



OUR APPROACH TO BOARD LEADERSHIP, TRANSPARENCY AND GOVERNANCE

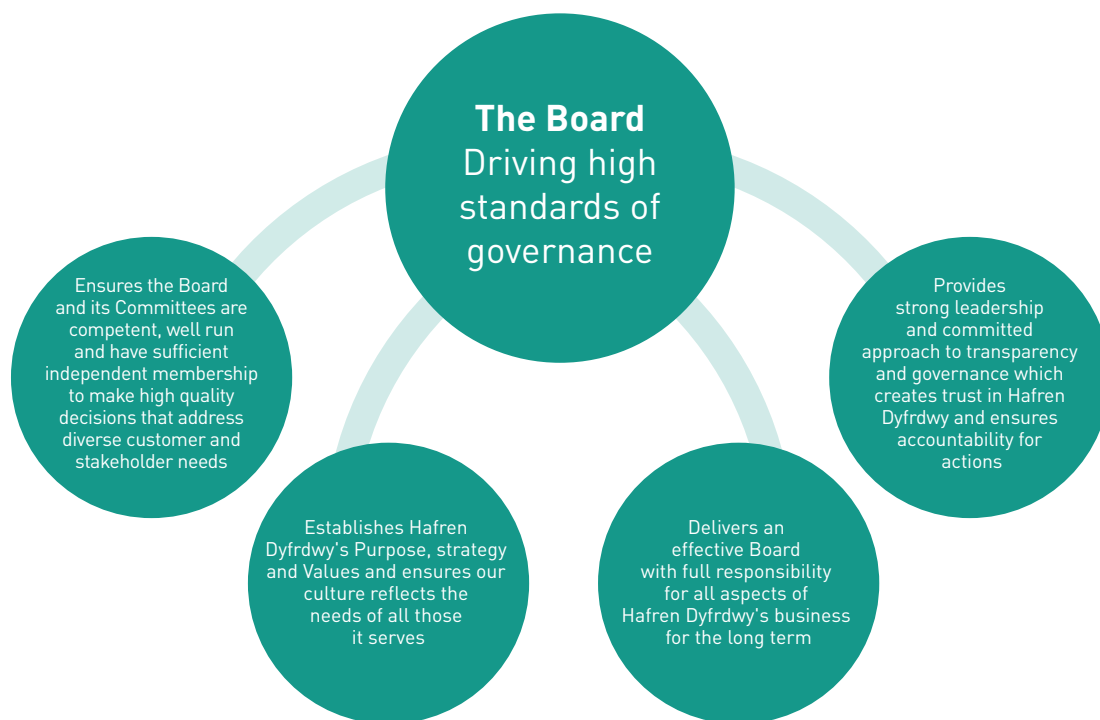
OUR APPROACH TO BOARD LEADERSHIP, TRANSPARENCY AND GOVERNANCE

Ofwat's revised principles, as set out in its Board leadership, transparency and governance framework (the 'Framework'), 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 2022/23 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](https://www.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](https://www.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.

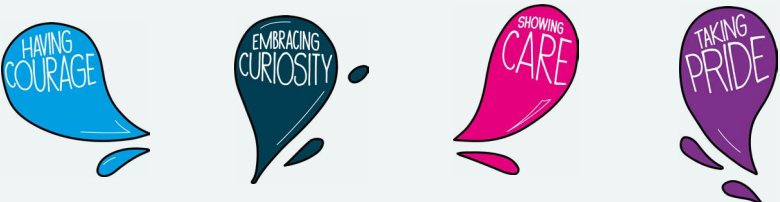
- A. The Board develops and promotes the company's purpose in consultation with a wide range of stakeholders and reflecting its role as a provider of an essential public service.
- B. The Board makes sure that the company's strategy, values and culture are consistent with its purpose.
- C. The Board 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 Committee, 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.

- **Having courage** – we always do the right thing and have courage to challenge the norm and speak up if things aren't quite right. We are prepared to step out of our comfort zones and act with both today and the future in mind.
- **Embracing curiosity** – we search out safe, better and faster ways of doing things through innovation and are always curious and willing to learn.
- **Showing care** – we help keep our promises to customers and show care by treating everyone fairly and equally. We try to enhance the environment around us and spend every pound wisely.
- **Taking pride** – we make a difference for our customers every day, owning problems and working with others until they are solved. We take pride in what we do and champion our work in the communities we work and live in.

Our Purpose reflects why we do what we do	Taking care of one of life's essentials
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	
Our Purpose and Values set the cultural tone of the Company	Doing the right thing

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 diversity and inclusion 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 scripted briefings, providing a further opportunity for the Board to engage with our people and gain an appreciation of the Company's culture.

