with a water bill that is more than 5% of their disposable income.

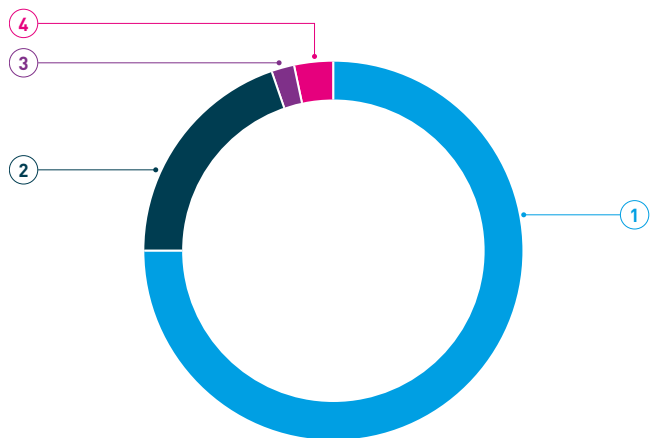
Performance in 2019/20

Around 11% of customers tell us they find their bill unaffordable, equating to around 440,000 people in our region. Our goal for 2019/20 was for 50,000 customers per year to receive financial support and advice from Severn Trent, and we exceeded this goal by supporting a total of c.70,000 customers.

The majority of supported customers were on our social tariff, The Big Difference Scheme – a reduced tariff of up to 90% based on an assessment of a customer’s disposable income. This represents a fivefold increase since it was launched in 2015. During the year, we also worked to make things easier for customers by enabling auto-renewals for the scheme, meaning there is no need for new applications if their circumstances have not changed.

To further support our customers in challenging moments of their lives, Severn Trent also promotes Water Direct. This scheme is designed to help customers budget by allowing for a payment directly from their benefits into their Severn Trent account. The basic principle of this is to make it quick, easy and stress free for customers. This year we have worked in partnership with the Department of Work and Pensions to streamline this process, ensuring our customers have faster than ever access to the scheme, whilst maintaining a robust process to ensure it is correctly administered.

BREAKDOWN OF CUSTOMERS SUPPORTED BY EACH TYPE OF SUPPORT



1. The Big Difference Scheme Our social tariff – a reduced tariff of up to 90% based on an assessment of a customers’ disposable income	52,409
2. WaterSure Charging caps for those in need of extra water	13,643
3. Health checks Face-to-face reviews to understand personal circumstances and promote appropriate support	1,476
4. Proactive metering Proactively contacting customer we believe would benefit from having a water meter installed	2,194
TOTAL	69,722



SUPPORTING CUSTOMERS AT HAFREN DYFRDWY

At Hafren Dyfrdwy, our Welsh water and waste water company, we have a separate target for supporting vulnerable customers who struggle to pay their bill. We are aiming to help 73% of customers who struggle to pay by 2025.

We've been working hard to identify customers in need of support. Our Welsh regions contain many small, close-knit communities, and the team recognises that building relationships with community groups is vital. In partnership with organisations such as Powys Association for Voluntary Organisations ('PAVO'), Warm Wales, Newydd and Mid-Wales Housing, we proactively contact customers who are struggling to pay their bills – by telephone, post, or even door-knocking days in communities with a large proportion of customers who could benefit from our support.

Customers can also apply for assistance online through Here2Help, launched in January 2020 and already helping dozens of customers to access the support they need.

This support is making a real difference to customers:



I met a lady at a foodbank in Wrexham who was looking after a family of four. She was signed off work sick and her statutory sick pay had ended. I helped her make an application to Here2Help. Within a week, her monthly payment was reduced from £67.50 to £12.35. I checked in with her again to see if she needed anything else and she was so happy – she couldn't believe how much we were able to help her! Just knowing things are getting better has made such a difference because she knows she doesn't have to worry about it any more.

Katie Wood, Hafren Dyfrdwy

Supporting customers in financial difficulty

The Severn Trent Trust Fund is an independent charity that administers grants to support those in financial difficulty. The majority of grants are awarded for water debt repayments, but the charity also takes a holistic view of debt and poverty and can signpost customers to social tariffs and other available grant funding, give budgeting and other advice, and access emergency grants for essentials such as beds and white goods (fridges, washing machines etc.).

We contribute £3.5 million per year to the Severn Trent Trust Fund, helping it to become one of the top 20 corporate foundations in terms of giving in the UK this year. In 2016, an analysis of three water companies' trust funds, including ours, concluded that more than £3 of social value was generated for every £1 invested, and that 82% of grant recipients were able to pay their water bills after being supported, demonstrating the long-term impact of this kind of support.

“In three months, they have sorted out my water arrears, a shower and now they are arranging a blue badge for me. What is there to say? It's like the light is shining on me.”

Errol, Severn Trent customer

SECTION 2: HELPING PEOPLE TO THRIVE

Increasing our support for vulnerable customers

Between 2020 and 2025, we will build on our strong track record, quadrupling our support for customers who struggle to pay their bills in order to achieve our goal of eradicating water poverty by 2030.

We are making some key changes to the way we measure our performance:

- Measuring the proportion of vulnerable customers we support, not just the absolute number, giving us a clearer picture of our impact. By 2025, we aim to be supporting at least 43% of customers who are struggling to pay.
- Widening our performance commitment to include customers supported through payment plan concessions ('PPCs'), the Severn Trent Trust Fund and other schemes. This will allow us to deliver more effective support tailored to customers' circumstances: from help during short-term financial difficulties to in-depth support for those who need it most.

During 2020, we will work with other water companies to align the criteria behind our social tariffs – which can differ depending on where UK customers live – and focus them on the customers in greatest need of support.

IMPROVING THE ACCESSIBILITY OF OUR SERVICE

Customers with a medical condition, disability or additional need that requires high or constant water use can join our Priority Services Register – a list of approximately 50,000 customers who qualify for priority care and support during a supply interruption.

The list also allows us to tailor our everyday support to our customers' needs: from waiting longer at the door if we know they need more time to get around, to helping them appoint a nominated person to speak to us on their behalf. We designed this service in partnership with customers and with the help of experts like St John's Ambulance and Guide Dogs for the Blind.

Because we serve everyone in our region and don't have contracts with individuals, we know less about our customer base than other companies such as broadband providers. That means we need to be proactive in identifying and supporting vulnerable customers. Our goal is for 9.7% of our customers to be on our Priority Service Register – higher than the target of 7% set for us by Ofwat – and for our dedicated team partners with local authorities, social housing groups and organisations such as the Citizens' Advice Bureau to spread the word about the register, our social tariff and other support available from Severn Trent.

Using digitalisation to make stronger connections

To ensure our service is available to everyone, we're leading the way in digital customer experience across our industry, with online web chat, a dedicated social media team, and improved self-service functionality. Website usage is accelerating with total self-serve payments increasing from £35 million in 2013 to £76 million in 2019.

We were the first water company to offer 24/7 social media. Our social media offering is continuing to grow. More than ever, customers are choosing to communicate with us socially. In the main, this is to deal with operational issues, but we are seeing an increase in the conversations that are of a more personal, sensitive nature. Contacting any company to discuss difficult personal circumstances can be daunting. Our continued digital expansion is allowing us to connect with customers in a different way. By using a sympathetic tone of voice and tailored advice that resonates with each individual, we can create emotional and personal contacts, often reaching customers who are less comfortable with a telephone exchange – including those experiencing bereavement, social anxieties and hearing impairment. A customer who is registered as deaf, recently fed back to say:

"Really helpful for a deaf person to have online chat, as email is too slow and phone calls too lengthy and have to use a third party to speak on my behalf. The adviser Adam that I used was very friendly and helpful."

Our customer-facing colleagues have reported that it's often easier for children who are translating for a parent and for customers telling us personal details such as information about gender reassignment, to do so through web chat.

In November 2019, we introduced Juno our Virtual Assistant to triage the 25,000+ chats we receive from our customers every month. Juno is able to offer an end-to-end service for a third of these chats, therefore reducing the number of queries that require a human interaction. This frees up our agents to deal with more complex and sensitive issues where they can truly add value to the interaction with our customers.





PROVIDING A FAIR, INCLUSIVE AND SAFE PLACE TO WORK

Everything we achieve as a business is down to our people. So we believe the true measure of our success is our employee engagement.

We're a team of around 6,800 employees, each playing their part to provide clean water and waste water removal to over 4.6 million households and businesses. Our ambitious goals depend on forward-thinking ideas, no matter who they come from – so we welcome people from all walks of life, and strive to provide a working environment where everyone can succeed.

Because we put customers at the heart of everything we do, we want our workforce to be reflective of the communities we serve. We also know that diverse teams make better decisions and allow people to feel they can be themselves at work – making us all better at delivering for our customers and communities.

Our Values are at the heart of our culture. See page 48 for details of how we embed them in everything we do.

Our goals:

- 1. Employee engagement** – maintain high engagement across our workforce to drive productivity and performance.
- 2. Diversity and inclusion** – recruit and promote the best people, regardless of background, and foster a culture where everyone can be themselves.
- 3. Health, safety and wellbeing** – ensure that no-one – colleagues, customers or contractors – is hurt or becomes unwell by what we do.

SEVERN TRENT'S PEOPLE

People employed



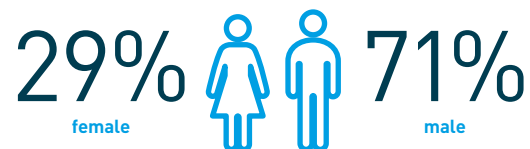
Glassdoor



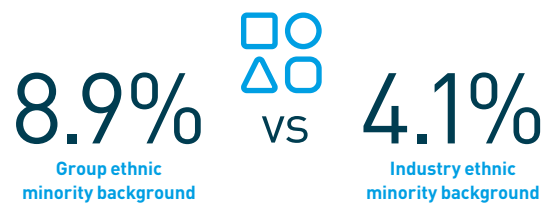
Safety: Lost Time Incidents



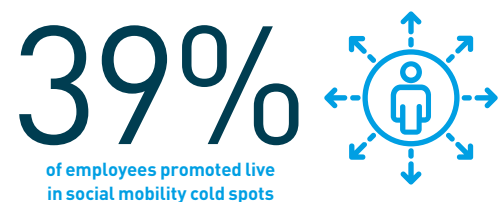
Diversity and inclusion: Gender split across Group



Ethnicity vs industry



Social mobility



SECTION 2: HELPING PEOPLE TO THRIVE

ENGAGING OUR EMPLOYEES

Strong performance begins with engaged and motivated employees. Our annual employee survey, QUEST, allows us to identify what's going well for our people, and where we can improve. QUEST is conducted by an independent research company to ensure the results are anonymous, and the results are reported to the Board.

In 2019/20, 92% of employees took part in the survey. We received our highest ever QUEST engagement score of 8.1 out of 10, putting us in the top 5% of utility companies across the world. We're now focusing our engagement efforts on the 10% of teams who scored in the bottom quartile for engagement, in order to understand how we can support them at work.

To date, we have 229 reviews on Glassdoor, a website where current and former employees anonymously review working at Severn Trent, with the following results:

- 87% said they would recommend us to a friend
- 96% CEO approval

Our Company Forum provides an opportunity for employee and trade union representatives to meet and bring to life feedback and discussions from operational forums, as well as sharing discussion areas that give frontline representatives direct access to the Executive and Board members. The forum meets on a quarterly basis. The agenda for these sessions is determined by the joint chairs of the forum – a member of the Executive and a nominated chair from the trade union – and covers a range of topics that lead to practical changes in the way we work.

