Purpose of Policy

This risk management policy (the policy) forms part of KGJ Price [Railway Contractors]'s internal control arrangements. The policy explains KGJ Price [Railway Contractors]'s underlying approach to risk management, roles and responsibilities of KGJ Price [Railway Contractors]'s, the Senior Management Team, and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures. In addition, it describes the process the KGJ Price [Railway Contractors] will use to evaluate the effectiveness of the company's internal control procedures.

KGJ Price [Railway Contractors] uses risk management to identify, assess, rate, manage and review risk that might impact achievement of its strategic aims. The risk management arrangements form part of the wider system of internal control and should be understood in that context. Risk management contributes to the processes of business planning and budgeting with the objective of achieving a risk-based approach to management.

1. Delivering sustainable growth through effective risk management

Risks and uncertainties are inherent in what we do. We deliver value to our clients by managing complex railway infrastructure construction projects that require us to co-ordinate many different stakeholders and manage a diverse range of risks. The business operates in a dynamic environment where changes in market conditions, regulation, Government policy or technology can have a significant impact on our business. Therefore, the ability to identify, assess and manage risks and uncertainties is critical to achieving our strategy of sustainable growth and is an integral element of our management processes.

2. Risk management governance structure and process

The Company's risk management and governance structure sets out the way in which risks are identified, reported and managed within the frameworks set out by the directors and is designed to facilitate both a 'bottom up' and 'top down' view of risk.

The directors have delegated implementation of risk management and internal control, together with their day-to-day operation, to the company's senior management. The process is overseen and managed by the compliance manager on a day-to-day basis and Internal audit. The Risk and Internal Audit function plays an integral role in facilitating the identification, reporting and management of risk throughout the company structure.

The company maintains a risk register which captures the principal risks applicable to that business, the key mitigations in place and what further action is required to manage the risk. The compliance manager reviews the risk register quarterly. One of these reviews is facilitated by an Internal Audit function and includes an assessment of the likelihood and impact of each risk using defined risk assessment criteria.

The directors and senior management meet on a quarterly basis and reviews the latest versions of the l risk registers. Following each meeting, the Company risk register is updated by the compliance manager and Internal Audit and reviewed by the directors.

The compliance manager is responsible for keeping under review the adequacy and effectiveness of the Company's risk management processes and systems of internal control.

3. Risk appetite

Our risk appetite, defined as the nature and level of risks that we are prepared to be exposed to, is discussed and agreed by the Board and is expressed in our Company strategy. This attitude to risk is then applied by the businesses in their day-to-day operations.

4. Principal risks

The following risks have been assessed as having the greatest potential to adversely affect the business:

Health and Safety

A significant safety incident at one of the Company' work sites or a general deterioration in the company's H&S standards e.g. non-compliant risk assessments and method statements, task briefings and safe systems of work could put the company's employees, subcontractors or the general public at risk of injury or death and could lead to litigation, significant penalties or damage to the Company's reputation.

Risk assessments, method statements and safe systems of work will be reviewed on a regular basis or when work activity changes, if there is an accident or case of ill health, near miss or complaint. Hazards will be identified for all work activities undertaken by KGJ Price [Railway Contractors]. Risks will be assessed and the significant findings recorded. All assessments will:

- Identify the hazards
- Identify who is at risk
- Assess existing control measures
- Identify any further precautions required.

Records will identify who carried out the assessments, any further action required and suitable time scales for implementation and review. Seaford Town Council have the responsibility for undertaking risk assessment in consultation with those employees who are responsible for carrying out work activities. Employees will be provided with adequate training, instruction and information. All routine activities will be assessed generically.

Economic

The Company's businesses could be adversely affected by any macro-economic factors that cause a reduction or deferment in rail enhancement or refurbishment activities.

Government

A reduction in direct government spending on projects upon the rail infrastructure would directly affect our businesses. Other government policy initiatives, such as changes to public sector procurement or changes in tax policy also have the potential to cause disruption in our markets and increase the cost of doing business.

