
**Severn Trent Plc
Nominations Committee**

Terms of Reference

1 Constitution

The Board of Directors has established, in line with The Combined Code on Corporate Governance 2006¹, (“The Combined Code”), a committee of the Board, henceforth known as the Nomination Committee (“the committee”). The Board shall require the Committee chairman to be the Chairman of the Board or an independent non-executive director².

2 Membership

Members of the committee shall be appointed by the board, and save for the Chairman of the board **and the Chief Executive**, shall comprise only of independent non-executive directors.

The committee shall consist of a minimum of five members, the majority of which must be independent non-executive directors. The Company Secretary or a nominee shall act as the secretary to the committee.

Appointments to the committee shall be for a period of up to three years, which may be extended provided the director, except in the case of the Chairman and Chief Executive, remains independent.

The Chairman of the board shall not chair the committee when it is dealing with the matter of succession to the chairmanship, in which case the remaining members in attendance shall elect one of their number to chair the meeting.

3 Quorum

The quorum necessary for the transaction of business by the committee will be three members, two of whom must be independent non-executive directors.

In the event that a meeting of the committee is required but a quorum might not be secured, an existing member of the committee shall be empowered, following consultation with the chairman of the committee, to appoint another non-executive director to attend said meeting

In the absence of the chairman, the members attending will elect an independent director to chair the meeting.

4 Meetings

Meetings shall be held at least three times per year, one of which will be specifically set aside to give consideration to succession planning. Meetings

¹ The Combined Code A4.1

² The Combined Code A4.1

will also be held at such other times as the chairman of the committee shall require. Only members of the committee have the right to attend.

Prior to the commencement of each calendar year, the chairman of the committee and the Secretary shall review the frequency and dates of meetings for the subsequent financial year and propose such dates for agreement by other members of the committee.

A meeting of the committee may be called by the Secretary at the request of any member of the committee, and the Secretary shall agree the agenda with the chairman.

Other executive and non-executive directors, senior management and external advisors may be invited to attend for all or part of any meeting as and when appropriate, particular care being taken to recognise and avoid any conflicts of interest.

Meetings of the committee shall be called by giving at least five working days' written notice unless all the members of the committee agree to shorter notice.

Members may participate in a meeting by means of a conference telephone, video conferencing facility or other suitable communicating equipment.

The Secretary shall minute the proceedings and resolutions of all meetings as well as keep appropriate records. Minutes of the meetings shall be circulated promptly to all members of the committee and, once agreed, to all members of the board, unless a conflict of interest arises.

5 Annual General Meeting

The chairman of the committee shall attend the Annual General Meeting and be prepared to respond to any shareholder questions on the committee's activities.

6 Authority

The committee is authorised by the board to determine company policy within its terms of reference.

It is authorised to seek any information it requires from any employee and all employees shall be directed to co-operate with any request made by the committee.

7 Independent Advice and Resources

The committee is authorised by the board to obtain outside legal or other independent professional advice as it considers necessary to undertake its duties and to secure the attendance of any such advisers at any meetings of the committee.

In this regard any board policy document concerning the securing of such advice shall be adhered to by the committee.

The committee is exclusively responsible for establishing the selection criteria for such advisors and their appointment and terms of reference.

The appointment and performance of the advisors shall be reviewed by the committee on a regular basis and at least annually.

8 Duties

The duties of the committee are as follows:-

8.1 To ensure;

- (a) that before appointment is made by the board, the balance of skills, knowledge and experience on the board is evaluated, and, in the light of this evaluation a description of the role and capabilities required for a particular appointment³ is prepared and in identifying suitable candidates the committee shall:
 - i. use open advertising or the services of external advisers to facilitate the search or appointment;
 - ii. consider candidates from a wide range of backgrounds; and
 - iii. consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position;
- (b) when considering appointments to Chairman of the board, that a job specification is prepared, including an assessment of the time required to fulfil the role and that they are aware of prospective candidates other significant commitments, ensuring that the Chairman holds no other FTSE 100 chairmanships⁴;
- (c) that on appointment to the board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings;
- (d) that the committee keeps up to date and fully informed about strategic issues and commercial changes affecting the company and the market in which it operates;
- (e) that the committee's terms of reference and the non-executive directors' terms and conditions of appointment are made publicly available; and
- (f) that the committee chairman reports formally to the board on its proceedings after each meeting.

³ The Combined Code A4.2

⁴ The Combined Code A4.3 & A4.5

8.2 To review:

- (a) regularly, the structure, size and composition (including the skills, knowledge and experience) of the board and make recommendations to the board with regard to any changes⁵;
- (b) that the leadership needs of the organisation are kept under review, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- (c) that full consideration is given to succession planning for directors and other senior executives, taking into account the challenges and opportunities facing the company, and what skills and expertise are therefore needed on the board in the future⁶;
- (d) annually, the time required from non-executive directors - performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties; and
- (e) at least annually, the committee's terms of reference and the effectiveness of the committee and to report to the board in respect thereof, including any recommendations.

8.3 To approve:

- (a) the terms of engagement of non-executive directors and of the terms of service contracts of executive directors; and
- (b) a separate statement for inclusion in the annual report about its activities setting out the process used for appointments and providing an explanation where external advice or open advertising has not been used⁷, and including a report on the frequency of, and attendance by members at, committee meetings.

8.4 To recommend to the Board:

- (a) memberships of the Audit and Remuneration Committees, in consultation with the chairmen of those committees⁸;
- (b) the identification and nomination of candidates to fill board vacancies as and when they arise;
- (c) suitable candidates for the role of senior independent director⁹;
- (d) proposals concerning the continuing in office of a director¹⁰, in particular:

⁵ Matters Reserved for the Board 9.1

⁶ Matters Reserved for the Board 9.3

⁷ The Combined Code A6.1

⁸ Matters Reserved for the Board 9.6

⁹ The Combined Code A3.3 & MRB 9.5

- i. the continuation (or not) in service of any director who has reached the age of 70;
- ii. the re-appointment of any non-executive director at the conclusion of their specified term of office, having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required; and
- iii. the re-election by shareholders of any director under the 'retirement by rotation' provisions in the company's articles of association having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required.

(e) proposals concerning:

- i. plans for succession for both executive and non-executive directors and in particular for the key roles of Chairman and Chief Executive;
- ii. the appointment of any director to executive or other office (however, the positions of Chairman and Chief Executive must be considered at a meeting of the full board);
- iii. any request by an executive to hold a non-executive director or similar position outside the Company; and
- iv. on any area that it deems appropriate, within its remit where it believes action or improvement is necessary.

8.5 To have due regard to the duties of the board of directors in respect of Section 172 of the Companies Act 2006 in all of its recommendations to the board.

9 Decisions of the Committee

Any decisions of the committee shall be taken on a simple majority basis. The Chairman shall have a casting vote in the event of equality of voting.

¹⁰ Matters Reserved for the Board 9.7 & 9.8