

RHAGOROL O'R TAP
WONDERFUL ON TAP

HAFREN

DYFRDWY

severn dee

A scenic landscape featuring a river flowing through a lush green valley. A wooden bridge spans the river in the middle ground. In the foreground, two hikers are walking along the riverbank. The hiker on the left is wearing a blue and maroon jacket and blue jeans. The hiker on the right is wearing a blue jacket, dark pants, and a large grey backpack. The background shows dense green trees and a misty atmosphere.

ANNUAL PERFORMANCE REPORT 2022

HAFREN DYFRDWY CYFYNGEDIG

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This section contains our Board's Risk and Compliance Statement and Accuracy and Completeness of Data and Information Statement, along with Jacobs' Assurance Report. It also includes details of any departures from compliance and our action plan to correct non-compliance.

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This appendix covers how we approach APR assurance and the outcome of assurance, with our APR assurance approach during COVID-19 and APR specific governance approach also covered.

TAKING CARE OF ONE OF LIFE'S ESSENTIALS

RHAGOROL O'R TAP
WONDERFUL ON TAP



This Annual Performance Report ('APR') covers the year from 1 April 2021 to 31 March 2022 and is our second APR to be published for the 2020-2025 period (known as 'AMP7').

WELCOME TO THE HAFREN DYFRDWY ANNUAL PERFORMANCE REPORT 2022

CROESO!

We are delighted to present this year's Annual Performance Report ('APR') for Hafren Dyfrdwy. We hope you enjoy reading about our performance and activities during the year and our plans for the future.

The APR provides our customers and other stakeholders with clear and transparent information on all aspects of our performance in 2021/22, including the progress we have made to deliver our customer outcomes.

Providing accurate, clear and understandable information which can be trusted by our stakeholders is important to us and ensures our customers and stakeholders can clearly see how we have performed.

The aim of this APR is to provide customers and stakeholders with:

- A clear and assured account of our financial performance for each price control, based on Ofwat's regulatory accounts framework, to enable customers and stakeholders to consistently assess our relative and absolute performance.
- A clear, accurate and assured account of our performance across our 31 performance commitments in the year.
- An understanding of the actions we have taken to put things right in areas where we have not performed as well as we wanted.



John Coghlan
Chair
Hafren Dyfrdwy Cyfyngedig



James Jesic
Managing Director
Hafren Dyfrdwy Cyfyngedig

ADDITIONAL REGULATORY AND STATUTORY PUBLICATIONS

In addition to the APR, the following documents will be made available on our website in our regulatory library at hdcymru.co.uk:

The Hafren Dyfrdwy Cyfyngedig Annual Report and Accounts ('ARA') for the year ended 31 March 2022.

The APR data tables have been published separately in order to make our data freely available to everyone to access, use and share.



Our approach to regulatory reporting and assurance which sets out the rigorous and robust assurance and performance reporting framework we have in place.



An accounting methodology statement which explains the systems and processes used to populate the data tables in the Regulatory accounts.



ABOUT US

As one of the 11 regulated water and waste water companies in England and Wales, Hafren Dyfrdwy provides Mid and North-East Wales with high-quality water services at the most affordable price in England and Wales.

When Hafren Dyfrdwy was launched in 2018, we knew our enduring focus would be on Wales and on delivering for Welsh customers, both now and for generations to come. This thinking was behind our chosen name – Hafren Dyfrdwy means ‘Severn Dee’, representing the two major rivers in our region.

We are proud to be Welsh and during the year, we have strengthened the bond we have with our customers by relocating the majority of our operations to areas served by Hafren Dyfrdwy, issuing a consultation on our Strategic Direction Statement and launching a Community Fund to support local projects which improve our environment and encourage healthier and more cohesive communities.

We are regulated by Ofwat, the economic regulator of the water sector in England and Wales, and every five years we work with our customers to develop a new Asset Management Plan (‘AMP’) which is then assessed by and agreed with Ofwat.

Shaping our business plan for AMP7 involved extensive customer engagement, listening and discussing the issues that are important to our customers over an 18-month period. As a result, our business plan takes a long-term view, delivering for our customers today and putting firm building blocks in place to continue to improve services and protect them for future generations. This approach centres around our core principle of being a sustainable and socially purposeful company.

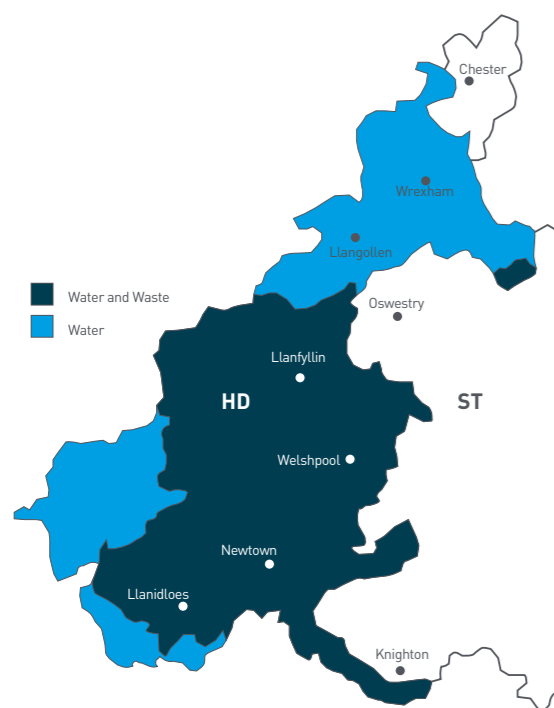
We are pleased to present our performance for the second year of AMP7 within this APR, which is produced in line with Ofwat’s guidance. The report provides clear and transparent information on progress against the delivery of our customer outcomes, service levels, costs and financial and environmental performance.

We have applied our established assurance approach to the data and narrative contained within the APR and, where relevant, to the supporting publications which are referenced throughout this report. This ensures that the information we provide is appropriately challenged, reviewed and approved.

Hafren Dyfrdwy Cyfyngedig is a subsidiary of Severn Trent Draycote Limited and Severn Trent Plc is its ultimate parent company. Severn Trent Plc is listed on the London Stock Exchange.

The full ownership structure of Hafren Dyfrdwy within the Severn Trent Group can be found on the Severn Trent Plc website.

Additional information and the Annual Report and Accounts of Severn Trent Plc are available on its website.



2021/22 QUICK FACTS AND PERFORMANCE HIGHLIGHTS

Quick facts

63 million

Litres of drinking water supplied each day

17 million

Litres of waste water treated each day

107,000

Households and businesses served

137

Average number of employees



Delivering water that is good to drink and is always there

66%

Reduction in properties receiving low pressure

5.4%

Reduction in our year-on-year leakage performance

0.16

Compliance Risk Index score



Waste water taken safely away

45%

Year-on-year improvement in supply interruption duration

11%

Year-on-year reduction in blockages

53%

Increase in customers supported year-on-year



Customer, community and environment

Around £1 per day

Lowest average bills in England and Wales

£52,000

Donated to seven charities in the region

340

Number of hectares of peatland restored

Read more about our performance in the Performance Summary Section from page 35.

*A measure designed to show the risk from treated water compliance failures.

PERFORMANCE HIGHLIGHTS

Our Purpose ‘**Taking care of one of life’s essentials**’, from start to finish, ensures our customers and communities experience the very best of our essential product every day. We’re looking after every drop of water all the way from our upland catchments to our customers’ taps, taking waste water safely away and recycling it back into the environment – cleaner than when we took it.

We are pleased to present our progress against the delivery of our customer outcomes for the second year of our business plan for the 2020-2025 period.

We have maintained our 71% Outcome Delivery Incentive (‘ODI’ performance in 2021/22, but as you will see, we have improved performance across the suite, reducing our net of tax penalty to £0.41m. Our performance improvements are a result of the hard work of our teams and the continued development of our standalone offering as the smallest and most agile water and waste water company.



IMPROVING CORE SERVICE IN WATER AND WASTE WATER

As a company that covers a highly rural area, with a relatively small population base, it can be difficult to achieve our stretching industry comparative targets, many of which are set in reference to levels achieved by the larger water and waste water companies or more urban centric water only companies.

In water, we have delivered strongly on the measures of importance to our customers, including one of the industry-leading Compliance Risk Index (‘CRI’) scores of 0.16, exceeding our lead pipe replacement target four times over for the second year in a row and delivering a 2.1% leakage reduction to deliver on our challenging three-year average target for the AMP.

Whilst we improved our supply interruptions performance by 45%, two major incidents in the year over 10 minutes each have had a significant effect on our total time performance. Whilst we can see the improvement in response times and reparations, our focus continues to be on innovative and cost-effective resilience in our rural network that will have lasting benefits.

In waste, we have focused on optimising our asset performance to drive greater control and improvement. As a result of this activity, we have seen a 60% reduction in pollutions, critical in reducing our impact to river health. We’ve also seen a 11% reduction in sewer blockages as our ‘pee, poo and paper’ education campaign continues to improve behaviour.



GOOD TO DRINK

Our treatment works clean raw water to the highest standards making it safe to drink.



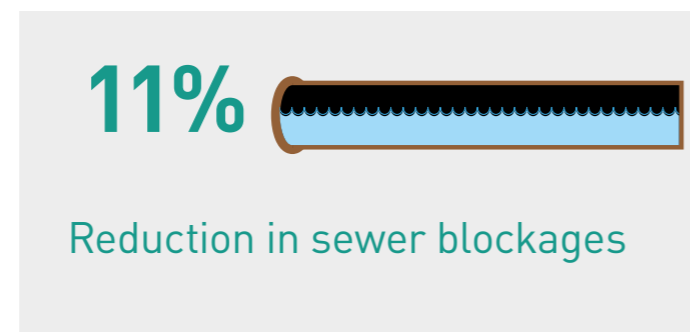
WATER ALWAYS THERE


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



WASTE WATER TAKEN SAFELY AWAY

Our network of sewers and pumping stations collects waste water, taking it back to our treatment works.





OUR CUSTOMERS AND COMMUNITIES

We serve 107,000 households and businesses with a safe reliable supply of water and collect waste water, seven days a week, every week of the year.



A THRIVING ENVIRONMENT

The natural environment is critical to our business; we are constantly interacting with it and we need to protect and enhance it whenever we can.

SUPPORTING OUR CUSTOMERS AND COMMUNITIES

Despite having the lowest average combined bill in England and Wales, we recognise the difficulties in our region and anticipating future challenges as household incomes are squeezed by the current inflation crisis. As such, we have proactively engaged with customers and worked with local partners, Wrexham County Borough Council, Newydd Housing and Mid-Wales housing, to promote support schemes – WaterSure and Here2Help – making an additional £105,000 available above our 2020-2025 plan.

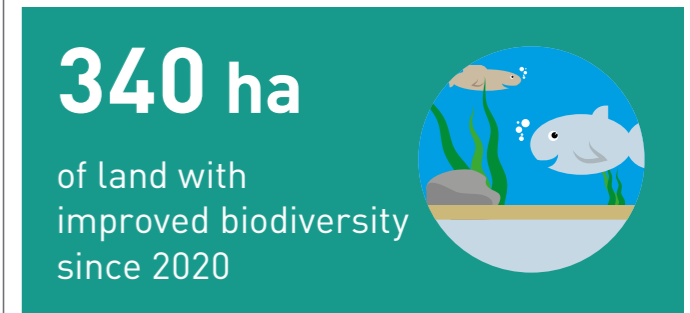
In addition to this, we have created a Hafren Dyfrdwy Community Fund to promote wider initiatives and offer support to our community in different and meaningful ways, awarding over £52,000 to seven projects this first year. Read more about the beneficiaries on pages 48 to 51.

We have increased the number of customers supported through bill reductions and water efficiency schemes by 50% year-on-year, helping reduce their cost and outstanding debts. We’ve again ensured that 100% of customers registered on our Priority Services Register (‘PSR’) receive the right support during an incident. We have also collected 1,100 customer commitments to change behaviour through our education programme and supported the thriving Welsh language with 100% compliance against our performance commitment.



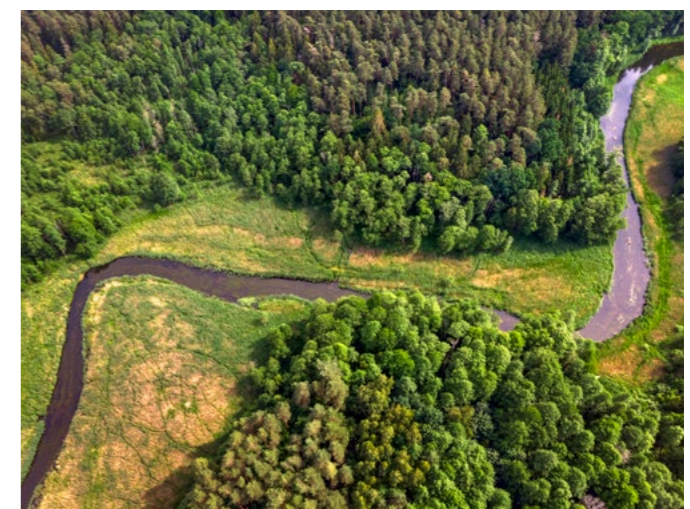
ENHANCING THE NATURAL ENVIRONMENT

Our ambition is to be an environmental leader in land and water management and we have demonstrated this by improving 340 hectares of land, 127% over target. This includes the continued investment in our exemplar site Lake Vyrnwy and is critically focused on peatland restoration activities. We continue to deliver all requirements of the National Environment Programme (‘NEP’) in year.

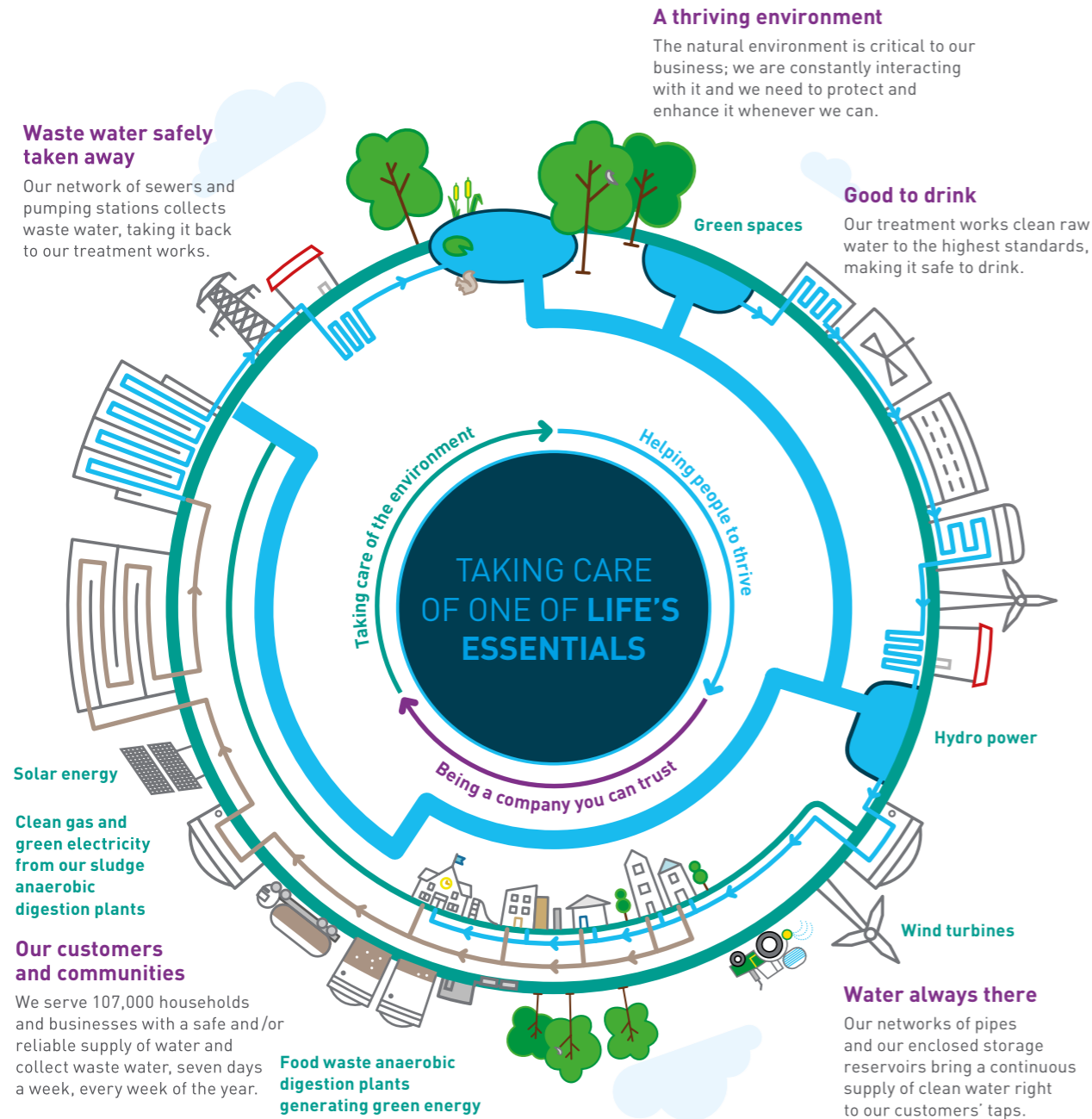


DELIVERING FOR WALES

Our approach embraces the synergies across the entire water cycle with customers and communities at its heart. This is underpinned by our strategy that prevention is better than cure and creating a calmer network will deliver multiple benefits. Our plan has been developed in full consideration of the Well-being of Future Generations (Wales) Act 2015 and we aspire to always operate in a way that is socially and environmentally sustainable.



OUR BUSINESS MODEL



GET RIVER POSITIVE

Rivers transform the communities around them, and we know that, as a water company, there is more we need to do to take a leading role in making all our rivers the healthiest they can be.

In July 2022, Hafren Dyfrdwy announced its commitment to the Wales Better River Quality Taskforce by launching five pledges to improve river water quality by 2030. The company has also become the latest UK water company to join 'Get River Positive' to transform river water quality. Central to the pledges is a commitment that work carried out by the company will ensure storm overflows and sewage treatment works do not harm rivers.

We've listened to our customers, local communities and campaign groups and committed to five pledges that lead the charge in protecting and revitalising rivers. We want everyone in our region to hold us to account, we will publish clear measurements for success, and we will be reporting back on progress regularly.

The Wales Better River Quality Taskforce is a partnership with Welsh Government, Natural Resources Wales, Ofwat and Dŵr Cymru dedicated to improving the quality of Welsh Rivers, in part, by monitoring and evaluating the performance and use of storm overflows. Afonydd Cymru and Consumer Council for Water are providing independent advice to the taskforce, offering insight and challenge from a stakeholder and customer perspective.

- Pledge One**
Ensure storm overflows and sewage treatment works do not harm rivers
- Using better data, we will find and fix problems quicker than ever before.
 - Working in partnership with the Taskforce to deliver the storm overflow Roadmap.
 - Based on the Environment Agency measure of Rivers Not Achieving Good Status ('RNAGS'), our operations will not be the reason for unhealthy rivers by 2030.

- Pledge Two**
Create more opportunities for everyone to enjoy our region's rivers
- Working with local clubs to increase opportunities for water-based activities at our reservoir sites.
 - Raising awareness of how and where to enjoy the water within the region safely.

- Pledge Three**
Support others to improve care for rivers
- Championing the banning of wet wipes that contain plastic and all wet wipes that are not 'Fine to Flush'.
 - Making sure that our Community Fund continues to offer support to community groups and charities that are improving our region's rivers.
 - Using our convening powers to help others address their contribution to river health and wider natural environment.

- Pledge Four**
Enhance our rivers and create new habitats so wildlife can thrive
- Protecting, improving and creating new habitats for native wildlife to thrive – such as curlew, black grouse and the Welsh clearwing moth.
 - Accelerating our peatland restoration programme – to deliver significant carbon benefits, improve the health of rivers and reservoirs and improve raw water quality for less intensive treatment processes.
 - Working with community groups and organisations such as Montgomeryshire Wildlife Trust to care for rivers and further address issues across our region.
 - Cleaning and restoring rivers and riverbanks across our region, utilising our Community Champion volunteers in partnership with Glandŵr Cymru.
 - Recognising the valuable role that woodland can play in safeguarding the natural environment, including improving water quality, managing our estate to deliver structurally diverse, highly productive, forests for biodiversity and natural amenity.

- Pledge Five**
Open and transparent about our performance and our plans
- Ensuring that our performance information is easily accessible and transparent on our website by the end of 2022.

Announcing our pledges, and the commitment we have made to the Taskforce, are some of the many steps we are taking to improve the quality of rivers within our region. We recognise the vital role that our local rivers play, and that there is much more that we can do to make them the healthiest they can be. We've listened to you, our customers, local communities and campaign groups and I am delighted to be able to announce this series of clear and actionable commitments, which will lead the way in protecting and revitalising rivers.

James Jesic, Managing Director

OUR APPROACH TO BOARD LEADERSHIP, TRANSPARENCY AND GOVERNANCE

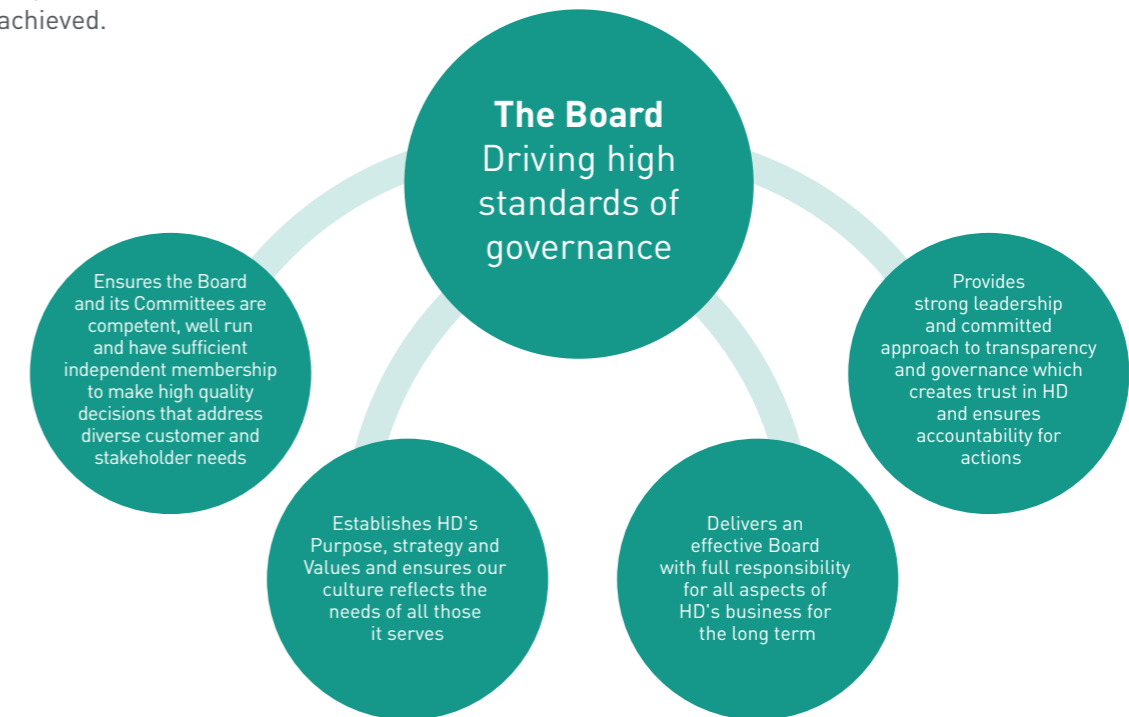
OUR APPROACH TO BOARD LEADERSHIP, TRANSPARENCY AND GOVERNANCE

The Board welcomed Ofwat’s revision of its principles for Board leadership, transparency and governance (the ‘Framework’), which came into effect in April 2019 and reinforced the important role of effective corporate governance and strong board leadership in driving high standards and securing the proper discharge of functions.

Hafren Dyfrdwy’s Licence requires the Company to meet the Framework objectives and explain in an effective, accessible and clear manner how this has been achieved.

We regularly review how we report on matters relating to Board leadership and governance, to identify ways that this can be further enhanced, and feedback from stakeholders is welcomed.

The Board is satisfied that all objectives under the Framework have been met during 2021/22 and this section provides detail on how this has been achieved and outlines how the Company continues to deliver for its customers and other stakeholders.



Throughout this section we reference a number of different documents and reports that provide further detail to support our statements. You can find more detailed information on both our Hafren Dyfrdwy and Severn Trent Group policies on our websites.

We provide relevant cross references to these documents throughout this section and the Annual Performance Report.

Reports that we reference within this Annual Performance Report:

- Hafren Dyfrdwy Cyfyngedig Annual Report and Accounts
- Severn Trent Plc Annual Report and Accounts

Documents available at hdcymru.co.uk

- Detailed information about the Hafren Dyfrdwy Cyfyngedig Board and Matters Reserved to the Board
- Articles of Association
- Charter of Expectations
- Our Assurance Summary
- **[Hafren Dyfrdwy Code of Practice](#)**

Documents available at severntrent.com

- Group Company Structure
- Our Code of Conduct, Doing the Right Thing
- Group Conflicts of Interest Policy

1.

OBJECTIVE: THE BOARD OF THE APPOINTEE ESTABLISHES THE COMPANY'S PURPOSE, STRATEGY AND VALUES, AND IS SATISFIED THAT THESE AND ITS CULTURE REFLECT THE NEEDS OF ALL THOSE IT SERVES.

- A. The Board develops and promotes the company's purpose in consultation with a wide range of stakeholders and reflecting its role as a provider of an essential public service.
- B. The Board makes sure that the company's strategy, values and culture are consistent with its purpose.
- C. The Board monitors and assesses values and culture to satisfy itself that behaviour throughout the business is aligned with the company's purpose. Where it finds misalignment it takes corrective action.
- D. Companies' annual reporting explains the board's activities and any corrective action taken. It also includes an annual statement from the board focusing on how the company has set its aspirations and performed for all those it serves.

The Board, supported by the Executive Team, is committed to the long-term sustainable success of the Company, which means focusing on how best to deliver for the customers we serve and our wider stakeholders.

PURPOSE, VALUES AND CULTURE

The Board recognises the importance of the Company's strategy, Purpose, Values and culture in delivering long-term success and building and maintaining trust in its activities. As such, approval of the Company's strategic aims and objectives is a matter reserved to the Board. The Board reserves responsibility for establishing Hafren Dyfrdwy's Purpose, Values and strategy, and continuously seeks to satisfy itself that our culture is aligned to these.

Our Purpose and Values set the cultural tone of our organisation, guide our behaviours and express the intent behind what we do. We believe that if we are united by a clear Purpose, we will deliver better outcomes for all our stakeholders – our customers, our colleagues, the communities we serve and the environment we depend on. We are first and foremost driven by our Purpose **'Taking care of one of life's essentials'** and we are guided by our Values:

- **Having courage** – speaking up when we believe things are wrong, even if it means stepping out of our comfort zones.
- **Embracing curiosity** – willing to learn 'safer, better, faster' ways of doing things, to prevent and resolve issues for customers.
- **Showing care** – treating everyone as we ourselves would want to be treated, keeping promises to customers and enhancing our environment.
- **Taking pride** – doing our best to make a positive difference for our customers every day.

Our Purpose and Values were formulated following extensive consultation with colleagues across the Severn Trent Group – from the frontline of our operations to our Board – to ensure that they both reflect our role as a provider of an essential public service and are meaningful and inspiring to our workforce, customers and the communities in which we live and operate.

The Board recognises the importance of building and promoting a culture of integrity and openness where inclusion and diversity are valued. Our Purpose and Values underpin our culture of Doing the Right Thing and this behaviour is demonstrated by our colleagues every day, in the decisions they make and the actions they take. The Board and Executive Committee recognise the importance of their roles in setting the tone for the Company's culture and they complete the Doing the Right Thing e-learning course every year, together with all of our employees. We also expect our supply chain partners to apply the same standards to their behaviour so that we can ensure everyone who works for us adheres to the same responsible business practices.


To fulfil its role of monitoring and assessing Values and culture, and satisfy itself that behaviour throughout the business is aligned with our Purpose, the Board considers culture at every meeting, through a standing people update from the Managing Director, which is complemented by dedicated reports on topics such as employee engagement, health, safety and wellbeing and diversity and inclusion. Through an independent

lens, the Board reviews the approach and progress of work to identify areas where there is any risk of modern slavery occurring in our supply chain and fully endorses the Group's Anti-Slavery and Human Trafficking Statement. In addition, to deepen their understanding of the Company's Values and culture, Board members undertake site visits throughout the year to meet colleagues in person, observe the true culture of the Company, the way in which the workforce applies our Values in all that they do and discuss first-hand the key issues identified by them. Board members also attend the Company Forum, to listen directly to what employees have to say and to provide updates on matters being considered by the Board. During the year, the Board also took part in our 'Ask the Board' event, where colleagues were invited to pose questions to the Board in a live Q&A environment, without management present and without scripted briefings, providing a further opportunity for the Board to engage with our people and gain an appreciation of the Company's culture.

The Board believes that our strong Values and culture are a key strength and there are resulting benefits in employee engagement, retention and productivity, which is why questions around our Purpose, Values and culture feature heavily within our annual employee engagement survey, QUEST. It is clear from the results that our Purpose and Values strongly resonate with our employees, as demonstrated by the overall employee engagement score of 8.7 out of 10 – placing us in the top quartile of all businesses and in the top 5% of energy and utility companies globally. Employees agree that our Values align with our Purpose and provide a good fit with the things they consider important in life and they feel inspired by the Purpose of our Group. The Board considers both the positive and more challenging aspects of the QUEST survey and discusses the action plans to be put in place for areas of employee focus, in order to ensure any misalignment with our Values and culture is addressed.

This robust programme of activity enables the Board to satisfy itself that policies, practices and behaviours throughout the business are aligned with our Purpose and culture. No misalignment was identified during the year and, as such, no corrective action was required to be taken.

Details of how the Board monitors culture and engages with employees are set out on pages 26 to 36 of the Hafren Dyfrdwy Annual Report and Accounts 2021/22.

Our Purpose reflects why we do what we do	<h2>Taking care of one of life's essentials</h2>
Our strategy provides us with what we do	The Board considers progress against the Company's strategy at every meeting, taking into consideration our Purpose and the potential impact on a wide range of stakeholders.
Our Values determine how we deliver our Purpose and strategy – they are the principles that guide our behaviour and they are what makes us Hafren Dyfrdwy	
Our Purpose and Values set the cultural tone of the Company – this is what makes us Hafren Dyfrdwy	<h2>Doing the right thing</h2>

SETTING ASPIRATIONS AND PERFORMING FOR ALL THOSE WE SERVE

Our PR19 business plan, for the current AMP7 period, was built around what matters to our customers and their expectations of Hafren Dyfrdwy, both as a water and waste water service provider and as a company which can and should play a positive role in wider society.

Our Purpose, ‘Taking care of one of life’s essentials’, unites everyone at Hafren Dyfrdwy and underpins our strategy, which has been developed in full consideration of the Well-being of Future Generations (Wales) Act 2015 and its ambitions to improve social, cultural, environmental and economic wellbeing in the region. This Purpose is central to all that we do and the Board makes sure that the Company’s strategy, Values and culture are consistent with our Purpose. The Hafren Dyfrdwy Annual Report and Accounts 2021/22 demonstrates how our Purpose runs through everything we do. For further information and explanation of our approach, we would refer in particular to the Strategic Report pages 3 to 44 and our description of governance pages 45 to 79.

The Board focuses on our Purpose when determining how the Company should operate and in considering how decisions the Board make will affect each of our stakeholder groups.



Our Purpose
Taking care of one of life’s essentials



Considering the needs of those we serve

Stakeholder Engagement

<p>The Well-being of Future Generations (Wales) Act 2015: Wellbeing Goals</p> <ol style="list-style-type: none"> 1. A prosperous Wales 2. A resilient Wales 3. A healthier Wales 4. A more equal Wales 5. A Wales of more cohesive communities 6. A Wales of vibrant culture and thriving Welsh language 7. A globally responsible Wales 	<p>Serving our customers - Listening carefully to the views of our customers to develop our PR19 Business Plan which, over an 18-month period, involved:</p> <ul style="list-style-type: none"> • 4,000 customers • 25 locations • Telephone surveys • Face-to-face interviews • Research and co-creation
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Setting our aspirations

Hafren Dyfrdwy PR19 Business Plan: Customer Outcome Commitments

<ul style="list-style-type: none"> • Ensure water is good to drink and always there when customers need it, and take waste water away safely every day. • Protect and create a thriving environment, whilst engaging with our communities and making a positive difference for the benefit of current and future generations. • Ensure customers receive an outstanding customer experience, which is centred around providing a personalised service for everyone whatever their unique needs. 	<ul style="list-style-type: none"> • Ensure we charge the lowest possible bills that are affordable for all. • Demonstrate that we are a company you can trust, who has controls, checks and balances in place to ensure we make the best decisions for our customers.
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Delivering for customers through our collective culture

Our Values

‘having courage’	‘showing care’	‘embracing curiosity’	‘taking pride’
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Our Code of Conduct
Doing the right thing

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is central to the formulation and execution of our strategy and is critical to achieving long-term sustainable success. The needs of our different stakeholders, as well as associated long-term impacts on our stakeholders as a consequence of Board decisions, are considered in depth by the Board in its decision-making processes. Whilst it is not always possible to provide positive outcomes for all stakeholders, and the Board sometimes has to make decisions based on competing priorities, the unwavering commitment to our enduring Purpose means that the best course of action is selected to maintain our high standards of business and delivering for our customers.

The graphic on page 21 provides examples of how the Board engages with our stakeholders to understand what matters to them. This enables the Board to take into account differing views in its decision making and fully consider the various consequences of the actions it takes.

We believe our Purpose, strategy, vision and Values will promote the long-term sustainable success of the Company, further customers' interests, create value for shareholders and take account the needs of other stakeholders. Additionally, as individual Directors, the Board is mindful of the statutory duty to act in the way each of them considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the Section 172 Statement (1) (a-f) of the Companies Act 2006. Further detail can be found in our dedicated Section 172 Statement on pages 40 to 42 within the Hafren Dyfrdwy Annual Report and Accounts 2021/22.

WORKING WITH OUR REGULATORS

We are subject to regulation of our price and performance by economic, quality and environmental regulators, as outlined below. We work closely with our regulators to shape our industry and help ensure the right outcomes for customers and the environment.



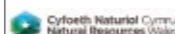
Welsh Government - Welsh Government provides strategic and policy direction for the industry and our regulators.



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



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



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



Consumer Council for Water ('CCW') - The CCW speaks on behalf of water consumers in England and Wales. It provides advice to consumers and takes up complaints on their behalf.

Customer engagement

In serving our customers, we provide both value and a great experience.

- Customer delivery performance is discussed at every Board meeting.
- The Board reviews and approves the APR, which updates customers on progress against our AMP7 Business Plan.
- The Board oversees the provision of additional support to customers who are vulnerable or may need help paying their bills.

Community engagement

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

- The Board supported the establishment of the HD Community Fund during the year, which has received extensive interest and resulted in over £52,000 being donated to seven local projects to date.
- Environmental matters are regularly considered by the Board, including in relation to river health.
- The Board, in conjunction with the Board of Dŵr Cymru Welsh Water, has developed a shared vision for 2050, as a first step to enhancing our collaborative approach to water services in Wales.

The Board oversees the delivery of the **Company's long-term strategy**, which is underpinned by our **Purpose**, formulated by **stakeholder engagement** and embedded in our **culture**.

Employee engagement

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

- Employee voice and workforce engagement are discussed at Board meetings, including the annual QUEST survey results and steps taken to address feedback.
- Individual Board members attend the Company Forum and feedback on discussions at subsequent Board meetings.
- 'Ask Our Board' events provide a platform for colleagues to ask questions to the Board in a live and unscripted environment, without management present.
- The Board undertakes site visits to meet colleagues in person and discuss their experiences first-hand.

Regulatory and Government engagement

We work closely with our regulators to shape our industry and help ensure the right outcomes for customers and the environment.

- During the year, the Board met with representatives from regulatory stakeholder groups, including Natural Resources Wales, the Consumer Council for Water, the Drinking Water Inspectorate and Ofwat.
- The Board has also met representatives from the Welsh Government and Local Authorities.
- Regulatory matters and consultation updates are regularly considered by the Board.



WHISTLEBLOWING

Our Whistleblowing Policy, 'Speak Up', sets out the ethical standards expected of everyone that works for, and with, us and includes the procedure for raising concerns in strict confidence. Our workforce can raise concerns through line managers, senior management and via our confidential and independent whistleblowing helpline, 'Safecall'.

All investigations are carried out independently with findings being reported directly to the Audit and Risk Committee. The Board as a whole also monitors and reviews the effectiveness of the whistleblowing arrangements annually, to ensure it has sufficient oversight of whistleblowing to support its works on culture, risk and stakeholder engagement. All significant whistleblowing matters are reported directly to the Board.

The Board has reviewed our whistleblowing arrangements again during the year, noting the proposed improvements to the process, and is satisfied that the arrangements in place are effective, facilitate the proportionate and independent investigation of reported matters and allow appropriate follow-up action to be taken.

CELEBRATING OUR WELSH HERITAGE

The Company was launched in 2018 to provide water and waste water services solely to customers in Wales. Hafren Dyfrdwy is Welsh for 'Severn Dee' and represents the two major rivers in the Welsh region that we proudly serve. Adopting a Welsh name was the first of many steps we have taken to truly embed the Company in the Welsh communities we operate in.

This year we have established a dedicated hub in Powys, with the majority of customer contact and customer engagement activity now operating from this site. We have also given colleagues the opportunity to learn or improve their Welsh language skills by offering a series of online courses, which give those enrolled the flexibility to broaden their knowledge at a time that is convenient for them.

The Board also considered our diversity and inclusion ambitions and priorities during the year. Our ambition is to have a workforce reflective of the communities we serve and, in order to achieve this, we are targeting areas of the workforce where this is not yet the case: 16-24 year olds, females, ethnic minorities and people with disabilities. A programme has been developed to help us achieve our ambitions in the short to medium term, including offering placements on the #10000BlackInterns programme and committing to increase the number of apprenticeships within the Company.



WELCOMING INNOVATION

We are constantly exploring new innovations and technology to deliver efficiencies and continuously improve our processes and services to customers.

The Board considered innovation during the year, with a dedicated update on the innovation portfolio in place across the Company, including the AVK sensor trial – where sensors were being installed on the Wrexham Ring Main to provide flow, pressure, temperature and operational data which could then be analysed to inform decision making and drive improvements in water quality and supply interruptions performance.



HELPING THE ENVIRONMENT TO THRIVE

We recognise how important our natural environment is to the wellbeing of our employees and customers and are committed to environmental leadership, including embracing the long-term approach to sustainable management of natural resources in Wales.

We serve a comparatively small area of Wales, but 60% of that area is on land that is protected as either Sites of Special Scientific Interest ('SSSI') or Special Areas of Conservation ('SAC'). Legislation looks to us to actively enhance the environment, not simply to prevent deterioration, and we seek to collaborate to achieve this shared vision.

One partner we continue to work closely with is RSPB Cymru and so far this AMP, we have delivered over 390 hectares of habitat improvements across the Lake Vyrnwy estate and completed two areas of peatland restoration on Allt Forgan and Cerniau, utilising funding from Natural Resources Wales's National Peatland Action Programme, in addition to our own capital expenditure funding.



2.

OBJECTIVE: THE APPOINTEE HAS AN EFFECTIVE BOARD WITH FULL RESPONSIBILITY FOR ALL ASPECTS OF THE APPOINTEE'S BUSINESS FOR THE LONG TERM.

- A. The regulated company sets out any matters that are reserved for shareholders or parent companies (where applicable); and explains how these are consistent with the board of the regulated company having full responsibility for all aspects of the regulated company's business, including the freedom to set, and accountability for, all aspects of the regulated company's strategy.
- B. Board committees, including but not limited to audit, remuneration and nomination committees, report into the board of the regulated company, with final decisions made at the level of the regulated company.
- C. The board of the regulated company is fully focused on the activities of the regulated company; takes action to identify and manage conflicts of interest, including those resulting from significant shareholdings; and ensures that the influence of third parties does not compromise or override independent judgement.

STANDALONE REGULATED COMPANY

Hafren Dyfrdwy has been part of the Severn Trent Group since 2018. The Board confirms that there are no items or topics relating to the strategy or regulated activities of Hafren Dyfrdwy contained within the Severn Trent Plc Board's schedule of matters reserved.

The Hafren Dyfrdwy Board therefore has full responsibility for all aspects of its business as an Appointee and meetings of the Board focus on our Purpose of taking care of one of life's essentials, with attention given to how this is being delivered to ensure the long-term success of the Company.

