

Severn Trent

Matters Reserved to the Severn Trent Plc Board

Company Secretariat
Approved by the Board on 24 March 2017

This schedule has been considered in light of the requirements contained in investor guidelines and the UK Corporate Governance 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. A separate schedule detailing the Matters Reserved for the Severn Trent Water Limited Board is available and has been approved by the Severn Trent Water Limited Board.

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

- Group Authorisation Arrangements
- The Charter of Expectations and Role Profiles
- The role of the Chairman 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.

1	Strategy and Management
1.1	Responsibility for the overall leadership of the Company and setting the company's values, policies and standards.
1.2	Approval of the group's strategic aims and objectives.
1.3	Approval of the annual operating and capital expenditure budgets and any material changes to them.
1.4	Approval of major changes to the group's corporate or capital structure.
1.5	Approval of group's board level risk appetite.
1.6	Oversight of the group's operations ensuring: <ul style="list-style-type: none"> • competent and prudent management; • sound planning; • maintenance of sound management and internal control systems; • adequate accounting and other records; and • compliance with statutory and regulatory obligations.
1.7	Review of performance in the light of the group's strategic aims, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
1.8	Approval of extension of the group's activities into new business or geographical areas.
1.9	Any decision to cease to operate all or any material part of the group's business
2	Structure and Capital
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 control structure.
2.3	Any changes to the company's listing or its status as a plc.
2.4	Approval of capital expenditure with a value of more than £100m
2.5	Approval of business entry into a new country or a new category of business.
2.6	Approval of acquisitions, mergers, joint venture or disposal.
2.7	Approval of new borrowing facilities with a value of more than £50m or where a public prospectus is involved.
2.8	Changes relating to the 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.
3	Financial reporting and controls
3.1	Approval of the half yearly report, and any other formal announcement relating to the Company's financial performance. *A
3.2	Approval of the Annual Report and Accounts. * A
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 *TC
3.7	Approval of material unbudgeted capital or operating expenditure.
4	Internal controls
	<p>Ensuring adequacy and effectiveness of the Company's internal controls and internal control and risk management systems, including: * A</p> <ul style="list-style-type: none"> • Approving the company/group's risk appetite statements; • Receiving reports on and reviewing the effectiveness of, the group's risk and control process to support its strategy and objectives; • Approving procedures for the detection of fraud and the prevention of bribery and corruption; • Undertaking an annual assessment of these processes; and • Approving an appropriate statement for inclusion in the annual report.
5	Contracts
5.1	Approval of major capital projects over £100m
5.2	Contracts which are material strategically or by reason of size, entered into by the company or, in the case of a subsidiary, recommendations for approval in the ordinary course of business, for example bank borrowings above £50 million and acquisitions or disposals of fixed assets (including intangible assets such as intellectual property) above £50m
5.3	Contracts of the company or any subsidiary not in the ordinary course of business, for example loans and repayments above £50m, foreign currency transactions above £50m, or major acquisitions or disposals above £50 million.
5.4	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.
6	Communication
6.1	Ensuring a satisfactory dialogue with shareholders based on the mutual understanding of objectives.
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 and listing particulars.
6.4	Approval of press releases concerning matters decided by the board. *D
7	Board membership and other appointments
7.1	Changes to the structure, size and composition (including the skills, knowledge, experience and diversity) of the board, and of its committees in consultation with the relevant committee chairman, following recommendations from the Nominations Committee. *N
7.2	Ensuring adequate succession planning 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. *N
7.3	Appointments to the board following recommendations by the Nominations committee. *N
7.4	Selection of the Chairman of the Board and the Chief Executive. *N
7.5	Appointment of the Senior Independent Director to provide a sounding board for the Chairman and to serve as an intermediary for the other directors when necessary.
7.6	Membership and Chairmanship of board committees following recommendations from the Nominations Committee. *N
7.7	Recommendation of the continuation in office of directors at the end of their term of office, when they are due to re-elected by shareholders at the AGM, and otherwise as appropriate.
7.8	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.
7.9	Appointment or removal of the Company Secretary.
7.10	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
8	Remuneration
8.1	Determining the remuneration policy for the executive directors, company secretary and other senior executives *R
8.2	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
9	Delegation of authority
9.1	The division of responsibilities between the Chairman, 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 delegated levels of authority (Group Authorisation Arrangements), 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.
10	Corporate Governance Matters
10.1	Undertaking a formal and rigorous annual review of its own performance, that of its committees 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	Considering the balance of interests between shareholders, employees, customers and the community.
10.4	Review of the group's overall corporate governance arrangements.
10.5	Receiving reports on the views of the company's shareholders to ensure that they are communicated to the board as a whole
10.6	Authorising conflicts of interest where permitted by the Company's articles of association.
11	Policies
11.1	Approval of Group policies.
12	Other
12.1	The making of political donations.
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 £25 million 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.
12.6	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.

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.

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 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
B Kennedy
General Counsel and Company Secretary
24 March 2017