
Notice of Meeting 2014

**SEVERN
TRENT**

This document is important and requires your immediate attention.

If you are in any doubt about the action you should take, you should consult your independent financial adviser.

If you have recently sold or transferred your shares in Severn Trent Plc please forward this document to your bank, stockbroker or other agent through or to whom the sale or transfer was effected for delivery to the purchaser or transferee.

Dear Shareholder

This year's Annual General Meeting (the 'Meeting') will be held at the International Convention Centre in Birmingham on Wednesday 16 July 2014 at 11am and the formal notice of the Meeting is set out overleaf (the 'Notice').

If you would like to vote on the Resolutions in the Notice but cannot come to the Meeting, please fill in the Form of Proxy sent to you with the Notice and return it to Equiniti (our registrar) as soon as possible. Equiniti must receive the Form of Proxy by 11am on Monday 14 July 2014. Alternatively, you can vote online at www.sharevote.co.uk

If you are a registered shareholder holding shares in your own name and have not elected to receive communications in paper form by post or if you have elected to receive paper notification that shareholder communications are available to view online, I can advise you that the Annual Report and Accounts for the year ended 31 March 2014 is now available online at www.severntrent.com

Please note that the company operates a Dividend Reinvestment Plan, which gives shareholders the option of using their dividend payments to buy more shares in Severn Trent Plc (the 'Company') at favourable commission rates. If you would like to participate in this Plan please contact the Equiniti helpline on 0871 384 2268* for an application form. To participate for the July final dividend a completed application form must be received by Equiniti by Friday 4 July 2014.

The board considers the Resolutions are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The directors unanimously recommend that you vote in favour of the Resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 115,522 ordinary shares representing approximately 0.05% of the issued ordinary share capital of the Company as at 28 May 2014, being the latest practicable date prior to publication of this document.

Your directors and I look forward to your participation in respect of this year's Annual General Meeting and take the opportunity to thank you for your continued support.

Yours faithfully,



Andrew Duff
Chairman

16 June 2014

* Calls to this number are charged at 8p per minute plus network extras. Lines are open 8.30am to 5.30pm Monday to Friday, excluding UK bank holidays.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 25th Annual General Meeting (the 'Meeting') of Severn Trent Plc (the 'Company') will be held at the International Convention Centre, Broad Street, Birmingham B1 2EA on Wednesday 16 July 2014 at 11am to consider and, if thought appropriate, pass Resolutions 1 to 21 as ordinary resolutions and Resolutions 22 to 24 as special resolutions.

Resolution 1

To receive the accounts and the reports of the directors and the auditors for the year ended 31 March 2014.

Resolution 2

To approve the directors' remuneration report, other than the part containing the directors' remuneration policy, in the form set out in the Company's annual report and accounts for the year ended 31 March 2014.

Resolution 3

To approve the directors' remuneration policy in the form set out in the directors' remuneration report in the Company's Annual Report and Accounts for the year ended 31 March 2014.

Resolution 4

To authorise the directors:

- i) to adopt and establish the Severn Trent Plc Long Term Incentive Plan 2014, the principal terms of which are summarised in the appendix to this Notice, and the rules of which are produced to this Meeting and, for the purpose of identification only, initialled by the Chairman of the Meeting, and to do all such acts and things which they may consider necessary or desirable to establish and carry it into effect; and
- ii) to establish further plans based on the Severn Trent Plc Long Term Incentive Plan 2014 but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against any limits on individual or overall participation contained within the Severn Trent Plc Long Term Incentive Plan 2014.

Resolution 5

To declare a final ordinary dividend in respect of the year ended 31 March 2014 of 48.24 pence for each ordinary share of 97¹⁷/₁₉ pence.

Resolution 6

To reappoint Tony Ballance as a director.

Resolution 7

To appoint John Coghlan as a director.

Resolution 8

To reappoint Richard Davey as a director.

Resolution 9

To reappoint Andrew Duff as a director.

Resolution 10

To reappoint Gordon Fryett as a director.

Resolution 11

To appoint Liv Garfield as a director.

Resolution 12

To reappoint Martin Kane as a director.

Resolution 13

To reappoint Martin Lamb as a director.

Resolution 14

To reappoint Michael McKeon as a director.

Resolution 15

To appoint Philip Remnant as a director.

Resolution 16

To reappoint Andy Smith as a director.

Resolution 17

To appoint Dr Angela Strank as a director.

Resolution 18

To reappoint Deloitte LLP as auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

Resolution 19

To authorise the directors to determine the remuneration of the auditors.

Resolution 20

To authorise, generally and unconditionally, the Company and all companies which are subsidiaries of the Company during the period when this Resolution 20 has effect, in accordance with sections 366 and 367 of the Companies Act 2006 (the '2006 Act') to:

- i) make political donations to political parties or independent election candidates not exceeding £50,000 in total;
- ii) make political donations to political organisations other than political parties not exceeding £50,000 in total; and
- iii) incur political expenditure not exceeding £50,000 in total, (as such terms are defined in the 2006 Act) during the period beginning with the date of the passing of this resolution and expiring at the conclusion of the next Annual General Meeting of the Company provided that the authorised sums referred to in paragraphs i), ii) and iii) above, may be comprised of one or more amounts in different currencies which, for the purposes of calculating the said sums, shall be converted into pounds sterling at the exchange rate published in the London edition of the Financial Times on the date on which the relevant donation is made or expenditure incurred (or the first business day thereafter) or, if earlier, on the day on which the Company enters into any contract or undertaking in relation to the same.

Resolution 21

To authorise, generally and unconditionally, the directors in accordance with section 551 of the 2006 Act to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Rights'):

- i) up to an aggregate nominal amount of £78,151,787; and
- ii) up to a further aggregate nominal amount of £78,151,787 provided that a) they are equity securities (within the meaning of section 560(1) of the 2006 Act) and b) they are offered by way of a rights issue to holders of ordinary shares on the register of members of the Company at such record date(s) as the directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held by them on any such record date, subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or any other matter whatsoever,

provided that this authority shall expire on the date of the next Annual General Meeting of the Company, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or Rights to be granted after such expiry and the directors shall be entitled to allot shares and grant Rights pursuant to any such offer or agreement as if this authority had not expired; and all unexercised authorities previously granted to the directors to allot shares and grant Rights be and are hereby revoked.

