

Key Information Document

Purpose

This document provides you with key information about this investment product. It is not a marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

Severn Trent Plc RPI Linked Sterling Bonds due 11 July 2022 (ISIN: XS0796078193) (the **Bonds**)

Issuer: Severn Trent Plc
Registered office: Severn Trent Centre, 2 St John's Street, Coventry, CV1 2LZ
Tel: 02477 715000
www.severntrent.com

The Issuer is incorporated as a public limited company with limited liability in England and Wales with registered number 2366619. It is the ultimate holding company of the Severn Trent group of companies and its ordinary shares are listed on the Official List of the UK Listing Authority and admitted to trading on London Stock Exchange plc's regulated market.

Date of Production of Key Information Document – 31 December 2017

You are about to purchase a product that is not simple and may be difficult to understand

What is this product?

This product is a Sterling RPI linked bond.

What is a bond?

A bond is a form of borrowing by a company seeking to raise funds from investors. Bonds have a fixed life. The company promises to pay a rate of interest (the **coupon**) to the holders of the Bonds (the **Bondholders**) periodically until the date when the bond matures when it also promises to repay the amount borrowed.

You do not have to keep the bonds until the date when the bond matures. A bond is a tradable instrument whereas a traditional loan (including a normal bank deposit or bank account) is not. The market price of a bond will fluctuate between the start of the bond's life and when it matures.

What is an RPI-linked bond?

An RPI-linked bond is a type of bond where the coupons (the rate of interest paid) and the amount borrowed are both adjusted in line with the UK Retail Prices Index (**RPI**). This means that both the coupon amounts paid periodically and the principal (i.e. the face value of the bond) required to be paid on redemption of the bond on the date when the bond matures are adjusted to take account of changes in the RPI since the specified reference date for calculating the RPI

Severn Trent Plc RPI Linked Sterling Bonds due 11 July 2022 (ISIN: XS0796078193)

The rate of interest for the Bonds is 1.3% per annum which will be adjusted to take account of the effects of inflation. The redemption value of the Bonds will also be adjusted to take account of the effects of inflation. The effect of inflation on both the interest rate and the redemption value of the Bonds is measured by movements in the RPI.

Interest will be paid semi-annually on 11 January and 11 July in each year until the face value of the Bonds is repayable. Interest is calculated on an inflation adjusted basis. Assuming that at the relevant time Severn Trent Plc is able to pay its debts in full and the Bonds are not otherwise redeemed or purchased or cancelled, the Bonds will be repaid on 11 June 2022 (the **Maturity Date**) at an amount that will be no less than the face value of the Bonds, plus an additional amount reflecting any increases in the RPI as further described in the section entitled "What could I get in return?". This product is aimed at distribution to all types of retail investor.

What are the risks and what could I get in return?

What are the risks?

A number of particularly important risks relating to an investment in the Bonds are set out below. These are not intended to be a comprehensive list of all the risks that may apply to an investment in the Bonds. You should seek advice, as necessary, as to whether an investment in the Bonds is suitable for you generally. **As with most investments you could get back less than you invest or lose all of your initial investment.**

The Bonds are issued by Severn Trent Plc and are rated Baa1 by Moody's Investors Service Ltd (Moody's) and BBB- by S&P Global Ratings (S&P). The Bonds are not issued by Severn Trent Water Ltd, the main operating company within the Severn Trent Group, which is rated A3 by Moody's and BBB+ by S&P.

- In the event that Severn Trent Plc becomes insolvent you will have a claim against this company only and could lose some or all of the money you have invested in the Bonds. Please refer to the section entitled "What happens if Severn Trent Plc is unable to pay out".
- If you choose to sell your Bonds in the open market at any time prior to the Maturity Date, the price you receive from a purchaser may mean that you get back less than your original investment. Factors that will influence the price you may receive include, but are not limited to, market appetite, inflation, period remaining to the Maturity Date, interest rates and the financial position of Severn Trent Plc. In particular, you should note that if interest rates start to rise then the interest amounts due on the Bonds might become less attractive and the price you get if you sell could fall. However, the market price of the Bonds has no effect on the interest amounts due or what you will be due to be repaid on the Maturity Date if you hold on to the Bonds until then.