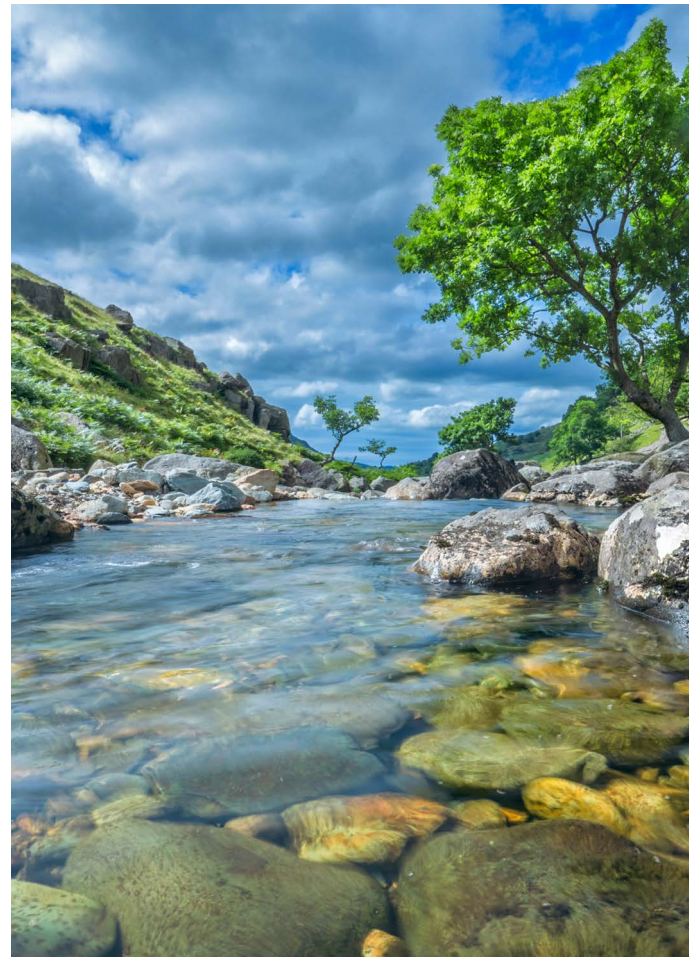
The Board believes that our strong Values and culture are a key strength and there are resulting benefits in employee engagement, retention and productivity, which is why questions around our Purpose, Values

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 8.8 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 Company. 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 included throughout the Strategic Report of the Hafren Dyfrdwy Annual Report and Accounts 2022/23.



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 2022/23 demonstrates how our Purpose runs through everything we do. 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. For further information and explanation of our approach, we would refer in particular to pages 46 to 48 of the Strategic Report and information throughout the Governance Report, from page 52.



Our Purpose

Taking care of one of life's essentials



Considering the needs of those we serve

Stakeholder Engagement

The Well-being of Future Generations (Wales) Act 2015: Wellbeing Goals

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

Serving our customers - Listening carefully to the views of our customers to develop our PR19 Business Plan which, over an 18-month period, involved:

- 4,000 customers
- 25 locations
- Telephone surveys
- Face-to-face interviews
- Research and co-creation



Setting our aspirations

Hafren Dyfrdwy 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 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. • Invest in our assets to reduce our impact on, and adapt to, the changing environment. |
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Delivering for customers through our collective culture

Our Values



'having courage'



'showing care'

'embracing curiosity'



'taking pride'



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 engagement activity 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 46 to 47 within the Hafren Dyfrdwy Annual Report and Accounts 2022/23.

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 provides strategic and policy direction for the industry and our regulators.



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.



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



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



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

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**.

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 continues to support the activities of the Hafren Dyfrdwy Community Fund, which once again received extensive interest during the year and resulted in over £45,000 being donated to eight local projects.
- 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.

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.
- 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 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 proposed minor 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.

WELCOMING INNOVATION

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

One of the benefits of being part of the Severn Trent Group is the opportunity to build upon our collective experience, expertise and innovation capabilities on key projects.

An example can be seen in the ongoing transformation of Severn Trent's Strongford sewage treatment facility into a Net Zero hub. You can read more about this exciting venture in the Severn Trent Plc Annual Report and Accounts 2022/23.



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.

We have established dedicated hubs in Wrexham and Powys, so we now have our customer contact and customer engagement activity operating across two key sites in our region. 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.



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.

Our ambition is to be an environmental leader in land and water management and we have demonstrated this by improving biodiversity across 223 hectares of land, 49% over target. We have exceeded this target by working with additional partners and utilising Hafren Dyfrdwy owned land.



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 2017. 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.

There are currently two Directors that serve on our Board who also serve on the Boards of Severn Trent Plc and Severn Trent Water Limited. Hafren Dyfrdwy represents approximately 2% per cent of Severn Trent Plc's revenues and, as such, decisions taken for Hafren Dyfrdwy are unlikely to conflict with those of Severn Trent Plc and Severn Trent Water Limited (also part of the Severn Trent Group).

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.

MANAGING CONFLICTS OF INTEREST

Hafren Dyfrdwy recently 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 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 2017 and is reviewed annually to ensure its continued effectiveness.

