

**Severn Trent**

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# Matters Reserved to the Severn Trent Plc Board

Company Secretariat

Approved by the Board on 19 March 2021

This schedule has been considered in light of the requirements contained in investor guidelines and the UK Corporate Governance Code 2018 (the 'Code') and has been approved by the Severn Trent Plc Board. It is intended to describe those matters that it considers should be decided by the Board as a whole rather than delegating to a Committee or Individual Directors. Separate schedules detailing the Matters Reserved for the Severn Trent Water Limited Board and Hafren Dyfrdwy Cyfyngedig Board are available and have been approved by the Boards of those companies.

Having regard to the Code, and to the duty (contained within Section 172 Companies Act 2006) for each of the Directors to promote the success of the Company for the benefit of its members as a whole, and in doing so, to have regard (amongst other matters) to:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the company.

The documents detailed below, which support this document have also been approved by the Boards of Severn Trent:

- Group Authorisation Arrangements;
- The Charter of Expectations and Role Profiles; and
- The role of the Chair and CEO.

The Severn Trent Plc Board will evaluate this document on an annual basis in line with regulatory and statutory requirements and corporate governance best practice.

The Board has the following matters reserved to it:

<b>1</b>	<b>Strategy and Management</b>
1.1	Responsibility for the overall leadership of the Company and setting and regularly monitoring the Company's values, policies and standards and satisfying itself that these and the Company's culture is aligned.
1.2	Approval of the Group's strategic aims and objectives, including its Environmental, Social and Governance ('ESG') ambitions.
1.3	Assessment and monitoring of the Group's culture.
1.4	Approval of the annual operating and capital expenditure budgets and any material changes to them.
1.5	Approval of major changes to the Group's corporate or capital structure.
1.6	Approval of the Group's Board level risk appetite.
1.7	Oversight of the Group's operations ensuring: <ul style="list-style-type: none"> <li>• Competent and prudent management;</li> <li>• Sound planning;</li> <li>• Maintenance of sound management and internal control systems;</li> <li>• Adequate accounting and other records; and</li> <li>• Compliance with statutory and regulatory obligations.</li> </ul>
1.8	Review of performance in the light of the Group's strategic aims, values, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
1.9	Approval of extension of the Group's activities into new business or geographical areas.
1.10	Any decision to cease to operate all or any material part of the Group's business.
<b>2</b>	<b>Structure and Capital</b>
2.1	Major changes to the Group's corporate structure, including but not limited to acquisitions and disposals of shares which are material relative to the size of the Group.

2.2	Changes to the Group's management and control structure.
2.3	Any changes to the Company's listing or its status as a Plc.
2.4	Approval of business entry into a new country or a new category of business.
2.5	Changes relating to Severn Trent Plc's capital structure including reduction of capital, share issues (except under all-employee share plans), share buy backs and the use of treasury shares.
<b>3</b>	<b>Financial Reporting and Controls</b>
3.1	Approval of the half year results, and any other formal announcement relating to the Company's financial performance. <sup>*A</sup>
3.2	Approval of the Annual Report and Accounts. <sup>*A</sup>
3.3	Approval of the dividend policy.
3.4	Declaration of interim dividends and recommendation of final dividends.
3.5	Approval of any significant changes in accounting policies or practice.
3.6	Approval of treasury policies. <sup>*T</sup>
3.7	Approval of material unbudgeted capital or operating expenditure.
<b>4</b>	<b>Internal Controls</b>
4.1	<p>In conjunction with the Audit Committee where appropriate, establish formal and transparent policies and procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives, including: <sup>*A</sup></p> <ul style="list-style-type: none"> <li>• Approving the Company/Group's risk appetite statements;</li> <li>• Carrying out a robust assessment of the Company's emerging and principal risks;</li> <li>• Monitoring the Company's risk management and internal control systems, and annually reviewing and reporting on the effectiveness of these systems to support its strategy and objectives;</li> </ul>

