

---

**This document is important and requires your immediate attention.**

If you are in any doubt about the action you should take, you should consult your independent financial adviser.

If you have recently sold or transferred your shares in Severn Trent Plc please forward this document to your bank, stockbroker or other agent through or to whom the sale or transfer was effected for delivery to the purchaser or transferee.

**Dear Shareholder**

This year's Annual General Meeting (the 'Meeting') will be held at the International Convention Centre in Birmingham on Tuesday 20 July 2010 at 11am and the formal notice of the Meeting is set out overleaf (the 'Notice').

If you would like to vote on the resolutions in the Notice but cannot come to the Meeting, please fill in the Form of Proxy sent to you with the Notice and return it to Equiniti (our registrar) as soon as possible. They must receive it by 11am on Sunday 18 July 2010. Alternatively, you can vote online at [www.sharevote.co.uk](http://www.sharevote.co.uk)

Whilst the board is of the opinion that Resolution 12 is in the best interests of shareholders as a whole, it is not considered appropriate that the directors make a recommendation other than that you should vote upon this resolution. In addition and in view of their interest in its subject matter, those directors who are also shareholders will not be voting on Resolution 12.

Accordingly, the directors consider that all the resolutions to be put to the Meeting are in the best interests of the Company and its shareholders as a whole and unanimously recommend (with the exception of Resolution 12) that you vote in favour of them.

Your directors and I look forward to your participation and take the opportunity to thank you for your continued support.

Please also find enclosed an application form for, and full details of, the Dividend Reinvestment Plan (the 'Plan') introduced last year. The Plan gives shareholders the option of using their dividend payments to buy more Severn Trent Plc shares, which will be purchased on your behalf in the market as soon as practicable after the relevant dividend payment date.

The Plan will enable you to buy Severn Trent Plc shares at favourable commission rates; however, you should be aware that you will remain liable to income tax on dividends received. To be eligible to receive shares under the Plan for the final dividend due for payment on 30 July 2010, the completed form should be sent to Equiniti, in the envelope provided, to be received by Friday 9 July 2010.

If you have any questions about the Plan please call the Equiniti helpline on 0871 384 2268\*.

If you are a registered shareholder holding shares in your own name and have not elected to receive communications in paper form by post or if you have elected to receive paper notification that shareholder communications are available to view online, I can advise you that the Annual Report and Accounts for the year ended 31 March 2010 is now available online at [www.severntrent.com](http://www.severntrent.com)

\*Calls to this number are charged at 8p per minute from a BT landline. Other telephony provider costs may vary.

Yours faithfully,



**Sir John Egan**  
Chairman

16 June 2010

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the twenty-first Annual General Meeting (the 'Meeting') of Severn Trent Plc (the 'Company') will be held at the International Convention Centre, Broad Street, Birmingham B1 2EA on Tuesday 20 July 2010 at 11am to consider and, if thought appropriate, pass Resolutions 1 to 13 as ordinary resolutions and Resolutions 14 to 17 as special resolutions.

## Resolution 1

To receive the accounts and the reports of the directors and the auditors for the year ended 31 March 2010.

## Resolution 2

To declare a final dividend in respect of the year ended 31 March 2010 of 45.61 pence for each ordinary share of 97<sup>7</sup>/<sub>19</sub> pence.

## Resolution 3

To approve the Directors' remuneration report for the year ended 31 March 2010.

## Resolution 4

To reappoint Andrew Duff as a director.

## Resolution 5

To reappoint Martin Kane as a director.

## Resolution 6

To reappoint Martin Lamb as a director.

## Resolution 7

To reappoint Baroness Noakes as a director.

## Resolution 8

To reappoint Andy Smith as a director.

## Resolution 9

To reappoint Deloitte LLP as auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

## Resolution 10

To authorise the directors to determine the remuneration of the auditors.

## Resolution 11

To authorise, generally and unconditionally, the Company and all companies which are subsidiaries of the Company during the period when this Resolution 11 has effect, in accordance with sections 366 and 367 of the Companies Act 2006 (the '2006 Act') to:

- i) make political donations to political parties or independent election candidates not exceeding £50,000 in total;
- ii) make political donations to political organisations other than political parties not exceeding £50,000 in total; and

iii) incur political expenditure not exceeding £50,000 in total, (as such terms are defined in the 2006 Act) during the period beginning with the date of the passing of this resolution and expiring at the conclusion of the next Annual General Meeting of the Company provided that the authorised sums referred to in paragraphs i), ii) and iii) above, may be comprised of one or more amounts in different currencies which, for the purposes of calculating the said sums, shall be converted into pounds sterling at the exchange rate published in the London edition of the Financial Times on the date on which the relevant donation is made or expenditure incurred (or the first business day thereafter) or, if earlier, on the day on which the Company enters into any contract or undertaking in relation to the same.

## Resolution 12

That any and all infringements by the directors (prior to the date of the passing of this resolution) of their duties to restrict borrowings as set out in article 102 of the articles of association of the Company, be and are hereby ratified and approved.