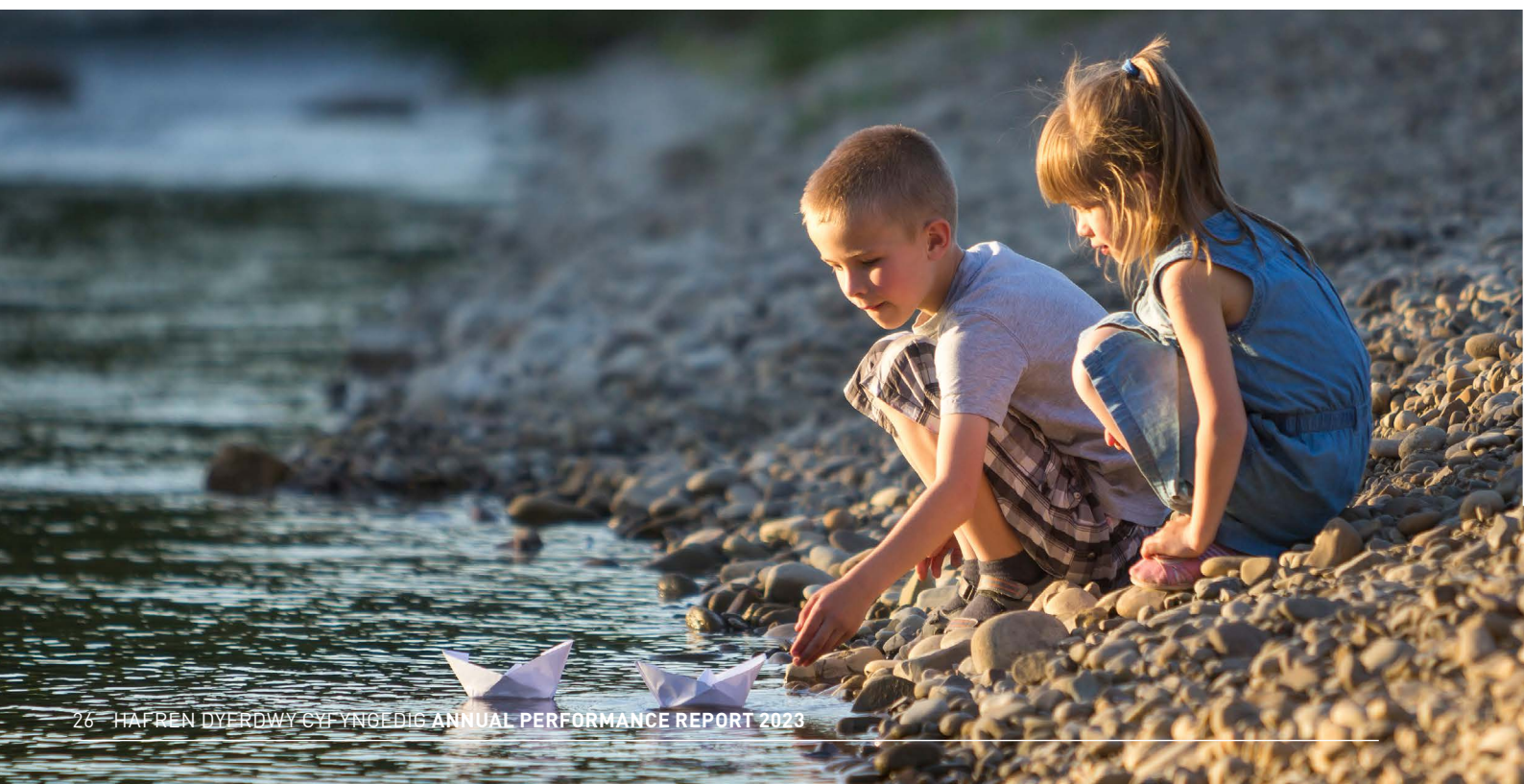
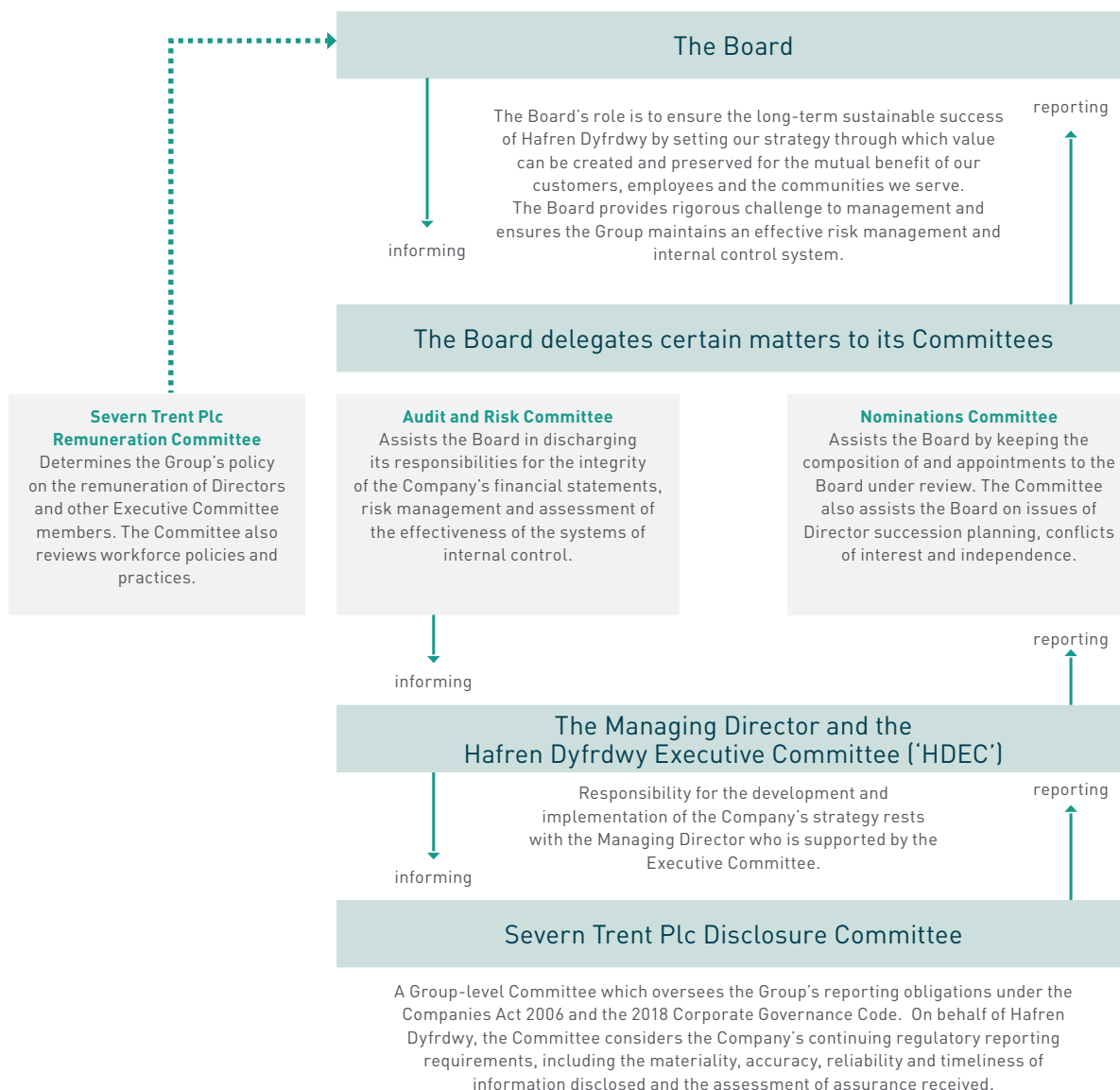
The Remuneration Committee is wholly comprised of Independent Non-Executive Directors and the Chair of Severn Trent Plc. One member of the Remuneration Committee also serves as a Non-Executive Director on the Board of Hafren Dyfrdwy.

