

Severn Trent Group Board Diversity Policy

Statement 2020

1. Purpose

This Board Diversity Policy sets out the approach to diversity on the Board of Directors (the “Board”) of Severn Trent Plc, Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig.

Severn Trent is an equal opportunities employer and as a truly diverse Company we include and make good use of the difference in the skills, background, race, gender and other distinctions of our people.

Severn Trent’s commitment to inclusion and diversity aligns with our values – Showing Care; Taking Pride; Having Courage and Embracing Curiosity; and is reflected in our Code of Conduct – Doing the Right Thing.

This policy is owned and supported by the Severn Trent Plc Board and forms a key component of the culture at Severn Trent that will support the long term sustainable success of our business.

2. Policy Statement

Severn Trent supports and recognises the importance and benefits of greater diversity, including gender diversity, social and ethnic background and cognitive and personal strengths, throughout its organisation, including that of the Severn Trent Plc, Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig Boards.

The selection of candidates to join the Boards will continue to be made based on merit and the individual’s ability to contribute to the effectiveness of the Boards, which in turn will be dependent on the pool of candidates available. All appointments and succession plans will promote diversity of gender, social and ethnic backgrounds and cognitive and personal strengths.

Severn Trent will continue to develop a strong pipeline of diverse candidates for Board roles and for its Executive Committee and will ensure it is made up of an appropriate balance of skills, experience and knowledge required to effectively oversee the management of the Company in delivery of its strategy.

3. Our Targets and Objectives

The Board is committed to promoting diversity and inclusion in the boardroom, ensuring all are able to contribute to Board discussions, and aim to meet industry targets and recommendations wherever possible. This includes meeting the diversity targets recommended by the Hampton-Alexander Review and Parker Review:

- 33% female share of Board Directors by 2020; and
- Minimum of one Board Director from an ethnic minority background by 2021.

The Board is also committed to:

- ensuring that the Board is comprised of a good balance of skills, experience, knowledge, perspective and varied backgrounds;
- only engaging search firms who are signed up to the Voluntary Code of Conduct for Executive Search firms;
- considering candidates for Non-Executive Director Board appointments from a wide pool, including those with no listed company Board level experience; and
- reporting annually on the diversity of the executive pipeline as well as the diversity of the Board.

Progress against these targets will be reported in the Severn Trent Plc Annual Report and Accounts with a description of this policy.

We also measure the inclusiveness of our workplace in our annual employee engagement survey ('Quest'). This approach enables Board consideration of the organisation's culture and behaviours that underpin the outcomes.

4. Review and Responsibilities

The Nominations Committee supports the Board in applying this policy by regularly reviewing the Boards' effectiveness and composition each year and, in particular, considering the balance of skills, experience and independence of the Board ahead of making recommendations to the Board for any proposed changes. It also considers the benefits of all aspects of diversity, but without compromise as to the calibre of Directors, when identifying candidates for appointment. The Board and Nominations Committee will adhere to this Policy when reviewing existing Board composition and whilst recruiting to the Board.

Recruitment Process

The Nominations Committee will:

- only engage executive search firms who have signed up to the voluntary Code of Conduct on diversity and best practice; and
- consider candidates for Non-Executive Director Board appointments from a wide pool, including those with no listed company Board level experience;
- Ensure that Board appointment 'long lists' will be inclusive according to the widest definition of diversity;
- Focus on the development of a pipeline of diverse high calibre candidates for Board and Executive Committee level roles.

Succession Planning

The Nominations Committee oversees and ensures, where possible, the development of a diverse pipeline for succession and considers whether to recommend to the Boards the reappointment of Directors. In carrying out these responsibilities, the Nominations Committee shall have regard to this policy and the composition, skills requirements and diversity of the Boards at that time.

Board Evaluation

The respective Chair and Board will ensure that the annual evaluation of the Board effectiveness considers the composition and diversity of the Board.

6. Review of the Policy

The Board and Nominations Committee will keep this Policy under review to ensure its effectiveness and alignment with best practice and the requirements of the 2018 UK Corporate Governance Code and any other relevant legislation. The Policy will be reviewed annually with any proposed changes recommended to the Board.

This Policy will be available on the Company's website.