## Resolution 13

To authorise, generally and unconditionally, the directors in accordance with section 551 of the 2006 Act to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Rights'):

- i) up to an aggregate nominal amount of £77,328,182; and
- ii) up to a further aggregate nominal amount of £77,328,182 provided that a) they are equity securities (within the meaning of section 560(1) of the 2006 Act) and b) they are offered by way of a rights issue to holders of ordinary shares in the Company on the register of members of the Company at such record dates as the directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held by them on any such record date, subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or any other matter whatsoever,

provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or Rights to be granted after such expiry and the directors shall be entitled to allot shares and grant Rights pursuant to any such offer or agreement as if this authority had not expired; and all unexercised authorities previously granted to the directors to allot shares and grant Rights be and are hereby revoked.

## Resolution 14

To empower the directors pursuant to sections 570 and 573 of the 2006 Act to allot equity securities (within the meaning of section 560 of the 2006 Act) for cash either pursuant to the authority conferred by Resolution 13 above or by way of a sale of treasury shares as if section 561(1) of the 2006 Act did not apply to any such allotment provided that this power shall be limited to:

- i) the allotment of equity securities in connection with an offer of securities (but in the case of the authority granted under sub-paragraph ii) of Resolution 13 above by way of rights issue only) in favour of the holders of ordinary shares in the Company on the register of members of the Company at such record date(s) as the directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held by them on any such record date(s), subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or any other matter whatsoever; and
- ii) the allotment (otherwise than pursuant to sub-paragraph i) of this Resolution 14) to any person or persons of equity securities up to an aggregate nominal amount of £11,599,227,

and shall expire upon the expiry of the general authority conferred by Resolution 13 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if this power had not expired.

## Resolution 15

To authorise, generally and unconditionally, the Company to make market purchases (within the meaning of section 693(4) of the 2006 Act) of its ordinary shares, on such terms and in such manner as the directors may from time to time determine provided that:

- i) the Company may not purchase more than 23,697,346 ordinary shares;
- ii) the Company may not pay less than 97<sup>17</sup>/<sub>19</sub> pence for each ordinary share; and
- iii) the Company may not pay, in respect of each ordinary share, more than 5% over the average of the middle market price of an ordinary share based on the London Stock Exchange Daily Official List, for the five business days immediately before the day on which the Company agrees to buy such ordinary share,

and this authority shall expire at the conclusion of the next Annual General Meeting of the Company, save that the Company may make a contract, before this authority ends, to purchase ordinary shares where the purchase is or may be completed (fully or partly) after this authority ends and may purchase its ordinary shares pursuant to any such contract.

## Resolution 16

To authorise general meetings of the Company, other than annual general meetings, to be called on not less than 14 clear days' notice.

## Resolution 17

To, with immediate effect:

- i) amend the articles of association of the Company by deleting all the provisions formerly in the Company's memorandum of association which, by virtue of section 28 of the 2006 Act, are treated as provisions of the Company's articles of association; and
- ii) adopt the articles of association produced to the Meeting and initialled by the chairman of the Meeting for the purpose of identification as the new articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association.

By order of the board  
**Fiona Smith**  
 General Counsel and Company Secretary

Severn Trent Plc  
 2297 Coventry Road  
 Birmingham B26 3PU  
 Registered in England and Wales  
 Registration No. 2366619

27 May 2010

# Directors seeking reappointment



**Andrew J Duff**  
BSc FEI (51)  
Independent non-executive director  
and Chairman designate

**Appointed to the board in May 2010. Andrew is standing for reappointment in 2010.**

Andrew's strong track record working in regulated business gives him the relevant experience to make him the right Chairman to lead the group through the next phase of development. **Other directorships and offices:** Chairman of RWE npower, Group Chief Executive Officer RWE npower (2003–2009), non-executive director of Wolseley Plc and member of the CBI Climate Change board and Fellow of the Energy Institute.



**Martin Kane**  
BSc CEng CEnv MICE MIWEM FIWO  
(57)  
Director of Customer Relations

**Appointed to the board in October 2007. Martin has been Director of Customer Relations, Severn Trent Water, since May 2006. Martin was last re-elected in 2008 and is retiring by rotation and standing for reappointment in 2010.**

Martin joined Severn Trent Water in 1975 and has held various senior posts giving him an extensive understanding of the design, construction and operation of water and waste water treatment plants, water distribution networks and sewerage systems. **Other directorships and offices:** Board member of UK Water Industry Research Limited, Board member of Utilities and Service Industries Training Limited.



**Martin Lamb**  
BSc MBA (50)  
Independent non-executive director

**Appointed to the board in February 2008. Martin was last re-elected in 2008 and is retiring by rotation and standing for reappointment in 2010.**

Martin has extensive experience of managing and developing large engineering businesses in all parts of the world. His strong commercial acumen, experience of managing complex projects, and familiarity with current market pressures as a serving Chief Executive leave him well placed to add value to the Severn Trent business. **Other directorships and offices:** Chief Executive of IMI plc, non-executive director of Spectris plc (1999–2006).



**Baroness Noakes**  
DBE LLB FCA (60)  
Independent non-executive director

**Appointed to the board in February 2008. Sheila Noakes was last re-elected in 2008 and is retiring by rotation and standing for reappointment in 2010. Sheila Noakes is the Chairman of the Audit Committee.**

Sheila is a Fellow of the Institute of Chartered Accountants in England and Wales and spent most of her career in KPMG where she was a senior partner until 2000. This expertise together with experience of directorships within other listed companies ensures Sheila is well placed to chair the Audit Committee and contribute effectively to the board. **Other directorships and offices:** senior independent director of Carpetright Plc, director of the Reuters Founder Share Company, non-executive director of ICI Plc (2004–2008), non-executive director of Hanson Plc (2001–2007), Member of the Court of the Bank of England (1994–2001).