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 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 Annual Report and Accounts 2022/23, 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 acquisition by the Group in 2017 and the Company Dividend Policy is set out on page 76. 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 resilient financing structure and stable gearing. To that end, the Severn Trent Group has invested £35 million equity in Hafren Dyfrdwy so far this AMP and we 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 75 to 78 of the Severn Trent Plc Annual Report and Accounts 2022/23 and pages 16 to 20 of the Hafren Dyfrdwy Annual Report and Accounts 2022/23.

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 2023, alongside the number of scheduled

meetings attended and the maximum number of meetings that could have been attended during the 2022/23 year.

Committee Member	Role	Board Meetings Attended During 2022/23	Audit and Risk Committee Meetings Attended During 2022/23	Nominations Committee Meetings Attended During 2022/23
John Coghlan	Chair ¹	5/5	N/A	1/1
Ann Beynon	Independent Non-Executive Director	5/5	4/4	1/1
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	4/5 ²	4/4	1/1
Mohammed Mehmet	Independent Non-Executive Director	5/5	4/4	1/1
Helen Miles ³	Chief Financial Officer	5/5	N/A	N/A
Sharmila Nebhrajani ⁴	Independent Non-Executive Director ¹	1/1	2/2	1/1

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 Sally Jones-Evans was unable to attend the Board meeting that was scheduled for October 2022 due to personal circumstances. Sally received all relevant papers in advance of the meeting date and provided comments on the matters to be considered to the Chair.

³ Helen Miles retired from the Board on 1 April 2023 and was succeeded by Adam Stephens as Chief Financial Officer.

⁴ Retired from the Board on 12 July 2022.

EXECUTIVE PAY POLICY

Executive pay is subject to rigorous scrutiny from the 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 advisers, PwC, and their decisions are published as part of the Severn Trent Plc Annual Report and Accounts 2022/23. Matters of relevance to Hafren Dyfrdwy are disclosed within the dedicated Hafren

Dyfrdwy Annual Report and Accounts 2022/23 on pages 82 to 84, ensuring full transparency about our Executive pay decisions for our customers and wider society. As a key part of our approach to demonstrate transparency, all 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, a health and safety measure, and river health performance.

This means that everybody in the Company is incentivised on to achieve these vitally important targets 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.

During 2022/23, the two Executive Directors of Hafren Dyfrdwy were also Executive Committee members of Severn Trent Plc. As such, a proportion (3%) of their potential ABS award, broadly consistent with the size of the Company within the Group, is attributed to Hafren Dyfrdwy performance and split equally between earnings and ODIs.

From 2023/24, one Executive Director of Hafren Dyfrdwy is an Executive Committee member of Severn Trent Plc and one Executive Director is a member of senior management of Severn Trent Plc.

