

17 April 2019



**Strictly Personal and Confidential**

The Hon. Philip Remnant

Severn Trent Centre  
2 St John's Street  
Coventry  
CV1 2LZ

Dear Philip,

**Appointment as Non-Executive Director of Severn Trent Plc and Severn Trent Water Limited ("Severn Trent")**

On behalf of Severn Trent, I am writing to re-confirm the terms of your appointment as Non-Executive Director of the Boards of Severn Trent Plc and Severn Trent Water Limited (the "Board") to reflect the requirements of the 2018 UK Corporate Governance Code.

**Appointment and Term of Office**

Your Appointment, effective from 31 March 2014 and confirmed by the shareholders of Severn Trent Plc at the Annual General Meeting ("AGM") on 16 July 2014, remains subject to the provisions of the Articles of Association of Severn Trent Plc (the "Articles") for the time being in force (and as amended by shareholders) and to any necessary resolutions of shareholders. This is a contract for services and not a contract of employment.

The Appointment was for an initial three year term and was extended for a further three year term in 2017 by mutual agreement. In compliance with the UK Corporate Governance Code, Directors are required to submit themselves for annual re-election by shareholders at each AGM. This is stipulated by the Articles and will apply to you. Subsequent continuation of your Appointment is therefore conditional on satisfactory performance and re-election at AGMs.

At any time during the term of your Appointment you may cease to hold office as a Director:

- If at any time you resign by written notice. It is desirable that you give the Chairman a reasonable period of notice of your intention to resign or not to seek re-election where possible so that they can plan for succession of skills and experience on the Board; and
- In accordance with the law or Articles of Severn Trent Plc, Shareholders are entitled to change the Articles at any time.

You are a member of the Audit, Nominations and Treasury Committees and Chairman of the Remuneration Committee. The Board may from time to time request your participation in other Board Committees, subject to your agreement.

## Duties

You shall have particular regard to the UK Corporate Governance Code and associated Guidance on Board Effectiveness in respect of the role of the Board, the Remuneration Committee and the role of the Non-Executive Directors.

The Board as a whole is collectively responsible for the success of the Company. The Board's role is to:

- Promote the long-term success of the Company, generating value for shareholders and contributing to wider society;
- Establish the Company's purpose, values and strategy and satisfy itself that these and its culture are aligned;
- Act with integrity, lead by example and promote Severn Trent's culture;
- Ensure that the necessary resources are in place for the Company to meet its objectives and measure performance against them;
- Establish a framework of prudent and effective controls, which enable risk to be assessed and managed;
- Ensure effective engagement with, and encourage participation from, shareholders and stakeholders; and
- Ensure that workforce policies and practices are consistent with the Company's values and support its long term sustainable success.

As a Non-Executive Director there are certain expectations that apply to this role, as set out in the attached Charter of Expectations, including to:

- Uphold high standards of integrity and probity and support the Chairman and Executive Directors in instilling the appropriate culture, values and behaviours in the Boardroom and throughout the Group.
- Constructively challenge and help develop proposals on strategy and then fully empower the Executive Directors to implement the strategy.
- Scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.
- Apply judgment to the business of the Board, leveraging their knowledge of the business and other business experience.
- Demonstrate the financial literacy required for a proper understanding of the Group's activities and associated risks.
- Satisfy yourself on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.
- Determine appropriate levels of remuneration for Executive Directors, and have a prime role in appointing and, where necessary, removing Executive Directors and in succession planning for these roles.
- Complement the skills and experience of the Executive Directors, in particular by bringing to bear a diverse range of knowledge, experience and insight from other industries.
- Ensure that individual business decisions conform to agreed strategies and policies.

You shall have particular regard to the general duties of the Companies Act 2006, including the duty to promote the success of the Company, acting in the way you consider, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, you must have regards (among other matters) for:

- The likely consequences of any decisions in the long term;
- The interest of the Company's employees;

- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company to maintain a reputation for high standards of business conduct; and
- The need to act fairly as between the members of the Company.

### **Time commitment**

You are aware that the nature of the role makes it impossible to be specific about the time commitment required. The Board expects you to commit sufficient time to allow you to meet your obligations to the Company. This will include travel to, and attendance at, scheduled and adhoc Board meetings, meetings of any Board Committee to which you are appointed and the AGM of Severn Trent Plc. In addition, you will be expected to devote appropriate preparation time ahead of each meeting.

As set out in the Charter of Expectations, it is anticipated that your duties as a Non-Executive Director of the Board will involve a commitment of approximately 24 days in each year or 2 days per month, with an additional 5 days for your role as Chair of the Remuneration Committee. Currently, this would typically comprise attendance at:

- ten scheduled Board meetings, at our Corporate Head Office in Coventry or our London office in Gracechurch Street (but possibly at other Company locations or off site);
- Board dinners;
- an offsite Strategy Day meeting;
- the Severn Trent Plc AGM;
- site visits;
- meetings of the Non-Executive Directors without Executive Directors present;
- meetings with major shareholders;
- meetings as part of the Board evaluation process; and
- Board Committee meetings which occur without those days set aside for Board meetings.

You may be required to devote additional time to the Company in respect of preparation time and adhoc matters which may arise, particularly when the Company is undergoing a period of increased activity.

By accepting this Appointment, you confirm that you are able to allocate sufficient time to meet these expectations. Personal attendance will be required at Board meetings and Board Committee meetings unless agreed otherwise in advance with the Chairman. You should consult with the Chairman before you accept any additional commitments (including external Board appointments) which may conflict with, or impact upon, the time you are able to devote to your role as a Non-Executive Director of the Board. Your appropriate commitment of time to the affairs of the Severn Trent Group will be one of the issues addressed in performance reviews and reported in the annual report and accounts.

