



**GROUP RISK MANAGEMENT STRATEGY AND FRAMEWORK**

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# BRISTOL HOLDINGS LIMITED

## GROUP RISK MANAGEMENT STRATEGY AND FRAMEWORK

### 1. INTRODUCTION

- 1.1 Risk is the threat that an event, action or omission will adversely (or beneficially) affect Bristol Holding Limited (“BHL”) or one of its Subsidiary Companies (“SubCos”) (to be referred to collectively as the “BHL Group”) ability to meet its business objectives and deliver services successfully.
- 1.2 The purpose of risk management is to manage these threats and uncertainties, minimising their potential impact on the continuance of the BHL Group’s business activities whilst ensuring that business opportunities are identified and maximised where appropriate.
- 1.3 This risk management framework forms part of the BHL Group’s internal control and corporate governance arrangements. The framework explains the BHL Group’s strategic approach to risk management, and its policy which documents the roles and responsibilities of the Boards, Audit & Risk Committee, Senior Leadership Team and Staff. It also outlines key aspects of risk monitoring and reporting, the risk management process, and identifies the main reporting procedures and lines of communication. In addition, it describes the process BHL will use to evaluate the effectiveness of the BHL Group’s internal control procedures.
- 1.4 The BHL Group is committed to effective risk management because it:
  - Makes good business sense and will support the delivery of the BHL Group’s strategic objectives, creating and protecting value.
  - Informs policy and business decision-making, informed by all potential outcomes and incorporated into standardised business processes.
  - Involves a dynamic and iterative process which reflects the nature of risks and the operating environments in which the organisation operates.
  - Promotes continuous business improvement.

### 2. OBJECTIVES

- 2.1 To ensure the BHL Group achieves its strategic objectives and delivers the services that our customers come to expect from us, we will work towards achieving the following Risk Management objective:

*To oversee the management of all types of risk facing the BHL Group, to enable it to take advantage of opportunities and minimise losses to enable the achievement of the BHL Group’s Business Plans and maintain the confidence of stakeholders.*

- 2.2 The BHL Board will consider and set out a statement defining the BHL Group’s overall appetite for risk set in the context of the BHL Group’s risk capacity and exposure, taking account of the detailed risks that may threaten the achievement of the BHL Group’s objectives, assessing probability and impact, and the implementation of an appropriate

controls and assurance framework. The BHL Group will seek to maintain compliance with the BHL Group's risk appetite at all times.

- 2.3 Where appropriate, working in partnership with the SubCos, BHL may also look to undertake multi-variate stress testing and scenario planning, putting in place and maintaining arrangements that identify and respond to significant threats and contingency plans that mitigate the potential materialisation of such threats.
- 2.4 The SubCo Boards within the BHL Group will also seek to ensure that sufficient financial headroom in their Business Plans is maintained to mitigate the impact of risk materialisation and take advantage of unforeseen opportunities in line with any agreed risk appetite.
- 2.5 The BHL Board will seek to ensure that it fully understands the BHL Group's risk profile, seeking assurance that key risks are being effectively controlled and managed alongside scenario analysis, stress testing and setting an appropriate risk appetite.
- 2.6 The following key principles will be followed to ensure delivery of the BHL Group's strategic approach to risk management:
  - An open and receptive approach to solving risk problems will be adopted by the Boards within the BHL Group;
  - The Senior Leadership Teams across the BHL Group will support, advise and implement policies approved by the Boards within the BHL Group;
  - The Senior Leadership Teams will be responsible for encouraging good risk management practice within their designated managed areas; and
  - Key risk ratings which breach tolerances will be identified and closely monitored on a regular basis.

### 3. DEFINITIONS

- 3.1 **Risk** is defined across the BHL Group as:

*“Uncertain future events that could influence the delivery of the BHL Group's strategic, operational and financial objectives”*

- 3.2 This definition, is consistent with the Risk Management Standard ISO 31000:2009, which represents risk management best practice, and which defines risk as the:

*“effect of uncertainty on objectives. Note that an effect may be positive, negative, or a deviation from the expected. Also, risk is often described by an event, a change in circumstances or a consequence.”*

- 3.3 In this document, we generally refer to risks in the sense of those that affect the BHL Group negatively. These are sometimes referred to as **Downside Risks** to distinguish them from those risks that lead to an improvement in the BHL Group's position, which are called **Upside Risks**.

- 3.4 Risks exist not in isolation but as chains of causes and consequences. We define the

broad underlying factors that may cause a risk as **Risk Drivers** and the measurable effects on the BHL Group as **Adverse Outcomes**. Risks within our risk map are largely defined as adverse outcomes.

3.5 **Risk management** is defined as:

*“A process, effected by an entity’s Board of Directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that might affect the entity, and manage its risk to be within its risk appetite, so as to provide reasonable assurance regarding the achievement of the entity’s objectives.”*

(Committee of Sponsoring Groups of the Treadway Commission, “COSO”)

3.6 Risk management is the process of identifying risks, evaluating their potential consequences, determining and implementing the most effective way of controlling and monitoring them.

3.7 Risk management processes may be broadly divided between Controls and Actions. **Controls** are ongoing activities, sometimes operating at a regular frequency, sometimes triggered by a specific event, that are expected to remain in place for the foreseeable future. **Actions** are projects or tasks that have a clear beginning and end; they may involve the implementation of an additional Control or perhaps a strategic change, such as withdrawal from a particular activity.

3.8 The following three concepts are central to evaluating and managing the total quantum of risk affecting the BHL Group.

- (a) **Risk capacity** – the total amount of risk that the BHL Group could withstand
- (b) **Risk exposure** – the current amount of risk being taken
- (c) **Risk appetite** – the total amount of risk that the Board would be happy for the BHL Group to take.

#### 4. STATEMENT OF INTENT

The BHL Group is committed to identifying and addressing the key risks that threaten the attainment of its strategic objectives. It will ensure the effectiveness of internal control systems, and report on this within the annual report. It will also ensure that public funds are protected.

4.1 The BHL Group will develop and maintain an appropriate risk management culture, which will focus on:

- (a) The importance of achieving the BHL Group’s social and economic objectives;
- (b) The need for well-understood and well-managed risks to be taken in pursuit of those objectives;

- (c) Demanding a high level of performance through target setting and monitoring outcomes against the agreed levels;
- (d) Requiring all directors and managers to continually scan the horizon for changes in the political, economic, regulatory or technological environment that could have an effect on the business and its desired outcomes;
- (e) Ensuring that such changes are communicated quickly and effectively to all relevant parts of the BHL Group, and that appropriate responses are implemented;
- (f) Ensuring that assurance is provided at an appropriate frequency on the effectiveness of all documented controls;
- (g) Empowering staff to raise matters of concern, including health and safety issues, and ensuring that these concerns are fully and appropriately addressed on a timely basis.

## **5. RISK MANAGEMENT PURPOSE**

5.1 The BHL Group's risk management processes are designed to:

- a) Identify future scenarios that would affect the financial performance of the BHL Group and the achievement of its strategic objectives, including mainstream scenarios and more extreme stress scenarios;
- b) Undertake stress testing of the BHL Group's Business Plans to evaluate the impact of the stress scenarios on the plan and to identify the actions that would be required to ensure the entity's survival should the scenario materialise, including the agreement of relevant contingency plans and the setting of appropriate trigger points that will indicate that the adverse scenario is materialising;
- c) Assess the BHL Group's capacity for risk, to establish a financial risk appetite within that capacity and to ensure that the aggregate exposure to risk remains within both appetite and capacity;
- d) To establish a qualitative risk appetite, setting out limits on the activities that the officers of the BHL Group are authorised to take without further recourse to the Board (this may include limits on geographical spread and/or product mix).
- e) Identify all material adverse outcomes that the BHL Group could face (in the context of its financial and other assets, its compliance with legal and regulatory requirements, its current and planned business volume, its customers and the communities in which it works) and to understand the risk drivers that could lead to those outcomes;
- f) Use a consistent framework to assess the probability and impacts of these risks, and to prioritise them for action accordingly;
- g) Allocate responsibility for the management of each risk, and for operating specific controls and implementing agreed actions, to individual managers;

- h) Obtain assurance at appropriate levels that the documented controls are in place and effective, with assurance being provided to the BHL Board, and the ultimate Shareholder – Bristol City Council, in relation to the critical controls for the key risks;
- i) Monitor changes in the risks and their drivers, re-assessing and responding accordingly;
- j) Ensure that the necessary arrangements to manage risks and mitigate their effects are implemented and maintained;
- k) Consider the effect on individual risks and the overall risk profile of the BHL Group, arising from all strategic decisions, including new business;
- l) Identify, document and report on all material risk events.

