

Corporate governance

AMEC uses a risk management process which is incorporated into the AMEC Mandatory Procedures described below.

The process involves the identification of risks at the gross and current level by projects, businesses and corporate functions. The risks are recorded in risk registers to enable the net positions to be pro-actively managed. Following a review of this process in 2007, quarterly risk review meetings comprising representatives from the businesses and functions have been instigated. These meetings discuss business and functional risks; the highest risks in terms of probability and impact are then elevated to the AMEC plc risk register. The plans for mitigation of such risks are also reviewed.

The risk management and internal control processes are complemented by an annual control risk self-assessment exercise carried out by the principal businesses. This covers major risks, particularly safety, health and environment, legal, commercial and contractual, financial, information technology and human resources. The results are reviewed by the board, through both the audit committee and the executive directors, and as part of the ongoing internal audit process. For 2007, this self assessment exercise was undertaken for the continuing businesses; however discontinued businesses were subject to review

and audit until such time as their disposal was concluded.

AMEC Mandatory Procedures and Delegated Authorities

AMEC's businesses are managed on a decentralised basis. Whilst the board has retained reserve powers, the day-to-day management has been passed to the business leaders within defined authority limits. The management philosophy is to empower the business leaders to take the actions necessary to deliver the company's operational business objectives within the defined Mandatory Procedures and Delegated Authorities, which set out the standards AMEC employees and contracting staff are expected to achieve. During 2007, AMEC's Mandatory Procedures and Delegated Authorities were reviewed and updated to reflect the continuing core businesses. This framework provides for an effective control structure and a clear link between the levels of risk associated with tenders and delegated authority limits.