### **Independence and other interests**

You have already disclosed to the Board the significant existing commitments you have outside your role in the Company. You must inform the Chairman in advance of any changes to these commitments.

Disclosure of external business interests is a continuing obligation. If your circumstances change, and you acquire any office or property which may conflict with your office as a Director of the Board, then you must disclose its character and extent at the next meeting of the Board. This should be done in writing. You may wish to consult with me, or the Chairman, as soon as

you become aware of any potential conflict. Please find attached a copy of the Company's Conflicts of Interest Policy.

You should be aware that under the law and the Articles you will generally not be entitled to attend any part of a Board meeting, or to vote, on any matter in which you have a material personal interest unless the other Directors unanimously decide otherwise. Any material interests are required to be disclosed in the annual report and accounts.

### **Overboarding**

To support you in taking into account your other commitments, and ensure that you are able to allocate sufficient time to the Company to discharge your responsibilities, the Company applies the following advisory guidelines on the number of Board appointments held at publicly listed companies:

- A Board Chairman should not hold an executive position elsewhere, or more than one other chairmanship position, but may hold up to three other Non-Executive directorships.
- A Non-Executive Director who does not hold executive or chairmanship positions may hold up to four other Non-Executive Directorships.

You do not currently breach any of these guidelines.

### **Remuneration and expenses**

You will be paid an annual fee for your duties as Non-Executive Director and as Chair of the Remuneration Committee. Fees are payable monthly and will be deposited into your bank account. The Board may from time to time request your participation in other Board Committees, subject to your agreement.

Directors may, in addition, receive a fee for devoting special attention to the business of the Severn Trent Group which is outside the scope of their ordinary duties.

You are entitled to be paid other expenses you properly incur concerning Severn Trent's affairs. Except for reasonable expenses associated with travelling, you should obtain the prior approval of the Chairman for any expenses. Please find attached a copy of the Company's Travel and Expenses Policy and a proforma Director's Expense Claim form.

You will not be entitled to a retirement allowance or pension.

### **Continuous improvement and Directors' appraisal**

Severn Trent believes that progressive organisations appreciate the challenge of operating in today's business environment. You agree that you will participate in:

- Continuous improvement programs from time to time determined by the Board as being appropriate for Directors, at the expense of Severn Trent and whether or not those programs are offered by Severn Trent; and
- Participate in processes of internal and external review of Director, Board and Committee effectiveness as may be determined to be appropriate by the Board from time to time. You acknowledge that such processes may result in positive or negative recommendations in relation to your candidacy for reappointment to the Board.

If there are any issues which cause you concern about the Board or your individual performance, or the performance of any Committee, you should feel free to raise them with the Chairman at any time.

## **Induction**

Following your appointment, the Company provided a comprehensive, formal and tailored induction. This included site visits and meetings with management, members of the workforce, other key stakeholders and the Company's Auditors. We gave major shareholders the opportunity to meet you.

## **Independent advice**

You may seek independent professional advice, at the expense of Severn Trent, on any matter connected with the discharge of your responsibilities with my prior approval. Copies of this advice must be made available to, and for the benefit of, all Board members, unless the Chairman otherwise agrees.

## **Insurance Arrangements and Deed of Indemnity**

A summary of our Directors' and Officers' Insurance arrangements was provided on appointment, together with a Deed of Indemnity in duplicate in your favour. We hold a signed duplicate copy of this on file.

## **Policies**

Severn Trent has developed a range of policies which govern conduct of the Directors and employees and set out the processes, values and standards of the Severn Trent Group in dealing with all stakeholders. These were included in your induction material. You acknowledge that your compliance with these policies will be an aspect of any assessment of your performance as a Director of the Board.

## **Inside Information and Dealing in the Company's Shares**

During your period of appointment you are in particular required to comply with the provisions of the Market Abuse Regulation and the Company's Inside Information and Share Dealing Policy in relation to dealing in the Company's shares. A copy of the policy was provided in your induction pack.

## **Company Secretary**

I am Severn Trent's Group General Counsel and Company Secretary and all Directors have access to my advice and services.

## **Confidentiality**

All information obtained during your Appointment is confidential to Severn Trent and should not be released, either during your Appointment or following termination (by whatever means) to third parties without prior clearance from the Chairman, or as required by law or by Severn Trent's policies and procedures. Please advise if you have a PA who has access to your emails so that they can be requested to comply with this undertaking also.

## **Technology**

By consenting to become a Director, you consent to the use of video, telephone, electronic mail, any other technology which permits each Director to communicate with every other Director, or any combination of these technologies for the purpose of calling and holding Directors' meetings and communicating with major shareholders and at the AGM.

Please feel free to contact me if you have any queries in relation to the above. Finally, I would be grateful if you could please sign and return the duplicate copy of this letter in the enclosed self-addressed envelope marked for my attention.

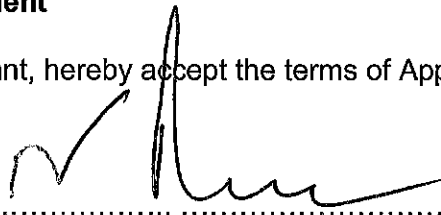
Yours sincerely



**Bronagh Kennedy**  
**General Counsel and Company Secretary**

**Acknowledgment**

I, Philip Remnant, hereby accept the terms of Appointment set out in this letter.



.....  
Signature

.....  
Date 17/4/19