Resolution 22

To empower the directors pursuant to sections 570 and 573 of the 2006 Act to allot equity securities (within the meaning of section 560 of the 2006 Act) for cash either pursuant to the authority conferred by Resolution 21 above or by way of a sale of treasury shares as if section 561(1) of the 2006 Act did not apply to any such allotment provided that this power shall be limited to:

- i) the allotment of equity securities in connection with an offer of securities (but in the case of the authority granted under sub-paragraph ii) of Resolution 21 above by way of rights issue only) in favour of the holders of ordinary shares in the Company on the register of members of the Company at such record date(s) as the directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held by them on any such record date(s), subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or any other matter whatsoever; and
- ii) the allotment (otherwise than pursuant to sub-paragraph i) of this Resolution 22) to any person or persons of equity securities up to an aggregate nominal amount of £11,722,767,

and shall expire upon the expiry of the general authority conferred by Resolution 21 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if this power had not expired.

Resolution 23

To authorise, generally and unconditionally, the Company to make market purchases (within the meaning of section 693(4) of the 2006 Act) of its ordinary shares, on such terms and in such manner as the directors may from time to time determine provided that:

- i) the Company may not purchase more than 23,949,741 ordinary shares;
- ii) the Company may not pay less than 97¹⁷/₁₉ pence for each ordinary share; and
- iii) the Company may not pay, in respect of each ordinary share, more than 5% over the average of the middle market price of an ordinary share based on the London Stock Exchange Daily Official List, for the five business days immediately before the day on which the Company agrees to buy such ordinary share,

and this authority shall expire at the conclusion of the next Annual General Meeting of the Company, save that the Company may make a contract, before this authority ends, to purchase ordinary shares where the purchase is or may be completed (fully or partly) after this authority ends and may purchase its ordinary shares pursuant to any such contract.

Resolution 24

To authorise general meetings of the Company, other than Annual General Meetings, to be called on not less than 14 clear days' notice.

By order of the board

Bronagh Kennedy
 General Counsel and Company Secretary
 Severn Trent Plc
 Severn Trent Centre
 2 St John's Street
 Coventry CV1 2LZ
 Registered in England and Wales
 Registration No. 2366619
 28 May 2014

Directors seeking reappointment



1. Dr Tony Ballance ❖

BSc (Hons) MA (Econ) PhD (49)
Director, Strategy and Regulation
Appointed to the board on 2 October 2007
 Tony's extensive experience in utility policy and regulation leaves him ideally placed to lead the Company's strategic and regulatory work. Prior to joining Severn Trent he held the posts of Chief Economist for Ofwat, director of London Economics and director of Stone and Webster Consultants.

External appointments

Member of Water UK Council

2. John Coghlan ●

BCom ACA (56)
Independent non-executive director
Appointed to the board on 23 May 2014
 John is a chartered accountant with substantial financial expertise and is a valuable addition to the board's existing skill set. He will become Chairman of the Audit Committee with effect from the conclusion of the AGM on 16 July 2014. John is currently Chairman of Inchcape Shipping Services and a non-executive director and Chairman of the Remuneration Committee of Lavendon Group plc. He was previously a non-executive director of Hibu plc (formerly Yell Group plc) from June 2002 to February 2014 and Chairman of the Audit Committee. Prior to this he was a non-executive director of Ashley House plc and DX Services PLC and until 2006 he was Deputy Chief Executive and Group Finance Director of Exel Plc.

External appointments

Chairman of Inchcape Shipping Services
 Non-executive director and Chairman of the Remuneration Committee of Lavendon Group plc
 Chairman of Freight Transport Association Ireland Limited

3. Richard Davey ■●★

BA (65)
Senior independent non-executive director
Appointed to the board on 1 January 2006
 Richard spent the majority of his executive career in investment banking at NM Rothschild and Sons, in roles including Head of Investment Banking. Richard brings invaluable specialist financial expertise to the board, the Audit Committee and as chair of the Remuneration Committee, having run Rothschild's Financial Services Group and worked with a number of high street banks and insurers. Previously he held non-executive roles at Yorkshire Building Society, where he was Vice Chairman, Freeserve Plc and Scottish Widows Fund and Life Assurance Society.

External appointments

Non-executive Chairman, member of the Risk and Solvency Committee and Chairman of the Nomination Committee of Amlin Plc

4. Andrew Duff ▲●★

BSc FEI (55)
Non-executive Chairman
Appointed to the board on 10 May 2010 and Chairman on 20 July 2010
 Andrew's extensive experience of international and regulated business, strategic management and customer service in high profile, dynamic environments have equipped him well for the role of Chairman of the group. Andrew spent 16 years at BP in marketing, strategy and oil trading. He joined National Power in 1998 and the board of Innogy plc upon its demerger from National Power in 2000. He led the restructuring and subsequent sale of Innogy to RWE in 2003. He became CEO of the successor company, npower, and a member of the RWE Group Executive Committee. He was a non-executive director of Wolseley Plc from

Committee membership key

- Audit Committee
- ▲ Corporate Responsibility Committee
- ❖ Executive Committee
- Nominations Committee
- ★ Remuneration Committee

July 2004 until his retirement in November 2013. Andrew was appointed non-executive Deputy Chairman of Elementis plc on 1 April 2014 and became non-executive Chairman of Elementis plc on 24 April 2014.

External appointments

Non-executive Chairman and Chairman of the Nomination Committee of Elementis plc
Member of the CBI President's Committee
Trustee of Macmillan Cancer Support and Earth Trust
Fellow of the Energy Institute

5. Gordon Fryett ▲●

(60)

Independent non-executive director

Appointed to the board on 1 July 2009

Gordon has extensive experience working in and with international businesses, managing significant capital expenditure. His in-depth retail expertise at both executive and operational level in a customer facing, highly competitive environment, enables him to bring substantial experience and expertise to the board and the Corporate Responsibility Committee. Gordon held the position of Group Property Director at Tesco Plc until his retirement in November 2013. He previously held a number of senior roles within the Tesco Group, including Operations Director, International Support Director and CEO Republic of Ireland.

External appointments

Alumnus of INSEAD

6. Olivia Garfield ▲◆●

BA (Hons) (38)

Chief Executive

Appointed to the board on 11 April 2014

Olivia (Liv) brings to the board a wealth of experience managing customer service delivery and complex infrastructure and organisations in a regulated environment. Before joining Severn Trent, Liv was Chief Executive Officer of Openreach, part of the BT Group, where she spearheaded and oversaw the commercial roll-out of fibre broadband to two thirds of the country. She joined BT in 2002 and held the pivotal roles of Group Director of Strategy and Regulation, Managing Director Commercial and Brands, Global Services and UK Customer Services Director. From 1998 to 2002, Liv worked for Accenture as a consultant in the Communications and High Tech Market Unit, designing and implementing business change solutions across a number of industry sectors.

