

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 8 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 “**EM**” shall mean SSE’s Energy Markets business.

References to “**Energy Markets**” shall mean those energy commodity markets that SSE is exposed. The primary commodities to which SSE is exposed being gas, carbon and power.

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, and the Chief Financial Officer. 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 two 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. A member of the SSE Company Secretarial team 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. The Committee shall:

- 6.1.1.1. monitor and assess energy market conditions and their associated impact on the SSE Group;
- 6.1.1.2. consider energy market related financial and operational risk profiles;
- 6.1.1.3. review energy market related operational risk and control events and trends;
- 6.1.1.4. review key performance and risk indicators for financial and operational risk;
- 6.1.1.5. review and challenge EM's strategy in the context of managing energy market risks, ensuring it's well positioned to manage exposures to the SSE Group. From time to time this may be supported by external benchmarking;
- 6.1.1.6. review and challenge EM's approach to delivering value for the SSE Group through optimisation of SSE Group's portfolio, and other energy market related value-add activities, and assess whether this approach is aligned with, and making appropriate use of, SSE Group's risk appetite; and

6.1.1.7. consider and recommend to the Board for approval, any proposals for trading in new markets and/or commodities and the related control environment.

6.2. *SSE's Hedging Approach*

6.2.1 The Committee shall:

6.2.1.1. Oversee the implementation and performance of SSE's hedging approach;

6.2.1.2. consider and recommend to the Board any changes to SSE's hedging approach;

6.2.1.3. consider and recommend to the Board any proposed derogations to SSE's hedging approach; and

6.2.1.4. review and endorse for approval by the Board, the hedging position statement to be included in the Company's Full and Half-Year Results.

6.3. *Internal Control and Risk Management*

6.3.1 The Committee shall:

6.3.1.1 evaluate the appropriateness of (and compliance with) internal controls for identifying, monitoring and reporting energy market risks and exposures including quantitative risk measures and financial and operational risk limits (i.e. those risk limits which pertain to Energy Markets including trading, credit and collateral activities);

6.3.1.2 consider and recommend for approval by the Board, any proposed changes to the financial and operational risk limits; and

6.3.1.3 review reports by the internal audit function on EM activities.

6.4 *Other Matters.*

6.4.1 The Committee shall:

6.4.1.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

6.4.1.2 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;

6.4.1.3 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;

6.4.1.4 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;

6.4.1.5 work and liaise as necessary with all other Board Committees;

6.4.1.6 deal with any matters which the Board may refer to the Committee;

6.4.1.7 compile a report on its activities during the year to be included in the Company's annual report; and

6.4.1.8 make publicly available its Terms of Reference clearly explaining its role and the authority delegated to it by the Board.

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