

GENDER PAY GAP REPORT 2017

This document outlines the gender pay gap at Severn Trent Water. Severn Trent Water is part of Severn Trent plc group.



ABOUT THE REPORT

From April 2017 the government has introduced gender pay gap reporting for all companies with more than 250 employees.

The gender pay gap shows the difference between the average hourly pay for men and women across all ages, roles and levels. It differs from equal pay which is the right for men and women to be paid at the same rate of pay for work that is of equivalent value.

Severn Trent has a robust job sizing process. This has enabled us to create a framework of pay ranges that avoids any gender bias.

Our gender pay gap report is split into three sections:

1. What's our gender pay gap?
2. What's causing our gender pay gap?
3. What are we doing about our gender pay gap?

WHAT'S OUR GENDER PAY GAP?

The gender pay gap is the difference between the average hourly pay received by men and women across Severn Trent Water as at 5 April 2017. We're reporting two measures of our gender pay gap, the mean and median gender pay gap. The median gender pay gap removes any influence of very high and very low pay.

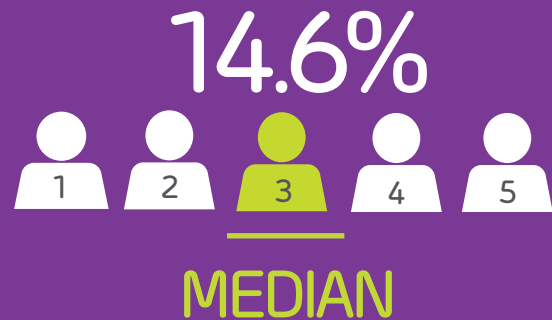
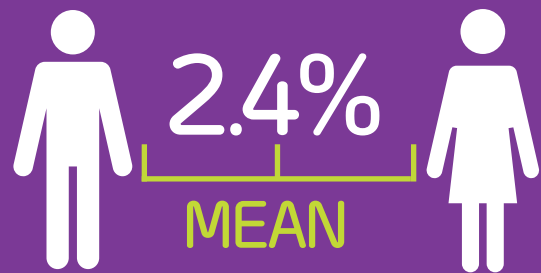
The difference in hourly pay between men and women:

mean 2.4%

median 14.6 %

What's included in our hourly pay?

Hourly pay includes basic pay, car allowances, shift pay, on-call and stand-by allowances. Excluded are payments for overtime, redundancy and benefits-in-kind along with employees on family or sick leave.



What is the mean?

The mean average involves adding up all the numbers and dividing the result by the number of values in the list. We calculate the mean average for both men's and women's hourly pay and report the percentage difference.

What is the median?

The median involves listing all the numbers in numerical order. The median is the middle number. We calculate the median for both men's and women's hourly pay and report the percentage difference.



WHAT'S OUR BONUS GAP?

The gender bonus gap is the difference between the average bonus received by men and women across Severn Trent Water during 2016/17.

Difference in annual bonus pay between men and women is:

mean -49.2%

median 0%

Regardless of level, every employee is targeted to achieve the same goals: excellent operational performance outcomes for customers, great financial performance, and reducing the number of lost time incidents.

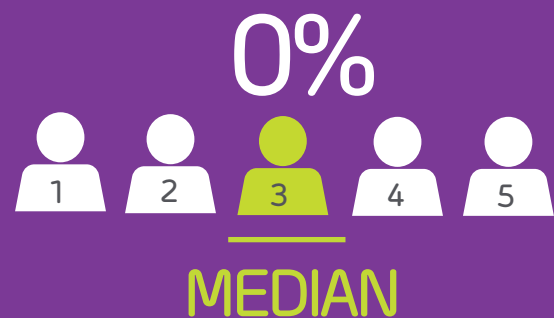
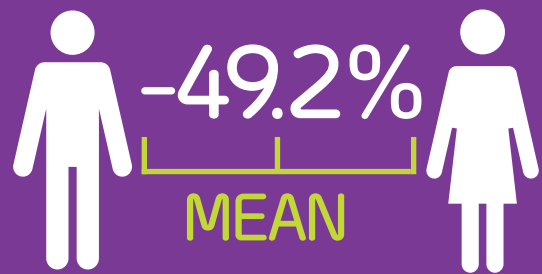
85.9% of men and 80.8% of women employed by Severn Trent Water on 5 April 2017 received a bonus during the previous year.

Why do we have a mean bonus gap?

Our mean bonus gap of 49.2% in favour of women is predominately due to the senior gender diversity, particularly at the executive committee level. Our leaders receive a bonus based on a percentage of their salary.

Why do we have no median bonus gap?

Our frontline employees, administrators, advisors, team managers and technical experts, who all make up around 95% of employees, are eligible for a fixed bonus regardless of salary.