External appointments

Non-executive director Tesco Plc

7. Martin Kane ◆

BSc CEng CEnv MICE MIWEM FIW (61)

Chief Executive Officer, Severn Trent Services

Appointed to the board on 2 October 2007

Martin joined Severn Trent Water in 1975 and has held various senior roles giving him an extensive and unique understanding of the design, construction and operation of water and waste water treatment plants, water distribution networks and sewerage systems. Martin was Director of Customer Relations, Severn Trent Water, from May 2006 until January 2012, when he was appointed Chief Executive Officer of Severn Trent Services.

External appointments

Member of the boards of Utilities and Service Industries Training Limited and National Association of Water Companies (US)
Trustee of International Society for Trenchless Technology

8. Martin Lamb ●★

BSc MBA (54)

Independent non-executive director

Appointed to the board on 29 February 2008

Martin has extensive experience of managing and developing large engineering businesses in all parts of the world. In May 2014, Martin left the board of IMI plc having served as Chief Executive for 13 years and after 33 years with the company. He oversaw the fundamental reshaping of IMI and held a number of senior management roles there. On 1 March 2014, Martin was appointed Chairman of Evoqua Water Technologies. His strong commercial acumen, experience of managing complex projects, and familiarity with current market pressures leave him well placed to add value to the Severn Trent business. Previously Martin was a non-executive director of Spectris plc.

External appointments

Chairman of Evoqua Water Technologies LLC
Member of the Advisory Board of AEA Investors Management (UK) Limited

9. Michael McKeon ◆

MA CA (57)

Finance Director

Appointed to the board on 13 December 2005

Michael brings significant financial and commercial expertise to the board and has over eight years' experience of the Severn Trent group. Prior to joining Severn Trent he was Finance Director of Novar Plc and before that, held various senior roles with Rolls-Royce Plc, including Finance Director of the Aerospace Group. He has extensive international business experience having worked overseas for CarnaudMetalbox, Elf Atochem and Price Waterhouse. Michael is a chartered accountant and a member of the Institute of Chartered Accountants of Scotland.

External appointments

Non-executive director and Chairman of the Audit Committee of The Merchants Trust Plc

10. Baroness Noakes ■●

DBE LLB FCA (64)

Independent non-executive director

Appointed to the board on 29 February 2008

Sheila brings valuable expertise to the board as an experienced director and Audit Committee Chairman of UK listed companies and with extensive and varied professional, political and public sector experience. A qualified chartered accountant, she previously headed KPMG's European and International Government practices and has been President of the Institute of Chartered Accountants in England and Wales. Sheila was appointed to the House of Lords in 2000 and has served on the Conservative front bench in various roles including as shadow treasury minister between 2003 and May 2010. Previously she held non-executive roles on the Court of the Bank of England, Hanson Plc, ICI Plc, John Laing and SThre. Sheila will retire from the board with effect from the conclusion of the 2014 AGM.

External appointments

Non-executive director, member of the Group Audit Committee and Group Nominations Committee and Chairman of the Board Risk Committee of The Royal Bank of Scotland Group Plc
Deputy Chairman, senior independent director and Chairman of the Nominations Committee of Carpetright Plc

11. The Hon. Philip Remnant ■●★

CBE ACA MA (59)

Independent non-executive director

Appointed to the board on 31 March 2014

Philip is a senior investment banker with substantial advisory and regulatory experience. A chartered accountant, he is Senior Independent Director of Prudential Plc, a Deputy Chairman of the Takeover Panel, a non-executive director of UK Financial Investments Limited and Chairman of City of London Investment Trust plc. He was previously a Vice Chairman of Credit Suisse First Boston Europe and Head of the UK Investment Banking Department. Philip was Director General of the Takeover Panel for two years between 2001 and 2003, and again in 2010. Previously he served on the board of Northern Rock plc and from 2007 to 2012 was Chairman of the Shareholder Executive.

External appointments

Senior independent director and member of the Audit, Nominations and Remuneration Committees of Prudential Plc.
Deputy Chairman of the Takeover Panel
Non-executive director of UK Financial Investments Limited
Non-executive Chairman of City of London Investment Trust plc
Governor of Goodenough College
Trustee of St Paul's Cathedral Foundation

12. Andy Smith ◆

BTech (Hons) (53)

Director of Water Services

Appointed to the board on 2 October 2007

Andy brings a broad range of executive and operational expertise gained from diverse sectors to the board. Andy has significant experience having worked in the UK and overseas with global businesses such as BP, Mars and Pepsi, in engineering and operational management roles. Previously he was a member of the board at Boots Group Plc.

13. Dr Angela Strank ▲●★

BSc PhD (Geology) (61)

Independent non-executive director

Appointed to the board on 24 January 2014

Angela is Chief Scientist at BP Group. She has held various senior strategic, technical and commercial leadership roles at BP since joining in 1982, most recently Vice President and Head of the Chief Executive's Office. In 2010 Angela was the winner of the UK First Woman's Award in Science and Technology in recognition of pioneering UK women in business and industry. Her track record and experience in strategy, technology and transformational change are a complementary addition to the board's skill set.

External appointments

Board of Governors of the University of Manchester
University College London, Energy Institute
International Advisory Board

Explanatory notes

Annual Report and Accounts (Resolution 1)

The directors must lay before shareholders the accounts of the Company for the financial year ended 31 March 2014, the report of the directors and the report of the auditors of the Company on those accounts.

Directors' remuneration report (Resolutions 2 and 3)

There are new requirements this year in relation to the content of the directors' remuneration report and the approval of the report, following changes made to the 2006 Act.

In accordance with the new 2006 Act provisions, the directors' remuneration report contains:

- a statement by Richard Davey, Chairman of the Company's Remuneration Committee;
- the annual report on remuneration, which sets out payments made in the financial year ending 31 March 2014; and
- the directors' remuneration policy in relation to future payments to the directors and former directors.

The statement by the Chairman of the Remuneration Committee and the annual report on remuneration will, as in the past, be put to an annual advisory shareholder vote by ordinary resolution. The policy part of the report, which sets out the Company's forward looking policy on directors' remuneration (including the approach to exit payments to directors), is subject to a binding shareholder vote by ordinary resolution at least every three years.

The directors' remuneration report is set out in full in the Annual Report and Accounts on pages 60 to 76.

Resolution 2 is the ordinary resolution to approve the directors' remuneration report, other than the part containing the directors' remuneration policy. Resolution 2 is an advisory resolution and does not affect the future remuneration paid to any director.

Resolution 3 is the ordinary resolution to approve the directors' remuneration policy which is set out on pages 61 to 66 of the directors' remuneration report in the Annual Report and Accounts.

As noted in the directors' remuneration policy on page 61 of the Annual Report and Accounts, the directors' remuneration policy will commence on 16 July 2014. Payments will continue to be made to directors and former directors in line with existing contractual arrangements until this date.

Once the directors' remuneration policy has been approved, all payments by the Company to the directors and any former directors must be made in accordance with the policy (unless a payment has been separately approved by a shareholder resolution).

