

Risk Management Policy

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EAST COAST

1. Introduction

Risk is the chance of something happening that will have an impact on objectives. It is measured in terms of consequence and likelihood.

Risk Management is defined as the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects.

The Risk Management process can be defined as the systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

The purpose of this policy is to ensure that risk management is an integral part of day-to-day management for all staff.

2. Overview

The Board is responsible for establishing the Company's goals and objectives, and overseeing the establishment, implementation and review of the Company's Risk Management system.

The Board is also responsible for maintaining a sound system of Internal Control that supports the achievement of those goals and objectives. It should set appropriate policies on Internal Control and seek regular assurance that will enable it to satisfy itself that the system is functioning effectively.

The assessment of risk and the determination of acceptable, or tolerable levels of risk together with suitable control strategies are key management responsibilities. The Company seeks to carry out this assessment in several ways:

- Through the use of Risk Registers at Company level and for each Directorate within the Company, the Board can substantiate the level of inherent risk in the business and the level of risk, after mitigation, it is willing to accept; and
- Confirmation through independent appraisal by Internal Audit of the adequacy, application and effectiveness of the arrangements put in place by management.

3. Responsibilities

Directors

All Directors are responsible for the management of risks, including risk assessments, within their functional area. This responsibility includes ensuring systems are in place, which:

- Identify and assess risks;
- Implement effective procedures to reduce or eliminate risks; and
- Ensure that staff in their Team are aware of East Coast's Risk Policy and Strategy and of their responsibility for implementing them.

Managers

All Managers are responsible for:

- Ensuring the Risk Management Policy and procedures are implemented within their area of responsibility;
- Fostering a supportive environment to promote an open and just culture which encourages the reporting of risks, incidents and near misses;
- Keeping staff informed about the risks faced by the organisation and how these risks are addressed; and
- Ensuring that staff have access to, and opportunities for, training in risk management.

Staff

Individual employees are responsible for:

- Adhering to East Coast's policies and procedures;
- Maintaining safe systems of work;
- Taking care of their own safety and that of their colleagues;
- Taking care of buildings, equipment and other assets;
- Reporting risks, incidents and near misses; and
- Attending mandatory training.

4. Common Risk Language

As East Coast is composed of numerous departments there is a need to be able to make comparisons across the organisation and to do this effectively requires a common risk language. In this case the following definitions apply:

Control

Any action taken by Management, the Board, and other parties to enhance risk management and increase the likelihood that established objectives and goals will be achieved. Management plans, organises, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Score

The difference between the inherent risk score and residual risk score in a quantitative system. The higher the value, the more important the basket of responses that create the difference. It can also be known as 'the response score'.

Inherent (or Gross) Risk

The status of risk (measured in terms of impact and likelihood) without taking into account any risk response that the organisation may already have in place.

Residual (Net) Risk

The status of risk (measured in terms of impact and likelihood) after taking into account any risk management responses that the organisation may already have in place.

Risk Appetite

The level of risk that is acceptable to the Board or management. This may be seen in relation to the organisation as a whole, for different groups of risks or at an individual risk level.

Risk Analysis

The systematic use of available information to determine the likelihood of specified events occurring and the magnitude of their consequence i.e. their impact.

Risk Assessment

The overall process of risk identification, risk analysis and risk evaluation.

Risk and Audit Universe

The part of the Risk Register showing the audits which are intended to provide assurance on the processes that manage and monitor each risk.

Risk Evaluation

The process used to determine risk management priorities by comparing the level of risk against predetermined standards, target risk levels or other criteria.

Risk Identification

The process of determining what events might occur to affect the objectives of the organisation and their root causes.

Risk Management Framework

The totality of the structures, methodology, procedures and definitions that an organisation has chosen to use to implement its risk management processes.

Risk Register

A complete list of risks, identified by management, which threaten the objectives of the organisation.

Risk Response

The means by which an organisation elects to manage individual risks. The main categories are to terminate the activity creating the risk; to tolerate the risk; to transfer it to another organisation; or to treat it by reducing its impact or likelihood.

5. Conclusion

The effective management of risk involves us all. We all have a role to play in identifying and managing the key threats and opportunities we face in delivering our business objectives. The East Coast Internal Audit Team is always available for help and advice.



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