RECEIVED A BONUS IN 2016



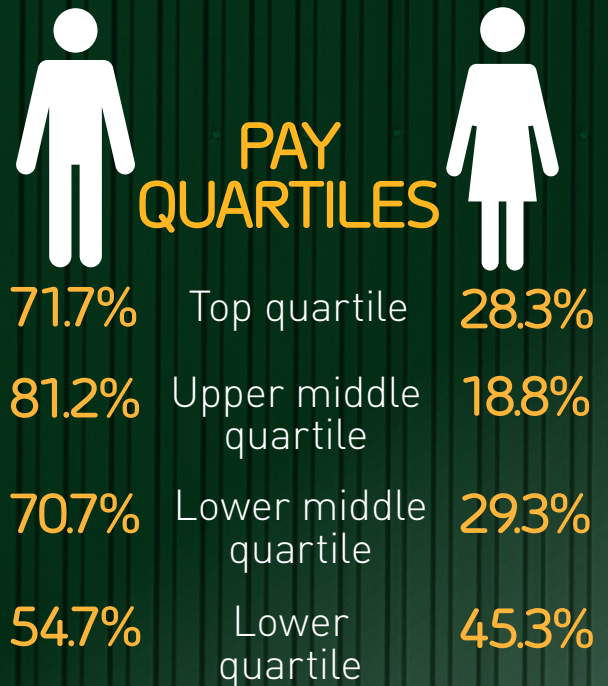
We've introduced an all company bonus designed to give our employees a stake in our performance during the year.

All employees who commenced employment before 31 December 2015 were eligible for the 2015/16 bonus that was paid in June 2016.

HOW IS PAY DISTRIBUTED?

The distribution of men and women is shown in pay quartiles which are calculated by splitting the whole workforce into four equal sized bands based on hourly pay, from highest to lowest. The percentage of men and women is calculated for each band.

The proportion of women employed across the whole of Severn Trent Water is around 30% which is broadly reflected in two of the quartiles, including the top quartile band. The lower quartile and the upper middle quartile are not representative of the wider gender split across business primarily due to the relatively small number of women employed within our wholesale water and waste divisions compared to our customer call centres.



30% OF OUR WORKFORCE ARE WOMEN



WHAT'S CAUSING OUR GENDER PAY GAP?

Our lower mean pay gap of 2.4% is caused primarily by our strong executive gender diversity where more than half of the executive committee is female. Small changes in the number of men and women at executive level could cause significant changes to our mean gender pay gap in future years.

The median gender pay gap removes the influence of those employees earning lower or higher salaries. A significant factor causing a difference in median pay between men and women across the business is due occupational segregation. This is the interest and appeal of different sectors to different demographics, starting in education and leading onto employment. For example, we have a predominately male workforce within our operational water and waste business and we also have some specialist areas where women are underrepresented such as information services and engineering.

There are many causes of the gender pay gap, from factors within the workplace to those that originate from the wider education and employment landscape. Changing our gender pay gap through improving occupational segregation will take time. In the next section we explain our long-term strategy to trial initiatives which will not only support our cultural legacy but also help to change our industry for the better.

EXECUTIVE LEVEL



WATER, WASTE AND SPECIALIST AREAS



WHAT ARE WE DOING ABOUT OUR PAY GAP?

We've made progress in addressing our gender pay gap and we've set some clear areas to focus on to help further improve gender diversity. We know we want to do more and we'll look to build on our commitments each year.

Developing role models

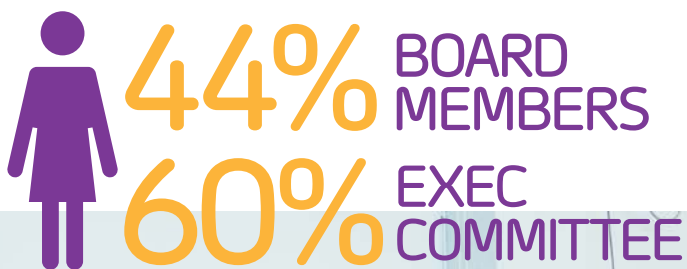
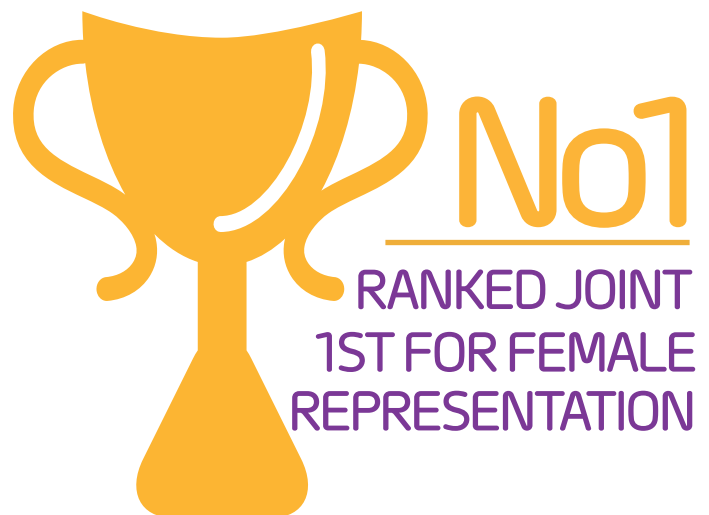
We believe strong role models inspire our employees and demonstrate an inclusive culture to potential candidates. We're leading the way on senior leader gender diversity, placing us ahead of many of our industry peers.