If the directors' remuneration policy is approved and remains unchanged, it will be valid for up to three financial years without a new shareholder approval. If the Company wishes to change the directors' remuneration policy, it will need to put the revised policy to a vote again before it can implement the new policy.

If the directors' remuneration policy is not approved for any reason, the Company will, if and to the extent permitted by the 2006 Act, continue to make payments to directors in accordance with existing contractual arrangements and will seek shareholder approval for a revised policy as soon as is practicable.

Approval of the Severn Trent Plc Long Term Incentive Plan 2014 (Resolution 4)

The existing long term incentive plan operated by the Company, being the Severn Trent Long Term Incentive Plan 2005, will reach the end of its life during the course of 2015, after which no further awards may be granted under it.

The Company's Remuneration Committee recognises the need to continue to incentivise executive directors and senior managers in a

manner which appropriately aligns their interests with those of the Company's shareholders and that operating a long term incentive plan which complies with both current market practice and recent institutional investor guidelines to achieve this, will be an important factor in securing high performance from the executive directors and senior managers concerned.

Accordingly, it is proposed to replace the expiring Severn Trent Long Term Incentive Plan 2005 with the Severn Trent Plc Long Term Incentive Plan 2014, the principal terms of which are summarised in the Appendix to this Notice.

Resolution 4 seeks shareholder approval for the adoption and establishment of the Severn Trent Plc Long Term Incentive Plan 2014 by the Company.

Declaration of an ordinary dividend (Resolution 5)

A final ordinary dividend of 48.24 pence has been recommended by the directors for payment to ordinary shareholders who are on the register of members of the Company at 6pm on 20 June 2014. A final dividend can only be declared by the shareholders at a general meeting but must not exceed the amount recommended by the directors. If so declared the date of payment of the final ordinary dividend will be 25 July 2014.

Reappointment and appointment of directors (Resolutions 6 to 17)

Under the Company's articles of association, all directors are required to retire and submit themselves for appointment or reappointment if they have been appointed by the board since the previous Annual General Meeting or if it is the third Annual General Meeting following that at which they were appointed or last reappointed.

However, the UK Corporate Governance Code requires that all directors of companies in the FTSE 350 index, such as the Company, should be subject to annual election by shareholders. Accordingly, except as noted below, all the directors will retire at this year's Annual General Meeting and submit themselves for reappointment, or in the case of Liv Garfield, Philip Remnant, Dr Angela Strank and John Coghlan, appointment, by the shareholders.

Baroness Noakes will be retiring from the board at the end of this year's Annual General Meeting and will not be seeking re-election. The whole of the board and I would like to thank Baroness Noakes and also Bernard Bulkin and Tony Wray, who retired earlier this year, for their hard work and dedication over the years.

Following a formal review, the Nominations Committee has confirmed that each director standing for reappointment continues to make a valuable contribution to the board's deliberations and continues to demonstrate commitment. As stated in the Nominations Committee report in the Annual Report and Accounts, the Nominations Committee supports and recommends the election of the newly appointed directors, Liv Garfield, Dr Angela Strank, Philip Remnant and John Coghlan. The appointment of these new executive and non-executive directors brings new skills and experience to the board, and overall the balance of such remains both diverse and complementary.

The Nominations Committee supports and recommends all of the proposed reappointments and appointments.

Details of the directors who are standing for reappointment and appointment are included in this notice of meeting (the 'Notice').

Reappointment and remuneration of the auditors (Resolutions 18 and 19)

The Company is required to appoint auditors at each general meeting at which accounts are laid before the Company, to hold office until the next such meeting. Resolution 18 proposes the reappointment of Deloitte LLP as auditors of the Company and Resolution 19 authorises the directors, in accordance with standard practice, to agree the level of

their remuneration. The Audit Committee will approve the audit fees for recommendation to the board.

Authority to make political donations and incur political expenditure (Resolution 20)

Resolution 20 deals with political donations. Under the 2006 Act, political donations to any political parties, independent election candidates or political organisations or the incurring of political expenditure are prohibited unless authorised by shareholders in advance. What constitutes a political donation, a political party, a political organisation, or political expenditure is not easy to decide, as the legislation is capable of wide interpretation. Sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling public duties, and support for bodies representing the business community in policy review or reform, may fall within this.

Therefore, notwithstanding that the Company has no intention either now or in the future of making any political donation or incurring any political expenditure in respect of any political party, political organisation or independent election candidate, the board has decided to put forward Resolution 20 to renew the authority granted by shareholders at last year's Annual General Meeting. This will allow the Company to continue to support the community and put forward its views to wider business and Government interests without running the risk of being in breach of the law. As permitted under the 2006 Act, Resolution 20 also covers any political donations made, or political expenditure incurred, by any subsidiaries of the Company.

Authority to allot shares (Resolution 21)

At last year's Annual General Meeting the directors were given authority to allot shares in line with the revised ABI guidelines published in December 2008. Resolution 21 will, if passed, renew this authority to allot on broadly the same terms as last year's resolution.

Accordingly, Resolution 21 will, if passed, grant the directors authority to allot shares in the capital of the Company up to a maximum nominal amount of £156,303,574, representing the ABI guideline limit of approximately two thirds of the Company's issued ordinary share capital as at 28 May 2014, being the latest practicable date before the publication of the Notice. Of this amount, 79,832,471 ordinary shares (representing approximately one third of the Company's issued ordinary share capital) can only be allotted pursuant to a rights issue. This authority will last until next year's Annual General Meeting.

The directors have no present intention of exercising this authority.

Disapplication of statutory pre-emption rights (Resolution 22)

This special resolution proposes to give the directors authority to allot shares in the capital of the Company pursuant to the authority granted under Resolution 21 above for cash without complying with the statutory pre-emption provisions in certain circumstances. In light of the ABI guidelines referred to in Resolution 21 above, this authority will permit the directors to allot:

- i) shares up to a nominal amount of £156,303,574 (representing two thirds of the Company's issued share capital) on an offer to existing shareholders on a pre-emptive basis. However, unless the shares are allotted pursuant to a rights issue (rather than an open offer), the directors may only allot shares up to a nominal amount of £78,151,787 (representing one third of the Company's issued ordinary share capital) (in each case subject to adjustments for fractional entitlements and overseas shareholders); and
- ii) shares up to a maximum nominal value of £11,722,767, representing approximately 5% of the issued ordinary share capital of the Company as at 28 May 2014, being the latest practicable date before the publication of the Notice, otherwise than in connection with an offer to existing shareholders.

