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# Notice of Meeting 2012

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.

# Notice of Meeting

Dear Shareholder

This year's Annual General Meeting (the 'Meeting') will be held at the International Convention Centre in Birmingham on Wednesday 18 July 2012 at 11am and the formal notice of the Meeting is set out opposite (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 16 July 2012. Alternatively, you can vote online at [www.sharevote.co.uk](http://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 2012 is now available online at [www.severntrent.com](http://www.severntrent.com)

In addition to the final ordinary dividend, the board proposes, subject to shareholder approval, to pay a special dividend of 63.0 pence per share. If approved by shareholders, the special dividend will be paid at the same time as the final ordinary dividend. The special dividend will share the benefits of our strong balance sheet with our shareholders.

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 and the special dividend a completed application form must be received by Equiniti by Friday 6 July 2012.

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 59,449 ordinary shares representing approximately 0.02% of the issued ordinary share capital of the Company as at 22 May 2012, 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

18 June 2012

\* Calls to this number are charged at 8p per minute from a BT landline. Charges for calls from mobiles and other networks may vary. Lines are open 8.30am to 5.30pm Monday to Friday.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the twenty-third 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 18 July 2012 at 11am to consider and, if thought appropriate, pass Resolutions 1 to 18 and Resolutions 22 and 23 as ordinary resolutions, and Resolutions 19 to 21 as special resolutions.

## Resolution 1

To receive the accounts and the reports of the directors and the auditors for the year ended 31 March 2012.

## Resolution 2

To declare a final ordinary dividend in respect of the year ended 31 March 2012 of 42.06 pence for each ordinary share of 97<sup>17</sup>/<sub>19</sub> pence.

## Resolution 3

To approve the Directors' remuneration report for the year ended 31 March 2012.

## Resolution 4

To reappoint Tony Ballance as a director.

## Resolution 5

To reappoint Bernard Bulkin as a director.

## Resolution 6

To reappoint Richard Davey as a director.

## Resolution 7

To reappoint Andrew Duff as a director.

## Resolution 8

To reappoint Gordon Fryett as a director.

## Resolution 9

To reappoint Martin Kane as a director.

## Resolution 10

To reappoint Martin Lamb as a director.

## Resolution 11

To reappoint Michael McKeon as a director.

## Resolution 12

To reappoint Baroness Noakes as a director.

## Resolution 13

To reappoint Andy Smith as a director.

## Resolution 14

To reappoint Tony Wray as a director.

## Resolution 15

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 16

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

## Resolution 17

To authorise, generally and unconditionally, the Company and all companies which are subsidiaries of the Company during the period when this Resolution 17 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 18

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 £77,726,968; and
- ii) up to a further aggregate nominal amount of £77,726,968 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

## Notice of Annual General Meeting

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 19

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 18 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 18 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 19) to any person or persons of equity securities up to an aggregate nominal amount of £11,659,044,

and shall expire upon the expiry of the general authority conferred by Resolution 18 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 20

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 23,819,555 ordinary shares;
- ii) the Company may not pay less than 97<sup>17</sup>/<sub>19</sub> 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 21

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

### Resolution 22

To declare a special dividend of 63.0 pence for each ordinary share of 97<sup>17</sup>/<sub>19</sub> pence.

### Resolution 23

To approve the rules of the Severn Trent Share Incentive Plan ('SIP'), the principal terms of which are summarised in the Explanatory Notes to this Notice and to authorise directors to make such modifications to the rules of the SIP as they may consider necessary to take account of any requirements of HM Revenue & Customs or any regulatory matter and to adopt and operate the SIP as so modified.

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

29 May 2012

# Directors seeking reappointment



## Dr Tony Ballance

BSc (Hons) MA (Econ) PhD (47)

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. He has previously held the posts of Chief Economist for Ofwat, economic consultant, director of London Economics and a director of Stone and Webster Consultants.

