

## Risk management and internal control

The Board acknowledges its responsibility to ensure a sound system of internal controls and risk management is in place and maintained.

In line with guidance set out in the Financial Reporting Council (FRC) Guidance on Risk Management, Internal Control and Related Financial Business Reporting 2014, and in the Corporate Governance Code, an ongoing process is established to identify, evaluate and manage the principal risks facing the group. We have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority, reviewed by the Board.

Clear procedures and defined authorities exist for:

- Financial reporting, with policies and procedures governing the financial reporting process and preparation of financial statements.
- Internal controls, with a documented framework: each reporting location prepares an annual self-assessment of compliance with these controls, which is assured during planned internal audit visits
- Business risks, with comprehensive monitoring and quantification, under the direction of the Risk Management Committee.
- Capital investment, through detailed appraisal, risk analysis, authorisation and post-investment review procedures.

This process has been in place for the full financial year and up to the date on which the financial statements were approved by the Board.

The Board carried out its responsibility to monitor the operational effectiveness of our internal control and risk management systems throughout the financial year and up to the date of approval of our Annual Report and Accounts, using a process that involved:

- Review of the controls self-assessment returns in April to ensure internal audit visits focused on key areas.
- Review of the findings from the internal audit assurance programme that reports through the Vice President of Risk and Assurance who attends every Audit Committee meeting alongside our PwC internal audit partner.

- Review of closure of management actions to remedy failings and weaknesses identified through the internal audit programme.
- Receipt of written confirmations from relevant senior executives and divisional directors at the end of year confirming the continued operation of the control elements for which they are responsible.
- Review of the report on significant control weaknesses from the Vice President of Risk and Assurance, including whistleblowing and fraud incidents.
- Annual presentation and review of risk appetite statements, principal and emerging risks and mitigating controls supported by a quarterly update from the Risk Management Committee
- Reports from external auditors.

This system is designed to mitigate rather than eliminate the risk of failure to achieve business objectives and provides reasonable but not absolute assurance against material misstatement or loss.

As appropriate, the Board also ensures that necessary actions have been or are being taken to remedy failings or weaknesses identified from the review of the effectiveness of internal controls and judging their level of significance.