Authority for the Company to purchase its own shares (Resolution 23)

This special resolution proposes the renewal of the authority granted at last year's Annual General Meeting. If passed, it will allow the Company to buy back up to 23,949,741 of its ordinary shares on the London Stock Exchange. This equates to approximately 10% of the Company's issued share capital. This Resolution 23 sets out the lowest and highest prices that the Company can pay for the shares. This authority will expire at the conclusion of next year's Annual General Meeting.

The directors are committed to managing the Company's capital effectively and purchasing the Company's own ordinary shares is one of the options that the directors keep under review. The directors will only do this if they believe it is in shareholders' best interests and will increase the earnings per share.

Any shares purchased in this way, other than those purchased pursuant to the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 will be automatically cancelled. Shares purchased pursuant to such regulations may either be held or dealt with by the Company. The Company did not hold any shares in treasury as at 28 May 2014, being the latest practicable date before the publication of the Notice.

As at 28 May 2014, being the latest practicable date before the publication of the Notice, there were options outstanding to subscribe for 2,231,532 ordinary shares under the Company's employee share schemes. If the outstanding options were fully exercised they would represent 0.93% of the existing 239,497,413 issued ordinary shares of the Company. If the buyback authority was exercised in full, that percentage would be 1.04% of the reduced share capital of 215,547,672 ordinary shares.

Authority to reduce notice periods for general meetings (Resolution 24)

This special resolution allows the Company to hold general meetings (other than Annual General Meetings) on 14 days' notice, and will, if passed, renew the authority passed at last year's Annual General Meeting.

Before the introduction of the Companies (Shareholders' Rights) Regulations 2009 (the 'Shareholders' Rights Regulations') on 3 August 2009, the minimum notice period permitted by the 2006 Act for general meetings (other than Annual General Meetings) was 14 days. One of the amendments made to the 2006 Act by these regulations was to increase the minimum notice period for general meetings of listed companies to 21 days, but with an ability for companies to reduce this period back to 14 days (other than for Annual General Meetings) provided that two conditions are met. The first condition is that the Company offers a facility for shareholders to vote by electronic means. This condition is met if the Company offers a facility, accessible to all shareholders, to appoint a proxy by means of a website. Please refer to the general notes to this Notice and in particular 'Electronic proxy voting' for details of the Company's arrangements for electronic proxy appointment. The second condition is that there is an annual resolution of shareholders approving the reduction of the minimum notice period from 21 days to 14 days.

The board is therefore proposing Resolution 24 to approve 14 days as the minimum period of notice for all general meetings of the Company other than Annual General Meetings.

The authority shall expire at the conclusion of the next Annual General Meeting of the Company, when it is intended that the approval will be renewed.

The directors will consider on a case by case basis whether the use of the flexibility offered by the shorter notice period is merited, taking into account the circumstances, including whether the business of the meeting is time sensitive.

General notes

Entitlement to attend and vote

To have the right to attend and vote at the Meeting (and also for the purposes of calculating how many votes a person may cast) a person must have their name entered on the register of members of the Company at 6pm on Monday 14 July 2014 (or, if the Meeting is adjourned, at 6pm on the day which is two days prior to the date fixed for the adjourned Meeting). Changes to entries on the register after this time will be disregarded in determining the rights of any person to attend or vote at the Meeting.

Persons who are not shareholders of the Company (or duly appointed proxies or corporate representatives) will not be admitted to the Meeting unless prior arrangements are made with the Company.

Appointment of proxies

A shareholder entitled to attend and to vote at the Meeting is entitled to appoint another person or persons (who need not be a shareholder of the Company) to attend the Meeting, and any adjournment thereof, to exercise all or any of his or her rights to attend, speak and vote at the Meeting. A shareholder can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to different shares held by him or her. Forms of Proxy should be deposited at the office of the Company's registrar, Equiniti, Aspect House, Spencer Road, Lancing BN99 6DA not less than 48 hours before the time for holding the Meeting. Appointing a proxy does not preclude you from attending the Meeting and voting in person. Further details are set out in the notes to the Form of Proxy.

To change your proxy instructions you may return a new proxy appointment using the methods set out below. Where you have appointed a proxy using the hard copy Form of Proxy and would like to change the instructions using another hard copy Form of Proxy, please contact the Company's registrar, Equiniti on 0871 384 2967 (calls to this number are charged at 8p per minute plus network extras) or +44 121 415 7044 if calling from outside the UK. Lines are open 8.30am to 5.30pm Monday to Friday (excluding UK bank holidays). The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others, save that where both paper and electronic proxy instructions are returned then, in the absence of other evidence, those received last by the Company's registrar, Equiniti, will take precedence.

Electronic proxy voting

Shareholders may register the appointment of a proxy online at www.sharevote.co.uk where full details of the procedure are given. The website is operated by the Company's registrar, Equiniti. Shareholders are advised to read the terms and conditions relating to the use of this facility before appointing a proxy. These terms and conditions may be viewed on the website. Any electronic communication sent by a shareholder that is found to contain a computer virus will not be accepted. Electronic communication facilities are available to all shareholders and those who use them will not be disadvantaged in any way.

Electronic proxy appointment through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual.

All messages relating to the appointment of a proxy, or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be received by Equiniti (ID RA19) not later than 11am on Monday 14 July 2014 or, if the Meeting is adjourned, 48 hours before the time for holding the adjourned Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Equiniti is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this regard, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Employee share schemes

An employee whose shares are held by the trustee of the Severn Trent Share Incentive Plan (the 'Trustee') is not entitled to attend the Meeting in respect of those shares. However, the employee can instruct the Trustee how to vote on his or her behalf on any resolution set out in the Notice. Forms of Direction will be sent to those employees concerned and should be returned to the address on the reverse of the form so as to be received not later than 11am on 10 July 2014. Employees may also instruct the Trustee how to vote through the www.sharevote.co.uk website.

Electronic poll voting

Voting on all resolutions will be conducted by way of a poll rather than a show of hands. This is a fairer method of voting as shareholder votes are to be counted according to the number of shares held.

As at last year's Annual General Meeting, and in line with many other public companies, we will be asking shareholders who attend the Meeting in person or by proxy to vote on the resolutions at the Meeting using a hand held electronic voting system. This will record all votes cast for each resolution and display them on a screen providing immediate detailed results for shareholders to see.

As soon as practicable following the Meeting, the results of the voting at the Meeting and the number of proxy votes cast for and against and the number of votes actively withheld in respect of each of the resolutions will be announced via a Regulatory Information Service and also placed on the Company's website, www.severntrent.com

Shareholder questions

The Company must cause to be answered at the Meeting any question relating to the business being dealt with at the Meeting which is put by a shareholder attending the Meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered or if to do so would involve the disclosure of confidential information.