### External appointments

Member of Water UK Council

### Committee membership

Executive Committee



## Dr Bernard Bulkin

BS PhD FRSC FRSA FIE (70)

Independent non-executive director

Appointed to the board on 1 January 2006

Bernard has been involved in a range of scientific, technology and engineering businesses, including holding the position of Chief Scientist of BP Plc. His involvement in both innovation and policy on climate change and renewable energy, together with an understanding of how to guide improved performance on safety and environmental operational issues, enables him to contribute significantly to the board.

### External appointments

Chairman of Chemrec AB (Sweden)

Non-executive director of Ze-gen Corporation (USA)

Non-executive director, Chairman of the Remuneration Committee and member of the Audit Committee of Pursuit Dynamics plc

Chair of the Office of Renewable Energy Deployment at the UK Department of Energy and Climate Change

### Committee membership

Audit Committee

Corporate Responsibility Committee (Chairman)

Nominations Committee

Remuneration Committee



## Richard Davey

BA (63)

Senior independent non-executive director

Appointed to the board on 1 January 2006

Richard has an investment banking background and was formerly Head of Investment Banking at NM Rothschild and Sons. With extensive experience of the financial services sector, having run Rothschild's Financial Services Group and working with a number of high street banks and insurers, Richard brings valuable financial expertise to the board, the Audit Committee and as chair of the Remuneration Committee. 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 of London Capital

Group Holdings Plc

Non-executive Chairman of Amlin Plc

### Committee membership

Audit Committee

Nominations Committee

Remuneration Committee (Chairman)



## Martin Lamb

BSc MBA (52)

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. Martin has worked for IMI for over 25 years where he has held a number of senior management roles. His strong commercial acumen, experience of managing complex projects, and familiarity with current market pressures as a serving Chief Executive leave him well placed to add value to the Severn Trent business. Previously Martin was a non-executive director of Spectris plc.

### External appointments

Chief Executive of IMI plc

Member of the Advisory Board of AEA Investors (UK) Limited

### Committee membership

Nominations Committee

Remuneration Committee



## Michael McKeon

MA CA (55)

Finance Director

Appointed to the board on 13 December 2005

Michael brings significant financial and commercial expertise to the board. 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 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

### Committee membership

Executive Committee



## Baroness Noakes

DBE LLB FCA (62)

Independent non-executive director

Appointed to the board on 29 February 2008

Sheila is an experienced director on UK listed company boards and an experienced audit committee chairman. 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 SThree.

### External appointments

Non-executive director, member of the Group Audit, Group Nominations and Board Risk Committees of The Royal Bank of Scotland Group Plc  
Deputy Chairman, senior independent director and Chairman of the Audit and Nominations Committees of Carpetright Plc  
Trustee of the Thomson Reuters Founders Share Company

### Committee membership

Audit Committee (Chairman)

Nominations Committee



## Directors seeking reappointment



### Andrew Duff

BSc FEI (53)

Non-executive Chairman

Appointed to the board on 10 May 2010 and Chairman on 20 July 2010

Andrew's extensive knowledge of international business, strategic management, customer service and regulated business make him the right Chairman to lead the group. Andrew spent 16 years at BP in marketing, strategy and oil trading. He joined National Power in 1998 and the board of its daughter company 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 non-executive Chairman of RWE npower until his retirement in December 2010.

#### External appointments

Senior independent director, Chairman of the Remuneration Committee, member of the Audit Committee and Nominations Committee of Wolseley Plc Member of the CBI President's Committee Trustee of Macmillan Cancer Support and Earth Trust Fellow of the Energy Institute

#### Committee membership

Corporate Responsibility Committee  
Nominations Committee (Chairman)  
Remuneration Committee



### Andy Smith

BTech (Hons) (51)

Director of Water Services

Appointed to the board on 2 October 2007

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

#### Committee membership

Executive Committee



### Gordon Fryett

(58)

Independent non-executive director

Appointed to the board on 1 July 2009

Gordon's extensive experience working in and with international businesses, accountability for managing large areas of capital expenditure and a broad range of executive and operational experience in a highly customer facing environment, enables him to bring substantial experience and expertise to the board. He is currently Tesco Group Property Director and CEO of Central Europe, having previously held a number of senior positions within the Tesco Group including CEO Republic of Ireland and Director of International Support.