**Andy Smith**  
BTech (Hons) (49)  
Director of Water Services

**Appointed to the board in October 2007. Andy was last re-elected in 2008 and is retiring by rotation and standing for reappointment in 2010.**

Andy has worked in the UK and overseas with BP, Mars and Pepsi, and as group HR director and a member of the board at Boots. Andy brings a broad range of executive and operational experience from different sectors to the board. **Other directorships and offices:** director of Boots Group Plc (2002–2003).

# Explanatory notes

## Annual Report and Accounts (Resolution 1)

The directors must lay before shareholders the accounts of the Company for the financial year ended 31 March 2010, the report of the directors and the report of the auditors of the Company on those accounts.

## Declaration of a dividend (Resolution 2)

A final dividend of 45.61 pence has been recommended by the directors for payment to ordinary shareholders who are on the register of members of the Company at 6pm on 18 June 2010. A final dividend can only be declared by the shareholders at a general meeting but must not exceed the amount recommended by the directors. If so declared the date of payment of the final dividend will be 30 July 2010.

## Approval of the Directors' remuneration report (Resolution 3)

In accordance with section 439 of the 2006 Act, shareholders are invited to vote on the Directors' remuneration report, which can be found on pages 45 to 57 of the Annual Report and Accounts. The vote is advisory only, however, and the directors' entitlement to remuneration is not conditional on this resolution being passed.

## Reappointment of directors (Resolutions 4 to 8)

In accordance with the Combined Code on Corporate Governance (published by the Financial Reporting Council in June 2008), the Company's articles of association require all directors to submit themselves for reappointment at least once every three years. This provision also ensures that, as a minimum, one third of the board, together with any director appointed since last year's Annual General Meeting, retires and, if eligible and so desires, stands for reappointment at the Meeting. Directors retire on the basis of their length of service since their last election.

Martin Kane, Martin Lamb, Baroness Noakes and Andy Smith retire by rotation. Andrew Duff has been appointed since the last Annual General Meeting. All five directors offer themselves for reappointment.

Following a formal review, the Nominations Committee has confirmed that each director standing for reappointment by rotation continues to make a valuable contribution to the board's deliberations and continues to demonstrate commitment. The Nominations Committee supports and recommends all of the proposed reappointments.

Details of the directors who are standing for reappointment are included in this notice of meeting (the 'Notice').

## Reappointment and remuneration of auditors (Resolutions 9 and 10)

The Company is required to appoint auditors at each general meeting at which accounts are laid before the Company, to hold office until the next such meeting. Resolution 9 proposes the reappointment of Deloitte LLP as auditors of the Company and Resolution 10 authorises the directors, in accordance with standard practice, to agree the level of their remuneration. The Audit Committee will approve the audit fees for recommendation to the board.

## Authority to make political donations and incur political expenditure (Resolution 11)

Resolution 11 deals with political donations. Under the 2006 Act, political donations to any political parties, independent

election candidates or political organisations or the incurring of political expenditure are prohibited unless authorised by shareholders in advance. What constitutes a political donation, a political party, a political organisation, or political expenditure is not easy to decide, as the legislation is capable of wide interpretation. Sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling public duties, and support for bodies representing the business community in policy review or reform, may fall within this.

Therefore, notwithstanding that the Company has no intention either now or in the future of making any political donation or incurring any political expenditure in respect of any political party, political organisation or independent election candidate, the board has decided to put forward Resolution 11 to renew the authority granted by shareholders at last year's Annual General Meeting. This will allow the Company to continue to support the community and put forward its views to wider business and Government interests without running the risk of being in breach of the law. As permitted under the 2006 Act, Resolution 11 also covers any political donations made, or political expenditure incurred, by any subsidiaries of the Company.

## Ratification and approval of infringements of duty to restrict borrowings (Resolution 12)

A technical issue has arisen in respect of the powers conferred upon the directors by the articles of association of the Company to incur borrowings on behalf of the Company. The Company's articles of association contain a borrowing restriction which requires the directors to restrict the borrowings of the group to two and a half times its adjusted capital and reserves. Whilst carrying out a detailed review of the articles of association of the Company as part of the process to adopt new articles of association pursuant to Resolution 17, the directors became aware that the group's borrowings were in excess of this restriction. This matter can be remedied by shareholders passing a resolution to ratify this technical breach. In order to avoid such a breach occurring again the new articles of association which are proposed to be adopted pursuant to Resolution 17 contain a revised limit on borrowings which is considered more appropriate to the group's business (further details are set out below in respect of the proposed changes to the articles of association of the Company).

## Authority to allot shares (Resolution 13)

At last year's Annual General Meeting the directors were given authority to allot shares in line with the revised ABI guidelines published in December 2008. Resolution 13, which has been updated to reflect both a change in the language used in the 2006 Act and that authority is being given under section 551 of the 2006 Act (rather than section 80 of the Companies Act 1985 (the '1985 Act')) will, if passed, renew this authority to allot on broadly the same terms as last year's resolution.

