

Internal Audit Charter

Purpose:

In line with Severn Trent's purpose, *"Taking care of one of life's essentials,"* Internal Audit's purpose is to help the Board and Executive management protect the assets, reputation, and sustainability of Severn Trent by providing independent and objective assurance on the effectiveness of the Group's risk management and internal control systems.

Responsibilities:

1. Deliver a series of audit reviews focused on significant risks or control areas:

Internal Audit, supported by its Co-Source Partners, will deliver a rolling three-year risk-based Plan agreed with the Audit Committee. The Audit Plan will be developed considering:

- The Enterprise Risk Management process;
- The corporate assurance map;
- Management's views on significant business risks;
- Emerging risks identified by the Group's horizon scanning; and
- The views and findings of key independent advisors such as the Group's auditors.

In developing the Audit plan, Internal Audit will also seek the views of the Audit Committee Chair and Executive management.

2. Promote an effective understanding of the risk and control framework across the business:

Internal Audit will:

- promote an understanding of risk and control by engaging with the business;
- monitor the implementation of key controls; and
- make improvement recommendations and regular report findings to the Executive Committee.

Any recommendations made by Internal Audit will be discussed with senior management and tracked to ensure that they are completed in a timely manner.

3. Provide an ongoing assessment of the effectiveness of key business controls:

Internal Audit will regularly assess and report on the operational efficiency and effectiveness of key business controls critical to the ongoing operation of the organisation.

Management remains responsible for the design, implementation and operation of a governance and control framework to support the achievement of strategic business objectives.

4. Provide an expert resource to the Executive for investigations and key projects:

Internal Audit will provide appropriately skilled resource to carry out investigations and to support key projects that require specific risk and control expertise.

5. Provide an annual assessment of the Group's governance, risk and compliance framework:

Internal Audit provides independent assurance, principally through the completion of the Audit Plan, to enable the Board and Audit Committee to form an opinion on and attest to the effectiveness of the Group's framework of control. Internal Audit will highlight key areas of strengths and weakness and identify improvements.

OFFICIAL COMMERCIAL:

6. Report Internal Audit's performance to the Audit Committee:

Internal Audit will provide a performance dashboard to the Audit Committee summarising the performance of the Internal Audit function over the year against key measures. The Audit Committee will review the performance dashboard annually.

Internal Audit will maintain an annual quality assurance and improvement program that covers all aspects of the internal audit activity, including an evaluation of conformance with the Institute of Internal Auditors' International Standards and principles set out in IPPF (International Professional Practices Framework).

Independence and Objectivity:

The Head of Internal Audit reports directly to the chair of the Audit Committee, with a secondary, functional reporting line to the Group CFO.

When the Head of Internal Audit has additional management responsibilities, beyond Internal Audit, the Audit Committee will ensure these do not impair his/her ability to perform the Internal Audit responsibilities effectively and objectively. When an audit or assurance activity takes place where the Head of Internal audit has management responsibility. The Head of Internal Audit will shift all Internal Audit responsibilities for assurance or audit to a Co source partner who will directly report the chair of Audit Committee.

Head of Internal Audit Conflict of Interests:

- Head of Business Information
- Pensions Trustee of the Severn Trent Pension Scheme and the Severn Trent Mirror Image Scheme.

Access:

Internal Audit determines the Audit Plan and is free to decide the areas to review; the scope of work; the timing and frequency of reviews; and the content of reports.

Internal Audit, with strict accountability for protecting confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any of Severn Trent records, sites and personnel needed to carry out its duties. Internal Audit must execute its duties in accordance with the IIA's Code of Ethics. All employees are required to assist Internal Audit in its work; to engage openly and constructively with Internal Audit; and to disclose all information relevant to Internal Audit's work.



Sarah Legg
Audit Committee Chairman



Chaminda Eratne
Head of Internal Audit