

## **W P Eglin Limited**

### **RISK MANAGEMENT POLICY**

#### **1. Purpose**

- 1.1 This document sets out the Company's Risk Management Policy and includes:
- The objectives of our Risk Management arrangements;
  - Definitions of relevant terms;
  - Risk management principles;
  - Relative responsibilities;
  - The Company's attitude to 'Risk Tolerance'
  - The Risk Framework and how it will work; and
- 1.2 It has been approved by the Board of Directors.
- 1.3 Risk Management in the Company provides a framework to identify, assess and manage potential risks and opportunities. It provides a way for managers to make informed management decisions.
- 1.4 Effective Risk Management affects everyone in the Company. To ensure a widespread understanding all operational and support managers should be familiar with, and all staff aware of, the principles set out in this document.

#### **2. Risk Management Objectives**

- 2.1 The objectives of the Company's Risk Management arrangements are to help managers make informed choices which:
- Improve service performance by informing and improving decision making and planning;
  - Promote a more innovative culture in which the taking of calculated risks in pursuit of opportunities to benefit the Company is encouraged;
  - Provide a sound basis for integrated risk management and internal control as components of good corporate governance.
- 2.2 The improvements and benefits which effective Risk Management should provide are:
- An increased likelihood of achieving the Company's aims, objectives and priorities;
  - Improved use of resources;
  - Giving an early warning of potential problems; and
  - Providing everyone with the skills to be competent risk takers.

### **3. Definitions**

- 3.1 The Company's Risk Management Policy is formed and developed around a common understanding of Risk and Risk Management.

### **4. Risk Management Principles**

- 4.1 The principles contained in this policy and strategy will be applied at both corporate and operational levels within the organisation.
- 4.2 The Company's Risk Management Policy will be applied to all aspects of the Company and will consider external strategic risks arising from or related to the public, customers, suppliers, our partners as well as wholly internal risks.
- 4.3 Our positive approach to risk management means that we will not only look at the risk of things going wrong, but also the impact of not taking opportunities or not capitalising on corporate strengths.

### **5. General Principles**

- 5.1 All risk management activity will be aligned to corporate aims, objectives and organisational priorities, and aims to protect and enhance the reputation and standing of the organisation.
- 5.2 Risk analysis will form part of strategic planning, business planning and investment/project appraisal procedures.
- 5.3 Risk management will be founded on a risk-based approach to internal control which is embedded in day to day operations of the organisation.
- 5.4 Senior Management, managers, supervisors and staff at all levels will have a responsibility to identify, evaluate and manage or report risks, and will be equipped to do so.
- 5.5 We will foster a culture which provides for spreading best practice, lessons learnt and expertise acquired from our risk management activities across the Company for the benefit of the entire organisation.

### **6. Principles for Managing Specific Risks**

- 6.1 Risk Management in the Company should be proactive and reasoned. In summary, the risk management process involves:
- Identifying risks in relation to key objectives.
  - Evaluating the risks to establish:
    - The likelihood of them occurring
    - The potential impact if they did occur.
    - The Company's attitude to those risks in terms of willingness to accept them or not (looking at individual risks and the organisations overall exposure to risk)
    - Monitoring and recording and reviewing the situation.

- 6.2 The aim is to anticipate, and where possible, mitigate high risks rather than dealing with their consequences. For some key areas where the likelihood of a risk occurring is relatively small, but the impact on the organisation is high, we may cover that risk by developing Contingency Plans, such as Business Continuity Plans. This will allow us to contain the negative effect of unlikely events which may occur.
- 6.3 In determining an appropriate response, the cost of control/risk management, and the impact of risks occurring will be balanced with the benefits of reducing risk. This means that we will not necessarily set up and monitor controls to counter risks where the cost and effort are disproportionate to the impact or expected benefits. In this case it may be appropriate to tolerate the risk.
- 6.4 We also recognise that some risks can be managed by transferring them to a third party, for example by contracting out or by insurance.

## **7. Responsibilities**

- 7.1 All personnel have a responsibility for maintaining good internal control and managing risk in order to achieve personal, team and corporate objectives. Collectively, staff need the appropriate knowledge, skills, information and authority to establish, operate and monitor the system of internal control. This requires an understanding of the organisation, its objectives, the risks it faces and the people we deal with. Everyone should be aware of the risks they are empowered to take, which should be avoided and which reported upwards.
- 7.2 The responsibilities of the Company to be maintained by the Board of Directors are set out in Appendix 2.

