

Risk Management and Internal Control Policy

Introduction

The Board is responsible for the establishment of a Risk Management and Internal Control Framework within which all Group operations are required to operate.

Risk Management

Risks are assessed at corporate (strategic), business (tactical) and project / site (operational) levels.

Risk and control registers detailing the strategic and tactical risks faced by the group, its operating companies and central service teams are the responsibility of the risk owners and are co-ordinated by the Internal Audit Department. These registers assess the potential impact and likelihood of each 'inherent' risk and the overall effectiveness of the mitigating control mechanisms, which result in a 'residual' risk. Each control has an owner.

Operational risk registers are maintained at a project and site level.

Internal Control

Internal control is exercised through the definition and execution of processes and objectives, accountabilities and responsibilities for which are assigned to individuals. The vehicle for this for UK operations is **the way we work**.

Process owners are accountable for ensuring that their process meets their objective(s). Individuals responsible for the execution of a particular process are responsible for the control effectiveness.

The risk registers identify the key internal control mechanisms in place and these are summarised in the Board's annual report.

Compliance


Compliance with policies, processes and procedures, which comprise **the way we work**, is a cultural imperative within an effective risk and control framework. The necessity for compliance runs beyond the dictates of risk management and internal control to the heart of business effectiveness and efficiency. Non-compliance can have material consequences leading to needless cost, expense and increased risk.

Every employee is required to comply with the group's stated policies. Specific responsibilities for compliance are identified at the process level and procedures are documented, where necessary, to help employees discharge this responsibility. Line management, the Executive Committee and ultimately the Board are all responsible for ensuring compliance.

The governance framework is flexible enough to encourage individual initiative, which can be exercised within the limits of the framework. Expenditure authorities are an example.

Assurance

Assurance is the means by which management and, ultimately, the Board can be satisfied that the Risk Management and Internal Control Framework is operating effectively. Assurance takes a number of forms, including:

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- Management checks and enquiries;
- Internal and external audits;
- Self-certification including compliance statements;
- Regular framework status reports;
- Investigation of whistleblowing reports;
- Event reports.

The Board is required to review the effectiveness of the system of internal control and is, therefore, responsible for ensuring that adequate systems and resources are in place.

Technology

The Nimbus Control process mapping tool and Tayweb Content Management System (TCMS) are among the enabling technologies used to create and maintain the content of **the way we work**.

Risk

One of the objectives of the Executive Committee is to focus on the maintenance and development of the Risk Management and Internal Control Framework at an operational level and to co-ordinate response to Group-wide business risks. The proceedings of this Committee will be minuted and made available to the Audit Committee.

Applicability

This policy applies globally and its principles apply in all areas of the Group's business.

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