

# Corporate Governance Report

The directors of the Company remain committed to ensuring appropriate corporate governance procedures are embedded throughout the Group. They base these procedures on the requirements of the Combined Code on Corporate Governance adopted by the Financial Reporting Council (FRC) in June 2006 (the Code), available on the FRC's website [www.frc.org.uk](http://www.frc.org.uk), plus current and emerging best practice. This report sets out our commitment to corporate governance, how the principles of the Code have been applied and the extent of our compliance with the Code.

## A. Directors

### A.1 The Board

The Board of directors is responsible for leading the Group by setting its broad strategic aims. To deliver these strategic aims, the Board reviews the performance of management, seeks to ensure that the necessary resources are available and that appropriate controls, values and standards are in place. In pursuance of the Group's strategy, the Board has delegated the normal operational management of the Group to our chief executive, Keith Clarke, but has agreed a formal schedule of matters reserved solely for its decision. This schedule includes strategy, the approval of Financial Statements and shareholder circulars, treasury policy, major capital investments, risk management strategy and significant acquisitions and disposals.

During the year the Board's discussions have included:

- the Group's strategic plan
- potential acquisitions
- our health, safety and corporate responsibility performance
- approval of the Group budget and ongoing review of the Group's financial performance
- the Group's financial results and dividends
- our corporate governance framework
- shareholder matters
- our employees, succession planning and the Group's pension plan arrangements
- the share buyback programme, announced in November 2007.

The Board has a schedule of regular meetings and holds further meetings when required. In addition, directors meet as members of committees. Table 1 sets out the name of each Board member, their attendance at meetings and those Board committees of which they were a member during the year ended 31 March 2009. The biographical details for these directors, and Heath Drewett who was appointed since this date, are contained in a separate section of the Annual Report (pages 46 and 47). The chairman and non-executive directors also meet without the executive directors present at least annually.

Each Board committee has terms of reference which are reviewed annually by the Board and revised as deemed necessary and appropriate. Copies are available on the Group's website [www.atkinglobal.com](http://www.atkinglobal.com) or on request from the company secretary. Following formal consideration the Board may, on occasion, delegate authority to a standing committee consisting of any two directors to facilitate final sign-off for an agreed course of action within pre-defined parameters.

**Table 1**

Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
<b>Chairman</b>				
Ed Wallis	13/13	–	6/6	2/2
<b>Executive directors</b>				
Keith Clarke	13/13	–	–	2/2
Alun Griffiths	13/13	–	–	–
Robert MacLeod	13/13	–	–	–
<b>Independent non-executive directors</b>				
Admiral the Lord Boyce	13/13	–	6/6	2/2
Fiona Clutterbuck	13/13	4/4	–	2/2
Joanne Curin	3/3	1/1	–	– <sup>3</sup>
James Morley	12/13 <sup>1</sup>	4/4	6/6	2/2
Raj Rajagopal	10/10	–	1/1	– <sup>3</sup>
Sir Peter Williams	12/13 <sup>2</sup>	4/4	6/6	2/2

Attendance is expressed as number of meetings attended/number eligible to attend.

1. One meeting was called to discuss a specific matter where Mr Morley had a potential conflict of interest and so he absented himself from the meeting with the agreement of the Board.
2. One meeting was called at short notice and coincided with a prior engagement.
3. The appointment of Joanne Curin and Raj Rajagopal to the Nomination Committee took effect after all meetings in the year ended 31 March 2009 had taken place.

## A.2 Chairman and chief executive

It is the Group's policy that the roles of chairman and chief executive are separate, with their roles and responsibilities clearly defined, divided and recorded.

The chairman's main responsibility is the leadership and management of the Board and its governance. Our chairman, Ed Wallis, usually spends two days per week on the business of the Group. His other significant commitments are disclosed in his biography (page 46). The Board considers that these commitments do not hinder his ability to discharge his responsibilities to the Company effectively.

The chief executive is responsible for the leadership and day-to-day management of the Group. This includes formulating and recommending the Group's strategy for Board approval in addition to executing the approved strategy.

The chief executive has chosen to discharge his responsibilities for the operational management of the business through the Group Executive, his executive team. Its members currently comprise the managing directors of our principal businesses, the Group finance director, the Group HR director and the Group communications director. The team meets regularly during the year. Those members of the Group Executive who are not directors of the Company are invited to attend four Board meetings each year and to meet the non-executive directors informally without the executive directors present.