## **8. Risk Tolerance**

- 8.1 The Company encourages the taking of controlled risks, the grasping of new opportunities and the use of innovative approaches to further the interests of the organisation and achieve its objectives provided the resultant exposures are within the organisation's risk tolerance range.
- 8.2 The organisation's Risk Tolerance can be defined by reference to the following components.
- 8.2.1 All personnel should be willing and able to take calculated risks to achieve their own and the organisations' objectives and to benefit the organisation. The associated risks of proposed actions and decisions should be properly identified, evaluated, recorded and managed to ensure that exposures are acceptable.
- 8.2.2 Within the Company, particular care is needed in taking any action which could:
- Impact the reputation of the organisation;

- Impact performance;
- Undermine the independent and objective review of activities;
- Result in censure/fine by regulatory bodies; or
- Result in financial loss.

8.2.3 Any threat or opportunity which has a sizeable potential impact on any of the above should be examined, its exposures defined and it should be discussed with the appropriate line manager. Where there is significant potential impact and high likelihood of occurrence it should be referred to the Managing Director for review and appropriate action where necessary.

8.2.4 Organisational policies and guidance manuals define where there are mandatory processes and procedures, e.g., the Equal Opportunities Policy, etc. Full compliance with these standards is required and confirmation of this will be required as part of the annual audit process.

## **9. Risk Framework**

9.1 The Management Review team will continuously review all risks as a basis for implementing and monitoring the objectives of the Company. This review will consider the impact and likelihood of each of the risk identified, indicate Ownership/Responsibility and specify an Action Plan for treatment. This will be constantly reviewed and updated when necessary. The Board of Directors will report the company's position on risk annually.

9.2 To help to meet their responsibilities to identify, evaluate and manage operational risks, senior management are required by the Company to review their risk profile every twelve months, reporting any significant change in risk to the Board of Directors at the annual management review and minuted as such.

## **10. Audit**

10.1 The use of this risk management approach should help to identify aspects for detailed review within the Area (for example using Control & Risk Self-Assessment) and inform and support the audit process.

10.2 Risk Registered at the Management reviews will inform Internal Audit of the work necessary to provide their audit reports. For the corporate risks identified by the Company, Internal Audit will evaluate the effectiveness of the existing controls and risk management responses. Internal Audit reports will include an assessment of the reliability and effectiveness of the organisation's overall Risk Management arrangements.

## **11. Review**

11.1 This policy will be reviewed annually by the Management Review Team and then reported to the Board of Directors.

## **Appendix 1**

### **RISK MANAGEMENT DEFINITIONS**

**RISK MANAGEMENT** is the culture, processes and structure that are directed towards the effective management of potential opportunities and threats to the Company, its suppliers and customers.

**RISK** is something which could:

- Have an impact by not taking opportunities or not capitalising on corporate strengths,
  - Prevent, hinder or fail to further the achievement of objectives,
  - Cause financial disadvantage, i.e. additional costs or loss of money or assets; or
  - Result in damage to or loss of an opportunity to enhance the company's reputation.
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## Appendix 2

### RISK MANAGEMENT RESPONSIBILITIES

1. The Financial Director is accountable for ensuring that there are adequate risk management arrangements and a sound system of internal control. A statement of the system of Internal Control is contained within the annual statement of accounts. This requires the Financial Director to identify any weakness or significant internal control issue.
2. The Managing Director is responsible for ensuring that corporate risks are properly managed and will require evidence that risk is being managed, and results are properly measured. Other Direction, Strategy and Planning responsibilities (via the Management Review Team) are:
  - Developing and communicating organisational policy and information about the risk management programme to all staff, and where appropriate to our trading partners;
  - Defining the organisation's risk tolerance (the overall level of exposure and nature of risks which are acceptable to the organisation – see section 6 below);
  - Setting policies on internal control based on the organisation's risk profile, its ability to manage the risks identified and the cost/benefit of related controls; and
  - Seeking regular assurance that the system of internal control is effective in managing risks in accordance with the Company's policies.
3. Individual members of staff will assume ownership for managing specific risks.
4. Managers are responsible for ensuring compliance with the prescribed procedures set out in organisational policies. They have a responsibility to identify, evaluate and manage operational risks and bring to the Management Review Team's attention emerging corporate risks. Managers are ideally placed to pick up on those early warning indicators which might identify where problems are developing and this is an important responsibility.
5. Managers should ensure that everyone in their department understands their risk management responsibilities and must make clear the extent to which staff are empowered to take risks.
6. Specialist Functions – the Company's Health and Safety Manager / Risk Adviser, Internal Audit, Financial Services, Personnel etc will assist officers/managers by providing advice and support in relation to their specialisms.