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**Severn Trent Plc  
Nominations Committee**

**Terms of Reference  
(Approved by the Board on 24 March 2017)**

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**1. Constitution**

The Board of Directors (the "Board") has established, in line with the UK Corporate Governance Code April 2016 ("the Code"), a Committee of the Board, henceforth known as the Nominations Committee (the "Committee").

**2. Membership**

- (a) The Committee shall comprise at least five members. Members of the Committee shall be appointed by the Board on the recommendation of the Nominations Committee in consultation with the Chairman of the Committee, in accordance with the Company's articles of association. Independent non-executive Directors shall, on appointment to the Board, automatically become members of the Committee.
- (b) The majority of members of the Committee, save for the Chairman of the Board, shall be independent non-executive Directors of the Company appointed by the Board.
- (c) Only members of the Committee have the right to attend Committee meetings. Other Executive and non-executive Directors, senior management and external advisors may be invited to attend for all or part of any meeting as and when appropriate, particular care being taken to recognise and avoid any conflicts of interest.
- (d) Appointments to the Committee shall be for an initial period of three years, the period of office may be extended for such duration as may be determined by the Board, so as long as the member continues to be an independent non-executive Director.
- (e) The Board shall require the Committee Chairman to be the Chairman of the Board or an independent non-executive Director. The Chairman of the Board shall not chair the Committee when it meets to discuss the Chairman of the Board's succession or performance, in which case the Senior Independent Director will Chair the meeting. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect an independent non-executive Director to Chair the meeting.
- (f) The Chairman and Committee members shall be listed on the Company's website and each year in the Company's Annual Report and Accounts.
- (g) Each member of the Nominations Committee shall disclose to the Committee:
  - (i) Any personal financial interest (other than as a shareholder) in any matter to be decided by the Nominations Committee; or
  - (ii) Any potential conflict of interest arising from a cross-directorship or other business interests.

Any such member shall abstain from voting on resolutions and participating in the discussion concerning such resolutions.

### **3. Secretary**

The Company Secretary or his or her nominee shall act as the Secretary to the Committee.

### **4. Quorum**

- (a) The quorum necessary for the transaction of business by the Committee will be three members, two of whom must be independent non-executive Directors.
- (b) In the event that a meeting of the Committee is required but a quorum might not be secured, an existing member of the Committee shall be empowered to appoint another independent non-executive Director(s) to attend such meeting in consultation with the Chairman of the Committee to act as that member's alternate.

### **5. Frequency of Meetings**

Meetings shall be held at least three times per year, one of which will be specifically set aside to give consideration to succession planning. Meetings will also be held at any other time as the Committee's role and responsibilities require, and otherwise as the Chairman of the Committee shall require.

### **6. Notice of Meetings**

- (a) Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members.
- (b) Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive Directors, no later than five working days before the date of the meeting, unless agreed otherwise in advance. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time to enable proper consideration of matters by the Committee.
- (c) Members may participate in a meeting by means of telephone, video conferencing facility or other suitable communication equipment.

### **7. Minutes of Meetings**

- (a) The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance and the existence of any conflicts of interest.
- (b) Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee after a meeting.

### **8. Annual General Meeting**

The Chairman of the Committee shall attend the Annual General Meeting and be prepared to respond to any shareholder questions on the Committee's activities.

### **9. Duties**

The Committee should carry out the duties below for Severn Trent Plc, major subsidiary undertakings and the group as a whole, as appropriate.

(a) **Composition of the Board and its Committees**

- (i) The Committee will regularly review, the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and of its Committees in consultation with the Committee Chairmen, and taking into account the results of the Board performance evaluation process, and make recommendations to the Board with regard to any changes.

(b) **New Appointments**

- (i) The Committee shall be responsible for the identification and nomination of candidates to fill Board vacancies and lead the selection process for the appointment of any Director to Executive or other office of the Company.

- (ii) The Committee shall be responsible for recommending suitable candidates for the role of Senior Independent Director.

