



Risk Committee

Terms of Reference

1. Constitution

- 1.1 The Risk Committee is a committee of the Bazalgette Tunnel Limited (the Company) Board (the Board).
- 1.2 The Risk Committee's terms of reference may be amended at any time by the Board.
- 1.3 The Risk Committee may from time to time investigate, discuss or review matters outside its terms of reference if required to do so by the Board.

2. Membership and appointment

- 2.1 The Board shall appoint the Risk Committee. The Risk Committee shall comprise not less than three members.
- 2.2 Each Shareholder Director shall have the right to appoint its Shareholder Director as a member to the Committee.
- 2.3 The Board shall appoint the Chair of the Risk Committee from amongst the independent non-executive directors.
- 2.4 A quorum shall be three members, and shall include at least (a) at all times one Shareholder Director; (b) one independent Non-Executive Director; and (c) the Chair of the Risk Committee. As the Chair is also an independent Non-Executive Director, they shall only count towards one of the three required members. Any Shareholder Director or independent Non-Executive Director shall have the ability to waive their right to need to be present for quorum requirements or to give a proxy to another Director or Shareholder representative. A meeting shall not proceed with only one member.
- 2.5 Appointments to the Risk Committee shall be for a period of up to three years or to the end of the relevant director's term of appointment, whichever is shorter, and may be extended for further periods of up to three years, provided the Director still meets the criteria for membership of the Risk Committee.

3. Secretary

- 3.1 The Company Secretary of the Board shall be the Secretary of the Risk Committee.

4. Attendance at meetings

- 4.1 The Chair shall invite all Directors to attend Risk Committee meetings, together with any other attendees as the Chair may consider appropriate from time to time, including but not limited to representatives of the Corporate Risk Committee, the Executive Risk Committee and Internal Audit.

5. Frequency of meetings

- 5.1 Meetings shall be held not less than three times a year or otherwise as required.

6. Notice of meetings

- 6.1 Meetings of the Risk Committee shall be called by the secretary of the Risk Committee at the request of any of its members.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Risk Committee, any other person required to attend, no later than five working days before the meeting.

7. Minutes of meetings

- 7.1 The Secretary shall minute the proceedings and decisions of all meetings of the Risk Committee, including recording the names of those present and in attendance.
- 7.2 The minutes of Risk Committee meetings shall normally be considered at the Board meeting following the Risk Committee meeting.

8. Duties

- 8.1 The responsibilities of the Risk Committee shall be to:
- 8.1.1 oversee the development, implementation, revisions and maintenance of the Company's overall risk management framework (including programme and corporate risks) and its risk policy, appetite and strategy to ensure they are in line with emerging regulatory, corporate governance and industry best practice;
 - 8.1.2 review the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
 - 8.1.3 review the Company's systems of planning and internal control as it pertains to risk management, to ensure they are adequate and in line with any guidelines on systems of planning and internal control which may be published by Ofwat and revised from time to time having consulted the Company;
 - 8.1.4 oversee the Company's risk exposures and risk/return;
 - 8.1.5 make recommendations to the Board regarding formal sign-off for the risk related sections within the Annual Report & Accounts;
 - 8.1.6 facilitate the effective contribution and involvement of non-executives and aid their understanding of risk issues and the Company risk management framework;
 - 8.1.7 provide input to the Remuneration Committee on the alignment of remuneration to risk performance
 - 8.1.8 review new risk policy and material amendments to risk policy recommended by the CEO and CFO, for approval by the Board;
 - 8.1.9 oversee adherence to risk policies and standards and any action taken resulting from material policy breaches across the Company, based upon reports from the CEO;
 - 8.1.10 review the adequacy of the Company Risk Function's resources, and its authority and standing within the Company;
 - 8.1.11 review co-ordination between the Company Risk Function and the results of internal and external audits;
 - 8.1.12 review and challenge management on the output from the Compliance Assurance Review Group (CARG) process;

- 8.1.13 receive feedback from the CARG independent observer regarding management's approach to the CARG process;
- 8.1.14 provide reports to the Board as contemplated in paragraph 7.2; and
- 8.1.15 periodically review and update its own terms of reference to reflect best practice, requesting Board approval for all proposed changes and, at appropriate intervals, evaluate its own performance against the terms of reference.

9. Reporting Procedures

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

10. Other matters

- 10.1 The Risk Committee shall have access to sufficient resources to carry out its duties, including access to the executive management team of the Company; relevant written materials and other communications; and also access to the Company Secretary for assistance as required.
- 10.2 The Risk Committee shall 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.
- 10.3 The Risk Committee shall oversee any investigation of activities which are within its terms of reference.
- 10.4 The Risk Committee shall 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.

11. Authority

- 11.1 The Risk Committee is authorised by the Board to obtain, at the Company's expense and in consultation with the Chair of the Board and/or the Chief Executive, outside legal or other professional advice on any matters within its terms of reference.