

CLIMATE-RELATED SCENARIO ANALYSIS

The impact of climate variations is critical to the way Severn Trent operates. As such, we have an advanced and nuanced approach to the way we integrate climate into our business processes and risk management approach. As a business, we look at a wide range of temperature and climate forcing alignments, from a 1.5°C Paris-aligned scenario, to a 4°C 'business as usual' scenario to inform our strategy for investment in future resilience. The specific assumptions, parameters and scenarios applicable are set out below, and more information can be found in the corresponding reports.

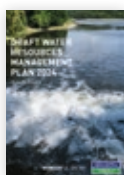
Our approach to scenario analysis

Scenario analysis is a key component of assessing both the likelihood and consequence of our major climate-related risks. Stress testing our ability to deliver customer outcomes against a range of variables highlights our resilience and informs our long-term strategy and investment plans. These are outlined through our PR24 plan, and also in our WRMP, DWMP and SDS.

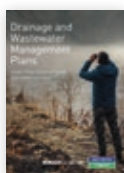
Key documents that utilise the modelling work

WRMP AND DWMP

Our WRMP and DWMP will focus on Ofwat's base scenarios for AMP8, which include changes to demand forecasts arising from building regulations and water device labelling, varying the data inputs for abstraction regulations and population growth, and including changes to assumptions made around technology.



DRAFT WATER RESOURCES MANAGEMENT PLAN ('WRMP')

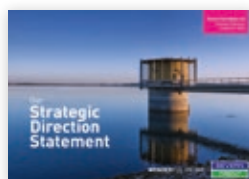


DRAINAGE AND WASTEWATER MANAGEMENT PLAN ('DWMP')

For more details see page 51 for key examples and case studies or scan or click the QR codes to read more

STRATEGIC DIRECTION STATEMENT

Our SDS provides context for our PR24 submissions and shows how our AMP8 plans fit into our longer-term goals.



STRATEGIC DIRECTION STATEMENT ('SDS')

LTDS

As part of our submission to Ofwat later this year, we are documenting our Long Term Delivery Strategy which sets out the long-term risks, ambitions and investments beyond PR24 and into the future. It uses adaptive planning alongside the findings of the WRMP and DWMP to test demand and climate-change scenarios that may occur.

PR24 INVESTMENT PLANS

For the upcoming price review process ('PR24'), Ofwat has set out guidelines for how water companies should develop and present their long-term delivery strategies, including a requirement to use an adaptive planning approach. Following these guidelines, we are using a scenario-based methodology, considering climate change, technology, water demand, and environmental ambition. For each parameter, Ofwat have prescribed assumptions for low and high risk scenarios.

The underlying analysis behind these documents is used to set and evidence our five-year regulatory business plans. PR24 covers our financial investment needs from 2025-30 and will be submitted to Ofwat in October 2023, with the Final Determination expected in December 2024. A key role of PR24 is for us to balance long-term financial investment needs for a resilient and sustainable business, with ensuring customers' bills are affordable.

The Met Office undertook a review of the methods, datasets and scenarios used to ensure these are robust given the latest climate science, and that they align with the requirements stipulated in the Ofwat PR24 guidance. We are using the findings and recommendations to inform the next phase of our investment plans for PR24.

The key risks we model



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



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