#### External appointments

CEO of Tesco Europe  
Alumnus of INSEAD

#### Committee membership

Corporate Responsibility Committee  
Nominations Committee



### Martin Kane

BSc CEng CEnv MICE MIWEM FIW (59)

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 posts giving him an extensive understanding of the design, construction and operation of water and waste water treatment plants, water distribution networks and sewerage systems. Martin held the role of Director of Customer Relations, Severn Trent Water, from May 2006 until January 2012, at which point 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

#### Committee membership

Executive Committee



### Tony Wray

BSc (Hons) (50)

Chief Executive

Appointed to the board on 7 March 2005

Tony became Chief Executive on 2 October 2007. His extensive experience in a wide range of operational and strategic leadership roles in the Energy, Telecoms, Water and Waste industries enables him to bring a multi disciplined approach to the board. Tony brings to his position an in-depth operational knowledge of Severn Trent and strategic vision for the group. Previously he was director of Networks at Eircom, the Republic of Ireland's telephone operation and has held director roles within Transco and National Grid Transco.

#### External appointments

Non-executive director and member of the Audit Committee of Grainger plc  
Member of Business Advisory Board for 'Living with Environmental Change'  
Member of Water UK Board

#### Committee membership

Corporate Responsibility Committee  
Executive Committee (Chairman)  
Nominations Committee

# 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 2012, the report of the directors and the report of the auditors of the Company on those accounts.

## Declaration of an ordinary dividend (Resolution 2)

A final ordinary dividend of 42.06 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 22 June 2012. 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 27 July 2012.

## Approval of the Directors' remuneration report (Resolution 3)

In accordance with section 439 of the 2006 Act, shareholders are invited to vote on the Directors' remuneration report, which can be found on pages 55 to 68 of the Annual Report and Accounts. However, the vote is advisory only, and the directors' entitlement to remuneration is not conditional on this resolution being passed.

## Reappointment of directors (Resolutions 4 to 14)

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 now requires that all directors of companies in the FTSE 350 index, such as the Company, should be subject to annual election by shareholders. Accordingly, all the directors will retire at this year's Annual General Meeting and submit themselves for reappointment by the shareholders.

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

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

## Reappointment and remuneration of the auditors (Resolutions 15 and 16)

The Company is required to appoint an auditor at each general meeting at which accounts are laid before the Company, to hold office until the next such meeting. Resolution 15 proposes the reappointment of Deloitte LLP as auditors of the Company and Resolution 16 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 17)

Resolution 17 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 17 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 17 also covers any political donations made, or political expenditure incurred, by any subsidiaries of the Company.

## Authority to allot shares (Resolution 18)

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 18 will, if passed, renew this authority to allot on broadly the same terms as last year's resolution.

Accordingly, Resolution 18 will, if passed, grant the directors authority to allot shares in the capital of the Company up to a maximum nominal amount of £155,453,937 representing the ABI guideline limit of approximately two thirds of the Company's issued ordinary share capital as at 22 May 2012, being the latest practicable date before the publication of the Notice. Of this amount, 79,398,516 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 19)

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 18 above for cash without complying with the statutory pre-emption provisions in certain circumstances. In light of the ABI guidelines referred to in Resolution 18 above, this authority will permit the directors to allot:

- i) shares up to a nominal amount of £155,453,937 (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 £77,726,968 (representing one third of the Company's issued share capital) (in each case subject to adjustments for fractional entitlements and overseas shareholders); and
- ii) shares up to a maximum nominal value of £11,659,044, representing approximately 5% of the issued ordinary share capital of the Company as at 22 May 2012, 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 20)

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 23.8 million of its ordinary shares on the London Stock Exchange. This equates to approximately 10% of the Company's issued share capital. This Resolution 20 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.

## Explanatory notes

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 22 May 2012, being the latest practicable date before the publication of the Notice.