We're proud to have been ranked joint first in the FTSE100 for female representation at board level by the Hampton-Alexander review. Four out of nine of our board members are female and six out of our ten executive committee members are female leaders. 27% of our strategic leaders are female, with women in two senior engineering positions.

Reflecting the communities we serve

We aim to have a workforce that reflects the customers and communities we serve, so that we can better understand and respond to their needs. There are several aspects to this. It means encouraging diversity in all its forms including ethnicity, race, national origin, disability status, sexual orientation and social background, as well as gender.

We've increased our programme of school career events over the last two years, helping to broaden the range of students who are aware of Severn Trent and the career opportunities we offer. Part of our programme targets schools based on their diversity and social mobility status so our efforts are focussed on those who would most benefit.



Changing the way we recruit

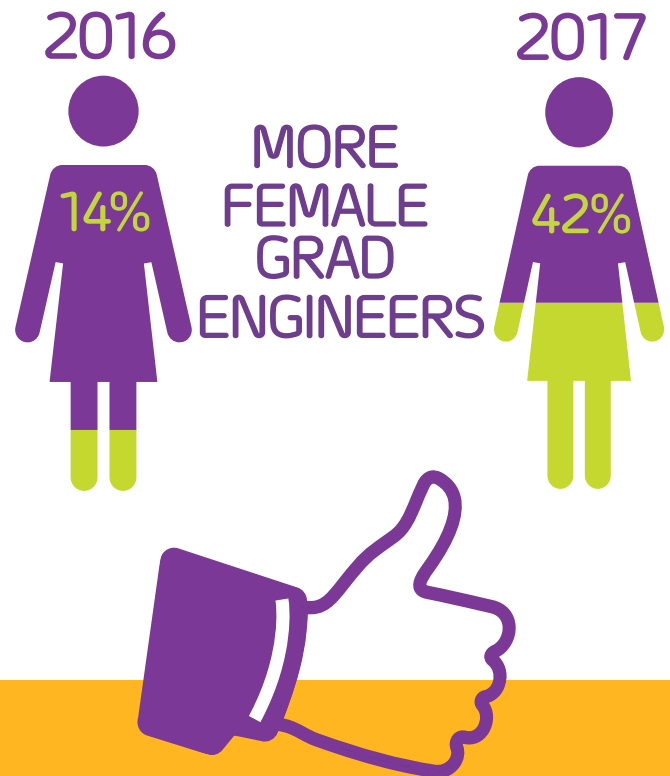
We've developed an award winning graduate and apprentice programme that continues to grow in success and popularity. We monitor the diversity of applicants to these programmes to ensure everyone is able to fulfil their potential throughout the recruitment process.

During 2016 we moved to a strengths-based interview process for our graduate and apprentice positions. This is helping us to understand the potential of each candidate and remove bias throughout the process. We want to attract candidates that share the same passion about the water industry and understand the needs of the communities we serve.

Breaking down stereotypes

We're making progress in attracting more diverse candidates into roles that require science, technology, engineering and mathematics (STEM) backgrounds. By taking part in engineering initiatives aimed

at women, including National Women in Engineering Day, we're raising our profile among prospective applicants. The challenge to increase diversity in these areas is longer-term and we'll continue to face a challenge to recruit female employees if we don't receive a sufficient level of applications to these roles.



Graduates and apprentices

We're proud to have increased our female graduate engineer intake to 42% in 2017 compared to 14% in 2016 and will continue to look at new ways to encourage women to consider careers in areas linked to engineering. We've invested more in leadership and technical skills, delivering an almost 20% increase in training days this year and have been named as one of the country's top 100 apprenticeship employers at the National Apprenticeship Awards.



NAMED TOP APPRENTICESHIP EMPLOYER

This statement confirms that the published information is accurate and is signed by

Olivia Garfield
Chief Executive Officer
Severn Trent PLC

A handwritten signature in white ink, reading "Olivia Garfield", positioned below the printed name and title.