Separate, dedicated Board meetings are held for Hafren Dyfrdwy and standing items at Board meetings include an overview of operational and financial performance – including performance against operational and financial key performance indicators ('KPIs'), customer and colleague updates, and regulatory matters. The Board also receives updates on these topics in the months where no formal Board meetings are scheduled, through written briefings from the Managing Director. These standing items and regular briefings allow the Board to stay fully apprised of the Company's performance and updates on any matters requiring Board discussion and decision making.

Hafren Dyfrdwy represents approximately 2% per cent of Severn Trent Plc's revenues and, as such, decisions taken for Hafren Dyfrdwy have potential to conflict with those of Severn Trent Plc and Severn Trent Water Limited (also part of the Severn Trent Group).

There are currently three Directors that serve on our Board who also serve on the Boards of Severn Trent Plc and Severn Trent Water Limited. These Directors fully comprehend that the two regulated companies (Hafren Dyfrdwy and Severn Trent Water) are distinct legal entities and they are operated as such. It is unlikely that decisions taken in the best interests of Hafren Dyfrdwy would conflict with those taken by the Severn Trent Plc and Severn Trent Water Limited Boards. However, if that were to be the case, the Directors would be responsible for taking decisions on behalf of each entity in accordance with Section 172 of the Companies Act 2006, by acting in the way they consider, in good faith, would be the most likely to promote the success of the Company.

The Board is supported by the Company Secretary, to whom all Directors have access for advice and corporate governance services, including the commission of independent advice should it be necessary for the Board to seek this on any matter.

There is a Conflicts of Interest Policy in place, supported by an established process to manage Conflicts of Interest should they present. Conflicts of Interest are considered as part of the Director appointment process and any potential conflicts of interest are declared at the start of every meeting. This includes reviewing all other appointments held by Directors and the findings of the annual Board Effectiveness evaluation. Should the Board determine that any Director has a conflict of interest in relation to any matter under its consideration, the Director in question would recuse themselves from any involvement in that particular item.

**GOVERNANCE IN ACTION:
MANAGING CONFLICTS OF INTEREST**

During 2021/22, Hafren Dyfrdwy re-tendered its sludge disposal service, which had to date been provided by Severn Trent Water. The competitive tender process was overseen by both the Legal and Internal Audit Teams to ensure RAG 5 compliance with complete separation between the respective teams acting for Hafren Dyfrdwy and Severn Trent Water. Additionally, no Director of Hafren Dyfrdwy was involved with the tender submission from Severn Trent Water, including the Executive Directors who sit on the Severn Trent Plc Executive Committee and the Independent Non-Executive Directors who also sit on the Severn Trent Water Limited Board.

The Board was kept updated on the progress of the tender and, following assessment under the OJEU process, authorised the award of the tender to a provider outside of the Severn Trent Group. The new provider is based in Wales, demonstrating the Board's independence and commitment to further support local business with all Hafren Dyfrdwy sludge now treated within the country.

BOARD COMMITTEES

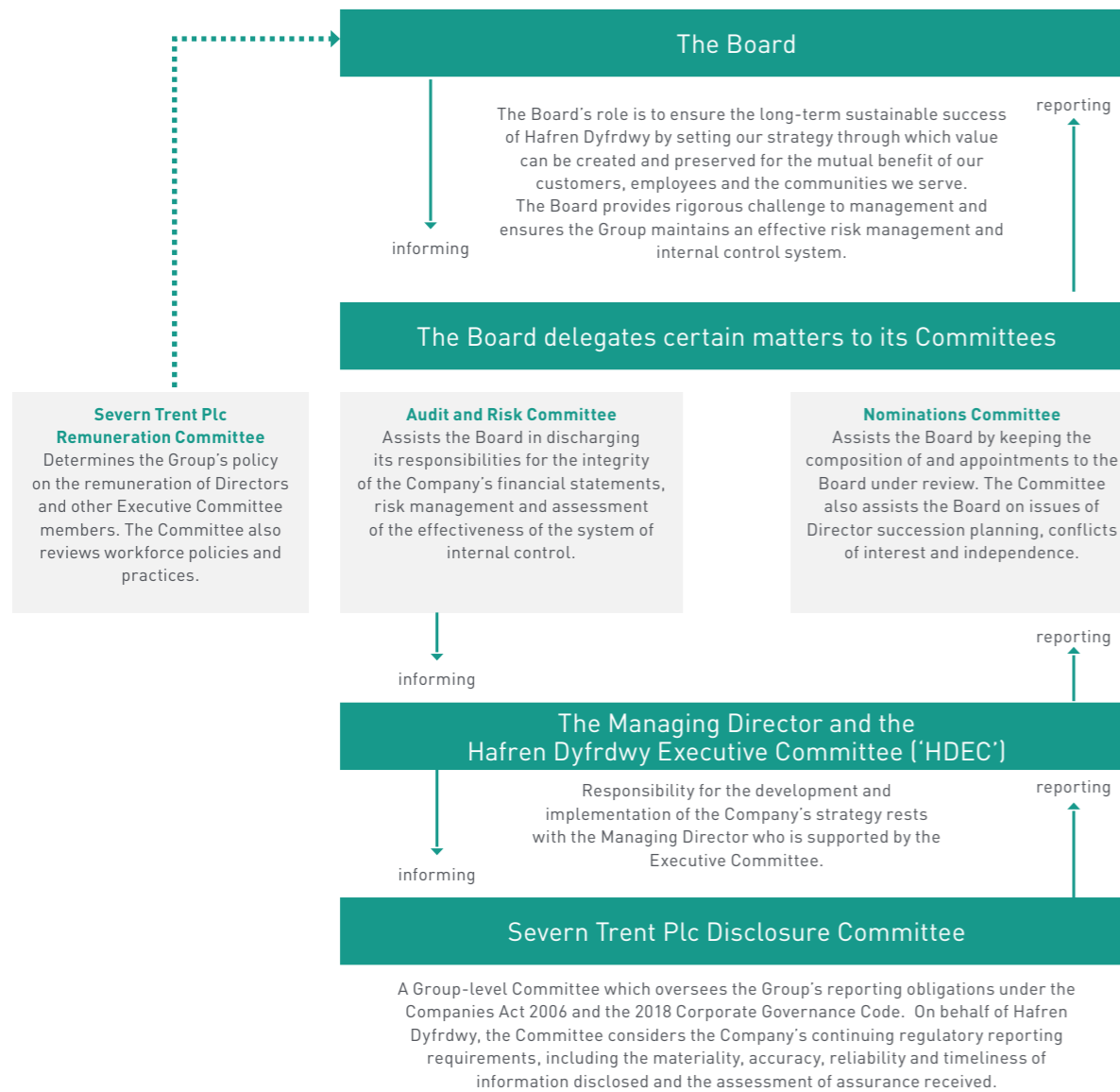
The Board delegates certain roles and responsibilities to its two Board Committees: the Nominations Committee and the Audit and Risk Committee. The Committees assist the Board by discharging their duties effectively, reporting to the Board on decisions and actions taken, and making any necessary recommendations to the Board in line with their respective Terms of Reference. The Board reserves for its own determination matters of strategic and regulatory importance and reviews the Terms of Reference for each Committee on a regular basis.

The Severn Trent Plc Group Remuneration Committee (the 'Remuneration Committee') operates on behalf of Hafren Dyfrdwy and all Group companies. This arrangement has been in place since the acquisition of Dee Valley Limited in 2018 and is reviewed annually to ensure its continued effectiveness.

The Remuneration Committee is wholly comprised of Independent Non-Executive Directors of Severn Trent Plc. Additionally, two members of the Remuneration Committee also serve as Non-Executive Directors on the Board of Hafren Dyfrdwy and one member also serves as Chair of the Hafren Dyfrdwy Audit and Risk Committee.

We consider that the governance arrangements in respect of the Remuneration Committee are appropriate as Hafren Dyfrdwy is part of the Severn Trent Plc Group of companies and employee pay is part of a unified remuneration structure and consistent policy framework. Central to the Group's remuneration policy is the use of measurable targets against which payments can be made. These governance arrangements ensure that the Remuneration Committee has access to wide ranging data and information on the overall performance of the Company.

The Board has a dedicated schedule of Matters Reserved to the Board and the Terms of Reference for the Board's Audit and Risk and Nominations Committees are available on our website. The schematic overleaf summarises the governance framework for Hafren Dyfrdwy.



3.

OBJECTIVE: THE BOARD OF THE APPOINTEE'S LEADERSHIP AND APPROACH TO TRANSPARENCY AND GOVERNANCE ENGENDERS TRUST IN THE APPOINTEE AND ENSURES ACCOUNTABILITY FOR THEIR ACTIONS.

- A. An explanation of group structure;
- B. An explanation of dividend policies and dividends paid, and how these take account of delivery for customers and other obligations (including to employees);
- C. An explanation of the principal risks to the future success of the business, and how these risks have been considered and addressed;
- D. The annual report includes details of board and committee membership, number of times met, attendance at each meeting and where relevant, the outcome of votes cast; and
- E. An explanation of the company's executive pay policy and how the criteria for awarding short and long-term performance related elements are substantially linked to stretching delivery for customers and are rigorously applied. Where directors' responsibilities are substantially focused on the regulated company and they receive remuneration for these responsibilities from elsewhere in the group, policies relating to this pay are fully disclosed at the regulated company level.

We do not see corporate governance as something we do because we have to. We choose to see it as something that should be ingrained in the way we behave, how we make decisions and, ultimately, how we build trust.

GROUP STRUCTURE

Hafren Dyfrdwy is an operating subsidiary of the FTSE100 listed company Severn Trent Plc, which means we operate at the high standards expected of a publicly listed company. In addition to the objectives under Ofwat's Framework, Hafren Dyfrdwy has chosen to apply the principles of the 2018 UK Corporate Governance Code (the '2018 Code') to its governance arrangements where appropriate and reasonably practicable to do so. Further details of how the Code principles and provisions were applied during the year are set out in the Hafren Dyfrdwy's Annual Report and Accounts 2021/22, available on our website.

A detailed explanation of the structure of Hafren Dyfrdwy within the Severn Trent Group can be found on the Severn Trent Plc website.

DIVIDEND POLICY

No dividends have been paid by Hafren Dyfrdwy since its creation in 2018 and the Company Dividend Policy is set out on page 72. This AMP we are investing significantly in our network and the environment in Wales, which is leading to significant Regulatory Capital Value ('RCV') growth. We therefore need to manage this in a sustainable way, ensuring we maintain a sustainable financing structure and stable gearing. To that end we have invested >£100m equity in Hafren Dyfrdwy so far this AMP and do not plan to pay any dividends during AMP7.

RISK MANAGEMENT

The Principal Risks and uncertainties to the success of the business and the ways in which these risks are managed, monitored and mitigated are set out on pages 61 to 66 of the Severn Trent Plc Annual Report and Accounts 2021/22 and pages 13 to 17 of the Hafren Dyfrdwy Annual Report and Accounts 2021/22.



BOARD AND COMMITTEE MEMBERSHIP

The table below sets out details of the membership of the Hafren Dyfrdwy Board and its Committees as at 31 March 2022, alongside the number of scheduled meetings attended and the maximum number of meetings that could have been attended during the 2021/22 year.

Committee Member	Role	Board Meetings Attended During 2021/22	Audit and Risk Committee Meetings Attended During 2021/22 ²	Nominations Committee Meetings Attended During 2021/22 ³
John Coghlan	Chair ¹	5/5	N/A	0/0
Ann Beynon	Independent Non-Executive Director	5/5	1/1	0/0
Christine Hodgson	Independent Non-Executive Director ¹	5/5	N/A	N/A
James Jesic	Managing Director	5/5	N/A	N/A
Sally Jones-Evans	Independent Non-Executive Director	5/5	1/1	0/0
Mohammed Mehmet	Independent Non-Executive Director	5/5	1/1	0/0
Helen Miles	Chief Financial Officer	5/5	N/A	N/A
Sharmila Nebhrajani ⁴	Independent Non-Executive Director ¹	3/5	1/1	0/0

¹ These Directors also sit on the Board of Severn Trent Plc, however, they are still considered to be Independent Non-Executive Directors by virtue of the independence circumstances set out in the 2018 Code.

² The Audit and Risk Committee was constituted in July 2021. The Committee has met twice following year end, including one meeting to consider this Annual Performance Report.

³ The Nominations Committee did not meet during the year. However, it met once following year end to discuss the composition of the Board and to recommend the appointment of Sally Jones-Evans as Chair of the Audit and Risk Committee.

⁴ Sharmila Nebhrajani was unable to attend the June and November 2021 Board meetings due to illness and extended hospitalisation.

EXECUTIVE PAY POLICY

Executive pay is subject to rigorous scrutiny from the Severn Trent Plc Remuneration Committee that operates on behalf of all Group companies, including Hafren Dyfrdwy, as outlined earlier in this section. The Remuneration Committee is advised by appointed independent advisors, PwC, and their decisions are published as part of the Severn Trent Plc Annual Report and Accounts and matters of relevance to Hafren Dyfrdwy are disclosed within the dedicated Hafren Dyfrdwy Annual Report and Accounts 2021/22 on pages 70 to 71, ensuring full transparency about our Executive pay decisions for our customers and wider society. As a key part of our approach to demonstrate transparency, any targets are measurable so that our performance against them can be independently verified.

ANNUAL BONUS SCHEME ('ABS')

Our overall ABS is structured so that most (51%) of the reward is based on ODI performance and a health and safety measure, with the remainder being based on Profit Before Interest and Tax ('PBIT'). The bonus scheme design operates consistently throughout the business so that all of our people are aligned to the same measures. Base pay awards are also aligned with the wider workforce.

The two Executive Directors of Hafren Dyfrdwy are also Executive Committee members of Severn Trent Plc. As such, a proportion (3%) of their potential ABS award, consistent with the size of the Company within the Group, is attributed to Hafren Dyfrdwy performance and split equally between earnings and ODIs.

The annual bonus performance measures and weightings for the two Executive Directors for 2021/22 financial year are as follows:

- Group Profit Before Interest and Tax – 47.50%
- **HD EBITDA – 1.5%**
- Customer and Environment ODIs – 33.5%
 - Minimise disruption to customers
 - Prevent failure in our network and our sites
 - Improve the environment we live in
- **HD ODIs – 1.5%**
- Customer Experience – 8%
- Health and Safety (Lost Time Incidents) – 8%

Each year, as well as reviewing the calculated outturn of the incentive schemes, the Remuneration Committee uses its broad experience to assess 'performance in the round' and determine whether the proposed remuneration outcomes are in line with our Purpose, Values, and wider business goals and whether they drive long-term sustainable performance for the benefit of all our customers and wider stakeholders. This assessment looks at several factors, including environmental compliance, treatment of the wider workforce, and wider societal matters and is supported by an independent market assessment report prepared by PwC. Furthermore, the Company's regulators are invited to attend our Board meetings, further details of which can be found on page 21 and in the Hafren Dyfrdwy Annual Report and Accounts 2021/22 on page 33. Our regulatory stakeholders are explicitly asked about our performance and where we can improve.

In response to the ongoing focus on river health, the Board has considered how it can link Hafren Dyfrdwy's River Pledges to future annual bonus arrangements. Adding this element to the ABS will reinforce the importance that the Company places on river health and emphasise the pivotal role we know we play in contributing towards and advocating for river water quality.

Where the Remuneration Committee feels that the formulaic performance does not reflect broader performance, they can exercise discretion to increase or decrease the bonus attributable to Hafren Dyfrdwy. There have been no adjustments to any incentive plan during the tenure of the current leadership team. Additional detail on Executive remuneration can be found within the Directors' Remuneration Report of the Hafren Dyfrdwy Annual Report and Accounts 2021/22 on pages 70 to 71.

The Severn Trent Group's Remuneration Policy is aligned to our Purpose and strategy, thereby incentivising great customer service and the creation of long-term value for all our stakeholders. Details of the Group's Remuneration Policy are set out within the Regulatory Statements Section from page 70. This section explains how the criteria for awarding short and long-term performance elements are substantially linked to stretching delivery for customers and are rigorously applied.

4.

OBJECTIVE: THE BOARD OF THE APPOINTEE AND THEIR COMMITTEES ARE COMPETENT, WELL RUN, AND HAVE SUFFICIENT INDEPENDENT MEMBERSHIP, ENSURING THEY CAN MAKE HIGH QUALITY DECISIONS THAT ADDRESS DIVERSE CUSTOMER AND STAKEHOLDER NEEDS.

- A. Boards and board committees have the appropriate balance of skills, experience, independence and knowledge of the company. Boards identify what customer and stakeholder expertise is needed in the boardroom and how this need is addressed.
- B. Independent non-executive directors are the largest single group on the board.
- C. The chair is independent of management and investors on appointment and demonstrates objective judgement throughout their tenure. There is an explicit division of responsibilities between running the board and executive responsibility for running the business.
- D. There is an annual evaluation of the performance of the board. This considers the balance of skills, experience, independence and knowledge, its diversity, how stakeholder needs are addressed and how the overarching objectives are met. The approach is reported in the annual report and any weaknesses are acted on and explained.
- E. There is a formal, rigorous and transparent procedure for new appointments which is led by the nomination committee and supports the overarching objective.
- F. To ensure there is a clear understanding of the responsibilities attached to being a non-executive director in this sector, companies arrange for the proposed, final candidate for new non-executive appointments to the regulated company board to meet Ofwat ahead of a formal appointment being made.
- G. There is a majority of independent members on the audit, nomination and remuneration committees.

BOARD COMPOSITION AND INDEPENDENCE

The Hafren Dyfrdwy Board and Board Committees have the appropriate balance of skills, experience, and knowledge to take complete responsibility for setting the long-term strategy of the Company and oversee its implementation. Our Board is a diverse and effective team, focused on ensuring that the Company’s Purpose continues to reflect the needs of those we serve and is delivered by colleagues who fully embrace our culture and Values. The matrix below shows some of the key skills and experience that our Directors possess, gained from a wide range of organisations and industries. Full biographies for each of our Directors can be found on pages 46 to 50 of the Hafren Dyfrdwy Annual Report and Accounts 2021/22, available on our website.

Board skills	Ann Beynon	John Coghlan	Christine Hodgson	James Jesic	Sally Jones-Evans	Mohammed Mehmet	Helen Miles	Sharmila Nebhrajani
Strategy	✓	✓	✓	✓	✓	✓	✓	✓
M&A		✓	✓				✓	
Corporate finance/ Treasury		✓	✓				✓	✓
Accounting		✓	✓		✓		✓	✓
Regulation	✓	✓	✓	✓	✓	✓	✓	✓
Technology/ Innovation/ Cyber	✓	✓	✓	✓	✓	✓	✓	✓
Customer	✓		✓	✓	✓	✓	✓	
Brands	✓		✓		✓	✓		
Engineering/ Science				✓				✓
Utility sector	✓	✓	✓	✓	✓	✓	✓	✓
Sustainability, including climate change	✓		✓	✓			✓	✓
People management	✓	✓	✓	✓	✓	✓	✓	✓
Commercial procurement	✓	✓	✓		✓	✓	✓	
Construction/ Infrastructure delivery	✓	✓		✓		✓	✓	
Large capital programmes		✓	✓	✓		✓	✓	
Political affairs	✓		✓		✓	✓		✓

As detailed in the table on page 28, as at 31 March 2022, the Hafren Dyfrdwy Board comprised eight Directors, and this remains the case as at the date of this APR. Of the eight Directors, two are Executive Directors and six are Independent Non-Executive Directors.

There is clear division between Executive and Non-Executive responsibilities, which ensures accountability and oversight. The Chair and the other Independent Non-Executive Directors meet routinely without the Executive Directors, and individual Directors undertake site visits to gain first-hand experience of our operations and engage with our workforce.

Of the six Independent Non-Executive Directors currently serving on the Hafren Dyfrdwy Board, three Directors also sit on the Board of Severn Trent Plc as indicated in the table on page 28. The Board is of the opinion that, when assessed against the circumstances set out in the 2018 Code and given the thorough monitoring of potential conflicts of interest, all three Directors retain independence in relation to both Boards, and therefore the Independent Non-Executive Directors form the largest single group on the Hafren Dyfrdwy Board (75%).

In consideration of feedback from Ofwat, which outlined that full independence could only be demonstrated by those sitting solely on the Hafren Dyfrdwy Board, the Board took the opportunity during the year to consider its composition. In the interests of openness and transparency, and to ensure that the single largest group on the Board comprises objectively Independent Non-Executive Directors, the Board decided to address this perceived imbalance and agreed that Sharmila Nebhrajani would step down from the Board following completion of the 2021/22 reporting process in July 2022. Sharmila’s resignation will reduce the Board’s membership to seven Directors, three of whom are Independent Non-Executive Directors, as defined by Ofwat, and together they will form the largest single group on the Board at 43%, with the other two groups - Independent Non-Executive Directors also sitting on the Severn Trent Plc Board and Executive Directors - each making up 28.5% of the Board’s composition.

In respect of the Board Committees, Independent Non-Executive Directors, as defined by Ofwat, form the majority of the membership of both the Audit and Risk and Nominations Committees, with no Executive Directors serving on either Committee. Following the resignation of Sharmila Nebhrajani from the Board, the Audit and Risk Committee will be chaired by Sally Jones-Evans, an Independent Non-Executive Director with recent and relevant financial experience.

The Board would like to thank Sharmila Nebhrajani for her commitment and valuable contribution to the Company during her tenure.

CHAIR INDEPENDENCE

John Coghlan was appointed to the Board in February 2017 and became Chair in April 2018. John has been an Independent Non-Executive Director of Severn Trent Plc since May 2014 and, as such, when appointed to the Hafren Dyfrdwy Board, he had been a member of the Severn Trent Plc Board for three years. When assessed against the circumstances set out in the 2018 Code, the Board considers that the Chair was independent on appointment and remains independent from management. The roles of Chair and Managing Director are separately held and their responsibilities are well defined, set out in writing and regularly reviewed by the Board.

The Chair’s appointment to other Boards within the Severn Trent Group has the capacity to raise conflicts of interest and both the Chair and his fellow Board members are cognisant of this. Potential conflicts of interest are considered by the Board at the start of every meeting and the Board formally reviews the Conflicts of Interest Register every six months. Further detail on our robust procedures in relation to potential conflicts of interest can be found on page 25.

Should the Board determine that the Chair has a conflict of interest in relation to any matter under its consideration, precautions would be put in place which may include the Chair having to recuse himself for that particular item, with another Independent Non-Executive Director temporarily assuming the role of Chair. However, given the strong alignment of Purpose and culture across the whole Severn Trent Group, it is not envisaged that conflicts of interest would arise frequently.

BOARD EFFECTIVENESS

An evaluation of the Board’s effectiveness is undertaken and conducted in accordance to the guidance set out in the Framework, 2018 Code and Financial Reporting Council’s Guidance on Board Effectiveness.

Our Board evaluation provides the Board and its Committees with an opportunity to consider and reflect on both the composition (the balance of skills, experience, independence, knowledge, diversity) and performance (quality and effectiveness of its decision making, how stakeholder needs are addressed, whether the Company’s purpose has been achieved) of the Board. Each member is also asked to consider their own contribution and performance.

A Board Effectiveness evaluation was not conducted during 2021/22, as this process has been deferred to August 2022 to enable the effectiveness of the newly constituted Audit and Risk Committee to be evaluated following approval of the Company’s Annual Report and Accounts and Annual Performance Report.

BOARD DIVERSITY

When undertaking any recruitment, the Board ensures that the recruitment processes are in line with the Severn Trent Group Board Diversity Policy (the ‘Policy’, available on the Severn Trent Plc website) to include candidates from diverse backgrounds and those with non-listed company experience. The Board believes diversity in its membership is vital for ensuring the Company is well-equipped to make decisions that meet the needs of the Company’s wide range of stakeholders. As such, the Board remains focused on promoting broader diversity and creating an inclusive culture in line with the recommendations of the Hampton-Alexander, FTSE Women Leaders, Parker and McGregor-Smith reviews.

A diverse organisation benefits from differences in skills, regional and industry experience, background, race, gender, sexual orientation, religion, belief and age, as well as culture and personality. The Board is focused on ensuring that the diversity of our employee base reflects the diversity of our region, including the gender, social and ethnic background, skills and experience amongst our customers and the communities we serve.

In reviewing the Policy, recognition was given to the importance and benefits of greater diversity, including gender diversity, social and ethnic backgrounds and cognitive and personal strengths, throughout the Group, including on the Boards themselves. The objectives and targets of the Policy, and an update against each of them in respect of Hafren Dyfrdwy, are set out on the next page.

POLICY OBJECTIVES

Policy objectives	Implementation	Progress against objectives
Ensure the Board comprises an appropriate balance of skills, experience and knowledge required to effectively oversee and support the management of the Company.	Annual review of the Board’s composition with particular consideration being given to the balance of skills, experience and independence of the Board. The Board Effectiveness evaluation specifically considers the composition of the Board and the contribution, commitment and independence of individual Directors.	A formal review was undertaken in June 2022 with regards to the composition of the Board and the performance, contribution and commitment of individual Directors. No concerns were raised in relation to the composition of the Board.
Ensure consideration is given to candidates for Non-Executive Director Board appointments from a wide pool.	The Board recognises the importance and benefits of greater diversity, including gender diversity, social and ethnic background and cognitive and personal strengths, throughout the organisation, including on the Board itself.	All recommendations in respect of Board appointments will be conducted in full consideration of the Policy, 2018 Code and additional relevant guidance. Board appointments made during the year were as follows: <ul style="list-style-type: none"> • 1 April 2021 – Independent Non-Executive Director – Sharmila Nebhrajani
Ensure Board appointment ‘long lists’ include diverse candidates, including diversity of social and ethnic backgrounds and cognitive and personal strengths.		
Ensure the Board only engages executive search firms that have signed up to the voluntary code of conduct on gender diversity and best practice.	The Company only engages with executive search firms that have signed up to the Voluntary Code of Conduct for Executive Search Firms.	We continue only to engage with executive search firms that have signed up to the Voluntary Code of Conduct for Executive Search Firms.
Ensure focus is given to the development of a pipeline of diverse high calibre candidates for Board level roles and report annually on the diversity of the Executive pipeline as well as the diversity of the Board.	Regular Board consideration of the importance and benefits of greater diversity including gender diversity, social and ethnic background and cognitive and personal strengths. This includes representation of these cohorts in the Company’s talent pipeline and on the Board itself.	Consideration was given during the year to diversity and inclusion within the Company.

POLICY TARGETS

Policy Targets for 2021/22	Progress against Target	Policy Targets for 2022/23
Maintain at least 40% female Directors on the Board over the short to medium term.	62.5% female representation on our Board as at 31 March 2022.	Maintain at least 40% female Directors on the Board over the short to medium term. Maintain at least one female in the Chair and Senior Independent Director roles on the Board and/or maintain at least one female in the Chief Executive and Chief Financial Officer roles in the Company.
Maintain at least 10% Directors from a minority ethnic background on the Board over the short to medium term.	25% minority ethnic representation on our Board as at 31 March 2022.	Maintain at least 10% Directors from a minority ethnic background on the Board over the short to medium term.



BOARD APPOINTMENTS AND INDUCTION

Any new appointments to the Board result from a formal, rigorous and transparent procedure, responsibility for which is overseen by the Nominations Committee with the decision on appointments remaining a matter reserved to the Board. All Nominations Committee members are Independent Non-Executive Directors of the Company. Further details of the activities of the Nominations Committee can be found within pages 66 to 69 of the Hafren Dyfrdwy Annual Report and Accounts 2021/22.

All proposed appointees meet with Ofwat as part of the pre-appointment process to ensure there is a clear understanding of the responsibilities attached to being a Non-Executive Director in the water sector.

Following appointment to the Board, we develop a detailed, tailored induction for each new Non-Executive Director. This includes one-to-one meetings with the Chair and each of the existing Non-Executive Directors. One-to-one meetings are also arranged with the Managing Director, Chief Financial Officer and Company Secretary, along with other members of senior management. New Non-Executive Directors also meet members of the operational teams and visit our key sites and capital projects to ensure they get a first-hand understanding of the water and waste water businesses and have a chance to experience our culture. We continually enhance the Board's induction programme, building in feedback from new Non-Executive Directors and the Board Effectiveness evaluation.

Sharmila Nebhrajani joined the Board with effect from 1 April 2021. No additional appointments to the Board were made during 2021/22.

PERFORMANCE SUMMARY

DELIVERING OUR COMMITMENTS

We measure our performance against 31 Performance Commitments, or Outcome Delivery Incentives ('ODIs') across the AMP. This table lists all of those which are in-period, as opposed to end of AMP, together with our targets.

Outcome	In-Period Performance Commitment	Unit
Water	Water Quality Compliance ('CRI')	score
	Number of complaints about drinking water quality	nr
	Number of lead pipes replaced	nr
	Water supply interruptions	hh:mm:ss
	Leakage	ML/d (3-yr average)
	Per capita consumption ('PCC') ²	litres/person/day (3-yr average)
	Risk of severe restrictions in a drought	%
	Mains repairs	nr/1,000km of mains
	Unplanned outage	%
	Improving reservoir resilience	%
	Properties at risk of receiving low pressure	%
	Waste	Treatment works compliance
Internal sewer flooding		nr/10,000 sewer connections
Pollution incidents		nr/10,000km waste water network
Sewer blockages		nr
Risk of sewer flooding in a storm		%
Sewer collapses		nr/1,000km sewer network
Customers, community and environment	Hectares managed for biodiversity	nr
	Satisfactory sludge disposal	%
	Inspiring our customers to use water wisely	nr
	Reduction in the number of void supply points	%
	Customer measure of experience ('C-MeX') ³	rank
	Developer services measure of experience ('D-MeX') ³	rank
	Non-household customer experience	score
	Welsh language services	%
	Priority services for customers in vulnerable circumstances ⁴	%
	Help to pay when you need it	%
	Supporting our priority service customers during an incident	%
	Delivery of national environment programme requirements	'met' or 'not met'

¹ The regulatory target for water quality compliance, compliance risk index ('CRI'), is 0.00, but has a deadband of 2.00, which our 2021/22 performance has remained below.

² Ofwat has confirmed that PCC is now an end of period commitment. We will continue to calculate the annual ODI earned and will accrue each year towards an end of period adjustment. Ofwat has also confirmed that it will take a view of companies' responses to the pandemic in the round at PR24 when deciding the quantum of incentive to apply for PCC.

³ C-MeX and D-MeX ODI values are calculated as per the methodology in the Final Determination.

	2021/22		ODI Reward/ Penalty Value [£m, 2017/18 prices]	2022/23	2023/24	2024/25
	Target	Performance Achieved		Target	Target	Target
	0.00	0.16	✓ ¹	0.00	0.00	0.00
	375	359	✓	317	317	317
	75	315	✓	35	35	35
	06m 08s	37m 28s	✗	05m 45s	05m 23s	05m 00s
	14.7	13.9	✓	14.2	13.8	13.3
	131.1	142.50	✗	129.9	128.8	127.9
	0.0	0	✓	0.0	0.0	0.0
	118.9	110.9	✓	116.7	114.6	112.5
	2.34	0.01	✓	2.34	2.34	2.34
	9.1	18.2	✓	36.4	36.4	81.8
	28	66	✓	28	28	28
	100.00	97.87	✗	100.00	100.00	100.00
	1.63	2.34	✗	1.58	1.44	1.34
	137.00	39.84	✓	117.00	117.00	97.00
	287	221	✓	283	279	276
	6.64	8.69	✗	6.64	6.64	6.64
	5.37	22.36	✗	5.37	5.37	5.37
	150.00	340.00	✓	150.00	30.00	20.00
	100.00	100.00	✓	100.00	100.00	100.00
	797	1,100	✓	797	797	797
	5.58	4.65	✓	5.22	4.86	4.50
	-	11th	✗	-	-	-
	-	1st	✓	-	-	-
	4.5	4.2	✗	4.5	4.5	4.5
	100.0	100.0	✓	100.0	100.0	100.0
	2.5	4.2	✓	4.0	5.5	7.0
	71	53	✗	72	72	73
	100	100	✓	100	100	100
	met	met	✓	met	met	met
	Total ⁵		71%	-£0.414m		

⁴ Priority Services Register ('PSR') comprises three metrics - PSR % reach, % attempted contact and % actual contact - all of which need to have been met to hit the overall regulatory target, which we have achieved. We have included % reach as the lead measure in this table, and provide more detail on the other two measures on page 119.

⁵ ODI value includes PCC, C-MeX and D-MeX, net of triggered sharing mechanisms - further details on page 56. Please note this may include rounding in the decimal place.

GOOD TO DRINK

Providing a safe supply of water for our customers to enjoy whilst ensuring that water is always there when it is needed, today and for future generations, is at the very heart of our Purpose of **taking care of one of life's essentials.**

Exceeded over 4 times our target replacing

315 lead pipes

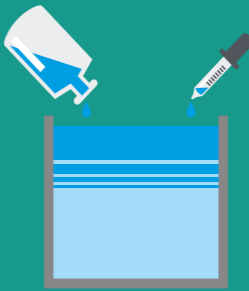
359



16 ahead of our water quality complaints target

0.16

one of the industry leading Compliance Risk Index scores



COMPLIANCE RISK INDEX ('CRI')

We've had another year of exceptional CRI performance, with one of the industry leading scores of 0.16.

We have a high number of service reservoirs, owing to the geographically dispersed areas we serve. We are delighted to be making excellent progress in inspecting and servicing these critical assets. This year we inspected, cleaned and returned to service 5% of our entire estate with no impact to customers.

Not only do these service reservoirs ensure water is good to drink, they also ensure water is always there in storage, ready when our customers need it. Our investment is targeted to improve network capacity and resilience by removing small single cell assets with double cell units, increasing storage and allowing for easier maintenance.

WATER QUALITY COMPLAINTS

Disappointingly, our water quality complaints worsened by 15% this year, primarily caused by the event on the Wrexham ring main and the impacts of Storm Arwen.

Despite this, we were still ahead of our target and showing a 25% improvement on the performance this AMP. This is due to the investment in calming our network and understanding the pressures and flows on critical infrastructure.

The investment in high-speed logging equipment is proving invaluable in identifying the root causes of disruption and in particular how to better manage and reduce pressure surges that cause the biggest disruption to the quality of our water.

LEAD PIPES REPLACED

Until it was banned in 1970, lead was used widely to link water mains in the road to properties. Although we meet the legal standards of a maximum 10µg/L of lead through continuous chemical treatment of water supplies, the World Health Organization ('WHO') states that there is no safe level of lead for drinking water.

We're committed to replacing lead pipes in our region and delivering our part in the Welsh Government's long-term ambition of a lead-free Wales. It is important that the water we all drink is safe and wholesome and we strive to ensure this is the case from source to tap – so it makes sense we do our part to support this end of the process.

We've delivered a 47% increase in the number of lead pipes replaced year-on-year to 315, as the excellent partnership working with Wrexham County Borough Council has enabled us to deliver a number of properties quickly, with minimal disruption.



WATER ALWAYS THERE

Our customers expect to be able to turn on the tap and for water to flow. We ensure our distribution network is able to deliver this through careful maintenance and responding effectively if problems occur. We've committed to reduce leakage by 15% by 2025, solve pressure problems and minimise the time customers are off supply.



66%

reduction in properties of risk of low pressure

11 minutes

average impact on our customers' water supply from Storm Arwen



2.1% reduction

in three -year average leakage saving 109 million litres of water per year (on average)



142.5 l/d customer water consumption per person (3-year average)

LEAKAGE

Water is a valuable asset and reducing leakage is a critical component to ensure a sustainable water cycle; reducing stress on the environment through a reduction in the volume of water that needs to be abstracted and reducing the energy used to treat water and move it around our network.

In the year we have reduced our three-year average leakage by 2.1%; this translates to saving 329 million litres of water in three years – just over 131 Olympic sized swimming pools, outperforming our Year 2 target by 5.6%. We've done this through a combination of physical inspection of our network, bringing in additional resource to 'find and fix' leaks as well as through the investment in enhanced logging equipment to notice subtle changes in the network that indicate a problem. We've achieved our lowest ever leakage in Wrexham and a 10% reduction in Powys in the second half of the year. We've also surveyed 11% of our upstream large diameter network for leakage and undertaken condition water main assessment to target work in Year 3.

PER CAPITA CONSUMPTION ('PCC')

We continue to see the long-lasting effects of COVID-19 on household consumption as there continues to be more hybrid and flexible working practices increasing household demand and reducing non-household consumption. The increase in the three-year average is 2.2%, but the rate of increase has reduced compared to the 4.5% seen previously as demand begins to normalise.

We expect a rebalancing in consumption, with gradual returns to non-household requirements, but this could take several years.

PROPERTIES AT RISK OF LOW PRESSURE

Water always there means it is always available for use, and for some, low pressure can mean this isn't the case.

We have made huge progress in the current year through targeted investment including pipe upsizing and booster pumps to remove a further 41 properties from our risk register that receive low pressure in times of high demand. This is an improvement of 66% to the performance at the end of AMP6 (2019/20 - the baseline year) – significantly ahead of our Year 5 target.

Clearly, we will not stop there and continue to work on affected customers and solve the underlying causes.

SUPPLY INTERRUPTIONS

We manage the transport of water through 2,634km of treated water mains every day and unfortunately on occasion these pipes fail and cause disruption to our customers. On average customers experienced an impact of 37 minutes and 28 seconds. Whilst this represents a 45% reduction on the event time in 2020/21, it is still not adequate performance to us, nor to our customers.

A critical component of our infrastructure network is the Wrexham ring main that serves the vast majority of our customer base in a dense urban area. A single event this year added 12 minutes to the clock as complexities in the isolation and rezoning process meant we were unable to get people back on to supply sufficiently. This however, represented a 45-minute improvement to a similar event that occurred in 2020/21. Whilst this is scant consolation, it demonstrates our continuous improvement mindset as we deep dive each event; not only to find the root cause but also to identify improvement activities in our response that we fold into our processes each time.

We are not only targeting the ring main with investment: logging equipment, rezoning valves, air valves and mains replacement, but also renewing documentation and signage to aid our speed of response. Reducing pressure surges are key to our calm network strategy and we have been able to reduce abnormal pressures identified through our investment that we can see has reduced the likelihood of events and drives improved water quality, reducing complaints – a true win-win.

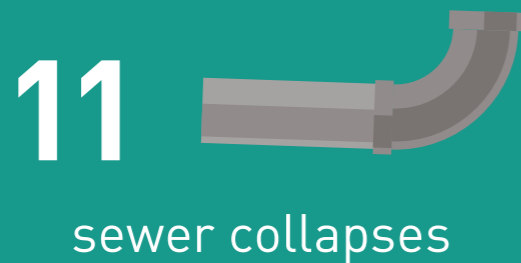
Whilst it wasn't a single event, the impact of Storm Arwen on our Powys region was significant, as multiple small supplies were affected through loss of power or damage to assets in our remote areas where access is difficult, even in fair weather.

We are excited to address this and see the benefits of our new operating hub opening in Newtown, centred on serving our Powys region. The new hub brings 40 new jobs to the area with the aim of increasing our speed of response, having both resources and machinery in the local area; generating greater local knowledge and identifying targeted preventative measures that were previously not considered.

We will remain susceptible to volatility in this measure as a company that serves a small population, but our plan to operate a calm network with agile local workforces will deliver our improvement commitments.

WASTE WATER TAKEN SAFELY AWAY

We know that escape of sewage from our waste water network is one of the worst service failures that can occur. Whether it's in a customer's property or impacting on the environment, it is clearly a priority for us to make improvements.



INTERNAL SEWER FLOODING

Our waste operations are only undertaken in Powys, serving just over 20,000 connected properties in a largely rural area. Whilst we have made progress compared to our AMP6 performance, our internal sewer flooding absolute target of three events this year has been missed. These events are devastating to homeowners and we do everything in our power to mitigate the risk by the rigorous maintenance of our network, cleansing sewers and clearing blockages. Prevention is better than cure and we are working hard with local customer groups and especially schools to educate and ensure only the three P's (pee, poo and paper) are flushed down the toilet. Fats, oils and greases ('FOG'), wet wipes and nappies are the most common causes of blockage; by removing these at source we will have a healthier network less susceptible to flooding.

SEWER BLOCKAGES

Dovetailing with the above, our proactive maintenance on the network has reduced the number of recorded sewer blockages by 10.5% - a second year in a row. We cannot get away from the fact that when these blockages happen they will cause an event somewhere; the more blockages we can tackle proactively the less likely this will affect a customer or the environment.