As at 22 May 2012, being the latest practicable date before the publication of the Notice, there were options outstanding to subscribe for 2,486,536 ordinary shares under the Company's employee share schemes. If the outstanding options were fully exercised they would represent 1.04% of the existing 238,195,550 issued ordinary shares of the Company. If the buyback authority was exercised in full, that percentage would be 1.16% of the reduced share capital of 214,375,995 ordinary shares.

### Authority to reduce notice periods for general meetings (Resolution 21)

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 21 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.

### Declaration of a special dividend (Resolution 22)

In addition to the final ordinary dividend, the board proposes, subject to shareholder approval, to pay a special dividend. If approved by shareholders, the special dividend will be paid at the same time as the final ordinary dividend. The special dividend will share the benefits of our strong balance sheet with our shareholders.

The directors recommend a one-off return to shareholders of £150 million, structured as a special dividend of 63.0 pence for each ordinary share of 97<sup>17</sup>/<sub>19</sub> pence. If shareholders approve the special dividend it will be paid to ordinary shareholders who are on the register of members of the Company at 6pm on 22 June 2012 and the date of payment of the special dividend will be 27 July 2012.

### Taxation

The following summary is intended as a general guide only and is based on current UK tax law and HM Revenue and Customs ('HMRC') practice as at the date of this Notice. It relates only to certain limited aspects of the UK taxation treatment of the special dividend for shareholders who are individuals resident in the UK for tax purposes, who are the absolute beneficial owners of their ordinary shares, who acquired their shares in connection with any office or employment and who hold them as investments. Shareholders who are in any doubt about their tax position, or who are subject to tax in any jurisdictions other than the UK, should take appropriate independent advice without delay.

#### Individual shareholders within the charge to UK income tax

An individual shareholder who is an individual resident or ordinarily resident in the UK should generally be entitled to a tax credit equal to one-ninth of the dividend he or she receives. The dividend received plus the related tax credit (the 'gross dividend') will be part of the individual shareholder's total income for UK income tax purposes and will be regarded as the top slice of that income. However, in calculating the individual shareholder's liability to income tax in respect of the gross dividend, the tax credit (which equates to 10% of the gross dividend) is set off against the tax chargeable on the gross dividend.

#### Basic rate taxpayers

In the case of a shareholder who is liable to income tax at the basic rate, the shareholder will be subject to tax on the gross dividend at the rate of 10%. The tax credit will therefore satisfy in full the shareholder's liability to income tax on the gross dividend.

#### Higher rate taxpayers

To the extent that the gross dividend falls above the threshold for the higher rate of income tax but below the threshold for the additional rate of income tax, the shareholder will be subject to tax on the gross dividend at the rate of 32.5%. This means that the tax credit will satisfy only part of the shareholder's liability to income tax on the gross dividend, so that to that extent the shareholder will have to account for income tax equal to 22.5% of the gross dividend (which equates to approximately 25% of the dividend received).

#### Additional rate taxpayers

To the extent that the gross dividend falls above the threshold for the additional rate of income tax, the shareholder will be subject to tax on the gross dividend at the rate of 42.5%. This means that the tax credit will satisfy only part of the shareholder's liability to income tax on the gross dividend, so that to that extent the shareholder will have to account for income tax equal to 32.5% of the gross dividend (which equates to approximately 36.1% of the dividend received).

#### Corporate shareholders within the charge to UK corporation tax

Shareholders within the charge to UK corporation tax which are 'small companies' (for the purposes of UK taxation of dividends) will not generally be subject to tax on dividends from the Company. Other shareholders within the charge to UK corporation tax will not be subject to tax on dividends from the Company so long as the dividends fall within an exempt class and certain conditions are met.

#### No payment of tax credit

UK resident taxpayers who are not liable to UK tax on dividends from the Company (whether an individual or a company) will not be entitled to claim payment of the tax credit in respect of those dividends.

#### No withholding

There is no UK withholding tax on dividends.