- Interest is paid on the face value of the Bonds adjusted for changes in RPI. It is possible that the RPI will decrease during the relevant period. In this case, a coupon payment could be lower than the previous amount paid. However, on redemption the Bondholders will be entitled to receive at least the face value of the Bonds.
- There is no guarantee of what the market price for selling or buying the Bonds will be at any time. If prevailing market conditions reduce market demand for the Bonds, the market price may be adversely affected. If trading activity levels are low, this may severely and adversely impact the price that an investor would receive if he/she wishes to sell his/her Bonds.

Further risk factors relating to Severn Trent Plc and the Bonds are set out in the Drawdown Prospectus and Base Prospectus. Please see the section entitled "Other relevant information".

The tax treatment in relation to the Bonds will depend on your individual circumstances and taxation law and practice at the relevant time (and so may be subject to change in the future). You should consult your tax advisers to obtain advice about the particular tax treatment in relation to the Bonds. The tax treatment of the Bonds may be complex and the level and basis of taxation may change during the life of the Bonds. It is your responsibility to comply with the tax obligations operative in your country of residence.

What could I get in return?

The real rate of interest offered on the Bonds (i.e. the rate before taking inflation into account) is fixed at 1.3%. Interest will be paid semi-annually on 11 January and 11 July in each year until the face value of the Bonds is repayable. The interest amount due on each semi-annual payment date will be adjusted to take into account the change in inflation between the Base RPI figure relating to November 2011 (the month which is eight months prior to the issue date of the Bonds in July 2012) and the RPI figure relating to the month which is eight months prior to the relevant coupon payment date. For example, the coupon paid in July 2018 is calculated as follows assuming £1,000 face value of Bonds:

Base RPI figure for Nov 2011 (8 months prior to July 2012 issue date)	RPI figure for Nov 2017 (8 months prior to July 2018 interest payment)	RPI adjustment (Nov 2017) / RPI (Nov 2011)	Effective RPI adjusted coupon rate	Coupon cash amount per £1,000 face value of Bonds
238.5	275.8	115.64%	1.503%	£7.52

Future coupon amounts will depend on how the RPI changes in the relevant period for the payment date. For example, the coupon payable in July 2019 is calculated as follows based on an RPI figure of 275.8 in November 2017 and assuming different RPI scenarios:

Potential RPI change	Resulting RPI final figure relating to Nov 2018	RPI adjustment (Nov 2018) / RPI (Nov 2011)	Effective RPI adjusted coupon rate	Coupon cash amount per £1,000 face value of Bonds
-5.0%	262.0	109.857%	1.428%	£7.14
-3.0%	267.5	112.170%	1.458%	£7.29
-1.0%	273.0	114.483%	1.488%	£7.44
1.0%	278.6	116.796%	1.518%	£7.59
3.0%	284.1	119.109%	1.548%	£7.74
5.0%	289.6	121.421%	1.578%	£7.89

*Note that if the overall rate of inflation is negative the effective rate of interest will decrease. **This is an illustrative example and is not an indicator of future performance.**

Assuming that at the relevant time Severn Trent Plc is able to pay its debts in full and the Bonds are not otherwise redeemed or purchased or cancelled, the Bonds will be repaid at the Maturity Date at no less than their face value plus an additional amount reflecting any increase in the RPI between the Base RPI figure relating to November 2011 and the RPI figure relating to November 2021 (i.e. the month which is eight months prior to the Maturity Date). Where the RPI in November 2021 is lower than the Base RPI, no additional payment will be made and investors will receive the face value of the bonds on the Maturity Date.

As an example, if you own £1,000 face value of the Bonds, here is how much would be due to you based on an RPI figure of 275.8 in November 2017 and assuming different RPI scenarios from this date:

Potential annual RPI change each year until maturity	Resulting RPI final figure relating to Nov 2021	RPI adjustment (Nov 2021) / RPI (Nov 2011)	RPI adjusted redemption price	Redemption cash amount due
-5.0%	224.6	94.189%	*100.000%	£1,000.00
-3.0%	244.2	102.375%	102.375%	£1,023.75
-1.0%	264.9	111.083%	111.083%	£1,110.83
1.0%	287.0	120.335%	120.335%	£1,203.35
3.0%	310.4	130.153%	130.153%	£1,301.53
5.0%	335.2	140.560%	140.560%	£1,405.60

*Note that if the overall rate of inflation is negative (i.e. the RPI has fallen overall from November 2011 to November 2021) there will not be any decrease in the amount due to be repaid because the minimum amount due will be the face value of the Bond. **This is an illustrative example and is not an indicator of future performance.**

What happens if Severn Trent Plc is unable to pay out?