SEWER COLLAPSES

It has been a challenging year for sewer collapses, with eleven events in the year, a 37.5% increase from the previous year, missing our stretching target of three events.

With our proactive work to cleanse sewers underway, we are also assessing the network and identifying any areas of risk that may require renewal.



CUSTOMERS AND COMMUNITY

We're committed to providing an outstanding service every day to every customer in our region. We're in a unique position to make a real difference in our communities and the environment, improve the wellbeing of customers and society, support those in need and deliver for Wales.



1st place

Developer Services Measure of Experience



11th place Customer Measure of Experience

4.2 non-household customer experience



100% vulnerable customers supported in incidents



53% increase in number of customers supported in the year

C-MeX (CUSTOMER MEASURE OF EXPERIENCE)

We want to consistently exceed our customers' expectations and deliver an outstanding experience, regardless of whether they have had to contact us or not. Ofwat's measure of customer experience ('C-MeX') places the same weighting on the perceptions of all of our customers as on those who contact us. Our results are consistent with our previous year finishing 11th, but we want to do better. We are investing in our local teams with the new operating hub in Powys, more call centre staff and a dedicated capital team in the region to help with visibility and ensure we have opportunity to delight our customers whatever their interactions are. Our people are our best asset and having more dedicated staff who are passionate about our service is expected to drive our performance.

D-MeX (DEVELOPER MEASURE OF EXPERIENCE)

We've improved our position by three places this year, finishing first in the industry with a score of 91.27%.

This has been achieved by consistently delivering what matters most to our customers. We offer a dedicated point of contact and a high-quality design and construction service, from start to finish.

We aren't done yet; we have some exciting plans for next year to keep delivering what our customers want with timely responses and ease of contact to push the frontier.

NON-HOUSEHOLD CUSTOMER EXPERIENCE

We have seen a 0.1 decrease in our score this year as we understand and react to the challenges facing our non-household customers. With the investments in our teams, we expect the key drivers of communication and brand awareness to be strengthened, and our commitments to do more in the community working in partnership to further drive this forward.

HELP TO PAY WHEN YOU NEED IT

The Consumer Council for Water identified that roughly one in eight people will struggle to pay their bills. We have increased the number of people meaningfully supported this year by over 50%, supporting 53% of the expected customers who need support. Whilst we have the lowest average combined bills in England and Wales at less than £1/day, for some this is still too much and so we help by:

- Supporting customers with water health checks – reducing their consumption and bill;
- Providing flexibility with payment plan concessions/ payment breaks; and
- Reducing water bills through WaterSure or our Here2Help social tariff.

The Here2Help scheme offers up to 90% off the average customer bill (water and waste in Powys, water only in Wrexham as waste is provided by Dŵr Cymru). We've committed a further £105,000 to this scheme over the AMP to make sure support is available for those who need it. We are also measuring the effectiveness of the scheme and understanding whether it truly helps people get out of debt and support in healing their financial situation.

Flexibility in making payments is key to helping our customers manage their finances and stay on top of all their incomings and outgoings. We've promoted this flexibility through the use of payments breaks and have seen the number increase ten-fold in year.

	2019/20	2020/21	2021/22
	Number of customers		
Water health checks including proactive metering	126	242	156
Matching plus	N/A	11	36
Payment breaks	N/A	245	2,449
Payment plan concessions	1,040	1,767	1,886
Social tariff	872	1,153	1,203
WaterSure/WaterSure Plus	847	903	892
Total customers helped	2,885	4,321	6,622

We have a bold ambition and target to support 73% of our customers who are struggling to pay. We are delivering on our strategy as set out previously and are delighted by the meaningful support we have offered across the range of initiatives we offer. In the year, we have also enhanced our contact centre team in Wrexham, creating more local jobs staffed by people who understand the demands and pressures of our region. Our team takes every opportunity to get out and about and holds drop-in sessions at Job Centres and community hubs to offer not just support on customers' water bill, but also other meaningful advice on the support available that could make a huge difference to our customers' lives. In the current climate with affordability challenges ahead, we want to do all we can to help our customers.

SUPPORTING OUR PRIORITY SERVICE CUSTOMERS DURING AND INCIDENT

We recognise that the need for support can be driven from a wide range of circumstances in the short and long term and this includes non-financial support.

Our Priority Services Register ('PSR') allows us to understand when our customers might need our help and to tailor the support we provide – no matter the circumstance. It is therefore critical to ensure that customers on this list who require water are supported fully throughout an incident with alternative and convenient water supplies. We have rigorous processes in place to ensure we will support 100% of these customers during an incident and that is what we have done this year.



HAFREN DYFRDWY COMMUNITY FUND

During the year, we launched a brand new Hafren Dyfrdwy Community Fund, to support local schemes and initiatives in our region. In our first year we have awarded over £52,000 to seven deserving projects, detailed below.

The first round awarded £28,882 in November 2021 to four projects, with the second round in May 2022 awarding £23,838 to three projects. We're delighted to announce that we will have a second £50,000 scheme for 2022/23 as well.



£52,720

awarded to

7 projects

NEW COMMUNITY FACILITIES FOR THE WREXHAM WAREHOUSE PROJECT

The Wrexham Warehouse Project is a charity based in Wrexham town centre, that offers a variety of training courses and support for young people alongside running projects for the homeless, people with disabilities and many other community groups.

With a grant of £10,000 they will be able to install kitchen facilities for those they support day to day as well as museum visitors and other members of the community. This new space will also be used to launch healthy eating cooking classes, giving a space to demonstrate cooking techniques and healthy food choices to the community.



SUPPORTING WELLBEING AND LEARNING AT DOLYDD GOBAITH COMMUNITY WOODLAND FARM

This Community Woodland Farm focuses on farming the Welsh upland more sustainably, increasing biodiversity by managing a variety of wildlife areas and habitats, offering opportunities for volunteers to learn wildlife survey techniques and involving local schools and groups in transforming the land into community woodland and meadows.

Through a grant of £7,474 they will be able to provide better facilities including a shelter for volunteers and a roundhouse that can be used for educational purposes, to support the wellbeing of everyone who visits and enable more of the community to get involved in their activities.

[READ MORE ABOUT THE HAFREN DYFRDWY COMMUNITY FUND HERE](#)



HELPING THE COMMUNITY GROW TOGETHER

Agri-cation CIC gives children from disadvantaged backgrounds and disabled children the opportunity to visit their family farm and experience outdoor learning, including wildlife and habitat, how to tackle climate change and growing your own food.

A grant of £9,408 for its Grow Together project will help many new and different groups of the community regain confidence and improve their mental health, social skills and wellbeing.

Activities will educate on the importance of healthier lifestyle choices, conservation and sustainability, reduce social isolation and loneliness and give access to the environment, bringing benefit from outdoor experiences tailored to their individual needs and helping them enjoy and learn about the local countryside.



LIFE-SAVING EQUIPMENT FOR CLYWEDOG SAILING CLUB

Clywedog Sailing Club, based at Llyn Clywedog, is run by volunteers and serves the local communities of Llanidloes, Newtown, Machynlleth and Welshpool, who come to enjoy sailing, canoeing and paddleboarding activities. It also has a focus on the participation of younger visitors, offering provision for people with disabilities and, despite its remote location, the wider site receives a large volume of visitors each year.

A grant of £2,000 will provide the club with a public access defibrillator outside the clubhouse, which will make a huge difference in safety and reassurance for all who visit this rural location and could be potentially lifesaving in an emergency situation.



CREATING A COMMUNITY APPLE PRESS

The Wilderness Trust has been teaching skills in sustainable living for over 30 years from its farm base in the heart of Llanidloes. Their community spaces bring people together to support their wellbeing and engage with the natural world.

A grant of £10,000 will enable them to turn a derelict building into a new community apple press that will use surplus fruit to create local produce, engaging young people with learning disabilities, providing activities and learning opportunities for the community and reducing food waste along the way.

REVIVING OUTDOOR COMMUNITY SPACE AT CAIA PARK

Caia Park Partnership is a community led organisation in the heart of Wrexham's Caia Park. Deeply embedded in the local community, everything they do is towards their ambition of enabling people to achieve their potential.

A grant of £8,838 will revive their outdoor space and offer a safe, comfortable environment where people can meet, receive support, access training, get involved in outdoor learning and improve their health and wellbeing.



LLANFYLLIN SHED
A Caring Community Hub

EXPANDING COMMUNITY SUPPORT AT THE LLANFYLLIN SHED

Llanfyllin Shed are a community based group that support men's health and wellbeing through social and practical activities, helping to build connections and friendships and reduce isolation and feelings of loneliness.

A grant of £5,000 will help them expand their support – helping them enhance and use their new base to reach out to more people, providing a community hub that offers a variety of activities and support to many different groups of the community.

RESPECTING OUR NATURAL RESOURCES

As custodians of land and processes that revolve around our natural resources, it is critical to us to respect and preserve the environment. To 'take care of one of life's essentials' we need to safeguard all that is around us and promote biodiversity, to build a stronger natural system.



No serious pollutions in over

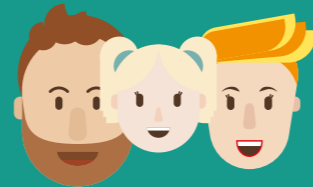
10 years

Only 2
Category 3
pollutions

97.9%



compliance at our
treatment works



1,100

customers
educated to use
water wisely

TREATMENT WORKS COMPLIANCE

We pride ourselves on delivering within our compliance windows and were disappointed to have one failure recorded at a waste treatment works. This was caused by upstream factors that meant the works were unable to process. We have invested in additional dosing equipment and specific treatment assets to remove this risk for the future and continue to refine our control systems and monitoring processes to ensure any future such concerns are addressed.

POLLUTION INCIDENTS

We had no serious pollutions (Category 1 and 2) again last year, continuing our over ten year run. Additionally, we reduced our Category 3 pollution events in the year by 60% to just two isolated occurrences, beating our target.

Our focus is on promoting river health and minimising our causes of river RNAGS (reasons for not achieving good status).

INSPIRING CUSTOMERS TO USE WATER WISELY

In all circumstances, prevention is better than cure, and during the year we took 1,100 customer promises following our education programme to do more for the water cycle. These promises include challenging consumption behaviours, reducing FOGs and other unwanted materials from our sewers and caring for the environment. We're passionate about championing sustainability and it is clear everyone has a part to play in this.



LAKE VYRNWY AND BIODIVERSITY

We are proud to be custodians of some fantastic natural resources in Wales and an example site of this is Lake Vyrnwy, comprising 10,000 hectares of land nestled in Powys. It was originally acquired to facilitate management of the entire catchment of the reservoir, to ensure land management practices in agriculture and forestry contributed good water quality at source, before modern water treatment techniques. As part of this Victorian landscape design, forestry was planted in strategic locations to protect the shoreline of the reservoir, indirect catchment and the confluences of major watercourses.

Today, we continue this legacy with renewed focus on biodiversity, water quality, public access and sustainability. A recent challenge has been the infection of many larch trees with phytophthora ramorum, where we were served with Statutory Plant Health Notices, requiring the removal of large numbers of trees. This will unavoidably change the aesthetics of the site, but we are committed to maintaining the beautiful natural capital of the area. As a result, our commitment is to restore around 30% of the forests area to broadleaf woodland and 'Ffridd', a diverse upland fringe habitat which is beneficial to a number of key species including welsh clearwing moth and merlin. This will ensure a more positive interaction between the forestry and the neighbouring Berwyn Site of Special Scientific Interest ('SSSI'), which contains valuable blanket bog habitat and a number of threatened bird species such as hen harrier, black grouse and curlew.

Lake Vyrnwy is renowned for its large trees, mainly douglas fir, which give the site a distinct feel, reminiscent of Scotland or Canada. These trees are intended to be retained, long term, to be enjoyed

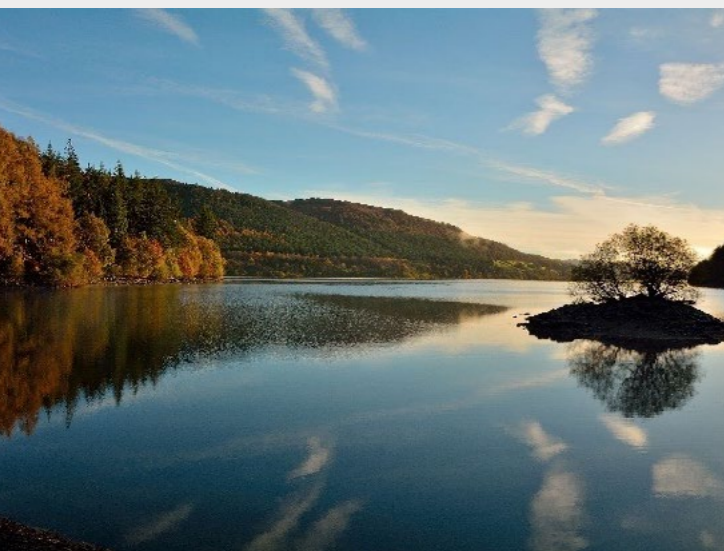


by visitors as long as possible. The legacy of best practice for water quality continues under the plan, with watercourses protected by buffer zones of broadleaf woodland which will never be subject to commercial harvesting operations.

In partnership with RSPB Cymru, we have improved 340 hectares of land adjacent to the lake via peatland restoration; one of the most effective ways to sequester carbon from the atmosphere. We're proud to be reversing the decline in peatland and investing in this incredible habitat for future generations to enjoy.

To ensure the site is safe and easy to access we have invested in a brand-new car park and infrastructure on site to allow more people to experience the natural beauty on their doorsteps. The site has provided a welcomed release for many people during the COVID-19 pandemic as people see greater value in short breaks and days out.

Ultimately, in Lake Vyrnwy, we have an important role as responsible custodians of a natural capital asset which thousands of people visit to boost their wellbeing, learn about heritage and enjoy nature.



IMPROVING CLARITY AND TRANSPARENCY

It's important that our customers, stakeholders and regulators can trust the information we report; they need to be confident that they can trust us to act responsibly and always in our customers' best interests.

To ensure the highest levels of transparency and clarity, below we have provided additional commentary on those areas where we believe greater clarity would be beneficial.

Code	Measure	Commentary																								
B1	Water supply interruptions	During our assurance processes on the current year performance, an error in the validation tool used to analyse supply interruption events was noted and corrected. For completeness, we re-ran the tool on the 2020/21 performance which that highlighted the prior year performance was understated by 12 seconds (0.3%). There is no impact on the ODI underperformance calculation but the updated performance measure is 1 hour 8 minutes and 43 seconds.																								
B2	Leakage	<p>There are two components non compliant with the common methodology:</p> <p>Availability - Red. This is percentage available data to calculate daily leakage. HD is below best practise threshold of 90%. It is difficult to state exact material impact of this, however, Netabse software will estimate leakage levels based on last available week, where data is not available. Where there are periods of six months with missed data, a high zone estimate is used. Based on this and using last available week approach at DMA level, the impact will be marginal.</p> <p>Unmeasured Consumption - Amber. uPHC is currently derived from Severn Trent Small Area Monitor data. We now have 1,400 individual household meters installed in HD to derive a HD specific uPHC. This would be a method change and therefore we propose to carry an Amber RAG for the remainder of AMP7. At this point we only have six months of data to inform a result. Once we have a full year, we will be able to pro-rata results to back cast for previous years. At this point it is too early to state material differences from current uPHC estimates.</p>																								
B3	Per capita consumption ('PCC')	<p>Owat has confirmed that PCC is now an end of period commitment to be considered in the round as part of PR24. As such, we are overlaying the in-year underperformance calculation to zero.</p> <p>There is one component non compliant with the common methodology:</p> <p>Unmeasured Consumption - Amber. uPHC is currently derived from Severn Trent Small Area Monitor data. We now have 1,400 individual household meters installed in HD to derive a HD specific uPHC. This would be a method change and therefore we propose to carry an Amber RAG for the remainder of AMP7. At this point we only have six months of data to inform a result. Once we have a full year, we will be able to pro-rata results to back cast for previous years. At this point it is too early to state material differences from current uPHC estimates.</p>																								
C4	Treatment works compliance	The Performance Commitment agreed for this ODI was a deadband of a single failing works creating the target set in the FD of 97.9%.																								
F1	Reduction in the number of void supply points	<p>At PR19 we introduced an outperformance only metric to incentivise bringing household and non-household void properties in to charge. As a new metric the targets were set based on the best available data at the time. Over the last 12 months we've undertaken a thorough review of our underlying data to ensure we can effectively target properties to bring them into charge and categorised our data as either:</p> <ul style="list-style-type: none"> • True voids – unoccupied properties that should not be billed; • False voids – occupied properties that need to be brought in to charge; • Invalid voids – properties that have been substantially changed/demolished and need to be removed from our records; and/or • Reporting errors – properties that are incorrectly included on the voids list and should be removed from the list. <p>We are proposing to update our AMP7 targets by removing the impact of the reporting errors we have identified. Our future ODI calculations will then be calculated based on this new 'shadow' target. We are also confirming that we will base our ODI calculation on the number of 'false voids' only ensuring we only claim outperformance where we have brought properties in to charge. The table below shows our original targets and our shadow targets which we will use from the 2021/22 reporting year. We can also confirm that we will not claim any outperformance reward for 2021/22 due to the methodology change in year.</p> <table border="1"> <thead> <tr> <th></th> <th>2021</th> <th>2022</th> <th>2023</th> <th>2024</th> <th>2025</th> </tr> </thead> <tbody> <tr> <td>FD target</td> <td>5.94%</td> <td>5.58%</td> <td>5.22%</td> <td>4.86%</td> <td>4.50%</td> </tr> <tr> <td>Revised target</td> <td></td> <td>5.27%</td> <td>4.82%</td> <td>4.39%</td> <td>3.97%</td> </tr> <tr> <td>Reported value</td> <td>5.07%</td> <td>4.65%</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		2021	2022	2023	2024	2025	FD target	5.94%	5.58%	5.22%	4.86%	4.50%	Revised target		5.27%	4.82%	4.39%	3.97%	Reported value	5.07%	4.65%			
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REGULATORY REPORTING



OUR APPROACH TO REGULATORY REPORTING

We know how important it is to our customers and stakeholders that our reporting contains reliable data and information. We set out our approach to annual regulatory reporting and assurance in our [Regulatory Reporting and Assurance Approach](#) to describe and explain our approach to assurance, what we publish, the assurance plan we follow and the level of assurance we apply.

This ensures we are open and transparent with our customers and stakeholders about the processes we follow with our publications and have an appropriate level of confidence that our submissions have been well prepared and are consistent with our robust internal processes.

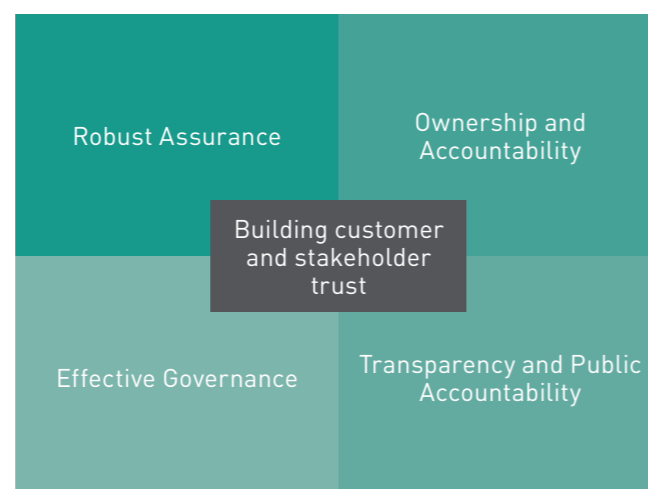
This section provides oversight of our assurance framework and compliance processes in relation to our APR. Our frameworks and internal controls support the Board to make a number of signed statements within this Report including our Board's Data and Information Completeness and Accuracy Statement and Risk and Compliance Statement from page 63.

OUR ASSURANCE FRAMEWORK

We have an established, rigorous and robust assurance and performance reporting framework. The assurance approach builds on best practice from external organisations. It ensures that managers, leaders and Directors are responsible and accountable for delivering high quality data through robust processes and methodology.

Our established framework is underpinned by four main principles that provide consistency and clarity for our people, and allows flexibility for our assurance processes to build and evolve with our Company and the environment we operate in.

- 1. Robust Assurance** – we operate a three lines of assurance model, targeted at areas of greatest risk.
- 2. Ownership and Accountability** – we have clear lines of ownership for both the delivery of performance, and the accuracy of the data provided.
- 3. Effective Governance** – provided by our Board, the dedicated Audit and Risk Committee, the Severn Trent Plc Executive Disclosure Committee and Executive Committee.
- 4. Transparency and Public Accountability** – we publicly report on our performance and hold ourselves to account where we do not meet our commitments.



1. ROBUST ASSURANCE

We operate a three lines of assurance model. Using a risk-based approach provides an effective programme of assurance which considers areas that we know are of prime importance to our customers and regulators; or may have a significant financial value, alongside the likelihood of reporting issues or regulatory change. Areas that are higher risk receive the full three lines of assurance while other areas, where the risk is lower, are targeted with first- or second-line assurance only. This approach ensures we can continually reassess our assurance activity as risk is reduced in certain areas, where mature and stable process exist, and increased where new risks are emerging, resulting in a proportionate and appropriate assurance spend. Our three lines of assurance is explained in greater detail in our assurance approach at Appendix A from page 171.

Internal Audit

Internal Audit is an independent assurance function available to the Board, Audit and Risk Committee and all levels of management, and is a key element of the Group's corporate governance framework. Support is provided by three main co-sourcing partners: PwC, EY and KPMG. Arrangements are reviewed annually and we believe this structure adds value, through greater access to specific areas of expertise, increased ability to flex resources, and the ability to challenge management independently. Co-source specialists continue to bring expertise to support the team and delivery of the audit plan where relevant.

The role of Internal Audit is to provide independent and objective assurance that the Group's risk management and internal control systems are well designed and operate effectively and that any corrective action is taken in a timely manner.

A three-year strategic audit planning approach is applied, from which Internal Audit develops an annual risk-based audit plan; this facilitates an efficient deployment of resource in providing assurance coverage over time across the whole business. The Committee's role is to review and challenge the plan, specifically where the key risk areas identified as part of our ERM process are being audited with appropriate frequency and depth. Individual Committee members also bring an external view of risks the Company may be exposed to. Once approved by the Committee, regular reporting enables the Committee to monitor delivery of the audit plan and ensure that Internal Audit performs its work in accordance with the mandatory aspects of the International Professional Practice Framework of the Chartered Institute of Internal Auditors (the 'CIIA'), with integrity (honestly, diligently and responsibly) and objectively (without conflicts of interest).

Each year, Internal Audit develops an annual risk-based audit plan for approval by the Audit and Risk Committee; this is supported by regular reporting that enables it to monitor delivery of the audit plan. Following the completion of each planned audit, Internal Audit seeks feedback from management and reports to the Audit and Risk Committee on the findings of the audit, including any action that may be required. Where any failings or weaknesses are identified during the review of internal control systems, management puts in place robust actions to address these on a timely basis. Action closure is reported to and monitored by the Audit and Risk Committee, in order to demonstrate that management places a strong focus on closing audit actions and ensuring timely completion.

An internal control system can provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives. To ensure continued efficiency, we undertake an annual review of the effectiveness of the Internal Audit function in line with the CIIA Internal Audit Code of Practice and the FRC Guidance on Audit Committees. The CIIA guidance states that audit committees should obtain an independent and objective external quality assessment at least every five years, however we consider it prudent to carry out external effectiveness reviews every three years.

As planned, the Group commissioned an external review of the effectiveness of the Internal Audit function in December 2021. The review was carried out by BDO who concluded that the Internal Audit function remained fit for purpose, was operating efficiently and effectively, and in line with good practice. BDO's findings also highlighted clear evidence that the Internal Audit function operated with strategic alignment, a focus on risk and an emphasis on quality and continuous improvement, all underpinned by objectivity and integrity. The minor areas of improvement raised by BDO have been incorporated into an action plan which was shared and agreed with the Chair of the Committee.

Internal Audit has the highest level of independence within the Company and also provides third line assurance (in addition to our external assurance providers) for a number of our regulatory submissions, including our ARA and APR. This is explained in greater detail in our APR assurance approach from page 171.

2. OWNERSHIP AND ACCOUNTABILITY

We have clear lines of ownership for both the delivery of performance, and the accuracy of the data provided.

Our regulatory, statutory and legal obligations in our appointed business are assigned to managers, senior leaders and Directors. These managers are responsible for ensuring compliance with our regulatory duties and raising potential risks or issues of non-compliance.

Performance reporting

Our Board understands that performance matters – to us, to our customers, and to our wider stakeholders. Our Board is fully engaged in monitoring and assessing our performance and providing challenge through our established governance arrangements. Performance is reported to and reviewed monthly by the Executive Committee, and through the Audit and Risk Committee and Severn Trent Plc Disclosure Committee. Our Board receives updates on general performance, including performance against key targets and performance commitments, environmental matters and health and safety. The Board also receives updates on financial performance and detailed deep dives at each meeting that relate to areas of strategic importance.

Compliance processes

As a regulated company we are subject to statutory and regulatory duties and obligations, primarily set out through the Water Industry Act 1991 and our Instrument of Appointment (the 'Licence'). The Licence also requires us to perform duties imposed under other statutory and regulatory obligations as necessary to fully discharge our duties as a water and waste water undertaker. Our approach to achieving compliance with these obligations is based on our established and robust governance and systems of internal controls. We set ourselves high standards, though it is important to understand that such systems cannot provide absolute guarantees.

Our Licence to Operate process is an internal control system and a key part of our Governance Framework designed to ensure compliance against all of our regulatory obligations and duties. We monitor over 90 obligations underpinned by over 2,000 reporting lines. Each duty and obligation within our licence condition is mapped to a business area in our assurance map, to provide oversight of the compliance risk score. Responsible managers and strategic leaders are invited to complete a self-assessment twice a year. Our total risk exposure is then assessed based on the combined score of the likelihood of a non-compliance and the impact of a non-compliance. This creates a simple way to compare one risk factor to another. Our highest areas of risk receive targeted focus in our assurance plan. Where we have noted departures (as disclosed in our APR), we have additional focus on assurance.

Our Group Compliance and Assurance Team oversees the framework and ensures that managers across the Company are aware of their statutory and regulatory duties. Training and support workshops are provided to new duty owners to ensure that processes and requirements are understood, as well as providing refresher training for existing duty owners. This ensures all duty owners are equipped with the right skills and knowledge to complete their annual self-assessments confidently and accurately. The Group Compliance and Assurance Team undertakes additional checks following completion with a random sampling technique to test and challenge duty owners to ensure a consistent approach to completion of the self-assessment is undertaken.

Each duty and obligation is assigned to a responsible manager, a senior leader and a Director. The senior leaders are responsible for the development, implementation and testing of controls to ensure compliance in areas such as policy and standards, procedures, training and management information as well as completing regular reviews of these controls. An annual process of self-certification takes place and we receive a declaration from each responsible

manager, senior leader and Director to confirm compliance, or to inform us of a non-compliance (referred to as a departure from compliance).

The Group Compliance Team assesses and spot-checks declarations for consistency and accuracy, and works collaboratively with the Company to ascertain the level of materiality of any non-compliances. The Licence to Operate framework helps to inform the Board of any departures from our statutory and regulatory obligations, ahead of the Board making the annual Risk and Compliance Statement. Material departures are set out on page 64.

3. EFFECTIVE GOVERNANCE

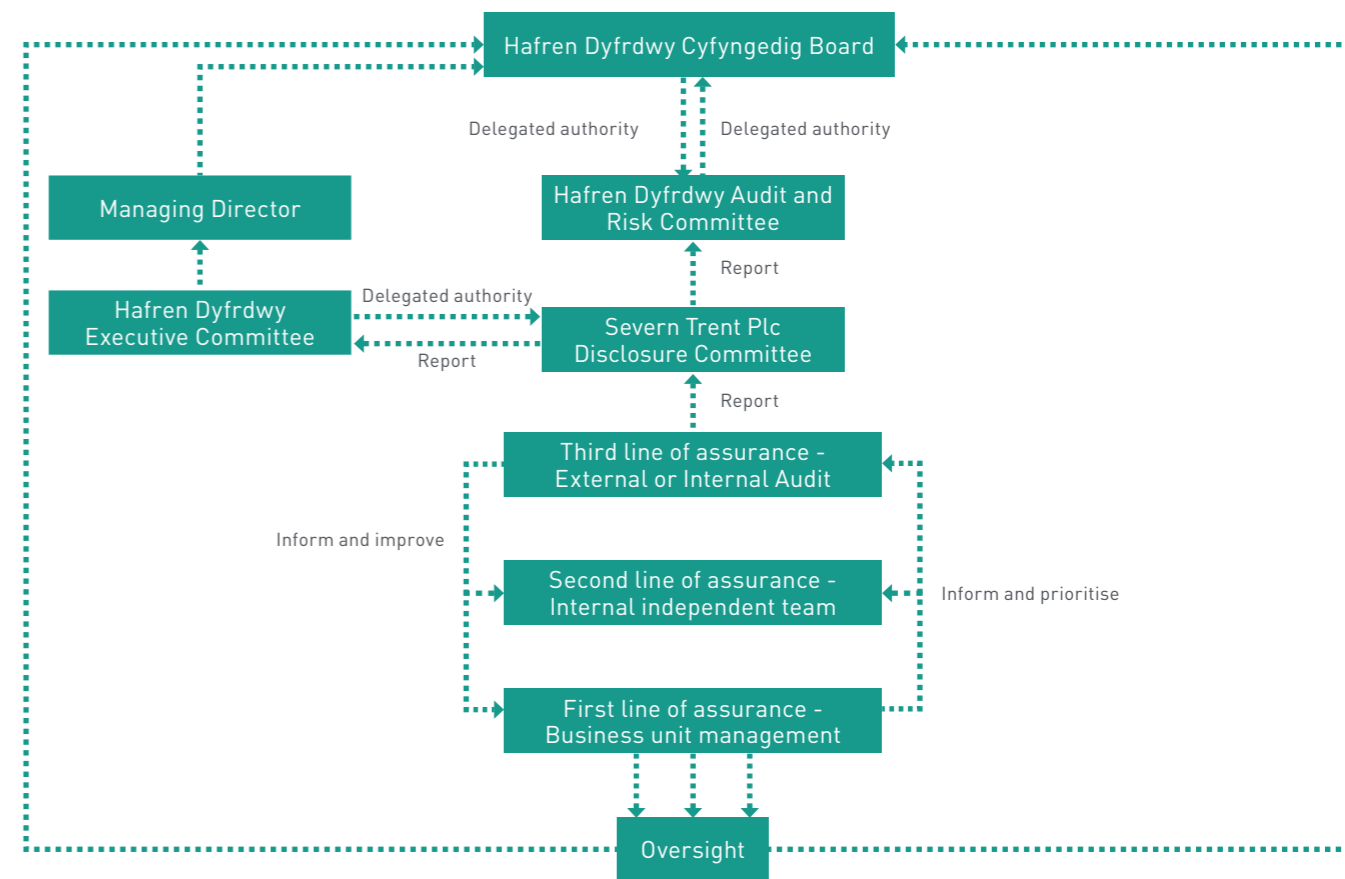
The Board is supported by the Severn Trent Plc Governance Framework, which is described in detail on page 26. In line with the 2018 UK Corporate Governance Code, the Board delegates certain roles and responsibilities to its various Committees.

To support our Governance Framework, we have a well established and robust assurance and performance reporting framework. Our governance and assurance frameworks work together, as demonstrated overleaf, to enable confidence in the information and data we report in our ARA and APR.

The Severn Trent Plc Disclosure Committee oversees the reporting obligations of the Group, considering the materiality, accuracy, reliability and timeliness of information disclosed, and reviews the level of assurance received. The effectiveness of the controls over reporting are monitored by the Audit and Risk Committee, which receives regular reports of the assurance conducted by the external auditors.

Overall accountability for the preparation and production of the APR, which includes reporting of performance against performance commitments and associated Outcome Delivery Incentives ('ODIs') rests with the Chief Financial Officer.

GOVERNANCE AND ASSURANCE FRAMEWORK



4. TRANSPARENCY AND PUBLIC ACCOUNTABILITY

As a public service provider, we want to be transparent about how we balance the needs of our customers and other stakeholders, our strategic plans as a business, and the provision of a fair return for our investors.

We evolve and update our reporting to make sure that it not only complies with our regulatory obligations but also responds to our customers' and stakeholders' feedback. We outline our performance each year within our APR and hold ourselves to account where we do not meet our commitments.

We publish our APR so that everyone can see how we have performed, and that relies on us making sure that we provide trustworthy and objective information.

We also make sure we provide information about areas where we have not performed as well as we would like to, providing insight into how we are planning to improve. Trust takes time to build so it is important to be open with our customers and stakeholders, and hold ourselves accountable where we do not meet commitments. We share this information so that comparable performance with our peers can be reviewed.

We publish additional information to ensure the Severn Trent Group structure and performance is transparent and clear for our customers. Our Company structure, which shows how the companies including Hafren Dyfrdwy, Severn Trent Water, and other associated companies are connected under the Severn Trent Group umbrella, can be found on our website. We demonstrate and explain how we are fair when balancing the short and long-term needs to manage our financial risk for Hafren Dyfrdwy, share returns with customers and consider long-term viability. We also provide information relating to executive salaries and bonuses and how they are aligned and linked to the delivery of outcomes to customers.

BOARD STATEMENTS

RISK AND COMPLIANCE STATEMENT

Having taken into consideration the information contained within the sections titled 'Our approach to Board Leadership, transparency and governance' and 'Improving Clarity and Transparency' the Board approves the Annual Performance Report ('APR'), the associated APR data tables, and the noted departures. The Board confirms that:

- We have a full understanding of, and we meet all of our relevant statutory, licence and regulatory obligations in all material respects except where indicated on page 64.
- We have taken appropriate steps to understand and meet customer expectations.
- We have sufficient processes and internal systems of control to fully meet our obligations.
- We have appropriate systems and processes in place to identify, manage, mitigate and review our risks.
- We meet the Ofwat objectives on board leadership, transparency and governance and ensure that we explain clearly how we meet those objectives.
- We have reviewed our governance to ensure we conduct the regulated company as if it were a public limited company separate from any other business.
- COVID-19 impacts have been considered when making our declaration

Signed for and on behalf of the Board:



James Jesic
Managing Director
Hafren Dyfrdwy Cyfyngedig



John Coghlan
Chair
Hafren Dyfrdwy Cyfyngedig



Ann Beynon
Independent Non-Executive Director
Hafren Dyfrdwy Cyfyngedig

14 July 2022



DEPARTURES FROM THE STATEMENT

There are three departures proposed for inclusion in this year's Risk and Compliance Statement.

Two relate to areas where we will be re-stating data previously submitted - supply interruptions and reduction in the number of void supply points. Details are presented in the 'Improving Clarity and Transparency' section of our APR.

We also note an error in relation to the HD Scheme of Charges model which arose as a consequence of a data transfer error whereby a Severn Trent trade effluent entry in the Severn Trent Charges model was inadvertently copied into the HD model. The financial impact associated with the error that will be recovered in 2024/25 through the Revenue Forecasting Incentive ('RFI') model. To mitigate future risk a dedicated Hafren Dyfwdry charges model has been implemented supported by additional bolstering of the assurance checks.

In all cases, the impact materiality has been assessed as low with reference to financial or wider customer impact. However, in accordance with our internal procedures we have chosen to include these to ensure the highest levels of transparency. All departures regardless of materiality are reviewed and scrutinised by our Disclosure Committee before it is endorsed by our Board prior to publication - ensuring that all levels of the business are made aware of any significant risks or issues.



STATEMENT FROM NON-FINANCIAL ASSURER - JACOBS

Jacobs

**Challenging today.
Reinventing tomorrow.**

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20 June 2022

Attn: FAO Hafren Dyfrdwy Cyfyngedig Board

Project name: 2021-22 Assurance Services
Project no: B2349301

Subject: Independent Technical Assurance Statement

Jacobs has been appointed by Hafren Dyfrdwy (HDD) to provide independent technical assurance of the data that feeds into their regulatory submissions. For the Annual Performance Report 2022 (APR22) submission we were asked to review the 2021-22 performance commitments (Part 3) and non-financial data (within Parts 2-8 and 11) on a risk-based approach.

Through a series of meetings and information exchanges, we have reviewed and tested the methodologies and processes on which the relevant statements in the APR22 are based, and we have considered the material accuracy of the performance data presented. Our findings have been discussed with management and were presented to the ST Plc Disclosure Committee on 27th June 2022.

On the basis of our audit work, we are satisfied that the information we reviewed which supports, and is included within, the APR22 has been assembled using appropriate methodologies and processes and that the data provides a reliable representation of Company performance. Performance commitment reporting is in line with the guidance and exclusions have been correctly applied. There is also good evidence of engagement from the teams involved in producing the performance data and of governance and programme management. We note that the Board has included issues we noted during our review in its' declared departures from compliance statement.

Yours sincerely,

Alexandra Martin
Director of Operations

+44(0) 121 237 4000
alexandra.martin@jacobs.com

ACCURACY AND COMPLETENESS OF DATA AND INFORMATION STATEMENT

As a provider of one of life's essentials we understand that we must assure customers, regulators and wider stakeholders that we are doing the right things in the right way. We want customers to have confidence in what they get from us – be that the quality of water they drink from their taps, or the information we publish.

The data in our publications provide transparent insight into our performance and critical information to direct and drive future improvements across the sector. With that in mind, the assurance process we apply to the information and data we publish is vital to ensure that it can be trusted by all.

We have an established, rigorous and robust assurance and performance reporting framework to support the Board when approving the publication of data and information contained within regulatory documents. The assurance approach builds on best practice from external organisations. It ensures that managers, senior leaders and Directors are responsible and accountable for delivering high quality data through robust processes and methodology.

BOARD ASSURANCE APPROACH

Robust Assurance:

We operate an established and robust three lines of assurance model, which is explained in greater detail in our APR assurance approach from page 171, our [Regulatory Reporting and Assurance document](#) and our [ARA](#). Using a risk-based approach we provide an effective programme of assurance which ensures we can continually reassess our assurance activity as risk changes or new risks emerge. Data and information are approved by data owners, senior leaders and Directors. Following which, the Audit and Risk Committee applies scrutiny and challenge ahead of publication.

Effective Governance:

Hafren Dyfrdwy is an operating subsidiary of the FTS100 listed company Severn Trent Plc, which means we operate at the highest standards expected of a publicly listed company. The Board is supported by the Severn Trent Plc Governance Framework, which comprises the Board, Executive Committee and their respective Committees. In line with the 2018 UK Corporate Governance Code (the '2018 Code'), the Board delegates certain roles and responsibilities to its various Committees.

The Committees assist the Board by fulfilling their roles and responsibilities and by: focusing on their specific activities; reporting to the Board on decisions and actions taken; and making any necessary recommendations to the Board in line with their respective Terms of Reference. The Governance Framework is also subject to periodic review to ensure that it remains appropriate. The Governance Framework is explained in greater detail on pages 52 to 53 of the Annual Report and Accounts and page 26 of the APR.

Specific examples where the Board utilised individual Directors and Committees in carrying out its activities are listed below. More information on the work of the Board Committees can be found on pages 58 to 79 of the Hafren Dyfrdwy Annual Report and Accounts.

Hafren Dyfrdwy Audit and Risk Committee	<p>Reviewed the proposed audit plan for the 2021/22 statutory audit, including the key audit risks and level of materiality applied by Deloitte, audit reports from Deloitte on the financial statements and the areas of particular focus for the 2021/22 audit.</p> <p>Reviewed the integrity of the regulatory reporting process relating to the Annual Performance Report, and other regulatory submissions.</p> <p>Reviewed the HD 2021/22 Annual Report and Accounts and provided a recommendation to the Board that, as a whole, they complied with the 2018 Code principle to be 'fair, balanced and understandable and provide the information necessary for stakeholders to assess the Company's position, performance, business model and strategy'.</p> <p>Reviewed the effectiveness of the Enterprise Risk Management ('ERM') processes and procedures and internal control systems, prior to making a recommendation to the Board. The Committee also reviewed the risk appetite statement prior to making a recommendation to the Board.</p>
Severn Trent Plc Treasury Committee	<p>Consideration of ongoing impacts of COVID-19 and geopolitical events in Ukraine, including financing structures for the Group's Green Recovery submission.</p> <p>Review of the Group's treasury policies in relation to: financing; liquidity; hedging of market risks (interest rates; inflation; currency and energy hedging); financial counterparty credit risk and credit ratings.</p>
Hafren Dyfrdwy Corporate Sustainability Committee	<p>Oversaw the approach of environmental standards, particularly those where the Group has the most significant impacts, for example, energy management and climate change, water quality, resource productivity (including leakage and waste), and biodiversity and land use.</p>

OUR BOARD ENGAGES AND CHALLENGES THE ASSURANCE APPROACH TAKEN

To support our Governance Framework, we also have an established, rigorous and robust assurance and reporting framework. The assurance processes we use build on sector-wide best practice and ensure that managers, senior managers and Directors are responsible for delivering high quality data. Our assurance plan for this financial year, builds on the high standard processes we have developed and implemented in previous years to provide accurate data.

