RISK MANAGEMENT POLICY

Balfour Beatty

Balfour Beatty's Risk Management Policy and Enterprise Risk Management framework are integral to the Group's ability to deliver its strategic objectives and business plans by ensuring that:

- the business takes informed and controlled risk-based decisions within its risk appetite at all stages of the Gated Business Lifecycle;
- risk management is established within the culture across all levels of the organisation;
- a standard and consistent approach for the identification, assessment, response and monitoring of risk is in place;
- the Group complies with those mandatory risk management requirements within the UK Corporate Governance Code including maintaining sound risk management and internal control systems and that emerging business critical risks are escalated in a timely manner;
- an ongoing activity to review the adequacy and effectiveness of the risk management process within the internal control environment is in place; and
- the principles of enterprise risk management are integrated into the Business Management System;

The Balfour Beatty approach to Enterprise Risk Management is to reduce the likelihood of risk events occurring, control the adverse impact of such events and identify opportunities where taking risks might benefit the business. By strengthening the internal control environment, the Enterprise Risk Management framework will support the business to manage uncertainty across our operations. In understanding and managing risk we provide greater certainty over results and build confidence throughout our shareholders, employees, customers, suppliers and the communities in which we operate.

It is the responsibility of:
- the Board to establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives;

- the Audit and Risk Committee to provide an independent oversight of the effectiveness of risk management and associated internal control environment;
- the members of the Executive Risk Steering Group to monitor changes in the Group risk profile and act as the executive sponsor for risk management within their businesses and functions;
- the Group Risk and Audit Director to provide specialist risk management support through the Enterprise Risk Management team;
- each business and functional head to ensure that effective arrangements, and management controls, to deliver the requirements of this Policy are established and implemented across the operations of the business; and
- every individual in the business to comply with this Policy and its associated arrangements as an integral part of their day to day duties.

This Policy will be brought to the attention of our employees, supply chain partners and relevant interested parties and reviewed on an annual basis.

AUTHORISATION

Leo Quinn
Group Chief Executive, April 2019