As part of our commitment to engaging our employees, we hold an annual Business Leaders event in which our senior managers from across the business get together to consider our Company strategy and priorities. Our CEO, Liv Garfield, visits all our offices regularly to make sure they understand our current strategy and have the opportunity to ask questions. Throughout 2020, she has met all employees through a company-wide tour, setting out our focus for the next few years with a clear focus on our sustainability commitments and it is used to gather employees' ideas for how we can deliver our biodiversity targets. The tour went virtual during COVID-19, enabling all employees to access it either through a live webcast or a podcast.

Our engagement score of 8.1 out of 10 puts us in the top 5% of utility companies globally.

FOSTERING A CULTURE OF INCLUSION

Diversity of talent brings different ideas and perspectives which improve how we work as a company, and enable us to understand and meet the needs of the communities we serve. Our goal is to recruit and employ the best people possible, regardless of their background. We want our people to feel they can be themselves, safe in the knowledge that their workplace is fair and inclusive.

We are committed to fostering a culture of inclusion, and our training, promotion and career development processes are in place for all our employees to access, regardless of their race, ethnicity, nationality, religion, gender, sexual orientation, age, disability or socio-economic background.

We're pleased to report that our employees feel this commitment strongly, as the statement 'People from different backgrounds are treated fairly at Severn Trent' scored the highest in our annual QUEST survey (an average of 8.9 out of 10).

Gender diversity

In 2019, we were ranked third for the combined number of women on our Executive Committee and their direct reports by the Hampton-Alexander Review, which monitors gender balance in senior leadership positions across the FTSE100. We want to encourage others to improve their gender balance at senior leadership level, so we would be delighted to see other companies join this ranking.

We are proud to have both a female CEO and Chair. Across our strategic leader and director population 40% are female, and as we look to our graduates and apprentices representing the next generation of leaders 25% are female, demonstrating our inclusive culture to current and potential employees. Across the Company, 29% of our employees are female. For a full breakdown of our workforce by gender and ethnicity, see page 88 of our Annual Report and Accounts.

Each year we produce a Gender Pay Gap report, showing the difference between the average hourly pay for men and women across all ages, roles and levels of the business. Our latest data, based on figures from 5 April 2019, and shows a median gap of 9.8% (last year 13.2%) and a mean gap of 3.6% (last year: 2.8%). The decrease in our median continues to be driven primarily by more women being attracted to management and senior management roles, and the slight increase in our mean gender pay gap reflects small changes within our executive population.

Ethnic diversity

Compared to our work on gender equality, we are earlier in our journey to improve the representation of Black, Asian and Minority Ethnic ('BAME') people at Severn Trent. Although our BAME representation is stronger than the industry average (8.86% vs 4.1%), our Company does not yet reflect the ethnic diversity of our local community, where 17.3% of the West Midlands population and 10.7% of the East Midlands population are from a BAME background.

Things are changing: BAME representation is 19% across our graduate and apprenticeship schemes. But we need to go further in order to create a truly diverse workplace. We have established a working group on BAME representation, aiming to improve our data and reporting, and gathering the information we need in order to sign the Race at Work Charter.

In line with the Principles of the Parker Review, the Board has been actively looking to appoint a Non-Executive Director from a BAME background for a few years. The calibre of the candidates identified in this year's search was outstanding and it was after careful deliberation that the Committee unanimously recommended the appointment of Sharmila Nebhrajani to the Board. For more details, see pages 77 to 84 in our Annual Report and Accounts.

LGBTQ+ colleagues

We want all of our colleagues to feel they can be themselves at work. We have a well-established LGBTQ+ network that works with the leadership teams across the organisation to drive an inclusive culture for LGBTQ+ people at Severn Trent. Importantly, this network was driven by our employees from the ground up, and is proving to be such a successful model that we're looking to learn from this experience for other employee networks.

Since 2017, the network has worked in partnership with Stonewall to champion diversity within the Company, updating our policies and procedures to be more inclusive. In February 2020, we climbed the Stonewall Workplace Equality Index a huge 239 places to number 175 – but we recognise that we have more to do in this important area.

This year, we launched a programme for LGBTQ+ Allies, with over 200 employees from across the Company signing up and attending training to understand the role they can play in creating a safe, inclusive workplace for all our colleagues. We also attended Pride events in Birmingham and Coventry, and some of our colleagues shared their stories about how it feels to be themselves at Severn Trent as part of National Coming Out Day.

We're also immensely proud of Carl Edwards, a colleague from Developer Services whose work to promote diversity and inclusion at Severn Trent was recognised by Stonewall as its Gay Role Model of the Year. Read more about Carl's story on page 21 of our Annual Report and Accounts.

Social mobility and inclusion

Severn Trent operates across more areas of low social mobility than any other water company in England. A third of the nation's social mobility cold spots are in the communities we serve, so we can make a real difference by creating opportunities that otherwise wouldn't be there.

In 2019, we were ranked third in the Social Mobility Index, moving up from 38th position just two years ago. The index was developed by the Social Mobility Foundation and recognises activities such as outreach to schools and colleges, and apprenticeship programmes. We're aiming to remain in the top 10 of this index, leading our sector.

Much of our work to date has focused on removing barriers to people joining us, ensuring that no candidate receives any less favourable treatment, directly or indirectly, because of their socio-economic background or social connections.

In 2019/20, 43% of new starters lived in a social mobility cold spot. In order to achieve this, we have:

- visited schools to talk about careers in the water sector, delivering over half of our interventions in the last two years to schools in social mobility cold spots;
- hosted our first Open Days, inviting young people and their key influencers (parents and guardians) into our Coventry and Derby offices to learn more about the career opportunities we offer. We also asked our partners – including the Social Mobility Foundation, Careers and Enterprise Company, Speakers4Schools, BAME Apprenticeship Alliance, and Coventry & Derby City Council's 'Care Leaver Covenants' initiatives – to share our Open Days within their networks;
- partnered with the Social Mobility Foundation in 2019 to identify 17 young people from their Aspiring Professional programme and delivering work experience for them over the Easter holidays. Due to the restrictions of COVID-19 we are looking at ways we could run a 'virtual' programme this year; and
- targeted non-Russell Group universities with our outreach on our graduate programme. In 2019/20, 74% of graduates were hired from these universities.



LEADING OUR SECTOR TO BETTER SOCIAL MOBILITY

Severn Trent is a founder member of the Social Mobility Pledge, a campaign to challenge the UK's poor record on social mobility. We're a driving force behind the water sector's Public Interest commitment to be the first industry with 100% sign-up to the Pledge and achieved this in 2020.

The Social Mobility Pledge has identified Severn Trent as a pioneering social mobility champion and one of the UK's leading businesses in this area, co-authoring the Skills on Tap report with us to demonstrate how we put apprenticeships at the heart of our long-term business strategy. In return, the team at the Pledge has helped us to improve our strategy – for example, recommending that we focus our career partnerships on schools in social mobility cold spots.

Our CEO, Liv Garfield, sits on the steering group of the Social Mobility Pledge, and has championed both the Pledge and the Social Mobility Index within both the water industry and the wider business community. We have also made social mobility an important part of our sustainable supply chain strategy – see page 50 for details.

SECTION 2: HELPING PEOPLE TO THRIVE



BOOSTING EMPLOYABILITY

For the past four years, Severn Trent has partnered with Hereward College to offer nine-month-long internships to students with disabilities and additional educational needs. Without such opportunities these young people are three times more likely to be unemployed than their contemporaries without disabilities – so offering real work experience can significantly boost their chances of entering paid employment after leaving college. The programme has been hugely successful with 67% of our interns entering paid employment after their internships – and we're delighted some have stayed with us at Severn Trent. Taking part in the programme has also had a positive impact on our people, inspiring new ways of working and helping to reinforce our inclusive culture which is so important to us as a business. One of our colleagues working with the programme described seeing their intern graduate into permanent employment as one of the highlights of their 17-year career at Severn Trent.

Supporting social mobility through apprenticeships

Good quality apprenticeships are a vitally important way to help young people get experience of work, learn new skills, and earn money at the same time. They are a cornerstone of our approach to social inclusion. Severn Trent is committed to offering programmes in a range of disciplines and across as many levels as we can, from level 2 (GCSE equivalent) to level 7 (Masters equivalent).

We offer permanent contracts to our apprentices, so the number of apprenticeships available each year varies depending on the needs of our workforce. In 2019/20, 211 colleagues – both new and existing – accessed nationally recognised and accredited apprenticeship programmes across 22 subject areas including leadership, technical, engineering, IT and legal.

Social mobility is not just about new talent, but also about removing barriers to promotion within our Company, ensuring that people from all backgrounds can build their career with us. 39% of employees promoted during 2019/20 live in social mobility cold spots, and we're looking to build on this work in the next few years.

Colleagues with disabilities

Our commitment to attracting talented people, whatever their background or circumstances, means that we support those with a disability or health condition by providing equipment and adjustments to ensure they can reach their full potential. If any employee becomes disabled during their time with us, we will re-train them and make reasonable adjustments to their work environment, where possible, to keep them in employment with us.

We are working towards Disability Confident Employer status and have an established disability working group with representatives from across the organisation who come together to highlight opportunities to create an accessible and inclusive environment for our colleagues.

In 2019/20, we worked with our union partners to launch a Workplace Adjustment Passport. The passport was developed to help our colleagues with disabilities or health conditions to talk to their line managers about support or adjustments needed to enable them to reach their full potential at work.

HEALTH, SAFETY AND WELLBEING

No-one should be hurt or become unwell by what we do – colleagues, customers or contractors. Health, safety and wellbeing is embedded within everything we do and is critical to the success of our business. Protecting the health, safety and wellbeing of everyone we work with, including the communities in which we work, is one of our core responsibilities.

Health and safety

We are committed to a Goal Zero mindset for incidents and provide extensive training on all aspects of health and safety.

We focus on reducing harm in the three areas that we know cause the most accidents: driving, manual handling, and slips, trips and falls. Each year, we dedicate a quarter to each of these areas – plus one on good mental health – to drive tangible improvements. Progress on health and safety is reported to the Employee Forum, Executive Committee and Board. We regularly review our management system and have created a pragmatic system based on legislation, ISO 45001, our ambition, best practice and industry standards. To incentivise best practice, 8% of our all-employee annual bonus scheme is linked to health and safety performance.

In 2019/20, we experienced no major safety incidents and no fatalities, and have seen a significant reduction in lost time incidents ('LTIs') from 0.30 per 100,000 hours worked in 2018/19 to 0.20 in 2019/20, with the majority due to manual handling.

**In 2019/20, we had
our second lowest
LTI rate in 10 years.**

In 2018/19 we saw our highest LTI rate for several years. We responded by refreshing our Goal Zero strategy to focus on the hazards that cause us the most harm, to ensure our management system provides resilience against harm, provide the business with data so teams can drive improvement, and explore new technology to enable greater insight and targeted interventions. This refresh resulted in ending 2019/20 with our second lowest LTI rate in 10 years.

Many of our highest-risk activities are in major construction and asset repair and maintenance – the areas in which we often work with contractors. We collaborate at director level across our supply chain to improve health, safety and wellbeing, and have achieved a world-class LTI rate in our supply chain of 0.06 per 100,000 hours worked in 2019/20. There have been zero contractor fatalities between 2015 and 2020.



CASE STUDY: REDUCING ACCIDENTS WHILE DRIVING

As one of the risks that affects a huge section of our employees, driving is a particular focus of our health and safety training and awareness. Our employees drive 1.5 million miles in our fleet vehicles each month, and there were 383 driving-related incidents in 2018. By analysing three years of data, we found three key areas to focus on: parking, roundabouts and junctions, and rear-end collisions.

In the first quarter of 2019/20, we went out around the Company, delivering roadshows, running parking challenges and mileage competitions, speaking to employees all over the business to help raise awareness of safe driving techniques. As a result, driving accidents decreased by 25% in the nine months following the 'driving focus' quarter (compared to the nine months before it) and lost time due to driving accidents decreased by 63% – meaning that our efforts led to a decrease in both the number and severity of driving accidents.