Accordingly, Resolution 13 will, if passed, grant the directors authority to allot shares in the capital of the Company up to a maximum nominal amount of £154,656,364 representing the ABI guideline limit of two thirds of the Company's issued ordinary share capital as at 24 May 2010, being the latest practicable date before the publication of the Notice. Of this amount, 78,991,154 ordinary shares (representing approximately one third of the Company's issued ordinary share capital) can only be allotted pursuant to a rights issue. This authority will last until next year's Annual General Meeting.

The directors have no present intention of exercising this authority.

## Explanatory notes – continued

### Disapplication of statutory pre-emption rights (Resolution 14)

This special resolution proposes to give the directors authority to allot shares in the capital of the Company pursuant to the authority granted under Resolution 13 above for cash without complying with the statutory pre-emption provisions in certain circumstances. In light of the ABI guidelines referred to in Resolution 13 above, this authority will permit the directors to allot:

- i) shares up to a nominal amount of £154,656,364 (representing two thirds of the Company's issued share capital) on an offer to existing shareholders on a pre-emptive basis. However, unless the shares are allotted pursuant to a rights issue (rather than an open offer), the directors may only allot shares up to a nominal amount of £77,328,182 (representing one third of the Company's issued share capital) (in each case subject to adjustments for fractional entitlements and overseas shareholders); and
- ii) shares up to a maximum nominal value of £11,599,227, representing approximately 5% of the issued ordinary share capital of the Company as at 24 May 2010, being the latest practicable date before the publication of the Notice, otherwise than in connection with an offer to existing shareholders.

As with Resolution 13, the terms of Resolution 14 are broadly the same as last year's resolution but the resolution has been updated to reflect that it is being passed pursuant to sections 570 and 573 of the 2006 Act rather than section 95 of the 1985 Act.

### Authority for the Company to purchase its own shares (Resolution 15)

This special resolution proposes the renewal of the authority granted at last year's Annual General Meeting but has been updated to reflect that it is being passed pursuant to section 693(4) of the 2006 Act rather than section 163(3) of the 1985 Act. If passed, it will allow the Company to buy back up to 23.6 million of its ordinary shares on the London Stock Exchange. This equates to approximately 10% of the Company's issued share capital. This Resolution 15 sets out the lowest and highest prices that the Company can pay for the shares. This authority will expire at the conclusion of next year's Annual General Meeting.

The directors are committed to managing the Company's capital effectively and purchasing the Company's own ordinary shares is one of the options that the directors keep under review. The directors will only do this if they believe it is in shareholders' best interests and will increase the earnings per share.

Any shares purchased in this way, other than those purchased pursuant to the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 will be automatically cancelled. Shares purchased pursuant to such regulations may either be held or dealt with by the Company. The Company did not hold any shares in treasury as at 24 May 2010, being the latest practicable date before the publication of the Notice.

As at 24 May 2010, being the latest practicable date before the publication of the Notice, there were options outstanding to subscribe for 3,235,664 ordinary shares under the Company's employee share schemes. If the outstanding options were fully exercised they would represent 1.37% of the existing 236,973,463 issued ordinary shares of the

Company. If the buyback authority was exercised in full, that percentage would be 1.52% of the reduced share capital of 213,276,117 ordinary shares.

### Authority to reduce notice periods for general meetings (Resolution 16)

This special resolution allows the Company to hold general meetings (other than Annual General Meetings) on 14 days' notice, and will, if passed, renew the authority passed at last year's Annual General Meeting.

Before the introduction of the Companies (Shareholders' Rights) Regulations 2009 (the 'Shareholders' Rights Regulations') on 3 August 2009, the minimum notice period permitted by the 2006 Act for general meetings (other than Annual General Meetings) was 14 days. One of the amendments made to the 2006 Act by these regulations was to increase the minimum notice period for general meetings of listed companies to 21 days, but with an ability for companies to reduce this period back to 14 days (other than for Annual General Meetings) provided that two conditions are met. The first condition is that the company offers a facility for shareholders to vote by electronic means. This condition is met if the company offers a facility, accessible to all shareholders, to appoint a proxy by means of a website. Please refer to the general notes to this Notice and in particular 'Electronic proxy voting' for details of the Company's arrangements for electronic proxy appointment. The second condition is that there is an annual resolution of shareholders approving the reduction of the minimum notice period from 21 days to 14 days.

The board is therefore proposing Resolution 16 to approve 14 days as the minimum period of notice for all general meetings of the Company other than Annual General Meetings.

The authority shall expire at the conclusion of the next Annual General Meeting of the Company, when it is intended that the approval will be renewed. The directors will consider on a case by case basis whether the use of the flexibility offered by the shorter notice period is merited, taking into account the circumstances, including whether the business of the meeting is time sensitive.

### Approval and adoption of new articles of association (Resolution 17)

The Company proposes to adopt new articles of association (the 'New Articles') in place of its current articles of association (the 'Current Articles'). The principal reason for adopting the New Articles is to reflect the changes in company law brought about by the 2006 Act which came into effect on 1 October 2009 and changes made to the 2006 Act in August 2009 as a result of the Shareholders' Rights Regulations. However, as stated above the Company has also decided to take this opportunity to amend the restrictions on its borrowing powers and generally update the Company's articles of association to bring them into line with those of other listed companies.