Our assurance plan aligns to our AMP7 commitments and provides details of the structure and types of assurance applied including Internal Audit and external assurance providers, aggregated Licence to Operate and Enterprise Risk Management ('ERM') risks recorded, outputs of the effectiveness of assurance undertaken, and the findings of the assurance undertaken. The Board received a tailored presentation of the AMP7 assurance map in June 2022 and the Board is provided with an update every six months.

For all regulatory publications we have a detailed regulatory forward plan and proof-point process that provides assurance to the Board and Audit and Risk Committee that an appropriate level of assurance activity has been undertaken, and findings discussed with the Board.

Throughout this activity, we ensure that high standards of governance, in line with our regulatory framework, as well as market practice for audit committees, are maintained. A twelve-month forward view of the regulatory forward plan and proof-point process is provided at every Audit and Risk Committee meeting. The Audit and Risk Committee ensures that regular updates are provided to the Board under their Terms of Reference. Ongoing progress updates relating to a variety of submissions, are provided at Board level through Director reports.

New submissions and Board requirements, or amendments to the assurance process, are reviewed, discussed, and approved in advance of submissions.

As an example, this year we will be submitting a Board Statement to accompany the draft Drainage and Wastewater Management Plan ('DWMP'). This submission will be owned at an individual Director level, with the Executive Committee, Audit and Risk Committee and Board all being engaged throughout the process. This enables them to test and challenge the progress, including risks, mitigations, the assurance approach and the Board statements themselves, including the proof point process.

The Board takes action to ensure exceptions and weaknesses in the assurance approaches have been addressed and is satisfied that the approaches have appropriately identified and addressed any risks to the provision of accurate and complete data and information in particular areas.

Our AMP7 assurance map was externally assured by Ernst & Young in October 2020. They concluded that the approach was 'comprehensive and robust'.

We are confident the assurance map supports the identification of potential weaknesses using a holistic view of assurance activities and RAG status, and all areas at a minimum of satisfactory rating are targeted for improvement.

Our annual [Regulatory Reporting and Assurance document](#) is a key regulatory publication that considers a range of factors to determine and shape our assurance plan and ensure that weaknesses in assurance approaches are improved. Customer and stakeholder engagement, internal assessments including Licence to Operate, ERM and emerging risks and trends across the sector help to determine where we need to focus the assurance we apply to our regulatory reporting. We also make sure that regulator feedback is incorporated, and we welcome feedback from stakeholders following publication on our website. We explain in detail our assurance and governance frameworks and link outputs of the assessments to the planned assurance activities and approach for the financial year ahead. The assurance plan is grouped into two areas, core assurance activities and focus assurance activities, which are updated and reflect current risk and/or areas of importance in reporting.

CONSIDERATIONS OF THE BOARD

The Board considers that the Company has applied the governance and assurance frameworks described both in this APR, the ARA, and the Regulatory Reporting and Assurance Approach. Following reasonable and relevant enquiries, it is believed the processes and internal controls have been applied in a manner which has enabled it to satisfy itself, to the extent that it is able to do so from the information available, that the data and information provided to Ofwat in the reporting year and information published in our role as a water and waste water undertaker is accurate and complete, except where indicated on page 64.

Signed for and on behalf of the Board.



James Jesic
Managing Director
Hafren Dyfrdwy Cyfyngedig



John Coghlan
Chair
Hafren Dyfrdwy Cyfyngedig



Ann Beynon
Independent Non-Executive Director
Hafren Dyfrdwy Cyfyngedig

14 July 2022

REGULATORY STATEMENTS

REGULATORY STATEMENTS

The following section contains the statements required by the terms of our licence conditions and the statutory requirements set out in the Water Industry Act 1991 and where required is endorsed and signed by the Board. See also our Board's Risk and Compliance Statement on page 63.

1.

DISCLOSURES REQUIRED BY RAG 3

a. Link between Directors' pay and standards of performance

Our Remuneration Policy is aligned to our Purpose, vision, and strategy thereby incentivising great customer services and the creation of long-term value for all our stakeholders.

We operate a unified remuneration structure at the Severn Trent Group level across the two regulated businesses (Hafren Dyfrdwy and Severn Trent Water).

The Severn Trent Plc Annual Report and Accounts 2021/22 provides detailed disclosures of our Remuneration Policy and how this has been applied in the year.

The policy is summarised as follows:

i) Non-Executive Directors

The Chair and Non-Executive Directors do not participate in the Company's incentive arrangements (i.e. annual bonus or share schemes) and were paid no remuneration other than their respective Directors' fees. Details can be found in the Hafren Dyfrdwy ARA.

ii) Executive Directors

Hafren Dyfrdwy has Executive Directors who have responsibility for both regulated entities owned by Severn Trent Plc. At a Group level, the Executive Directors receive remuneration through the annual bonus and long-term incentive plan ('LTIP').

Their remuneration is linked to the achievement of performance measures. A recharge is made to Hafren Dyfrdwy in respect of duties carried out by the Executive Directors on behalf of the Company, based on a proportion of time spent.

Through the annual bonus scheme ('ABS') and long-term incentive plan ('LTIP'), Executive Directors receive remuneration linked to the achievement of performance measures. The 2021/22 bonus was based upon four main components:

- Adjusted Group PBIT
- Customer, Asset Health and Environmental ODIs
- Health and Safety
- Customer experience

Half of the annual bonus is delivered as cash, and the balance is deferred into shares of Severn Trent Plc for a further three years. The LTIP outcomes are measured over a three-year period, and are based on two performance measures:

- 80% of the award is based on Return on Regulatory Equity ('RoRE') with a stretch target based on upper quartile performance; and
- 20% of the award is based on our progress towards net zero carbon emissions by 2030.

In determining the outcome of the incentive schemes, standards of performance are assessed by the Severn Trent Plc Remuneration Committee to ascertain whether targets have been achieved. In addition, the Committee also considers relevant reports from Ofwat in assessing the achievement of standards of performance.

b. Disclosure of information to auditor

The Companies Act 2006 requires Directors to make a statement in the Company's ARA regarding the provision of information to the Auditor. RAG 3 requires an equivalent statement to also be made in the APR. This statement is set out below.

So far as each of the Directors are aware, there is no relevant audit information of which the Company's Auditor is unaware; and each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

c. Governance policy

As a subsidiary of a FTSE100 listed Company, Hafren Dyfrdwy has chosen to apply the principles of the 2018 UK Corporate Governance Code (the '2018 Code') to its governance arrangements where appropriate and reasonably practicable. These are the same principles that apply to listed companies. Details of how the Company has applied the 2018 Code during the year are set out in the Company's ARA.

d. Our AMP7 dividend policy

The Company's dividend policy for AMP7 is set out below.

Looking forward to AMP7 our dividend policy is based on our belief that in order to deliver successful outcomes, all parties must share in success. This means customers benefiting from lower bills and better services, investors earning a reasonable return, and employees being rewarded for their hard work.

We'll provide much greater transparency about how we deliver for all our stakeholders. This includes adopting four core principles that guide how we make decisions about dividends:

- 1. Dividends will be fair and balanced** – customers need to see and understand how the Hafren Dyfrdwy dividend policy supports them – through both the sharing of outperformance and greater transparency about what is paid to customers and investors. Investors should also be able to earn a reasonable return on the £50 million they contribute so that we can continue to make improvements to our services, consistent with the 4% base return identified by Ofwat;
- 2. Dividends should promote continued outperformance** – it is in all parties' interests that we outperform so we reduce future bills and improve service levels. Our dividend policy will benefit customers, employees and importantly investors will continue to challenge us to deliver the best long-term result for customers in Wales;
- 3. Dividends will support appropriate gearing** – if our debt rises to a higher level (70%) we will share financing benefits from this structure with customers; and
- 4. Dividends will be transparent** – our APR will explain how our dividend is consistent with our commitments.

Our Board will consider paying dividends following our full year results. In considering the dividend, the Board will have regard to:

- Our dividend principles (see above);
- Results of our financial viability assessment, which takes into account scenarios such as increasing investment to manage large incidents; and
- Performance across our obligations and ODIs.

No dividend was paid in the current or prior year and the Directors do not recommend a dividend in respect of the year ended 31 March 2022.

The Company's strategy for AMP7 is to grow its RCV while maintaining a sustainable funding structure with gearing close to the Ofwat notional Company. To this end the Directors have no current intention of paying a dividend during AMP7.

e. Long term viability statement

The Directors' full assessment of financial viability can be found in the Hafren Dyfrdwy Annual Report and Accounts on pages 18 to 24.

The Directors have assessed the viability of the Company over a seven-year period to March 2029 taking into account the Company's current position and Principal Risks. Based on that assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2029.

f. Statement of Directors' responsibilities

The Directors are responsible for the preparation of the APR and for its fair presentation in accordance with the basis of preparation and accounting policies.

Further to the requirements of Company law, the Directors are required to prepare financial statements which comply with the requirements of Condition F of the Instrument of Appointment of the Company as a water and sewerage undertaker under the Water Industry Act 1991 and Regulatory Accounting Guidelines issued by the Water Services Regulation Authority. This additionally requires the Directors to:

- i) Confirm that, in their opinion, the Company has sufficient financial and management resources for the next twelve months;

- ii) Confirm that, in their opinion, the Company has sufficient rights and assets which would enable a special administrator to manage the affairs, business and property of the Company;
- iii) Report to the Water Services Regulation Authority changes in the Company's activities which may be material in relation to the Company's ability to finance its regulated activities;
- iv) Undertake transactions entered into by the appointed business, with or for the benefit of associated Companies or other businesses or activities of the appointed business, at arm's length; and
- v) Keep proper accounting records which comply with Condition F and the Regulatory Accounting Guidelines.

g. Tax strategy for the appointed business

We are committed to managing our tax affairs in a responsible manner. This means paying the right amount of tax at the right time in compliance with UK tax rules and acting in accordance with the values set out in our corporate responsibility framework.

References to 'tax' include taxes that we incur (corporation tax, business rates, employer's NIC, VAT and various environmental taxes) as well as taxes that we administer and collect on HMRC's behalf (PAYE and employee's NIC).

i) Our approach to tax

Our approach to tax is overseen by the Severn Trent Plc Board and is governed by the following key principles:

- We will manage our tax affairs responsibly, recognising the interests of all of our stakeholders;
- We will not undertake aggressive tax planning or any planning that is not aligned with the economic and commercial activities of our business;
- We will make use of widely claimed incentives offered by Government to encourage investment; and
- We will maintain an open, transparent and collaborative relationship with HMRC consistent with maintaining our good working relationship.

The effective management of our tax affairs is in the best interests of customers as it helps to keep our bills as low as possible. This is particularly true for our regulated business where the taxes we pay are included in the calculation of customers' bills.

ii) Tax governance

Responsibility for tax governance sits with the Chief Financial Officer, with oversight from the Board and Audit and Risk Committee and day-to-day support from a team of qualified in-house tax professionals.

In accordance with Group risk management procedures, tax risks are recorded and monitored throughout the year. If a material uncertainty is identified, external advice may be sought to ensure that our interpretation of the relevant UK tax rules is appropriate. We may also seek to resolve an uncertain tax position directly with HMRC before a tax return is filed, in accordance with HMRC's framework for co-operative compliance.

Any significant tax risk is reported to, and overseen by the Severn Trent Plc Audit and Risk Committee, who also receive tax status updates as part of the interim and year-end financial reporting programmes.

iii) Relationship with HMRC

In maintaining a good working relationship with HMRC, we seek to ensure that HMRC is kept up to date with business developments, including any commercial transactions with potentially significant tax implications.

Where queries or misunderstandings arise, these are managed on the basis of full disclosure and we will seek to work with HMRC to bring any items to resolution.

iv) Tax transparency

We are supportive of measures aimed at enhancing tax transparency and are committed to providing regular information on our tax affairs in a clear and straightforward way that enhances our stakeholders' understanding and provides confidence that we are paying our fair share of tax.

v) Non-UK operations

All of the Group's companies and its subsidiaries' revenues and profits are generated in the UK and are subject to UK tax.

vi) Scope

This Tax Strategy covers the period ending 31 March 2023 and applies to Severn Trent Plc and its UK subsidiary undertakings. It is published in compliance with the requirement at Paragraph 16(2) of schedule 19 of Finance Act 2016 for large businesses to publish their tax strategy.

2.

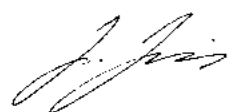
RING FENCING CERTIFICATE
(CONDITIONS K AND P)

Licence conditions K (disposals of land) and P (ring fencing) require the Company, at all times, to ensure that if a special administrator were appointed to manage the regulated activities, that administrator would have sufficient control over the regulated business and assets to be able to do so. In addition to the statement set out above under licence condition F and the Regulatory Accounting Guidelines, the Company is required to confirm that it is in compliance with these conditions and make suitable sufficiency statements to that effect. This statement is set out here.

The Ring Fencing Certificate in respect of financial resources and facilities, is subject to third party assurance in the form of agreed upon procedures which has been provided by Deloitte.

In accordance with the requirements of the Water Services Regulation Authority, our Board confirmed that, as at 31 March 2022:

- i) In the opinion of the Directors, the Appointee will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next twelve months, the Regulated Activity (including the investment programme necessary to fulfil the Appointee's obligations under the Appointment);
- ii) In the opinion of the Directors, the Appointee will for at least the next twelve months, have available to it management resources and systems of planning and internal control, which are sufficient to enable it to carry out those functions; and
- iii) In the opinion of the Directors, the Appointee will for at least the next twelve months, have available to it rights and resources other than financial resources, which are sufficient to enable it to carry out those functions.



James Jesic
Managing Director
Hafren Dyfrdwy Cyfyngedig



John Coghlan
Chair
Hafren Dyfrdwy Cyfyngedig



Ann Beynon
Independent Non-Executive Director
Hafren Dyfrdwy Cyfyngedig

For and on behalf of the Board
14 July 2022

In reaching this conclusion, the Board has considered:

- Financial resources and facilities;
- Management resources;
- Systems of planning and internal control;
- Rights and resources other than financial resources;
- Contracting; and
- The expected impact of COVID-19.

The Company is dependent on its contracts with Severn Trent Water to carry out its Regulated Activities in its Powys region. These contracts include the necessary provisions and requirements in respect of the standard of service to be supplied to the Company to ensure that the Company is able to carry out the Regulated Activities.

The Company also has a Corporate Services Agreement with Severn Trent Water. Under this agreement Severn Trent Water agrees to provide corporate services including HR, Finance, IT and Legal services to the Company.

The Board has considered the Company's prospects and the potential impacts of the Principal Risks and uncertainties that would impact the above factors. Details of matters considered and the conclusions reached are set out in the viability statement in the Company's ARA.

Management provides the Board with evidence that each of the factors set out above have been addressed in assessing whether the Company has sufficient resources to enable it to carry out its Regulated Activities for the next twelve months. The Board, through its Audit and Risk Committee, scrutinises and challenges the evidence provided to ensure itself that the process is robust. The Board is satisfied that in the current year a robust process has been followed. Further information relating to our internal controls is detailed in our Board governance and compliance section and our assurance summary.

In providing the above confirmations, the Directors have considered various factors as part of their assessment prior to signing this certificate, including but not limited to:

Financial resource and facilities	<ul style="list-style-type: none"> • The Appointee's performance expectations against Final Determinations 2020 - 2025, underpinned by historical track record. • The Appointee's available cash resources and borrowing facilities. • The Appointee's long-term viability statement of seven years included within the 2021/22 ARA. • Investment requirements to deliver stretching performance commitments in AMP7. • The Appointee's compliance with financial covenants. • The Appointee's financial position and net cash flow position as at 31 March 2022 as represented by the statutory and regulatory accounts.
Management resources	<ul style="list-style-type: none"> • The collective experience of the Directors and the diverse skills and experience they possess enables the Board to reach decisions in a focused and balanced way, supported by independent thought and constructive debate, crucial to ensuring the continued long-term success of the Company. • Any new appointments to the Board result from a formal, rigorous and transparent procedure, responsibility for which is delegated to the Nominations Committee (although decisions on appointments are a matter reserved for the Board). The Board considers Board succession to ensure that the Board has the right mix of skills and experience, as well as the capability to provide effective challenge and promote diversity. • Executive and Non-Executive Directors remain aware of recent, and upcoming, developments and keep their knowledge and skills up to date. Our Board Effectiveness process includes training discussions with the Company Secretary and, as required, we invite professional advisers and subject matter experts to provide in-depth updates. Our Company Secretary also provides regular updates to the Board and its Committees on regulatory and corporate governance matters. • The independence of our Non-Executive Directors is formally reviewed annually by the Nominations Committee, and as part of the Board Effectiveness evaluation. The Nominations Committee and Board consider that there are no business or other circumstances that are likely to affect the independence of any Non-Executive Director and that all Non-Executive Directors continue to demonstrate independence. • The Appointee operates a detailed, tailored induction for each new Non-Executive Director. This includes one-to-one meetings with the Chair and each of the existing Non-Executive Directors. One-to-one meetings are also arranged with the CEO, CFO and the Company Secretary, along with other members of the Executive Committee. New Directors also meet members of the operational teams and visit our key sites and capital projects to ensure they gain a detailed understanding of the water and waste water businesses and have a chance to experience our culture in person. We provide briefings on the key duties of being a Director of a regulated water company and proposed Appointees meet with Ofwat as part of the appointment process. • The tone at the top and culture within the Appointee is reinforced through the Appointee's Code of Conduct – Doing the Right Thing. • The Appointee's Purpose and Values' and culture is embedded through annual e-learning and supported through Group policies. • The annual employee engagement survey, QUEST, assists the Directors' understanding of what is going well and where improvements can be made across the Company. • Management and the Board ensure that appropriate and effective succession planning arrangements are in place, supported by the Group Board Diversity Policy. • The Appointee's recruitment, reward and recognition strategy to attract high calibre candidates and retain employees with appropriate experience and knowledge.

Systems of planning and internal control	<ul style="list-style-type: none"> • The Appointee’s risk-based approach to assurance, including internal and external audits as well as Jacobs assurance review of non-financial operational performance processes and data. • The Appointee’s Audit and Risk Committee which provides oversight over the integrity of the Appointee’s financial data, risk management and assessment of the effectiveness of the system of internal controls. • The Appointee’s Enterprise Risk Management process. • The Appointee’s performance in regards to its Performance Commitments identified in the additional regulatory information section from page 114. • Business continuity plans, response to COVID-19. • The Appointee’s policies to prevent, detect and resolve unethical behaviour through implementation of its Whistleblowing Policy, ‘Speak up’, Group financial crime and anti-bribery and anti-corruption policy, security policy and environment policy.
Rights and resources other than financial resources	<ul style="list-style-type: none"> • The Appointee’s Purpose, Values and culture embedded through annual e-learning and supported through policies. • The Appointee’s ambition to be a socially purposeful company, giving back to communities, and providing opportunities for people to learn, retrain and develop is enhanced through the Severn Trent Academy at Hawksley Park. • COVID-secure working arrangements enhanced by digital transformation. • Asset Maintenance policies and systems to monitor asset health. • Overall Equipment Effectiveness approach – delivering tangible benefits through: reducing planned work volumes and associated time to complete the tasks; reducing cost; and improving asset performance. • The Appointee’s policies to mitigate the risk of modern slavery and human trafficking.
Contracting	<ul style="list-style-type: none"> • Except as noted above, there are no contracts that the Company is dependent on in order to carry out its Regulated Activity.
Material issues or circumstances	<ul style="list-style-type: none"> • We closely monitor emerging risks that may, with time, become significant risks or cease to be relevant as the internal and external environment in which we operate evolves. • One of the risks relates to supply chain disruption. Post COVID-19 recovery and disruptions caused by the ongoing conflict in Ukraine may cause critical supply chain shortages and resource security pressures resulting in increased commodity prices globally. We are continually monitoring this risk and our dependency on supply chains, including foreign suppliers, which could be impacted by ongoing global matters.

REGULATORY ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022

INDEPENDENT AUDITOR'S REPORT TO THE WATER SERVICES REGULATION AUTHORITY (THE WSRA) AND THE DIRECTORS OF HAFREN DYFRDWY CYFYNGEDIG

OPINION

We have audited the sections of Hafren Dyfrdwy Cyfyngedig's Annual Performance Report for the year ended 31 March 2022 ("the Regulatory Accounting Statements") which comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D), the net debt analysis (table 1E), lines 1F.1 to 1F.3, 1F.5 to 1F.8, 1F.12 to 1F.14, 1F.21 to 1F.22 and 1F.24 to 1F.26 of the statement of financial flows (table 1F) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis (wholesale) (table 2B), the cost analysis (retail) (table 2C), the historical cost analysis of fixed assets for wholesale and retail (table 2D), the analysis of grants and contributions (table 2E), the residential retail (table 2F), the non-household water revenues by customer type (table 2G), the non-household wastewater revenues by customer type (table 2H), the revenue analysis (table 2I), the infrastructure network reinforcement costs (table 2J), the infrastructure charges reconciliation (table 2K), the analysis of land sales (table 2L), the revenue reconciliation (wholesale) (table 2M), residential retail social tariffs (table 2N) and historical cost analysis of intangible assets (table 2O) and the related notes.

We have not audited lines 1F.4, 1F.9 to 1F.11, 1F.15 to 1F.20 and 1F.23 of the statement of financial flows (table 1F), the Outcome performance table (tables 3A to 3I) or the additional regulatory information in tables 4A to 4U, 5A to 5B, 6A to 6F, 7A to 7F, 8A to 8D, 9A, 10A to 10E and 11A.

In our opinion, Hafren Dyfrdwy Cyfyngedig's Regulatory Accounting Statements have been prepared, in all material aspects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.09, RAG 2.09, RAG 3.13, RAG 4.10 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.13, appendix 2), set out on pages 96 to 98.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and applicable law, except as stated in the section on Auditors' responsibilities for the audit of the Regulatory Accounting Statements below, and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England & Wales.

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Regulatory Accounting Statements within the Annual Performance Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit, including the Financial Reporting Council's (FRC's) Ethical Standard as applied to public interest entities, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER – SPECIAL PURPOSE BASIS OF PREPARATION

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.13, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. As a result, the Regulatory Accounting Statements may not be suitable for another purpose. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). Financial information other than that prepared on the basis of UK GAAP does not necessarily represent a true and fair view of the financial performance or financial position of a Company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages 83 to 113 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from IASs. A summary of the effect of these departures in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the Regulatory Accounting Statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Regulatory Accounting Statements is appropriate.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- understanding the nature of the company, its business model and related risks including the impact of the cost of living and affordability crisis;
- evaluating the underlying data and key assumptions used in the directors' assessment and evaluating the directors' plans for future financing;
- understanding the funding available through the Company credit facilities, including consideration of their maturity period, evaluating the group's ability to provide such funding to support the Company's forecasted future cash flows, future commitments and the net current liability position at the balance sheet date;
- challenging the assumptions used in the cash flow forecasts, including testing for consistency with board approved budgets and future plans for AMP 7, and performing sensitivity analysis relating to these assumptions;
- assessing the headroom under both the base case and sensitised forecasts considering the reduced facilities available from the immediate parent; and
- reviewing the appropriateness of the disclosures provided in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises all of the information in the Annual Performance Report other than the Regulatory Accounting Statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the Regulatory Accounting Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

RESPONSIBILITIES OF THE DIRECTORS FOR THE ANNUAL PERFORMANCE REPORT

As explained more fully in the Statement of Directors' Responsibilities set out on pages 72 and 73, the directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.13, appendix 2).

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Annual Performance Report that is free from material misstatement, whether due to fraud or error.

In preparing the Annual Performance Report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE REGULATORY ACCOUNTING STATEMENTS WITHIN THE ANNUAL PERFORMANCE REPORT

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Regulatory Accounting Statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of its policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about its own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- Had a direct effect on the determination of material amounts and disclosures in the Regulatory Accounting Statements. These included Regulatory Accounting Guidelines as issued by the WSRA, UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the Regulatory Accounting Statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the Company's operating licence, regulatory solvency requirements and environmental regulations.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- reading minutes of meetings of those charged with governance, the Audit and Risk Committee, reviewing internal audit reports and reviewing correspondence with HMRC and WSRA.

A further description of our responsibilities for the audit of the Regulatory Accounting Statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF THIS REPORT

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewage undertaker under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the WSRA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2022 on which we reported on 14 July 2022, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Deloitte LLP

Deloitte LLP
London, United Kingdom
14 July 2022

1A - INCOME STATEMENT

Year ended 31 March 2022

Line description	Statutory	Adjustments			Total appointed activities
		Differences between statutory and RAG definitions	Non-appointed	Total adjustments	
	£m	£m	£m	£m	£m
1A.1 Revenue	35.044	-0.847	-1.393	-2.240	32.804
1A.2 Operating costs	-37.570	0.529	1.160	1.689	-35.881
1A.3 Other operating income	0.000	0.000	0.000	0.000	0.000
1A.4 Operating profit	-2.526	-0.318	-0.233	-0.551	-3.077
1A.5 Other income	0.000	0.438	-0.036	0.402	0.402
1A.6 Interest income	1.301	-1.300	0.000	-1.300	0.001
1A.7 Interest expense	-0.943	-0.474	0.000	-0.474	-1.417
1A.8 Other interest expense	0.000	0.400	0.000	0.400	0.400
1A.9 Profit before tax and fair value movements	-2.168	-1.254	-0.269	-1.523	-3.691
1A.10 Fair value gains/(losses) on financial instruments	0.000	0.000	0.000	0.000	0.000
1A.11 Profit before tax	-2.168	-1.254	-0.269	-1.523	-3.691
1A.12 UK Corporation tax	1.120	0.000	0.051	0.051	1.171
1A.13 Deferred tax	-6.216	0.657	0.000	0.657	-5.559
1A.14 Profit for the year	-7.264	-0.597	-0.218	-0.815	-8.079
1A.15 Dividends	0.000	0.000	0.000	0.000	0.000

A Tax analysis					
1A.16 Current year	-1.340	0.000	-0.051	-0.051	-1.391
1A.17 Adjustments in respect of prior years	0.220	0.000	0.000	0.000	0.220
1A.18 UK Corporation tax	-1.120	0.000	-0.051	-0.051	-1.171

B Analysis of non-appointed revenue		Non-appointed
1A.19 Imported sludge		0.000
1A.20 Tankered waste		0.000
1A.21 Other non-appointed revenue		1.393
1A.22 Revenue		1.393

The differences between statutory and RAG definitions are outlined in the following table:

	Capitalisation of interest and related depreciation	Reclassifications				Total differences
		External power, gas and sludge products income	Infrastructure Renewals Income	Non operating income and deferred credits	Pension interest	
	£m	£m	£m	£m	£m	
Revenue	-	-0.577	-0.105	-0.165	-	-0.847
Operating costs	0.120	0.577	0.105	-0.273	-	0.529
Other operating income	-	-	-	-	-	-
Operating profit	0.120	-	-	-0.438	-	-0.318
Other income	-	-	-	0.438	-	0.438
Interest income	-	-	-	-	-1.300	-1.300
Interest expense	-1.374	-	-	-	0.900	-0.474
Other interest expense	-	-	-	-	0.400	0.400
Profit before tax and fair value movements	-1.254	-	-	-	-	-1.254
Fair value losses on financial instruments	-	-	-	-	-	-
Profit before tax	-1.254	-	-	-	-	-1.254
UK corporation tax	-	-	-	-	-	-
Deferred tax	0.657	-	-	-	-	0.657
Profit for the year	-0.597	-	-	-	-	-0.597

1B - STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2022

Line description	Adjustments				Total appointed activities £m
	Statutory £m	Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m	
1B.1 Profit for the year	-7.264	-0.597	-0.218	-0.815	-8.079
1B.2 Actuarial gains/(losses) on post employment plans	-0.549	0.000	0.000	0.000	-0.549
1B.3 Other comprehensive income	0.000	0.000	0.000	0.000	0.000
1B.4 Total Comprehensive income for the year	-7.813	-0.597	-0.218	-0.815	-8.628

There are no differences between statutory and RAG definitions other than those set out in Table 1A.

1C - STATEMENT OF FINANCIAL POSITION

Year ended 31 March 2022

Line description	Adjustments				Total appointed activities £m
	Statutory £m	Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m	
A Non-current assets					
1C.1 Fixed assets	217.873	-7.044	0.000	-7.044	210.829
1C.2 Intangible assets	6.022	0.000	0.000	0.000	6.022
1C.3 Investments - loans to group companies	0.000	0.000	0.000	0.000	0.000
1C.4 Investments - other	0.000	0.000	0.000	0.000	0.000
1C.5 Financial instruments	0.000	0.000	0.000	0.000	0.000
1C.6 Retirement benefit assets	17.500	0.000	0.000	0.000	17.500
1C.7 Total non-current assets	241.395	-7.044	0.000	-7.044	234.351
B Current assets					
1C.8 Inventories	0.807	0.000	0.000	0.000	0.807
1C.9 Trade and other receivables	32.884	0.000	-3.013	-3.013	29.871
1C.10 Financial instruments	0.000	0.000	0.000	0.000	0.000
1C.11 Cash and cash equivalents	0.565	0.000	0.000	0.000	0.565
1C.12 Total current assets	34.256	0.000	-3.013	-3.013	31.243
C Current liabilities					
1C.13 Trade and other payables	-43.742	1.339	0.565	1.904	-41.838
1C.14 Capex creditor	0.000	-1.176	0.000	-1.176	-1.176
1C.15 Borrowings	-0.300	0.000	0.000	0.000	-0.300
1C.16 Financial instruments	0.000	0.000	0.000	0.000	0.000
1C.17 Current tax liabilities	-1.790	0.000	0.000	0.000	-1.790
1C.18 Provisions	-4.222	0.000	0.000	0.000	-4.222
1C.19 Total current liabilities	-50.054	0.163	0.565	0.728	-49.326
1C.20 Net current assets/(liabilities)	-15.798	0.163	-2.448	-2.285	-18.083
D Non-current liabilities					
1C.21 Trade and other payables	-14.179	14.178	0.000	14.178	-0.001
1C.22 Borrowings	-36.441	0.000	0.000	0.000	-36.441
1C.23 Financial instruments	0.000	0.000	0.000	0.000	0.000
1C.24 Retirement benefit obligations	0.000	0.000	0.000	0.000	0.000
1C.25 Provisions	-0.680	0.000	0.000	0.000	-0.680
1C.26 Deferred income - grants and contributions	0.000	-14.341	0.000	-14.341	-14.341
1C.27 Deferred income - adopted assets	0.000	0.000	0.000	0.000	0.000
1C.28 Preference share capital	0.000	0.000	0.000	0.000	0.000
1C.29 Deferred tax	-24.319	1.747	0.000	1.747	-22.572
1C.30 Total non-current liabilities	-75.619	1.584	0.000	1.584	-74.035
1C.31 Net assets	149.978	-5.297	-2.448	-7.745	142.233
E Equity					
1C.32 Called up share capital	153.051	0.000	0.000	0.000	153.051
1C.33 Retained earnings & other reserves	-3.073	-5.297	-2.448	-7.745	-10.818
1C.34 Total Equity	149.978	-5.297	-2.448	-7.745	142.233

1D - STATEMENT OF CASHFLOWS

Year ended 31 March 2022

The differences between statutory and RAG definitions are outlined in the following table:

	Adjustments	Reclassifications		Total differences £m
	Capitalisation of interest £m	Capital creditor reclassification £m	Deferred income reclassification £m	
Non-current assets				
Fixed assets	-7,044	-	-	-7,044
Intangible assets	-	-	-	-
Investments - loans to group companies	-	-	-	-
Investments - other	-	-	-	-
Financial instruments	-	-	-	-
Retirement benefit assets	-	-	-	-
Total non-current assets	-7,044	-	-	-7,044
Current assets				
Inventories	-	-	-	-
Trade and other receivables	-	-	-	-
Financial instruments	-	-	-	-
Cash and cash equivalents	-	-	-	-
Total current assets	-	-	-	-
Current liabilities				
Trade and other payables	-	1,176	0.163	1,339
Capex creditor	-	-1,176	-	-1,176
Borrowings	-	-	-	-
Financial instruments	-	-	-	-
Current tax liabilities	-	-	-	-
Provisions	-	-	-	-
Total current liabilities	-	-	0.163	0.163
Net current assets/(liabilities)	-	-	0.163	0.163
Non-current liabilities				
Trade and other payables	-	-	14,178	14,178
Borrowings	-	-	-	-
Financial instruments	-	-	-	-
Retirement benefit obligations	-	-	-	-
Provisions	-	-	-	-
Deferred income - grants and contributions	-	-	-14,341	-14,341
Deferred income - adopted assets	-	-	-	-
Preference share capital	-	-	-	-
Deferred tax	1,747	-	-	1,747
Total non-current liabilities	1,747	-	-0.163	1,584
Net assets	-5,297	-	0.000	-5,297
Equity				
Called up share capital	-	-	-	-
Retained earnings and other reserves	-5,297	-	-	-5,297
Total Equity	-5,297	-	-	-5,297

Line description	Statutory £m	Adjustments			Total appointed activities £m
		Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m	
A Operating activities					
1D.1 Operating profit	-2,526	-0,318	-0,233	-0,551	-3,077
1D.2 Other income	0,000	0,438	-0,036	0,402	0,402
1D.3 Depreciation	8,184	-0,120	0,000	-0,120	8,064
1D.4 Amortisation - grants and contributions	-0,165	0,000	0,000	0,000	-0,165
1D.5 Changes in working capital	6,954	0,000	0,269	0,269	7,223
1D.6 Pension contributions	0,000	0,000	0,000	0,000	0,000
1D.7 Movement in provisions	-0,759	0,000	0,000	0,000	-0,759
1D.8 Profit on sale of fixed assets	0,000	0,000	0,000	0,000	0,000
1D.9 Cash generated from operations	11,688	0,000	0,000	0,000	11,688
1D.10 Net interest paid	-1,023	0,000	0,000	0,000	-1,023
1D.11 Tax paid	1,893	0,000	0,000	0,000	1,893
1D.12 Net cash generated from operating activities	12,558	0,000	0,000	0,000	12,558
B Investing activities					
1D.13 Capital expenditure	-12,930	0,000	0,000	0,000	-12,930
1D.14 Grants and contributions	0,644	0,000	0,000	0,000	0,644
1D.15 Disposal of fixed assets	0,000	0,000	0,000	0,000	0,000
1D.16 Other	0,000	0,000	0,000	0,000	0,000
1D.17 Net cash used in investing activities	-12,286	0,000	0,000	0,000	-12,286
1D.18 Net cash generated before financing activities	0,272	0,000	0,000	0,000	0,272
C Cashflows from financing activities					
1D.19 Equity dividends paid	0,000	0,000	0,000	0,000	0,000
1D.20 Net loans received	0,110	0,000	0,000	0,000	0,110
1D.21 Cash inflow from equity financing	0,000	0,000	0,000	0,000	0,000
1D.22 Net cash generated from financing activities	0,110	0,000	0,000	0,000	0,110
1D.23 Increase/(decrease) in net cash	0,382	0,000	0,000	0,000	0,382

The differences between statutory and RAG definitions are outlined in the following table:

	Adjustments	Reclassifications		Total differences
	Depreciation on capitalised interest	Non-operating income reclass	Deferred credits reclass	
	£m	£m	£m	£m
Statement of cashflows				
Operating profit	0.120	-0.273	-0.165	-0.318
Other income	-	0.273	0.165	0.438
Depreciation	-0.120	-	-	-0.120
Amortisation - grants and contributions	-	-	-	-
Changes in working capital	-	-	-	-
Pension contributions	-	-	-	-
Movement in provisions	-	-	-	-
Profit on sale of fixed assets	-	-	-	-
Cash generated from operations	-	-	-	-
Net interest paid	-	-	-	-
Tax paid	-	-	-	-
Net cash generated from operating activities	-	-	-	-
Investing activities				
Capital expenditure	-	-	-	-
Grants and contributions	-	-	-	-
Disposal of fixed assets	-	-	-	-
Other	-	-	-	-
Net cash used in investing activities	-	-	-	-
Net cash generated before financing activities	-	-	-	-
Cashflows from financing activities				
Equity dividends paid	-	-	-	-
Net loans received	-	-	-	-
Cash inflow from equity financing	-	-	-	-
Net cash generated from financing activities	-	-	-	-
Increase/(decrease) in net cash	-	-	-	-

1E - NET DEBT ANALYSIS

Year ended 31 March 2022

Line description	Fixed rate	Floating rate	Index linked		Total
			RPI	CPI/CPIH	
	£m	£m	£m	£m	£m
A Interest rate risk profile					
1E.1 Borrowings (excluding preference shares)	0.110	3.644	32.988	0.000	36.742
1E.2 Preference share capital					0.000
1E.3 Total borrowings					36.742
1E.4 Cash					-0.565
1E.5 Short term deposits					0.000
1E.6 Net Debt					36.177
B Gearing					
1E.7 Gearing					39.654%
1E.8 Adjusted gearing					0.000%
C Interest					
1E.9 Full year equivalent nominal interest cost	0.004	0.089	3.204	0.000	3.297
1E.10 Full year equivalent cash interest payment	0.004	0.089	0.901	0.000	0.994
D Indicative interest rates					
1E.11 Indicative weighted average nominal interest rate	3.486%	2.450%	9.713%	0.000%	8.974%
1E.12 Indicative weighted average cash interest rate	3.636%	2.442%	2.731%	0.000%	2.705%
E Time to maturity					
1E.13 Weighted average years to maturity	25.887	1.900	10.500	0.000	9.693

The net debt analysis is reconciled to the net debt position below:

	Total
	£m
Current borrowings	0.300
Non-current borrowings	36.441
Dee Valley Water borrowings	36.741
Cash and cash equivalents	-0.565
Net debt	36.176

An equity injection was made by Severn Trent Draycote after the year end to facilitate the settlement of intragroup balances, whilst maintaining the appropriate gearing trajectory for the AMP. Had these transactions been completed by 31 March 2022 the gearing would have been 52.1%.