'THIS IS ME' MENTAL HEALTH CAMPAIGN

During our quarterly focus on good mental health we launched our 'This is Me' campaign.

A number of colleagues, each from different levels and roles in the organisation, shared their experience of living with or through mental ill health. Our objective was to demonstrate that mental ill health can happen to any one of us at any time, but with the right help and support it is possible to recover, just as it is with physical illness.

A number of senior leaders spoke honestly about their experience in an attempt to both remove stigma and also encourage others to speak out if they are struggling.

Promoting wellbeing and good mental health

We want our employees to be fit, healthy and well, and provide occupational health programmes to help them take care of themselves, including an employee assistance programme. Our mental health first aiders are always available to listen to colleagues and point them in the direction of specialist services to provide them with support. They are easily recognisable by their yellow lanyards which they wear for work. Since 2015 we have trained over 400 employees in mental health first aid (MHFA) and campaigned to remove the stigma associated with mental health challenges. We have trained 2,166 employees, representing 31% of our workforce, in mental health awareness – the second highest in the FTSE100. We also provide mental health training to new apprentices and graduates when they join, to instil healthy working practices early in their careers. These efforts help to ensure mental health is openly discussed as part of our culture.





INVESTING IN SKILLS AND KNOWLEDGE

Skills and knowledge are at the heart of our success – both as a business and as a region.

We want to have the most skilled workforce in our sector, keeping us at the forefront of innovation and delivery. That means we place a high priority on developing our people to be brilliant at what they do, today and in the future.

As a significant local employer, we can also support the skills base of our region – helping our communities to thrive in an evolving labour market, and making the Midlands a hub for technical skills and learning. And we can put a water efficiency expert in every home by inspiring school children to learn more about water.

☆ Our goals:

- 1. Skills development –**
ensure our people have the right knowledge, skills and behaviours to perform by delivering tailored training and development.
- 2. Technical skills –**
invest £10 million over five years in a new Training Academy for the Midlands.
- 3. Water education –**
by 2025, inspire 500,000 school children to use water efficiently, drink more tap water and avoid sewer blockages.

DEVELOPING SKILLS AT SEVERN TRENT

To achieve our ambitious goals for 2020-25, we need to ensure our people have the right knowledge, skills and behaviours.

In 2019/20 we delivered 14,299 days of training across our Company – that's an average of 2.1 per employee. Our training is run by the Severn Trent Academy, which delivers a range of learning programmes on health, safety and wellbeing, technical, customer experience, leadership and professional development.

We ensure that our employees' skills match our needs through our Skilled By Choice programme, which allows each employee to evaluate their competency against the skills they need every three years, and to boost their skills with tailored training to address any development needs.

Our performance management approach, Inspiring Great Performance, encourages personal growth and development through feedback conversations, regular meetings with line managers and quarterly performance reviews. All employees are encouraged to create Personal Development Plans to identify the knowledge, skills and behaviours they need to perform at their best.

SUPPORTING TECHNICAL SKILLS

Technical skills are central to our business, and we invest significantly in supporting our people to gain new technical skills and improve their existing ones. In 2019, we achieved Competent Operator Scheme certification, the national benchmark of good practice in water quality assurance, which has operator technical competency embedded at its heart. We are also developing innovative learning technologies, including virtual reality manual handling to improve health and safety. Many of our apprentices are working towards nationally recognised and accredited programmes in technical and engineering subjects.

Over the next five years, we're investing £10 million in a new Training Academy, which is due to open its doors by the end of 2020. The academy will use a broad range of tools, including virtual reality, to provide our people with the skills they need to deliver a great service, efficiently and safely. Recognising the role we can play nationally, we'll also be opening our academy up to other water companies.

INSPIRING A GENERATION TO SAVE WATER

We want to inspire a generation to change their water use, so we're taking an innovative roadshow – the Wonderful Water Tour – into playgrounds across our region.

Our dedicated team of Education Officers offers every primary school in our region a visit, holding assemblies and workshops that support the Key Stage 2 water curriculum, as well as cross-curricular links to Maths, Geography and Science.



VOTE FOR A PROMISE OF CHANGE

I PROMISE TO..

A.	B.	C.	D.	E.
Turn the tap off when brushing my teeth	Put the plug in the sink when washing my hands	Only fill the bath up half way	Use a watering can instead of a hose pipe	Always have a four minute shower

...TO HELP SAVE WATER

WONDERFUL ON TAP

A) Brushing teeth
B) Washing hands
C) Having a bath
D) Watering the garden
E) Having a shower

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Our dedicated team of Education Officers offers every primary school in our region a visit, holding assemblies and workshops that support the Key Stage 2 water curriculum, as well as cross-curricular links to Maths, Geography and Science.

We have two sector-leading education buses that can accompany the visit:

- The Digi-bus provides an immersive, digital experience with virtual reality headsets to enable children to understand the water cycle and enter our virtual Severn Trent Minecraft World on a games console.
- The Experi-bus lets children take on various Severn Trent roles – from fixing pipes to being water quality scientists – with accompanying fun activities to encourage water-efficient behaviours for life and promote STEM.

During 2019/20, we visited 420 schools, reaching almost 100,000 children. This, together with our ongoing customer engagement, has helped reach over 800,000 people across the five years. Over the next five years, we want to inspire a generation of water users and are aspiring to reach 500,000 school children.

From 2020 onwards, we will also collect behaviour change commitments around saving water, drinking more tap water for a healthy lifestyle and a plastic-free environment, and avoiding sewer blockages – allowing us to measure the impact of our work more accurately.

Virtual education zone launched during COVID-19 outbreak

During COVID-19 we launched a virtual education zone to help parents with home-schooling – through activities, games and stories to inspire the next generation of water users.

SECTION 2: HELPING PEOPLE TO THRIVE



MAKING A POSITIVE DIFFERENCE IN THE COMMUNITY

Serving our communities means so much more than simply delivering our water and waste water services.

We're committed to supporting communities in our region, which contains a third of the UK's most deprived areas. We can support through funding for community projects and employee volunteering, as well as through our own efforts to drive social mobility.

We're also making a difference for communities across the world. As a co-founder of WaterAid back in the 1980s, we've played a part in bringing the services we provide at home – water and sanitation – to millions of people in countries that lack access to these utilities.

Our goals:

- 1. Community projects –**
donate 1% of our profits via our Community Fund, to support local projects focused on people, places and the environment.
- 2. Employee volunteering –**
encourage 40% of employees to volunteer in our region every year.
- 3. Access to water and sanitation –**
raise £560,000 over five years for WaterAid, supporting water access for 100,000 people and empowering women in Bangladesh.

LAUNCHING THE SEVERN TRENT COMMUNITY FUND

Between 2020 and 2025, we'll be giving 1% of our profits – over £10 million – to community projects in our region through the new Severn Trent Community Fund, launched in January 2020. The fund will award grants of between £2,000 and £250,000 to support local projects focusing on three elements of community wellbeing: people, places and the environment.

The launch of this fund offers us the opportunity to provide a much-needed boost to the grant-making landscape in our region, and to foster new relationships with the communities we serve. We want our grants to reach those communities most in need, so we're focusing our promotion of the fund on social mobility cold spots.

Grant-making decisions will be made by an independent customer panel, which met for the first time in March and awarded funding to 20 projects totalling £433,915. The approved projects ranged from a flagship £250,000 grant for a brand new exhibition space educating 250,000 visitors a year on how to sustain the health of our planet in Leicester, to a small grassroots project requesting £2,000 to fund the revival of a local community green space in Birmingham. We'll be reporting back in future years on the impact our funding is having on the Severn Trent region.

“It is really refreshing to see Severn Trent embracing their communities and genuinely supporting those most in need. I was so pleased to hear about this unique new fund and, as Chair of the Community Fund Panel, I've been particularly impressed by how community need has been at the forefront right from the start. It's going to make a huge difference and I am delighted to be involved with and work alongside a company so committed to making a positive impact on the communities they serve.”

June Campbell, Chair of the Community Fund Customer Panel



Community Fund response to the COVID-19 outbreak

The unprecedented COVID-19 outbreak is having an impact on all of our daily lives in one way or another, but particularly those most vulnerable. We know that the charities and support networks these people turn to in times of need are in more demand now than ever before, and they themselves need help to keep going and are otherwise at risk of not being able to stay afloat.

At Severn Trent, we're committed to supporting our vulnerable customers, and that's why we're proud to be donating £1 million to support non-profit organisations affected by COVID-19, as well as charities that are helping the most vulnerable at this difficult time.

We're donating the money across two stages of support:

1. Half of the £1 million was donated immediately to support charities helping vulnerable people currently impacted by the outbreak, such as food banks, charities helping the elderly deal with isolation and loneliness, as well as organisations offering mental health advice and domestic abuse support.
2. The other £500,000 has been set aside to create a recovery fund to help affected non-profit organisations recover later this year.

We knew we needed to get the immediate donations out as soon as possible and to those communities most in need of our support. So, we worked with community foundations and local authorities across our region and used their expertise to identify charities most in need and we donated to those directly.

VOLUNTEERING IN OUR COMMUNITIES

We have a longstanding Community Champions programme that encourages employees to volunteer in our local community. All employees are given two days' paid volunteering leave per year. In 2019/20, nearly 1,500 employees volunteered to support their local communities. We hosted over 130 events across the region, planting 2,800 trees and plants, removing 500 bags of litter and cleaning up 47 km of riverbank.

Our Community Champions also supported the Refill Campaign (see page 22), visiting businesses and catering outlets throughout our region to encourage them to offer free water refills.

From 2020 onwards, we're committed to getting 40% of our people out volunteering in our communities every year. We will be working in partnership with organisations such as Warwickshire Wildlife Trust, the Canals and Rivers Trust and Waterside Care on projects that benefit the environment – including planting trees, enhancing biodiversity and improving water efficiency.

We will also be finding new ways to track the impact our employee volunteers are having in our region and how they are contributing to our sustainability ambitions.

SUPPORTING WATER AND SANITATION IN BANGLADESH

Along with many other UK water companies, Severn Trent is a founding partner of WaterAid, a charity that provides clean water and sanitation to international communities in need. Their work is focused on Goal 6 of the UN Sustainable Development Goals: to ensure availability and sustainable management of water and sanitation for all by 2030. Currently, 785 million people globally do not have access to even a basic water service, 2 billion have nowhere decent to go to the toilet, and 3 billion do not have handwashing facilities with soap and water.

For nearly 40 years, we have supported WaterAid through customer fundraising, corporate events involving our suppliers, and employee challenges including cycle rides and mountain climbing. Between 2015 and 2019, we raised a total of £1,320,000 – including a huge £397,000 in 2018/19 – from our events and employee fundraising.

In 2019, we moved into a new phase of our partnership in which we will focus our support on the Assasuni region of Bangladesh. The region has a population of nearly 300,000 people – approximately the same as Coventry, where our headquarters is based – and water sold by private suppliers is expensive as prices are unregulated, meaning that many people are forced to drink unsafe water. There is also a lack of sanitation and handwashing facilities across the region.

Our goal is to raise £560,000 over five years, which will fund:

- technologies to provide clean water to 100,000 people;
- training for 80 women to operate, maintain and sell water from reverse osmosis plants, which reduce the high saline levels in the local water and make it safe to drink;
- install or renovate toilet facilities to bring sanitation and safety to all, especially girls and women during menstruation;
- large-scale rainwater harvesting units at schools and healthcare centres; and
- promotion of hygiene and handwashing facilities and best practices at schools and in the wider community.