As a result, the New Articles have been reordered, written in clearer language and, where appropriate, track the wording of the new model form articles for public companies contained in Schedule 3 to the Companies (Model Articles) Regulations 2008 (the 'Model Form Articles'), which replace the Table A articles under the 1985 Act on which the Current Articles are based.

Set out below is a summary of the principal differences between the New Articles and the Current Articles.

References to article numbers are to those used in the New Articles (except where reference is made to a provision of the Current Articles which has been amended or deleted). As the Current Articles have been reordered, a destination table setting out the article numbers in the Current Articles and their equivalent in the New Articles (the 'Destination Table') has been prepared to assist shareholders in navigating their way around the New Articles. Certain articles currently contained in the Current Articles have not been carried over into the New Articles. This is because of the following reasons:

- i) the 2006 Act either no longer permits a Company to benefit from such provisions (for example, the Chairman's casting vote at shareholder meetings);
- ii) such provisions are no longer required to be included in a company's articles of association (for example, authority to purchase own shares); or
- iii) they replicate provisions contained in the 2006 Act and it is not considered particularly helpful to shareholders for them to be repeated in the New Articles (for example, that a register of charges is to be kept).

Copies of the Current Articles, the New Articles and the Destination Table are available for inspection during normal business hours on Monday to Friday (public holidays excepted) at the registered office of the Company and at the offices of Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HS up to, and including, the date of the Meeting, and also at the International Convention Centre, Broad Street, Birmingham B1 2EA on the day of the Meeting from 10am until its conclusion.

**i) The Company's objects**

The 2006 Act significantly reduces the constitutional significance of a company's memorandum. The provisions governing the operations of the Company are currently set out in both its memorandum of association and its articles of association. Under the 2006 Act, the memorandum no longer contains an objects clause and simply records the names of the subscribers and the number of shares which each subscriber agreed to take in a company. Under section 28 of the 2006 Act, the objects clause and all other provisions in the memorandum are treated as part of the articles with effect from 1 October 2009 but a company can remove these provisions by special resolution. Unless the articles provide otherwise, a company's objects will be unrestricted. The Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the 2006 Act, are treated as forming part of the Company's articles of association as of 1 October 2009. Resolution 17 confirms the removal of these provisions and adopts the New Articles.

**ii) Limited liability (Article 3)**

Under the 2006 Act, the memorandum of association also no longer contains a clause stating that the liability of the members of a company is limited. For existing companies, this statement is automatically treated as having moved into the articles on 1 October 2009. As noted in paragraph i) above, Resolution 17 confirms the removal, from the Company's articles of association, of the provisions of the Company's memorandum of association which are treated as forming part of the Company's articles of association by virtue of section 28 of the 2006 Act, which includes

the statement of limited liability. An explicit statement of the members' limited liability is therefore included in the New Articles.

**iii) Authorised share capital and unissued shares (Article 3 of the Current Articles)**

The 2006 Act abolishes the concept of authorised share capital and under the 2006 Act, the memorandum of association no longer contains a statement of a company's authorised share capital. For existing companies, this statement is deemed to be a provision of the company's articles of association setting out the maximum amount of shares that may be allotted by the company. The adoption of the New Articles by the Company will have the effect of removing this provision relating to the maximum amount. The directors will still need to obtain the usual shareholders' authorisation in order to allot shares, except in respect of employee share schemes. Accordingly, the New Articles do not contain references to authorised share capital or to unissued shares.

**iv) Redeemable shares (Article 5)**

Under the 2006 Act, the articles of association need not include the terms on which redeemable shares may be redeemed. The directors may determine the terms, conditions and manner of redemption of redeemable shares provided they are authorised to do so by the articles. The New Articles contain such authorisation. The Company currently has no plans to issue redeemable shares but if it did so the directors would still require shareholders' authorisation to issue new shares in the usual way.

**v) Share certificates (Article 12)**

The New Articles contain new provisions for the issue of consolidated share certificates, in line with the Model Form Articles.

**vi) Transfer of shares (Article 38 of the Current Articles)**

The 2006 Act removes the right which existed under the 1985 Act for a company to suspend the registration of transfers of shares for periods of up to 30 days in any one year. Accordingly the New Articles do not allow the Company to suspend the registration of share transfers.

**vii) Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital (Article 40 of the New Articles and Article 52 of the Current Articles)**

Under the 1985 Act, a company required specific authorisations in its articles of association to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital. Under the 2006 Act, public companies do not require specific authorisations in their articles of association to undertake these actions, but shareholder authority is still required. The New Articles reflect these changes and also clarify the provisions on consolidation and sub-division of shares.

**viii) Attending and speaking at meetings (Article 50)**

Article 50 of the New Articles provides that the Chairman of the meeting may permit non-members or persons who are not entitled to exercise the rights of members to attend and, at the Chairman's discretion, speak at a general meeting.