Legal and Regulatory

The legal and regulatory environment in which the Company operates is complex, with the business required to comply with the legislation in relation to a wide range of areas, including bribery and corruption, competition, money laundering, health and safety, modern slavery, and building regulations. The introduction of the General Data Protection Regulation (GDPR) and new sentencing guidelines for health and safety breaches further increase the risk and consequences of non-compliance.

Commercial

A failure to agree appropriate commercial terms or to manage fixed-price contracts effectively can result in costs not being recovered from our clients and therefore reduced margins, or in some cases, losses on projects.

Client satisfaction and quality control

Failure to meet the build quality and service expectations of our clients may damage our reputation and therefore have an adverse effect on ability to win new work, especially in markets where we are reliant on repeat business with key clients.

People

The ability to attract, develop, retain and build relationships with a diverse range of high-quality employees impacts every level of the company, from developing and building the company to succession planning for the directors.

Supply chain and joint arrangement partners

A lack of capacity in key subcontractor trades or materials markets can cause delays in construction programmes, reduced quality and increased costs. Failure of joint arrangement partners could impact programmes, costs and liability.

Balance sheet strength

Given the nature of our businesses, cash forecasting inevitably includes subjective estimates which carry intrinsic risk of error. Poor cash forecasting can impact business planning, investments and reporting of financial information.

Cyber security

Loss of data from or loss of access to our IT infrastructure and applications, especially our financial system, through either natural disaster or a malicious cyber-attack, may affect our ability to carry on day-to-day business.

Latent defects

Significant liabilities and costs may arise from the requirement to rectify latent defects identified several years after practical completion and handover to the client.

Communication of Risks

Within our quality management system, consideration needs have been given to internal and external communication of risk. Internal communication is necessary for all appropriate personnel to be aware of the remaining risks even after implementing risk control measures.

5. Emerging risks

In addition to the principal risks that may affect our ‘business as usual’ activities, the Board has a responsibility to identify and assess longer-term, emerging risks. The emerging risk process is aligned to the strategic planning cycle with risks identified and assessed as part of the annual strategy away day and mitigating responses incorporated into the strategic plan. At a divisional level, the emerging risk process is aligned with the annual business planning cycle with strategic responses incorporated into annual business plans. At a business unit level, management focus solely on principal risks, although these may include risks that are longer term and less certain in nature.

The emerging risk themes identified to date include:

- Potential for new competitors with radically different business models to enter the market.
- Failure to make the right strategic decisions in relation to the investment in and adoption of modern methods of railway construction.
- Increased frequency of extreme weather conditions.
- Uncertain evolution of the structure of the rail construction value chain and the role of tier one contractors.
- Failure to adapt to the changing expectations of the workforce of the future.

Contractual review and commitments
The Company has clearly defined policies and procedures for entering into contractual commitments which apply across its business and operations.

Operational activity
Site operations are performed in line with established business management systems and processes that
incorporate all operational activities, including health, safety and environmental procedures, regular performance monitoring, quality management and external accountability to stakeholders.

Financial planning framework
A detailed annual budget is prepared for each financial year which is approved by the directors.

Operational and financial reporting
An exacting profit and cash reporting and forecasting regime is in place across the Company. As well as the emphasis placed on cash flow, income and balance sheet reporting, health, safety and environmental matters.

Internal Audit
The Risk and Internal Audit function develops and delivers a programme of internal audits which includes business unit key controls reviews, audits of divisional and Company processes and targeted risk reviews.

Assurance provided by non-audit functions
A number of other Company functions provide assurance in areas including, but not limited to, health, safety and environment, legal contract reviews and compliance; and railway industry regulation.

6. Training and Embedding
All directors, senior managers and employees should be clear about their responsibilities in relation to risk management. This will be achieved by a combination of the following:

- New employee’s induction training.
- Employees training, as appropriate.
- Induction sessions of new employees with their manager covering any specific risks and mitigations that affect their area of work.
- General discussions at senior Management Team (SMT) meetings.
- Risk identified by outside parties, e.g. insurance providers, which are relevant to the company.
- Risk Register reviewed quarterly by senior management
- Support and guidance provided by Internal Audit.

Mervyn Harris

Director
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