1F - FINANCIAL FLOWS (PRICE BASE - 2017/18 CPIH AVERAGE)

Year ended 31 March 2022

Line description	12 Months ended 31 March 2022					
	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
	%	%	%	£m	£m	£m
A Regulatory equity						
1F.1 Regulatory equity				31.580	31.580	45.602
B Return on regulatory equity						
1F.2 Return on regulatory equity	4.19%	6.06%	4.19%	1.324	1.913	1.913
C Financing						
1F.3 Impact of movement from notional gearing		-1.86%	-0.60%		-0.588	-0.274
1F.4 Gearing benefits sharing		0.00%	0.00%		0.000	0.000
1F.5 Variance in corporation tax		3.51%	2.43%		1.107	1.107
1F.6 Group relief		0.00%	0.00%		0.000	0.000
1F.7 Cost of debt		3.00%	1.46%		0.947	0.667
1F.8 Hedging instruments		0.00%	0.00%		0.000	0.000
1F.9 Return on regulatory equity including Financing adjustments	4.19%	10.71%	7.48%	1.324	3.379	3.413
D Operational performance						
1F.10 Totex out / (under) performance		-4.53%	-3.14%		-1.432	-1.432
1F.11 ODI out / (under) performance		-2.29%	-1.59%		-0.723	-0.723
1F.12 C-Mex out / (under) performance		-0.11%	-0.08%		-0.035	-0.035
1F.13 D-Mex out / (under) performance		0.11%	0.08%		0.035	0.035
1F.14 Retail out / (under) performance		2.68%	1.86%		0.848	0.848
1F.15 Other exceptional items		0.00%	0.00%		0.000	0.000
1F.16 Operational performance total		-4.14%	-2.87%		-1.307	-1.307
1F.17 RoRE (return on regulatory equity)	4.19%	6.57%	4.61%	1.324	2.072	2.106
1F.18 RCV growth	7.17%	7.17%	7.17%	2.264	2.264	3.270
1F.19 Voluntary sharing arrangements		0.00%	0.00%		0.000	0.000
1F.20 Total shareholder return	11.36%	13.74%	11.78%	3.588	4.336	5.376
E Dividends						
1F.21 Gross Dividend	0.00%	0.00%	0.00%	0.000	0.000	0.000
1F.22 Interest Receivable on intercompany loans		0.00%	0.00%		0.000	0.000
1F.23 Retained Value	11.36%	13.74%	11.78%	3.588	4.336	5.376
F Cash impact of 2015-20 performance adjustments						
1F.24 Totex out / (under) performance		-0.55%	-0.38%		-0.173	-0.173
1F.25 ODI out / (under) performance		-0.01%	-0.01%		-0.004	-0.004
1F.26 Total out / under performance		-0.56%	-0.39%		-0.177	-0.177

Line description	Average 2020-25					
	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
	%	%	%	£m	£m	£m
				30.417	30.417	36.885
	4.15%	5.03%	4.15%	1.262	1.530	1.530
		-0.88%	-0.33%		-0.268	-0.121
		0.00%	0.00%		0.000	0.000
		4.16%	3.43%		1.266	1.266
		0.00%	0.00%		0.000	0.000
		1.27%	0.66%		0.386	0.243
		0.00%	0.00%		0.000	0.000
	4.15%	9.58%	7.91%	1.262	2.914	2.918
		-4.81%	-3.96%		-1.462	-1.462
		-1.90%	-1.56%		-0.577	-0.577
		-0.06%	-0.05%		-0.017	-0.017
		0.06%	0.05%		0.018	0.018
		1.43%	1.18%		0.435	0.435
		0.00%	0.00%		0.000	0.000
		-5.28%	-4.34%		-1.603	-1.603
	4.15%	4.30%	3.57%	1.262	1.311	1.315
	4.11%	4.11%	4.11%	1.250	1.250	1.516
		0.00%	0.00%		0.000	0.000
	8.26%	8.41%	7.68%	2.512	2.561	2.831
	0.00%	0.00%	0.00%	0.000	0.000	0.000
		0.00%	0.00%		0.000	0.000
	8.26%	8.41%	7.68%	2.512	2.561	2.831
		-0.56%	-0.46%		-0.171	-0.171
		-0.01%	-0.01%		-0.004	-0.004
		-0.58%	-0.47%		-0.175	-0.175

1F - FINANCIAL FLOWS

Year ended 31 March 2022

We recognise the importance of providing transparency to our customers and stakeholders in how we earn returns and share performance with investors. The financial flows measure sets out how the returns we have earned compare between the actual company structure and the notional structure assumed in the Final Determination ('FD').

The table below outlines the key components of RoRE:

	2021/22	AMP to date
	%	%
Base return	4.2%	4.2%
Totex	(4.5%)	(4.8%)
Retail	2.7%	1.4%
ODI (including C-MeX and D-MeX)	(2.3%)	(1.9%)
Cost of debt	3.0%	1.2%
Variance on tax	3.5%	4.2%
Regulatory return for the year	6.6%	4.3%

We discuss the key components of RoRE and financial flows below. All values are stated in 2017/18 prices.

BASE REGULATED EQUITY RETURN

The FD base equity return of 4.1% (in the table above) represents the base notional return before post financeability adjustments. For the current year, we have outperformed the FD base return by 2.4%.

FINANCING PERFORMANCE

The financing component of financial flows covers performance on financing and corporation tax.

Financing

With net debt remaining at 2020/21 levels and 90% of our debt RPI linked, we have seen our nominal cost of debt increase marginally by 0.3% in the reporting year. Higher inflation than the FD assumption of 2% has however, helped in reducing our real cost of debt to 0.2%, which is 2.0% lower than the FD.

As explained further in table 1E, had we made a number of post year end transactions by 31 March 2022 then our gearing would have been 52% for the reporting year. Our expectation is that gearing will remain below 65% throughout AMP7 despite our high levels of investment and RCV growth. We are also planning to move around a

third of our index linked debt to cheaper fixed rate debt by 2025 to reduce financing costs and limit our exposure to inflation volatility.

Variance on tax

For the second year, our actual current tax credit is lower (£1.1 million) than the tax charge allowed in the FD (£0.03 million). This is mainly due to lower profits before tax than assumed in the FD and expenditure not deductible for tax being higher than the forecast in the FD. There was no benefit during the year relating to group relief. Tax losses have been surrendered at full value to the group.

OPERATIONAL PERFORMANCE

The operational performance component of financial flows covers performance on wholesale totex, retail costs and ODIs.

Wholesale totex

Our wholesale totex performance is covered in detail on table 4C. For the reporting year, our total totex performance before adjusting for timing is £1.9 million above the FD totex allowance. This has been due to higher bulk supply costs and power costs than assumed in the FD. We also continue to make

additional investments above the FD on the resilience of our base assets to reduce the impact of supply interruptions and drive down leakage.

Retail household cost performance

We continue to outperform the FD retail allowance, with total underspend of £0.8 million in the year. Performance has largely been achieved through efficiencies made in customer services and debt management costs relative to the FD allowance. While bad debt costs remain higher than the FD, we expect performance to improve over the AMP as a result of the initiatives we introduced last year to improve cash collection and mitigate the impact of the pandemic.

ODI performance

We have achieved 71% of ODI targets being met in 2021/22, with improved performance seen across our measures. Overall, we have achieved a net penalty of £0.7 million in the reporting year. On our water measures, we have driven a reduction in supply interruptions of 45% but despite this still suffered the maximum capped ODI penalty, which has partially been offset by the continued progress on lead pipes replacement.

On the waste water measures, we have seen one fewer internal sewer flooding event but three more sewer collapses than last year leading to a slight net reduction in penalty incurred.

As per the RAG guidance, we haven't included our 2021/22 forecast of C-MeX and D-MeX performance (penalty of £0.05 million and reward of £0.03 million respectively) in financial flows.

TOTAL SHAREHOLDER RETURN

For the reporting year, our overall performance has generated £5.4 million in additional shareholder returns, which is equivalent to 11.8% on RoRE. Consistent with the FD, we have assumed our high RCV growth this AMP will be funded by equity and have therefore paid no dividends to shareholders in the year.

CURRENT TAX RECONCILIATION

Year ended 31 March 2022

The current tax credit after prior year adjustments for the year ended 31 March 2022 is higher than the standard rate of corporation tax in the UK.

The differences to the standard rate of corporation tax and the reconciliation to the current tax charge allowed in price limits are outlined in the below table:

	Actual £m	FD £m	Variance £m
Profit on ordinary activities before tax	-3.691	-2.123	-1.568
Tax at the standard rate of corporation tax in the UK 19%	-0.701	-0.403	-0.298
Tax effect of expenditure not deductible in determining taxable profits	0.078	0.007	0.071
Capital allowances in excess of depreciation	-0.603	-0.471	-0.132
Other temporary differences	-0.165	-0.024	-0.141
Impact of change in tax rate	-	0.094	-0.094
Group relief	-	-	-
Current tax charge before prior year adjustments	-1.391	-0.797	-0.594
Prior year adjustment	0.220	-	0.220
Current tax charge after prior year adjustments	-1.171	-0.797	-0.374

The current tax credit for the appointed business is higher than the total tax charge allowed in price limits due to the net impact of the following:

- The Final Determination ('FD') loss before tax was higher than the loss before tax within the appointed business;
- Expenditure that is not deductible for tax purposes has increased from the level assumed within the FD tax charge; and
- The FD was calculated based on an expected reduction to the main tax rate from 19% to 17%. The actual tax rate has remained at 19% resulting in an increase in the tax credit when compared to the FD.

The main factors that will impact future tax charges will include:

- Any changes in tax rates or allowances;
- The level of capital expenditure in the appointed business; and
- Any other changes in tax legislation or practice not reflected in the FD.

In March 2021 the UK Government announced its intention to increase the rate of corporation tax to 25% with effect from 1 April 2023. The new law was substantively enacted on 10 June 2021. The deferred tax liability at 31 March 2022 was calculated at the increased rate of 25%.

We are committed to paying the right amount of tax at the right time. As well as corporation tax on profits, which is included in the tax charge in our accounts, we incur a range of taxes, charges and levies imposed by Government agencies, including business rates, employer's national insurance and environmental taxes.

NOTES TO THE REGULATORY ACCOUNTS

1. REGULATORY REPORTING

The regulatory accounts as reported on pages 83 to 113 should be read in conjunction with the financial review set out on pages 91 to 118 of the Hafren Dyfrdwy Cyfyngedig Annual Report and Accounts 2022 to aid understanding of the performance of the business.

A) DIFFERENCES IN RECOGNITION AND MEASUREMENT BETWEEN STATUTORY AND REGULATORY FINANCIAL ACCOUNTS

i) Borrowing costs

Borrowing costs where directly related to the construction of an asset are capitalised in the statutory accounts. These amounts are not capitalised in the regulatory financial reporting statements in accordance with the RAGs.

B) DIFFERENCES IN PRESENTATION BETWEEN STATUTORY AND REGULATORY FINANCIAL ACCOUNTS

i) Revenue and cost classification

Certain items which are netted off against operating costs within the statutory accounts are grossed up and shown as revenue for regulatory reporting. This includes recharges for costs of repair from damages. Other items such as income from renewable energy incentives are shown as revenue in the statutory accounts and negative operating costs for regulatory reporting. In the 2021/22 statutory accounts infrastructure renewals income has been shown as revenue. In the regulatory accounts we show this as operating costs.

ii) Cash flow presentation

Grants and contributions received are presented as operating cash flows in the statutory accounts but as investing cash flows in the regulatory accounts.

C) DIFFERENCE IN PRESENTATION OF SPECIFIC ITEMS REQUIRED TO BE SEPARATELY DISCLOSED IN THE REGULATORY FINANCIAL STATEMENTS

i) Profit or loss on disposal of fixed assets and non-operating income are included in operating costs in the statutory accounts but are shown as other operating income and other income respectively in the regulatory financial statements. In addition, interest income and costs relating to defined benefit pension schemes are included in finance income or cost respectively in the statutory accounts but are shown as other interest expense in the regulatory accounts.

ii) The capex creditor and deferred income from

grants and contributions and adopted assets included within trade and other payables in the statutory accounts are shown as separate items in the regulatory accounts.

iii) Intra-group loans have been reclassified from trade and other receivables to investments.

D) PRICE CONTROL SEGMENTS

The regulatory accounts have been prepared in accordance with RAG 2.09 'Guideline for classification of costs across the price controls'.

The section 2 data tables have been prepared in accordance with our Accounting Separation Methodology Statement which can be found at hdcymru.co.uk. Our Methodology Statement explains the basis for allocation of operating and capital expenditure and has been updated for changes to the requirements in the year. Wherever possible, direct costs and assets have been directly attributed to price controls. Where this is not possible, appropriate cost allocations have been applied as described in the methodology. Material changes to the allocation approach compared to the previous year are documented in the Methodology Statement.

2. ACCOUNTING POLICIES

A) BASIS OF PREPARATION

The regulatory financial statements are separate from the statutory financial statements of the Company. They have been prepared on a going concern basis as set out in the Strategic Report of the Hafren Dyfrdwy Cyfyngedig Annual Report and Accounts 2022 on page 24.

The regulatory financial statements have been prepared in accordance with Condition F of the Instruments of Appointment of the Water and Sewerage Undertakers and the Regulatory Accounting Guidelines as issued by the WSRA.

B) REVENUE RECOGNITION

Turnover represents income receivable from regulated water and waste water activities, excluding value added tax.

Turnover includes an estimate of the amount of mains water and waste water charges unbilled at the year end. The accrual is estimated using a defined methodology based upon a measure of unbilled water consumed by tariff, which is calculated from historical billing information. There have been no changes in methodology in the year.

The Water Industry Act 2014, Chapter 1 A 'Licensing of Water Suppliers' describes the duties imposed on a water and sewerage undertaker and the licence conditions involved. Regulated activities are consequently those activities that are necessary in order for the appointee to fulfil the functions and duties of a water and sewerage undertaker.

Turnover is not recognised in respect of unoccupied properties. Properties are classified as unoccupied when:

- The Company is informed that a customer has left a property and it is not expected to be reoccupied immediately;
- New properties are connected but are not occupied;
- Properties are disconnected following a customer's request; or
- The identity of the customer is unknown.

The following activities are undertaken to ensure properties classified as unoccupied are in fact not occupied:

- Where the Company is informed that the customer has left a property and the property is expected to be occupied by someone else, a welcome letter is sent to the property encouraging the occupier to contact the Company;
- If there is no response to the welcome letter within two months a void letter is sent to the property explaining that we have classified the property as empty and may schedule the property for disconnection;
- Meter readings are taken for metered unoccupied properties, and where consumption is recorded, a letter is sent to the property; and
- Inspections are organised throughout the year by geographical area.

C) BAD DEBTS

Provisions are charged to operating costs to reflect the Company's assessment of the risk of non-recoverability of debtors based on the lifetime expected credit losses for receivables.

Write offs in relation to court or debt recovery costs are not included.

Debt can only be written off if it is a legitimate charge against the debtor (if it is considered that part or all of the debt is incorrect or unsubstantiated, then such elements are dealt with through the issue of a credit note) and if one of the following criteria is met:

- The customer does not have any assets or has insufficient assets on which to levy execution;
- The customer is bankrupt and no dividend has been, or is likely to be, received;
- The customer has died without leaving an estate or has left an insufficient estate on which to levy execution and the Company has been unable to prove its case in court; or
- All available economic options for collection of the debt have been pursued or that debt recovery procedures have proved to be ineffective or uneconomic to continue.

Uneconomic circumstances are those where, following the application of debt recovery procedures:

- The customer could not be traced without incurring an unreasonable degree of expenditure; or
- The Company has an insufficiently sound case to justify further expenditure on debt recovery procedures; or
- the likelihood of recovering the debt is so small in particular circumstances that further expenses on debt recovery cannot be justified.

The above write-off rules apply primarily to customers to whom the Company has ceased to provide a service. Only in exceptional circumstances is debt relating to continuing customers considered for write-off.

D) OTHER ACCOUNTING POLICIES

All other accounting policies applied to the regulatory financial reporting accounts are set out in note 1 of the Hafren Dyfrdwy Cyfyngedig Annual Report and Accounts 2022, including the capitalisation policy which is outlined within the property, plant and equipment accounting policy note. Full details of the capitalisation policy are outlined in the Accounting Separation Methodology Statement.

E) CURRENT COST ACCOUNTING

Although there is no longer a requirement to produce full current cost financial statements, the requirement to disclose summary current cost financial results has been retained in the Wholesale current cost financial performance table.

The capital maintenance charge has been calculated using current cost depreciation values in the current cost fixed asset register which is indexed annually and adjusted for additions. Infrastructure renewals expenditure for below ground assets is included in operating costs.

2A - SEGMENTAL INCOME STATEMENT

Year ended 31 March 2022

Line description	Residential Retail	Business Retail	Water resources	Water Network+	Wastewater Network+	Bioresources	Total
	£m	£m	£m	£m	£m	£m	£m
2A.1 Revenue - price control	2.894	0.570	3.168	16.669	2.474	0.793	26.568
2A.2 Revenue - non price control	0.000	0.000	5.616	0.600	0.014	0.006	6.236
2A.3 Operating expenditure - excluding PU recharge impact	-1.343	-0.332	-3.046	-18.661	-4.107	-0.422	-27.911
2A.4 PU opex recharge	-0.100	-0.031	-0.111	0.438	-0.193	-0.003	0.000
2A.5 Operating expenditure - including PU recharge impact	-1.443	-0.363	-3.157	-18.223	-4.300	-0.425	-27.911
2A.6 Depreciation - tangible fixed assets	-0.007	0.000	-0.378	-5.018	-1.661	-0.001	-7.065
2A.7 Amortisation - intangible fixed assets	-0.509	-0.106	0.000	-0.384	0.000	0.000	-0.999
2A.8 Other operating income	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2A.9 Operating profit	0.935	0.101	5.249	-6.356	-3.473	0.373	-3.171
A Surface water drainage rebates							
2A.10 Surface water drainage rebates							0.003

2B - TOTEX ANALYSIS (WHOLESALE)

Year ended 31 March 2022

Line description	Water Resources	Water Network+	Wastewater Network+	Bioresources	Total
	£m	£m	£m	£m	£m
A Base operating expenditure					
2B.1 Power	0.070	3.144	0.529	0.001	3.744
2B.2 Income treated as negative expenditure	-0.577	0.000	0.000	0.000	-0.577
2B.3 Service charges/discharge consents	0.597	0.027	0.214	0.000	0.838
2B.4 Bulk supply/Bulk discharge	0.396	2.972	0.006	0.000	3.374
2B.5 Renewals expensed in year (infrastructure)	0.096	3.105	0.562	0.000	3.763
2B.6 Renewals expensed in year (non-infrastructure)	0.000	0.049	0.032	0.000	0.081
2B.7 Other operating expenditure (including location specific costs and obligations)	1.123	6.100	2.610	0.424	10.257
2B.8 Local authority and Cumulo rates	-0.528	1.819	0.286	0.000	1.577
2B.9 Total base operating expenditure	1.177	17.216	4.239	0.425	23.057
B Other operating expenditure					
2B.10 Enhancement operating expenditure	0.019	0.000	0.014	0.000	0.033
2B.11 Developer services operating expenditure	0.000	0.185	0.017	0.000	0.202
2B.12 Total operating expenditure excluding third party services	1.196	17.401	4.270	0.425	23.292
2B.13 Third party services	1.961	0.947	0.010	0.000	2.918
2B.14 Total operating expenditure	3.157	18.348	4.280	0.425	26.210
C Grants and contributions					
2B.15 Grants and contributions - operating expenditure	0.000	-0.125	-0.020	0.000	-0.105
D Capital expenditure					
2B.16 Base capital expenditure	0.796	3.991	1.772	0.000	6.559
2B.17 Enhancement capital expenditure	1.390	3.297	0.428	0.000	5.115
2B.18 Developer services capital expenditure	0.000	0.928	0.147	0.000	1.075
2B.19 Total gross capital expenditure excluding third party services	2.186	8.216	2.347	0.000	12.749
2B.20 Third party services	0.000	0.000	0.000	0.000	0.000
2B.21 Total gross capital expenditure	2.186	8.216	2.347	0.000	12.749
E Grants and contributions					
2B.22 Grants and contributions - capital expenditure	0.000	-0.375	-0.094	0.000	-0.469
2B.23 Net Totex	5.343	26.064	6.553	0.425	38.385
F Cash expenditure					
2B.24 Pension deficit recovery payments	0.000	0.000	0.000	0.000	0.000
2B.25 Other cash items	0.000	0.000	0.000	0.000	0.000
2B.26 Totex including cash items	5.343	26.064	6.553	0.425	38.385

2C - COST ANALYSIS (RETAIL)

Year ended 31 March 2022

Line description	Residential £m	Business £m	Total £m
A Operating expenditure			
2C.1 Customer services	0.379	0.162	0.541
2C.2 Debt management	0.083	0.000	0.083
2C.3 Doubtful debts	0.555	0.110	0.665
2C.4 Meter reading	0.194	0.002	0.196
2C.5 Services to developers		0.003	0.003
2C.6 Other operating expenditure	0.129	0.053	0.182
2C.7 Local authority and Cumulo rates	0.003	0.002	0.005
2C.8 Total operating expenditure excluding third party services	1.343	0.332	1.675
B Depreciation			
2C.9 Depreciation (tangible fixed on assets) existing at 31 March 2015	0.000	0.000	0.000
2C.10 Depreciation (tangible fixed on assets) acquired after 1 April 2015	0.007	0.000	0.007
2C.11 Amortisation (intangible fixed on assets) existing at 31 March 2015	0.000	0.000	0.000
2C.12 Amortisation (intangible fixed on assets) acquired after 1 April 2015	0.477	0.106	0.583
C Recharges			
2C.13 Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	0.000	0.000	0.000
2C.14 Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	0.000	0.000	0.000
2C.15 Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	0.100	0.031	0.131
2C.16 Income from wholesale assets acquired after 1 April 2015 principally used by retail	0.000	0.000	0.000
2C.17 Net recharges costs	0.100	0.031	0.131
2C.18 Total retail costs excluding third party and pension deficit repair costs	1.927	0.469	2.396
2C.19 Third party services operating expenditure	0.000	0.000	0.000
2C.20 Pension deficit repair costs	0.000	0.000	0.000
2C.21 Total retail costs including third party and pension deficit repair costs	1.927	0.469	2.396
D Debt written off			
2C.22 Debt written off	0.351	0.089	0.440
E Capital expenditure			
2C.23 Capital expenditure	0.000	0.000	0.000
F Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale			
2C.24 Demand-side water efficiency - gross expenditure	0.003		
2C.25 Demand-side water efficiency - expenditure funded by wholesale	0.003		
2C.26 Demand-side water efficiency - net retail expenditure	0.000		
2C.27 Customer-side leak repairs - gross expenditure	0.183		
2C.28 Customer-side leak repairs - expenditure funded by wholesale	0.183		
2C.29 Customer-side leak repairs - net retail expenditure	0.000		
G Comparison of actual and allowed expenditure			
2C.30 Cumulative actual retail expenditure to reporting year end	5.481		
2C.31 Cumulative allowed expenditure to reporting year end	5.782		
2C.32 Total allowed expenditure 2020-25	13.702		

Differences between total operating costs and retail costs allowed in the price limits.

HOUSEHOLD

Overall household retail costs of £1.9 million are £0.9 million (32%) lower than the Final Determination ('FD').

CUSTOMER SERVICES

Customer services, debt management and other costs are £0.74 million favourable to the FD. This is reflective of efficiencies unlocked by slight restructuring of the Customer team over the past two years.

DEBT MANAGEMENT

Doubtful Debt costs were £0.16 million adverse to the FD. This reflects slightly more conservative assumptions on the terminal write-off rate of older debt, somewhat offset by a £0.05 million release of provisions related to forward-looking economic circumstances. A number of initiatives launched in the past year have driven improved collection performance year-on-year, and we expect this to continue to bring us closer to FD performance.

2D - HISTORIC COST ANALYSIS OF FIXED ASSETS

Year ended 31 March 2022

Line description	Residential Retail £m	Business Retail £m	Water resources £m	Water Network+ £m	Wastewater Network+ £m	Bioresources £m	Total £m
A Cost							
2D.1 At 1 April 2021	0.859	0.035	18.564	194.267	44.508	0.109	258.342
2D.2 Disposals	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2D.3 Additions	0.061	0.000	1.426	8.232	2.347	0.000	12.066
2D.4 Adjustments	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2D.5 Assets adopted at nil cost	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2D.6 At 31 March 2022	0.920	0.035	19.990	202.499	46.855	0.109	270.408
B Depreciation							
2D.7 At 1 April 2021	-0.672	-0.009	-1.964	-45.442	-4.425	-0.002	-52.514
2D.8 Disposals	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2D.9 Adjustments	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2D.10 Charge for the year	-0.007	0.000	-0.378	-5.018	-1.661	-0.001	-7.065
2D.11 At 31 March 2022	-0.679	-0.009	-2.342	-50.460	-6.086	-0.003	-59.579
2D.12 Net book amount at 31 March 2022	0.241	0.026	17.648	152.039	40.769	0.106	210.829
2D.13 Net book amount at 1 April 2021	0.187	0.026	16.600	148.825	40.083	0.107	205.828
C Depreciation charge for year							
2D.14 Principal services	-0.007	0.000	-0.378	-5.018	-1.661	-0.001	-7.065
2D.15 Third party services	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2D.16 Total	-0.007	0.000	-0.378	-5.018	-1.661	-0.001	-7.065

The net book value includes £20.2 million in respect of assets in the course of construction.

2E - ANALYSIS OF GRANTS AND CONTRIBUTIONS (WATER RESOURCES, WATER NETWORK+ AND WASTEWATER NETWORK+)

Year ended 31 March 2022

Line description	Fully recognised in income statement £m	Capitalised and amortised (in income statement) £m	Fully netted off capex £m	Total £m
A Grants and contributions - water resources				
2E.1 Diversions - s185	0.000	0.000	0.000	0.000
2E.2 Other contributions (price control)	0.000	0.000	0.000	0.000
2E.3 Price control grants and contributions	0.000	0.000	0.000	0.000
2E.4 Diversions - NRSWA	0.000	0.000	0.000	0.000
2E.5 Diversions - other non-price control	0.000	0.000	0.000	0.000
2E.6 Other contributions (non-price control)	0.000	0.000	0.000	0.000
2E.7 Total	0.000	0.000	0.000	0.000
2E.8 Value of adopted assets	0.000	0.000		0.000
B Grants and contributions - water network+				
2E.9 Connection charges	0.000	0.170	0.000	0.170
2E.10 Infrastructure charge receipts - new connections	0.000	0.186	0.000	0.186
2E.11 Requisitioned mains	0.000	0.029	0.000	0.029
2E.12 Diversions - s185	0.121	0.000	0.000	0.121
2E.13 Other contributions (price control)	0.000	0.000	0.000	0.000
2E.14 Price control grants and contributions before deduction of income offset	0.121	0.385	0.000	0.506
2E.15 Income offset	0.000	0.011	0.000	0.011
2E.16 Price control grants and contributions after deduction of income offset	0.121	0.374	0.000	0.495
2E.17 Diversions - NRSWA	0.004	0.000	0.000	0.004
2E.18 Diversions - other non-price control	0.000	0.000	0.000	0.000
2E.19 Other contributions (non-price control)	0.000	0.000	0.000	0.000
2E.20 Total grants and contributions	0.125	0.374	0.000	0.499
2E.21 Value of adopted assets	0.000	0.000		0.000

2E - ANALYSIS OF GRANTS AND CONTRIBUTIONS (WATER RESOURCES, WATER NETWORK+ AND WASTEWATER NETWORK+ CONT.)

Year ended 31 March 2022

Line description	Fully recognised in income statement £m	Capitalised and amortised (in income statement) £m	Fully netted off capex £m	Total £m
C Grants and contributions - wastewater network+				
2E.22 Receipts for on-site work	0.000	0.053	0.000	0.053
2E.23 Infrastructure charge receipts - new connections	0.000	0.117	0.000	0.117
2E.24 Diversions - s185	-0.019	0.000	0.000	-0.019
2E.25 Other contributions (price control)	0.000	-0.076	0.000	-0.076
2E.26 Price control grants and contributions before deduction of income offset	-0.019	0.094	0.000	0.075
2E.27 Income offset	0.000	0.000	0.000	0.000
2E.28 Price control grants and contributions after deduction of income offset	-0.019	0.094	0.000	0.075
2E.29 Diversions - NRSWA	0.000	0.000	0.000	0.000
2E.30 Diversions - other non-price control	0.000	0.000	0.000	0.000
2E.31 Other contributions (non-price control)	0.000	0.000	0.000	0.000
2E.32 Total grants and contributions	-0.019	0.094	0.000	0.075
2E.33 Value of adopted assets	0.000	0.000		0.000
Line description	Water resources £m	Water network+ £m	Wastewater network+ £m	Total £m
D Movements in capitalised grants and contributions				
2E.34 Brought forward	1.753	11.674	0.237	13.664
2E.35 Capitalised in year	0.000	0.374	0.094	0.468
2E.36 Amortisation (in income statement)	0.000	-0.163	0.000	-0.163
2E.37 Carried forward	1.753	11.885	0.331	13.969

2F - RESIDENTIAL RETAIL

Year ended 31 March 2022

Line description	Revenue	Number of customers	Average residential revenues
	£m	000s	£
A Residential revenue			
2F.1 Wholesale charges	15.884		
2F.2 Retail revenue	2.894		
2F.3 Total residential revenue	18.778		
B Retail revenue			
2F.4 Revenue recovered ('RR')	2.894		
2F.5 Revenue sacrifice	0.000		
2F.6 Actual revenue (net)	2.894		
C Customer information			
2F.7 Actual customers ('AC')		95.402	
2F.8 Reforecast customers		94.249	
D Adjustment			
2F.9 Allowed revenue ('R')	2.858		
2F.10 Net adjustment	-0.036		
E Other residential information			
2F.11 Average residential retail revenue per customer			30.335

2G - NON-HOUSEHOLD WATER REVENUES BY TARIFF TYPE

Year ended 31 March 2022

Line description	Wholesale charges revenue	Retail revenue	Total revenue	Number of connections	Average non-household retail revenue per connection	Allowed average non-household retail cost	Outcome delivery incentive (ODI) payment	Allowed average non-household retail cost after ODI payment	Allowed margin	Allowed average non-household retail revenue per connection
	£m	£m	£m	000s	£	£	£	£	%	£
A Default tariffs - customer group 1										
2G.1 Tariff type 1	3.292	0.369	3.661	6.867	53.735	50.810	0.000	50.810	1.200%	51.420
2G.2 Tariff type 2	1.240	0.072	1.312	0.081	888.889	177.350	0.000	177.350	0.600%	178.414
2G.3 Total default tariffs customer group 1	4.532	0.441	4.973	6.948	942.624	228.160	0.000	228.160	1.800%	229.834
B Default tariffs - customer group 2										
2G.4 Tariff type 1	0.078	0.004	0.082	0.024	3416.667	0.000	0.000	0.000	0.000%	0.000
2G.5 Total default tariffs	4.610	0.445	5.055	6.972	725.043	228.160	0.000	228.160	1.800%	229.834
C Non-Default tariffs										
2G.6 Total non-default tariffs	1.737	0.064	1.801	0.013	138,538.462					
2G.7 Total	6.347	0.509	6.856	6.985	72.870					
D Revenue per customer										
2G.8 Total		6.985	72.870							

2H - NON-HOUSEHOLD WASTEWATER REVENUES BY TARIFF TYPE

Year ended 31 March 2022

Line description	Wholesale charges revenue	Retail revenue	Total revenue	Number of connections	Average non-household retail revenue per connection	Allowed average non-household retail cost	Outcome delivery incentive (ODI) payment	Allowed average non-household retail cost after ODI payment	Allowed margin	Allowed average non-household retail revenue per connection
	£m	£m	£m	000s	£	£	£	£	%	£

A Default tariffs - customer group 1											
2H.1	Tariff type 1	0.744	0.058	0.802	1.281	45.277	45.600	0.000	45.600	1.100%	46.102
2H.2	Tariff type 2	0.109	0.003	0.112	0.017	194.118	188.190	0.000	188.190	0.700%	189.507
2H.3	Tariff type 3	0.000	0.000	0.000	0.000	0.000	60.830	0.000	60.830	0.800%	61.317
2H.4	Total default tariffs	0.853	0.061	0.914	1.298	239.395	294.620	0.000	294.620	2.600%	296.926

C Non-Default tariffs											
2H.5	Total non-default tariffs	0.000	0.000	0.000	0.000	0.000					
2H.6	Total	0.853	0.061	0.914	1.298						46.995

Number of customers
Average non-household retail revenue per customer £

D Revenue per customer											
2H.7	Total										46.995

2I - REVENUE ANALYSIS

Year ended 31 March 2022

Line description	Household	Non-household	Total	Water resources	Water network+	Total
	£m	£m	£m	£m	£m	£m
A Wholesale charge - water						
2I.1	Unmeasured	6.438	0.102	6.540	1.176	5.365
2I.2	Measured	7.031	6.245	13.276	1.992	11.284
2I.3	Third party revenue	0.000	0.020	0.020	0.000	0.020
2I.4	Total wholesale water revenue	13.469	6.367	19.836	3.168	16.669

Line description	Household	Non-household	Total	Wastewater network+	Bioresources	Total
	£m	£m	£m	£m	£m	£m
B Wholesale charge - wastewater						
2I.5	Unmeasured - foul charges	0.988	0.021	1.009	0.729	0.280
2I.6	Unmeasured - surface water charges	0.312	0.010	0.322	0.233	0.089
2I.7	Unmeasured - highway drainage charges	0.140	0.001	0.141	0.102	0.039
2I.8	Measured - foul charges	0.491	0.757	1.248	0.993	0.255
2I.9	Measured - surface water charges	0.436	0.044	0.480	0.364	0.115
2I.10	Measured - highway drainage charges	0.048	0.020	0.068	0.052	0.015
2I.11	Third party revenue	0.000	0.001	0.001	0.001	0.000
2I.12	Total wholesale wastewater revenue	2.415	0.854	3.269	2.474	0.793

C Wholesale charge - additional control				
2I.13	Unmeasured	0.000	0.000	0.000
2I.14	Measured	0.000	0.000	0.000
2I.15	Total wholesale additional control revenue	0.000	0.000	0.000
2I.16	Wholesale Total	15.884	7.221	23.105

D Retail revenue				
2I.17	Unmeasured	1.228	0.009	1.237
2I.18	Measured	1.666	0.561	2.227
2I.19	Retail third party revenue	0.000	0.000	0.000
2I.20	Total retail revenue	2.894	0.570	3.464

E Third party revenue - non price control				
2I.21	Bulk supplies - water			0.898
2I.22	Bulk supplies - wastewater			0.036
2I.23	Other third party revenue - non price control			5.465

E Principal services - non price control				
2I.24	Other appointed revenue - non price control			-0.164
2I.25	Total appointed revenue			32.804

2J - INFRASTRUCTURE NETWORK REINFORCEMENT COSTS

Year ended 31 March 2022

Line description	Network reinforcement capex	On site/site specific capex (memo only)
	£m	£m
A Wholesale water network+ (treated water distribution)		
2J.1 Distribution and trunk mains	0.002	0.000
2J.2 Pumping and storage facilities	0.000	0.000
2J.3 Other	0.000	0.000
2J.4 Total	0.002	0.000
B Wholesale wastewater network+ (sewage collection)		
2J.5 Foul and combined systems	0.000	0.000
2J.6 Surface water only systems	0.000	0.000
2J.7 Pumping and storage facilities	0.000	0.000
2J.8 Other	0.000	0.000
2J.9 Total	0.000	0.000

2K - INFRASTRUCTURE CHARGES RECONCILIATION

Year ended 31 March 2022

Line description	Water	Wastewater	Total
	£m	£m	£m
A Impact of infrastructure charge discounts			
2K.1 Infrastructure charges	0.186	0.117	0.303
2K.2 Discounts applied to infrastructure charges	0.000	0.000	0.000
2K.3 Gross infrastructure charges	0.186	0.117	0.303
B Comparison of revenue and costs			
2K.4 Variance brought forward	0.158	0.063	0.221
2K.5 Revenue	0.186	0.117	0.303
2K.6 Costs	-0.002	0.000	-0.002
2K.7 Variance carried forward	0.342	0.180	0.522

For 2021/22, infrastructure charges are based on the Licence Condition C industry capped limit and not related to costs, therefore costs and revenue cannot be reconciled.

2L - ANALYSIS OF LAND SALES

Year ended 31 March 2022

This table is not required as there were no land sales in this financial year.

2M - REVENUE RECONCILIATION (WHOLESALE)

Year ended 31 March 2022

Line description	Water Resources	Water Network+	Wastewater Network+	Bioresources	Total
	£m	£m	£m	£m	£m
A Revenue recognised					
2M.1 Wholesale revenue governed by price control	3.168	16.669	2.474	0.793	23.104
2M.2 Grants and contributions (price control)	0.000	0.495	0.075	0.000	0.570
2M.3 Total revenue governed by wholesale price control	3.168	17.164	2.549	0.793	23.674
B Calculation of the revenue cap					
2M.4 Allowed wholesale revenue before adjustments (or modified by CMA)	3.201	17.201	2.604	0.816	23.822
2M.5 Allowed grants & contributions before adjustments (or modified by CMA)	0.000	0.506	0.118	0.000	0.624
2M.6 Revenue adjustment	0.000	0.000	0.000	0.000	0.000
2M.7 Other adjustments	0.000	0.000	0.000	0.000	0.000
2M.8 Revenue cap	3.201	17.707	2.722	0.816	24.446
C Calculation of the revenue imbalance					
2M.9 Revenue cap	3.201	17.707	2.722	0.816	24.446
2M.10 Revenue recovered	3.168	17.164	2.549	0.793	23.674
2M.11 Revenue imbalance	0.033	0.543	0.173	0.023	0.772

DIFFERENCE BETWEEN ALLOWED AND ACTUAL REVENUE UNDER THE WHOLESALE CONTROL

Wholesale revenue for 2021/22 of £23.7 million is £0.8 million (3.2%) lower than the amount assumed in the revenue cap.

WATER RESOURCES

Water Resources revenue of £3.2 million is just £0.03 million (1%) lower than the revenue cap.

WATER NETWORK+

Water Network+ revenue of £17.2 million is £0.54 million (3%) lower than the revenue cap due to:

- £0.52 million lower Core Tariff revenue, due to lower customer volumes, and lower usage per customer amongst the larger customer groups.
- £0.02 million lower capital revenue.

WASTE WATER NETWORK+

Waste Network+ revenue of £2.5m is £0.17m (6%) lower than the revenue cap due to:

- £0.13 million lower Core Tariff revenue.
- £0.043 million lower capital revenue.

BIORESOURCES

Bioresources revenue of £0.8 million is £0.02 million (2.8%) lower than the revenue cap due to lower commercial volumes as a result of COVID-19.

2N - RESIDENTIAL RETAIL - SOCIAL TARIFFS

Year ended 31 March 2022

Line description	Revenue	Number of customers	Average amount per customer
	£m	000s	£
A Number of residential customers on social tariffs			
2N.1 Residential water only social tariffs customers		1.314	
2N.2 Residential wastewater only social tariffs customers		0.000	
2N.3 Residential dual service social tariffs customers		0.344	
B Number of residential customers not on social tariffs			
2N.4 Residential water only no social tariffs customers		75.881	
2N.5 Residential wastewater only no social tariffs customers		1.476	
2N.6 Residential dual service no social tariffs customers		16.621	
C Social tariff discount			
2N.7 Average discount per water only social tariffs customer			189.498
2N.8 Average discount per wastewater only social tariffs customer			0.000
2N.9 Average discount per dual service social tariffs customer			308.140
D Social tariff cross-subsidy - residential customers			
2N.10 Total customer funded cross-subsidies for water only social tariffs customers	0.195		
2N.11 Total customer funded cross-subsidies for wastewater only social tariffs customers	0.000		
2N.12 Total customer funded cross-subsidies for dual service social tariffs customers	0.087		
2N.13 Average customer funded cross-subsidy per water only social tariffs customer			2.526
2N.14 Average customer funded cross-subsidy per wastewater only social tariffs customer			0.000
2N.15 Average customer funded cross-subsidy per dual service social tariffs customer			5.128
E Social tariff cross-subsidy - company			
2F.16 Total revenue forgone by company to fund cross-subsidies for water only social tariffs customers	0.054		
2N.17 Total revenue forgone by company to fund cross-subsidies for wastewater only social tariffs customers	0.001		
2N.18 Total revenue forgone by company to fund cross-subsidies for dual service social tariffs customers	0.019		
2N.19 Average revenue forgone by company to fund cross-subsidy per water only social tariffs customer			41.096
2N.20 Average revenue forgone by company to fund cross-subsidy per wastewater only social tariffs customer			0.000
2N.21 Average revenue forgone by company to fund cross-subsidy per dual service social tariffs customer			55.233
F Social tariff support - willingness to pay			
2N.22 Level of support for social tariff customers reflected in business plan			3.500
2N.23 Maximum contribution to social tariffs supported by customer engagement			3.500

Lines 2N.4 – 2N.6 have been prepared as the number of customers not on social tariffs. We support our low-income households with the Here2Help social tariff. If customers qualify, we offer up to a 90% discount of the average household bill. Further information is available on our website.

20 - HISTORIC COST ANALYSIS OF INTANGIBLE FIXED ASSETS

Year ended 31 March 2022

Line description	Residential Retail	Business Retail	Water Resources	Water Network+	Wastewater Network+	Bioresources	Total
	£m	£m	£m	£m	£m	£m	£m
A Cost							
20.1 At 1 April 2021	4.851	1.063	0.000	3.826	0.000	0.000	9.740
20.2 Disposals	0.000	0.000	0.000	0.000	0.000	0.000	0.000
20.3 Additions	0.000	0.000	0.000	0.000	0.000	0.000	0.000
20.4 Adjustments	0.000	0.000	0.000	0.000	0.000	0.000	0.000
20.5 Assets adopted at nil cost	0.000	0.000	0.000	0.000	0.000	0.000	0.000
20.6 At 31 March 2022	4.851	1.063	0.000	3.826	0.000	0.000	9.740
B Amortisation							
20.7 At 1 April 2021	-1.387	-0.292	0.000	-1.040	0.000	0.000	-2.719
20.8 Disposals	0.000	0.000	0.000	0.000	0.000	0.000	0.000
20.9 Adjustments	0.000	0.000	0.000	0.000	0.000	0.000	0.000
20.10 Charge for year	-0.509	-0.106	0.000	-0.384	0.000	0.000	-0.999
20.11 At 31 March 2022	-1.896	-0.398	0.000	-1.424	0.000	0.000	-3.718
20.12 Net book amount at 31 March 2022	2.955	0.665	0.000	2.402	0.000	0.000	6.022
20.13 Net book amount at 1 April 2021	3.464	0.771	0.000	2.786	0.000	0.000	7.021
C Amortisation for year							
20.14 Principal services	-0.509	-0.106	0.000	-0.384	0.000	0.000	-0.999
20.15 Third party services	0.000	0.000	0.000	0.000	0.000	0.000	0.000
20.16 Total	-0.509	-0.106	0.000	-0.384	0.000	0.000	-0.999

The net book value includes £0.1 million in respect of assets in the course of construction.