## Explanatory notes – continued

- ix) Participation in meetings at different places and by electronic means (Article 51)**  
 Amendments made to the 2006 Act by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The New Articles provide greater scope for members to participate in meetings of the Company even if they are not present in person at the principal place where the meeting is being held. The amendments allow for members to participate not only by attendance at satellite meeting locations, but also by any other electronic means of participation.
- x) Adjournments (Article 53)**  
 The Shareholders' Rights Regulations add a provision to the 2006 Act which requires that, when a general meeting is adjourned due to lack of quorum, at least 10 days' notice must be given to reconvene the meeting. The provisions dealing with notice of adjourned meetings in the New Articles are consistent with this new requirement.
- xi) Chairman's casting vote (Article 62 of the Current Articles)**  
 Pursuant to changes brought about by the Shareholders' Rights Regulations, a traded company such as the Company is no longer permitted to allow the chairman to have a casting vote at shareholder meetings in the event of an equality of votes. Accordingly, the New Articles do not contain such a provision.
- xii) Voting rights (Article 62)**  
 The Shareholders' Rights Regulations clarify the various powers of proxies and representatives of corporate members in respect of resolutions taken on a show of hands. Where a proxy has been duly appointed he has one vote on a show of hands unless he has been appointed by more than one member and is either a) instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution, or b) instructed by one or more members to vote in a particular way and given discretion as to how to vote by one or more members, in which case the proxy has one vote for and one vote against the resolution. Where a corporate member appoints representatives to attend meetings on its behalf, each representative duly appointed by a corporate member has one vote on a show of hands. The New Articles contain provisions which clarify these rights and also clarify how the provisions giving a proxy a second vote on a show of hands should apply to discretionary powers.
- xiii) Voting record date (Article 63)**  
 The New Articles include a new provision, which is not in the Current Articles, dealing with the method for determining which persons are allowed to attend or vote at a general meeting of the Company and how many votes each person may cast. Under this new provision, when convening a meeting the Company may specify a time, not more than 48 hours before the time of the meeting (excluding any part of a day that is not a working day), by which a person must be entered on the register of members in order to have the right to attend or vote at the meeting. This new provision is in line with a requirement applicable to traded companies, such as the Company, which has been introduced by the Shareholders' Rights Regulations.
- xiv) Validity of proxy votes (Article 67)**  
 Following the implementation of the Shareholders' Rights Regulations, proxies are expressly required to vote in accordance with instructions given to them by shareholders. The New Articles contain a provision stating that the Company is not required to enquire whether a proxy or corporate representative has voted in accordance with instructions given to him and that votes cast by a proxy or corporate representative will be valid even if he has not voted in accordance with his instructions.
- xv) Appointing proxies and corporate representatives (Articles 68 and 75)**  
 The New Articles provide that the Company can require a corporate representative to produce a certified copy of the resolution appointing him before permitting him to exercise his powers.
- xvi) Receipt of appointments of proxy and termination of proxy authority (Articles 72 and 73)**  
 Article 72 provides that proxies for a poll to be taken after the date of a meeting or adjourned meeting must be received not less than 24 hours, or such shorter time as the directors may determine, before the time of the poll. The deadlines for receipt of termination of proxy authority have been brought into line with the deadlines for receipt of proxies. Article 72 also permits the directors to specify, in a notice of meeting, that in determining the time for delivery of proxies, no account shall be taken of non-working days. Article 73 provides that the termination of a proxy's authority should be in writing as this is required by the Shareholders' Rights Regulations.
- xvii) Retirement of directors by rotation (Article 81)**  
 The New Articles have been drafted in order to make this provision clearer than it is in the Current Articles. The provision relating to the retirement of a number nearest to one third each year has been deleted; however, Article 81 does comply with Combined Code provision A.7.1 which recommends that all directors should be subject to re-election at intervals of no more than three years.
- xviii) Alternate directors (Article 91)**  
 The New Articles clarify the position that an alternate director is subject to the same restrictions as the director who appointed him.
- xix) Borrowing powers (Article 93)**  
 As stated above in the Notes to Resolution 12, it is proposed to amend the Company's borrowing limits which include those of its subsidiary undertakings, to better reflect the Company's business model, and such that the group's borrowing capability is consistent with the group's borrowing policy. As a consequence, the Company has decided to replace the current restriction on its borrowings which is linked to a multiple of adjusted capital and reserves (currently two and a half times) to a fixed borrowing limit linked to an aggregate debt amount. As at 31 March 2010 the group's gross borrowings (calculated in accordance with this new article) stood at approximately £4 billion. Accordingly, the directors propose to amend the Company's

borrowing limits, which include those of its subsidiary undertakings, to £8 billion. Whilst the directors have no current intention to increase the group's gross borrowings beyond its requirements for AMP5, which are forecast at approximately £5 billion in 2015, this extra headroom provides the Company with greater flexibility to respond to market developments.

In addition, a number of presentational and descriptive changes have been made to the directors' borrowing powers to clarify the application of certain of the adjustments within the formula. Additional wording has been included to clarify how preference shares should be treated for the purposes of the borrowing powers, as for accounting purposes these are now treated as debt on a company's balance sheet rather than equity. The additional wording includes such amount in the calculation of the Company's borrowings. The definition of subsidiary undertaking has been amended so that it relates to subsidiaries which fall to be treated as such in the accounts.

**xx) Provisions for employees on cessation or transfer of business (Article 94)**

The 2006 Act provides that the powers of the directors to make provision for a person employed or formerly employed by a company or any of its subsidiaries in connection with the cessation or transfer of the whole or part of the undertaking of the company or that subsidiary may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. Consequently, Article 94 provides that the directors may exercise this power and the requirement for a special resolution approving the making of such provision (contained in Article 153 of the Current Articles) has not been carried over into the New Articles.