In April 2023, the Remuneration Committee approved an increase to the weighting of the river health element from 8% to 12% and the creation of a specific section of the annual bonus for the Severn Trent Water 4* Environmental Performance Assessment ('EPA') rating equating to 5% of the total. This means that, from 2023/24, 30% of the annual bonus will be linked to measures relating specifically to the environments and river health.

Specifically for the Executive Directors of Hafren Dyfrdwy for 2023/24, James Jesic and Adam Stephens, 3% of their bonus targets are based on Hafren Dyfrdwy performance. The annual bonus performance measures and weightings for 2023/24 financial year are set out in the table below.

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'. This determines 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 2022/23 on page 64. Our regulatory stakeholders are explicitly asked about our performance and where we can improve.

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 2022/23 on pages 82 to 84.

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 74. 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.

	Hafren Dyfrdwy	Group
Profit Before Interest and Tax	1.5%	38.5%
Customer and Environment ODIs <ul style="list-style-type: none"> Minimise disruption to customers Prevent failure in our network and our sites Improve the environment we live in 	1.5%	33.5%
River Health	-	12%
Severn Trent Water EPA Rating	-	5%
Health and Safety (Lost Time Incidents)	-	8%

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 current Directors possess, gained from a wide range of organisations and industries. Full biographies for each of our Directors can be found on pages 53 to 57 of the Hafren Dyfrdwy Annual Report and Accounts 2022/23, available on our website. As detailed in the table on page 28, as at 31 March 2023, the Hafren

Board skills	Ann Beynon	John Coghlan	Christine Hodgson	James Jesic	Sally Jones-Evans	Mohammed Mehmet	Adam Stephens
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	✓		✓		✓	✓	

Dyfrdwy Board comprised seven Directors, and this remains the case as at the date of this APR. One Executive Director resigned and another Executive Director was appointed (both with effect from 1 April 2023).

Of the seven Directors, two are Executive Directors and five 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 five Independent Non-Executive Directors currently serving on the Hafren Dyfrdwy Board, two 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, these two 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 (71%).

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 reduced the Board's membership to seven Directors, three of whom are Independent Non-Executive Directors, as defined by Ofwat, and together they 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 has been chaired by Sally Jones-Evans, an Independent Non-Executive Director with recent and relevant financial experience.

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.

On 8 June 2023, it was announced that John Coghlan would be retiring from the Severn Trent Plc Board with effect from 31 December 2023, having served nine years as an Independent Non-Executive Director.

Following his retirement from the Severn Trent Plc Board, John will remain as Chair of the Hafren Dyfrdwy Board.

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.

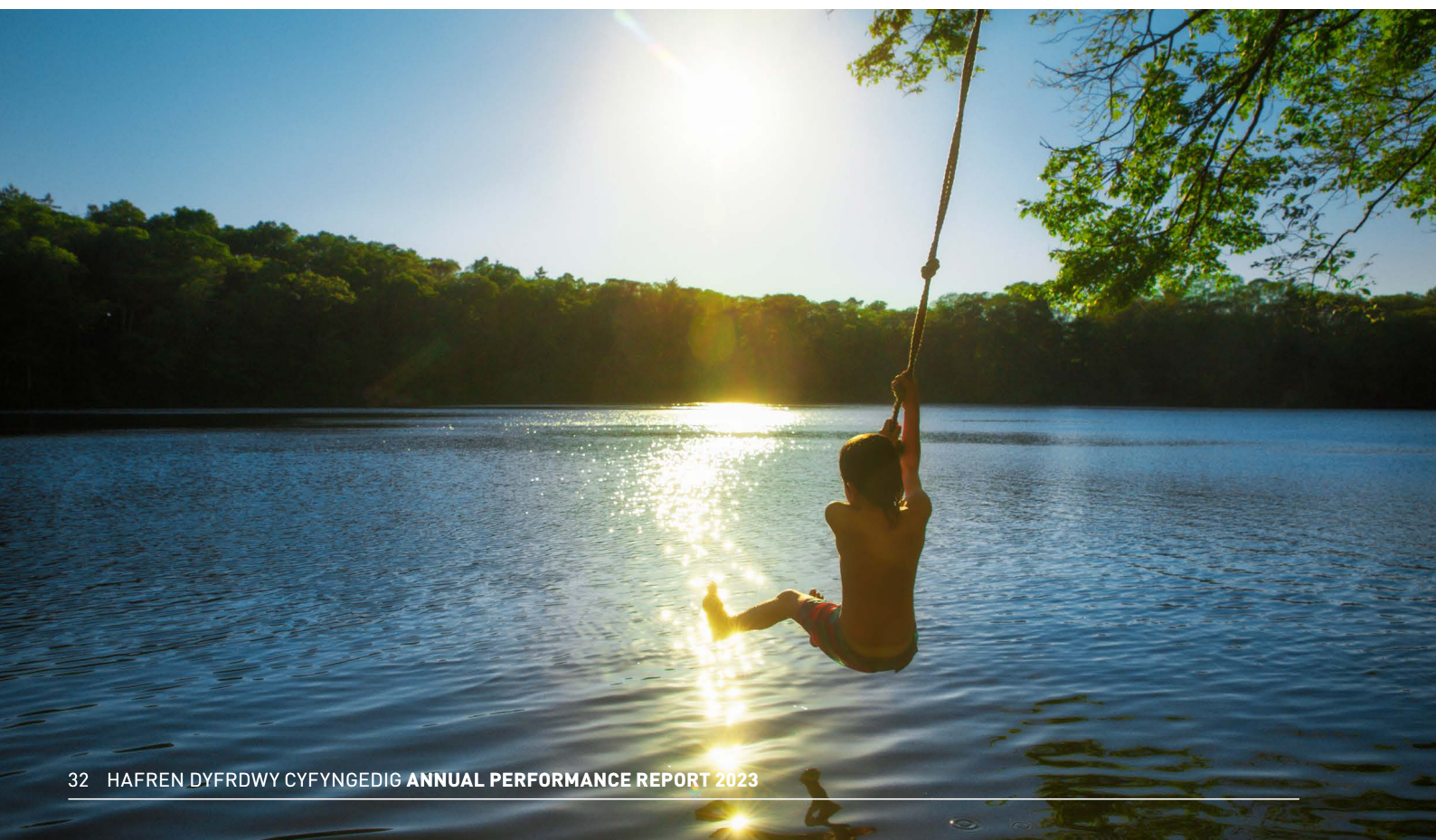
A Board Effectiveness evaluation was conducted this year, the review was facilitated internally by the Company Secretary, who is well placed as an independent sounding board to the process. One-to-one meetings took place during August and September 2022, and key themes were shared with the Board along with an action plan.