5.2 As a consequence of the effective implementation of these processes, the BHL Group will look to achieve the following outcomes:

- a) Remain viable in any of the mainstream scenarios identified and that it would be able to survive the onset of a stress scenario (or identify what steps would need to be taken if not feasible);
- b) Be able to detect and respond appropriately to changes in the external environment;
- c) Demonstrate that business-critical controls are in place and effective;
- d) Properly implement the recommendations of auditors and within reasonable timescales;
- e) Take on new business opportunities without prejudicing its core business activities or exceeding financial or managerial capacity;
- f) Ensure the Boards are well informed about the BHL Group's risk profile (as applicable to them) and its key risks and makes strategic decisions in the context of these factors;
- g) Risks are managed on a day-to-day basis and lower-level risks are scrutinised and clearly delegated to management and there is an effective process in place for identifying changes in the probability and impact of risks;
- h) All employees understand the basic concepts of risk management, as they are relevant to them, and how they contribute towards the BHL Group's risk management objectives.

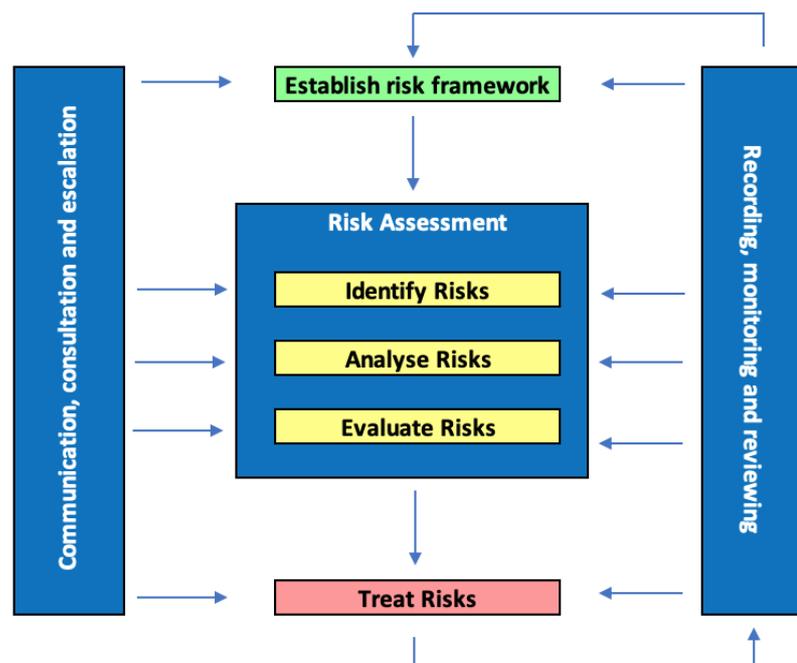
5.3 To support the achievement of these outcomes, the following arrangements will be put in place:

- a) The BHL Board will consider and agree a small number of scenarios against which the BHL Group's financial performance and strategic outcomes will be evaluated (stress testing).

- b) The results of any stress testing will be analysed and contingency plans established as necessary to ensure the BHL Group’s ability to survive in adverse conditions.
- c) A quantitative and qualitative risk appetite statement will be prepared and approved by the BHL Board and arrangements put in place to ensure that the BHL Group’s exposures and activities remain within the limits set in that statement.
- d) The BHL Group will maintain a comprehensive and up-to-date set of risk maps (Group wide Enterprise Risk Map and SubCo specific);
- e) The controls currently employed to manage the identified risks will be fully documented along with actions planned or in progress to improve the management of individual risks;
- f) A limited number of key risks, together with their main controls and progress with the implementation of related actions, will be regularly reported to the BHL Board (and Audit & Risk Committee);
- g) Managers will be provided with clear information about the Risks, Actions and Controls for which they are responsible. This information will be reviewed regularly, at least quarterly for the key risks.

## 6. RISK MANAGEMENT FRAMEWORK

6.1 The framework for monitoring the BHL Group’s risk exposure is illustrated in full at Appendix A. The main elements of the process can be summarised in the following:



(a) Establish the risk framework – this involves determining the BHL Group’s strategic

approach, risk appetite and acceptable tolerances taking into account the operating context, including stakeholders, governance, contractual relationships, culture, standards and compliance.

(b) Risk Assessment

- Identifying risks – includes the process for identifying strategic and operational risks that may prevent delivery of an objective and predicting and understanding what could adversely impact on the delivery of the objective, when and why this could happen, informing possible causes and consequences. This will usually be reviewed at a Board Away Day and be informed by external information where relevant.
- Analysing risks – includes the process for reviewing and understanding the potential impact (consequences should risk occur) and probability (likelihood of risk occurring) of each identified risk to estimate the level of risk posed.
- Evaluating risks – involves the process used to score each risk based on the analysis against a scoring matrix. In determining the overall risk score, the rating for impact and the rating for probability will be multiplied together to give an overall risk score. Risks are added to and ranked on a Risk Register and a cost benefit analysis will be used to determine the appropriate level of treatment required.

(c) Risk treatment – involves implementing appropriate control measures to change either the probability or the level of the impact. This can involve both increasing the BHL Group's exposure to risks from which it can benefit as well as reducing exposures to downside risks. The BHL Group will adopt the "4Ts" in relation to risk treatment, and the most appropriate mitigation strategy will be applied to each risk according to the risk score prior to the application of risk control measures.

(d) Recording, monitoring and reviewing risks – All risks will be recorded on a Risk Register, which will be categorised to include "Enterprise Risks" (BHL Group wide), and SubCo specific risks. This means that the following registers will be maintained:

- Enterprise Risk Register – containing Group wide risks elevated from the SubCo specific registers plus BHL specific risks;
- SubCo specific Risk Register – each SubCo within the Group will maintain its own Risk Register. These will adopt the same scoring matrix for consistency and will contain both strategic and operational risks. Strategic risks that score above a defined threshold will be elevated for inclusion in the Enterprise Risk Register to ensure BHL Group wide oversight and transparency.

The Risk Registers will be "live documents" and will be subject to regular and continuous checking and critical review at the appropriate level and frequency.

(e) Communication, consultation and escalation – Communication is an important value and effective communication of risk at every level of the organisation is required as a prerequisite of an effective risk management system. This will involve ensuring effective consultation both within the organisation and with external stakeholders (including Bristol City Council) to ensure risks are identified and appropriately assessed.

## 6.2 Risk Registers:

- a) the BHL Group and each SubCo will prepare a Risk Register in order to identify all the main risks likely to be encountered. Each risk will be assessed according to its inherent, current and target impact and probability. These are defined as follows:
- i) Inherent risk – is assessed on the basis of there being no control mechanisms in place
  - ii) Current risk – is assessed based on the current risk exposures taking into account the current control mechanisms that are in place to manage and mitigate the risk materialising
  - iii) Target risk – is assessed as the tolerable levels of impact and probability for each risk, taking into account the relevant risk appetite for the applicable risk category.