## Explanatory notes

### Transactions in Securities: Anti avoidance

Under the provisions of Chapter 1 of Part 13 of the Income Tax Act 2007 (for income tax purposes) and Part 15 of the Corporation Tax Act 2010 (for corporation tax purposes), HMRC can, in certain circumstances, counteract tax advantages arising in relation to certain transactions in securities. The Company has not sought clearance on behalf of shareholders in respect of the special dividend in relation to the applicability of these provisions. Shareholders are advised to take independent advice on the potential application of these sections in light of their own particular circumstances.

### Renewal of Share Incentive Plan Scheme Rules (Resolution 23)

The Company has operated an all-employee HM Revenue & Customs Approved Share Incentive Plan ('SIP') for approximately 10 years. The plan has been a popular and tax advantageous incentive over the years. This ordinary resolution proposes the adoption of the SIP which renews the plan which would otherwise lapse later this year. The adopted plan will operate on similar terms to the current plan.

The SIP is designed to be capable of approval by HMRC and to potentially deliver tax benefits to participants. The Rules of the SIP as summarised below may be amended as necessary to ensure that the SIP obtains HMRC approval.

The key features of the SIP are as follows:

#### Eligibility

Subject to some limited exceptions set out in the rules of the SIP, the SIP is open to all UK employees of the Company, or any subsidiary ('Group') or jointly owned company of the Company which is participating in the SIP. The board can exclude employees who have not completed a qualifying period of service ('Qualifying Period').

#### How the SIP may be operated

The Company can offer awards over ordinary shares in Severn Trent Plc to employees as described below. Subject to the rules of the SIP, any combination of these awards may be used in any year.

It is intended that following approval of the SIP by HMRC, annual awards of Free Shares will be made to each employee who is eligible to participate in the SIP.

The SIP operates in conjunction with a trust established for the purposes of the SIP which is administered by the 'SIP Trustee'.

#### SIP Limits

In any 10 year period, the number of ordinary shares issued pursuant to awards granted under the SIP, when aggregated with the number of ordinary shares issued or issuable pursuant to any other employees' share scheme operated by the Company, shall not exceed more than 10% of the Company's issued share capital from time to time.

#### Free Shares

The Company may give Free Shares (being a gift of ordinary shares for no charge) up to the statutory maximum for HMRC approved share incentive plans (currently £3,000 per employee in a tax year, calculated at the date of award).

Awards of Free Shares may only be made within the period of 42 days commencing on: (a) the date the SIP is approved by HMRC; (b) the dealing day immediately following the date of the preliminary announcement of the Company's annual results or the announcement of its half-yearly results in any year; or (c) any other date fixed by the board where, in its absolute discretion, circumstances justify the award of free shares.

No awards may be made at a time when the making of such award would be in breach of the model code on directors' dealings in securities as set out in the Listing Rules issued by the UK Listing Authority (as amended from time to time).

In relation to each award of Free Shares, the board:

- may at its discretion set a Qualifying Period of up to 18 months before the date of the award;
- must set a holding period determined in its discretion of between three and five years from the date of the award. Whilst individuals remain employed by the Group, they must generally leave their Free Shares within the hands of the SIP Trustee throughout the holding period; and
- may set a forfeiture period not exceeding three years from the date of the award during which, if an individual ceases to be an employee or otherwise attempts to withdraw his Free Shares from the SIP, the Free Shares shall be forfeited. Free Shares will not be forfeited if an individual ceases to be employed due to death, injury or disability, redundancy or retirement or as a result of the company by which the individual is employed ceasing to be a subsidiary of the Company or the business in which the individual is employed ceasing to be owned by the Group. The board at its discretion may also specify other circumstances in which Free Shares will not be forfeited.

An award of Free Shares can (at the board's discretion) be made subject to the prior satisfaction of performance conditions as further described in the rules of the SIP.

#### Partnership Shares

The Company may provide employees with the opportunity to enter into an agreement with the Company to enable such employees to use part of their pre-tax salary to acquire Partnership Shares.