ADDITIONAL REGULATORY INFORMATION

3A - OUTCOME PERFORMANCE - WATER PERFORMANCE COMMITMENTS (FINANCIAL)

Line description	Unique reference	Unit	Performance level - actual	PCL met?	Outperformance or underperformance payment	Forecast of total 2020-25 outperformance or underperformance payment
					£m	£m

A Common PCs - Water (Financial)						
3A.1	Water quality compliance (CRI)	PR19HDD_A1	nr	0.16	Yes	0.000
3A.2	Water supply interruptions	PR19HDD_B1	hh:mm:ss	00:37:28	No	-0.631
3A.3	Leakage	PR19HDD_B2	%	8.6	Yes	0.000
3A.4	Per capita consumption	PR19HDD_B3	%	-6.7	No	0.000
3A.5	Mains repairs	PR19HDD_B5	nr	110.9	Yes	0.000
3A.6	Unplanned outage	PR19HDD_B6	%	0.01	Yes	0.000

B Bespoke PCs - Water and Retail (Financial)						
3A.7	Number of complaints about drinking water quality	PR19HDD_A2	nr	359	Yes	0.009
3A.8	Number of lead pipes replaced	PR19HDD_A3	nr	315	Yes	0.225
3A.9	Properties at risk of receiving low pressure	PR19HDD_B7	%	66	Yes	0.000
3A.10	Hectares managed for biodiversity	PR19HDD_C2	nr	340.00	Yes	0.062
3A.11	Reduction in the number of void supply points	PR19HDD_F1	%	4.65	Yes	0.000
3A.12	Non household customer experience	PR19HDD_G3	score	4.2	No	-0.018
3A.13	Improving reservoir resilience	PR19HDD_B8	%	18.2	Yes	0.000

3A.27	Financial water performance commitments achieved	%	77
3A.28	Overall performance commitments achieved (excluding C-MeX and D-MeX)	%	71

3B - OUTCOME PERFORMANCE - WASTEWATER PERFORMANCE COMMITMENTS (FINANCIAL)

Line description	Unique reference	Unit	Performance level - actual	PCL met?	Outperformance or underperformance payment	Forecast of total 2020-25 outperformance or underperformance payment
					£m	£m

A Common PCs - Waste water (Financial)						
3B.1	Internal sewer flooding	PR19HDD_E1	Number of internal sewer flooding incidents per 10,000 sewer connection	2.34	No	-0.025
3B.2	Pollution incidents	PR19HDD_E2	Pollution incidents per 10,000 km of sewer length	39.84	Yes	0.000
3B.3	Sewer collapses	PR19HDD_E5	Number of sewer collapses per 1,000 km of all sewers	22.36	No	-0.026
3B.4	Treatment works compliance	PR19HDD_C4	%	97.87	No	0.000

B Bespoke PCs - Waste water (Financial)						
3B.5	Length of river water quality improved	PR19HDD_C1	nr	0.0	Yes	0.000
3B.6	Satisfactory sludge disposal	PR19HDD_C3	%	100.00	Yes	0.000
3B.7	Sewer blockages	PR19HDD_E3	nr	221	Yes	0.000

3B.19	Financial wastewater performance commitments achieved	%	57
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3C - CUSTOMER MEASURE OF EXPERIENCE ('C-MeX')

Line description	Unit	Value	
3C.1	Annual customer satisfaction score for the customer service survey	Nr	76.47
3C.2	Annual customer satisfaction score for the customer experience survey	Nr	81.08
3C.3	Annual C-MeX score	Nr	78.78
3C.4	Annual net promoter score	Nr	28.50
3C.5	Total household complaints	Nr	330
3C.6	Total connected household properties	Nr	99,384
3C.7	Total household complaints per 10,000 connections	Nr	33.205
3C.8	Confirmation of communication channels offered	TRUE or FALSE	TRUE

3D - DEVELOPER SERVICES MEASURE OF EXPERIENCE ('D-MeX')

Line description	Unit	Value
3D.1 Qualitative component annual results	Nr	82.53
3D.2 Quantitative component annual results	Nr	100.00
3D.3 D-MeX score	Nr	91.27
3D.4 Developer services revenue (water)	£m	0.496
3D.5 Developer services revenue (wastewater)	£m	0.074

Calculating the D-MeX quantitative component

Water UK performance metric	Unit	Reporting period (1 April to 31 March)	Quantitative score (annual)
3D.W1 S1.1	%	100.00%	
3D.W2 S3.1	%	nil return	
3D.W3 S7.1	%	100.00%	
3D.W4 W1.1	%	100.00%	
3D.W5 W17.1	%	100.00%	
3D.W6 W18.1	%	nil return	
3D.W7 W20.1	%	100.00%	
3D.W8 W23.1	%	100.00%	
3D.W9 W27.1	%	nil return	
3D.W10 W3.1	%	100.00%	
3D.W11 W30.1	%	100.00%	
3D.W12 W4.1	%	100.00%	
3D.W13 W6.1	%	100.00%	
3D.W14 W8.1	%	100.00%	
3D.W15 W7.1	%	nil return	
3D.W16 W17.2	%	nil return	
3D.W17 W21.1	%	nil return	
3D.W18 W24.1	%	nil return	
3D.W19 W26.1	%	nil return	
3D.W20 S4.1	%	100.00%	
3D.W21 SN2.2	%	nil return	
3D.W22 SN4.1	%	nil return	
3D.W23 WN1.1	%	100.00%	
3D.W24 WN2.2	%	100.00%	
3D.W25 WN4.1	%	nil return	
3D.W26 WN4.2	%	nil return	
3D.W27 WN4.3	%	nil return	
3D.7 D-MeX quantitative score (for the reporting period)	%	100.00%	
3D.8 D-MeX quantitative score (annual)	nr		1.00

3E - OUTCOME PERFORMANCE - NON FINANCIAL PERFORMANCE COMMITMENTS

Line description	Unique reference	Unit	Performance level - actual	PCL met?
A Common				
3E.1 Risk of severe restrictions in a drought	PR19HDD_B4	%	0.0	Yes
3E.2 Priority services for customers in vulnerable circumstances - PSR reach	PR19HDD_H1	%	4.2	Yes
3E.3 Priority services for customers in vulnerable circumstances - Attempted contacts	PR19HDD_H1	%	99.4	Yes
3E.4 Priority services for customers in vulnerable circumstances - Actual contacts	PR19HDD_H1	%	54.6	Yes
3E.5 Risk of sewer flooding in a storm	PR19HDD_E4	%	8.69	No

B Bespoke PCs				
3E.6 Inspiring our customers to use water wisely	PR19HDD_D1	nr	1,100	Yes
3E.7 Welsh language services	PR19HDD_G4	%	100.0	Yes
3E.8 Help to pay when you need it	PR19HDD_H2	%	53.0	No
3E.9 Effectiveness of the affordability support	PR19HDD_H3	%	-88.3	No
3E.10 Priority services during an incident	PR19HDD_H4	%	100	Yes
3E.11 WINEP Delivery	PR19HDD_NEP01	text	Met	Yes

3E.29 Non-financial performance commitments achieved	%	73
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3F - UNDERLYING CALCULATIONS FOR COMMON PERFORMANCE COMMITMENTS (WATER AND RETAIL)

Line description	Unit	Standardising data indicator	Standardising data numerical value	Performance level - Actual (current reporting year)	Performance level - Calculated (i.e. standardised)	
A Performance commitments set in standardised units - Water						
3F.1	Mains repairs - Reactive	Mains repairs per 1000 km	Mains length in km	2,634.00	203	77.07
3F.2	Mains repairs - Proactive	Mains repairs per 1000 km	Mains length in km	2,634.00	89	33.79
3F.3	Mains repairs	Mains repairs per 1000 km	Mains length in km	2,634.00	292	110.86
3F.4	Per capita consumption (PCC)	lpd	Total household population (000s) and household consumption (Ml/d)	206.26	30	145.60

Line description	Unit	Performance level - actual (2017/18)	Performance level - actual (2018/19)	Performance level - actual (2019/20)	Baseline (average from 2017/18 to 2019/20)	
B Performance commitments measured against a calculated baseline						
3F.5	Leakage	MI/d	17.8	14.8	13.0	15.2
3F.6	Per capita consumption (PCC)	lpd	128.6	136.4	135.4	133.5

Line description	Unit	Standardising data indicator	Standardising data numerical value	Total minutes lost	Number of properties supply interrupted	
C Water supply interruptions						
3F.7	Water supply interruptions	Average number of minutes lost per property per year	Number of properties (thousands)	106.10	3974406	31,718

Line description	Current company level peak week production capacity (PWPC)	Reduction in company level PWPC	Outage proportion of PWPC
	MI/d	MI/d	%

D Unplanned or planned outage				
3F.8	Unplanned outage	73.70	0.005	0.01%

Line description	Total residential properties (000s)	Total number of households on the PSR (as at 31 March)	PSR reach	Total number of households on the PSR over a 2 year period	Number of attempted contacts over a 2 year period	
E Priority services for customers in vulnerable circumstances						
3F.9	Priority services for customers in vulnerable circumstances	95.94	4,051	4.2%	1,167	1,160

Performance level - actual (2020/21)	Performance level - actual (2021/22)	Performance level - actual (2022/23)	Performance level - actual (2023/24)	Performance level - actual (2024/25)	Performance level 3 year average (current and previous 2 years)	Calculated performance level to compare against PCLs
14.7	13.9				13.9	8.6
146.6	145.6				142.5	-6.7

Calculated performance level

00:37:28

Attempted contacts %	Number of actual contacts over a 2 year period	Actual contacts %
99.4%	637	54.6%

3G - UNDERLYING CALCULATIONS FOR COMMON PERFORMANCE COMMITMENTS (WASTEWATER)

Line description	Unique reference	Unit	Standardising data indicator	Standardising data numerical value	Performance level - actual current reporting year	Calculated performance level
A Performance commitments set in standardised units						
3G.1 Internal sewer flooding - customer proactively reported	PR19HDD_E1	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	21.37	5	2.34
3G.2 Internal sewer flooding - company reactively identified (i.e. neighbouring properties)	PR19HDD_E1	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	21.37	0	0.00
3G.3 Internal sewer flooding	PR19HDD_E1	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	21.37	5	2.34
3G.4 Pollution incidents	PR19HDD_E2	Pollution incidents per 10,000 km of sewer length	Sewer length in km	502.00	2	39.84
3G.5 Sewer collapses	PR19HDD_E5	Number of sewer collapses per 1,000 km of all sewers	Sewer length in km	492.00	11	22.36

3H - SUMMARY INFORMATION ON OUTCOME DELIVERY INCENTIVE PAYMENTS

Line description	Initial calculation of performance payments (excluding C-MeX and D-MeX)
Em (2017/18 prices)	
A Initial calculation of in period revenue adjustment by price control	
3H.1 Water resources	-0.28
3H.2 Water network+	-0.09
3H.3 Wastewater network+	-0.02
3H.4 Bioresources (sludge)	0.00
3H.5 Residential retail	0.00
3H.6 Business retail	-0.02
3H.7 Dummy control	0.00
B Initial calculation of end of period revenue adjustment by price control	
3H.8 Water resources	-0.08
3H.9 Water network+	-0.08
3H.10 Wastewater network+	0.00
3H.11 Bioresources (sludge)	0.00
3H.12 Residential retail	0.00
3H.13 Business retail	0.00
3H.14 Dummy control	0.00
C Initial calculation of end of period RCV adjustment by price control	
3H.15 Water resources	0.00
3H.16 Water network+	0.00
3H.17 Wastewater network+	0.00
3H.18 Bioresources (sludge)	0.00
3H.19 Residential retail	0.00
3H.20 Business retail	0.00
3H.21 Dummy control	0.00

3I - SUPPLEMENTARY OUTCOMES INFORMATION

Line description	Current company level peak week production capacity [PWPC]	Reduction in company level PWPC	Outage proportion of PWPC
	MI/d	MI/d	%

A Unplanned or planned outage				
3I.1	Planned outage	73.76	0.00	0.00%

Line description	Deployable output	Outage allowance	Dry year demand	Target headroom	Total population supplied	Customers at risk
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B Risk of severe restrictions in drought							
3I.2	Risk of severe restrictions in drought	75.14	0.02	62.66	2.86	218,485.85	0.00

Line description	Total pe served	Total pe in excluded catchments	Percentage of total pe in excluded catchments	Total pe Option 1a	Percentage of total pe Option 1a	Total pe Option 1b	Percentage of total pe Option 1b	Vulnerability risk grade		
								Low	Medium	High

C Risk of sewer flooding in a storm											
3I.3	Risk of sewer flooding in a storm	39,479.00	16,772.00	42.48%	0.00	0.00%	22,707.00	57.52%	91.31%	2.97%	5.72%

Line description	Number of patch repairs or relining undertaken on sewer and not included in reported sewer collapses
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D Sewer collapses		
3I.4	Sewer collapses	2

ADDITIONAL REPORTING REQUIREMENTS

Code	Measure	Commentary
B8	Improving reservoir resilience	As part of our year end reporting and assurance for this Performance Commitment we have made available a Section 10(6) Certificate (issued to us by an independent DEFRA appointed Panel Engineer) which confirms we have closed out all relevant Section 10(3)(c) measures in the Interest of Safety at Tŷ Mawr, along with NRW's receipt for this. Completion of all MITIOS at Tŷ Mawr means that we are able to claim the 9.1% for this site, one year sooner than originally planned.
A3	Number of lead pipes replaced	Number of lead pipes replaced is a financial incentive penalty/reward performance commitment. In order to tackle lead in customers' homes we want to maximise our impact, replacing both the communication pipe (the pipe we own) and the supply pipe (the pipe that the customer owns). In instances where a customer has been offered but refused a free HD lead service pipe replacement, the customer will sign a Reg30 customer permission proforma (as evidence), indicating their wish to decline the offer. A copy of the signed Reg30 customer proforma is then saved against the customers record and referred to on the HD lead Performance Commitment central job tracker for future reference and auditing purposes and this process was included as part of our year end assurance.
H4	Supporting our priority service customers during an incident	CCWater has provided the following view of the Performance Commitments. We see this PC as being business as usual. Companies are already expected to deliver the additional support that customers are signed up for. Would prefer to see at least 95% of consumers who are on the Priority Services Register to be satisfied with the support offered to them. Companies should seek views from people on their PSR following an incident and could also ask as part of their Ofwat required data checks
B4	Risk of severe restrictions in a drought	We carried out an update of the 25-year (2020/21 to 2044/45) average risk. This average risk update applied only to the year in question. The reported risk, as assured externally by Jacobs, remains unchanged from the previous year, and in line with our performance commitment target for Year 2 of AMP7. This risk has remained unchanged. A balance sheet of supply-demand changes does not accompany this text commentary as there is no change in terms of performance from the previous year or the performance commitment target.
B6	Unplanned Outage	This measure has been assured by an independent third line assurance and we are compliant against all AMP7 methodology components.
H1	Priority services for customers in vulnerable circumstances	PSR reach: The % split across the PSR membership categories A to E is forecast to continue as Year 2 end and no changes to the weighting in Year 3. The forecast will be reassessed at the end of Year 3 to enable sampling of new campaigns and continued PSR activity. PSR data-checking: We monitor for operational purposes PSR membership month on month. Over the year we have had 2,309 customers added and 330 removed. Third parties are not utilised to support attempted contact activity at present, as such all activity is direct from HD and reported in our attempted contacts measure.
G1	C-MeX	We offer a range of contact channels for our customers which exceed the minimum of five channels as set out by Ofwat. Customers can contact us by the following methods: letter, email, telephone, WhatsApp, Livechat, Apple chat, short message service ('SMS') and social media (Facebook direct message, Twitter direct message, Instagram direct message).
G2	D-MeX	As part of our assurance programme we have utilised our standard three lines of assurance processes to ensure that our performance is an accurate reflection against the selected Water UK metrics in D-MeX. We confirm we have not found any material issues as a result of this process.

4A - WATER BULK SUPPLY

Year ended 31 March 2022

This table is a nil return, as Hafren Dyfrdwy do not have any trades that qualify under the RAG 4.10 definition.

Code	Measure	Commentary
NEP01	NEP Delivery	We have received a draft letter from NRW confirming that we have met all of our NEP requirements for 2021/22. It reads: Version 1 of the HD NEP listed 43 schemes and this figure is unchanged at the end of March 2022. There were two claims at the end of Year 2 – for driver W_BIOD2_INV: biodiversity habitats investigation, and driver W_WFD_FP_INV: fish passage barrier investigation.
B2	Leakage	There are two components non compliant with common methodology. Availability - Red. This is percentage available data to calculate daily leakage. HD is below best practise threshold of 90%. It is difficult to state exact material impact of this, however, Netabse software will estimate leakage levels based on last available week, where data is not available. Where there are periods of six months with missed data, a high zone estimate is used. Based on this and using last available week approach at DMA level, the impact will be marginal. Unmeasured Consumption - Amber. uPHC is currently derived from Severn Trent Small Area Monitor data. We now have 1,400 individual household meters installed in HD to derive a HD specific uPHC. This would be a method change and therefore we propose to carry an Amber RAG for the remainder of AMP7. At this point we only have six months of data to inform a result. Once we have a full year, we will be able to pro-rata results to back cast for previous years. At this point it is too early to state material differences from current uPHC estimates.
B3	PCC	Unmeasured Consumption - Amber. uPHC is currently derived from Severn Trent Small Area Monitor data. We now have 1,400 individual household meters installed in HD to derive a HD specific uPHC. This would be a method change and therefore we propose to carry an Amber RAG for the remainder of AMP7. At this point we only have six months of data to inform a result. Once we have a full year, we will be able to pro-rata results to back cast for previous years. At this point it is too early to state material differences from current uPHC estimates.
5A.23	Average Pumping Head - Raw Water Abstraction	% of APH derived from measured data 100% - % of sites with measured volume and/or lift 100% No significant changes to head or methodology for 2021/22
6A.6	Average Pumping Head - Raw Water Transport	% of APH derived using measured data 100% - % of sites with measured volume and/or lift 100%. No significant change in methodology from previous year.
6A.31	Average Pumping Head - Water Treatment	% of APH derived using measured data 100% - % of sites with measured volume and/or lift 100%. No significant change in methodology from previous year.
6B.28	Average Pumping Head - Treated Water Distribution	% of APH derived from measured data 63.8% - % of sites with measured volumes and/or lift 7.14%. For many small distribution pumping stations, flow volumes and measured head are not available. For these sites we use measured electricity consumption data and apply 98% of total consumption to pumping. For distribution sites where pump test data is available we average the efficiencies of the tested pumps to calculate an average pump efficiency which is applied. HD DI is applied and a derived head is calculated. This is then added to the head calculated using measured data to give an overall distribution head. The derived head is 0.84m higher in 2021/22 due to the inclusion of Oerog consumption in this calc. Oerog was not included in 2020/21. The overall distribution head had reduced by 8.08m. The reason for this is an increased DI figure compared to 2020/21. Previously DI was calculated using the works input figures so was effectively WIS. An improved data set in 2021/22 has a DI of 63.19ML/d compared to 54.67ML/d in 2020/21. The WIS figure increased by 1.4ML/d in 2021/22 to 56.07ML/d.

4B - ANALYSIS OF DEBT

Year ended 31 March 2022

Line description	Issuer	Category	Maturity type	Instrument identifier (e.g. ISIN)	Seniority	Long-term issue credit rating as at 31 March 2022	Currency	Issue date	Issue price	Maturity date	Years to maturity	Original issuance / facility size	Principal sum outstanding as at 31 March 2022 (excluding unamortised debt issue costs)
								Date	per 100	Date	Years	Em (nominal)	Em (nominal)
A Fixed rate instruments													
4B.1					DV-DEB		GBP				0.0		0.106
4B.2							GBP				800.0		0.004
4B.201												0.000	0.110
B Floating rate instruments													
4B.202		ST PLC		15934			GBP	08/03/2022		08/03/2024	1.9		3.644
4B.402												0.000	3.644
C RPI linked instruments													
4B.403		STW		7174			GBP				10.5		32.988
4B.603												0.000	32.988
D CPI linked instruments													
4B.804												0.000	0.000
4B.805												0.000	36.742

Line description	Value
E Date Assumptions	
Reporting date	31/03/2022
F Inflation Assumptions	
4B.806 RPI %	8.96%
4B.807 CPI %	7.03%
G Indicative interest rates	
4B.808 Indicative weighted average nominal interest rate	8.97%
4B.809 Indicative weighted average cash interest rate	2.71%
H Indicative debt portfolio breakdown	
4B.810 Floating rate debt as percentage of total debt (gross)	9.92%
4B.811 Fixed rate debt as percentage of total debt (gross)	0.30%
4B.812 RPI linked debt as percentage of total debt (gross)	89.78%
4B.813 CPI linked debt as percentage of total debt (gross)	0.00%
4B.814 All index (CPI and RPI) linked debt as percentage of total debt (gross)	89.78%
4B.815 Fixed rate debt and index linked debt as percentage of total debt (gross)	90.08%
4B.816 Weighted average years to maturity	9.7

Amount used to calculate nominal interest cost and cash interest payment (might be equal or differ from principal sum outstanding)	Years to maturity x principal sum	RPI interest rate	CPI interest rate	Reference benchmark	Reference benchmark rate	Margin over reference benchmark rate	Nominal Interest Rate	Nominal Interest Cost (Full year equivalent)	Cash Interest Cost (Full year equivalent)	Utilisation fee	Commitment fee	Issuance costs	Value per balance sheet at 31 March 2022	Fair value of debt at 31 March 2022	Further information
Em (nominal)	Em (nominal)	%	%		%	%	%	Em (nominal)	Em (nominal)	%	%	Em (nominal)	Em (nominal)	Em (nominal)	
0.106	0.000	-5.01%	3.50%				3.50%	0.004	0.004				0.106	0.106	
0.004	3.200	-5.24%	3.25%				3.25%	0.000	0.000				0.004	0.004	
0.110	3.200							0.004	0.004			0.000	0.110	0.110	
B Floating rate instruments															
3.644	6.924	-5.97%	2.45%	Bank of England Base Rate	0.75%	1.70%	2.45%	0.089	0.089				3.644	3.644	
3.644	6.924							0.089	0.089			0.000	3.644	3.644	
C RPI linked instruments															
24.800	346.374	3.64%					12.92%	3.204	0.901				32.988	32.988	
24.800	346.374							3.204	0.901			0.000	32.988	32.988	
D CPI linked instruments															
0.000	0.000							0.000	0.000			0.000	0.000	0.000	
28.554	356.498							3.297	0.995			0.000	36.742	36.742	

4C - IMPACT OF PRICE CONTROL PERFORMANCE TO DATE ON RCV

Year ended 31 March 2022

Line description	12 months ended 31 March 2021				Price control period to date				
	Water resources	Water network+	Wastewater network+	Bioresources	Water resources	Water network+	Wastewater network+	Bioresources	
	£m	£m	£m	£m	£m	£m	£m	£m	
A	Totex (net of business rates, abstraction licence fees and grants and contributions)								
4C.1	Final determination allowed totex (net of business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing)								
	4.303	20.346	4.769	0.705	8.419	40.220	9.032	1.353	
4C.2	Actual totex (net of business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing)								
	3.313	23.083	6.257	0.425	11.924	43.569	11.109	0.971	
4C.3	Transition expenditure								
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
4C.4	Disallowable costs								
	0.000	0.000	0.000	0.000	-0.650	-1.525	0.000	0.000	
4C.5	Total actual totex (net of business rates, abstraction licence fees and grants and contributions)								
	3.313	23.083	6.257	0.425	12.574	45.094	11.109	0.971	
4C.6	Variance								
	-0.990	2.737	1.488	-0.280	4.155	4.874	2.077	-0.382	
4C.7	Variance due to timing of expenditure								
	-0.868	-0.751	0.000	0.000	2.688	-1.440	0.000	0.000	
4C.8	Variance due to efficiency								
	-0.122	3.488	1.488	-0.280	1.467	6.314	2.077	-0.382	
4C.9	Customer cost sharing rate - outperformance								
	46.04%	46.04%	40.89%	0.00%	46.04%	46.04%	40.89%	0.00%	
4C.10	Customer cost sharing rate - underperformance								
	50.00%	50.00%	50.00%	0.00%	50.00%	50.00%	50.00%	0.00%	
4C.11	Customer share of totex overspend								
	0.000	1.744	0.744	0.000	0.734	3.157	1.039	0.000	
4C.12	Customer share of totex underspend								
	-0.056	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
4C.13	Company share of totex overspend								
	0.000	1.744	0.744	0.000	0.734	3.157	1.039	0.000	
4C.14	Company share of totex underspend								
	-0.066	0.000	0.000	-0.280	0.000	0.000	0.000	-0.382	
B	Totex - business rates and abstraction licence fees								
4C.15	Final determination allowed totex - business rates and abstraction licence fees								
	0.767	1.515	0.130	0.135	1.538	2.990	0.246	0.261	
4C.16	Actual totex - business rates and abstraction licence fees								
	0.069	1.846	0.286	0.000	1.051	2.769	0.573	0.000	
4C.17	Variance - business rates and abstraction licence fees								
	-0.698	0.331	0.156	-0.135	-0.487	-0.221	0.327	-0.261	
4C.18	Customer cost sharing rate - business rates								
	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	
4C.19	Customer cost sharing rate - abstraction licence fees								
	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	
4C.20	Customer share of totex over/underspend - business rates and abstraction licence fees								
	-0.524	0.248	0.117	-0.101	-0.365	-0.166	0.245	-0.196	
4C.21	Company share of totex over/underspend - business rates and abstraction licence fees								
	-0.175	0.083	0.039	-0.034	-0.122	-0.055	0.082	-0.065	
C	Totex not subject to cost sharing								
4C.22	Final determination allowed totex - not subject to cost sharing								
	1.445	2.190	-0.027	0.000	3.096	4.284	-0.051	0.000	
4C.23	Actual totex - not subject to cost sharing								
	1.961	1.135	0.010	0.000	3.812	2.209	0.037	0.003	
4C.24	Variance - 100% company allocation								
	0.516	-1.055	0.037	0.000	0.716	-2.075	0.088	0.003	
4C.25	Total customer share of totex over/underspend								
	-0.580	1.992	0.861	-0.101	0.368	2.991	1.284	-0.196	
D	RCV								
4C.26	Total customer share of totex over/underspend								
	-0.580	1.992	0.861	-0.101	0.368	2.991	1.284	-0.196	
4C.27	PAYG rate								
	65.810%	71.520%	50.030%	100.000%	72.200%	72.050%	51.560%	100.000%	
4C.28	RCV element of totex over/underspend								
	-0.198	0.567	0.430	0.000	0.102	0.836	0.622	0.000	
4C.29	Adjustment for ODI outperformance payment or underperformance payment								
					0.000	0.000	0.000	0.000	
4C.30	Green recovery								
					0.000	0.000	0.000		
4C.31	RCV determined at FD at 31 March								
					59.896	26.388	4.948	0.000	
4C.32	Projected 'shadow' RCV								
					59.998	27.224	5.570	0.000	

TABLE 4C COMMENTARY

TOTEX BASELINE (LINES 1 – 11)

Gross variance and timing differences

Actual wholesale totex is £3.0m above the FD allowance for year 2 of the AMP, before timing differences.

We have included two timing differences; our reservoir programme and the Water Industry National Environment Programme ('WINEP') eels obligation.

Our reservoirs programme assumed a flat phased budget of c.£8 million over the AMP. We undertook the investigations in 2020/21 that confirmed the maintenance required under Section 10 of the Reservoir Act was forecast to cost £4.5m. We provided for this work in our 2020/21 accounts as we had the obligation to undertake the required works. In the current year, we have utilised this provision, unwinding the previous timing difference.

Our second timing adjustment is related to the WINEP eels programme which has a single obligation at Sesswick. Our PR19 plan assumed early delivery with the project completing at the end of Year 2. In 2020/21 the program of works was reprofiled to deliver in years 3 and 4 of the AMP to appropriately respond to the environmental challenges our surveys and planning processes identified. We continue to identify further challenges but are confident of delivering on the WINEP obligation by 31 December 2025.

Net variance excluding timing differences

Water network plus totex is £3.5m higher than the assumed FD. Over £1m of this variance is due to increased bulk supply costs as identified in 2020/21. This difference will be prevalent in each year of the AMP. Our power costs have increased significantly in the year as the recovery from COVID and global factors have driven the wholesale cost of electricity to never before seen levels. With a high demand for electricity to pump treated water this has represented a significant increase in the year, in excess of £1m against the FD. We have also continued to invest more than the FD assumption in resilience to reduce the impact of supply interruptions and drive down leakage. We have seen improvements in both of these areas and expect our investment in the current year to form the basis of future performance. Included in this, is the gearing up of operations to support our new Powys depot. These activities have incurred more hired and contracted services as we bring in relevant experts with required skills to address specific concerns.

Wastewater network plus has incurred £1.5m more than assumed in the FD. This too has been impacted by the high energy prices outlined above. Also, due to its small size, our wastewater operations are sensitive to one-off events. With a significant repair to a rising main in year considerable tankering costs were incurred to maintain service that are costly in a single period.

4D TOTEX ANALYSIS (WATER RESOURCES AND WATER NETWORK+)

Year ended 31 March 2022

Line description	Water resources	Network+				Total
		Raw water transport	Raw water storage	Water treatment	Treated water distribution	
	£m	£m	£m	£m	£m	£m
A Operating expenditure						
4D.1 Base operating expenditure	1,177	1,547	0.023	3,085	12,561	18,393
4D.2 Enhancement operating expenditure	0.019	0.000	0.000	0.000	0.000	0.019
4D.3 Developer services operating expenditure	0.000	0.000	0.000	0.000	0.185	0.185
4D.4 Total operating expenditure excluding third party services	1,196	1,547	0.023	3,085	12,746	18,597
4D.5 Third party services	1,961	0.054	0.000	0.224	0.669	2,908
4D.6 Total operating expenditure	3,157	1,601	0.023	3,309	13,415	21,505
B Grants and contributions						
4D.7 Grants and contributions - operating expenditure	0.000	0.000	0.000	0.000	0.125	0.125
C Capital expenditure						
4D.8 Base capital expenditure	0.796	0.000	0.000	1,635	2,356	4,787
4D.9 Enhancement capital expenditure	1,390	0.011	0.000	0.457	2,829	4,687
4D.10 Developer services capital expenditure	0.000	0.000	0.000	0.000	0.928	0.928
4D.11 Total gross capital expenditure excluding third party services	2,186	0.011	0.000	2,092	6,113	10,402
4D.12 Third party services	0.000	0.000	0.000	0.000	0.000	0.000
4D.13 Total gross capital expenditure	2,186	0.011	0.000	2,092	6,113	10,402
D Grants and contributions						
4D.14 Grants and contributions - capital expenditure	0.000	0.000	0.000	0.000	0.375	0.375
4D.15 Net totex	5,343	1,612	0.023	5,401	19,028	31,407
E Cash expenditure						
4D.16 Pension deficit recovery payments	0.000	0.000	0.000	0.000	0.000	0.000
4D.17 Other cash items	0.000	0.000	0.000	0.000	0.000	0.000
4D.18 Totex including cash items	5,343	1,612	0.023	5,401	19,028	31,407
F Atypical expenditure						
4D.19 Item 1	0.000	0.000	0.000	0.000	0.000	0.000
4D.20 Item 2	0.000	0.000	0.000	0.000	0.000	0.000
4D.21 Item 3	0.000	0.000	0.000	0.000	0.000	0.000
4D.22 Item 4	0.000	0.000	0.000	0.000	0.000	0.000
4D.23 Item 5	0.000	0.000	0.000	0.000	0.000	0.000
4D.24 Total atypical expenditure	0.000	0.000	0.000	0.000	0.000	0.000

4E TOTEX ANALYSIS (WASTEWATER NETWORK+ AND BIORESOURCES)

Year ended 31 March 2022

Line description	Network+ Sewage collection			Network + Sewage treatment		Bioresources			Total
	Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Imported sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal	
	£m	£m	£m	£m	£m	£m	£m	£m	£m
A Operating expenditure									
4E.1 Base operating expenditure	0.947	0.196	0.150	2,841	0.105	0.011	0.406	0.008	4,664
4E.2 Enhancement operating expenditure	0.000	0.000	0.000	0.014	0.000	0.000	0.000	0.000	0.014
4E.3 Developer services operating expenditure	0.017	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.017
4E.4 Total operating expenditure excluding third party services	0.964	0.196	0.150	2,855	0.105	0.011	0.406	0.008	4,695
4E.5 Third party services	0.000	0.000	0.000	0.010	0.000	0.000	0.000	0.000	0.010
4E.6 Total operating expenditure	0.964	0.196	0.150	2,865	0.105	0.011	0.406	0.008	4,705
B Grants and contributions									
4E.7 Grants and contributions - operating expenditure	-0.016	-0.002	-0.002	0.000	0.000	0.000	0.000	0.000	-0.020
C Capital expenditure									
4E.8 Base capital expenditure	0.672	0.084	0.084	0.932	0.000	0.000	0.000	0.000	1,772
4E.9 Enhancement capital expenditure	0.120	0.000	0.000	0.308	0.000	0.000	0.000	0.000	0,428
4E.10 Developer services capital expenditure	0.147	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0,147
4E.11 Total gross capital expenditure excluding third party services	0,939	0,084	0,084	1,240	0,000	0,000	0,000	0,000	2,347
4E.12 Third party services	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0,000
4E.13 Total gross capital expenditure	0,939	0,084	0,084	1,240	0,000	0,000	0,000	0,000	2,347
D Grants and contributions									
4E.14 Grants and contributions - capital expenditure	0.060	0.017	0.017	0.000	0.000	0.000	0.000	0.000	0,094
4E.15 Net totex	1,859	0,265	0,219	4,105	0,105	0,011	0,406	0,008	6,978
E Cash expenditure									
4E.16 Pension deficit recovery payments	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0,000
4E.17 Other cash items	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0,000
4E.18 Totex including cash items	1,859	0,265	0,219	4,105	0,105	0,011	0,406	0,008	6,978
F Atypical expenditure									
4E.19 Item 1	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0,000
4E.20 Item 2	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0,000
4E.21 Item 3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0,000
4E.22 Item 4	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0,000
4E.23 Item 5	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0,000
4E.24 Total atypical expenditure	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000

4F - MAJOR PROJECT EXPENDITURE BY PURPOSE (WHOLESALE WATER)

Year ended 31 March 2022

This table is not required as Hafren Dyfrdwy do not have any qualifying projects.

4G - MAJOR PROJECT EXPENDITURE BY PURPOSE (WHOLESALE WASTEWATER)

Year ended 31 March 2022

This table is not required as Hafren Dyfrdwy do not have any qualifying projects.

4H - FINANCIAL METRICS

Year ended 31 March 2022

Line description	Units	Current year	AMP to date	
A	Financial indicators			
4H.1	Net debt	£m	36.177	
4H.2	Regulatory equity	£m	55.055	
4H.3	Regulatory gearing	%	39.65%	
4H.4	Post tax return on regulatory equity	%	-5.12%	
4H.5	RoRE (return on regulatory equity)	%	6.56%	4.46%
4H.6	Dividend yield	%	0.00%	
4H.7	Retail profit margin - Household	%	5.43%	
4H.8	Retail profit margin - Non household	%	1.31%	
4H.9	Credit rating - Fitch	Text	n/a	
4H.10	Credit rating - Moody's	Text	n/a	
4H.11	Credit rating - Standard and Poor's	Text	n/a	
4H.12	Return on RCV	%	-1.76%	
4H.13	Dividend cover	dec	0.00	
4H.14	Funds from operations ('FFO')	£m	5.335	
4H.15	Interest cover (cash)	dec	6.21	
4H.16	Adjusted interest cover (cash)	dec	0.68	
4H.17	FFO/Net debt	dec	0.15	
4H.18	Effective tax rate	%	37.69%	
4H.19	Retained cash flows ('RCF')	£m	5.335	
4H.20	RCF/Net debt	dec	0.15	

B	Borrowings		
4H.21	Proportion of borrowings which are fixed rate	%	0.30%
4H.22	Proportion of borrowings which are floating rate	%	9.92%
4H.23	Proportion of borrowings which are index linked	%	89.78%
4H.24	Proportion of borrowings due within 1 year or less	%	0.29%
4H.25	Proportion of borrowings due in more than 1 year but no more than 2 years	%	9.92%
4H.26	Proportion of borrowings due in more than 2 years but no more than 5 years	%	0.00%
4H.27	Proportion of borrowings due in more than 5 years but no more than 20 years	%	89.78%
4H.28	Proportion of borrowings due in more than 20 years	%	0.01%

4I - FINANCIAL DERIVATIVES

Year ended 31 March 2022

This table is not required as Hafren Dyfrdwy do not have any financial derivatives.

