

**Southern Water Services Limited Risk Committee
(the “Committee”)**

Terms of Reference

1. Membership

- 1.1. The Committee shall comprise at least three members, of whom:
 - 1.1.1. a majority shall be independent non-executive directors;
 - 1.1.2. all must be non-executive directors¹; and
 - 1.1.3. at least one shall also be a member of the Audit Committee.
- 1.2. Members of the Committee shall be appointed by the board, on the recommendation of the Nomination Committee in consultation with the chairman of the Committee
- 1.3. Only members of the Committee have the right to attend Committee meetings. However, the Chief Executive Officer, Chief Financial Officer, Executive Leadership Team members, Health & Safety Manager, external advisers and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4. The board shall appoint the Committee chairman. The Committee chairman shall be an independent non-executive director. In the absence of the Committee chairman and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

- 2.1. The company secretary, or his/her nominee, shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

3. Quorum

- 3.1. The quorum necessary for the transaction of business shall be two members and at least half of the members in attendance (including participation via electronic, telephonic or similar means) must be independent non-executive directors.

4. Frequency of Meetings

- 4.1. The Committee shall meet at least three times a year and otherwise as required.

5. Notice of Meetings

- 5.1. Meetings of the Committee shall be convened by the secretary of the Committee at the request of the Committee chairman.
- 5.2. Unless otherwise agreed by the Committee, 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 no later than five working days before the date of the meeting. Where possible, supporting papers shall be sent to Committee members at the same time.
- 5.3. Notices, agendas and supporting papers can be sent in electronic form.

6. Minutes of Meetings

- 6.1. The secretary or his/her delegate shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.

¹ For the purposes of this provision, the board chairman shall be eligible to be a member of the Committee.

6.2. Draft minutes of Committee meetings shall be agreed with the Committee chairman and then circulated promptly to all members of the Committee, unless it would be inappropriate to do so in the opinion of the Committee chairman.

7. Duties

7.1. The Committee should have oversight of the group as a whole and, unless required otherwise by regulation, carry out the duties below for Southern Water Services Limited and its subsidiary undertakings.

7.2. Risk

7.2.1. The Committee shall:

7.2.1.1. advise the board on the company's overall risk appetite, tolerance and strategy, taking into account the current and prospective regulatory, legal, political, macroeconomic and financial environment noting that the board must retain ownership and approval of the company's overall risk appetite, tolerance and strategy;

7.2.1.2. oversee and advise the board on the current risk exposures of the company and future risk strategy;

7.2.1.3. in relation to risk assessment:

7.2.1.3.1. keep under review the company's overall risk assessment processes that inform the board's decision making, ensuring both qualitative and quantitative metrics are used;

7.2.1.3.2. review regularly and approve the parameters used in these measures and the methodology adopted;

7.2.1.3.3. set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance;

7.2.1.4. review the company's capability to identify and manage new risk types;

7.2.2. review reports on any material breaches of risk limits and the adequacy of proposed action;

7.2.3. review and monitor developments in environmental standards, law and regulation as well as environmental risks and make recommendations to the board thereon;

7.2.4. work and liaise as necessary with all other board committees;

7.3. Health, Safety

7.3.1. The Committee shall review and advise on the company's health and safety policy, guidance, standards and culture, injury and accident performance, contractor health and safety management and performance and significant workplace issues, and make appropriate recommendations to the board in respect of these matters.

8. Reporting Responsibilities

8.1. The Committee chairman shall report to the board on its proceedings after each meeting on all matters within its duties and responsibilities.

8.2. The Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

8.3. The Committee shall compile a report to be included in the company's annual report on its activities and the company's risk management strategy.

9. Other Matters

9.1. The Committee shall:

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

9.1.2. be provided with appropriate and timely training, both in the form of an induction programme and on an ongoing basis for all members;

9.1.3. give due consideration to relevant laws and regulations, including the requirements of Ofwat, the Environment Agency and Drinking Water Inspectorate, and any other applicable rules, as appropriate; and

9.1.4. 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 board for approval.

9.2. For the purposes of these terms of reference the term “company” shall, unless indicated otherwise, refer to Southern Water Services Limited. Furthermore, the term “board” shall, unless indicated otherwise, refer to the board of directors of Southern Water Services Limited.

10. Authority

10.1. The Committee is authorised to obtain, at the company’s expense, outside legal or other professional advice on any matters within its terms of reference.

Date approved by the Board of Southern Water Services Limited: 27 February 2019