Information rights

A copy of the Notice has been sent for information only to persons who have been nominated by a shareholder to enjoy information rights under section 146 of the 2006 Act (a 'Nominated Person'). The right to appoint a proxy cannot be exercised by a Nominated Person; it can only be exercised by the shareholder. However, a Nominated Person may have a right under an agreement between him or her and the shareholder by whom he or she was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he or she may have a right under such an agreement to give instructions to the shareholder as to the exercise of voting rights.

Audit statements

Shareholders satisfying the thresholds in section 527 of the 2006 Act can require the Company to publish a statement on its website setting out any matter relating to a) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the Meeting; or b) any circumstances connected with the auditors of the Company ceasing to hold office since the last Annual General Meeting, that the shareholders propose to raise at the Meeting. The Company cannot require the shareholders requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required to publish on its website.

Shareholder requisition rights

Shareholders satisfying the threshold requirements in sections 338 and 338A of the 2006 Act, can require the Company: i) to give, to shareholders of the Company entitled to receive notice of the Meeting, notice of a resolution which those shareholders intend to move (and which may properly be moved) at the Meeting; and/or ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); b) it is defamatory of any person; or c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authenticated by the person(s) making it and must be received by the Company not later than six clear weeks before the date of the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

Corporate representatives

A shareholder of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the Meeting. In accordance with the provisions of the 2006 Act, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.

Electronic communication service

Shareholders are reminded that they may receive shareholder communications from the Company electronically. The electronic communication service offers the following benefits:

- the Company's full annual report and accounts can be viewed on the day they are published;
- your votes on resolutions to be proposed at general meetings of the Company can be cast electronically;
- important shareholder communications may be received electronically; and
- you can see details of your individual shareholdings quickly and securely online.

If you wish to take advantage of this service you may register your request with the Company's registrar, Equiniti, on their website at www.shareview.co.uk

A shareholder may not use any electronic address provided in this Notice to communicate with the Company for any purposes other than those expressly stated.

Total voting rights

As at 28 May 2014, being the latest practicable date before the publication of this Notice, the Company's issued and voting share capital consisted of 239,497,413 ordinary shares of 97¹⁷/₁₉ pence, each carrying one vote each. Therefore the total number of voting rights in the Company is 239,497,413.

Website

The contents of this Notice, details of the total number of shares in respect of which shareholders are entitled to exercise voting rights at the Meeting, the total voting rights that shareholders are entitled to exercise at the Meeting and, if applicable, any shareholders' statements, shareholders' resolutions or shareholders' matters of business received by the Company after the date of this Notice will be available on the Company's website, www.severntrent.com

Inspection of documents

The following documents, are available for inspection during normal business hours at the registered office of the Company on any weekday (Saturdays, Sundays and public holidays excepted), from the date of this Notice until and including the day of the Meeting and may be inspected at the International Convention Centre, Broad Street, Birmingham B1 2EA from 10am on the day of the Meeting: copies of the executive directors' service contracts with the Company; and copies of the non-executive directors' letters of appointment.

A copy of the draft form of rules of the Severn Trent Plc Long Term Incentive Plan 2014 will also be available for inspection at the registered office of the Company and at the offices of Eversheds LLP, One Wood Street, London EC2V 7WS during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted), from the date of this Notice until the close of the Meeting, and will be made available for inspection at the place of the Meeting from 10am on the day of the Meeting until the close of the Meeting.

APPENDIX

The Severn Trent Plc Long Term Incentive Plan 2014 ('Plan')

Status of the Plan

The Plan is not subject to approval by HM Revenue & Customs ('HMRC') and awards made under it will have no beneficial tax status.

Eligibility

All employees (including executive directors) of the Company and any of its subsidiaries ('Group') may be granted awards under the Plan.

Grant

The remuneration committee of the Company ('Remuneration Committee') will supervise the operation of the Plan. The Remuneration Committee will have absolute discretion to select the persons to whom awards may be granted and, subject to the limits set out below, in determining the number of ordinary shares in the capital of the Company ('Shares') subject to each award.

Awards may be granted during the period of six weeks commencing on: (a) the date that the Plan is adopted by the Company; (b) the date that the Company announces its results for any period; and (c) any other time fixed by the Remuneration Committee where, in its discretion, circumstances are considered to be exceptional so as to justify the grant of awards.

If the grant of an award on any of the above days would be prohibited by virtue of the model code on directors' dealings set out in the appendix to rule 9 of the Listing Rules ('Model Code'), or any statute or regulation or any order made pursuant to such statute, then such award may be granted during the period of six weeks commencing immediately after the time that such prohibition shall cease to have effect.

No consideration is payable for the grant of an award.

Structure of Awards

Awards granted under the Plan shall take the form of a conditional award. A conditional award is a conditional right to receive Shares for no consideration.

The Remuneration Committee will also have the discretion to grant awards over a notional number of Shares which will, instead of giving the participant the conditional right to acquire Shares, give the participant a conditional right to receive a cash payment (a 'Cash Settled Award'). The cash payment will be determined by reference to the market value of the Shares notionally subject to the Cash Settled Award at the point that the Cash Settled Award vests.

Plan Limits

On any date, no award may be granted under the Plan if, as a result, the aggregate nominal value of Shares issued or issuable pursuant to awards granted during the previous 10 years under the Plan or any other discretionary employees' share scheme (which excludes any Save As You Earn Scheme approved by HMRC, a share incentive plan approved by HMRC under Schedule 2 to Income Tax (Earnings & Pensions) Act 2003 or any other share option scheme of the Company which is linked to a contractual savings scheme) adopted by the Company would exceed 5% of the nominal value of the share capital of the Company in issue on that date.

On any date, no award may be granted under the Plan if, as a result, the aggregate nominal value of Shares issued or issuable pursuant to awards granted during the previous 10 years under the Plan or any other employees' share scheme, profit sharing scheme or employee share ownership plan adopted by the Company would exceed 10% of the nominal value of the share capital of the Company in issue on that date.

For the purposes of the limits set out above:

- where an award takes the form of a right to acquire Shares from an employee benefit trust established by the Company, such Shares will only be counted as 'issued or issuable' to the extent to which they have been issued (or there is an intention for them to be issued) by

the Company to the trust for the purposes of the Plan or any other employees' share scheme operated by the Company; and

- Shares held in treasury which are used to satisfy awards shall be taken into account unless and until treasury shares are no longer required by the Association of British Insurers to be so included for the purposes of such limits.

Individual Limit

In general, each individual's participation is limited so that, in any one financial year of the Company, the aggregate market value of Shares subject to all awards (including any Cash Settled Awards), calculated as at the date of grant of each award, granted to the individual under the Plan in that financial year, will not exceed 150% of the individual's base annual salary at the date of grant.

