

# Risk and Opportunity Management Policy

## INTRODUCTION

At Clough, all our business ventures have associated risk and therefore the identification and management of risk is fundamental to delivering our corporate objectives.

By understanding and managing risk we are able to provide greater certainty and confidence for our shareholders, employees, clients, suppliers and for the communities in which we operate.

Successful risk management can maximise our opportunities and competitive advantage.

Clough Board recognises that risk management is a key element of good corporate governance. Clough has developed a Risk and Opportunity Management Policy that describes the manner in which Clough:

- identifies, assesses, monitors and manages business risk and opportunity; and
- identifies material changes to the company's risk profile;

## STATEMENT OF POLICY

### Risk and Opportunity Management

#### Project Level

##### Pre-contract award phase

All potential business ventures are assessed through the Company's Opportunity Management System. Key risks are considered when deciding whether to pursue a project opportunity.

The project tender process includes a full risk assessment and the preparation of a risk register identifying and evaluating all significant risks. Risk mitigation strategies are included where appropriate.

Project risks are reviewed at tender submission. Any risks which have the potential to jeopardise the achievement of project milestones or objectives are elevated to Senior Management for intervention.

##### Post-contract award phase

Risks and Opportunities are discussed at a handover meeting between the Tender and Project Teams post contract award. A formal risk assessment is conducted with the project team within 14 days of contract award.

Clough Senior Management hold monthly project review meetings which include a review of projects risks. The results from these meetings are communicated to the Board.

#### Corporate Level

Senior Management review the Corporate risk register quarterly with reference to Project risk reports. A consolidated report of key strategic, operational and project risks and risk management strategies is prepared and presented to the Audit and Risk Committee.

The Internal Audit function conducts reviews as agreed with management and the Audit & Risk Committee. Internal Audit submits its reports to the Audit & Risk Committee.

Clough operates an ongoing programme of health & safety, environmental and quality audits of both projects and corporate functions. The results of these audits are regularly reviewed by management and the Audit & Risk Committee.

#### Risk Profile

The operation of Clough's risk management process results in the identification of risks, which may impact upon Clough's business.

# Risk and Opportunity Management Policy

Clough's risks may change over time as the external environment changes and the company expands its operations or as risks are mitigated. The risk management process requires regular reviews of Clough's existing risks and the identification of any new and emerging risks, including financial and non-financial matters. It also requires the management (including mitigation where appropriate) and reporting of the effectiveness of the management of these risks.

## Assessing the Effectiveness of the policy and oversight

The Board is responsible for satisfying itself that management has developed and implemented a sound system of risk management. The Board delegates detailed review of the risk management systems to the Audit and Risk Committee. This Committee reports regularly to the Board.

Internal Audit is responsible for providing an independent appraisal of the adequacy and effectiveness of the group's risk management system.

## Accountabilities

The Board oversees the processes by which risks are managed. This will include defining the company's risk appetite, monitoring of risk performance and those risks that may have a material impact to the business.

The Chief Executive Officer and the Chief Financial Officer are required to state to the Board in writing that the declaration relating to the integrity of Clough's financial statements is founded on a sound system of risk management and that the system is operating in all material respects in relation to financial reporting risks.

Senior Management is responsible for the design and implementation of the risk management system to manage Clough's risks and report to the Board whether those risks are being effectively managed.

All Clough personnel have responsibility to identify, analyse, manage and report risks.

**The effective management of risk is essential for the achievement of our objectives and to Clough's success.**



**John Smith**  
Chief Executive Officer  
Clough Limited  
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