The differential between the Current risk and the Target risk will inform whether further risk management and mitigation is required to further reduce exposures, or conversely, controls could be relaxed to allow a more aggressive approach to be taken to take advantage of potential opportunities.

## 6.3 Assessment of inherent, current and target risks will inform the preparation and review of the BHL Group's Assurance Framework.

- b) Each Risk Register will be reviewed by the Senior Leadership Team of each Group entity at least monthly.
- c) Each Risk Register (risks above threshold) will be reviewed by the Audit & Risk Committee quarterly.
- d) The full Enterprise Risk Register will be reported to the BHL Group Board annually, on the recommendation of the Audit & Risk Committee, with the critical risks reported monthly and all risks reviewed in full on a quarterly basis.

## 7. RISK EVENTS

- 7.1 All significant risk events, defined as those resulting in a financial loss exceeding 1% of the BHL Group's turnover / SubCo's turnover (with a *de minimus* of £50k) or the equivalent non-financial impact, will be recorded and reported to the Senior Leadership Team, the Audit & Risk Committee and the BHL Group Board (and SubCo Boards if related to SubCo), with details of the cause of the risk event, the reasons why the existing controls were not effective and the action being taken to mitigate the impact and to prevent the risk from recurring.

- 7.2 There will be an annual report on risk events considered by the Audit & Risk Committee, in

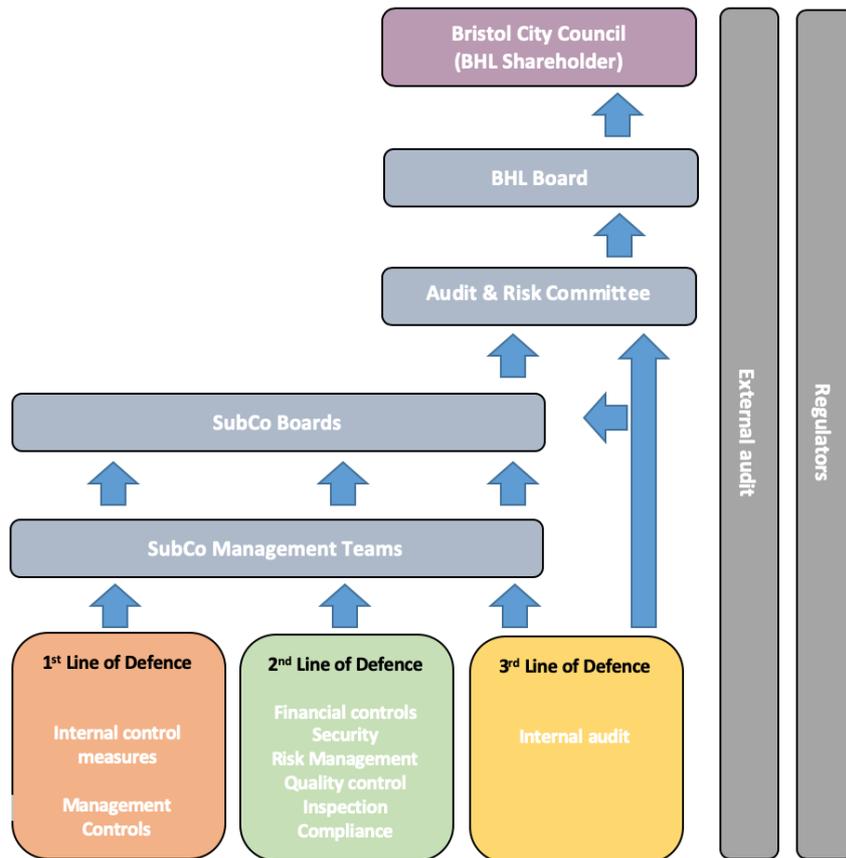
determining its statement on internal controls for inclusion in the annual report.

## 8. CONTROLS, ASSURANCE AND ACTIONS

- 8.1 Each risk has a number of controls in place to either reduce the probability of the risk occurring or to mitigate its impact. These controls will be documented within the risk management framework and periodically reviewed to ensure that they are in place, operating effectively and comply with best practice. The frequency of these reviews depends on the size of the associated risk and the criticality of the particular control to the management of that risk.
- 8.2 Assurance is concerned with the comfort that can be supplied from the provision of credible information collated from across the BHL Group. It evidences continuing viability, legal and regulatory compliance, and delivery of objectives.
- 8.3 Assurance can be derived from the following “layers” of assurance sources:
- Governance
  - Risk management controls
  - Management controls
  - Independent assessment
- 8.4 An assurance framework is defined by Government as “*a structured means of identifying and mapping the main sources of assurance in an organisation, and co-ordinating them to best effect*”. It is a tool for the effective management of risks, which also provides a structure for the preparation of an annual statement of internal control.
- 8.5 The BHL Group’s overall approach to assurance will combine the interaction between the following elements:



- 8.6 The BHL Group will oversee the maintenance of a Board Assurance Framework (“BAF”). It will contain the controls in place for each risk identified to either reduce the probability of the risk occurring or to mitigate its impact, within the BHL Group’s overall risk appetite.
- 8.7 The Board requires assurance that the critical controls in place to manage the key risks are in place and effective. This assurance will be provided by a combination of methods, in accordance with the “three lines of defence” approach, which is summarised below:



- 8.8 These assurances will be documented and reported in relation to the key risks to each meeting of the Audit & Risk Committee. The Audit & Risk Committee will make a judgement, based on the age and level of independence of the assurances, whether they are assured that the key risks are being satisfactorily controlled.
- 8.9 The internal audit programme will be designed in order to provide the best possible assurance on the key risks to the BHL Group over the medium term.
- 8.10 The recommendations of internal auditors, and other actions agreed in relation to the management of specific risks, will also be documented in the risk management system. Progress with the implementation of these actions will be monitored by the Audit & Risk Committee, who are responsible for ensuring that all actions are completed by their agreed due dates.
- 8.11 The assurances captured within the BAF will be utilised to prepare an annual Internal Controls Assurance Statement. BHL’s Senior Leadership Team will provide the primary

source of assurance for this report, which will involve deriving assurance from a range of sources as follows:

### Sources of Assurance



## 9. RISK APPETITE

- 9.1 Risk appetite can be defined as the level of risk that an organisation is prepared to accept before action is deemed necessary to reduce it. Risk appetite is considered as part of decision making. Acceptance of a level of risk is necessary to achieve a certain level of benefit and so sometimes it is necessary to suffer some losses if these are outweighed by an overall gain.
- 9.2 The purpose of the Risk Appetite Statement is:
- For the BHL Board to clarify its attitude to risk and reward in particular areas.
  - For the BHL Board to communicate to SubCos and management the types and amounts of risks that can be undertaken under delegated authority (matters outside the risk appetite require the approval of the BHL Board).
- 9.3 The Financial Plan and Business Plans will be prepared giving consideration of the financial and non-financial risk appetite.
- 9.4 Performance reporting should give assurance to the BHL Board that the risk appetite has been complied with and reporting arrangements will be designed to facilitate this assurance.
- 9.5 The Risk Appetite Statement will be prepared to ensure continued compliance with all

loan covenants (where these exist, including intra-group loans, or plans to work towards such compliance in any instances where they are not met), and any facilities in place with Bristol City Council (as BHL Shareholder). Any such review will necessitate a review of the Risk Appetite Statement to ensure continued alignment.