The individual limit can be exceeded in circumstances which the Remuneration Committee consider to be exceptional. However, in any such case, the maximum aggregate market value of Shares subject to all awards (including any Cash Settled Awards), calculated as at the date of grant of each award, granted to the individual concerned in the relevant financial year under the Plan cannot exceed 200% of their base annual salary at the date of grant.

Performance Target

Awards granted under the Plan will be subject to a performance target set by the Remuneration Committee at the date of grant ('Performance Target').

Such Performance Target shall be measured over a performance period (determined by the Remuneration Committee at the time of grant ('Performance Period')).

In the case of an award made to any executive director of the Company, the Performance Period will be a minimum period of three years long.

Subject to the satisfaction of the relevant Performance Target, an award will normally 'vest' following a date ('Vesting Date') specified at the date of grant of the award. The Vesting Date for any award will be a date selected by the Remuneration Committee which occurs after the expiry of the relevant Performance Period but before the 10th anniversary of the date of grant of the award. In the case of an award granted to an executive director of the Company, the Vesting Date of such award shall not be a date occurring before the third anniversary of the date of grant.

In relation to the initial grant of awards under the Plan to executive directors of the Company, it is intended that the Performance Target will be based on the outperformance of the Severn Trent Water business' return on regulatory capital value ('RoRCV') measured against the Ofwat final determination of the RoRCV ('Ofwat final determination') for that business over the Performance Period. It is intended that the Performance Target for the awards to be granted in 2014 will be set as follows:

- If the Average RoRCV out-performance measured over the Performance Period is less than or equal to 100%, then the award will not vest in respect of any of the Shares subject to the award.
- If the Average RoRCV out-performance measured over the Performance Period is equal to 102%, then the award will vest in respect of 50% of the Shares subject to the award (rounded up to the nearest whole number of shares).
- If the Average RoRCV out-performance measured over the Performance Period is equal to or greater than 107% then the award will vest in respect of all of the Shares subject to the award.
- If the Average RoRCV out-performance measured over the Performance Period falls between 100% and 102% then the number of Shares that vest under the award will be determined on a straight line basis between 0% and 50% of the Shares subject to the award (rounded up to the nearest whole number of shares).

- If the Average RoRCV out-performance measured over the Performance Period falls between 102% and 107% then the number of Shares that vest under the award will be determined on a straight line basis between 50% and 100% of the Shares subject to the award (rounded up to the nearest whole number of shares).

For these purposes it is intended that the Severn Trent Water business' RoRCV for each financial year in the Performance Period will be expressed as a percentage of the Ofwat final determination for that financial year to give the RoRCV out-performance for that year and that the Average RoRCV out-performance will be the mean average of the three RoRCV out-performance figures achieved for each financial year in the Performance Period.

In recognition of the Remuneration Committee's need to take account of the Company's wider operating environment, the Remuneration Committee shall have the discretion to adjust the outcome of the Performance Target to ensure that the number of Shares that vest pursuant to each award is reflective of the underlying financial and operational performance of the Company over the Performance Period.

The use of this discretion is expected to be exceptional but may be invoked by the Remuneration Committee in order to take account of any of the following events (which is not an exhaustive list):

- changes to the financing of the Severn Trent Water business as approved by the Company's board of directors during the Performance Period;
- Ofwat policy changes made during the Performance Period which affect the Severn Trent Water business;
- any weather incidents that occur during the Performance Period which the Committee determines to have been extreme and the management's response to such incidents.

It should be noted that the discretion described above may be used to either adjust the number of Shares that would otherwise vest pursuant to an award in accordance with the Performance Target described above, upwards (so that a greater number of Shares vest) or downwards (so that a lesser number of Shares vest). No upwards adjustment can be made however, which would result in the number of Shares that ultimately vest under the award being greater than the number of Shares originally subject to the award. In the event that the Remuneration Committee proposed to make an upwards adjustment, the Remuneration Committee intends to consult with the Company's major shareholders prior to making any such upwards adjustment.

In addition to the above, in determining the final level of vesting of any award, the Remuneration Committee must also be satisfied that such vesting is justified when taking into account the safety performance of the Group over the Performance Period and that there has been no compromise to the commercial practices or operating standards of the Group. If the Remuneration Committee is not so satisfied, it may reduce the percentage of Shares that vest to such percentage as it determines is appropriate (including to 0%).

The Remuneration Committee may apply different Performance Targets to the one described above to awards granted after the initial awards made under the Plan. The Remuneration Committee also retains the discretion to apply different Performance Targets to the one described above in respect of awards made to employees who are not executive directors of the Company.

If an event occurs which causes the Remuneration Committee to consider that it would be appropriate to amend the Performance Target applying to an award, the Remuneration Committee may amend or vary the Performance Target concerned. Any such variation or amendment to a Performance Target must be fair and reasonable and the revised condition must not be materially less challenging than the original Performance Target would have been but for the event in question.

It should also be noted that a Performance Target, applying to an award, may be measured over an abbreviated period less than the Performance Period in circumstances where before the end of the relevant Performance Period an employee ceases to be a Group employee, certain corporate events occur (such as a change of control

of the Company, its winding up or scheme of arrangement relating to it) or there is a demerger, special dividend or other similar event in relation to the Company which in the opinion of the Remuneration Committee would affect the Company's share price to a material extent. In these circumstances such Performance Target may be modified in such manner as the Remuneration Committee thinks fit so as to be applied over such abbreviated period.

Dividends

Until Shares have been transferred to the participant in satisfaction of an award, the participant shall have no entitlement to any dividends or other distributions payable by reference to a record date preceding the date of such transfer.

The Remuneration Committee may, however, decide in respect of any award that the participant shall receive the benefit of dividends paid on Shares in respect of the period commencing on the date of grant of the award and ending on the Vesting Date. In such case, at the same time that Shares are transferred to a participant pursuant to the vesting of their award, the participant shall also be transferred such number of additional Shares ('Dividend Equivalent Shares') as could have been acquired over the period from the date of grant of the award to its Vesting Date at the prevailing market value on each dividend payment date with the amount of dividends that the participant would have received (on a net basis without any associated tax credit) in respect of the Shares that vested under his award. No Dividend Equivalent Shares shall be added to an Award by reference to any dividends paid after the date that the Award concerned vests in accordance with the rules of the Plan.

For these purposes, the dividend payment date of any dividend shall be the date upon which the Shares go ex-dividend.

The number of Dividend Equivalent Shares that would otherwise be transferred to a participant in respect of an award may be settled with a payment in cash of equivalent value or a mixture of cash and Shares of equivalent value at the discretion of the Remuneration Committee.

Vesting of Awards

Normally, an award will only vest following the occurrence of the Vesting Date to the extent that the Performance Target has been satisfied and the participant is still an employee within the Group.