In the first six months of this new project, four areas have been selected for intervention, a group of female-led entrepreneurs has been created, and two health centres and a school have received sanitation support. That means we've already reached 18,927 people with access to clean and affordable water at this early stage of the project.

Any additional funds we raise at Severn Trent will fund WaterAid's work across the world, focusing on providing clean water for handwashing and decent sanitation access during COVID-19.

Making a positive impact on our employees

As well as making an impact on communities across the world, we have seen a positive impact for Severn Trent employees who fundraise for WaterAid. Employees have developed new skills outside their day job and have had opportunities to join supporters' trips to some of WaterAid's projects. We also support the Innovators scheme, which is an employee development programme for companies around the world, inviting teams of colleagues to compete to solve real challenges from WaterAid's work. It's a rare opportunity to learn new skills, invent life-changing ideas and help make a real impact on an international problem.

Annemarie Donovan, a member of the 2019 Innovator team, said, "Innovators is a challenge, but you have a lot of fun, build great friendships and learn a lot of business skills along the way!"

BEING A COMPANY YOU CAN TRUST

We believe that a business with a strong sense of social purpose will deliver better and more sustainable outcomes for stakeholders over the long term.

In order to earn the trust of our stakeholders, we must focus not only on what we do, but also how we do it. That means delivering on our commitments, reporting on our progress transparently, and creating a governance framework that ensures effective decision making and creating value for the mutual benefit of all stakeholders.

As a company delivering an essential public service, our commitment to being a purposeful company is critical to the long-term success of our business. It connects us with our customers and communities, inspires our people and reinforces our belief that, in the long term, we all share the same interests.

Having a strong governance structure is the key to creating value through sustainability. Our approach begins with our shared Values, open culture and inclusive workplace, and our Board plays a key role in setting the tone for our culture, demonstrating our Values and acting in line with stakeholders' interests.



Priorities for Severn Trent

- Living our Values
- Balancing the interests of all our stakeholders
- Running our Company for the long term
- Being open about what we do and sharing what we know



Over the last five years



Key achievements

- New Purpose and Values co-created with employees
- Social purpose recognised by the Purposeful Company Taskforce
- Diverse, high-performing Board, with 56% women and 11% BAME representation (as at 1 May 2020).
- Employee remuneration linked to the delivery of our sustainability commitments, through customer outcome delivery incentives and health and safety performance
- 72% of employees participate in our employee Sharesave scheme
- Accredited as a real Living Wage employer
- 52 suppliers pledged to take action on sustainability
- Raised our first debt issue of £200 million under our Sustainable Finance Framework

In the next five years



Key commitments

- Roll-out our new Purpose and Values – the heart of our culture
- Make ourselves legally accountable for delivering on our Purpose through a new licence condition
- Develop a holistic approach to supplier sustainability
- Establish our approach to measuring and driving reductions in supplier carbon emissions
- Deliver our new self-certification model to assess supplier risk across our highest modern slavery risk areas
- Participate in the World Water Innovation Fund, trialling innovative solutions to our industry’s shared challenges



Key challenges

- We have put in place a strong governance framework for sustainability issues, making sure that major business decisions are taken with consideration of their environmental and social impacts. However, we have more to do to embed sustainability within all Company decisions. This will be particularly important in the next five years, as our stretching sustainability commitments will require strong decision making, innovation and new ways of working
- We will need to maintain our strong relationships with suppliers in order to support them in meeting best practice across all sustainability topics – particularly carbon reduction, which will be a key element of achieving Severn Trent’s Science-Based Targets
- Our Sustainable Finance Framework sets the parameters for us to raise funds in line with our values. Our challenge going forward will be to ensure its success by aligning it with international best practice

SECTION 3: BEING A COMPANY YOU CAN TRUST



LIVING OUR VALUES

We believe that Company culture is the key to brilliant performance.

From the Boardroom to the front line, our culture makes us one team and guides us to do the right thing in all circumstances. It's also what allows our stakeholders to have confidence in our delivery and performance, building trust over the long term. The key benefit of having the right culture is that people have the right Values which guide them to do the right thing, leading to a more sustainable business in the long term.

We also include suppliers in our commitment to culture and Values, looking to collaborate with them on priority sustainability issues.

☆ Our goals:

- 1. Culture, Purpose and Values –**
set the norms and expectations for our culture through clear guidance on what we stand for.
- 2. Embedding sustainability –**
integrate environmental, social and governance considerations into business decisions and accountability.
- 3. Supplier sustainability –**
collaborate with our supply chain on priority sustainability issues.

REFRESHING OUR PURPOSE AND VALUES

During 2019/20, we worked with our employees to refresh our Company Purpose and Values. They capture the essence of Severn Trent, articulating why we exist and how our culture – shaped by people who care about the work they do, and about each other – makes us unique.



Embedding our Values in everything we do

Our Purpose – to take care of one of life's essentials – reflects **why** we do what we do. Our strategy defines **what** we do. But **how** we deliver our Purpose and strategy is what differentiates us, and that is driven by our culture, Values and behaviours.

Our Values are codified in Doing the Right Thing, our Code of Conduct for employees and suppliers, and integrated into our hiring processes, performance reviews, communications and reward and recognition.

Formalising our purpose

We have always strived to be a purposeful company, placing the needs of customers and wider society at the heart of our plans. In 2019/20, we decided to formalise our commitment and were named as a pathfinder with the Purposeful Company Task Force – an initiative that seeks to transform British business with purposeful companies, committed to creating long-term value through serving the needs of society. We have asked our regulator, Ofwat, to introduce a new condition to our licence to make us legally accountable for delivering on our Purpose. For further details, see page 69 in our Annual Report and Accounts.

EVOLVING OUR APPROACH TO SUSTAINABILITY GOVERNANCE

From fixing leaks and supporting customers to working with farmers in our catchments, our people deliver on our sustainability commitments every day as part of their roles. We hold ourselves to account against our sustainability framework and agreed metrics through an effective performance management system.

Supporting this is a governance framework that supports the Board in making effective decisions and maintaining oversight, identifying and managing non-financial risks and opportunities and ensuring that the Company remains on track to meet its sustainability commitments. Our sustainability framework is signed off by the Chair of the Severn Trent Plc Board. During the year, the Board provided input to the Group's strategy for environmental leadership and Severn Trent's approach to climate change adaptation. Our Board skills matrix on page 83 of the Annual Report and Accounts sets out which Directors possess sustainability – and, in particular, climate change – experience and expertise.

Our Corporate Sustainability Committee is a Board-level committee, chaired by Angela Strank, a Non-Executive Director. It has oversight of sustainability risks, commitments and performance, as well as the Company's Values. For an overview of the Committee's activities in 2019/20, see pages 99 to 101 in our Annual Report and Accounts.

Reporting to the Corporate Sustainability Committee is a Sustainability Steering Committee, composed of Executives and senior management, which oversees our performance against all the topics in our sustainability framework. From 2020 onwards, the Steering Committee will hear regularly from Severn Trent's sustainability subject expert groups across all key topics providing deep dives into our performance, providing guidance and oversight. Each subject expert will have senior-level sponsors accountable for specific sustainability commitments and targets, and subject matter experts to provide guidance and measurement.

In addition, other Severn Trent committees discuss relevant sustainability topics in their meetings. For example, in 2019 the Energy Steering Committee made the decision to commit to 100% renewable energy, taking into account the risks and opportunities posed by climate change. Other committees have also signed off our latest WRMP, built on climate modelling, and our Sustainable Finance Framework.

We also seek to align our remuneration approach with our Values. Employee rewards are directly linked to our sustainability performance, through customer Outcome Delivery Incentives ('ODIs') and health and safety performance, contributing one-third of our all-employee bonus.

SUSTAINABILITY GOVERNANCE

SEVERN TRENT PLC BOARD
Oversight of Company strategy and ensuring the long-term success of Severn Trent

CORPORATE SUSTAINABILITY COMMITTEE
Provides guidance and direction to the Company's Sustainability Strategy based on our Code of Conduct, Doing the Right Thing. The Committee also reviews the Group's non-financial risks and opportunities

SUSTAINABILITY STEERING COMMITTEE
Executive and senior management oversight of sustainability performance against sustainability framework

SUSTAINABILITY SUBJECT EXPERT GROUPS
Senior level sponsors and subject matter experts set and measure performance against targets

ENVIRONMENTAL
(e.g. Energy steering group)

SOCIAL
(e.g. Diversity and Inclusion steering group)

GOVERNANCE
(e.g. Values working group)

SECTION 3: BEING A COMPANY YOU CAN TRUST



COLLABORATING WITH OUR SUPPLIERS

We spend over £1.25 billion with our supply chain partners every year. Around 1,700 suppliers, predominantly in the UK, provide us with a diverse range of services including the supply of chemicals for treating water, the construction of sewage treatment works, and maintaining our sites and offices. We expect all suppliers to comply with our Code of Conduct, Doing the Right Thing, and sign up to the principles outlined in our Supply Chain Sustainability Charter.

Key achievements:

- 52 of our key suppliers have pledged to drive targeted action on carbon reduction, resource efficiency and community engagement
- Accredited as a real Living Wage employer
- Strengthened our approach to addressing modern slavery risks within our supply chain

Key commitments:

- Develop a holistic approach to supplier sustainability, including high-level supplier heat mapping against key environmental and social issues
- Establish our approach to measure supplier carbon emissions and drive reduction
- Enhance our new self-certification model to assess supplier risk across our highest modern slavery risk areas

Key challenges:

- We will continue to maintain our strong relationships with suppliers in order to support them in meeting best practice across all sustainability topics – particularly carbon reduction, which will be a key element of achieving Severn Trent's Science-Based Targets

Paying suppliers in good time

We have been a signatory of the Prompt Payment Code since 2012, committing us to paying suppliers on time, giving clear guidance on payment terms, and encouraging good practice throughout the supply chain. We take great pride in paying our suppliers fairly, and we endeavour to pay all suppliers in line with agreed payment terms. Our approach to invoice management is critical to this, with a focus on utilising self-bill arrangements and e-invoicing to improve efficiency wherever possible. In 2019/20, 97% of payments were paid within 60 days across Severn Trent Group, which is ahead of our target of 95%. On average, our suppliers are paid within 30 days of us receiving their invoice, placing us in the top half of companies who are required to report to the Government on their payment practices.

Supporting smaller local suppliers

As part of our AMP7 Supply Chain Model, we've made a commitment to continue to engage and work with small medium enterprises ('SMEs') to promote local businesses within our region. This has enabled innovation and joint supplier development initiatives.

SMEs are key to unlocking solutions in support of our sustainability goals and we remain committed to supporting all suppliers in their development.



CASE STUDY: LOCAL BUSINESSES AND SUPPLIERS SUPPORTING RENEWABLE ENERGY GENERATION

Severn Trent Green Power, in its drive to increase renewable energy generation within Severn Trent, has worked with many local farm businesses and suppliers in the Nottingham area to support the growth of the Stoke Bardolph energy crop anaerobic digestion plant.

The Stoke Bardolph site requires large amounts of crops each year to feed the plant, along with regular mechanical and electrical contracted services.

This feed stock is sourced from businesses local to Stoke Bardolph – 44 small farms in total – and also relies on specialist contracted services for harvesting. The growing of maize and rye crops has proved to be a valuable alternative income stream to local farmers. Also in return they receive a valuable fertiliser, which is the by-product of the anaerobic digestion process.

Rolling out the real Living Wage across our supply chain

Our commitment to paying our employees fairly was formalised in 2019/20 when we were accredited by the Living Wage Foundation as a real Living Wage Employer.

From 2020 onwards, we are embedding our commitment to the real Living Wage with our suppliers, setting our expectation through our Sustainable Supply Chain Charter for all future contracts. The charter specifies that suppliers are expected to pay the real Living Wage to all employees aged 18 or over (excluding apprentices), who are contracted or sub-contracted by them and who provide a service for Severn Trent, or work on our premises.