	<ul style="list-style-type: none"> <li>• Ensuring the independence and effectiveness of the internal and external audit functions and satisfying itself on the integrity of the financial and narrative statements;</li> <li>• Routinely reviewing the Company's arrangements for its workforce to raise concerns, in confidence and anonymously; reviewing any reports arising from such arrangements and ensuring that such arrangements allow proportionate and independent investigation of such matters and follow-up action;</li> <li>• Considering matters relating to whistleblowing, including receiving reports on whistleblowing matters, including material instances of disclosure;</li> <li>• Approving procedures for the detection of fraud and the prevention of bribery and corruption;</li> <li>• Undertaking an annual assessment of these processes; and</li> <li>• Approving appropriate statements for inclusion in the Annual Report and Accounts.</li> </ul>
<b>5</b>	<b>Contracts / Transactional Approvals</b>
5.1	Approval of revenue and capital expenditure, bid submissions and the acquisition or disposal of land, property or other capital assets where the cost or consideration exceeds the respective amounts in the delegated levels of authority (Group Authorisation Arrangements (the 'GAA')).
5.2	Notwithstanding the delegated approvals contained in the GAA, the approval of any project which materially increases the Group's risk profile and/or which involves any obligations, restrictions or liabilities of an unusual, onerous or exceptional nature not in the ordinary course of the Group's business.
5.3	Major investments including the acquisition or disposal of interests of more than 3 per cent in the voting shares of any Company or the making of any takeover offer.
5.4	Approval of the acquisition or disposal by the Group of the whole or any part of a business or shares in a Group Company or the establishment of a joint venture Company or partnership or the disposal of the whole or any part of any such venture, or any similar business development (except where such approvals are already delegated to the Treasury Committee or are otherwise delegated in the GAA).
5.5	The approval of any investment, or the acquisition of any asset or business by the Company or any of its subsidiaries which would involve the commencement of an activity of a substantially different nature or

	character to any activity from time to time carried on by the Company or any of its subsidiaries (no matter what its value).
<b>6</b>	<b>Communication</b>
6.1	Ensuring effective engagement with, and participation from, shareholders and other stakeholders based on the mutual understanding of objectives and review of engagement mechanisms with such parties.
6.2	Approval of resolutions and corresponding documentation to be put forward to shareholders at general meetings of the Company.
6.3	Approval of all circulars, prospectuses <sup>*T</sup> and listing particulars.
6.4	Approval of press releases concerning matters decided by the Board. <sup>*D</sup>
<b>7</b>	<b>Board Membership and Other Appointments</b>
7.1	Changes to the structure, size and composition (including the skills, knowledge, independence, experience and diversity) of the Board, and of its Committees in consultation with the relevant Committee Chair, following recommendations from the Nominations Committee. <sup>*N</sup>
7.2	Ensuring adequate succession planning, and oversight of a diverse pipeline, for the Directors and other senior executives of the Company so as to maintain an appropriate balance of skills, experience, independence, knowledge and diversity 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. Selection and appointment of executive search firms, in line with the provisions of the Group Diversity Policy. <sup>*N</sup>
7.3	Appointments to the Board following recommendations by the Nominations Committee and oversight of tailored induction programmes for new Directors. <sup>*N</sup>
7.4	The approval of additional external appointments of members of the Board.
7.5	Identifying and managing conflicts of interest, including those resulting from significant shareholdings and appointments to the Board of other companies, and ensuring that the influence of third parties does not compromise or override independent judgment. Authorising conflicts of interest where permitted by the Company's articles of association.

