
**Severn Trent Plc
Executive Committee**

Terms of Reference

1 Constitution

The Severn Trent Plc Executive Committee ("STEC") is established by the Chief Executive to assist him in the running of the business.

2 Membership

Members of STEC shall be made up of the Chief Executive, Finance Director, Group General Counsel and Company Secretary and any other direct reports as are required by the Chief Executive.

STEC shall consist of a minimum of four members. The Deputy Company Secretary or a nominee shall act as the Secretary to the committee.

Appointments to STEC shall be for periods as considered necessary given the business and management strategy of the Group.

3 Quorum

The quorum necessary for the transaction of business by STEC will be three, but must include either the Chief Executive or the Finance Director.

In the event that a meeting of STEC is required but a quorum might not be secured, an existing member of STEC shall be empowered to appoint another employee to attend such meeting further to consultation with the Chairman of STEC.

4 Chairman

The Chief Executive will chair STEC meetings. In the absence of the Chief Executive, the Finance Director will chair.

5 Meetings

Meetings shall be held at least 6 times per year, and also at such other times as the Chief Executive shall require. Only members of STEC have the right to attend.

Prior to the commencement of each calendar year, the Chief Executive and the Secretary shall review the frequency and dates of meetings for the subsequent financial year and propose such dates for agreement by other members of STEC.

Meetings of STEC shall be called by giving at least five working days' written notice unless all the members of STEC agree to shorter notice.

Members may participate in a meeting by means of a conference telephone, video conferencing facility or other suitable communicating equipment.

The Secretary shall minute the proceedings and resolutions of all meetings as well as keep appropriate records. Minutes of the meetings shall be circulated promptly to all members of STEC and, once agreed, to all members of the board, unless a conflict of interest arises.

A copy of all papers and records will be sent to and retained by the Severn Trent Plc Group Company Secretariat.

5 Authority

STEC is authorised to seek any information it requires from any employee and all employees shall be directed to co-operate with any request made by STEC.

6 Independent Advice and Resources

STEC shall have access to sufficient resources in order to carry out its duties, including access to the Severn Trent Plc Group Company Secretariat, for assistance as required.

7 Duties

The duties of STEC are as follows:-

7.1 Strategy & Management

(a) To ensure:

- i. proper and prudent management of the Group;
- ii. the active liaison, co-ordination and co-operation between SBUs;
- iii. the optimisation of the allocation and adequacy of the Group's resources;
- iv. full consideration is given to statutory and regulatory compliance, ensuring the Group fulfils its obligations as required; and
- v. full consideration is given to management review, development and succession planning within the Group with a view to developing internal individuals;

(b) To review:

- i. monthly SBU performance reports and Director & Officer reports;
- ii. performance in the light of the Group's strategy, objectives, business plans and budgets and ensure that any necessary action is taken;
- iii. safety and environmental performance reports; and
- iv. half-yearly risk registers.

(c) **To approve:**

- i. agreed policy guidelines for SBUs based on the approved strategy and budgets; and
- ii. all papers for presentation to the Board.

(d) **To recommend to the Board:**

- i. approval of the Group's strategy and business plan;
- ii. approval of the annual operating and capital expenditure budgets;
- iii. approval of material submissions/reports to Regulatory Bodies. (OFT, Ofwat, Competition Commission, etc);
- iv. approval for the Group to extend into activities requiring entry into new business or geographical areas; and
- v. approval for the Group to cease to operate all or any part of the Group's business.

7.2 Contracts

(a) **To ensure:**

- i. that the correct due diligence is performed before entering into any binding commitment to a material strategic alliance, joint venture, partnership or profit sharing arrangement; and
- ii. that the Group Authorisation Arrangements are cascaded through the organisation and adhered to.

(b) **To approve** contracts not in the ordinary course of business and/or where a director or other related party is interested.

(c) **To recommend to the Board:**

- i. the material acquisition or disposal of shares in a listed company; and
- ii. the making of a takeover bid.

7.3 Finance

(a) **To ensure:**

- i. the operation and monitoring of the Group's risk and internal controls; and
- ii. the safeguarding of the integrity of management information and financial reporting systems.

(b) **To approve:**

- i. annually the Company's Treasury policies; and

- ii. the Company's insurance renewal, having ensured that an annual review has been undertaken.

7.4 Structure & Capital

- (a) **To review** the Group's capital and corporate structure, and its status as a public limited company.
- (b) **To recommend to the Board** any such steps as are from time to time deemed necessary and are in keeping with the Group's stated strategy and business plan.

7.5 Communications

To recommend to the Board approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.

7.6 Other Matters

- (a) **To ensure:**
 - i. the correct supervision of any investigation of activities within its terms of reference;
 - ii. that the Chief Executive reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities; and
 - iii. that STEC's terms of reference and the effectiveness of the committee are reviewed at least annually and to report to the Board in respect thereof, including any recommendations.
- (b) **To approve:**
 - i. the remuneration of non-executive directors (subject to the Articles of Association and shareholder approval as appropriate); and
 - ii. a report to shareholders on its duties and activities for inclusion in the Company's Annual Report.
- (c) **To recommend to the Board** any proposals it deems appropriate on any area within its remit where action or improvement is needed.
- (d) **To have regard to the duties of the Board of Directors** in respect of Section 172 of the Companies Act 2006 in all of its recommendations to the Board.

8 **Decisions of STEC**

Any decisions of STEC shall be taken on a simple majority basis. The Chief Executive shall have a casting vote in the event of equality of voting.