The respective roles of the Board and Group Executive are discussed further in relation to internal control (pages 54 to 56).

## A.3 Board balance and independence

Each of the non-executive directors has been determined by the Board to be independent of management and to have no business or other relationship that could interfere materially with the exercise of their judgement. The independence of the non-executive directors is considered at least annually and is based on the criteria suggested in the Code.

The senior independent director is James Morley. Lord Boyce will succeed him as senior independent director when he retires from the Board on 30 June 2009. The responsibilities of the senior independent director include leading the non-executive directors' annual consideration of the chairman's performance. He is also available to shareholders in the event they feel it inappropriate to communicate via the chairman, the chief executive or the Group finance director.

### Directors' conflicts of interest

At the 2008 AGM shareholder approval was given to amend the Company's Articles of Association to include provisions for dealing with directors' conflicts of interests in accordance with the new regime introduced by the Companies Act 2006. In advance of commencement of the new regime the Board considered and, where appropriate, authorised potential conflicts of interest for all existing directors. When directors are appointed to the Board they are required to notify the company secretary of any potential conflicts of interest and these are then considered and authorised by the Board as appropriate. As potential conflicts of interest arise, directors are required to notify the company secretary of these interests so that they can be considered and authorised by the Board as appropriate. In addition, the Company has put in place an annual process to review conflict authorisations.

## A.4 Appointments to the Board

The Nomination Committee currently comprises Ed Wallis (committee chairman), Keith Clarke, Lord Boyce, Fiona Clutterbuck, Joanne Curin, James Morley, Raj Rajagopal and Sir Peter Williams. The Committee's responsibilities include:

- reviewing the structure, size and composition of the Board
- identifying and nominating candidates for appointment to the Board and ensuring orderly succession
- making recommendations to the Board regarding the continuing service of directors and their re-election or otherwise to the Board.

The Committee's terms of reference are available for review on the Company's website or on request from the company secretary. The non-executive directors' terms of appointment are available for inspection at the Company's registered office during normal business hours and at the Company's Annual General Meeting (AGM).

During the year, the Committee recommended the appointments of Raj Rajagopal and Joanne Curin as non-executive directors with effect from 24 June 2008 and 10 February 2009 respectively. Details relating to Raj Rajagopal's appointment were disclosed in the Company's 2008 Annual Report. Joanne Curin was advised prior to her appointment of the time commitment considered necessary to enable her to fulfil her responsibilities. The Committee also recommended the appointment of Heath Drewett as an executive director with effect from 15 June 2009, shortly prior to him assuming the role of Group finance director from Robert MacLeod on 19 June 2009.

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The Board believes that Joanne Curin and Heath Drewett will be considerable assets to the Company, bringing their experience to bear as we continue to develop the business. External search consultancies were used to assist in making both appointments.

## A.5 Information and professional development

The company secretary, under the chairman's direction, is responsible for ensuring that information flows within and between the Board, its committees, the non-executive directors and senior management function effectively. The company secretary is also responsible for advising the Board on all governance matters.

On joining the Board, directors take part in a formal induction process. This includes the provision of past Board materials to provide background information on the Group, information on Board processes and governance, site visits and meetings with key employees. The induction is tailored to each new director's specific needs. Raj Rajagopal and Joanne Curin received a detailed induction programme which included meetings with each member of the Group Executive. Heath Drewett will also be provided with a comprehensive induction to the Group.

A continuing professional development framework is in place to assist the chairman, executive directors and non-executive directors in discharging their responsibilities effectively following appointment to the Board. All non-executive directors meet regularly with members of the Group Executive. Key employees are also invited to attend Board dinners during the year and this, together with the presentations and site visits, helps ensure the non-executive directors remain informed of business developments.

All directors have access to the advice and services of the company secretary and are entitled to receive independent professional advice, at the Company's expense, as required.

## A.6 Performance evaluation

The Board, as part of its commitment to ensuring its effectiveness, carried out an evaluation of its performance and processes during the year. Each director completed a confidential survey regarding the performance of the Board as a whole, which was followed by a private meeting with the chairman to discuss both the Board's performance and that of the director. The recommendations arising from this process have been considered by the Board and appropriate actions were identified and have been implemented. During the year, the Audit Committee and Remuneration Committee also completed formal assessments of their performance and processes in the form of surveys completed by members and key stakeholders.

The chairman's performance was reviewed by the non-executive directors, led by the senior independent director.

