
Severn Trent Treasury Committee

Terms of Reference

**Approved by the Board of Severn Trent Plc on 19 July 2016 and the Board
of Severn Trent Water Limited on 19 July 2016**

1. Constitution

The Board of Directors of Severn Trent Plc and Severn Trent Water Limited (together the “Boards”) has established, in line with the UK Corporate Governance Code (the “Code”), a Committee of the Boards, by resolution of the Boards, henceforth known as the Treasury Committee (the “Committee”). The Committee has responsibility for the matters listed below for Severn Trent plc, Severn Trent Water Limited and all their subsidiaries (the “Group”).

2. Membership

The membership of the Committee is as follows:

- Two Non-Executive Directors one of whom shall act as Chairman of the Committee (“the Chairman”) (the Chairman to be appointed by the Board of Severn Trent Plc on the recommendation of the Nominations Committee)
- Chief Financial Officer of Severn Trent Plc
- Group Treasurer

The current members of the Committee are:

John Coghlan (Chairman)
Philip Remnant (Non-Executive Director)
James Bowling (Chief Financial Officer)
John Jackson (Group Treasurer)

3. Secretary

The 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 which must be the Chairman or other Non-Executive Director of the Group, the other must be the Chief Financial Officer or his delegate
- (b) In the event that a meeting of the Committee is required but a quorum might not be secured, the Chairman shall be empowered to appoint an additional person as appropriate.

5. Frequency of Meetings

Meetings shall be held at least four times per year, and also at such other times 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 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.
- (c) Members may participate in a meeting by means of telephone, video conferencing facility or other suitable communicating 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.
- (b) Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board.

8. Annual General Meeting

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

9. Duties

The Committee should carry out the duties below:

- (a) The Committee will present to the Boards, on at least an annual basis, the Group Treasury Policy Statements (the "Policy"), for approval. Upon approval the Committee will have delegated authority to exercise the powers listed in the Policy and to monitor Policy compliance.
- (b) The Committee shall provide oversight of Treasury activities in implementing the policies approved by the Boards or the Committee.
- (c) The Committee will present annually to the Boards, before the commencement of the financial year, the proposed Funding and Treasury Risk Management Plan ("the Plan") for the year. Upon approval by the Boards, the Committee will have oversight of the execution of the Plan by executive management.
- (d) The Committee shall consider and as appropriate approve, or where it considers appropriate, propose to the Boards for the Boards' approval, revisions to the Plan, in relation to inter alia:

- i. Interest rate and inflation risk. In particular the monitoring of the impact of changes in forecast interest rates and inflation on group earnings.
- ii. Funding strategy.
- iii. Financial institution credit exposure.
- iv. Foreign currency risk.
- v. General hedging activity.
- vi. General financial market movements.
- vii. Liquidity risk.
- viii. Access to debt market risk.
- ix. Treasury internal controls.

10. Delegated Powers of the Treasury Committee

The Boards shall delegate powers to the Treasury Committee including, but not limited to:

- (a) The appointment of relationship banks, including but not limited to, money transmission, hedging, lending and cash management.
- (b) Authorisation of the opening and closing of bank accounts.
- (c) Entering into borrowing, leasing, bonding and other facilities.
- (d) To approve Parent Company Guarantees, Counter Indemnities and Comfort Letters.
- (e) To authorise entering into hedging transactions and cancellations covering interest rate, inflation, currency and energy exposures.
- (f) Approve liability management exercises in relation to the existing funding book.
- (g) To authorise the origination of inter-company loans.
- (h) The approval of Treasury Policy Statements on at least an annual basis.
- (i) To authorise the granting of security or charges over assets.
- (j) The further delegation of the above powers to members of the Committee.

11. Reporting responsibilities

- (a) The Committee Chairman shall report orally to the Boards on its proceedings after each 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.
- (c) The Committee shall approve the section in the Severn Trent Plc Annual Report which deals with the activities of the Committee.

12. Other matters

The Committee shall:

- (a) Appoint external advisers as required.
- (b) Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- (c) 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.
- (d) 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.
- (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 Boards for approval.
- (f) The Committee shall delegate its powers to members of the Committee as required.