**xxi) Delegation to persons or committees (Article 95)**

Under the Current Articles, the directors may only formally delegate their powers in certain limited ways. Article 95 in the New Articles simplifies and modernises the procedure for delegation in line with the approach adopted in the Model Form Articles.

**xxii) Directors' remuneration (Article 96)**

The New Articles increase the aggregate base fees that may be paid to the non-executive directors of the Company from £950,000 to £1,500,000. The total directors' fees payable vary with the number of non-executive directors and the amount of the directors' base fee. The Company wishes to take this opportunity to create additional flexibility in respect of payment of directors' fees and is therefore seeking the higher limit in the New Articles, primarily to reduce the risk that the Company will have to return to its shareholders to seek a further amendment of its articles, having already sought approval for the amendment of its articles at the 2007, 2008 and now the 2010 Annual General Meeting. The Company does not currently intend to increase the non-executive directors' base fee. This article also clarifies that directors who hold another office, such as that of Chairman, or who serve on any committee of the directors, may be paid for those services in addition to their basic directors' fees.

**xxiii) Directors' interests (Article 100)**

Under the Current Articles a director may, notwithstanding his office as director of the Company, be a director, officer or employee of any body corporate in which the Company is interested – provided that he has disclosed to the other directors the nature and extent of any material interest he has. For practical reasons the New Articles clarify that, where a director is also a director, officer or employee of a body corporate in which the Company is also interested, he shall be deemed to have disclosed the nature and extent of this interest to the directors as required under this provision.

**xxiv) Procedures regarding board meetings (Articles 102 and 106)**

The New Articles clarify that notice of a board meeting may be given personally, by telephone, in hard copy or in electronic form, as well as the requirements for giving notice to directors who are not in the United Kingdom (Article 102).

In addition, Article 106 clarifies that where a director is not entitled to vote at a board meeting, he cannot count in the quorum for a matter or resolution on which his vote cannot be counted.

**xxv) Procedures regarding directors' resolution in writing (Article 105)**

The Current Articles require all directors to sign a written resolution. The New Articles clarify that a written resolution will be valid if agreed to by all the directors who would have been entitled to vote on that resolution had it been passed at a directors' meeting.

**xxvi) Permitted interests and voting (Article 107)**

The New Articles will allow a director to vote on a resolution which relates to giving him an indemnity or funding for expenditure incurred in defending proceedings provided all the other directors have been given or are to be given arrangements on substantially the same terms. This exception has become a common exception for listed companies to include in their articles of association.

**xxvii) Notice when post not available (Article 125)**

Article 125 requires the Company in the event of a postal strike to serve notices on those members who receive notices via electronic means, in addition to the existing requirement (contained in Article 149(B) of the Current Articles) that the Company puts an advert in two national newspapers and sends a confirmatory hard copy notice if the postal service is available again at least seven days ahead of the meeting.

**xxviii) Making and retention of minutes (Article 131)**

Article 131 contains a new provision to the effect that minutes must be retained for at least 10 years, reflecting the relevant provision of the 2006 Act. Under the 1985 Act no minimum retention time was specified.

**xxix) Change of name (Article 137)**

Under the 1985 Act, a company could only change its name by special resolution. Under the 2006 Act a company is able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name.

# General notes

## Entitlement to attend and vote

To have the right to attend and vote at the Meeting (and also for the purposes of calculating how many votes a person may cast) a person must have their name entered on the register of members of the Company at 6pm on Sunday 18 July 2010 (or, if the Meeting is adjourned, at 6pm on the day which is two days prior to the date fixed for the adjourned Meeting). Changes to entries on the register after this time will be disregarded in determining the rights of any person to attend or vote at the Meeting.

Persons who are not shareholders of the Company (or duly appointed proxies or corporate representatives) will not be admitted to the Meeting unless prior arrangements are made with the Company.

## Appointment of proxies

A shareholder entitled to attend and to vote at the Meeting is entitled to appoint another person or persons (who need not be a shareholder of the Company) to attend the Meeting, and any adjournment thereof, to exercise all or any of his rights to attend, speak and vote at the Meeting. A shareholder can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to different shares held by him. Forms of Proxy should be deposited at the office of the Company's registrar, Equiniti, Aspect House, Spencer Road, Lancing BN99 6DA not less than 48 hours before the time for holding the Meeting. Appointing a proxy does not preclude you from attending the Meeting and voting in person. If you attend the Meeting in person, your proxy appointment will automatically be terminated. Further details are set out in the notes to the Form of Proxy.

To change your proxy instructions you may return a new proxy appointment using the methods set out below. Where you have appointed a proxy using the hard copy Form of Proxy and would like to change the instructions using another hard copy Form of Proxy, please contact the Company's registrar, Equiniti on 0871 384 2967 (+44 121 415 7028) (lines are open from Monday to Friday 8.30am to 5.30pm). The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others, save that where both paper and electronic proxy instructions are returned then, in the absence of other evidence, those received last by the Company's registrar, Equiniti, will take precedence.