- 9.6 The Risk Appetite Statement will also include a range of non-financial risk appetite statements, including its appetite / tolerance for failures of statutory or regulatory compliance, Health and Safety compliance, geographical based growth opportunities, the type of products and services that may be developed, within acceptable defined scale parameters.
- 9.7 The appetite for specific risks will be determined by their current risk score and rating relative to determined tolerances (target risk”) under the BHL Group’s risk assessment framework.
- 9.8 High risks, coloured red on the risk matrix, are subject to close monitoring, being reported to each meeting of the BHL Board, along with assurance that the key controls on which the BHL Group is depending are in place and effective. They may require action to be taken to reduce the risk assessment to an acceptable level, where it is feasible to do so. More detailed scrutiny of the control framework for these risks will be undertaken by the Audit & Risk Committee.
- 9.9 The responsibility for monitoring the Medium risks, coloured yellow on the risk matrix, including ensuring that an effective control framework is in place, lies with the Audit & Risk Committee.
- 9.10 The monitoring of Low risks, coloured green on the risk matrix, and the associated controls will be delegated to SubCo Boards and their officers.

## **10. RISK AND REWARD**

- 10.1 BHL and its SubCos will take risks in pursuit of their social and economic objectives. Within the overall appetite for risk, greater risk may be taken where higher returns are expected, including social returns where appropriate.
- 10.2 Papers with proposals for decisions that would have a material impact on the documented risks of the BHL Group should include, in addition to reference to the risk as described in the risk map, an assessment of the change in financial and social returns expected as a result of the decision and the level of uncertainty relating to the achievement of those returns. The financial assessment should include the impact on both revenue and cashflow, while the non-financial evaluation should be stated in terms of Strategic Objectives (supported as required by an appropriate model for assessing social value where applicable).

## **11. REPORTING ARRANGEMENTS**

- 11.1 There will be a report by exception of the top risks faced by the BHL Group (Enterprise

Risk Register containing cross cutting Group risks) plus the top strategic risks for each SubCo considered by the BHL Board on a quarterly basis, highlighting any changes to the BHL Group's Risk Profile.

- 11.2 There will be a report on each of these Risk Maps, highlighting any changes to the BHL Group's Risk Profile and identifying action taken/to be taken to mitigate those risks at each meeting (quarterly) of the Audit & Risk Committee. This will enable the Committee to:
- Assess and consider the significant risks faced across the BHL Group
  - Challenge any management responses being employed
  - Monitor the implementation of further actions identified as necessary
  - Advise the relevant SubCo Board, where appropriate, on any current risk exposures (identified and potential), changes to risk scores and adequacy of proposed mitigation actions
  - Challenge any assurance mapping undertaken
  - Provide additional assurance to the BHL Board that risks are being managed within the BHL Group's overall risk appetite and established tolerances.
- 11.3 There will be an annual report to the BHL Board, incorporating a narrative review of the quality of the risk management arrangements in place across the Group, alongside the Risk Management Strategy, Risk Appetite Statement, and Risk Maps highlighting key risks.
- 11.4 The narrative section will outline the changes and trends in the risk drivers since the previous report, including both internal and external sources of risk. It will continue by proposing amendments to the risk assessments arising from these changes and set out the action being taken in response. This latter section will also cover progress made with implementing actions that were in progress at the time of the last report.
- 11.5 The reporting will also ensure that the key risks facing the BHL Group, together with their current and previous risk assessments, the key controls, latest assurances, and any actions that are planned or recently completed.
- 11.6 The identification of key risks will be assessed on the basis of both the highest current risk assessment and where there is a discrepancy of target risk score of more than 2 between current and target risk.
- 11.7 The Audit & Risk Committee will receive a detailed statement of all of the material risks, with their associated actions and controls, when considering the annual Internal Controls Assurance Statement which will be prepared alongside the Annual Review prepared by the Internal Auditors (completed annually).
- 11.8 The Senior Leadership Team within each BHL Group company will review risk registers on a monthly basis. Any associated stress testing will be reviewed when there are any adverse changes in the BHL Group's risk profile, as well as during the annual Business Planning process.
- 11.9 The Risk Registers will be "live documents" and available for relevant staff members to

access. All staff will be encouraged to notify their Line Manager and/or relevant responsible person within the relevant Senior Leadership Team at any stage of potential changes to the risks identified in the register or newly emerging risks not previously identified. Risk will also be a regular item for discussion at team meetings across the BHL Group.

## **12. RISK MANAGEMENT AND INTERNAL CONTROLS**

- 12.1 The BHL Group's systems of internal controls incorporate risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the BHL Group to respond to a variety of operational, financial, and commercial risks. These elements include:

### *Policies and Procedures*

- 12.2 Attached to significant risks are a series of policies that underpin the internal control process. The policies are set by the appropriate Board and implemented and communicated by the applicable Senior Leadership Team to staff. Written procedures support the policies where appropriate.

### *Monthly Reporting*

- 12.3 Comprehensive monthly reporting will be designed to monitor key risks and their controls and assurance mapping. Decisions to rectify problems will be made at regular meetings of the relevant Senior Leadership Team and the relevant Board if appropriate.

### *Business Planning and Budgeting*

- 12.4 The business planning and budgeting process will be used to set objectives, agree action plans, and allocate resources. Progress towards meeting business plan objectives will be monitored regularly. Stress testing will be carried out in alignment with any reviews of the Business Plans.

### *Actions for Risks to mitigate*

- 12.5 Actions for all risks will be recorded on the relevant Risk Registers, along with progress for implementation, and will be monitored by the Audit & Risk Committee quarterly. "Above tolerance" levels are set using a matrix of probability and impact scores. The current level of tolerance is 15 and above for the Current Risk scores. New emerging risks (scored at or above the reporting threshold) and "above tolerance" risks will be escalated to the BHL Board. (Note: the tolerances will be reset once a year alongside the risk appetite aligned with the Business Plans.)

### *Portfolio and Operational Risk Registers*

- 12.6 Each Executive Director / Senior Manager is responsible for risks entered into the BHL Group's risk registers and related assurance maps (as assigned to them) to ensure that significant risks in their portfolio are identified, assessed and monitored. The

documents are formally appraised annually by the Audit & Risk Committee, but emerging risks are added as required, and improvement actions and risk indicators are monitored regularly.

#### Audit & Risk Committee

- 12.7 The Audit & Risk Committee in their report to the BHL Board on internal controls alert the BHL Board to any emerging issues. In addition, the Committee oversees internal audit and external audit in its review of internal controls. The Committee is therefore well-placed to provide advice to the BHL Group Board on the effectiveness of the internal control system, including the BHL Group's system for the management of risk.

#### Internal Audit Programme

- 12.8 Internal audit is an important element of the internal control process. Apart from its normal programme of work, internal audit is responsible for providing an annual opinion on the effectiveness of the internal control system within the organisation.

#### External Audit

- 12.9 External audit provides feedback to the Audit & Risk Committee on the operation of the internal financial controls reviewed as part of the annual audit.

#### Third Party Reports

- 12.10 From time to time, the use of external consultants will be necessary in areas requiring specialist knowledge (e.g. health and safety or human resources). The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

### **13. ANNUAL REVIEW OF EFFECTIVENESS OF RISK AND INTERNAL CONTROLS**

- 13.1 The Audit & Risk Committee is responsible for reviewing the effectiveness of internal controls of the BHL Group, based on information provided by the Internal Auditors for consideration by the Board. The approach is outlined below.

- 13.2 For each significant risk identified, the Audit & Risk Committee will:

- Review the previous year and examine the BHL 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.

- 13.3 In making its decision the Audit & Risk Committee will consider the following aspects:

#### Control environment:

- The objectives across the BHL Group and its financial and non-financial targets;

- Impact of stress testing;
- Group structure and calibre of the Senior Leadership Teams;
- 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 the BHL Group to learn from its problems and its commitment and responsiveness with which corrective actions taken are implemented.

Assurance mapping:

- Quality of evidence in giving assurance that risks are being managed.