4J - BASE EXPENDITURE ANALYSIS (WATER RESOURCES AND WATER NETWORK+)

Year ended 31 March 2022

Line description	Water network+					Total £m
	Water resources £m	Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	
A Operating expenditure						
4J.1 Power	0.070	0.974	0.000	0.110	2.060	3.214
4J.2 Income treated as negative expenditure	-0.577	0.000	0.000	0.000	0.000	-0.577
4J.3 Bulk Supply/Bulk discharge	0.396	0.158	0.000	0.525	2.289	3.368
4J.4 Renewals expensed in year (infrastructure)	0.096	0.000	0.000	0.000	3.105	3.201
4J.5 Renewals expensed in year (non-infrastructure)	0.000	0.000	0.000	0.000	0.049	0.049
4J.6 Other operating expenditure	1.123	0.179	0.000	2.263	3.658	7.223
4J.7 Local authority and Cumulo rates	-0.528	0.236	0.023	0.160	1.400	1.291
B Service Charges						
4J.8 Canal & River Trust abstraction charges/discharge consents	0.000	0.000	0.000	0.000	0.000	0.000
4J.9 Environment Agency/NRW abstraction charges/discharge consents	0.597	0.000	0.000	0.027	0.000	0.624
4J.10 Other abstraction charges/discharge consents	0.000	0.000	0.000	0.000	0.000	0.000
C Location specific costs and obligations						
4J.11 Costs associated with Traffic Management Act	0.000	0.000	0.000	0.000	0.000	0.000
4J.12 Costs associated with lane rental schemes	0.000	0.000	0.000	0.000	0.000	0.000
4J.13 Statutory water softening	0.000	0.000	0.000	0.000	0.000	0.000
4J.14 Total base operating expenditure	1.117	1.547	0.023	3.085	12.561	18.393
D Capital expenditure						
4J.15 Maintaining the long term capability of the assets - infra	0.000	0.000	0.000	0.000	0.002	0.002
4J.16 Maintaining the long term capability of the assets - non-infra	0.796	0.000	0.000	1.635	2.354	4.785
4J.17 Total base capital expenditure	0.796	0.000	0.000	1.635	2.356	4.787
E Traffic Management Act						
4J.18 Projects incurring costs associated with Traffic Management Act	nr	0	0	0	0	0

4K - BASE EXPENDITURE ANALYSIS (WASTEWATER NETWORK+ AND BIORESOURCES)

Year ended 31 March 2022

Line description	Wastewater network+				Bioresources				Total £m
	Foul £m	Surface water drainage £m	Highway drainage £m	Sewage treatment and disposal £m	Sludge liquor treatment £m	Sludge transport £m	Sludge treatment £m	Sludge disposal £m	
A Operating expenditure									
4K.1 Power	0.068	0.020	0.013	0.412	0.016	0.000	0.001	0.000	0.530
4K.2 Income treated as negative expenditure	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4K.3 Bulk Supply/Bulk discharge	0.004	0.001	0.001	0.000	0.000	0.000	0.000	0.000	0.006
4K.4 Renewals expensed in year (infrastructure)	0.450	0.056	0.056	0.000	0.000	0.000	0.000	0.000	0.562
4K.5 Renewals expensed in year (non-infrastructure)	0.022	0.006	0.004	0.000	0.000	0.000	0.000	0.000	0.032
4K.6 Other operating expenditure	0.382	0.107	0.072	1.978	0.071	0.011	0.405	0.008	3.034
4K.7 Local authority and Cumulo rates	0.000	0.000	0.000	0.275	0.011	0.000	0.000	0.000	0.286
B Service Charges									
4K.8 Canal & River Trust abstraction charges/discharge consents	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4K.9 Environment Agency/NRW abstraction charges/discharge consents	0.021	0.006	0.004	0.176	0.007	0.000	0.000	0.000	0.214
4K.10 Other abstraction charges/discharge consents	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
C Location specific costs and obligations									
4K.11 Costs associated with Traffic Management Act	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4K.12 Costs associated with lane rental schemes	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4K.13 Costs associated with Industrial Emissions Directive	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4K.14 Total base operating expenditure	0.947	0.196	0.150	2.841	0.105	0.011	0.406	0.008	4.664
D Capital expenditure									
4K.15 Maintaining the long term capability of the assets - infra	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4K.16 Maintaining the long term capability of the assets - non-infra	0.672	0.084	0.084	0.932	0.000	0.000	0.000	0.000	1.772
4K.17 Total base capital expenditure	0.672	0.084	0.084	0.932	0.000	0.000	0.000	0.000	1.772
E Traffic Management Act									
4K.18 Projects incurring costs associated with Traffic Management Act	nr	0	0	0	0	0	0	0	0
F Operating expenditure (AMP7 shadow reported values)									
4K.19 Power	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4K.20 Income treated as negative expenditure	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

4L - ENHANCEMENT EXPENDITURE (WATER RESOURCES AND WATER NETWORK+)

Year ended 31 March 2022

Line description		Expenditure in		
		Water resources	Raw water transport	
		£m	£m	
A EA/NRW environmental programme (WINEP/NEP)				
4L.1	Ecological improvements at abstractions	Capex	0.000	0.000
4L.2	Ecological improvements at abstractions	Opex	0.000	0.000
4L.3	Ecological improvements at abstractions	Totex	0.000	0.000
4L.4	Eels Regulations (measures at intakes)	Capex	0.109	0.000
4L.5	Eels Regulations (measures at intakes)	Opex	0.000	0.000
4L.6	Eels Regulations (measures at intakes)	Totex	0.109	0.000
4L.7	Invasive Non Native Species	Capex	0.000	0.000
4L.8	Invasive Non Native Species	Opex	0.000	0.000
4L.9	Invasive Non Native Species	Totex	0.000	0.000
4L.10	Drinking Water Protected Areas (schemes)	Capex	0.000	0.000
4L.11	Drinking Water Protected Areas (schemes)	Opex	0.000	0.000
4L.12	Drinking Water Protected Areas (schemes)	Totex	0.000	0.000
4L.13	Water Framework Directive measure	Capex	0.000	0.000
4L.14	Water Framework Directive measure	Opex	0.000	0.000
4L.15	Water Framework Directive measure	Totex	0.000	0.000
4L.16	Investigations	Capex	0.000	0.000
4L.17	Investigations	Opex	0.000	0.000
4L.18	Investigations	Totex	0.000	0.000
4L.19	Total environmental programme expenditure	Totex	0.109	0.000
B Supply-demand balance				
4L.20	Supply-side improvements delivering benefits in 2020-2025	Capex	0.000	0.000
4L.21	Supply-side improvements delivering benefits in 2020-2025	Opex	0.000	0.000
4L.22	Supply-side improvements delivering benefits in 2020-2025	Totex	0.000	0.000
4L.23	Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering)	Capex	0.000	0.000
4L.24	Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering)	Opex	0.000	0.000
4L.25	Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering)	Totex	0.000	0.000
4L.26	Leakage improvements delivering benefits in 2020-2025	Capex	0.000	0.000
4L.27	Leakage improvements delivering benefits in 2020-2025	Opex	0.000	0.000
4L.28	Leakage improvements delivering benefits in 2020-2025	Totex	0.000	0.000
4L.29	Internal interconnectors delivering benefits in 2020-2025	Capex	0.000	0.000
4L.30	Internal interconnectors delivering benefits in 2020-2025	Opex	0.000	0.000
4L.31	Internal interconnectors delivering benefits in 2020-2025	Totex	0.000	0.000
4L.32	Supply-demand balance improvements delivering benefits starting from 2026	Capex	0.000	0.000
4L.33	Supply-demand balance improvements delivering benefits starting from 2026	Opex	0.000	0.000
4L.34	Supply-demand balance improvements delivering benefits starting from 2026	Totex	0.000	0.000
4L.35	Strategic regional water resources	Capex	0.000	0.000
4L.36	Strategic regional water resources	Opex	0.000	0.000
4L.37	Strategic regional water resources	Totex	0.000	0.000
4L.38	Total supply demand expenditure	Totex	0.000	0.000

report year	Cumulative expenditure on schemes completed in the report year									Cumulative expenditure on all schemes to reporting year end	Cumulative allowed expenditure on all schemes to reporting year end	Cumulative allowed expenditure on all schemes 2020-25
	Water network+			Total	Water resources	Network+			Total			
	Raw water storage	Water treatment	Treated water distribution			Raw water storage	Water treatment	Treated water distribution				
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	Total	Total	Total
	0.000	0.000	0.000	0.000								
	0.000	0.000	0.000	0.000						0.000	0.219	0.463
	0.000	0.000	0.000	0.109								
	0.000	0.000	0.000	0.000						0.112	1.546	3.267
	0.000	0.000	0.000	0.000								
	0.000	0.000	0.000	0.000						0.000	0.023	0.049
	0.000	0.000	0.014	0.014								
	0.000	0.000	0.000	0.000						0.014	0.000	0.000
	0.000	0.000	0.000	0.000								
	0.000	0.000	0.000	0.000						0.000	0.000	0.000
	0.000	0.000	0.000	0.000								
	0.000	0.000	0.000	0.000						0.000	0.000	0.000
	0.000	0.000	0.014	0.123						0.126	1.788	3.779
	0.000	0.000	0.000	0.000								
	0.000	0.000	0.000	0.000						0.006	0.000	0.000
	0.000	0.000	0.000	0.000								
	0.000	0.000	0.000	0.000						0.000	0.000	0.000
	0.000	0.000	0.124	0.124	0.000	0.000	0.000	0.000	0.000	0.000		
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.603	0.000
	0.000	0.000	0.000	0.000								
	0.000	0.000	0.000	0.000						0.000	0.000	0.000
	0.000	0.000	0.000	0.000								
	0.000	0.000	0.000	0.000						0.000	0.000	0.000
	0.000	0.000	0.000	0.000								
	0.000	0.000	0.000	0.000						0.000	0.000	0.000
	0.000	0.000	0.124	0.124						0.609	0.000	0.000

4M - ENHANCEMENT EXPENDITURE (WASTEWATER NETWORK+ AND BIORESOURCES CONT.)

Year ended 31 March 2022

Line description		Expenditure in report						
		Wastewater network+					Bioresources	
		Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge transport	
		£m	£m	£m	£m	£m	£m	
B	Other enhancement							
4M.41	Growth at sewage treatment works (excluding sludge treatment)	Capex	0.000	0.000	0.000	0.036	0.000	0.000
4M.42	Growth at sewage treatment works (excluding sludge treatment)	Opex	0.000	0.000	0.000	0.000	0.000	0.000
4M.43	Growth at sewage treatment works (excluding sludge treatment)	Totex	0.000	0.000	0.000	0.036	0.000	0.000
4M.44	Reduce flooding risk for properties	Capex	0.099	0.000	0.000	0.013	0.000	0.000
4M.45	Reduce flooding risk for properties	Opex	0.000	0.000	0.000	0.000	0.000	0.000
4M.46	Reduce flooding risk for properties	Totex	0.099	0.000	0.000	0.013	0.000	0.000
4M.47	First time sewerage	Capex	0.000	0.000	0.000	0.000	0.000	0.000
4M.48	First time sewerage	Opex	0.000	0.000	0.000	0.000	0.000	0.000
4M.49	First time sewerage	Totex	0.000	0.000	0.000	0.000	0.000	0.000
4M.50	Sludge enhancement (quality)	Capex	0.000	0.000	0.000	0.000	0.000	0.000
4M.51	Sludge enhancement (quality)	Opex	0.000	0.000	0.000	0.000	0.000	0.000
4M.52	Sludge enhancement (quality)	Totex	0.000	0.000	0.000	0.000	0.000	0.000
4M.53	Sludge enhancement (growth)	Capex	0.000	0.000	0.000	0.000	0.000	0.000
4M.54	Sludge enhancement (growth)	Opex	0.000	0.000	0.000	0.000	0.000	0.000
4M.55	Sludge enhancement (growth)	Totex	0.000	0.000	0.000	0.000	0.000	0.000
4M.56	Odour	Capex	0.000	0.000	0.000	0.000	0.000	0.000
4M.57	Odour	Opex	0.000	0.000	0.000	0.000	0.000	0.000
4M.58	Odour	Totex	0.000	0.000	0.000	0.000	0.000	0.000
4M.59	Enhancing resilience to low probability high consequence events	Capex	0.000	0.000	0.000	0.000	0.000	0.000
4M.60	Enhancing resilience to low probability high consequence events	Opex	0.000	0.000	0.000	0.000	0.000	0.000
4M.61	Enhancing resilience to low probability high consequence events	Totex	0.000	0.000	0.000	0.000	0.000	0.000
4M.62	Security - SEMD	Capex	0.000	0.000	0.000	0.000	0.000	0.000
4M.63	Security - SEMD	Opex	0.000	0.000	0.000	0.000	0.000	0.000
4M.64	Security - SEMD	Totex	0.000	0.000	0.000	0.000	0.000	0.000
4M.65	Security - Non-SEMD	Capex	0.000	0.000	0.000	0.000	0.000	0.000
4M.66	Security - Non-SEMD	Opex	0.000	0.000	0.000	0.000	0.000	0.000
4M.67	Security - Non-SEMD	Totex	0.000	0.000	0.000	0.000	0.000	0.000
4M.68	Additional line 1	Capex				-		
4M.69	Additional line 1	Opex				0.014		
4M.70	Additional line 1	Totex				0.014		
4M.71	Additional line 2	Capex						
4M.72	Additional line 2	Opex						
4M.73	Additional line 2	Totex						
4M.78	Total other enhancement expenditure	Totex	0.099	0.000	0.000	0.063	0.000	0.000
C	Total enhancement							
4M.79	Total enhancement expenditure	Capex	0.120	0.000	0.000	0.308	0.000	0.000
4M.80	Total enhancement expenditure	Opex	0.000	0.000	0.000	0.014	0.000	0.000
4M.81	Total enhancement expenditure	Totex	0.120	0.000	0.000	0.322	0.000	0.000

year	Cumulative expenditure on schemes completed in the report year												Cumulative expenditure on all schemes to reporting year end	Cumulative allowed expenditure on all schemes to reporting year end	Cumulative allowed expenditure on all schemes 2020-25			
	Bioresources		Wastewater network+					Bioresources								Total	Total	Total
	Sludge treatment	Sludge disposal	Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal	Total							
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m				Total	Total	Total
	0.000	0.000	0.036	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000						
	0.000	0.000	0.036	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000						
	0.000	0.000	0.112	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000						
	0.000	0.000	0.112	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000			
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000			
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000			
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000			
	0.000	0.000	0.014	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.014						
			0.014									0.014						
												0.042						
												0.000						
												0.022						
	0.000	0.000	0.162									0.078	0.000	0.000	0.000			
	0.000	0.000	0.428															
	0.000	0.000	0.014															
	0.000	0.000	0.442									0.475	0.387	2.584				

4N - DEVELOPER SERVICES EXPENDITURE (WATER NETWORK+)

Year ended 31 March 2022

Line description	Water network+			Total £m
	Treated water distribution			
	Capex	Opex	Totex	
	£m	£m	£m	
4N.1 New connections	0.550	0.003		0.553
4N.2 Requisition mains	0.374	0.000		0.374
4N.3 Infrastructure network reinforcement	0.002	0.000		0.002
4N.4 s185 diversions	0.000	0.170		0.170
4N.5 Other price controlled activities	0.000	0.000		0.000
4N.6 Total developer services expenditure	0.926	0.173		1.099

4O - DEVELOPER SERVICES EXPENDITURE (WASTEWATER NETWORK+ AND BIORESOURCES)

Year ended 31 March 2022

Line description	Wastewater network+					Total £m
	Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	
	£m	£m	£m	£m	£m	
A Capex						
4O.1 New connections	0.074	0.000	0.000	0.000	0.000	0.074
4O.2 Requisition sewers	0.000	0.000	0.000	0.000	0.000	0.000
4O.3 Infrastructure network reinforcement	0.000	0.000	0.000	0.000	0.000	0.000
4O.4 s185 diversions	0.000	0.000	0.000	0.000	0.000	0.000
4O.5 Other price controlled activities	0.073	0.000	0.000	0.000	0.000	0.073
4O.6 Total total developer services capex	0.147	0.000	0.000	0.000	0.000	0.147
B Opex						
4O.7 New connections	0.000	0.000	0.000	0.000	0.000	0.000
4O.8 Requisition sewers	0.000	0.000	0.000	0.000	0.000	0.000
4O.9 Infrastructure network reinforcement	0.000	0.000	0.000	0.000	0.000	0.000
4O.10 s185 diversions	0.017	0.000	0.000	0.000	0.000	0.017
4O.11 Other price controlled activities	0.000	0.000	0.000	0.000	0.000	0.000
4O.12 Total developer services opex	0.017	0.000	0.000	0.000	0.000	0.017
C Totex						
4O.13 Total developer services expenditure	0.164	0.000	0.000	0.000	0.000	0.164

4P - EXPENDITURE ON NON-PRICE CONTROL DIVERSIONS

Year ended 31 March 2022

Line description	Water resources £m	Water network+ £m	Wastewater network+ £m	Total £m
A Totex				
4P.1 Costs associated with NSWRA diversions	0.000	0.012	0.000	0.012
4P.2 Costs associated with other non-price control diversions	0.000	0.000	0.000	0.000
4P.3 Other developer services non-price control totex	0.000	0.000	0.000	0.000
4P.4 Developer services on non-price control totex	0.000	0.012	0.000	0.012

4Q - DEVELOPER SERVICES - NEW CONNECTIONS, PROPERTIES AND MAINS

Year ended 31 March 2022

Line description	Water nr	Wastewater nr	Total nr
A Connections volume data			
4Q.1 New connections (residential - excluding NAVs)	434	179	613
4Q.2 New connections (business - excluding NAVs)	42	4	46
4Q.3 Total new connections served by incumbent	476	183	659
4Q.4 New connections - SLPs	104		
B Properties volume data			
4Q.5 New properties (residential - excluding NAVs)	487	225	712
4Q.6 New properties (business - excluding NAVs)	61	4	65
4Q.7 Total new properties served by incumbent	548	229	777
4Q.8 New residential properties served by NAVs	0	0	0
4Q.9 New business properties served by NAVs	0	0	0
4Q.10 Total new properties served by NAVs	0	0	0
4Q.11 Total new properties	548	229	777
4Q.12 New properties - SLP connections	104		
C New water mains data			
4Q.13 Length of new mains (km) - requisitions	1		
4Q.14 Length of new mains (km) - SLPs	1		

4R - CONNECTED PROPERTIES, CUSTOMERS AND POPULATION

Year ended 31 March 2022

Line description	Unmeasured	Measured	Total	Voids
	000s	000s	000s	000s

A Customer numbers - average during the year				
4R.1 Residential water only customers	30.516	46.030	76.546	2.566
4R.2 Residential wastewater only customers	1.055	0.430	1.485	0.078
4R.3 Residential water and wastewater customers	9.209	8.161	17.370	0.779
4R.4 Total residential customers	40.780	54.621	95.401	3.423
4R.5 Business water only customers	0.351	5.365	5.716	1.251
4R.6 Business wastewater only customers	0.149	0.057	0.206	0.094
4R.7 Business water and wastewater customers	0.064	1.056	1.120	0.232
4R.8 Total business customers	0.564	6.478	7.042	1.577
4R.9 Total customers	41.344	61.099	102.443	5.000

Line description	Water			Wastewater		Total
	Unmeasured	Measured	Total	Unmeasured	Measured	
	000s	000s	000s	000s	000s	

B Property numbers - average during the year						
4R.10 Residential properties billed	39.725	54.192	93.917	10.265	8.591	18.856
4R.11 Residential void properties			3.345			0.857
4R.12 Total connected residential properties			97.262			19.713
4R.13 Business properties billed	0.416	6.420	6.836	0.214	1.113	1.327
4R.14 Business void properties			1.483			0.326
4R.15 Total connected business properties			8.319			1.653
4R.16 Total connected properties			105.581			21.366

Line description	Water					Total
	Unmeasured					
	No meter	Basic meter	AMR meter	AMI meter (capable)	AMI meter (active)	
	000s	000s	000s	000s	000s	000s

C Property and meter numbers - at end of year (31 March)							
4R.17 Total new residential properties connected in year		0.000	0.000	0.000	0.000	0.000	0.000
4R.18 Total number of new business properties connections		0.000	0.000	0.000	0.000	0.000	0.000
4R.19 Residential properties billed at year end		36.351	1.645	1.924	0.000	0.000	39.920
4R.20 Residential properties unbilled at year end							1.552
4R.21 Residential void properties at year end							1.552
4R.22 Total connected residential properties at year end							41.472
4R.23 Business properties billed at year end		0.334	0.080	0.011	0.000	0.000	0.425
4R.24 Business properties unbilled at year end							0.124
4R.25 Business void properties at year end							0.124
4R.26 Total connected business properties at year end							0.549
4R.27 Total connected properties at year end							42.021

Line description	Water	Wastewater
	000s	000s

D Population data		
4R.28 Resident population	210.158	39.479
4R.29 Business population		0.909

Line description	Water					Total	Uneconomic to bill	Other	Total	Total
	Measured									
	No meter	Basic meter	AMR meter	AMI meter (capable)	AMI meter (active)					
	000s	000s	000s	000s	000s	000s	000s	000s	000s	000s
	0.000	0.011	0.476	0.000	0.000	0.487				0.487
	0.000	0.000	0.061	0.000	0.000	0.061				0.061
	0.000	34.631	19.485	0.000	0.000	54.116				94.036
							0.000	0.355	0.355	0.355
						1.809				3.361
						55.925				97.752
	0.000	4.704	1.648	0.000	0.000	6.352				6.777
							0.000	0.070	0.070	0.070
						1.373				1.497
						7.725				8.344
						63.650				106.096

Line description	Water		Total
	Resident population	Non-resident population	
	000s	000s	

E Household population data			
4R.30 Household population	206.255	0.000	206.255
4R.31 Household measured population (water only)	117.721	0.000	117.721
4R.32 Household unmeasured population (water only)	88.534	0.000	88.534

5A - WATER RESOURCES ASSET AND VOLUMES DATA

Year ended 31 March 2022

Line	Description	Units	Input
A	Water resources		
5A.1	Water from impounding reservoirs	ML/d	1.96
5A.2	Water from pumped storage reservoirs	ML/d	0.00
5A.3	Water from river abstractions	ML/d	59.87
5A.4	Water from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	ML/d	18.73
5A.5	Water from artificial recharge (AR) water supply schemes	ML/d	0.00
5A.6	Water from aquifer storage and recovery (ASR) water supply schemes	ML/d	0.00
5A.7	Water from saline abstractions	ML/d	0.00
5A.8	Water from water reuse schemes	ML/d	0.00
5A.9	Number of impounding reservoirs	nr	3
5A.10	Number of pumped storage reservoirs	nr	0
5A.11	Number of river abstractions	nr	0
5A.12	Number of groundwater works excluding managed aquifer recharge (MAR) water supply schemes	nr	3
5A.13	Number of artificial recharge (AR) water supply schemes	nr	0
5A.14	Number of aquifer storage and recovery (ASR) water supply schemes	nr	0
5A.15	Number of saline abstraction schemes	nr	0
5A.16	Number of reuse schemes	nr	0
5A.17	Total number of sources	nr	6
5A.18	Total number of water reservoirs	nr	9
5A.19	Total volumetric capacity of water reservoirs	ML	51,719
5A.20	Total number of intake and source pumping stations	nr	7
5A.21	Total installed power capacity of intake and source pumping stations	kW	1,951
5A.22	Total length of raw water abstraction mains and other conveyors	km	3.27
5A.23	Average pumping head - raw water abstraction	m.hd	5.10
5A.24	Energy consumption - raw water abstraction	MWh	556.360
5A.25	Total number of raw water abstraction imports	nr	0
5A.26	Water imported from third parties raw water abstraction systems	ML/d	0.00
5A.27	Total number of raw water abstraction exports	nr	0
5A.28	Water exported to third parties from raw water abstraction systems	ML/d	0.00
5A.29	Water resources capacity (measured using water resources yield)	ML/d	76.67

5B - WATER RESOURCES OPERATING COST ANALYSIS

Year ended 31 March 2022

Line description	Impounding Reservoir	Pumped Storage	River Abstractions	Groundwater, excluding MAR water supply schemes	Artificial Recharge ('AR') water supply schemes	Aquifer Storage and Recovery ('ASR') water supply schemes	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m
A								
5B.1	Power	0.016	0.000	0.019	0.035	0.000	0.000	0.070
5B.2	Income treated as negative expenditure	-0.577	0.000	0.000	0.000	0.000	0.000	-0.577
5B.3	Abstraction charges/discharge consents	0.047	0.000	0.477	0.073	0.000	0.000	0.597
5B.4	Bulk supply	0.396	0.000	0.000	0.000	0.000	0.000	0.396
B	Other operating expenditure							
5B.5	Renewals expensed in year (infrastructure)	0.000	0.000	0.000	0.000	0.000	0.000	0.000
5B.6	Renewals expensed in year (non-infrastructure)	0.000	0.000	0.000	0.000	0.000	0.000	0.000
5B.7	Other operating expenditure excluding renewals	0.167	0.000	0.302	0.543	0.000	0.000	1.012
5B.8	Local authority and Cumulo rates	-0.489	0.000	-0.035	-0.003	0.000	0.000	-0.527
5B.9	Total operating expenditure (excluding third party)	-0.440	0.000	0.763	0.648	0.000	0.000	0.971

6A - RAW WATER TRANSPORT, RAW WATER STORAGE AND WATER TREATMENT DATA

Year ended 31 March 2022

Line description	Units	Input
A Raw water transport and storage		
6A.1 Total number of balancing reservoirs	nr	1
6A.2 Total volumetric capacity of balancing reservoirs	ML	139
6A.3 Total number of raw water transport stations	nr	0
6A.4 Total installed power capacity of raw water transport pumping stations	kW	0
6A.5 Total length of raw water transport mains and other conveyors	km	40.63
6A.6 Average pumping head - raw water transport	m.hd	57.77
6A.7 Energy consumption - raw water transport (MWh)	MWh	6,498.646
6A.8 Total number of raw water transport imports	nr	0
6A.9 Water imported from third parties to raw water transport systems	ML/d	0.00
6A.10 Total number of raw water transport exports	nr	0
6A.11 Water exported to third parties from raw water transport systems	ML/d	0.00
6A.12 Total length of raw and pre-treated (non-potable) water transport mains for supplying customers	km	26.80

Line description	Surface water		Ground water	
	Water treated ML/d	Number of works nr	Water treated ML/d	Number of works nr
B Water treatment - treatment type analysis				
6A.13 All simple disinfection works	0.00	0	0.00	0
6A.14 W1 works	0.00	0	0.00	0
6A.15 W2 works	0.00	0	0.00	0
6A.16 W3 works	1.96	1	0.19	1
6A.17 W4 works	44.79	1	2.25	1
6A.18 W5 works	0.00	0	13.99	1
6A.19 W6 works	0.00	0	0.00	0

Line description	% of total DI	Number of works
	DI	nr

Line description	% of total DI	Number of works
	DI	nr
C Water treatment - works size		
6A.20 WTWs in size band 1	1.3	1
6A.21 WTWs in size band 2	7.5	2
6A.22 WTWs in size band 3	0.0	0
6A.23 WTWs in size band 4	0.0	0
6A.24 WTWs in size band 5	26.5	1
6A.25 WTWs in size band 6	64.8	1
6A.26 WTWs in size band 7	0.0	0
6A.27 WTWs in size band 8	0.0	0

Line description	Units	Input
D Water treatment - other information		
6A.28 Total water treated at more than one type of works	ML/d	0.00
6A.29 Number of treatment works requiring remedial action because of raw water deterioration	nr	0
6A.30 Zonal population receiving water treated with orthophosphate	000's	191.840
6A.31 Average pumping head - water treatment	m.hd	7.58
6A.32 Energy consumption - water treatment (MWh)	MWh	823.991
6A.33 Total number of water treatment imports	nr	0
6A.34 Water imported from third parties to water treatment works	ML/d	0.00
6A.35 Total number of water treatment exports	nr	0
6A.36 Water exported to third parties from water treatment works	ML/d	0.00

6B - TREATED WATER DISTRIBUTION - ASSETS AND OPERATIONS

Year ended 31 March 2022

Line description	Units	Input
A Assets and operations		
6B.1 Total installed power capacity of potable water pumping stations	kW	5,629
6B.2 Total volumetric capacity of service reservoirs	ML	70.3
6B.3 Total volumetric capacity of water towers	ML	0.0
6B.4 Distribution input	ML/d	63.19
6B.5 Water delivered (non-potable)	ML/d	0.37
6B.6 Water delivered (potable)	ML/d	52.69
6B.7 Water delivered (billed measured residential properties)	ML/d	16.98
6B.8 Water delivered (billed measured businesses)	ML/d	17.48
6B.9 Total annual leakage	ML/d	13.91
6B.10 Distribution losses	ML/d	10.11
6B.11 Water taken unbilled	ML/d	1.72
6B.12 Proportion of distribution input derived from impounding reservoirs	Propn 0 to 1	0.030
6B.13 Proportion of distribution input derived from pumped storage reservoirs	Propn 0 to 1	0.000
6B.14 Proportion of distribution input derived from river abstractions	Propn 0 to 1	0.628
6B.15 Proportion of distribution input derived from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	Propn 0 to 1	0.342
6B.16 Proportion of distribution input derived from artificial recharge (AR) water supply schemes	Propn 0 to 1	0.000
6B.17 Proportion of distribution input derived from aquifer storage and recovery (ASR) water supply schemes	Propn 0 to 1	0.000
6B.18 Proportion of distribution input derived from saline abstractions	Propn 0 to 1	0.000
6B.19 Proportion of distribution input derived from water reuse schemes	Propn 0 to 1	0.000
6B.20 Total number of potable water pumping stations that pump into and within the treated water distribution system	nr	98
6B.21 Number of potable water pumping stations delivering treated groundwater into the treated water distribution system	nr	3
6B.22 Number of potable water pumping stations delivering surface water into the treated water distribution system	nr	2
6B.23 Number of potable water pumping stations that re-pump water already within the treated water distribution system	nr	93
6B.24 Number of potable water pumping stations that pump water imported from a third party supply into the treated water distribution system	nr	0
6B.25 Total number of service reservoirs	nr	84
6B.26 Number of water towers	nr	0
6B.27 Energy consumption - treated water distribution (MWh)	MWh	12,325.439
6B.28 Average pumping head - treated water distribution	m.hd	102.91
6B.29 Total number of treated water distribution imports	nr	36
6B.30 Water imported from third parties to treated water distribution systems	ML/d	10.25
6B.31 Total number of treated water distribution exports	nr	16
6B.32 Water exported to third parties from treated water distribution systems	ML/d	3.07

6C - MAINS, COMMUNICATION PIPES AND OTHER DATA (WATER NETWORK+)

Year ended 31 March 2022

Line description	Units	Input
A Treated water distribution - mains analysis		
6C.1 Total length of potable mains as at 31 March	km	2,634.0
6C.2 Total length of potable mains relined	km	0.0
6C.3 Total length of potable mains renewed	km	2.5
6C.4 Total length of new potable mains	km	0.0
6C.5 Total length of potable water mains ≤320mm	km	2,538.9
6C.6 Total length of potable water mains >320mm and ≤450mm	km	78.4
6C.7 Total length of potable water mains >450mm and ≤610mm	km	16.0
6C.8 Total length of potable water mains > 610mm	km	0.7
B Communication pipes		
6C.9 Number of lead communication pipes	nr	23,975
6C.10 Number of galvanised iron communication pipes	nr	4,597
6C.11 Number of other communication pipes	nr	77,524
C Treated water distribution - mains age profile		
6C.12 Total length of potable mains laid or structurally refurbished pre-1880	km	21.7
6C.13 Total length of potable mains laid or structurally refurbished between 1881 and 1900	km	76.0
6C.14 Total length of potable mains laid or structurally refurbished between 1901 and 1920	km	169.3
6C.15 Total length of potable mains laid or structurally refurbished between 1921 and 1940	km	332.5
6C.16 Total length of potable mains laid or structurally refurbished between 1941 and 1960	km	503.8
6C.17 Total length of potable mains laid or structurally refurbished between 1961 and 1980	km	673.4
6C.18 Total length of potable mains laid or structurally refurbished between 1981 and 2000	km	792.2
6C.19 Total length of potable mains laid or structurally refurbished post 2001	km	460.1
D Other		
6C.20 Company area	km ²	2,855
6C.21 Number of lead communication pipes replaced for water quality	nr	0
6C.22 Compliance Risk Index	nr	0.16
6C.23 Event Risk Index	nr	40

6D - DEMAND MANAGEMENT - METERING AND LEAKAGE ACTIVITIES

Year ended 31 March 2022

Line description	Units	Basic meter	AMR meter	AMI meter
A Metering activities - Totex expenditure				
6D.1 New optant meter installation for existing customers	£m	0.000	0.140	0.000
6D.2 New selective meter installation for existing customers	£m	0.000	0.000	0.000
6D.3 New business meter installation for existing customers	£m	0.000	0.000	0.000
6D.4 Residential meters renewed	£m	0.000	0.135	0.000
6D.5 Business meters renewed	£m	0.000	0.002	0.000
B Metering activities - Explanatory variables				
6D.6 New optant meters installed for existing customers	000s	0.001	0.972	0.000
6D.7 New selective meters installed for existing customers	000s	0.000	0.000	0.000
6D.8 New business meters installed for existing customers	000s	0.000	0.000	0.000
6D.9 Residential meters renewed	000s	0.001	2.740	0.000
6D.10 Business meters renewed	000s	0.001	0.033	0.000
6D.11 New residential meters installed for existing customers – supply-demand balance benefit	ML/d	0.00	0.00	0.00
6D.12 New business meters installed for existing customers – supply-demand balance benefit	ML/d	0.00	0.00	0.00
6D.13 Residential meters renewed - supply-demand balance benefit	ML/d		0.00	0.00
6D.14 Business meters renewed - supply-demand balance benefit	ML/d		0.00	0.00
6D.15 Residential properties - meter penetration	%	36.8	20.7	0.0
C Leakage activities - Totex expenditure				
6D.16 Total leakage activity	£m	2.434	0.300	2.734
6D.17 Leakage improvements delivering benefits in 2020-25	ML/d			0.78
D Per capita consumption (excluding supply pipe leakage)				
6D.18 Per capita consumption (measured)	l/h/d	127.90		
6D.19 Per capita consumption (unmeasured)	l/h/d	170.43		

6F - WRMP ANNUAL REPORTING ON DELIVERY - NON-LEAKAGE ACTIVITIES

Year ended 31 March 2022

This table is a nil return, as Hafren Dyfrdwy do not have any WRMP schemes.

7A - FUNCTIONAL EXPENDITURE (WASTEWATER NETWORK+)

Year ended 31 March 2022

Line description	£'000 000s
A Costs of STWs in size bands 1 to 5	
7A.1 Direct costs of STWs in size band 1	200.101
7A.2 Direct costs of STWs in size band 2	326.652
7A.3 Direct costs of STWs in size band 3	485.234
7A.4 Direct costs of STWs in size band 4	552.669
7A.5 Direct costs of STWs in size band 5	321.938
7A.6 General and support costs of STWs in size bands 1 to 5	696.302
7A.7 Functional expenditure of STWs in size bands 1 to 5 (excluding third party services)	2,582.896
B Costs of large STWs (size band 6)	
7C.8 Service charges for STWs in size band 6	0.000
7C.9 Estimated terminal pumping costs size band 6 works	0.000
7C.10 Other direct costs of STWs in size band 6	0.000
7C.11 Direct costs of STWs in size band 6	0.000
7C.12 General and support costs of STWs in size band 6	0.000
7C.13 Functional expenditure of STWs in size band 6 (excluding third party services)	0.000
C Costs of STWs - all sizes	
7C.14 Total operating functional expenditure for Sewage treatment (excluding third party services)	2,582.896

7B - LARGE SEWAGE TREATMENT WORKS - (WASTEWATER NETWORK+)

Year ended 31 March 2022

This table is a nil return because Hafren Dyfrdwy has no large sewage treatment works

7C - SEWER AND VOLUME DATA (WASTEWATER NETWORK+)

Year ended 31 March 2022

Line description	Units	Input
A Wastewater network		
7C.1 Connectable properties served by s101A schemes completed in the report year	nr	0
7C.2 Number of s101A schemes delivered in the report year	nr	0
7C.3 Total pumping station capacity	kW	751
7C.4 Number of network pumping stations	nr	94
7C.5 Total number of sewer blockages	nr	221
7C.6 Total number of gravity sewer collapses	nr	4
7C.7 Total number of sewer rising main bursts	nr	7
7C.8 Number of combined sewer overflows	nr	45
7C.9 Number of emergency overflows	nr	7
7C.10 Number of settled storm overflows	nr	9
7C.11 Sewer age profile (constructed post 2001)	km	33
7C.12 Volume of trade effluent	ML/yr	75.04
7C.13 Volume of wastewater receiving treatment at sewage treatment works	ML/yr	6,350.53
7C.14 Length of gravity sewers rehabilitated	km	0
7C.15 Length of rising mains replaced or structurally refurbished	km	0
7C.16 Length of foul (only) public sewers	km	124
7C.17 Length of surface water (only) public sewers	km	51
7C.18 Length of combined public sewers	km	85
7C.19 Length of rising mains	km	35
7C.20 Length of other wastewater network pipework	km	1
7C.21 Total length of "legacy" public sewers as at 31 March	km	296
7C.22 Length of formerly private sewers and lateral drains (s105A sewers)	km	196

7D - SEWAGE TREATMENT WORKS DATA (WASTEWATER NETWORK+)

Year ended 31 March 2022

Line description	Unit	Treatment categories								Phosphorus		
		Primary	Activated Sludge	Biological	A1	A2	B1	B2	Total	<=0.5mg/l	>0.5 to <=1mg/l	
A Load received at sewage treatment works												
7D.1	Load received by STWs in size band 1	kg BOD ₅ /day	3	0	56	0	89	0	0	148	0	0
7D.2	Load received by STWs in size band 2	kg BOD ₅ /day	0	59	58	0	177	0	0	294	0	0
7D.3	Load received by STWs in size band 3	kg BOD ₅ /day	0	70	316	0	203	0	0	589	0	0
7D.4	Load received by STWs in size band 4	kg BOD ₅ /day	0	496	0	199	0	170	0	865	0	170
7D.5	Load received by STWs in size band 5	kg BOD ₅ /day	0	0	0	0	704	0	0	704	0	0
7D.6	Load received by STWs above size band 5	kg BOD ₅ /day	0	0	0	0	0	0	0	0	0	0
7D.7	Total load received	kg BOD₅/day	3	624	431	199	1,174	170	0	2,601	0	170
7D.8	Load received from trade effluent customers at treatment works	kg BOD ₅ /day								178		

B Number of sewage treatment works												
Line description	Unit	Primary	Activated Sludge	Biological	A1	A2	B1	B2	Total	<=0.5mg/l	>0.5 to <=1mg/l	
7D.9	STWs in size band 1	nr	1	0	12	0	0	9	0	22	0	0
7D.10	STWs in size band 2	nr	0	2	3	0	0	8	0	13	0	0
7D.11	STWs in size band 3	nr	0	1	6	0	0	4	0	11	0	0
7D.12	STWs in size band 4	nr	0	1	0	1	0	0	1	3	0	1
7D.13	STWs in size band 5	nr	0	0	0	0	0	1	0	1	0	0
7D.14	STWs above size band 5	nr	0	0	0	0	0	0	0	0	0	0
7D.15	Total number of works	nr	1	4	21	1	0	22	1	50	0	1

Line description	Unit	Current year	
C Population equivalent			
7D.16	Current population equivalent served by STWs	000s	42,443
7D.17	Current population equivalent served by STWs with tightened / new P consents	000s	0.000
7D.18	Current population equivalent served by STWs with tightened / new N consents	000s	0.000
7D.19	Current population equivalent served by STWs with tightened / new sanitary parameter consents	000s	0.000
7D.20	Current population equivalent served by STWs with tightened / new UV consents	000s	0.000
7D.21	Population equivalent treatment capacity enhancement	000s	0.000
7D.22	Current population equivalent served by STW with tightened / new consents for chemical	000s	0.000
7D.23	Cumulative shortfall in FFT addressed by WINEP/NEP schemes to increase STW capacity	l/s	0.000
7D.24	Additional storm tank capacity provided at STWs	m ³	0.000
7D.25	Additional volume of network storage at CSOs etc to reduce spill frequency	m ³	0.000

Line description	Treatment works consents														
	Phosphorus			BOD ₅					Ammonia						
	>1mg/l	No permit	Total	<=7mg/l	>7 to <=10mg/l	>10 to <=20mg/l	>20mg/l	No permit	Total	<=1mg/l	>1 to <=3mg/l	>3 to <=10mg/l	>10mg/l	No permit	Total
7D.1	0	148	148	0	0	19	90	39	148	0	0	19	13	116	148
7D.2	0	294	294	0	29	116	149	0	294	0	0	122	81	91	294
7D.3	0	589	589	0	0	102	487	0	589	0	0	343	104	142	589
7D.4	0	695	865	0	0	0	865	0	865	0	0	369	496	0	865
7D.5	0	704	704	0	0	0	704	0	704	0	0	704	0	0	704
7D.6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7D.7	0	2,431	2,601	0	29	238	2,296	39	2,601	0	0	1,558	695	349	2,601
7D.8	0	22	22	0	0	2	9	11	22	0	0	2	2	18	22
7D.9	0	13	13	0	1	5	7	0	13	0	0	6	3	4	13
7D.10	0	11	11	0	0	2	9	0	11	0	0	6	2	3	11
7D.11	0	2	3	0	0	0	3	0	3	0	0	2	1	0	3
7D.12	0	1	1	0	0	0	1	0	1	0	0	1	0	0	1
7D.13	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7D.15	0	49	50	0	1	9	29	11	50	0	0	17	8	25	50

7E - ENERGY CONSUMPTION AND OTHER DATA - (WASTEWATER NETWORK+)

Year ended 31 March 2022

Line description	Units	Input	
A Other			
7E.1	Total sewerage catchment area	km ²	16
7E.2	Designated coastal bathing waters	nr	0
7E.3	Number of intermittent discharge sites with event duration monitoring	nr	1
7E.4	Number of monitors for flow monitoring at STWs	nr	0
7E.5	Number of odour related complaints	nr	0
B Energy consumption			
7E.6	Energy consumption - sewage collection	MWh	630.620
7E.7	Energy consumption - sewage treatment	MWh	2,496.057
7E.8	Energy consumption - wastewater network +	MWh	3,126.677

7F - WINEP PHOSPHORUS REMOVAL SCHEME COSTS AND COST DRIVERS - WASTEWATER NETWORK+

Year ended 31 March 2022

		Capital expenditure £m						
Line description		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	After 2024/25

A	Works name							
7F.1	H7S/00101-CHURCH STOKE (STW)	0.013	0.039	0.084	0.162	1.295	0.017	0.000
7F.2	H7S/00102-MONTGOMERY (STW)	0.003	0.005	0.011	0.091	0.170	0.000	0.000
7F.3	H7S/00103-GUILDSFIELD (STW)	0.017	0.019	0.017	0.080	0.115	0.003	0.000
7F.201	Total	0.033	0.063	0.112	0.333	1.580	0.020	0.000

		Operating expenditure £m						
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	After 2024/25

		0.000	0.000	0.000	0.000	0.001	0.014	0.014
		0.000	0.000	0.000	0.000	0.005	0.022	0.022
		0.000	0.000	0.000	0.000	0.004	0.007	0.007
		0.000	0.000	0.000	0.000	0.010	0.043	0.043

Cost driver 1	Cost driver 2	Cost driver 3
Site population equivalent	Historical consent for phosphorus	Enhanced consent for phosphorus
(000's)	(mg/L)	(mg/L)

N/A	N/A	N/A
N/A	N/A	N/A
N/A	N/A	N/A

8A - BIORESOURCES SLUDGE DATA

Year ended 31 March 2022

Line description	Units	Total
8A.1 Total sewage sludge produced, treated by incumbents	ttds/year	0.0
8A.2 Total sewage sludge produced, treated by third party sludge service provider	ttds/year	0.7
8A.3 Total sewage sludge produced	ttds/year	0.7
8A.4 Total sewage sludge produced from non-appointed liquid waste treatment	ttds/year	0.1
8A.5 Percentage of sludge produced and treated at a site of STW and STC co-location	%	0.00
8A.6 Total sewage sludge disposed by incumbents	ttds/year	0.0
8A.7 Total sewage sludge disposed by third party sludge service provider	ttds/year	0.0
8A.8 Total sewage sludge disposed	ttds/year	0.0
8A.9 Total measure of intersiting 'work' done by pipeline	ttds*km/year	0
8A.10 Total measure of intersiting 'work' done by tanker	ttds*km/year	46
8A.11 Total measure of intersiting 'work' done by truck	ttds*km/year	0
8A.12 Total measure of intersiting 'work' done (all forms of transportation)	ttds*km/year	46
8A.13 Total measure of of intersiting 'work' done by tanker (by volume transported)	m3*km/yr	836,974
8A.14 Total measure of 'work' done in sludge disposal operations by pipeline	ttds*km/year	0
8A.15 Total measure of 'work' done in sludge disposal operations by tanker	ttds*km/year	0
8A.16 Total measure of 'work' done in sludge disposal operations by truck	ttds*km/year	0
8A.17 Total measure of 'work' done in sludge disposal operations (all forms of transportation)	ttds*km/year	0
8A.18 Total measure of 'work' done by tanker in sludge disposal operations (by volume transported)	m3*km/yr	0
8A.19 Chemical P sludge as % of sludge produced at STWs	%	8.95

8B - BIORESOURCES OPERATING EXPENDITURE ANALYSIS

Year ended 31 March 2022

Line description	Pipeline £m	Tanker £m	Truck £m	Total £m
A Sludge transport method				
8B.1 Power	0.000	0.000	0.000	0.000
8B.2 Income treated as negative expenditure	0.000	0.000	0.000	0.000
8B.3 Discharge consents	0.000	0.000	0.000	0.000
8B.4 Bulk discharge	0.000	0.000	0.000	0.000
B Other operating expenditure				
8B.5 Renewals expensed in year (infrastructure)	0.000	0.000	0.000	0.000
8B.6 Renewals expensed in year (non-infrastructure)	0.000	0.000	0.000	0.000
8B.7 Other operating expenditure excluding renewals	0.000	0.011	0.000	0.011
8B.8 Total functional expenditure	0.000	0.011	0.000	0.011
8B.9 Local authority and Cumulo rates	0.000	0.000	0.000	0.000
8B.10 Total operating expenditure (excluding third party)	0.000	0.011	0.000	0.011

Line description	Untreated sludge £m	Raw sludge liming £m	Conventional AD £m	Incineration of raw sludge £m	Photo- conditioning/ composting £m	Advanced Anaerobic Digestion £m	Other £m	Total £m
C Sludge treatment type								
8B.11 Power	0.000	0.000	0.001	0.000	0.000	0.000	0.000	0.001
8B.12 Income treated as negative expenditure	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
8B.13 Discharge consents	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
8B.14 Bulk discharge	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Line description	£m	£m	£m	£m	£m	£m	£m	£m
D Other operating expenditure								
8B.15 Renewals expensed in year (infrastructure)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
8B.16 Renewals expensed in year (non-infrastructure)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
8B.17 Other operating expenditure excluding renewals	0.000	0.000	0.403	0.000	0.000	0.000	0.000	0.403
8B.18 Total functional expenditure	0.000	0.000	0.404	0.000	0.000	0.000	0.000	0.404
8B.19 Local authority and cumulo rates	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
8B.20 Total operating expenditure (excluding third party services)	0.000	0.000	0.404	0.000	0.000	0.000	0.000	0.404

Line description	Landfill, raw £m	Landfill, partly treated £m	Land restoration/ reclamation £m	Sludge recycled to farmland £m	Incineration of digested Sludge £m	Other £m	Total £m
E Sludge disposal route							
8B.21 Power	0.000	0.000	0.000	0.000	0.000	0.000	0.000
8B.22 Income treated as negative expenditure	0.000	0.000	0.000	0.000	0.000	0.000	0.000
8B.23 Discharge consents	0.000	0.000	0.000	0.000	0.000	0.000	0.000
8B.24 Bulk discharge	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Line description	£m	£m	£m	£m	£m	£m	£m
F Other operating expenditure							
8B.25 Renewals expensed in year (infrastructure)	0.000	0.000	0.000	0.000	0.000	0.000	0.000
8B.26 Renewals expensed in year (non-infrastructure)	0.000	0.000	0.000	0.000	0.000	0.000	0.000
8B.27 Other operating expenditure excluding renewals	0.000	0.000	0.000	0.007	0.000	0.000	0.007
8B.28 Total functional expenditure	0.000	0.000	0.000	0.007	0.000	0.000	0.007
8B.29 Local authority and Cumulo rates	0.000	0.000	0.000	0.000	0.000	0.000	0.000
8B.30 Total operating expenditure (excluding third party services)	0.000	0.000	0.000	0.007	0.000	0.000	0.007

8C - BIORESOURCES ENERGY AND LIQUORS ANALYSIS

Year ended 31 March 2022

This table is a nil return for Hafren Dyfrdwy.

