

23 May 2014

Severn Trent Plc

**Strictly Personal and Confidential**

Mr John Coghlan

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

Dear John,

**Appointment as non-executive Director, member of the Nominations Committee and Chairman of Audit Committee**

**Appointment**

Following the approval of your appointment by the boards of Severn Trent Plc and Severn Trent Water Limited (the "Severn Trent Boards") as a non-executive Director of those companies, I now enclose a summary of our Directors' and Officers' Insurance arrangements together with a Deed of Indemnity in your favour. Please return the duplicate copy to me, duly endorsed.

**Induction**

A link to your online induction material will be sent by separate email.

**Term of appointment and vacation of office**

You will hold office from 23 May 2014 until the 2014 annual general meeting of Severn Trent Plc, when you will first become eligible for election as a Director. You will thereafter be eligible for re-election at each subsequent annual general meeting.

At any time during your tenure, including when you become subject to re-election under Severn Trent's articles of association or the law, your performance as a Director will be reviewed in accordance with processes agreed by the Severn Trent Boards from time to time. A recommendation as to your re-appointment may be made in notices of meeting or other material provided to shareholders. You agree to participate in such reviews.

You may cease to hold office as a Director:

- at any time that 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 that is possible so that he can plan for succession of skills and experience on the Severn Trent Boards; and
- in accordance with the law or articles of association of Severn Trent. Shareholders are entitled to change the articles of association at any time.

## **Role**

As a non-executive Director you will be expected to participate as a member of the Severn Trent Boards in:

- constructively challenging and helping to develop proposals on strategy of the Group;
- setting values and standards for the Group and establishing systems for their communication and monitoring;
- monitoring the performance of management in meeting agreed goals and objectives and ensuring that the necessary financial and human resources are in place to enable the Group to meet those goals and objectives;
- satisfying yourself as to the adequacy and integrity of financial and other reporting to the boards and shareholders and that there are adequate systems of internal control; and
- satisfying yourself that systems for identification and management of risks are robust and appropriate.

## **Time commitments**

I anticipate that your duties as a non-executive Director of Severn Trent will involve a commitment of approximately 15 days in each year. Currently, this would typically comprise attendance at:

- ten scheduled board meetings, at our Corporate Head Office in Coventry and at our London office in Jermyn Street and off site;
- an offsite Strategy Day meeting;
- the Severn Trent Plc annual general meeting;
- site visits; and
- board committee meetings which occur outwith those days set aside for board meetings.

Travel will be in addition to this.

A rolling schedule of board and committee meetings is available at any time from me. A copy of the 2014 and 2015 schedules have already been provided to you.

In addition, you will be expected to devote appropriate preparation time ahead of each meeting and to attend such ad hoc meetings as may be necessary or convenient.

By accepting this appointment, you confirm that you are able to allocate sufficient time to meet these expectations. You should consult with the Chairman before you accept any additional commitments (including other 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 Severn Trent Boards. Your appropriate commitment of time to the affairs of the Severn Trent Group will be one of the issues addressed in performance reviews.

## **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.

### **Independence and other interests**

You have confirmed to the Chairman that you regard yourself as an independent Director. If your circumstances change in any way which may affect your status as an independent Director, you must immediately disclose this to the Severn Trent Boards.

You may have business interests other than those of the Severn Trent Group. Disclosure of such 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 Severn Trent Boards, then you must disclose its character and extent at the next meeting of Directors. 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.

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 the accounts under the United Kingdom Companies Act and the Listing Rules of the UK Listing Authority.

### **Remuneration and expenses**

Each non-executive Director is paid a base fee which is currently £51,350 per annum. Fees are payable monthly and will be deposited into your bank account. The role of Chairman of the Audit Committee presently commands an additional fee of £15,000 per annum. The Severn Trent Boards may from time to time request you to participate 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 ordinary duties.

You are entitled to be paid other expenses you properly incur concerning Severn Trent's affairs. Except for expenses associated with travelling, you should obtain the approval of the Chairman for the expense before you incur it.

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 Severn Trent Boards 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 performance 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 Severn Trent Boards.

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

### **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.

### **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 Group in dealing with all stakeholders. You should familiarise yourself with them. You may access them from the website at [www.severntrent.com](http://www.severntrent.com) and they will be 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 Severn Trent.

Please note that under current policies you are required to obtain the consent of the Chairman before dealing in securities of Severn Trent and there are designated prohibited periods for dealing. This information is set out in the Share Dealing Code Standard which is enclosed. By accepting this appointment, you agree to be bound by the provisions of the Share Dealing Policy, a copy of which is also enclosed. I also draw your attention to both legislation and Severn Trent policy prohibiting disclosure or use of price sensitive information.

### **Company Secretary**

I am the Company Secretary. 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.

### **Documents to be returned**

We look forward to welcoming you to Severn Trent Boards. 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 together with a copy of your passport and the duplicate copy of your deed of indemnity in the enclosed self addressed envelope marked for my attention.

Yours sincerely



**Bronagh Kennedy**  
General Counsel and Company Secretary

**Acknowledgment**

I, John Coghlan, hereby accept the terms of appointment set out in this letter.



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Signature

23/05/2014  
.....  
Date