

## TERMS OF REFERENCE FOR THE ENERGY MARKETS RISK COMMITTEE

The Energy Markets Risk Committee (the “**Committee**”) is a committee of the SSE plc Board. The purpose of the Committee is to assist the Board in the effective discharge of its responsibilities in relation to risk management and internal control of energy markets risk exposures. The Committee shall carry out the duties set out in section 6 for the SSE Group.

References to “**the Company**” shall mean SSE plc.

References to **the Directors** shall mean Directors of SSE plc.

References to “**the Committee**” shall mean the Energy Markets Risk Committee.

References to “**the Board**” shall mean the board of SSE plc

References to “**the Committee Chair**” shall mean the Chair of the Energy Markets Risk Committee.

References to “**the Company Chair**” shall mean the Chair of SSE plc.

References to “**EPM**” shall mean SSE’s Energy Portfolio Management business.

References to “**Energy Markets**” shall mean those energy commodity markets that SSE is exposed. The five principal commodities: power; gas; carbon; coal; and oil.

References to “**the SSE Group**” shall mean SSE plc and its subsidiary companies.

### 1. MEMBERSHIP

- 1.1. The Committee shall be appointed by the Board following recommendation by the Nomination Committee and shall comprise of at least three non-Executive Directors, Finance Director and the Group Energy and Commercial Director. A nominated non-Executive Director shall act as the Committee Chair. The Chief Executive shall be a regular attendee.
- 1.2. Only members of the Committee have the right to attend committee meetings. The Committee may at its discretion invite any other persons to attend all or part of its meeting as appropriate.
- 1.3. In the absence of the Committee Chair, the remaining members present shall elect one of their number to chair the meeting.
- 1.4. The quorum necessary for the transaction of business shall be any four members, at least one of whom is a non-Executive Director. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

### 2. SECRETARY

- 2.1. The Company Secretary, the Deputy Company Secretary or an Assistant Company Secretary shall act as the Secretary of the Committee.

### 3. NOTICE OF MEETINGS

- 3.1. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of the Committee Chair, the Committee members or at the request of the external or internal auditors if they consider it necessary.

- 3.2. 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 fewer than 5 working days prior to the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

## 4. FREQUENCY OF MEETINGS

- 4.1. The Committee shall meet at least four times in each financial year and at such other times as required.

## 5. MINUTES OF MEETINGS

- 5.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 5.2. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and Minute them accordingly.
- 5.3. Minutes of Committee meetings shall be distributed promptly to all members of the Committee and, once agreed, to all members of the Board.

## 6. DUTIES

### 6.1. *Energy Markets Risks*

- 6.1.1. Oversee SSE Group's Energy Markets risks by recommending proposals for approval to the Board relating to the financial and operational risk limits (i.e. those risk limits which pertain to Energy Markets trading) as a result of changes to the current and prospective macroeconomic environment and drawing on any authoritative sources that may be relevant;
- 6.1.2. considering financial and operational risk profile and exposure to Energy Markets by evaluating and reporting to the Board, with respect to:
  - 6.1.2.1. implementation of SSE Group's approach to hedging Energy Markets risks;
  - 6.1.2.2. the performance versus SSE Group's approach to hedging Energy Markets risks;
  - 6.1.2.3. risk trends;
  - 6.1.2.4. operational risk events;
  - 6.1.2.5. operational risk and control event trends; and
  - 6.1.2.6. key performance indicators for financial and operational risk.

### 6.2. *Internal Control and Risk Management*

The Committee shall:

- 6.2.1. review the adequacy and effectiveness of the Company's risk management policy, framework and systems as appropriate for the identification, assessment, management, monitoring and reporting of Energy Markets risks;

- 6.2.2. review and approve the statements to be included in the annual report concerning internal control and risk management for Energy Markets risks;
- 6.2.3. review reports by the internal audit function on EPM activities;
- 6.2.4. consider reports from EPM with regard to energy trading policies/procedures and compliance; and
- 6.2.5. provide recommendations to the Board on EPM limits for credit and market risk and consider reports on trends in exposures.

### **6.3. Other Matters.**

The Committee shall:

- 6.3.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 6.3.2. 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;
- 6.3.3. give due consideration to the law and regulations, including the provisions of the UK Corporate Governance Code (and related guidance) and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules as appropriate;
- 6.3.4. at least once a year review its own performance, constitution, plan of business and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval;
- 6.3.5. work and liaise as necessary with all other Board Committees; and
- 6.3.6. deal with any matters which the Board may refer to the Committee.

## **7. AUTHORITY.**

7.1 The Committee has no executive powers other than the specific authorities set out in these Terms of Reference and such other authority as is from time to time delegated to it by the Board. Otherwise, it will recommend any executive action it considers necessary to the Board. The Committee does not relieve the Directors of their responsibilities in respect of Committee matters.

7.2 The Committee is authorised:

- 7.2.1 to seek any information, it requires from any officer or employee of the company or its subsidiaries in order to perform its duties;
- 7.2.2 to request and have made available to it minutes from SSE's committee framework to effectively discharge its function.
- 7.2.3 to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference. The Committee will inform the Finance Director and the Board of any such action; and
- 7.2.4 to call any member of staff to be questioned at a meeting of the Committee as and when required.

**END**