For the purpose of acquiring Partnership Shares, an employee may allow the Company to make deductions from salary up to the statutory maximum for HMRC approved share incentive plans (currently the lesser of: (a) 10% of his salary in any tax year; and (b) £1,500 in any tax year). The Company may impose lower maximum limits and may set a minimum deduction (not exceeding £10 per month). The money deducted from an employee's salary will be held by the SIP Trustee and be applied by the SIP Trustee in purchasing Partnership Shares.

If the board chooses, deductions in relation to Partnership Shares may be accumulated over an accumulation period not exceeding 12 months. If no accumulation period is set, any deduction from salary must be used by the SIP Trustee to acquire Partnership Shares within 30 days from the date on which it was deducted. Any surplus money remaining after the acquisition of Partnership Shares may be added to the next deduction or paid over to the participant.

If an accumulation period is set, the deductions from salary will be accumulated throughout the period. At the end of the period, the accumulated deductions from salary must be used by the SIP Trustee to acquire Partnership Shares within 30 days from the end of the accumulation period. Partnership Shares will be allocated to participants at the end of an accumulation period at the lower of the market value of the ordinary shares at the beginning of the accumulation period and the market value of the ordinary shares on the date they are allocated to the participants following the end of the accumulation period. Any surplus money remaining after the acquisition of Partnership Shares may be carried forward or paid over to the participant.

In relation to each award of Partnership Shares, the board may (at its discretion) set a Qualifying Period of:

- up to six months before the starting date of the accumulation period; or
- if there is no accumulation period, up to 18 months before the deduction of money from the individual's salary in respect of the award (and, for these purposes, each individual acquisition of ordinary shares constitutes an award).

Partnership Shares shall not be subject to forfeiture and may be withdrawn from the SIP at any time.

## Explanatory notes

### Matching Shares

If employees acquire Partnership Shares, the board can, at its discretion give such employees Matching Shares. In such case, each employee will acquire Matching Shares in proportion to the number of Partnership Shares acquired by that employee. The maximum ratio for an award of Matching Shares to Partnership Shares is 2:1 or such other statutory maximum ratio for HMRC approved share incentive plans.

In relation to each award of Matching Shares, the board:

- must set a holding period determined at its discretion of between three and five years from the date of the award of Matching Shares. Whilst participants remain employed by the Group, they must generally leave their Matching Shares within the hands of the SIP Trustee throughout the holding period; and
- may set a forfeiture period determined at its discretion which must not exceed three years from the date of the award of Matching Shares. The board may provide that if, during a stated forfeiture period, a participant ceases to be an employee or otherwise attempts to withdraw his Matching Shares from the SIP, the Matching Shares shall be forfeited. The board may also provide that Matching Shares will be forfeited if the Partnership Shares to which such Matching Shares relate are withdrawn at any time during the applicable forfeiture period.

Matching Shares will not be forfeited if a participant ceases to be employed due to death, injury or disability, redundancy or retirement or as a result of the company by which the participant is employed ceasing to be a subsidiary of the Company or the business in which the employee is employed ceasing to be owned by the Group. The board (in its discretion) may also specify other circumstances in which Matching Shares will not be forfeited.

### Dividends and Dividend Shares

In relation to any dividends paid on ordinary shares held within the SIP, the board shall decide whether: (a) they are paid out in cash; (b) they are re-invested in Dividend Shares; or (c) the participants are given an individual choice to take either cash or Dividend Shares.

The maximum amount of dividends which an employee can re-invest in any tax year in the acquisition of Dividend Shares is £1,500 or such other statutory amount for HMRC approved share incentive plans. If the dividends paid on a participant's ordinary shares held within the SIP exceed such limit, the balance will be paid to the participant as soon as possible.

Any surplus cash after Dividend Shares have been acquired may be retained by the SIP Trustee and carried forward to acquire further Dividend Shares in the future.

Dividend Shares must be held in the SIP for a period of three years from acquisition.

### Other Award Terms

Awards under the SIP will not be pensionable.