We have already assessed the impact this change would have on 70% of our supplier spend. This activity has led to several suppliers taking action to increase their employees' wages immediately. Over the next three years these identified contracts would have seen a renegotiation or renewal, therefore we have an opportunity to clearly set out this expectation. We continue to review and assess the remainder of our supply chain to ensure the real Living Wage is adopted throughout.

Driving supply chain action on sustainability

We recognise that suppliers are key to the delivery of our ambitious sustainability commitments and we outline our expectations in our Sustainable Supply Chain Charter. All our priority suppliers – accounting for around 56% of our supply chain spend – have signed the charter, and compliance is compulsory for all new suppliers working with us and is formulated within our terms and conditions.

Sustainability-related Key Performance Indicators ('KPIs') are agreed with suppliers for individual contracts. Depending on the nature of the contract, they cover areas such as leakage, pollution prevention, resource efficiency and biodiversity. A dedicated contract management team ensures supplier performance is monitored and improvements are made where necessary.

In July 2019, we held our second sustainability forum for 24 priority suppliers to share best practice, drive action and identify areas for collaboration. The focus was on carbon, social mobility, modern slavery, biodiversity and pollution prevention. To date, over 50 suppliers have pledged to take specific action across carbon reduction, modern slavery, resource efficiency, biodiversity enhancement and social mobility.

Progress against our sustainable supply chain strategy is reported to senior management quarterly and to our Corporate Sustainability Committee once a year. In the next financial year, we aim to align our strategy to ISO 20400, a globally recognised sustainable procurement standard, ensuring social and environmental impact considerations are embedded from supplier selection through to contract management. This will include rolling out sustainability commitments across our supply chain, enhancing training and development, and improving our measurement and reporting of progress against Severn Trent's sustainability ambitions.

Working to eradicate modern slavery

In 2019/20, we placed a strong emphasis on supporting suppliers to address modern slavery, in line with our Modern Slavery Statement. Working with Slave-Free Alliance, we strengthened our approach to due diligence, helped procurement and contract managers to understand the risks and developed an Escalation and Remediation policy. We've started mapping modern slavery risk across our supply chain, beginning with our highest risk supplier category, facilities management. All suppliers are required to operate in line with our Code of Conduct, which clearly states zero tolerance of modern slavery and is built into our procurement tender process. We take a 'beyond compliance' approach to modern slavery at tender through the assessment of business risk, supplier due diligence, training, awareness and recruitment. For further details about our approach, please see our [Modern Slavery Statement](#).

Building carbon into design mindsets

During 2019/20, Severn Trent launched a working group of environment leads from its key design and build contractors to share best practice and agree ambitions for reducing embodied carbon in our buildings and other assets. The next step will be to incorporate carbon and other environmental considerations into our design manual, which contains compulsory practices and operational guidance for contractors. Severn Trent's priorities – for example, biodiversity – will be reflected in this manual, encouraging all contractors to reduce their carbon impact and enhance the natural environment.



CASE STUDY: SUPPORTING SUPPLIERS THROUGH COVID-19

We are working hard to ensure our supply chain continues to be supported throughout COVID-19. To assist smaller suppliers who may require financial assistance to enable business continuity, we have revised our payment terms to 'immediate' for over 700 suppliers. In support of all suppliers, we are working to maintain business as usual practices where safe to do so, and amending some activities to ensure maximum protection from exposure to COVID-19 through the highest safety standards. In instances where business practices cannot continue as normal, we have worked with our supply chain to identify opportunities for some of our suppliers to be redeployed across our sites. Through supporting alternative key activities, we can ensure that continuous employment is maintained.

SECTION 3:
BEING A COMPANY YOU CAN TRUST



BALANCING THE INTERESTS OF ALL OUR STAKEHOLDERS

In order to make the best decisions for the long term, it is critical that we identify our key stakeholders and take into account their needs.

Stakeholders can have competing needs and the role of governance in every organisation is to balance these needs, creating value for shareholders, society and the environment. We believe that this approach will make our business truly successful in the long term.

Our Board takes time to understand the needs of stakeholders through a variety of methods, attending external forums and holding one-to-one meetings. Board members also attend the quarterly Company Forum to listen to employees and take questions on the Board's current discussions.

 **Our goals:**

- 1. Stakeholder engagement –**
listen to the views of our stakeholders throughout the business.
- 2. Better decision making –**
promote the long-term success of the business through better decision making.

ENGAGING WITH OUR STAKEHOLDERS

We know that businesses are more successful and sustainable when they balance the needs of their stakeholders – and we've recently formalised this in our commitment to being a purposeful company, which articulates our commitment to add value for our customers, the communities we serve and the environment, and to treat all of our employees and other stakeholders fairly. Every decision that is tabled to our Board and its committees outlines the impact the outcome will have on our stakeholders.

We aim to report clearly on how we have taken the views of our stakeholders into account, the impact of our decisions on them and any actions taken as a consequence. You can read more in our dedicated s.172 statement on pages 28 to 29 of our Annual Report and Accounts. The principles of s.172 are not just something that is considered at Board level, it's part of our culture and is embedded in all that we do as a company, at all levels.

This year, we have not undertaken a dedicated materiality assessment for sustainability; instead, we have identified our material topics for environmental, social and governance issues from our ongoing stakeholder engagement programmes across the Company. Because of the nature of our business, sustainability is a key topic of conversation with many stakeholder groups.



Stakeholder engagement					
Customers	Communities	Shareholders and investors	Employees	Suppliers and contractors	Regulators and Government
In serving our customers, we want to provide both value and a great experience. Our consultation with customers helped our 2020-25 Business Plan to be fast-tracked by Ofwat.	Our aim is to be a force for good in the communities we serve and, in doing so, create value for all our stakeholders.	Continued access to capital is vital to the long-term performance of our business. We work to ensure that our shareholders, investors and investment analysts have a strong understanding of our strategy, performance, ambition and culture. Many of our shareholders are also customers, employees and pensioners.	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 be their best in all they do.	Along with our employees, our suppliers support us in delivering for our customers. Strong supplier relationships ensure sustainable, high-quality delivery for the benefit of all stakeholders.	The policy framework for the water sector in England and Wales is set by the UK and Welsh Governments respectively. We seek to engage constructively and proportionally with both Governments to achieve the best outcomes for customers and the environment. Below the policy framework, our industry is regulated by Ofwat and others. We agree commitments with our regulators and continually report our performance against these. We work closely with our regulators to shape our industry to help ensure the right outcomes for customers and the environment.
What matters to them					
<ul style="list-style-type: none"> - Customer service and performance - Leakage and supply reliability - Affordability and value for money - Assistance in times of need - Responsible investment 	<ul style="list-style-type: none"> - Operational impact and disruption - Local employment - Economic contribution - Protection of the environment 	<ul style="list-style-type: none"> - Strategy and business model - Financial performance and returns - Reputation - ESG performance - Financial risk management - Strong leadership 	<ul style="list-style-type: none"> - Health, safety and wellbeing - Diverse and inclusive workplace - Opportunities to reach full potential - Open and honest environment - Fair pay and reward 	<ul style="list-style-type: none"> - Fair engagement and payment terms - Collaboration - Responsible supply chain 	<ul style="list-style-type: none"> - Outcomes for customers, the environment and long-term resilience - Performance against regulatory targets - Trust and transparency - Governance and compliance - Environmental impact

These views have helped to shape our sustainability activities and framework. For example:

- Colleagues tell us they want a diverse and inclusive environment, so this is a key element of our commitment to providing a fair, inclusive and safe workplace.
- Regulators want to see investment in long-term resilience, so our Waste and Resources Management Plan ('WRMP') is informed by climate adaptation.
- Investors are interested in our performance on environmental, social and governance ('ESG') issues, so we have developed this standalone Sustainability Report to bring together ESG performance reporting in one place.

SECTION 3: BEING A COMPANY YOU CAN TRUST









Developing our 2020-25 Business Plan

Throughout PR19 – the three-year period in which we were developing our business plan for 2020-25 – we undertook our biggest-ever customer engagement exercise, inviting a total of 32,000 customers to tell us what mattered most to them. We took an ‘outside-in’ approach to the consultation, beginning with our customers’ lives and priorities and focusing on high-quality conversations rather than maximising the number of interactions.

In order to elicit informed and meaningful responses from our customers, we developed full-day and half-day deliberative workshops that introduced concepts such as inter-generational responsibility, built participants’ knowledge of the issues behind flooding, metering and cybersecurity, and provided a framework for them to express their views.

The overarching message from our customers was that they want to know more about what Severn Trent does in order to put their trust in us. They also made clear that taking care of the environment is a priority for them; however, many customers didn’t realise how inextricably connected to the environment our work already is, and were interested to find out. Many customers commented that this knowledge gave them a new perspective on water and encouraged them to consider how they are using it.

Here are some of the comments we heard from customers:

 <p>“I do worry about the water supply in very hot weather and when rain has been in short supply.”</p>	 <p>“My main consideration revolves around disposing of cooking oil. I know about fatbergs, so know not to dispose of oil down the drain. But although I have heard that often, I’ve not heard what to do instead.”</p>
 <p>“I am not concerned about my bill but I would love to have some kind of breakdown, almost like a smart meter – so I can understand how much my second shower of the day would cost or how much watering the lawn costs.”</p>	 <p>“What would be useful is if you ensured vulnerable adults were made aware of the roadworks affecting water and ensure you go to each house with a vulnerable adult to be supplied with free bottles of water.”</p>
 <p>“What matters most to me is understanding how Severn Trent are planning to provide water that is good to drink and always on, now and in the future, especially with a growing population and impacts of climate change.”</p>	 <p>“I’d like to know what Severn Trent are doing to reduce phosphates entering watercourses from their treatment works. Many brooks, rivers and watercourses are suffering in my area.”</p>
 <p>“We need them [Severn Trent] to prioritise the environment, because once that’s gone, it’s gone.”</p>	 <p>“It’s important to get to kids when they’re young and teach them to look after our water. I think this needs to be extended to adults, too, though.”</p>

We also carried out an online stakeholder survey in December 2017, inviting responses from 600 senior stakeholders in local government, water industry regulators, environmental organisations, customer support organisations, business organisations, policymakers and academics. We asked these stakeholders to identify the issues that they believe will have the biggest impact on their organisation over the next 25 years, and the UN Sustainable Development Goals that are most relevant to what their organisation is aiming to achieve in our region.

100 stakeholders responded to our survey, telling us clearly that the key issue for the next 25 years was health and wellbeing. They also identified flooding, climate change and resilience, sustainable and green urban areas as key issues for their organisations. They emphasised the need to leave a lasting legacy of infrastructure for future generations that can meet the challenges of the future, guarding against flooding and the effects of climate change.

Finally, we asked our employees for their input throughout PR19, including through focus groups and an all-staff survey to understand their priorities for the next five years.

The results of this in-depth consultation helped to shape our 2020-25 Business Plan, our strategy and our sustainability priorities.



Listening to our customers

We’re always interested in what our customers are thinking. We have an online community of around 15,000 customers, Tap Chat. This year we have conducted more than 20 surveys and discussions on Tap Chat, exploring customer views on a wide range of topics from being a purposeful company to managing roadworks better. The community is a valuable critical friend that, together with our ongoing customer tracking research and growing data analytics capability, helps to bring the customer perspective into our daily decision making.



RUNNING OUR COMPANY FOR THE LONG TERM

We are a water and waste water business with assets that can last more than 100 years, and our product is perhaps the most precious commodity of them all – water.

It's our role to think about the long term and future generations so that we can leave a lasting legacy. To do that, we need to get the basics of good governance right: a Board providing effective oversight, strong internal controls, effective risk management, and integrated business ethics.