BOARD DIVERSITY

When undertaking any recruitment, the Board ensures that the recruitment processes are in line with the Board Diversity Policy (the 'Policy', available on the Hafren Dyfrdwy website) to include candidates from diverse backgrounds and those with a wide range of 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 setting 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 Board itself. 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.



BOARD DIVERSITY POLICY TARGETS AND OBJECTIVES

BOARD COMPOSITION

Policy Target		Position as at Date of Report
Aim to achieve and maintain the position where at least 40% of the individuals on the Board are women.	✓	43% of the individuals on the Board of Directors are women
Aim to achieve and maintain the position where at least one member of the Board is from a non-White Ethnic Minority background (as referenced in categories recommended by the Office for National Statistics ('ONS')).	✓	One member of the Board of Directors is from a non-White Ethnic Minority background

RECRUITMENT AND SELECTION

Policy Objective	Implementation
Ensure that the Board comprises individuals with a range of skills, experience, knowledge, perspectives and backgrounds.	Annual review of the Board's composition by the Nominations Committee with particular consideration being given to the balance of skills, experience and independence of the Board. The Board Effectiveness evaluation specifically considered the composition of the Board and the contribution, commitment and independence of individual Directors.
Ensure that Board candidate lists will be inclusive according to the widest definition of diversity.	The Board and Nominations Committee recognise the importance and benefits of greater diversity, including gender diversity, social and ethnic background and cognitive and personal strengths, throughout the organisation, including on the Board itself.
Consider candidates for Board appointments from a wide pool.	
Oversee plans for diversity and inclusion across the business and receive regular updates in relation to these.	The Board receives updates on diversity and inclusion across the Company at least annually.

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 71 to 72 of the Hafren Dyfrdwy Annual Report and Accounts 2022/23.

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.

Adam Stephens' induction programme is underway and has focused on the statutory duties that arise from being a Director, the legal and regulatory environment of the water sector and the Company's operations.



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 exceptions.

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 68.
- 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