7.6	Selection of the Chair of the Board and the Chief Executive following recommendations by the Nominations Committee. *N
7.7	Appointment of the Senior Independent Director to provide a sounding board for the Chair and to serve as an intermediary for the other Directors when necessary.
7.8	Membership and Chairmanship of Board Committees following recommendations from the Nominations Committee. *N
7.9	Recommendation of the continuation in office of Directors at the end of their term of office, when they are due to be re-elected by shareholders at the AGM, and otherwise as appropriate.
7.10	Consideration of 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 law and their service contract.
7.11	Appointment or removal of the Company Secretary.
7.12	Proposal for the appointment, reappointment or removal of the external auditor to be put to shareholders for approval in a general meeting, following the recommendation of the Audit Committee. *A
<b>8</b>	<b>Remuneration</b>
8.1	Determining the remuneration policy for the Executive Directors, Company Secretary and other senior Executives to promote the successful delivery of the Company's long-term strategy, including its ESG ambitions. *R
8.2	Determining the remuneration of Non-Executive Directors (except for the Chair) (in accordance with the Articles of Association of the Company), on the recommendation of the Chair, the Chief Executive and the Chief Financial Officer and in conjunction with the Company's independent remuneration consultants.
8.3	The introduction of share plans or major changes to existing plans, requiring shareholder approval and the arrangements for individual invitations to executives or employees made under such schemes. *R

8.4	Engage with shareholders on significant matters related to the Committee's areas of responsibility, such as changes to the Group's remuneration policy. *R
<b>9</b>	<b>Delegation of Authority</b>
9.1	The division of responsibilities between the Chair, the Chief Executive and other Executive Directors, which should be clearly established, set out in writing and agreed by the Board.
9.2	Approval of the GAA, including the Chief Executive's authority limits (which must be in writing).
9.3	Establishing Board Committees and approving their terms of reference, and approving material changes thereto.
9.4	Receiving reports from Board Committees on their activities.
<b>10</b>	<b>Corporate Governance Matters</b>
10.1	Undertaking a formal, rigorous and transparent annual review of its own performance, that of its Committees, the Chair and individual Directors, and the division of responsibilities.
10.2	Determining the independence of Non-Executive Directors in light of their character, judgment and relationships.
10.3	Review of the Group's overall corporate governance arrangements.
10.4	Receiving reports on the views of the Company's shareholders to ensure that they are communicated to the Board as a whole.
<b>11</b>	<b>Policies</b>
11.1	Approval of Group policies.
<b>12</b>	<b>Other</b>
12.1	The making of political donations within the limits imposed by the 2006 Companies Act.
12.2	Approval of the appointment of the Group's principal professional advisers.

12.3	Prosecution, commencement, defence or settlement of litigation, or an alternative dispute resolution mechanism involving above £25m or being otherwise material to the interests of the Group.
12.4	Approval of the overall levels of insurance for the Group including Directors' & Officers' liability insurance and indemnification of Directors.
12.5	Major changes to the rules of the Group's pension scheme, or major changes in the funding arrangements. * <sup>T</sup>
12.6	Authorising interest rate, inflation rate and equity risk management in respect of the Group's pension schemes. * <sup>T</sup>
12.7	Any decision likely to have a material impact on the Company or Group from any perspective, including, but not limited to, financial, operational, strategic or reputational.

Note: Items marked "\*" indicate matters which the Board believes should be considered in the first instance by the relevant Board Committee, with any final decision required to be taken by the Board as a whole.

In exceptional circumstances, it may be necessary to agree any of the foregoing matters in the best interests of the Company on very short notice and without being able to summon all Directors to a meeting.

In these exceptional circumstances, it will be sufficient for the Board Meeting to be comprised of at least two Directors, and for all Directors (other than those who are absent without having left a suitable means of contacting them urgently) to be given a brief explanation of the nature of the proposal and the obligations and potential liabilities of the Company under the proposal. Where possible, the views of all Directors on the proposal should be sought and taken account of.

In addition, the Board will receive reports and recommendations from time to time on any matter which it considers significant to the Group.

### **By Order of the Board**

**Bronagh Kennedy**  
**General Counsel and Company Secretary**

**19 March 2021**