☆ Our goals:

1. **Board leadership and diversity** – maintain a high-performing, effective and diverse Board to provide effective oversight and ensure our long-term success.
2. **Performance and delivery** – deliver excellent performance for the benefit of our customers and other stakeholders.
3. **Business ethics** – support our people and supply chain to do the right thing by embedding ethics into our culture.
4. **Risk management** – manage risk effectively to support long-term business decisions.
5. **Sustainable Finance Framework** – raise funds with the future in mind.

EFFECTIVE LEADERSHIP

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

The effectiveness of the Board is reviewed at least annually and conducted according to the guidance set out in the 2018 UK Corporate Governance Code and the Financial Reporting Council's Guidance on Board Effectiveness. You can read more about this year's process and findings on pages 77 to 78 of our Annual Report and Accounts.

The culture that drives our Company's success starts in the Boardroom. The Board monitors and assesses Company culture by meeting regularly with the Executive Committee and management, and reviewing the outcomes of Severn Trent's employee survey, QUEST. During 2019/20, the Board held a session dedicated to Company purpose and culture. Board members also attend our regular employee forums to listen to employees and take questions on the Board's current discussions.

Our sustainability risks, opportunities and performance are overseen by a Board-level Corporate Sustainability Committee – see pages 99 to 101 in our Annual Report and Accounts for further details on the Committee.

Championing Board diversity

We pride ourselves on having a high-functioning, well-composed, independent and diverse Board and being transparent in all that we do.

The composition of the Board is reviewed regularly by the Nominations Committee, which considers the balance of skills, experience and independence of the Board, in line with our Board Diversity Policy Statement [see page 89 of our Annual Report and Accounts]. Our policy recognises the importance and benefits of greater diversity and sets out our approach – including developing inclusive long-lists for Board appointments, engaging executive search firms who value diversity, and nurturing a pipeline of diverse, high-calibre candidates for Executive Committee and Board roles.

Our current performance:

- **Independence:** All of our Non-Executive Directors, including the Chair, are independent.
- **Gender diversity:** 56% of our Board members are women, far exceeding the goal of the Hampton-Alexander Review, which set a target of 33% female representation on Boards across the FTSE350 by 2020. We are proud to have both a female CEO and Chair. We are also supporting the next generation of Board talent, with 36% female representation on our Executive Committee.
- **Ethnic diversity:** We support the recommendations of the Parker Review, which in 2017 set a target for all FTSE100 companies to appoint at least one Board member from a Black, Asian and Minority Ethnic ('BAME') background by 2021. In line with the Principles of the Parker Review, the Board has been actively looking to appoint a Non-Executive Director from a BAME background for a few years. The calibre of the candidates identified in this year's search was outstanding and it was after careful deliberation that the Committee unanimously recommended the appointment of Sharmila Nebhrajani to the Board, effective 1 May 2020.

For more on how we are working to ensure our people at all levels are reflective of the community we serve, see page 37 to 41.

SECTION 3: BEING A COMPANY YOU CAN TRUST

DELIVERING ON OUR PROMISES

Our business plan was developed over three years as part of a process called 'Periodic Review 2019' ('PR19') to set price and revenue controls, performance commitments and customer ('ODIs'). These performance commitments are designed to hold us to account to our customers. Due to the nature of our business and its embedded nature, a large number of these have a strong sustainability focus – we've pulled out our key sustainability metrics on pages 59 to 62, and you can read a full performance report against our ODIs in our Annual Report and Accounts on pages 32 to 33.

PUTTING ETHICS AT THE HEART OF OUR WORK

Our Code of Conduct, Doing the Right Thing, sets out the cultural norms and behaviour expected of everyone at Severn Trent and provides a consistent framework for responsible business practices. Every employee is required to comply with our Code of Conduct. In 2019/20, 84% of employees completed training on the Code of Conduct. We also require suppliers to sign up to the Code of Conduct as part of their contract with Severn Trent.

An updated version of our Code of Conduct was published in May 2020, incorporating our new Purpose and Values (see page 48) and putting them at the heart of the way we work. The new version was co-created and tested by our people, and their involvement will continue through the roll-out. Behaviours from Doing the Right Thing will be integrated into our behavioural model for performance management, and into the criteria for rewards and recognition.

Our Code of Conduct is supported by a number of policies that help employees identify and act on suspected wrongdoing, maintain the highest standards of safety and use sound judgment. They include our Group Data Protection Policy, Group Conflict of Interest Policy and Group Financial Crime Policy.

Whistleblowing

All Severn Trent employees are encouraged to raise concerns at work through their line manager or senior management in the first instance. They can also use our confidential whistleblowing helpline or email service, operated by an independent company. Every single concern raised is investigated independently and reported to the Audit and Corporate Sustainability Committees. The Audit Committee monitors and reviews the effectiveness of Severn Trent's whistleblowing policy and arrangements, and the Board reviews this annually. In our most recent survey colleagues rated the following statement 8.2 out of 10 (where 10 is highest and 1 is lowest): 'If I suffered or witnessed wrongdoing at work, I'd be confident Severn Trent would respond appropriately.'

In 2019/20, 30 whistleblowing cases were raised across the Company. Following internal investigations, 30% of cases were found to be partly substantiated and 7% of cases were found to be substantiated and viewed as Code of Conduct breaches; for example, dishonest behaviour, health and safety and breaches of policy.

Preventing bribery and fraud

Our financial crime policy prohibits bribery, corruption and fraud in all our business dealings, regardless of the country or culture within which we work. Employees identified as high risk, through a risk review for all employees, are required to undertake an online training module and test to ensure awareness of, and compliance with, anti-bribery and corruption.

Protecting human rights and eradicating modern slavery

We are committed to protecting the human rights of our employees and contractors as set out in our Code of Conduct, Doing the Right Thing. While we do not have a specific human rights policy, we have Group policies on Human Resources, Anti-Bribery and Anti-Fraud, Whistleblowing ('Speak Up') and Procurement, and a separate Anti-Slavery and Human Trafficking statement.

Severn Trent takes its responsibility under the Modern Slavery Act 2015 seriously and we are committed to eradicating it from our business and supply chain. We have a zero-tolerance approach to modern slavery, and while we have identified no instances to date, we continue to improve our processes, working closely with the Slave-Free Alliance.

In 2019/20, 97% of Severn Trent employees, excluding customer contact centre teams, completed a modern slavery e-learning module, teaching them how to spot signs of exploitation. Following completion of the module, 98% of employees said they felt better equipped to identify and report suspected incidences of modern slavery. Targeted awareness will be rolled out to our customer contact centre teams over the next 12 months.

Our work was also supported by an internal audit, which concluded that we have good measures and controls in place to identify and minimise modern slavery risks, and helped us to identify improvements to work on in the next financial year.

Our greatest risk of modern slavery is in our supply chain – see pages 50 to 51 for more details of our work with suppliers. Read our [Modern Slavery Statement](#) for more details on our approach.

MANAGING RISK EFFECTIVELY

The most significant business decisions are based on effective risk assessment and strong controls. As a provider of one of life's essentials – water – a failure to manage risk effectively can have significant consequences for the customers and communities we serve.

Our approach emphasises ownership and accountability for risk at all levels. The significant risks that comprise our Company risk register are identified, assessed, managed and monitored through our Enterprise Risk Management ('ERM') process, allowing us to adapt rapidly to emerging risks and changing risks by accelerating action or even changing course. Our significant risks are reported to the Executive Committee, Audit Committee and Board every six months, while specific risk topics are discussed by the Board throughout the year. The Audit Committee is responsible for assessing the effectiveness of the ERM system and internal controls on behalf of the Board.

The water sector is particularly vulnerable to the impacts of climate change because everything we do is sensitive to both long-term changes in climate and extreme weather events. The impact of extreme and unpredictable weather events due to climate change is assessed as a principal risk for Severn Trent. For more on how we manage climate-related risks and opportunities, see pages 24 to 31.

RAISING FUNDS WITH THE FUTURE IN MIND

In November 2019, we launched our [Sustainable Finance Framework](#) (the 'Framework'), allowing us to raise debt to support the financing or refinancing of sustainability-related assets and expenditures. The Framework is based on internationally-recognised standards, such as the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines as published by the International Capital Markets Association ('ICMA') in June 2018 and the Green Loan Principles and Sustainability Linked Loan Principles, as published by the Loan Market Association ('LMA') in March 2018. The Framework will be updated to reflect EU Sustainable Finance Taxonomy before it becomes regulation on 31 December 2021.

The Framework has been reviewed by DNV-GL, an international accredited registrar, which has confirmed alignment to the above listed principles and guidelines and the Framework's strong environmental and social credentials.

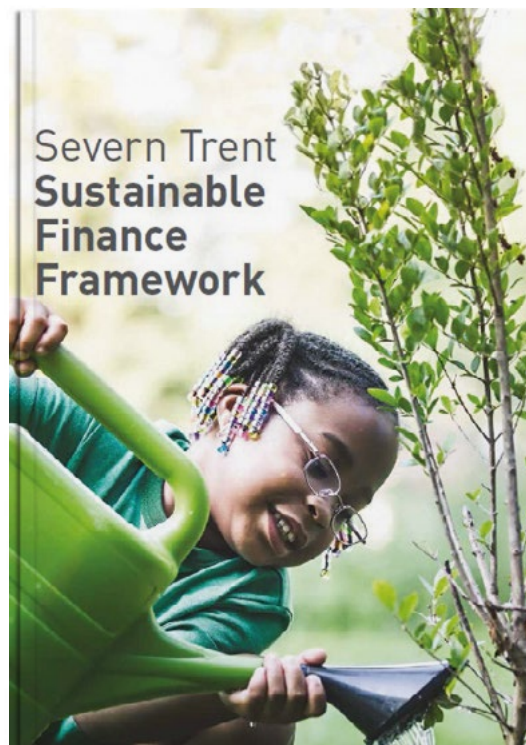
The Framework allows us to raise finance for our activities in line with our Values and our sustainability commitments and is mapped against the UN Sustainable Development Goals.

Assets and expenditures are formally assessed for their eligibility and inclusion in the Eligible Sustainable Portfolio by the Sustainable Finance Committee. The net proceeds arising from an issuance under the Framework are appropriately managed by our Treasury function and are wholly allocated to finance, refinance or invest in eligible projects.

Reporting on both the use of proceeds and expected impacts of the investments made using funds raised through this Framework will be provided in line with our wider sustainability reporting.

We completed our first debt issue under our Sustainable Finance Framework in March: £200 million in the US Private Placement market, which will be used to fund the acquisition of Agrivert and other expenditures in our Green Power business.

Given the nature of our expenditure, it is expected that the majority of our assets and expenditure could be eligible in the Eligible Sustainable Portfolio.



SECTION 3: BEING A COMPANY YOU CAN TRUST



BEING OPEN ABOUT WHAT WE DO AND SHARING WHAT WE KNOW

Setting out what we are doing in a clear and transparent manner is fundamental to our ability to interact with our stakeholders.

To maintain the high levels of trust we have built with stakeholders, we need to demonstrate that we are 'walking the walk' and not just 'talking the talk' in the decisions we make and the performance we deliver. This is particularly important for issues such as tax payments, remuneration and collaboration with our wider industry.

☆ Our goals:

- 1. Transparent reporting –**
communicate clearly with stakeholders on our strategy and performance.
- 2. Fair Tax Mark –**
pay the right amount of tax at the right time.
- 3. Remuneration –**
ensure our remuneration is balanced between the short- and long-term, and aligned across the Company.
- 4. Industry collaboration –**
tackle our shared challenges collaboratively.

REPORTING ON OUR PERFORMANCE

As well as our Annual Report and Accounts, Annual Performance Report ('APR') and schedule of charges for customers, this year sees the publication of this Sustainability Report, the first standalone review of our performance on sustainability, aligned with the Global Reporting Initiative ('GRI') and including disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD').

