Risk Management Policy

POLICY STATEMENT:

The following key principles outline EKC Group's approach to risk management and internal control:

- The Governing Body has responsibility for overseeing risk management within EKC Group as a whole.
- An open and receptive approach to solving risk problems is adopted by the Governing Body
- More detailed arrangements for the management of risk fall within the terms of reference of the Audit Committee
- The Education Committee has delegated responsibility from the Governing Body for oversight of the local College Board(s), EKC Training local board.
- The Business Committee has delegated responsibility for the Groups subsidiary companies (i.e. the Yarrow Hotel).
- Local College Board(s) have responsibility for the monitoring of risks related to their delegated responsibilities from the Governing Body
- The Risk, Audit and Compliance Committee has overall responsibility for the administration and implementation of the risk management process, and is responsible for providing adequate information to the Audit Committee on the status of risks and controls.
- EKC Group Leadership Board supports, advises and implements policies approved by the Governing Body
- Senior and middle managers are responsible for encouraging good risk management practice within their teams.
- Key high risks will be identified, mitigated and closely monitored on a regular basis.

PROCEDURES:

<u>Role of the Governing Body</u>

The Governing Body's role in the management of risk is to:

Set the tone and influence the culture of risk management within EKC Group, including:

- Determining the degree to which EKC Group is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue.

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- Determining what types of risk are acceptable and which are not, and setting the standards and expectations of staff with respect to conduct and probity.
- Approve major decisions affecting EKC Group's risk profile or exposure.
- Monitor the management of significant risks to reduce the likelihood of unwelcome surprises or impact.
- Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
- Annually review EKC Group's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

Role of the Audit Committee

The role of the Audit Committee in the management of risk is to:

- Review in detail EKC Group's approach and progress in the management of risk and to make appropriate recommendations to the Governing Body
- Receive reports from external parties on EKC Group's control systems and how they can be improved and developed to minimise the effect of risks to EKC Group, e.g. internal and external consultancy/auditors reports.

Role of the Education Committee and the Business Committee

The role of each Committee in the management of risk is to:

- Receive reports from the respective local College Boards and EKC Training which include risk mitigation considerations.
- Monitor and review risks associated with the operational activities of the local colleges and business units.
- Provide feedback on risk management activity at the local college and EKC Training level at each Governing Body meeting.
- Support the Governing Body in discharging their responsibilities by flagging any major concerns and/or emerging risks that could potentially lead to a new Group risk.

Role of the Local College Board

The role of the Local College Board in the management of risk is to:

- Interpret EKC Group risks at the local college level.
- Monitor and review risks at the local college level to help reduce the likelihood of problems occurring and their potential impact.

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- Support the Governing Body in discharging their responsibilities by flagging any major concerns and/or emerging risks that could potentially lead to a new Group risk to the Education Committee.
- Promote a culture of openness and good risk management practice within their College.
- Provide feedback on risk management activity at the local level at each Education Committee meeting.

Role of the Risk Audit and Compliance Committee

Key roles of the Risk Audit and Compliance Committee are to:

- Take overall responsibility for the administration and implementation of the risk management process.
- Identify and evaluate the significant risks faced by EKC Group for consideration by the Audit Committee, Local College Board(s), the Governing Body and other relevant committees.
- Provide adequate information in a timely manner for the Governing Body, Audit Committee, Local College Board(s) and other relevant committees on the status of risks and controls.
- Provide information on the implementation of the risk management action plan for meetings of the Audit Committee
- To oversee production and maintenance of EKC Group's disaster and recovery arrangements as part of its Business Continuity Plan
- Ensure that the high risks are monitored on a termly basis through the interrogation of EKC Group Performance Indicators
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Role of the EKC Group Leadership Board
Key roles of the EKC Group Leadership Board are to:

- Put into place additional actions to address risks where EKC Group Performance Indicators suggest that further treatment of the risk is necessary.
- Ensure that the business plans are adequate in mitigating against all of the risks identified on the risk register.
- Be responsible for ensuring that risk management is embedded throughout EKC Group
- Be responsible for communicating performance against mitigating the high risks.

Role of all staff (as part of internal control)

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All EKC Group staff are responsible for:

- Reporting any activities or incidents (to a member of the Senior Leadership Team) that could potentially impact on EKC Group's performance against mitigating the high risks

Review and Evaluation Process

The Governing Body is responsible for reviewing the effectiveness of internal control of EKC Group, based on information provided by the Risk, Audit and Compliance Committee via the Audit Committee, and Audit Committee recommendations. Its approach is outlined below:

- Review the previous year and examine EKC Group's track record on risk management and internal control.
- Consider the internal and external risk profile of the coming year and consider if current internal control arrangements are likely to be effective.

In making its decision the Governing Body will also consider the following aspects:

- Control environment:
- EKC Group's objectives and its financial and non-financial targets
- Organisational structure and calibre of the senior management team
- Culture, approach, and resources with respect to the management of risk
- Delegation of authority; and public reporting
- On-going identification and evaluation of significant risks:
- Timely identification and assessment of significant risks; and prioritisation of risks and the allocation of resources to address areas of high exposure
- Information and communication
- Quality and timeliness of information on significant risks and time it takes for control breakdowns to be recognised or new risk to be identified
- Monitoring and corrective action

- Ability of EKC Group to learn from any challenges, and its commitment and responsiveness with which corrective actions taken are implemented.

Associated policies
- Anti Bribery and Fraud
- Whistleblowing
- Procurement Policy

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- Sub-Contracting Policy
- Data Protection Policy
- Health and Safety Policy

Associated procedures, plans and indicators
- Business Continuity Plan, Strategic Plan, Group Performance Indicators, Due Diligence Procedure

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