## **14. RESOURCES AND RISK**

- 14.1 The BHL Group recognises the need to address risk as an integral part of planning and decision making associated with new business proposals and initiatives.
- 14.2 The resources available for managing risk are finite and so our aim is to achieve an optimum response to risk ensuring available resources are used to best effect.
- 14.3 Risk appetite is the overall level of risk the BHL Group is prepared to accept or tolerate. This includes within existing activities or as part of new business initiatives. If the current risk assessment after controls results in a risk assessment that is higher than the BHL Group Board is willing to tolerate, further action will be taken to address the risk. However, the resources used to control a risk will not be greater than the size of the potential loss we are trying to mitigate.
- 14.4 The BHL Group will focus resources on mitigating risks which are above an acceptable level of tolerance. These risks will be the focus of monitoring by the Senior Leadership Team, the Audit & Risk Committee, and the appropriate SubCo Boards.
- 14.5 This strategy addresses one of the fundamental strands of an effective business planning process and good financial management. A good risk management framework will mitigate any potential financial losses facing the BHL Group as well as reduce the chance of the BHL Group not delivering its Business Plan.
- 14.6 Ineffective risk management itself is a risk to the BHL Group in that it cannot operate appropriate governance structures and arrangements without a proper risk management process.

## **15. CONSULTATION AND COMMUNICATION**

- 15.1 BHL's Senior Leadership Team has been consulted in drawing up this strategy.
- 15.2 In order to ensure effective risk management, it is essential that all managers are part of the process and are consulted on and involved in identifying, assessing and controlling risks.

## **16. EQUALITY & DIVERSITY**

- 16.1 Due regard has been given in the preparation of this document to the recognised protected characteristics of equality to ensure that it does not unfairly impact any individual or group. The protected characteristics are age; disability; gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership, pregnancy and maternity. Remedial action will be undertaken if any detrimental effect is identified.
- 16.2 The risk mitigation plan will be implemented with an awareness of Equality and Diversity issues to ensure there are no adverse impacts. In particular, where resources are re-directed according to this strategy to mitigate risks, we will ensure the re-allocation of resources will not adversely impact on any diversity group.

## **17. RESPONSIBILITIES, APPROVAL AND REVIEW**

- 17.1 The assigned responsibilities for Risk Management are set out below. Other members of staff will take specific responsibility for managing the existing controls associated with each risk, implementing further mitigating controls for each risk, and for making the appropriate response should a risk materialise.
- 17.2 Responsibilities of the BHL Group Board.
- a) The BHL Board retains overall responsibility for risk management across the Group and will approve the Risk Management Strategy, Risk Appetite Statement and associated tolerance levels, capacity for risk and aggregate risk, and influence the culture for risk management across the BHL Group.
  - b) Approve the Risk Registers on an annual basis and monitor the management of key risks on a monthly basis to reduce the likelihood of unwelcome surprises or impact.
  - c) Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
  - d) To consider relevant mainstream and stress scenarios and the impact of those scenarios on the Business Plans and any contingency plans required.
  - e) To respond if a significant risk materialises at Group level or if there is a significant material change in the risks facing the BHL Group during the year, where referred on by the Audit & Risk Committee.

- f) To consider risk in making all major decisions and to document the risk implications of those decisions, including identifying objectives, agreeing strategies and approving major projects or changes to activities.
- g) Annually review the BHL Group's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

### 17.3 Responsibilities of SubCo Boards.

- a) The SubCo Boards retain responsibility for ensuring appropriate risk management processes are maintained within that company and that these are consistent with the Group's strategic approach, including risk and associated tolerance levels and impact on the company Business.
- b) To approve the SubCo Risk Register on an annual basis and monitor the management of key risks on (at least) a quarterly basis to reduce the likelihood of unwelcome surprises or impact.
- c) Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
- d) To consider relevant mainstream and stress scenarios and the impact of those scenarios on the SubCo Business Plan and any contingency plans required.
- e) To respond if a significant risk materialises at SubCo level or if there is a significant material change in the risks facing SubCo during the year, where referred on by the Audit & Risk Committee.
- f) To consider risk in making all major decisions and to document the risk implications of those decisions, including identifying objectives, agreeing strategies and approving major projects or changes to activities.

### 17.4 Responsibilities of the Audit & Risk Committee:

- a) To review and recommend to the BHL Board on an annual basis the Group's Risk Registers.
- b) To receive regular reports from the SubCos and approve the BHL Group Enterprise Risk Register and SubCo Risk Registers along with their management arrangements.
- c) To undertake a detailed annual review of the risk profile of the BHL Group together with the key risks and their management arrangements and to recommend to the BHL Board for approval. This will seek to establish whether there are any significant gaps in the Risk Registers, that the risks are correctly assessed, and that the systems for holding the risk management information and for the review of the controls are functioning well.

- d) To respond if a significant risk materialises or if there is a significant material change in the risks facing the BHL Group during the year as reported by the SubCos and their Senior Leadership Teams, referring matters to the BHL Board as deemed necessary.
- e) To monitor changes and developments in the BHL Group's Risk Management framework and processes, including the Risk Registers, Risk Events arising; Risk Mitigation Actions; and the Assurance Framework.
- f) Undertake an annual review of effectiveness of the system of internal controls and provide a report to the BHL Group Board on the outcome of the review.
- g) Annually advise the BHL Group Board on the adequacy and effectiveness of the BHL Group's risk management systems.

#### 17.5 Responsibilities of the Senior Leadership Teams (BHL and SubCos):

- a) To ensure compliance with the Risk Management Strategy, taking responsibility for its administration and implementation, embedding effective risk management processes across the BHL Group, ensuring risk matters are cascaded, discussed and actioned appropriately.
- b) To focus on the management of those risks that require further mitigation to maintain compliance with the BHL Group's risk appetite and that could have a significant effect on the ability of the BHL Group to achieve its strategic objectives.
- c) To embed a culture of risk awareness throughout the BHL Group.
- d) To approve and monitor levels of risk in their operational areas.
- e) To ensure that staff within their directorates are managing and controlling risk effectively.
- f) To identify and approve a Lead Officer for Risk Management.

#### 17.6 Responsibilities of the BHL Lead Officer for Risk Management:

- a) To propose a Risk Management Framework to the BHL Board.
- b) To develop and maintain operational procedures for risk management, controls and assurance for application across the Group.
- c) To ensure up-to-date appropriate records of individual risks, actions and controls are maintained across the Group.
- d) To facilitate the development of a risk management culture throughout the BHL Group.
- e) To monitor prevailing good practice relating to risk management and make recommendations for changes in approach accordingly.
- f) To ensure that the materialisation of significant risks are reported as appropriate.

- g) To participate in the business planning process by reviewing the Risk Registers in light of changed business objectives and / or strategies or in the context of updated financial plans.
- h) To provide data on risks to Internal Audit to assist in planning the audit programme and to review risks and controls in the light of the findings of Internal Audit assignments.

17.7 Responsibilities of SubCo / Operational Managers

- a) To undertake risk appraisals of operational areas annually or following significant changes in the risk environment or materialisations of risk and report any new risks or risk events to their responsible Director.
- b) To manage and control risks in accordance with the Risk Management Framework across all areas of their responsibility.
- c) To lead and encourage an appropriate culture for good risk management within and across areas of responsibility.
- d) To prepare proposals for initiatives, change programmes and developments in accordance with the Risk Management Framework.

17.8 Risk management is part of every staff member's role and therefore the responsibilities of Operational Staff can be summarised as follows:

- a) To be aware of the risks associated with their work.
- b) To report any new risks or risk events to their Operational Manager.
- c) To participate in annual reviews of risks for their department.