We also publish reports outlining our longer-term strategy every five years – Water Resources Management Plan ('WRMP') and Drainage and Waste Water Management Plan ('DWMP'), each outlining plans for the next 25 years, and a Climate Change Adaptation Report. We will publish an updated Climate Change Adaptation Report by the end of 2020.

PAYING OUR FAIR SHARE OF TAX

Tax is a very public way that all businesses contribute to the society that they serve. We are proud to have been accredited with the Fair Tax Mark, an independent assessment which recognises our commitment to paying the right amount of tax at the right time, and applying the 'gold standard' of tax transparency. In 2019/20, we incurred over £148 million in taxes, made up of business rates, corporation tax, employers' national insurance and environmental taxes such as the Climate Change Levy.



DELIVERING BALANCED AND ALIGNED REMUNERATION

We have a strong record on balanced and aligned remuneration. Our shareholders have voted 99% in favour of the Directors' Remuneration report for the last two years because they can see that our short – and long-term rewards are appropriately balanced, and that we deliver additional reward only in cases of out-performance.

Everyone at Severn Trent, from the Executive Committee to frontline employees, is incentivised using the same bonus metrics to deliver our strategy, encouraging ownership and accountability and providing a clear link between individual performance and our long-term goals. A third of every employee's bonus is linked to our performance across our sustainability commitments, through our customer ODIs and health and safety performance.

In line with most organisations, the proportion of variable pay increases for senior management and Executives. This includes bonus schemes and participation in our Long Term Incentive Plan. This year, we have disclosed our CEO pay ratio for the first time, publishing information covering 2018/19 and 2019/20 – see page 118 of our Annual Report and Accounts for details. During COVID-19, the Executive Board Directors of Severn Trent, Liv Garfield and James Bowling, and the Chair of the Board, Christine Hodgson, decided to donate a quarter of their salaries for the first three months of 2020-21 to charities in the region that are helping people affected by COVID-19.

72% of our people participate in our all-employee share scheme, Sharesave, compared to an average of 24% across the FTSE. This ensures that their interests are closely aligned with those of our stakeholders, and that they are focused on long-term performance.

For further information on remuneration at Severn Trent, see pages 102 to 123 of our Annual Report and Accounts.

COLLABORATING WITH OUR INDUSTRY

The water industry works best when it comes together to achieve a common goal. Last year, we launched a new model of innovation for our sector – the World Water Innovation Fund. Almost a year on, and now with 12 members, the fund covers 60 million customers and 240,000 km of pipes, and involves 40,000 water industry experts. There are seven live trials, focusing on new ways to tackle leakage, pollutions, water quality, supply interruptions and drinking water discolouration.

We're also collaborating with other water companies to develop plans for an interconnector to transfer water from the North West to the South East of England in the future – see page 15 for details.





It's particularly important that our industry works together during periods of uncertainty. For example, Severn Trent is working with Water UK and the broader industry to manage and mitigate risk through the UK's departure from the EU. We support other companies (and receive support ourselves) with the provision of additional tankers during loss of supply or pollution events. And, of course, our industry has worked with Defra, the Environment Agency, the Drinking Water Inspectorate and Ofwat to establish an industry-wide group to manage the threat of COVID-19.

SUSTAINABILITY KEY METRICS

Key sustainability performance in 2019/20 and over the last several years. We also set out our future commitments and long-term ambitions.

Customer Outcome Delivery Incentive performance and targets in the table below relate to Severn Trent Water only







GRI disclosure available at: www.severntrent.com

Theme	Performance	2020-25 commitments and long-term ambitions
TAKING CARE OF THE ENVIRONMENT		
 Ensuring a sustainable water cycle	Leakage 2019/20: Reduced leakage by 4% Reduced leakage by over 8% over last five years, exceeding 6% commitment	15% reduction by 2025 <i>Long-term ambition: 50% reduction by 2045</i>
	Per capita consumption 2019/20: Average per capita consumption in our region is around 130 litres per head per day Our water efficiency programme has delivered around 25 ML/d of water savings over five years	Reduce per capita water consumption by 3.5% by 2025 <i>Long-term ambition: Installing 500,000 water meters by 2025</i>
	Climate change adaptation First disclosure in line with the Task Force on Climate-related Financial Disclosures on page 28	<i>Continue to build adaptation to the effects of climate change into our long-term planning</i>
	Water quality improvement against Water Framework Directive ('WFD') Over the past five years we have delivered 33 water and 246 waste WFD points, improving 1,600 km of river	Improve 211 WFD points by 2025 Improve the quality of a further 2,100 km of river by 2025, meaning over half the rivers in our region will have improved by the end of AMP7
	Catchment management Catchment management approach implemented in 26 catchments over five years, engaging with over 5,000 farmers in our region	Implement catchment management in 16 catchments <i>Long-term ambition: Engage with 9,000 farmers (63% of those in our region) across 44 catchments to reduce pollutants from agriculture</i>
	Water quality 2019/20 14% improvement in drinking water quality complaints We expect to see a 40% reduction in the Compliance Risk Index ('CRI') compared to 2018/19	7% reduction in water quality complaints compared to 2019/20 CRI score of 0 100% Treatment Work Compliance
 Enhancing our natural environment	Biodiversity Improved biodiversity in over 244 hectares of SSSI-designated land over the last five years	Improve 1090 hectares of biodiversity by 2025 <i>Long-term ambition: Improve the biodiversity of 5,000 hectares of habitat, not just SSSIs, across our region by 2027</i>
	Pollutions 2019/20: 288 category 3 (minor incidents) 12% reduction on 2018/19 and our best performance in over a decade	29% reduction in pollution incidents by 2025 to 19.5 incidents per 10,000 km of waste network <i>Long-term ambition: Reduce total number of pollution incidents by 50% by 2025</i>
 Making the most of our resources	Biosolids In the 2019 calendar year we recycled over 115,000 tonnes of dry solids to agricultural land	100% Satisfactory sludge use and disposal Maximise the conversion of sludge into biogas and other useful resources
	Waste diverted 2019/20: Waste audit completed providing better visibility of waste streams, with some waste streams as high as 99% diverted from landfill	<i>Long-term ambition: We are actively working to set clear targets across all waste streams, with an ambition of zero waste to landfill</i>
 Mitigating climate change	Carbon footprint 2019/20: 141 tCO ₂ net operational greenhouse gas emissions of Severn Trent Group per £m turnover 7% reduction on 2018/19 and 45% reduction on 2014/15	Triple Carbon Pledge: Net zero carbon emissions by 2030 Commitment to set and report against Science-Based Targets
	Electric vehicles 2019/20: Implemented policy to only purchase electric cars from now on and only electric vans from 2023	Triple Carbon Pledge: 100% electric vehicles by 2030 (where specialist vehicles such as tanks become available within that time period)
	Renewable energy 2019/20: From 1 April 2020 we have purchased the remainder of our energy needs from renewable sources, achieving our 100% renewable energy commitment 10 years earlier than planned	Triple Carbon Pledge: 100% energy from renewables by 2030
	Energy consumption 2019/20: Total energy consumption of 2,037 GWh or 1.11 GWh per million of Group revenue	We continually invest in improving energy efficiency and we have a dedicated energy management team focused on driving operational change to reduce energy
	Renewable energy generation 2019/20: Self-generation of renewable energy by Severn Trent Group increased to the equivalent of 51% of Severn Trent Water's energy needs We delivered 491 GWh of renewable energy across our sites	Continuing to invest in energy generation opportunities



OTHER INFORMATION

	Theme	Performance	2020-25 commitments and long-term ambitions
HELPING PEOPLE TO THRIVE			
 <p>Delivering an affordable service for everyone</p>	Help when you need it	 2019/20: Around 70,000 customers received financial support and advice, a 33% increase from 18/19	 By 2025 support 43% of customers who struggle to pay (195,000 customers annually) <i>Long-term ambition: Eradicating water poverty, meaning that none of our customers will be faced with a water bill that is more than 5% of their disposable income by 2030</i>
	Trust Fund	2019/20: £3.5 million annually donated to the Severn Trent Trust Fund Over £60 million donated to the Trust Fund to date	Commitment to contribute £3.5m annually to support customers in need
	Priority services register	2019/20: 1.2% of household customers are on the Priority Services Register	 9.7% of customers with additional needs on our Priority Services Register by 2025
	Value for money	 2019/20: 66% of customers rated our services as good value for money (based on quarterly independent survey) 9% increase in the last five years	 65% of customers rating us good value for money
 <p>Providing a fair, inclusive and safe place to work</p>	Employee engagement	2019/20: Employee engagement score of 8.1/10 in employee survey, placing us in top 5% of utilities globally	Maintain high employee engagement across our workforce
	Gender diversity	2019/20: All employees – 71% male, 29% female Graduate and apprentices – 75% male, 25% female	Gender equality is a big part of our commitment to all aspects of diversity and inclusion. It is absolutely central to everything we do, and we know just how much it means to our own people while also being something we believe will help us attract the best diversity of talent.
	BAME diversity	2019/20: All employees – 8.86% ethnic minority Graduate and apprentices – 19% ethnic minority	We are looking at our data and internal systems to understand how we will respond to the requirements of the Government's ethnicity pay gap reporting legislation once it comes into force.
	Support LGBTQ + colleagues	2019/20: Ranked 175 in the Stonewall Workplace Equality Index and continued growth of our Allies programme	We are committed to creating an environment where everyone can bring their whole self to work. Continuing to embed our allies network in our working practices is vital to that.
	Social mobility	2019/20: 43% of new starters and 39% of promoted employees live in a social mobility cold spot	We believe we have a role to play in helping communities thrive and we are actively targeting our employment campaigns in areas classed as social mobility cold spots.
	Support colleagues with disabilities	Workplace Adjustment Passport launched to help secure support or adjustments	Work towards Disability Confident Employer status
	Offer employability internships to young people with additional needs	13 interns hosted over four years 67% have moved into paid employment after graduating the scheme	Continue to provide opportunities to young adults with disabilities to develop working skills
	Health and safety	2019/20: Lost time incident LTI rate of 0.20 per 100,000 hours worked at Severn Trent and 0.06 among contractors	We are committed to reducing LTIs with a Goal Zero mindset

OTHER INFORMATION

	Theme	Performance	2020-25 commitments and long-term ambitions
HELPING PEOPLE TO THRIVE			
 <p>Investing in skills and knowledge</p>	Employee training	2019/20: 14,299 training days across our Company, an average of 2.1 per employee	To have the most technically skilled workforce in the sector
	Education	 Over 800,000 customers reached since 2015	 155,250 behaviour change commitments by 2025 <i>Long-term ambition: Educate 500,000 school children in the next five years around responsible water use, sewer misuse and healthy hydration</i>
 <p>Making a positive difference in the community</p>	Community support	2019/20: Community Fund established £500,00 from this fund made available to support charities and non-for-profit organisations struggling in COVID-19. A further £500,000 has been made available from historic share forfeiture proceeds to help charities recover as part of an overall COVID-19 emergency fund	Donate 1% of profits (over £10 million over five years) via the Severn Trent Community Fund
	Employee volunteering	2019/20: Nearly 1,500 employees volunteered All employees entitled to two paid days volunteering per year	<i>Long-term ambition: 40% of employees volunteering in our region every year</i>
	WaterAid	2019/20: Raised £120,740 for WaterAid Raised over £1,320,000 for WaterAid between 2015 and 2019	Raise £560,000 for WaterAid projects in Bangladesh between 2019 and 2024
BEING A COMPANY YOU CAN TRUST			
 <p>Living our values</p>	Purpose and Values	2019/20: New Purpose and Values co-created with employees	Put our Purpose and Values at the heart of our culture
	Supplier sustainability	2019/20: 52 of our key suppliers have pledged to drive targeted action to support on carbon reduction, resource efficiency and community engagement. 2019/20: Across Severn Trent Plc, our payment policies align with the Prompt Payment Code. Over the last six months 97% of suppliers were paid in line with the agreed payment terms. On average our suppliers were paid within 30 days of us receiving their invoice.	We are committed to develop a holistic approach to supplier sustainability, including high-level supplier heat mapping against key environmental and social issues.
 <p>Balancing the interests of all our stakeholders</p>	Stakeholder engagement	2019/20: First dedicated s.172 disclosure, see page 28 in our Annual Report and Accounts.	The principles underpinning s.172 are not something that are only considered at Board level, they are part of our culture. Impacts on stakeholders are considered in the business decisions we make across the Company at all levels.