### Corporate Events and Share Reorganisations

A participant may direct the SIP Trustee at any time whilst the SIP Trustee holds ordinary shares on the participant's behalf to: (a) accept an offer for cash (with or without other assets) or accept an offer for a qualifying corporate bond (whether alone or with other assets or cash or both) for such shares if such offer forms part of a general offer which is made on the condition that if satisfied will result in the person making the offer obtaining control of the Company; (b) accept any offer for such shares, if the acceptance of such offer would result in a new holding of shares being equated with the original ordinary shares for capital gains tax purposes; or (c) agree to a transaction which would if entered into be a scheme, compromise or arrangement applicable to all the ordinary shares (or all the ordinary shares of a particular class which

have been appropriated to the participant) or all ordinary shares (or ordinary shares of the class in question) held by a class of shareholders identified otherwise than by reference to their employment or participation in an HMRC approved SIP scheme.

In the event of a rights issue in respect of any ordinary shares, each participant may instruct the SIP Trustee in respect of all or any of the ordinary shares held by the SIP Trustee on his behalf to exercise the rights in respect of all or any of such ordinary shares or to exercise some of the rights and sell the remainder of the rights nil paid (the sale proceeds to be used to take up the rights exercised) or to sell all of the rights in respect of some or all of such ordinary shares.

In the event that the SIP Trustee is offered the opportunity to acquire ordinary shares pursuant to rights attaching to ordinary shares which it holds on behalf of any participant, it shall take up such opportunity only on the instructions of the participant concerned.

### Administration and Amendments

The SIP is administered by the board. The board may amend the provisions of the SIP. However, no amendment to a key feature of the SIP shall have effect until approved by HMRC. The rules of the SIP which relate to: (a) the persons to whom awards may be made under the SIP; (b) the limitations on the number or amount of ordinary shares which may be used under the SIP; (c) the maximum entitlement of any one participant under the SIP; and (d) the basis for determining a participant's entitlement to ordinary shares under the SIP following any increase or variation in the share capital of the Company, cannot be amended to the advantage of any participant or potential participant without the prior approval of the shareholders of the Company in general meeting, except for minor amendments to benefit the administration of the SIP, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any participant or potential participant in the SIP or for the Group.

No amendments shall be made which adversely affect the rights of subsisting participants without the prior written consent of three quarters of such participants (by number) or, where in the reasonable opinion of the board the amendments do not affect all the rights of subsisting participants, the prior written consent of three-quarters of the participants (by number) as hold subsisting rights that are affected.

### Overseas Employees

The board may adopt supplemental rules to the SIP to facilitate the granting of awards to individuals not resident in the UK provided that such supplemental rules will, so far as the board in its discretion considers reasonably practicable, follow the rules of the SIP.

### Termination

The SIP may be terminated at any time by a resolution of the board and shall in any event terminate on the tenth anniversary of its adoption, unless the shareholders of the Company have previously resolved in general meeting to extend the life of the SIP. Following termination of the SIP, no further ordinary shares may be awarded to individuals pursuant to the SIP.

## 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 16 July 2012 (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 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. 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 (+44 121 415 7044) (lines are open from Monday to Friday 8.30am to 5.30pm; calls to this number are charged at 8p per minute from a BT landline, other providers' costs may vary). 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](http://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](http://www.euroclear.com/CREST). 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 16 July 2012 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/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 11 July 2012. Employees may also instruct the Trustee how to vote through the [www.sharevote.co.uk](http://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 more transparent 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](http://www.severntrent.com)



## General notes

### 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 and the shareholder by whom he 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 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 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 an auditor 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](http://www.shareview.co.uk)

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

### Total voting rights

As at 22 May 2012, being the latest practicable date before the publication of the Notice, the Company's issued and voting share capital consisted of 238,195,550 ordinary shares of 97<sup>17</sup>/<sub>19</sub> pence each carrying one vote each. Therefore the total number of voting rights in the Company is 238,195,550.

### 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](http://www.severntrent.com)

### Inspection of documents

The following documents, are available for inspection during normal business hours at the registered office of the Company and at the offices of Eversheds LLP at One Wood Street, London EC2V 7WS 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;
- copies of the non-executive directors' letters of appointment; and
- the rules of the SIP.