The vesting of an award may, however, not occur during any prohibited period specified by the Model Code. In the event that the vesting of an award is prohibited by the Model Code, such vesting shall occur as soon as the relevant prohibitions cease to apply.

Ordinarily an award will lapse upon a participant ceasing to be employed within the Group.

However, if a participant ceases to be an employee of the Group because of his death, injury, ill health, disability, redundancy, retirement with the agreement of his employer, his employing company or the business for which he works being sold out of the Group or in other circumstances at the discretion of the Remuneration Committee, then any award held by the participant concerned may be retained by him following cessation of employment. In these circumstances the retained award will ordinarily vest on the Vesting Date, save that the Remuneration Committee may permit the award to vest on an earlier date.

In either case, the number of Shares in respect of which the award will ultimately vest shall be determined:

- by reference to the extent to which the Performance Target is satisfied at the end of the Performance Period (or, in any case where the Remuneration Committee exercises its discretion, as mentioned in the preceding paragraph, to permit the award to vest on an earlier date, at the end of the abbreviated Performance Period); and then
- by pro-rating the number of Shares that vest in accordance with the Performance Target to reflect the part of the Performance Period which has elapsed as at the date of cessation of employment, unless the Committee exercises its discretion so that no such pro-rating should apply to the award in question or that pro-rating should be applied to some lesser extent.

The discretion not to pro-rate the number of Shares that vest pursuant to an award to reflect that part of the Performance Period which has elapsed as at the date of cessation of employment, shall only be capable of exercise by the Remuneration Committee in circumstances which it deems sufficiently exceptional.

Awards shall also vest earlier than the Vesting Date in the event of a takeover, a scheme of arrangement under Part 26 of the Companies Act 2006 being sanctioned by the court or the voluntary winding up of the Company ('Corporate Event'), subject to the Remuneration Committee's determination as to the achievement of any applicable Performance Target. In any such case, the number of Shares that vest pursuant to an Award will normally also be pro-rated to reflect the amount of the Performance Period that elapsed prior to the relevant Corporate Event. However, the Remuneration Committee has a discretion, which may be exercised in exceptional circumstances, to ignore such prescribed pro-rating of the Shares over which such award may vest, or to pro-rate to such lesser extent as it may decide.

An internal reorganisation will not normally trigger the vesting of any awards. Instead, awards that have not vested on the date of the internal reorganisation will be exchanged for awards in the new holding company or other relevant company unless the Remuneration Committee determines otherwise, in which case the awards shall vest in accordance with the provisions described above for a Corporate Event, as if the internal reorganisation was a takeover of the Company. If a demerger, special dividend or other similar event is proposed which, in the opinion of the Remuneration Committee, would affect the price of a Share to a material extent, the Remuneration Committee may decide that awards will vest on the same basis that would apply in the case of a Corporate Event, as described above.

Clawback

During the three year period following the date that an award vests, the Remuneration Committee shall have the ability to reclaim the value of the award. This ability shall be capable of exercise in any case where:

- there has been a material misstatement of the Company's financial accounts resulting in an excess number of Shares vesting;
- an error (including any error based on incorrect information) has been made in assessing the extent to which the Performance Target applying to the award has been met resulting in an excess number of Shares vesting; or
- the participant in question has been grossly negligent, fraudulent or has committed an act of gross misconduct in each case prior to the Vesting Date of an award but such gross negligence, fraud or gross misconduct was not discovered until after the award concerned had vested.

In any case, where the Remuneration Committee determines to exercise its powers to reclaim the value of an award, it may do so by reducing the amount of any future bonus to be awarded to the participant concerned after the Company's Annual General Meeting in 2014, by reducing the number of Shares that would otherwise vest under any other awards granted to the participant concerned pursuant to the Plan (or granted after the Company's Annual General Meeting in 2014 under any other long term incentive plan operated by the Company) or by recovering a cash sum from the participant concerned.

Other Award Terms

An award (other than a Cash Settled Award) may be satisfied by either the issue of Shares, the transfer of Shares held by an existing shareholder who has agreed to satisfy the vesting of the award, Shares purchased in the market or by the transfer of Shares held in treasury.

Cash Settled Awards will be satisfied by a payment of cash determined by reference to the market value of the Shares notionally subject to the award at the point of vesting.

Awards are not capable of transfer or assignment.

Shares transferred pursuant to the vesting of an award shall be transferred without the benefit of any rights attaching to the Shares by reference to a record date preceding the date of vesting of the

award concerned. For so long as the Company's Shares are listed on the Official List of the London Stock Exchange ('the Official List'), the Company will use its best endeavours to procure that the Shares issued following vesting of any awards are admitted to the Official List as soon as practicable after allotment.

Benefits obtained under the Plan are not pensionable.

Adjustment of Awards

The number of Shares under award may be adjusted by the Remuneration Committee in the event of:

- any capitalisation issue or rights issue or open offer or any other variation in the share capital of the Company including (without limitation) any consolidation, subdivision or reduction of capital; or
- a demerger, special dividend or other similar event relating to the Company which affects the market price of its Shares to a material extent.

Administration & Amendment

The Plan is administered by the Remuneration Committee and will be subject to the laws of the UK.

The Remuneration Committee may amend the provisions of the Plan at any time. The rules of the Plan which relate to:

- the persons to whom Shares are provided under the Plan;
- the limits on the number of Shares which may be issued under the Plan;
- the maximum entitlement of any participant;
- the basis for determining a participant's entitlement to Shares or cash or awards; and
- the basis for determining the adjustment of any award granted under the Plan following any increase or variation in the share capital of the Company, demerger, special dividend or other similar event relating to the Company which affects the market value of the Shares to a material extent

cannot be amended to the advantage of any participant or potential participant without the prior approval of the Company in general meeting except for minor amendments to benefit the administration of the Plan, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or any Group company.

No alteration to the Plan to the material disadvantage of a participant as to existing awards may be made without the prior consent on the part of such participants as hold subsisting awards over at least 75% of the total number of Shares subject to all subsisting awards under the Plan (or if, in the reasonable opinion of the Remuneration Committee, the proposed amendments do not adversely affect all subsisting awards under the Plan, with the written consent on the part of such participants as hold subsisting awards that are affected, where such awards are over 75% of the total number of Shares that are subject to all subsisting Awards that are affected).

The Remuneration Committee may make suitable non material variations to the general terms of the Plan in the case of awards granted to participants who are not resident in the UK to the extent (if any) required to satisfy local laws.

Termination

The Plan may be terminated at any time by resolution of the Remuneration Committee and shall in any event terminate on the 10th anniversary of its adoption so that no further awards can be granted under the Plan after such termination. Termination shall not affect the outstanding rights of existing participants.