OTHER INFORMATION

	Theme	Performance	2020-25 commitments and long-term ambitions
BEING A COMPANY YOU CAN TRUST			
 <p>Running our Company for the long term</p>	Board leadership	<p>This year's effectiveness evaluation concluded that the Board, its Committee Chairs and Committees were effective and that all Directors were considered to have demonstrated considerable commitment and time to their roles, well in excess of that required by the Charter of Expectations not withstanding any other positions held by them outside of Severn Trent.</p> <p>A summary of the evaluation can be read on page 84 of the Annual Report and Accounts</p>	Maintain a high-performing, effective and diverse Board to provide effective oversight and ensure our long-term success
	Board diversity <small>*as at 1 May 2020</small>	<p>2019/20: Seven* independent Board members, including the Chair</p> <p>56% Board members are female</p> <p>11% Board members are from a BAME background</p> <p>In line with the Principles of the Parker Review, the Board has been actively looking to appoint a Non-Executive Director from a BAME background for the last few years. The calibre of the candidates identified in this year's search was outstanding, and it was after careful deliberation that the Committee unanimously recommended the appointment of Sharmila Nebhrajani to the Board from 1 May 2020.</p>	In line with our new Board Diversity Policy, the Board remains focused on promoting broader diversity, embedding inclusivity into our succession planning and talent development work and creating an inclusive culture
	Remuneration	<p>In our first year of disclosing CEO pay ratios we have chosen to publish two years' worth of information covering 2018/19 and 2019/20. The ratio of CEO's single total remuneration figure, in 2019/20, compared to the employee at the 50th percentile is 65.0. For more information, see page 118 of the Directors' Remuneration report in the Annual Report and Accounts.</p> <p>72% of employees participated in our employee Sharesave scheme</p>	Deliver balanced and aligned remuneration
	Business ethics	<p>2019/20: 84% of employees completed e-learning on the Code of Conduct, Doing the Right Thing</p> <p>Colleagues rated the following statement 8.2 out of 10 (where 10 is highest and 1 is lowest): 'If I suffered or witnessed wrongdoing at work, I'd be confident Severn Trent would respond appropriately'</p> <p>2019/20: 30 Speak Up cases were raised across the Severn Trent Group. Following internal investigations, 30% of cases were found to be partly substantiated and 7% of cases were found to be substantiated and viewed as Code of Conduct breaches; for example, dishonest behaviour, health and safety and breaches of policy.</p>	<p>Target: 100% of employees complete annual e-learning on the Code of Conduct and business ethics by those able to do so</p> <p>Maintain employee confidence in whistleblowing</p>
	Sustainable finance	Sustainable Finance Framework launched and first £200 million raised through US Private Placement debt issuance by Severn Trent Plc	Continue to raise funds under our Sustainable Finance Framework
	Modern slavery	2019/20: 97% of employees, excluding customer contact centre teams, have completed modern slavery e-learning	Continue to raise awareness around modern slavery and how to raise concerns. Targeted awareness will be rolled out to customer contact centre teams over next 12 months.
 <p>Being open about what we do and sharing what we know</p>	Industry collaboration	<p>Last year, we launched a new model of innovation for our sector – the World Water Innovation Fund. Almost a year on and now with 12 members, the fund covers 60 million customers and 240,000 km of pipes, and involves 40,000 water industry experts.</p> <p>Taken a leading role on behalf of the industry on the issues surrounding microfibres</p>	Trial innovative solutions to industry challenges through the World Water Innovation Fund
	Transparent reporting	2019/20: First dedicated sustainability report and GRI disclosure June 2020	We are committed to communicating clearly with stakeholders on our strategy and performance
	Fair Tax mark	2019/20: Fair Tax mark accreditation received	We are committed to act in line with the principles of the Fair Tax mark
	Living Wage	2019/20: Accredited as a real Living Wage employer	Target: 100% of supplier contracts specifying the real Living Wage

ABOUT THIS REPORT


SCOPE AND BOUNDARIES

This report covers the most significant environmental, social and governance issues for the financial year 1 April 2019 to 31 March 2020. It is published alongside, and complements, our Annual Report and Accounts.


Our regulated water and waste water business includes the wholesale water and waste water activities (excluding Bioresources) of Severn Trent Water Limited and its retail services to domestic customers, and Hafren Dyfrdwy Cyfyngedig. Unless stated otherwise, the information in this report relates to Severn Trent Water, which makes up 98% of our total customer base.

Independent benchmarking


We use feedback and assessments from the following indexes to benchmark our environmental, social and governance performance:




CDP
CDP (formerly the Carbon Disclosure Project) is a not-for-profit organisation that runs the global disclosure system for investors, companies, cities, states and regions to manage their impact on the environment. CDP helps assess our plans for climate change and the action we're taking. We were rated B in 2019, an improvement on our 2019 rating of C, and we're working hard to improve our future responses.



FTSE4Good
As a FTSE100 company, we are part of the FTSE4Good Index Series, designed to measure the performance of companies demonstrating strong environmental, social and governance practices. Our latest review was in June 2019.




Sustainalytics
Based in Amsterdam, Sustainalytics is a company that rates the sustainability of other organisations based on their environmental, social and corporate governance performance. In early 2020, Sustainalytics classed us as an Outperformer and gave us a risk rating score of 18.6, assessed to be at low risk of experiencing material financial impacts from ESG factors. This rating places us in the first percentile within the water utilities sub-industry.




MSCI
MSCI (formerly Morgan Stanley Capital International) is based in New York and provides a range of market and business analysis to investors around the world. MSCI scores companies based on their plans and behaviours in relation to issues including climate change, pollution and waste, human capital, social opportunities, and corporate governance and behaviour. In October 2019, MSCI rated us BBB (Scale AAA to CCC).




Bloomberg Gender-Equality Index
In 2020, we were announced as one of the 325 companies across 50 industries included in the 2020 Bloomberg Gender-Equality Index (GEI). Nearly 6,000 companies across 84 countries and regions are eligible for the index, which tracks the performance of public companies committed to supporting gender equality through policy development, representation, and transparency.




Tortoise Intelligence Responsibility 100 Index
We were ranked tenth in the inaugural Tortoise Intelligence Responsibility Index. An index unique for ranking whether companies do what they say they will – providing a 'walk' as well as a 'talk' perspective on performance. The index ranks the FTSE100 companies on their commitment to key social, environmental and ethical objectives, inspired by the UN Sustainable Development Goals. This index is updated on a quarterly basis.




Institutional Shareholder Services (ISS) ESG
ISS Corporate Performance analyses a company's management of ESG issues on the basis of up to 100 rating criteria. We received a B 'Prime status' for our assessment that took place on February 2020, awarded to companies with ESG performance above sector specific thresholds.



Task Force on Climate-related Disclosures
The Taskforce on Climate-related Financial Disclosures (TCFD) recommendations are designed to achieve consistent, decision-useful, forward-looking information on the material financial impacts of climate-related risks and opportunities, including those related to the global transition to a lower-carbon economy.



Carbon Trust
We have held the Carbon Trust standard for over 10 years, recognising our best practice in measuring, managing and reducing our environmental impact. We receive valuable feedback from the Carbon Trust on how to improve on these topics.



United Nations Global Compact
Through the delivery of our sustainability ambitions, Severn Trent is committed to upholding the UN Global Compact's Ten Principles on human rights, the environment and anti-corruption. This report along with our GRI Content Index acts as our Communication on Progress.

Data quality and assurance

In ensuring data quality for this report, we followed the GRI's Reporting Principles of balance, clarity, accuracy, reliability, timeliness and comparability.

Data assurance

Across our Sustainability Report, we have used our established risk-based, three lines of assurance approach, with our most material sustainability metrics being independently assured. As part of the ARA and APR process, Jacobs and Black & Veatch have assured our sustainability-related Performance Commitments and Deloitte has assured our financial data. Other high-risk sustainability information has been assured by Internal Audit with the remaining lower risk areas being second line assured. Full assurance statements can be found on in the Severn Trent Plc Annual Report and Accounts 2020 and Severn Trent Water Annual Performance Report 2020.

Carbon reporting

Our approach to carbon reporting is based on the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and we have included only emissions from the assets which we own and operate and which we can directly influence and reduce, known as the financial control boundary.

OTHER INFORMATION

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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. No assurances can be given that the forward-looking statements in this document will be realised. 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.

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).

GLOSSARY

AMP7: Asset Management Period for the five-year regulatory period starting 1 April 2020.

BAME: Black, Asian and Minority Ethnic.

CSO: Combined sewer overflow – an asset on our sewer network that acts as a relief point when combined sewers are overwhelmed with rainwater allowing discharge into rivers/watercourse.

DWMP: Drainage and Wastewater Management Plan – covers the investments we plan to make over the next five-year period, 2020-25, as well as setting out a long-term (25-year) strategy for how we are going to deliver a reliable and sustainable waste water service.

GRI: The GRI Sustainability Reporting Standards (GRI Standards) are the most widely adopted global standards for sustainability reporting.

Living Wage: The real Living Wage is an independent calculation of the cost of living, based on a basket of household goods and services.

Natural capital: The value created for people, directly or indirectly, by ecosystem services from the natural world.

ODI: Outcome Delivery Incentive – a framework made up of outcomes, measures, targets and incentives which provides companies with rewards for achieving stretching performance targets and compensates customers if performance is below performance commitments.

Paris Agreement: An agreement within the United Nations Framework Convention on Climate Change, with a long-term goal to keep the increase in global average temperature to well below 2°C above pre-industrial levels; and to pursue efforts to limit the increase to 1.5°C, recognising that this would substantially reduce the risks and impacts of climate change.

Parker Review: Independent review by Sir John Parker into the ethnic diversity of UK Boards.

PCC: Per capita consumption is the average amount of water used by each person that lives in a household property.

PR14/24: The price review is a financial review process led by Ofwat where wholesale controls for water and sewage companies are set every five years.

REGO: Energy which is backed by Renewable Energy Guarantees of Origin. The REGO scheme is a Government scheme, regulated by Ofgem, which provides transparency to consumers about the proportion of electricity that suppliers source from renewable generation.

Scope 1 emissions: All direct emissions from the activities of the business.

Scope 2 emissions: Indirect emissions from electricity purchased and used by the business.

Scope 3 emissions: All other indirect emissions from activities of the business, but occur from sources that we do not own or control.

Social capital: The value created through improved individual or societal wellbeing and prosperity.

WRMP: Water Resources Management Plan – sets out how we'll manage supply and demand to mitigate the impact of climate change and meet our environmental obligations for the next 25 years.

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www.luminous.co.uk

Severn Trent Plc

Registered office:

Severn Trent Centre
2 St John's Street Coventry
CV1 2LZ

Tel: 02477 715000

www.severntrent.com

Registered in England and Wales
Registration number: 2366619



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Severn Trent Plc Sustainability Report 2020

Sustainability Report 2020

Severn Trent Plc