## A.7 Re-election

In accordance with the Company's Articles of Association, one-third of the Board is required to retire by rotation each year. In addition, any director appointed since the last AGM will stand for re-appointment at the AGM. These requirements ensure that each Board member is re-elected at regular intervals.

## B. Remuneration

Details on the directors' remuneration and the work of the Remuneration Committee, as required by the Code and the Directors' Remuneration Report Regulations 2002, can be found in the Directors' Remuneration Report (pages 58 to 64).

## C. Accountability and audit

### C.1 Financial reporting

All shareholder communications are designed to present a balanced and understandable view of the Group's position and prospects. Statements regarding directors' responsibilities and the status of the business as a going concern are given in the Directors' Report (pages 48 and 51).

### C.2 Internal control

The Board is responsible for reviewing and approving the Group's system of internal controls and its adequacy and effectiveness. This established system of internal controls includes financial, operational and compliance controls and risk management. It is the task of management to implement the agreed policies on risk and control.

Our system of internal financial and operational controls is designed to meet the Group's particular needs and aims to facilitate effective and efficient operations, to safeguard the Group's assets, ensure proper accounting records are maintained and ensure that the financial information used within the business and for publication is reliable. Our risk management process identifies the key risks facing each business and reports to the Board on how those risks are being managed.

Such a system of internal control can only be designed to manage rather than eliminate risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement and loss.

The Board has a process for identifying, evaluating and managing the risks we face. That process is continual and has been in place for the year under review up to and including the date of this report. This process covers subsidiaries in which the Group has an interest of 50% or more. Joint Ventures in which we do not have overall control are not treated, for these purposes, as part of the Group. For these Joint Ventures, systems of internal control are applied as agreed between the parties to the venture. The Audit Committee formally reviews the operation and effectiveness of the Group's system of internal controls on an annual basis. The latest review covered the financial year to 31 March 2009 and included the period to the approval of the Directors' Report and Financial Statements by the Board.

Key features of our system of internal control are as follows:

- **Group organisation and culture**  
By its statements and actions the Board emphasises a culture of integrity, competence, fairness and responsibility.

The Board focuses mainly on strategic issues, senior management performance and financial performance. Our chief executive and the Group Executive, as his senior executive team, concentrate on operational performance, operational decision-making and the formulation of strategic proposals to the Board. The Group's managing directors manage

their businesses with the support of senior managers. The Board determines how the chief executive operates within a framework of delegated authorities and reserved powers which seek to ensure that certain transactions, significant in terms of their size or type, are undertaken only after Board review.

- **Control environment**

Our operational structure has clearly documented and communicated principles of delegation of authority and segregation of duties. The Group's management systems include financial policies and procedures, corporate and business quality assurance manuals, health and safety procedures and environmental management procedures. These procedures are subject to review to ensure that improvements to enhance controls can be made.

- **Financial reporting**

The Board approves a strategic plan and annual budgets for the Group. The financial performance of individual business segments is reported regularly and compared to annual budgets. We report to our shareholders on a half-yearly basis. Forecasts for the Group are updated and reviewed by the Board regularly.

- **Project and contract control**

Procedures seek to ensure that risks are identified throughout the project lifecycle from bidding to completion. Regular review procedures are in place to ensure that issues are reported to the Board appropriately. A commercial risk and audit framework is in place that requires peer review to be carried out for all significant bids and opportunities or where significant investment decisions have to be taken.

- **Business conduct policy**

The Board is responsible for the Group's business conduct policy. The Group believes that integrity is a fundamental prerequisite for successful business relationships, both internally and externally. Reputation, trust and confidence are essential elements that we seek to protect and enhance for the benefit of all those with whom we have a relationship. The Group seeks to understand and meet its customers' needs, whilst striving for continuous improvement. Across the Group there are procedures in place that seek to underpin this approach. By so doing the Group aims to meet the needs of all stakeholders.

- **Individual business controls**

Individual businesses and central corporate functions complete an annual self-certification statement. Responsible managers personally confirm the review of their systems of internal control and their compliance with Group policies. The statement also requires the reporting of any significant control issues that have emerged so that areas of Group concern may be identified and addressed and experience shared. The results of the process are reviewed by the Audit Committee and reported to the Board.

- **Functional speciality reporting**

The Board assesses the risks facing the business on an ongoing basis and has identified a number of other key areas that are subject to regular reporting to the Board such as health and safety, environment, human resources, tax and treasury.