17.9 The Group Finance Director will be responsible for the implementation and revision of this strategy.

17.10 This strategy will be reviewed annually.

**18. VERSION CONTROL AND APPROVAL DATES**

Date of issue	April 2020
Replacing/Updating	New Strategy
Review Date	April 2021
Approval body	BHL Board
Drafted by	Darren Hartley, Actify Solutions
Contributors	n/a
Responsible Director	Group Finance Director
Circulation List	BHL Board Members Senior Leadership Team

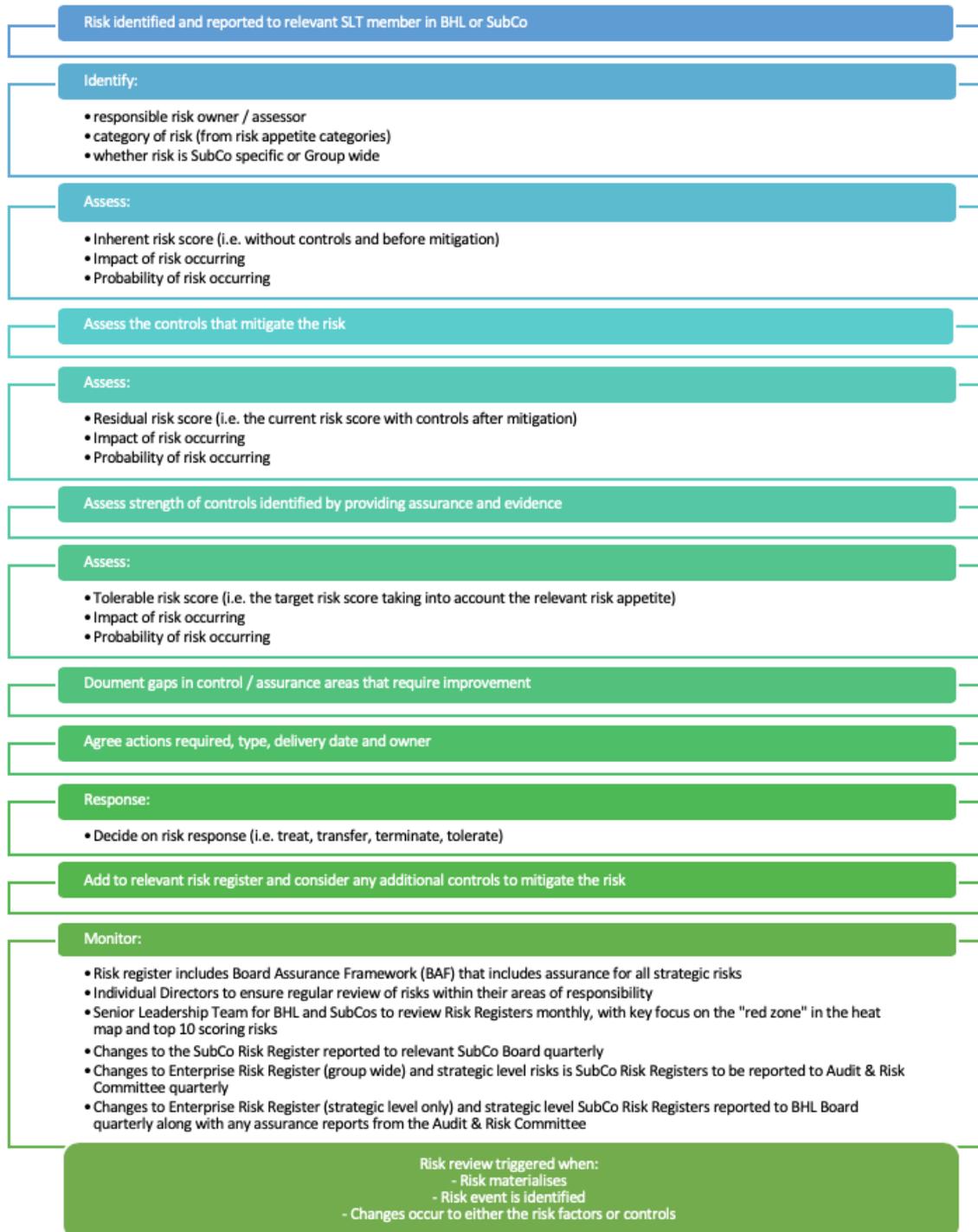


# APPENDIX A

## RISK MANAGEMENT PROCESS

The risk management process is set out in more detail within this appendix. It confirms how the BHL Group will identify, assess, manage and report risk in practice. This will promote an accurate and consistent approach to risk management across the BHL Group.

### Risk Assessment Process



## PART 1: RISK ASSESSMENT

### Identifying Risks

This involves identifying the risks which may prevent the BHL Group delivering its strategic objectives, i.e. the key risks which could have an adverse effect on the delivery of our objectives or prevent them from being met.

Risks should be recorded as the risk itself along with the cause of the risk and the impact of the risk. Below is an example:

CAUSES	RISK	IMPACT
Inadequate Board Succession Planning	Loss of expertise on the Board	Poor decisions leading to regulatory intervention.

### Analysing Risks

Analysing risks – includes the process for reviewing and understanding the potential impact (consequences should risk occur) and probability (likelihood of risk occurring) of each identified risk to estimate the level of risk posed. This part of the process will often be undertaken in conjunction with the evaluation and scoring of risks.

### Evaluating Risks

This part of the process involves scoring risks based on the severity of their impact and the probability of their occurrence. the BHL Group will use a 5x5 scoring matrix.

<b>Impact</b>	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
		<b>Probability</b>				

RED = Monitoring and scrutiny by the BHL Board.  
 AMBER = Monitoring and scrutiny by the Audit & Risk Committee (and SubCo Boards)  
 GREEN = Monitoring and scrutiny by the relevant Senior Leadership Team.

For severity of impact, risks will be assessed taking into account a range of financial and non-financial items, including the following categories:

- Financial
- Reputation
- Service Delivery
- People
- Regulation / legal

A risk which scores 15 or more will be considered “above tolerance” and will be reported through the Audit & Risk Committee and to the relevant Board on the Risk Register

<b>Severity Rating / Term</b>	<b>Financial Severity Definition</b>	<b>Reputation Severity Definition</b>	<b>Business Delivery Severity Definition</b>	<b>People Severity Definition</b>	<b>Regulation / legal Severity Definition</b>
<b>1 – Insignificant</b>	<0.5% of budget	Letters to Councillors / local press	Minor decline in KPI. Complaint.	Less than 1% decline in satisfaction / Minor injury or illness to a single individual.	Minor breaches by an individual. Isolated incident.
<b>2 - Minor</b>	<2% of budget – Can meet obligations, only minor impact on budgets	One off local interest with no editorial comment.  Limited localised damage.	Minimal disruption to business delivery / Minor service standard failure.	Less than 3% decline in satisfaction / Minor injury or illness to a small group of individuals or serious injury to an individual.	Minor breaches by individual staff members but no fines and no disruption to services.
<b>3 - Moderate</b>	<5% of budget – Can meet obligations but may need to tightly manage / re-configure budgets	Ongoing local / industry negative interest showing service failure.  Moderate stakeholder / shareholder concern.	Interruption to business delivery affecting one part of the organisation.  A single critical event.	Between a 3% and 5% decline in satisfaction / Serious injury to a group of individuals or compromise of personal safety	Possible legal fine but no disruption to services / Possible regulatory interaction (if applicable)
<b>4 - Serious</b>	<10% of budget – Likely to need to stop certain activities to cut costs	Short term regional / national media coverage resulting in short term impact on reputation /  Serious stakeholder / shareholder concern	Significant disruption to business delivery to large parts of the organisation.  Health & Safety related breaches.	Between a 5% and 10% decline in satisfaction / Permanent or incapacitating injury or illness to an individual that may threaten life.	Legal fine and disruption to services / Possible regulatory and/or Shareholder intervention (if applicable)
<b>5 - Critical</b>	>10% of budget – Serious impact on business viability	Persistent/long lasting widespread negative regional / national media coverage, raising serious concerns with key stakeholders / shareholder / investors	Total loss of ability to deliver the service to customers across the whole organisation.	More than a 10% decline in satisfaction / Permanent or incapacitating injury or illness to many individuals with possible widespread loss of life.	Significant long-term disruption to services /  Shareholder control exercised

For probability, risks are assessed using the table below.