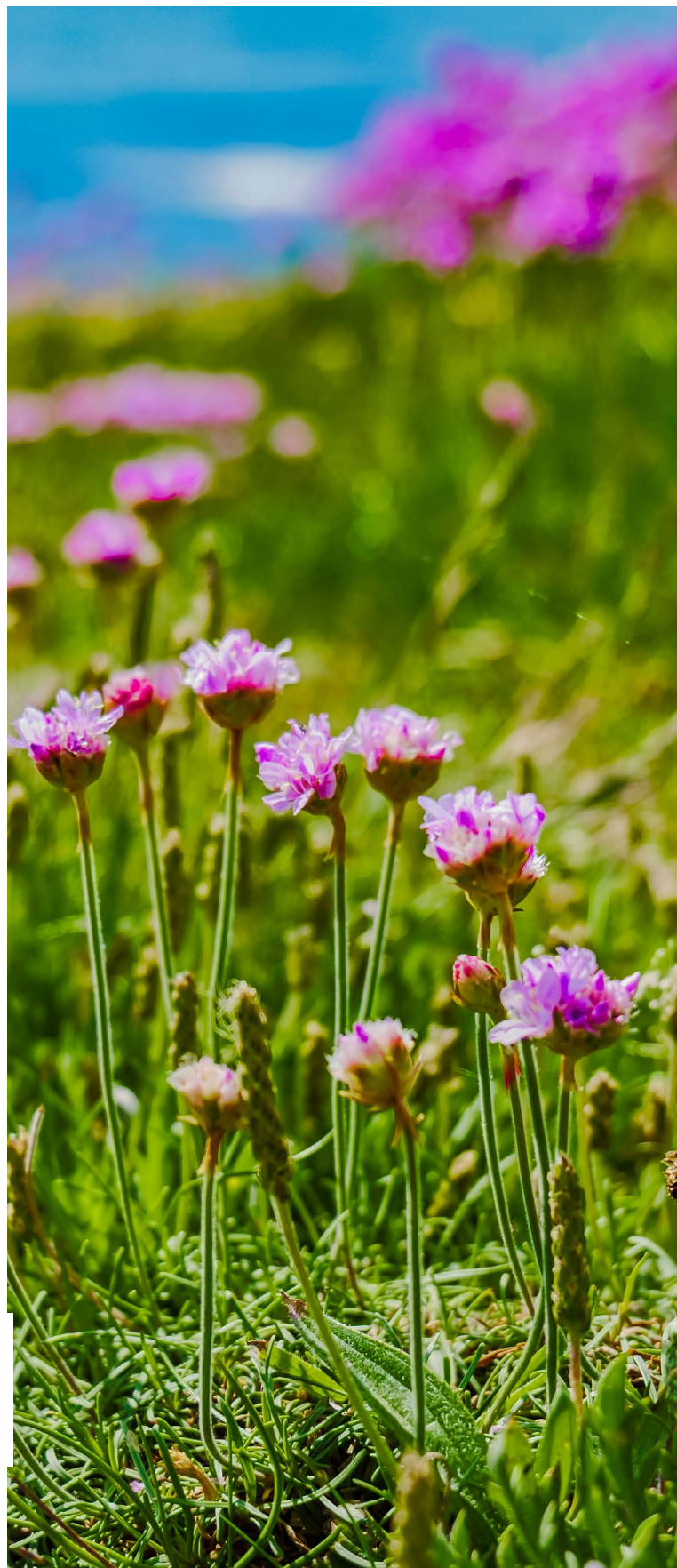


John Coghlan
Chair
Hafren Dyfrdwy Cyfyngedig



Ann Beynon
Independent Non-Executive Director
Hafren Dyfrdwy Cyfyngedig

14 July 2023



EXCEPTIONS FROM THE STATEMENT

There are five exceptions for inclusion in this year’s Risk and Compliance Statement. Four relate to areas where we will be re-stating data previously submitted – Leakage, Lead Pipes, Property Volumes and Bioresources sludge. Details are presented in the ‘Improving Clarity and Transparency’ section of our APR. 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 exceptions 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. The remaining exception relates to Reservoir Remedial works, where we narrowly missed a completion due date.

Reservoir Act 1975	In March 2023, we completed five months of onsite work required to further improve the drawdown capability at Pendinas. We note we narrowly missed the completion due date by four days. The reservoir remained safe at all times given our comprehensive operational surveillance and engineering oversight.
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Description of Duty/Obligation	Observations
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OBSERVATIONS FROM THE STATEMENT

There is one area where we are stating an observation. Observations are not exceptions, however for completeness in accordance with our internal procedures we have chosen to include these to ensure the highest level of transparency.

Hafren Dyfrdwy Instrument of Appointment Licence Condition J	Licence Condition J – outlines obligations regarding setting, monitoring and reporting of service targets. Ofwat is consulting on changes to Licence Conditions. They have indicated that given the level of duplication with other provisions in the Licence, this condition is redundant. Thus, as the Licence Condition is under review, our current understanding is that we are not required to comply with it as currently drafted.
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STATEMENT FROM NON-FINANCIAL ASSURER - JACOBS



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7 July 2023

Attn: FAO Hafren Dyfrdwy Cyfyngedig Board

Project name: 2022-23 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 2023 (APR23) submission we were asked to review the 2022-23 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 APR23 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 26 June 2023.

On the basis of our audit work, we are satisfied that the information we reviewed which supports, and is included within, the APR23 has been assembled using appropriate methodologies and processes and that the data provides a reliable representation of Company performance. There is good evidence of engagement from the teams involved in producing the performance data, and of governance and programme management.

Performance commitment (PC) reporting is in line with the guidance and exclusions have been correctly applied. For supply interruptions (B1) the Company have revised their interpretation of the guidelines this year and for leakage (B2) and per capita consumption (B3) they have revised their methodology. We consider that the revisions are reasonable but also that they represent elevated reporting risk for the affected elements of the reporting processes (for B1 the impact is a 36 second improvement in performance and for B2 the impact is a 2.7% improvement for the in-year performance figure). We have recommended that the Company clearly set out the rationale and implications of the proposed changes in the APR.

For leakage (B2) and per capita consumption (B3) we note you have restated the baseline and prior years' performance to improve compliance with the consistency methodology but that there remain three leakage components and one per capita consumption component of the consistency methodology which are non-compliant. You have a programme of ongoing work to move towards full compliance and you will set this out in the APR.

We have completed assurance for all of the Company's performance commitments.

We note that the Board intends to include issues we noted during our review as clarifications or exceptions in the APR.

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 reassure 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 the 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 section from page 142, our [Regulatory Reporting and Assurance document](#) and our [Annual Report and Accounts](#). 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 managers 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 FTSE100 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 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 61 to 62 of the Hafren Dyfrdwy Annual Report and Accounts 2022/23 and page 26 of the APR.