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## • Risk management review

The Board assesses risk management throughout the Group, aided by the Group Risk Committee and detailed reviews of internal controls and risk management. The Group risk management framework requires businesses to record formally all significant risks facing their business and detail the steps being taken to avoid or mitigate those risks. A summary of the key risks facing the Group is placed on a risk register which is reviewed regularly by the Audit Committee and the Board.

The Group maintains insurance policies to provide protection from losses arising through claims from clients. The adequacy of the Group's insurance cover, including arrangements within the captive insurance company, is reviewed by the Board annually.

## • Internal audit

The internal audit function undertakes a programme to address internal control and risk management processes with particular reference to the Turnbull guidance. Its conclusions are communicated to the relevant level of management and the function has a direct reporting responsibility to the Audit Committee.

## C.3 Audit Committee and auditors

During the year the Audit Committee comprised James Morley (Committee chairman), Fiona Clutterbuck, Joanne Curin and Sir Peter Williams. Joanne Curin, a chartered accountant, will succeed James Morley as Committee chairman when he retires on 30 June 2009. All members of the Committee are considered by the Board to be independent and to have recent and relevant financial experience. The Committee's terms of reference are available for review on the Group's website. The Committee's activities have included:

- an assessment of the effectiveness of the Company's system of internal control, risk management process and the Group's employee disclosure arrangements
- a detailed review of the internal audit plan
- regular examination of the reports arising from the work undertaken by the internal audit function
- a review of the continued independence of the external auditors including their audit and non-audit work, together with the adoption of an updated policy with respect to the engagement of the external auditor for non-audit work
- a review of the independent external auditors' audit plan and their findings in relation to the annual report and half-year report
- a review of the Company's draft annual report, half-year results and associated announcements focusing on key judgemental areas and accounting policies
- an appraisal of its own effectiveness and that of the internal and independent external auditors.

The Committee meets the independent external auditors and head of internal audit privately at each scheduled meeting. The independent external auditors and head of internal audit also have unrestricted access to the Committee and its chairman.

The Committee monitors the cost-effectiveness of audit and non-audit work performed by the independent auditors and also considers the potential impact, if any, of this work on independence. Approval is required prior to the auditors commencing any material non-audit work in accordance with the Group policy. The policy identifies certain non-audit work that may be awarded with the approval of the executive directors whereas other work requires specific approval of the Committee. Certain work is prohibited. The Committee also regulates the appointment of former employees of the external audit firm to positions in the Group. The Committee regularly reviews all fees for non-audit work paid to the independent external auditors. Details of these fees can be found in note 5 to the Financial Statements (page 87).

The independent external auditors also operate procedures designed to safeguard their objectivity and independence. These include the periodic rotation of audit partner, use of independent concurring partners, use of a technical review panel (where appropriate) and annual independence confirmations by all staff. The independent external auditors report to the Committee on matters including independence and non-audit work on an annual basis.

## D. Relations with shareholders

### D.1 Dialogue with institutional shareholders

The Board regards communication with shareholders as key. Relations with shareholders are managed mainly by the chief executive and Group finance director. Meetings are held regularly throughout the year with institutional investors, fund managers and analysts. The Group's website contains information on current activities including the annual and half-year results presentations.

The chairman also writes to our institutional investors annually to reinforce our commitment to open, ongoing dialogue. The senior independent director and other non-executive directors, along with the chairman, make themselves available for meetings with major shareholders, the chairman particularly being available to discuss governance. This enables shareholders to take up with these individuals any issue they feel unable to raise with the chief executive or Group finance director.

The non-executive directors are kept informed of the views of shareholders with the executive directors providing updates on investor meetings. The Group's broker provides briefings to the Board on shareholder opinions and compiles independent feedback from investor meetings.

### D.2 Constructive use of the AGM

All our shareholders are invited to attend the Company's AGM, at which all directors are present. We seek to encourage shareholder participation by enabling proxy votes to be lodged online via our share portal, [www.myatkinsshares.com](http://www.myatkinsshares.com).

### Statement of compliance with the Combined Code

Throughout the year ended 31 March 2009 the Company complied with the provisions of Section 1 of the Code. It also complied with the Combined Code on Corporate Governance adopted by the Financial Reporting Council in June 2008, although the Company is not obliged to do so until the financial year ending 31 March 2010.

Approved by the Board and signed on its behalf by

#### **Richard Webster**

Company Secretary  
16 June 2009