## Electronic proxy voting

Shareholders may register the appointment of a proxy online at [www.sharevote.co.uk](http://www.sharevote.co.uk) where full details of the procedure are given. The website is operated by the Company's registrar, Equiniti. Shareholders are advised to read the terms and conditions relating to the use of this facility before appointing a proxy. These terms and conditions may be viewed on the website. Any electronic communication sent by a shareholder that is found to contain a computer virus will not be accepted. Electronic communication facilities are available to all shareholders and those who use them will not be disadvantaged in any way.

## Electronic proxy appointment through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual on the Euroclear website, [www.euroclear.com/CREST](http://www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual.

All messages relating to the appointment of a proxy, or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be received by Equiniti (ID RA19) not later than 11am on Sunday 18 July 2010 or, if the Meeting is adjourned, 48 hours before the time for holding the adjourned Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Equiniti is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this regard, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

## Employee share schemes

An employee whose shares are held by the trustee of the Severn Trent Share Incentive Plan (the 'Trustee') is not entitled to attend the Meeting in respect of those shares. However, the employee can instruct the Trustee how to vote on his/her behalf on any resolution set out in the Notice. Forms of Direction will be sent to those employees concerned and should be returned to the address on the reverse of the form so as to be received not later than 11am on 13 July 2010. Employees may also instruct the Trustee how to vote through the [www.sharevote.co.uk](http://www.sharevote.co.uk) website.

## Electronic poll voting

Voting on all resolutions will be conducted by way of a poll rather than a show of hands. This is a more transparent method of voting as shareholder votes are to be counted according to the number of shares held.

As at last year's Annual General Meeting, and in line with many other public companies, we will be asking shareholders who attend the Meeting in person or by proxy to vote on the resolutions at the Meeting using a hand-held electronic voting system. This will record all votes cast for each resolution and display them on a screen providing immediate detailed results for shareholders to see.

As soon as practicable following the Meeting, the results of the voting at the Meeting and the number of proxy votes cast for and against and the number of votes actively withheld in respect of each of the resolutions will be announced via a Regulatory Information Service and also placed on the Company's website, [www.severntrent.com](http://www.severntrent.com)

### Shareholder questions

The Company must cause to be answered at the Meeting any question relating to the business being dealt with at the Meeting which is put by a shareholder attending the Meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered or if to do so would involve the disclosure of confidential information.

### Information rights

A copy of the Notice has been sent for information only to persons who have been nominated by a shareholder to enjoy information rights under section 146 of the 2006 Act (a 'Nominated Person'). The right to appoint a proxy cannot be exercised by a Nominated Person; it can only be exercised by the shareholder. However, a Nominated Person may have a right under an agreement between him and the shareholder by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the shareholder as to the exercise of voting rights.

### Audit statements

Shareholders satisfying the thresholds in section 527 of the 2006 Act can require the Company to publish a statement on its website setting out any matter relating to a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the shareholders propose to raise at the Meeting. The Company cannot require the shareholders requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required to publish on its website.

### Shareholder requisition rights

Shareholders satisfying the threshold requirements in sections 338 and 338A of the 2006 Act, can require the Company:

- i) to give, to shareholders of the Company entitled to receive notice of the Meeting, notice of a resolution which those shareholders intend to move (and which may properly be moved) at the Meeting; and/or
- ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless:
  - a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise);

- b) it is defamatory of any person; or
- c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authenticated by the person(s) making it and must be received by the Company not later than six clear weeks before the date of the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

### Corporate representatives

A shareholder of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the Meeting. In accordance with the provisions of the 2006 Act, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.

### Electronic communication service

Shareholders are reminded that they may receive shareholder communications from the Company electronically. The electronic communication service offers the following benefits:

- the Company's full Annual Report and Accounts can be viewed on the day they are published;
- your votes on resolutions to be proposed at general meetings of the Company can be cast electronically;
- important shareholder communications may be received electronically; and
- you may see details of your individual shareholdings quickly and securely online.

If you wish to take advantage of this service you may register your request with the Company's registrar, Equiniti, on their website at [www.shareview.co.uk](http://www.shareview.co.uk)

### Total voting rights

As at 24 May 2010, being the latest practicable date before the publication of the Notice, the Company's issued and voting share capital consisted of 236,973,463 ordinary shares of 97<sup>7</sup>/<sub>16</sub> pence each carrying one vote each. Therefore the total number of voting rights in the Company is 236,973,463.

### Website

The contents of this Notice, details of the total number of shares in respect of which shareholders are entitled to exercise voting rights at the Meeting, the total voting rights that shareholders are entitled to exercise at the Meeting and, if applicable, any shareholders' statements, shareholders' resolutions or shareholders' matters of business received by the Company after the date of this Notice will be available on the Company's website, [www.severntrent.com](http://www.severntrent.com)

## General notes – continued

---

### Inspection of documents

A copy of the Current Articles together with a copy of the New Articles and the Destination Table will be available for inspection at the registered office of the Company and at the offices of Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HS during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for the period from the date of the Notice and up to and including the date of the Meeting and at the International Convention Centre, Broad Street, Birmingham B1 2EA from 10am on the day of the Meeting.

Additionally, the following documents, which are available for inspection during normal business hours at the registered office of the Company on any weekday (Saturdays, Sundays and public holidays excepted), may also be inspected at the International Convention Centre, Broad Street, Birmingham B1 2EA from 10am on the day of the Meeting:

- copies of the executive directors' service contracts with the Company; and
- copies of the non-executive directors' letters of appointment.