Specific examples where the Board has asked individual Directors and Committees to carry out activities are listed below. More information on the work of the Board Committees can be found on pages 71 to 84 of the Hafren Dyfrdwy Annual Report and Accounts 2022/23.

Hafren Dyfrdwy Cyfyngedig Audit and Risk Committee	<p>Reviewed the proposed audit plan for the 2022/23 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 and approved the Internal Audit plan and approach for 2023/24.</p> <p>Reviewed the integrity of the regulatory reporting process relating to the APR and other regulatory submissions.</p> <p>Reviewed the Hafren Dyfrdwy Annual Report and Accounts 2022/23 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>Execution of the Group's financing plan and evaluation of funding opportunities, in consideration of the external operating environment, including entering new financial markets.</p> <p>Review of the Group's treasury policies in relation to: financing; liquidity; hedging of market risks (interest rates; inflation; and energy hedging); financial counterparty credit risk and credit ratings.</p>
Severn Trent Plc 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.

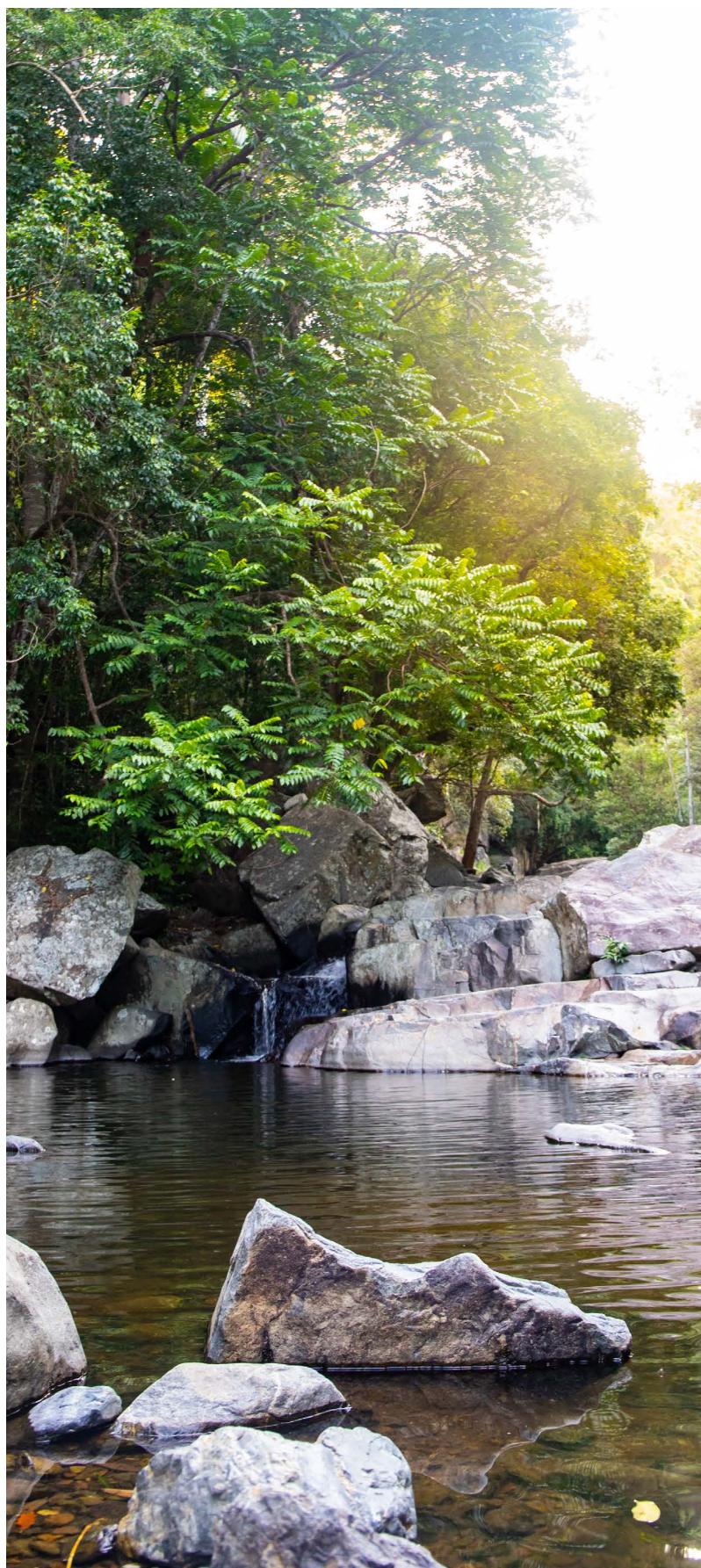
The Board received a tailored presentation of the AMP7 assurance map in June 2022 and the Board is provided with an update at least annually.

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, during 2022/23, we submitted a Board Statement to accompany the Drainage and Wastewater Management Plan ('DWMP'). This submission was owned at an individual Director level, with the Executive Committee, Audit and Risk Committee and Board all being engaged throughout the process. This enabled testing and challenge of 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.

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 [Regulatory Reporting and Assurance document](#) is a key 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 Hafren Dyfrdwy Annual Report and Accounts 2022/23 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 68.

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 2023

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