

# Severn Trent Plc

## Executive Committee

### Terms of Reference 14 March 2018

#### 1. Constitution

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

#### 2. Membership

- (a) The Committee shall comprise at least four members. Members of the Committee shall comprise of the Chief Executive, Chief Financial Officer, Group General Counsel and Company Secretary and any other direct reports as are required by the Chief Executive.
- (b) Appointments to the Committee shall be for periods as considered necessary given the business and management strategy of the Group.
- (c) The Committee members shall be listed on the Company’s website and each year in the Company’s Annual Report and Accounts.
- (d) The role of Chairman of the Committee shall be held in turn by each member of the Committee on a weekly rotation basis.
- (e) Each member of the Committee shall disclose to the Committee:
  - (i) Any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or
  - (f) 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 discussions concerning such resolutions.

#### 3. Secretary

- (a) The Deputy Company Secretary or his or her nominee shall act as the Secretary of the Committee.

#### **4. Quorum**

- (a) The quorum necessary for the transaction of business by the Committee will be two, one of whom should normally be an Executive Director.
- (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 employee to attend such meeting further to consultation with the Chairman of the Committee to act as that member's alternate.

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

- (a) Meetings of the Committee shall be held on a weekly basis (STEC Weekly Meeting), and at any other time as the Committee's role and responsibilities require. One of the weekly meetings shall be used predominately to consider business unit operational performance and matters going forward for consideration by the Board (STEC Monthly Meeting).

#### **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 or at the request of external or internal audit if they consider it necessary.
- (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 and any other person required to attend no later than two 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 produce actions of the proceedings and record decisions of all weekly meetings of the Committee, including the existence of any conflicts of interest.
- (b) The Secretary shall minute proceedings and decisions of all monthly meetings of the Committee, including recording the names of those present and in attendance and the existence of any conflicts of interest.
- (c) Draft actions and minutes of Committee meetings shall be circulated promptly to all members of the Committee after a meeting.

## 8. Duties

The Committee should carry out the duties below in respect of Severn Trent Plc, and its major subsidiaries.

### (a) Strategy & Management

To ensure:

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

To review:

- i. monthly business unit performance reports and STEC member 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. health, safety and wellbeing, operating performance reports; and half-yearly Enterprise Risk Management ("ERM") registers.

To approve:

- i. agreed policy guidelines for business units based on the approved strategy and budgets; and
- ii. papers for presentation to the Board and certain Board Committees on an individual basis.

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. (Ofwat, Competition and Markets Authority, 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.

### (b) Contracts

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.

To approve contracts not in the ordinary course of business and/or where a Committee member or other related party is interested.

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.

(c) Finance

To ensure:

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

To review annually the Company's Treasury policy, ahead of recommendation by the Severn Trent Plc Treasury Committee for approval by the ST Plc, STW and Dee Valley Water Limited Boards; and

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

(d) Structure & Capital

To review the Group's capital and corporate structure, and its status as a public limited company.

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.

(e) Communications

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

(f) Remuneration

To approve the remuneration of non-executive directors (subject to the Articles of Association and shareholder approval as appropriate).

## **9. Reporting responsibilities**

(a) The Chief Executive shall report orally to the Boards on its proceedings at each Board meeting on all matters within its duties and responsibilities.

(b) The Committee shall make whatever recommendations to the Boards it deems appropriate on any area within its remit where action or improvement is needed.

## **10. Other Matters**

The Committee shall:

- (a) have regard to the duties of the Board of Directors in respect of Section 172 of the Companies Act 2006 (to promote the success of the Company) in all of its recommendations to the Board.
- (b)
- (c) have regard to the right corporate culture required to deliver long-term sustainable performance
- (d) have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- (e) 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;
- (f) give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus Rules, and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;
- (g) oversee any investigation of activities which are within its terms of reference; and
- (h) 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.

## **11. Authority**

The Committee is authorised:

- (a) to seek any information it requires from any employee of the Company in order to perform its duties
- (b) to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference. In this regard any policy document concerning the securing of such advice shall be adhered to by the Committee:
  - i. the Committee is exclusively responsible for establishing the selection criteria for such advisors and their appointment and terms of reference; and
  - ii. the appointment and performance of such advisors shall be reviewed by the Committee on a regular basis and at least annually; and
- (c) to call any employee to be questioned at a meeting of the Committee as and when required.