Score	Description	Description and Indicators
1	RARE	<ul style="list-style-type: none"> <li>Has not occurred</li> <li>Unlikely to occur except in exceptional circumstances</li> </ul>
2	UNLIKELY	<ul style="list-style-type: none"> <li>Event could occur at some time</li> </ul>
3	POSSIBLE	<ul style="list-style-type: none"> <li>Event should occur at some time</li> </ul>
4	LIKELY / PROBABLE	<ul style="list-style-type: none"> <li>Event will probably occur in most circumstances</li> <li>There is a history of frequent occurrence in the organisation or elsewhere.</li> </ul>
5	HIGHLY LIKELY / NEAR CERTAINTY	<ul style="list-style-type: none"> <li>Event is likely to occur in most circumstances</li> <li>There is a history of regular occurrence in the organisation or elsewhere</li> </ul>

All risks will be scored prior to the application of risk control measures (RCM) to identify the inherent risk.

The key controls in place to manage the risk should be identified and then the risk should be scored post RCM. A lower current risk score highlights the effectiveness of the controls in place.

Risks will also be assessed for their target risk score. This is the score that the organisation would like the risk exposure to be taking account of the relevant risk appetite category.

Each risk will be assigned a risk owner; this will normally be a member of the Senior Leadership Team.

Risk scores will also be placed on a heat map to highlight the spread and significance of the risks faced.

In addition to the Risk Registers strategic risks will be assessed by stress testing. This will be done annually alongside the Business Planning process and at any time that a risk alters adversely and materially. The results will be reported to Group and SubCo Boards alongside other regular financial reporting.

### Beware of Risk bias

Care must be taken when assessing risk, as this process can become biased due to a number of factors:

- Availability bias: people tend to overestimate the probability of an event if instances of it are easy to recall or imagine.
- Illusion of control: in some circumstances people behave as if they are able to exert control when this is highly unlikely. Goal-focused leaders in stressful conditions are especially prone to this illusion.
- Confirmation bias: having formed an opinion, people tend to pay more attention to information that confirms it and to ignore information that contradicts it.
- Group think: reality testing can deteriorate as a result of group pressures to maintain unanimity and coherence.

An element of peer review may be incorporated into the annual review cycle to mitigate the potential for some of these risk biases being realised.

## PART 2: TREATING RISKS

There are 4 risk mitigation strategies the BHL Group employ as detailed in the table below.

According to the risk score prior to the application of the risk control measures (RCM), the most appropriate mitigation strategy is selected, and actions are recorded on the Risk Register:

<b>Risk Mitigation Strategy</b>	<b>Action to record in “Further Action / Monitoring Action” on Risk Register</b>	<b>When to use</b>
Treat	Identify actions you can take to reduce the risk. Identify the Target risk score and what actions and controls need to be implemented (if any) to achieve this.	Use when the current risk score taking into account existing RCM is above the unacceptable target level of risk.
Tolerate	Monitor the risk - identify the early warning indicators you will be monitoring to know when the risk profile changes i.e. when the probability or severity of the risk increases. Consider whether a contingency plan is necessary.	Use when the current risk score taking into account existing RCM is above the unacceptable level of risk but when it is not possible to do anything further about this or when the cost of reducing the risk may far outweigh the benefit.
Transfer	Detail the actions for transferring this risk in the Controls column. Remember outsourcing may create different risks which the BHL Group need to assess and reduce/monitor.	Consider if it is possible to obtain insurance to mitigate financial loss or move the risk to a third party e.g. outsourcing.
Terminate	Detail the actions for terminating this risk in the Controls column.	Use when a decision is taken to cease the activity to which the risk relates.  This may arise where the level of current risk is outside the target risk threshold and exposures cannot be reduced / are not economical to reduce and there is no appetite to tolerate current levels of risk exposure.

## PART 3: RECORDING RISKS

All the BHL Group’s risks will be recorded on a Risk Register. Several Risk Registers will be maintained as follows:

- **Enterprise Risk Register** – this will record Group wide risks.
- **SubCo specific Risk Register** – each SubCo will be required to maintain a Risk Register containing risks specific to the organisation. Risks scoring above the threshold (Red and Yellow on the Risk Heat Map) will also be reported up to the Audit & Risk Committee and BHL Board where applicable.

The Risk Registers will be maintained by the Group Finance Director (with appropriate support and delegations in place) and can only be updated by the risk owners. Once a risk has been mitigated to the satisfaction of the Audit & Risk Committee and applicable Board it can be archived on the relevant register. A blank risk register template is included at Appendix B.

## APPENDIX B

### RISK REGISTER SUMMARY – TEMPLATE

This report would be presented to each meeting of the Board and Audit & Risk Committee. It would contain the BHL Group’s top 10 risks, plus any risks that fall outside the acceptable tolerances.

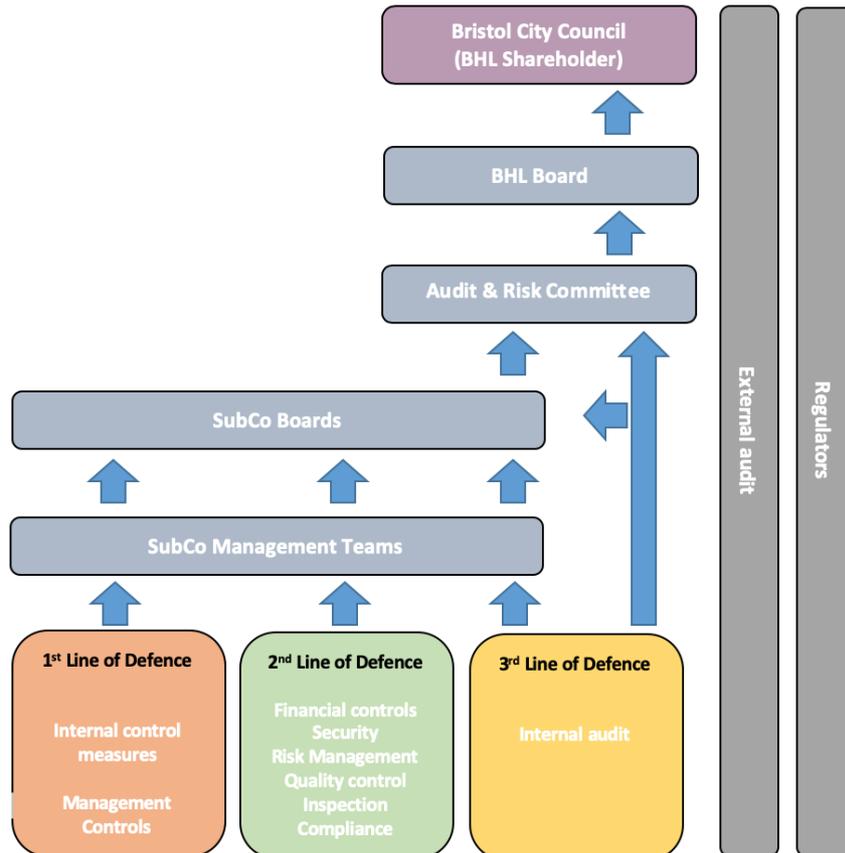
Risk No	Company Level	Risk Name	Risk Description	Risk Cause	Risk Impact / Consequence	Risk Owner	Category	Risk Appetite	Inherent Scores			Controls (these need to be in place)	Current Scores			Required Actions / Gaps in Controls or assurance to be addressed	Target Date	Action Owner	Trend since last review	Issue Status
									Inherent Likelihood	Inherent Impact	Inherent score (without mitigating controls)		Residual Likelihood	Residual Impact	Current score (after controls)					

## APPENDIX C

### ASSURANCE FRAMEWORK

All risks on Risk Registers will be mapped to give the assurance that they are being mitigated and how they are being mitigated. This will form the BHL Group's 'Board Assurance Framework' (BAF) and will contain the controls in place for each risk identified, to either reduce the probability of the risk occurring or to mitigate its impact, within the Group's overall risk appetite.