- Unlike a bank deposit, the Bonds are not protected by the UK Financial Services Compensation Scheme (**FSCS**). As a result, the FSCS will not pay compensation to an investor in the Bonds upon the failure of Severn Trent Plc.
- The Bonds are senior, unsecured, unsubordinated debt of Severn Trent Plc. This means that if Severn Trent Plc becomes insolvent, you may recover your investment in priority to subordinated debt holders, if any, and shareholders of Severn Trent Plc. However, you could still lose some or all of the money you have invested in the Bonds.
- The Bonds are structurally subordinated to debt issued by Severn Trent Water Limited, the main operating company in the group, and to debt issued by Severn Trent Utilities Finance Plc, the main financing company in the group. This means that if Severn Trent Plc becomes insolvent these debt holders would recover their investment in priority to you. As a result, you could lose some or all of the money you have invested in the Bonds.
- All obligations arising out of or in connection with the Bonds shall be the sole responsibility of Severn Trent Plc. The Bonds are not guaranteed by any other member of the Severn Trent group.

Please also see the section entitled "What are the risks?" above for further details on the risks relating to Severn Trent Plc and the Bonds.

What are the costs?

There are no costs charged by Severn Trent Plc for the Bonds. The distributor of the Bonds may charge you one-off or recurring fees and/or commissions in respect of any Bonds you purchase and/or hold. Severn Trent Plc is not responsible for the level of payment of any of these fees and/or commissions.

How long should I hold it and can I take money out early?

The Maturity Date of the Bonds is 11 July 2022.

The Bonds are listed on the Official List of the UK Listing Authority and admitted to trading on the regulated market of the London Stock Exchange. The Bonds are also eligible for the London Stock Exchange's electronic Order Book for Retail Bonds ("ORB"). The Bonds are tradable instruments and prices are quoted in the market during trading hours.

Bondholders should, in most normal circumstances, be able to sell their Bonds at any time, subject to market conditions. Bond prices tend to fluctuate and may go up or down, depending on a range of factors which include, but are not limited to, market appetite, inflation, period remaining to the Maturity Date, interest rates and the financial position of Severn Trent Plc. As with any investment, there is a risk that you could get back less than your initial investment or lose your initial investment. Pricing information for sales and purchases of the Bonds in the market will be available throughout trading hours on the ORB.

How can I complain?

Any complaints about the Bonds may be addressed to Group Treasury at Severn Trent Plc:

Registered office: Severn Trent Centre, 2 St John's Street, Coventry, CV1 2LZ
Tel: 02477 715000
Website: www.severntrent.com
Email address: Treasury@severntrent.co.uk

Any complaints regarding the purchase, ongoing management or sale of the Bonds should be addressed to the distributor of the Bonds (i.e. your stock broker, private bank or wealth manager).

Other relevant information

Information about Severn Trent Plc is available on the corporate website: www.severntrent.com

The Drawdown Prospectus dated 20 June 2012 (the **Drawdown Prospectus**) relating to the Bonds can be found at: <https://www.severntrent.com/investors/debt-investors/retail-bond/>

The Bonds are issued under the €6,000,000,000 Euro Medium Term Note Programme (the Programme) of, *inter alios*, Severn Trent Plc. The Base Prospectus dated 21 June 2017 relating to the Programme and the supplement to it dated 23 November 2017 (together, the **Base Prospectus**) can be found at: <https://www.severntrent.com/investors/debt-investors/emtn-programme/>
https://www.rns-pdf.londonstockexchange.com/rns/3835X_1-2017-11-23.pdf?ga=2.223537627.1181295271.1513691922-1229735053.1512044972