- (iii) In advance of recommending a Board appointment to the Board, the Committee will evaluate the balance of skills, knowledge, experience, independence and diversity on the Board, and, in the light of this evaluation ensure that a description of the role and capabilities required is prepared for a particular appointment, including an assessment of the time of the time commitment expected to fulfil the role.

- (iii) In identifying suitable candidates the Committee shall:

- use open advertising or the services of an independent external agency to facilitate the search and disclose whether it has any connection to the Company;
- consider candidates from a wide range of backgrounds;
- consider candidates other significant commitments and that any significant commitments are reported to the Board prior to appointment; and
- consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, taking care that appointees have enough time available to devote to the position.

- (iv) The Committee shall ensure that prior to the appointment of a Director, the proposed appointee should be required to disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest.

- (v) The Committee shall ensure that on appointment to the Board, non-executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Committee service and involvement outside Board meetings.

- (vi) The Committee shall approve the terms of engagement of non-executive Directors.

(c) **Succession Planning**

- (i) The Committee shall review the leadership needs of the Company, both Executive and non-executive, at regular intervals, and at least once a year, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.

- (ii) The Committee shall consider succession planning for Directors and other senior Executives in the course of its work, and the adequacy of proposals for their succession, over the short and longer term. Particular attention shall be paid to succession in respect of the Chief Executive, Company Chairman and other key Board positions.

- (iii) In its succession planning discussions, the Committee shall take into account the challenges and opportunities facing the Company, including the skills, experience, independence, knowledge and diversity needed within the Company and on the Board, in consideration of the Company's future requirements to ensure the continued ability of the Company to compete effectively in the marketplace.

(d) **Board Effectiveness**

The Committee shall review the results of the annual Board performance evaluation process that relate to the composition and effectiveness of the Board.

(e) **Serving Directors**

- (i) The Committee shall review annually, the time required from non-executive Directors. Performance evaluation should be used to assess whether the non-executive Directors are contributing effectively and demonstrating commitment to their role. Performance evaluation should also be used to assess whether the non-executive Directors are spending enough time to fulfil their duties.

- (ii) The Committee shall make recommendations to the Board concerning:

- the re-appointment of any non-executive Director at the conclusion of their specified term of office, having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- the re-election by shareholders of any Director under the annual re-election provisions of the Code or the 'retirement by rotation' provisions in the Company's articles of association, having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills, diversity and experience required and the need for progressive refreshing of the Board (particularly in relation to Directors being re-elected for a term beyond six years);
- any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provisions of the law and their service contract; and
- any request by an Executive to hold a non-executive Directorship or similar position outside the Company.

**10. Reporting Responsibilities**

- (a) The Committee Chairman shall report orally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also report on how it has discharged its responsibilities.
- (b) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- (c) The Committee shall approve the section in the Annual Report which deals with the activities of the Committee, including a description of the significant issues dealt with by the Committee, and shall formally report such to the Board.
- (d) The Committee shall review the Board Diversity Policy and progress against any measurable objectives that the Board has set in respect of Board diversity.

## **11. Other Matters**

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- (c) give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency rules and any other applicable rules, as appropriate;
- (d) oversee any investigation of activities which are within its terms of reference; and
- (e) arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## **12. Authority**

The Committee is authorised to:

- (a) seek any information it requires from any employee of the Company in order to perform its duties;
- (b) obtain, at the Company's expense, from the Company's auditors, outside legal or other professional advice on any matter within its terms of reference. In this regard any Board policy document concerning the securing of such advice shall be adhered to by the Committee:
  - the Committee is exclusively responsible for establishing the selection criteria for such advisors and their appointment and terms of reference; and
  - the appointment and performance of such advisors shall be reviewed by the Committee on a regular basis and at least annually.
- (c) call any employee to be questioned at a meeting of the Committee as and when required.
- (d) The Committee has the right to publish in the Company's Annual Report details of any issues that cannot be resolved between the Committee and the Board.