For each risk the "three lines of defence" approach will be used to record the source of assurance and given a rating.



When a new risk is identified and added to the risk register, the risk owner/assessor is required to also complete additional information relating to that risk which will form part of the BAF. This includes information relating to:

- The controls in place to effectively manage that risk
- RAG rating and score of strength of the assurance (influenced by the effectiveness of those assurances available and whether there are any gaps in the assurances that ought to be addressed)
- The sources of assurance, structured in line with the 'three lines of defence' approach
- The evidence of the assurance
- The date of the review
- The actions to be taken to address gaps in controls and/or assurance identified, the timescales for completion and person responsible for implementing those actions
- Any Triggers for action relating to the risk
- KPIs relating to the risk

## Layers of assurance

When identifying the sources of assurance, it may assist risk owners/assessors to consider the following:

### **Control activities and assurance – Three Lines of Defence**



Additional performance validation and data integrity second line controls and assurance may also need to be considered. Risk owners/assessors should consider where such activities would address actual or potential gaps in controls or assurances as part of the review process.

Risk owners/assessors should consider as part of the regular review process whether any risk areas would benefit from additional scrutiny in terms of the effectiveness of the controls and assurance sources in place to inform any on-going programme of “deep dive” reviews.

### Additional “triggers” for review of BAF

Arrangements are to be operated that will involve the monthly, quarterly and annual review of risks and assurance.

In addition, risk owners/assessors should consider a review of the BAF in response to the materialisation of the following triggers:

- There is a risk materialisation
- There is an adverse event related to that risk, such as negative regulatory intervention
- There is a significant deterioration in the risk related KPIs (below tolerance)
- There is a significant change in the operating environment (e.g. change of legislation)
- There is a material adverse financial position
- There is adverse regional or national publicity
- There is a significant and/or material breach of a health and safety related control
- There are adverse findings arising from an Internal Audit review
- There are adverse finding arising from a “deep dive” review



## BHL GROUP'S RISK APPETITE STATEMENT

### 1. Introduction

BHL Group's Risk Appetite Statement needs to be read and understood in conjunction with the BHL Group's Risk Management Strategy and Framework, which sets out the Group's approach to establishing a Risk Appetite and the Group's overall Business Plan which includes the Strategic Objectives.

When the Boards within the Group are making strategic business decisions, it is necessary for these decisions to be informed by the Group's attitude to risk in that area. This will vary depending upon the area of activity, and therefore "Risk Categories / Areas" have been established to help inform decision-making.

### 2. Risk Appetite overview

Overall, BHL Group will maintain a "cautious" approach. This reflects sensitivity to its Shareholder's status as a public body and the need for prudent treatment of public assets.

Whilst the overall position is "cautious", there are definite areas in which a higher level of risk will be tolerated, such as the requirement to achieve growth and generate commercial returns from Subsidiary company activities and investments for reinvestment in public services and delivery of financial and social objectives. These areas are offset by some areas which maintain a lower than "cautious" approach.

Risk Category / Area	Risk Appetite Level				
	Averse	Minimal	Cautious	Open	Hungry
Financial viability		X			
Compliance (including health & safety)	X				
Quality of service to customers / stakeholders			X		
Regulation and legal compliance		X			
Reputation management			X		
Growth				X	
Commercial ventures				X	
Employee relations			X		
Culture change / business transformation				X	
Social Value				X	

The following scale has been developed to further explain BHL Group's risk appetite scale:

Risk attitude	Averse	Minimal	Cautious	Open	Hungry
Risk appetite	Very Low Tolerance	Low Tolerance	Balanced Tolerance & Appetite	High Appetite	Very High Appetite

### 3. Risk Appetite Heat Maps

As the management of risk across the BHL Group matures, it is likely that we will develop differential heat maps for treatment of risks based on the appetite for risk in different risk categories, and across different entities of the Group.

### 4. Additional Risk Appetite Statements

Risk Category	Risk Appetite Statements	Performance measures
Financial viability	<p>We will best endeavour:</p> <ul style="list-style-type: none"> <li>• 6 months cash supply</li> <li>• Ability to service all loans (including intra-group loans)</li> <li>• Clear and established parameters for all new business</li> <li>• Monthly management financial monitoring and quarterly board reporting</li> <li>• Financial impact assessed for all Board proposals and will be a key driver</li> </ul>	<p>Management accounts</p> <p>New business parameters</p> <p>Board reports</p>
Compliance	<p>We will ensure:</p> <ul style="list-style-type: none"> <li>• All H&amp;S inspections are undertaken in a timely manner ahead of due date and resultant works are given a high priority to complete as soon as practically possible</li> <li>• Inspections will be independently tested on a sample basis.</li> <li>• H&amp;S processes will be audited annually.</li> <li>• Independent specialist H&amp;S advice will be retained for expertise.</li> <li>• Monthly management and quarterly board compliance reporting.</li> </ul>	<p>H&amp;S compliance scorecard</p> <p>Audit report</p> <p>Independent assessments</p>
Quality of service levels to stakeholders	<p>We will ensure:</p> <ul style="list-style-type: none"> <li>• That we regularly engage with our customers to obtain information and feedback on service quality, aiming to maintain overall satisfaction levels at 80% or above.</li> <li>• We will closely monitor service performance through a suite of KPIs and ensure all indicators remain within 5% of target.</li> </ul>	<p>% customer satisfaction</p>
Regulation and legal compliance	<p>We will ensure:</p> <ul style="list-style-type: none"> <li>• We self-assess compliance against adopted Code of Governance annually</li> <li>• Undertake an independent review of governance arrangements at least every 3 years</li> </ul>	<p>Governance reviews</p> <p>Governance self-</p>

	<ul style="list-style-type: none"> <li>• Adopt good governance practice and ensure this is a key driver of all strategic decision-making.</li> </ul>	assessments
Reputation management	<p>We will ensure:</p> <ul style="list-style-type: none"> <li>• All press engagement is channelled through a member of the Senior Leadership Team</li> <li>• We will periodically survey staff, customers and stakeholders to obtain constructive feedback.</li> </ul>	<p>% customer satisfaction</p> <p>% staff satisfaction</p>
Growth	<p>We will ensure:</p> <ul style="list-style-type: none"> <li>• All new ventures are reviewed against the parameters established in the Business Plan and for new business development.</li> <li>• There is an appetite to increase scale by Business Plan targets</li> <li>• Any decision to enter into new geographical areas or service offers must be contained in the Business Plan or approved on an exception basis by the BHL Board following a full and rigorous appraisal.</li> </ul>	% growth achieved
Commercial ventures	<p>We will:</p> <ul style="list-style-type: none"> <li>• All new initiatives will be expected to generate a minimum return of 5%</li> </ul>	
Employee relations	<p>We will:</p> <ul style="list-style-type: none"> <li>• Invest in staff so that they feel valued (over 80% satisfaction) and are equipped with the skills and resources to deliver service excellence.</li> </ul>	% staff satisfaction
Culture change / business transformation	<p>We will ensure:</p> <ul style="list-style-type: none"> <li>• We assess the baseline position before implementing any new transformation programmes so that we may measure success based on outcomes achieved.</li> <li>• We will only engage in business transformation where there is a strong and sound business case for doing so.</li> <li>• We will adopt effective project management principles to manage the implementation of any business transformation initiatives, regularly reporting on progress to SubCo / BHL Boards.</li> </ul>	Initiative specific KPIs to be established (time / quality / cost)