8D - BIORESOURCES SLUDGE TREATMENT AND DISPOSAL DATA

Year ended 31 March 2022

This table is a nil return for Hafren Dyfrdwy.

9A - INNOVATION COMPETITION

Year ended 31 March 2022

Line description	Current year £m
A Allowed	
9A.1 Allowed innovation competition fund price control revenue	0.097
B Revenue collected for the purposes of the innovation competition	
9A.2 Innovation fund income from customers	0.097
9A.3 Income from customers to fund innovation projects the company is leading on	0.001
9A.4 Income from other water companies to fund innovation projects the company is leading on	0.205
9A.5 Income from customers that is transferred to other companies as part of the innovation fund	0.010
9A.6 Non-price control revenue (e.g. royalties)	0.000

Line description	Total amount of funding awarded to the lead company through the innovation fund	Forecast expenditure on innovation fund projects in year (excl 10% partnership contribution)	Actual expenditure on innovation fund projects in year (excl 10% partnership contribution)	Difference between actual and forecast expenditure	Forecast project lifecycle expenditure on innovation fund projects (excl 10% partnership contribution)	Cumulative actual expenditure on innovation fund projects (excl 10% partnership contribution)	Difference between actual and forecast expenditure
	nr	£m	£m	£m	£m	£m	£m
9A.7 Innovation project 1		0.206	0.206	-0.037	0.037	0.169	0.132
9A.22 Total		0.206	0.206	-0.037	0.037	0.169	0.132

C Administration	
9A.23 Administration charge for innovation partner	0.004

In the financial year 2021/22, £0.097 million has been collected from customers. We have an obligation to fund projects or compensate companies as innovation competition funding is ordered, and so we have provided for the full amount. This funding is to be used for the sole purpose of the innovation competition.

Allowed future expenditure on innovation fund projects	In year expenditure on innovation projects funded by shareholders	Cumulative expenditure on innovation projects funded by shareholders
£m	£m	£m
0.038	0.038	0.019
0.038	0.038	0.019

11A - OPERATIONAL GREENHOUSE GAS EMISSIONS

Year ended 31 March 2022

Line description	Water tCO ₂ e	Wastewater tCO ₂ e	Total tCO ₂ e
A Scope 1 emissions			
11A.1 Burning of fossil fuels	15,850	9,070	24,920
11A.2 Process and fugitive emissions	-	215,670	215,670
11A.3 Vehicle transport	242,760	242,760	485,520
11A.4 Total Scope 1 emissions	258,610	467,500	726,110
11A.5 Scope 1 emissions; GHG type CO ₂	254,930	248,230	503,160
11A.6 Scope 1 emissions; GHG type CH ₄	0,050	0,040	0,090
11A.7 Scope 1 emissions; GHG type N ₂ O	3,640	219,220	222,860
B Scope 2 emissions			
11A.8 Purchased electricity - location based	3,871,630	628,270	4,499,900
11A.9 Purchased electricity - market based	-	-	-
11A.10 Purchased heat	-	-	-
11A.11 Electric vehicles	-	-	-
11A.12 Removal of electricity to charge electric vehicles at site	-	-	-
11A.13 Total Scope 2 emissions (location based)	3,871,630	628,270	4,499,900
11A.14 Scope 2 emissions; GHG type CO ₂	3,832,060	621,840	4,453,900
11A.15 Scope 2 emissions; GHG type CH ₄	14,590	2,370	16,960
11A.16 Scope 2 emissions; GHG type N ₂ O	24,980	4,050	29,030
C Scope 3 emissions			
11A.17 Business travel	-	-	-
11A.18 Outsourced activities	-	-	-
11A.19 Purchased electricity; transmission and distribution - location based	342,620	55,600	398,220
11A.20 Purchased electricity; transmission and distribution - market based	-	-	-
11A.21 Purchased heat; transmission and distribution	-	-	-
11A.22 Total Scope 3 emissions (location based)	342,620	55,600	398,220
11A.23 Scope 3 emissions; GHG type CO ₂	339,150	55,040	394,190
11A.24 Scope 3 emissions; GHG type CH ₄	1,280	0,210	1,490
11A.25 Scope 3 emissions; GHG type N ₂ O	2,190	0,360	2,550
D Gross operational emissions (Scope 1, 2 and 3)			
11A.26 Gross operational emissions - location based	4,472,860	1,151,360	5,624,220
11A.27 Gross operational emissions - market based	258,620	467,500	726,120
E Emissions reductions			
11A.28 Exported renewables (location based)	-	-	-640,240
11A.29 Exported biomethane (location based)	-	-	-
11A.30 Green tariff electricity offsets	-	-	-4,499,900
11A.31 Other emissions reductions	-	-	-
11A.32 Total emissions reductions	-	-	-5,140,140
E Net annual emissions			
11A.33 Net annual emissions - location based	3,832,620	1,151,360	4,983,980
11A.34 Net annual emissions - market based	-381,620	467,500	85,880
11A.35 Net annual emissions	-	-	-
Line description	Water kgCO ₂ e/ML	Wastewater kgCO ₂ e/ML	
G GHG intensity ratios (location based)			
11A.36 Emissions per ML of treated water	156,550		
11A.37 Emissions per ML of sewage treated (flow to full treatment)		136,750	
11A.38 Emissions per ML of sewage treated (water distribution input)		136,750	

GREENHOUSE GAS ('GHG') EMISSIONS REPORTING FOR 2021-22

EXPLANATORY STATEMENT ON REPORTING

This appendix provides reporting for operational emissions for Hafren Dyfrdwy. Reporting for this year is voluntary, with the intention for reporting to become more standardised and mandatory in future APRs.

We began reporting Hafren Dyfrdwy specific metrics when Hafren Dyfrdwy was formed in 2018. Prior to 2018 GHG emissions were reported with Severn Trent and Dee Valley boundaries where we have a strong track record of operational carbon reporting, disclosure and reduction. We first began to inventorise and report our carbon emissions in 2002 and have reported consistently on our operational carbon emissions since 2007. We achieved the Carbon Trust Standard in 2009 which is an external recognition of our approach to measuring, reporting and reducing carbon emissions and have held that standard continuously since. This year we will be one of the pilot group for the Carbon Trusts new Net Zero Standard. We have also reported and publicly disclosed emissions and climate change data to the Carbon Disclosure Project ('CDP') every year since 2006.

We follow the principles of the International GHG protocol and Defra guidance in our carbon accounting and use the industry standard Carbon Accounting Workbook for our reporting. This tool is reviewed and updated annually to reflect changes in guidance and emissions factors. Our data and processes are subject to external assurance every year. This year Jacobs undertook this work. Our approach to Scope 1 and Scope 2 emissions is to use the financial control boundary. This means we report on emissions from the assets we own. For HD all of our sites sit in Wales.

Our targets and ambitions are set at a group level, so Severn Trent Plc is our most important business unit for emissions reporting. We are able to split this data into the appointed business units and the Severn Trent Water / Hafren Dyfrdwy data reflects these business units, rather than our group total. When reporting at appointed business level we include admin emissions within the waste/water totals, splitting the admin emissions equally between them. We have committed to Science-Based Targets ('SBTs') and are now reporting in our annual report against our SBT baseline.

This year in the Severn Trent Plc Annual Report and Accounts and Sustainability Report, we have disclosed more carbon information than ever before, including progress against our 2030 Triple Carbon pledge, our net operational greenhouse gas emissions and a wider range of Scope 3 emissions from our supply chain. We are improving our estimation and collection of Scope 3 emissions data across our value chain and will be able to report on a wider set of Scope 3 emissions from next year, specific to HD, as well as comprehensive Task Force on Climate-Related Financial Disclosure ('TCFD') data.

Strengths

- Clear and ambitious group targets on carbon (2030 Triple Carbon Pledge and Science-Based Targets).
- Strong leadership commitment and support from stakeholders and customers.
- Strong track record of carbon accounting, reporting and reduction.
- Collaborative approach with the UK water industry and beyond, ensuring consistency and sharing of best practice.
- Best practice energy management approach following all principles of ISO50001 with dedicated expertise and efficiency investment.
- We lead the sector in renewable generation across our appointed and non-appointed businesses, including in food waste generation.
- We lead the sector in our approach to measuring and understanding process emissions - our most significant Scope 1 emissions source.

Weaknesses

- We are only beginning to collect regular information on Scope 3 emissions in our supply chain. This includes for the embedded carbon of capital projects.
- Our own data-gathering shows that significant improvement in understanding and data is needed to properly reflect the emissions from our assets and operation and enable improvements to be made. The historic industry method underestimates process emissions of N₂O. There are no economic drivers to act in this area but it is critical to understand in order to meet our ambitions. We have therefore put lots of effort into this area and recognise this as an opportunity. We have restated our process emissions figures using a new methodology this year.

Opportunities

- The increased focus and ambition on carbon emissions presents opportunities as outlined in our TCFD disclosure in the Severn Trent Plc Annual Report and Accounts on pages 37 to 47.
- Government policy to achieve net zero across the economy presents opportunities for us to move quicker.
- As markets change, we will be able to take advantage of new technologies and products to reduce our emissions cost-effectively. This has been seen most successfully in electricity, the only sector of the economy to see successful decarbonisation over the past decade and we are seeing similar changes in transport options as manufacturers improve their products.
- Emerging markets for different carbon offsets potentially open up more ways to capture or reduce carbon and move investment into lower-carbon technologies.
- Considering PAS2080 standards could identify areas of improvement in our processes.

Threats

- Climate change, rising water demand, increasingly stringent quality requirements, resilience improvements and other service improvements require more carbon-intensive solutions, which makes our challenge ever more difficult.
- Changing water standards may mean more carbon intensive processes are used.
- We cannot achieve net zero and Science-Based Targets alone. We need suppliers, stakeholders, government and regulators working towards the same aims especially where lower-carbon options are more costly or higher risk. This is especially true for our Scope 3 emissions.

EXPLANATORY STATEMENT ON REPORTING OF EMBEDDED EMISSIONS AT HAFREN DYFRDWY

In 2020 we submitted SBTs for verification and this included emissions from our supply chain. Our most significant category of emissions in our supply chain was 'capital goods and services' which we take to mean the same as 'embedded emissions' (i.e. the carbon emitted as a result of the materials and construction activities involved in delivering a capital project up to the point it is commissioned. Also termed 'cradle to gate' and/or capital maintenance activities). We have carried out our initial baseline quantification of these emissions using capital expenditure data and the advice of expert consultants Small World Consulting, who have developed emissions factors based on 'input output analysis'.

Enhancements to our capital carbon calculator have improved the accuracy of the data and we have mandated its use with our teams and partners. We have also challenged our design teams to consider the total carbon impact of all our projects, during their construction and across their operational lifetime. We have challenged our design teams to deliver a 30% reduction in both embedded and operational emissions from the initial concept through to the final, detailed design.

In 2022 we launched EcoVadis, a sustainability ratings platform which independently assesses suppliers based on their environmental and social impact performance. Through this tool we will get greater insight into Scope 3 emissions, as we are able to obtain actual data, e.g. carbon footprint or whether a SBT has been set.

However, the majority of the schemes that have gone through the carbon calculator have yet to begin construction. We have calculated an emissions of circa. 197kt CO₂e for 2021/22 but this is based on spend data and at the supplier level, so hasn't split out the values between construction and maintenance activities. In addition we have estimated the emissions of Purchased Goods and Services at 220kt CO₂e. We have commissioned a study of the ten most impactful materials used in construction in the water industry to help us understand the associated emissions, and explore what alternatives are available. It is our intention to further develop our carbon calculator so that it covers a wider range of activities such as maintenance and embed it in our decision making processes to drive emission reductions as well as allow for more granular reporting in 2022/23.

Strengths

- We have an approximate baseline quantification for capital goods and services using expenditure.
- We have developed a carbon calculator which allows us to quantify and compare carbon emissions of different solutions. This is now standard across our capital projects and we will gain increased insight over future years.

Weaknesses

- We have only deployed our calculator recently, which means we do not have a complete dataset of emissions from our existing capital programme and this will take time to build up.
- We have not consistently used carbon as a decision making factor in capital selection to date. We generally focus on lowest whole life cost which, while often aligned with lowest carbon cost, is not always.
- The tool doesn't currently cover maintenance or nature based solutions but we are working to add these.

Opportunities

- Our growing data set will allow much more understanding on the choices available and will allow improved quantification and baselining.
- Including carbon as a decision making factor may encourage more innovative thinking and options to be considered.
- Making this data available will allow us to challenge our suppliers in a more informed way, including by potentially setting carbon targets over the life of a capital project and for reduction in design from baseline.
- As part of our SBTs we now have a number of suppliers signed up to introduce their own SBTs which should help drive down emissions in our supply chain.

Threats

- The additional administrative burden and any cost impact of this in our supply chain is yet to be understood.
- The relatively high uncertainty in quantification for embedded emissions means there is margin for error. Our constrained cost frameworks and low margin for risk on environmental and service requirements might not allow lowest carbon choices to be selected.

SUPPLEMENTARY DISCLOSURES

Year ended 31 March 2022

A) BORROWINGS AND INTERCOMPANY LENDING

Amounts paid to associated companies in the year and related payable balances at the year end are outlined below:

	Amounts paid £m	Interest rate %	Payable balance £m
Severn Trent Water Limited	1.017	3.635%	-
Severn Trent Water Limited	10.021	LIBOR + 1.500%	3.340

Amounts received from associated companies in the year and related receivable balances at the year end are outlined below:

	Amounts received £m	Interest rate %	Receivable balance £m
Severn Trent Water Limited	6.650	3.635%	-

B) TRANSFER OF ASSETS/LIABILITIES, OMISSIONS, WAIVERS, GUARANTEES

There were no transfers of assets or liabilities to associated companies, no guarantees were issued in favour of associated companies.

There were no rights omitted to be exercised resulting in a reduction in the value of net assets of the Company and no waivers of any consideration, remuneration, or any other payment receivable by the Company.

Services received by the Appointee from associated companies are outlined below.

C) SUPPLY OF SERVICES

Services supplied by the Appointee to associated companies are outlined below.

Service	Company	Turnover of associate in the period £m	Terms of supply	Value £m
Bulk water supplies	Severn Trent Water Limited	1,774.081	Tariff	0.820
Bulk waste water supplies	Severn Trent Water Limited	1,774.081	Tariff	0.035
Water operational services	Severn Trent Water Limited	1,774.081	Cost	0.950
Records management	Severn Trent Data Portal Limited	-	Tariff	-
Pass through of management charges				
				1.804

Service	Company	Turnover of associate in the period £m	Terms of supply	Value £m
Management Recharge	Severn Trent Water Limited	1,774.081	Market tested	(0.237)
Pass through of management charges	Severn Trent Plc	-	Cost	0.035
Data Portal Income	Severn Trent Data Portal Limited	-	Cost	(0.007)
Reed bed refurbishment	Severn Trent Services Operations UK Limited	20.550	Cost	0.092
Pass through of management charges	Severn Trent Water Limited	1,774.081	Cost	1.755
Retail support services	Severn Trent Water Limited	1,774.081	Cost	0.431
Wholesale support services	Severn Trent Water Limited	1,774.081	Cost	2.003
Bulk water supplies	Severn Trent Water Limited	1,774.081	Tariff	3.388
Bulk waste water supplies	Severn Trent Water Limited	1,774.081	Tariff	0.036
Water operational services	Severn Trent Water Limited	1,774.081	Cost	1.798
Waste water operational services	Severn Trent Water Limited	1,774.081	Cost	1.597
Treatment of imported sludge	Severn Trent Water Limited	1,774.081	Cost	0.369
Tankering fleet services	Severn Trent Water Limited	1,774.081	Cost	0.317
Technology services	Severn Trent Water Limited	1,774.081	Cost	0.831
				12.409

D) SERVICE PROVIDED TO THE NON APPOINTED BUSINESS

Service	Basis of recharge	Value of recharge £m
Other water companies billing activities	Direct and indirect costs	1.154
Rental income	Direct and indirect costs	0.006
		1.160

E) GROUP RELIEF CHARGES FOR TAX LOSSES

Charges are made between UK entities for the receipt of tax losses within the Severn Trent Group at the prevailing corporation tax rate in the period (2020/21 – 19%).

Company	Turnover of associate in the period £m	Terms of supply	Value £m
Severn Trent Water Limited	1,774.698	Cost	-1.495



APPENDIX A: APR ASSURANCE APPROACH AND OUTPUTS

APPENDIX A: ASSURANCE APPROACH AND OUTPUTS

In this appendix you will find:

THE APR ASSURANCE APPROACH DURING COVID-19

APR SPECIFIC GOVERNANCE APPROACH

HOW WE APPROACH APR ASSURANCE

OUTCOME OF ASSURANCE

A.1 THE APR ASSURANCE APPROACH DURING COVID-19

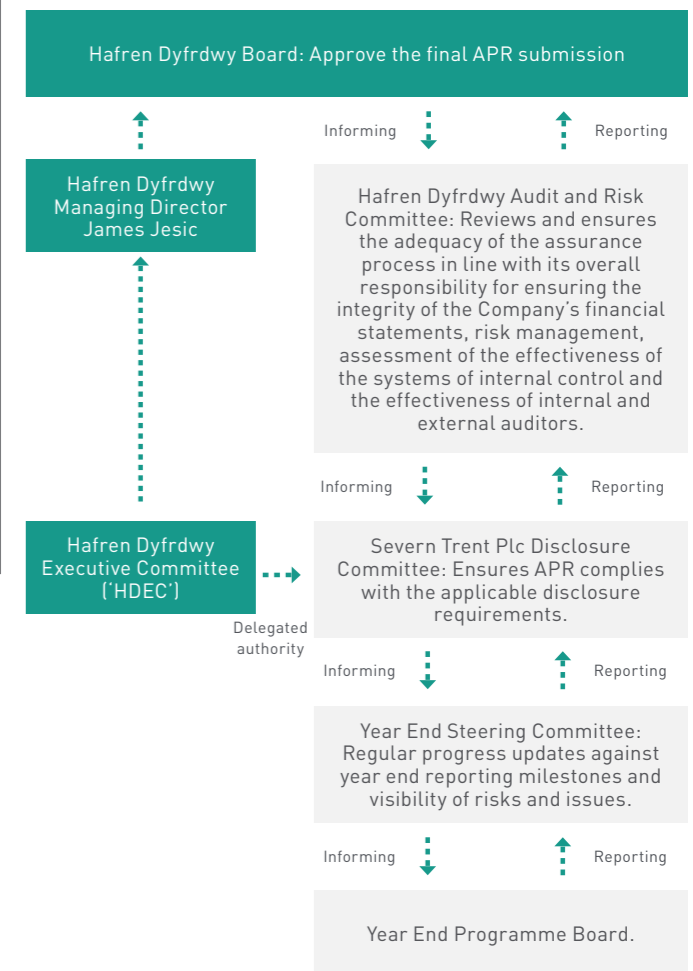
The 2021/22 APR assurance plan uses our established risk-based three lines of assurance approach to ensure it has been given the appropriate level of governance and assurance. You can read more about our Company governance and assurance frameworks in our [Regulatory Reporting and Assurance document](#).

2021/22 has been a year in which COVID-19 and its economic and societal consequences has continued to evolve. From an assurance perspective, we have worked with our internal first and second line assurance providers, and our external assurance providers. This is to ensure that we deliver our programme of assurance without any compromise to the integrity or objectivity of the assurance undertaken. Various technological tools, including Microsoft Teams and broader Office365 applications have meant that we have been able to deliver our 2021/22 assurance plan without any significant impact. That means our APR assurance this year is just as robust, despite COVID-19. We have collaborated and continue to engage across the sector to share best practice assurance approaches throughout the pandemic.

A.2 APR SPECIFIC GOVERNANCE APPROACH

Our compliance framework incorporates Ofwat’s most recent APR and regulatory reporting requirements, the 2021/22 revised Regulatory Accounting Guidelines (‘RAGs’), and wider company duties (including Welsh Government directives such as the Well-Being Future Generations Act which has helped us to shape some of our bespoke PCs).

The below diagram demonstrates the specific assurance governance applied for the approval and publication of the APR. The below diagram demonstrates the specific assurance governance applied for the approval and publication of the APR.



A.3 HOW WE APPROACH APR ASSURANCE

Each line of the APR is risk assessed centrally using an established framework to ascertain the level of assurance required: first, second, or third line assurance. Once the level of assurance is identified, the Group Compliance and Assurance Team co-ordinates and schedules the full assurance programme throughout the year and at year end with data and methodology producers and assurance providers.

As part of the performance reporting, we are required to publish regulatory accounts that, among other things, set out financial information:

- On the allocation of cost by price control and subsections of the value chain;
- On non-appointed activity; and
- On transactions between associated companies.

In reporting on the above, we are required to comply with Ofwat's RAGs - in particular 'RAG 2 - Guideline for the classification of costs across the price controls' and 'RAG 5 - Guideline for transfer pricing'. Over and above the RAGs, our licence places an obligation on us to ensure that every transaction between the appointee and any associated company is at arm's length, so that neither gives to nor receives from the other any cross subsidy (Condition F). This also applies to the appointed and non-appointed activity within the appointee. We have a number of controls in place to ensure that we apply the requirements as set out by Ofwat. Cost allocation activities within our Finance Team are part of our established third line assurance processes (the approach and outcome are explained on page 180).

A.3.1 First line assurance

A key part of our assurance framework is the first and second line assurance activities that are undertaken throughout the year.

Each line of our APR submission has been reviewed during first line assurance. This activity is undertaken by the teams responsible for reporting the data so that colleagues with the right expertise are conducting in-depth quality checks at the time the data is produced. They are also responsible for maintaining effective internal controls and implementing corrective actions to address process deficiencies if identified.

Each reporting line in the APR is assigned to a responsible manager who reviews and approves the data, process documentation and commentaries, forming an integral part of the assurance approach. An approval process is followed with final sign off for both the data and commentary at Director level.

A.3.2 Second line assurance

For our higher risk measures, the second line assurers facilitate and monitor the implementation of effective practices, ensuring that the first line assurance is designed, implemented and operates correctly, confirming that documented processes have been followed, and complete checks and controls to ensure the integrity and reliability of the data and information we publish.

Where it is identified that third line assurance is required, the Assurance Team liaise with the reporting teams to monitor improvement activities and resolve prior outstanding actions to ensure there are not any material issues.

A.3.3 Third line assurance

Our most critical areas are subject to third line assurance. Internal Audit provide comprehensive assurance based on the highest level of independence within the Company. In addition, we use external financial and technical auditors who are independent of the Company and provide objective assurance of our data and information.

The following details the activities for each of our third line providers:

Internal Audit

Internal Audit performed several checks as part of its assurance to ensure that:

- Processes followed were appropriate to produce the data required for our APR submission.
- Historical data used in the tables could be traced back to source or previously published information.
- Data was produced in line with the methodology documents and RAG 4 requirements (Guideline for the table definitions for the annual performance report).
- Data from the working files was aligned to the APR data tables to be submitted.
- A sample of business cases was reviewed to check the correct allocation of costs.

Deloitte financial audit opinion

Deloitte provided financial audit procedures over sections 1 and 2 of the APR data tables. These sections provide a baseline level of historical cost financial information and are aligned to our price controls and associated regulatory performance commitments and incentives set out in Ofwat's 2019 Final Determination.

'As in previous years, Deloitte have informed Ofwat that a number of lines in Table 1F will not be subject an audit opinion. They have carried out agreed upon procedures on the following lines: 1F.9, 1F.16, 1F.17, 1F.20 and 1F.23. Deloitte have not performed any procedures on lines 1F.4, 1F.10, 1F.11, 1F.15, 1F.18 and 1F.19 as these are not within their scope.

Jacobs technical assurance

The technical assurance applied by Jacobs complements our risk-based assurance framework which is, in part, informed by previous assurance findings, as well as emerging risk, and stakeholder feedback. Jacobs provided a staged approach to technical assurance on the elements of the APR that are listed in the tables overleaf. Stages one and two focused on documentation and process and were undertaken on new measures or where there had been changes to processes. During stage one, Jacobs reviewed the process description templates ('PDTs') which are followed to report against PCs. Stage two included formal reviews. The reviews ensure that:

- Processes are in place to produce data that is consistent with the RAGs, PC definition or non-financial data definition;
- Improvements and changes in processes from previous assurance rounds are clearly stated;
- Accountability and responsibility for each stage of the process is clear with dependencies, assumptions, risks and mitigations are identified; and
- There are appropriate checks and controls identified.

Stage three focused on the data produced. Data audits were completed virtually through Microsoft Teams and data provision via SharePoint. The audits involved:

- Confirming that the data produced is consistent with the PDT and aligns with reporting guidance;
- Confirming that internal checks and controls have been completed;
- Carrying out proportionate sampling checks;
- Confirming that exclusions have been applied correctly; and
- Ensuring that any rewards/penalties and data points are calculated in line with our Final Determination requirements. This focuses on the mechanistic calculation to give the gross reward/penalty position.

The assurance approach is summarised over the next few pages.

Regulatory Accounts

		Methodology & Process	Data
1A	Income statement	Deloitte	Deloitte
1B	Statement of comprehensive income	Deloitte	Deloitte
1C	Statement of financial position	Deloitte	Deloitte
1D	Statement of cash flows	Deloitte	Deloitte
1E	Net debt analysis	Deloitte	Deloitte
1F*	Financial flows	Deloitte / Jacobs	Deloitte / Jacobs
2A	Segmental income	Jacobs	Deloitte
2B	Totex analysis (wholesale)	Jacobs	Deloitte
2C	Operating cost analysis - retail	Jacobs	Deloitte
2D	Historic cost analysis of tangible fixed assets	Jacobs	Deloitte
2E	Analysis of grants and contributions (water resources, water network+ and wastewater network+)	Jacobs	Deloitte
2F	Residential retail	Jacobs	Deloitte / Jacobs
2G	Non-household water - revenues by tariff type	Jacobs	Deloitte
2H	Non-household wastewater - revenues by tariff type	Jacobs	Deloitte
2I	Revenue analysis	Jacobs	Deloitte
2J	Infrastructure network reinforcement costs	Jacobs	Deloitte
2K	Infrastructure charges reconciliation	Jacobs	Deloitte
2L	Analysis of land sales	Jacobs	Deloitte
2M	Revenue reconciliation	Jacobs	Deloitte
2N	Residential retail - social tariffs	Jacobs	Deloitte
2O	Historic cost analysis of intangible fixed assets	Jacobs	Deloitte

* See note on Deloitte financial audit opinion for 1F on page 174.

Performance Summary

		Methodology & Process	Data
3A	Outcome performance - water common performance commitments	2nd line / Jacobs	Jacobs
3B	Outcome performance - wastewater common performance commitments	2nd line / Jacobs	Jacobs
3C	Customer measure of experience ('C-MeX') table	2nd line / Jacobs	Jacobs
3D	Developer services measure of experience ('D-MeX') table	2nd line / Jacobs	Jacobs
3E	Outcome performance - Non-financial performance commitments	2nd line / Jacobs	Jacobs
3F	Underlying calculations for common performance commitments - water and retail	2nd line / Jacobs	Jacobs
3G	Underlying calculations for common performance commitments - wastewater	2nd line	Jacobs
3H	Summary information on outcome delivery incentive payments	Jacobs	Jacobs
3I	Supplementary outcomes information	2nd line / Jacobs	Jacobs

Additional regulatory information - service level

		Methodology & Process	Data
4A	Water bulk supply information	2nd Line	2nd Line
4B	Analysis of debt	Internal Audit	Internal Audit
4C	Impact of price control performance to date on RCV	Jacobs	Jacobs
4D	Totex analysis - water resources and water network+	Internal Audit	Internal Audit
4E	Totex analysis - wastewater network+ and bioresources	Internal Audit	Internal Audit
4F	Major project expenditure for wholesale water by purpose	Internal Audit	Internal Audit
4G	Major project expenditure for wholesale wastewater by purpose	Internal Audit	Internal Audit
4H	Financial metrics	Internal Audit	Internal Audit
4I	Financial derivatives	Internal Audit	Internal Audit
4J	Base expenditure analysis - water resources and water network+	Internal Audit	Internal Audit
4K	Base expenditure analysis - wastewater network+ and bioresources	Internal Audit	Internal Audit
4L	Enhancement expenditure - water resources and water network+	Internal Audit	Internal Audit
4M	Enhancement expenditure - wastewater network+ and bioresources	Internal Audit	Internal Audit
4N	Developer services expenditure - water resources and water network+	Internal Audit	Internal Audit
4O	Developer services expenditure - wastewater network+ and bioresources	Internal Audit	Internal Audit
4P	Expenditure on non-price control diversions	Internal Audit	Internal Audit
4Q	Developer services - non-financial information	2nd line	Jacobs
4R	Properties, customers and population - non-financial information	2nd Line	Jacobs

Additional regulatory information - water resources

		Methodology & Process	Data
5A	Water resources asset and volumes data	2nd line	Jacobs
5B	Water resources operating cost analysis	Internal Audit	Internal Audit

Additional regulatory information - water network+

		Methodology & Process	Data
6A	Raw water transport, raw water storage and water treatment data	2nd Line	Jacobs
6B	Treated water distribution - assets and operations	2nd Line	Jacobs
6C	Water network+ - Mains, communication pipes and other data	2nd Line / Jacobs	Jacobs
6D	Demand management - Metering and leakage activities	2nd Line / Internal Audit	Jacobs / Internal Audit

Additional regulatory information - wastewater network+

		Methodology & Process	Data
7A	Wastewater network+ - Functional expenditure	Internal Audit	Internal Audit
7B	Wastewater network+ - Large sewage treatment works	2nd Line / Internal Audit	2nd Line / Internal Audit
7C	Wastewater network+ - Sewer and volume data	2nd Line	Jacobs
7D	Wastewater network+ - Sewage treatment works data	2nd Line / Jacobs	Jacobs
7E	Wastewater network+ - WINEP phosphorous removal scheme costs	Jacobs	Jacobs

Additional regulatory information - bioresources

		Methodology & Process	Data
8A	Bioresources sludge data	2nd Line	2nd Line / Jacobs
8B	Bioresources operating expenditure analysis	Internal Audit	Internal Audit
8C	Bioresources energy and liquors analysis	Jacobs / 2nd line / Internal Audit	Jacobs / Internal Audit
8D	Bioresources sludge treatment and disposal data	2nd Line	2nd line

Additional regulatory information - innovation competition

		Methodology & Process	Data
9A	Innovation competition	Internal Audit	Internal Audit

Carbon

		Methodology & Process	Data
11A	Carbon	Jacobs	Jacobs

A.4 OUTCOME OF ASSURANCE

Our outcomes of assurance provide oversight of the assurance and audit activities completed by our third line assurance providers, both financial and non-financial. We have included letters of assurance from our technical assurers, Jacobs on page 65 of the APR. Deloitte provide an audit opinion on the Regulatory Accounting Statements on pages 79 to 82.

Internal Audit outcome

Internal Audit confirmed that “we did not find any material issues and supporting evidence and answers to queries raised were provided.”

Deloitte audit opinion

Deloitte’s audit opinion confirms that:

- *“Hafren Dyfrdwy Cyfyngedig’s Regulatory Accounting Statements have been prepared, in all material aspects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WRSA (RAG 1.09, RAG 2.09, RAG 3.13, RAG 4.10 and RAG 5.07) and the accounting policies (including the Company’s published accounting methodology statement, as defined in RAG 3.13, appendix 2), set out on pages 96 to 98.*

Jacobs’ assurance outcome

Cost Allocation	
Requirements	Assurance undertaken
<p>We are required to publish regulatory accounts that, among other things, set out financial information:</p> <ul style="list-style-type: none"> • On the allocation of costs by price control and subsections of the value chain; • On non-appointed activity; and • On transactions between associated companies. <p>In reporting on the above, we are required to comply with Ofwat’s RAGs - in particular ‘RAG 2 - Guideline for the classification of costs across the price controls’ and ‘RAG 5 - Guideline for transfer pricing’.</p> <p>Our licence also places an obligation on us to ensure that every transaction between the appointee and any associated company is at arm’s length, so that neither gives to nor receives from the other any cross subsidy (Condition F). This also applies to the appointed and non- appointed activity within the appointee. Ofwat expects transactions between STW and HD to be at arm’s length.</p>	<p>We asked Jacobs to review a sample of our cost allocation processes. We selected the sample based on the associated risk. The Jacobs scope covered:</p> <ul style="list-style-type: none"> • The allocation of costs by price control and subsections of the value chain; • Non-appointed activity; and • Transactions between associate companies. <p>Consistent with previous work in this area, Jacobs reviewed the documentation and processes with a focus on the consistency of the allocation approach with the RAGs. To that end, Jacobs sought to understand:</p> <ul style="list-style-type: none"> • The areas/activities that were being provided; • The costs associated with that activity which, for the PDTs we reviewed, were operating costs; • How those costs are recharged, allocated and why; and • How our approach is compliant with the RAGs.
Assurance Outcome	
<p>Overall, based on our scope, we consider:</p> <ul style="list-style-type: none"> • the company has a full understanding of, and meets all of its relevant statutory, licence and regulatory obligations in all material respects; • the company has sufficient processes and internal systems of control to fully meet its requirements; and • the company undertakes transactions entered into by the appointed business, with or for the benefit of associated companies or other businesses or activities of the appointed business at arm’s length. 	

Full-Year Performance Commitments

Requirements

PCs set out in our Final Determination and the processes that were used to produce the figures. This approach is in line with our risk-based approach assurance framework to ensure that Jacobs reviewed our higher and medium risk areas, and those which are customer-focused.

Assurance undertaken

Jacobs' scope of assurance work included reviewing the following:

- The processes used are robust, enabling risks to be identified, managed and reviewed;
- Alignment to final determination definitions (including additional reporting requirements / reporting guidance / RAG guidance)
- Methodology for applying exclusions is in line with reporting guidance
- Data is competently sourced, processed and reported and fit for purpose.
- Undertake proportionate sample checks
- Coverage and outputs of checks and controls

Assurance Outcome

Jacobs concluded in relation to the items they reviewed:

- *“your processes and internal systems of control are sufficient to meet your regulatory obligations;*
- *your processes for reporting performance commitments are in line with the guidance and exclusions have been correctly applied; and*
- *you have appropriate systems and processes in place to identify, manage and review your risks.”*

Full-Year Non-Financial

Requirements

We continue to develop and improve our reporting processes. Throughout the year we have been monitoring progress against our higher risk measures and, at year-end, Jacobs carried out assurance against the majority of the Section 4-11 non-financial measures.

Assurance undertaken

Jacobs' scope of assurance work included checking the following:

- The processes used are robust, enabling risks to be identified, managed and reviewed;
- Alignment to reporting guidance / RAG guidance
- Methodology for applying exclusions is in line with reporting guidance
- Data is competently sourced, processed and reported and fit for purpose.
- Undertake proportionate sample checks
- Coverage and outputs of checks and controls

Assurance Outcome

Jacobs concluded in relation to the items they reviewed:

- *“the processes are sufficient, demonstrating an internal system of control and are consistent with the requirements of your regulatory obligations;*
- *the data reviewed is competently sourced, processed and reported, and fit for purpose;*
- *performance commitment reporting is in line with the guidance and exclusions have been correctly applied; and*
- *you have a full understanding of, and meet, your regulatory obligations with respect to reporting.”*

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