



## Business Review

### Principal risks and uncertainties

We have a number of potential risks and uncertainties which could have a material impact on our long-term performance. To enable us to deliver value to all stakeholders we endeavour to mitigate these risks where possible.

Effective risk management is embedded into our governance framework, which is explained in the Corporate Governance Report.



Risk	Mitigation
<p><b>Competition</b> The Group faces competition in all of its markets. Some of the markets in which we operate serve a limited number of clients and barriers to entry are high. In other markets, such as architectural design and environment, there are numerous competitors and barriers to entry are lower.</p>	<p>To ensure that the Group continues to win work, we work hard to develop long-term relationships with our clients. We have also taken measures to reduce our cost base to ensure that we remain competitive. In addition, our robust processes for monitoring bidding activity seek to ensure that Atkins bids reflect the competitive environment in which we are working and that the contracts deliver appropriate returns. A measure of this success is our work in hand; this measures our secured workload over the coming year. Our overall work in hand is 54%, representing over six months of 2010/11 revenue that is already contractually committed.</p> <p> See pages 18 to 31 for our segmental performance</p>
<p><b>Changes to the contracting environment</b> The contracting environment in which we operate continues to evolve. Clients increasingly seek to transfer risk to consultants; contractors will also seek to share risks. There is a possibility that, in securing new work, the Group accepts risks that are insufficiently understood or evaluated, with ensuing financial loss.</p>	<p>We actively mitigate this risk via a range of internal review procedures that enable contract terms to be subject to appropriate scrutiny and manageable risks to be reduced. Our service delivery process, which forms an important internal control within our governance framework, is continually enhanced to address these issues.</p> <p> See page 60 for more information about our governance framework</p>

Risk	Mitigation
<p><b>Matching staffing levels to workload</b> The Group balances staff resources against workload to control the level of non-productive time. In an economic downturn there is a risk that there is insufficient work to match current resources.</p>	<p>This risk is managed by working in a diverse portfolio of sectors and markets, and by the redeployment of staff from those parts of the business where the workload is reducing to other parts of the business where the workload is strong. Productivity is a key internal measure and is constantly monitored across the Group, with selective restructuring and headcount reduction undertaken as necessary. This approach has been successfully implemented during the last year to maintain levels of productivity.</p> <p> See pages 36 to 41 for our Human Resources Review</p>
<p><b>Project management</b> Managing clients' and our own projects is core to our business. Inadequate project management skills could lead to financial loss and reputational damage.</p>	<p>The Group mitigates these risks via the internal controls within our governance framework, ongoing training, knowledge-sharing and selective recruitment.</p>
<p><b>Pensions</b> The Group's defined benefit pension funds have a material deficit. The Group has previously agreed measures to reduce this deficit; however the deficit is exposed to the risk of changes in interest rates and asset values, as well as inflation and the life expectancy of the members.</p>	<p>The Group's defined benefit pension funds are closed to new members. Future accruals ceased in October 2007. The Group actively monitors the funds position, taking professional actuarial advice, assessing liabilities, and is implementing inflation swaps to reduce future volatility. The next actuarial valuation is under way, following which the Group will agree appropriate contributions into the fund to reduce the deficit over an agreed period of time.</p> <p> See pages 107 to 114 for note 29 to the Financial Statements</p>
<p><b>Market position and reputation</b> Our reputation for delivering complex projects relies on the perception of our clients and how the Group is portrayed publicly. There is a risk that a major failure from poor design, poor project management or delivery could impact our ability to win future work.</p>	<p>We mitigate this risk by ensuring our governance framework includes robust cost, project management and other internal controls. These are subject to regular independent audit against industry standards.</p> <p> See page 60 for more information about our governance framework</p>
<p><b>Health, safety and the environment</b> The Group's business is concerned with the built environment and this entails significant health, safety and environmental risks. Should the Group's policy or practice in this area prove inadequate, there is a consequent risk to employees, clients, contractors and third parties and also a risk of reputational damage to the Group.</p>	<p>The Group takes these issues very seriously, and ensures all staff are adequately trained in health, safety and environmental issues; indeed we lead our sector on health and safety matters. Procedures in this area are central to our governance framework and are continually reviewed and improved. We also undertake regular independent audits against industry standards.</p> <p> See pages 42 to 50 for our Corporate Responsibility Review</p>
<p><b>Data security</b> There is a risk that Atkins might mishandle client, commercial or staff data. Such an event could expose the Group financially and have a significant impact on our reputation.</p>	<p>Data security is taken very seriously, and we have in place procedures on how to handle clients' and staff data, including the use of secure networks and encryption. Appropriate building security is in place to protect confidential data, and offsite storage of client data and use of cyber protection of both hardware and software applications have been implemented. In addition, training our staff so that they understand their responsibilities is an important mitigating measure.</p>
<p><b>Recruitment and retention of sufficient high-calibre staff</b> The recruitment and retention of the best people is crucial to our future success. Failure to do so would constrain the growth of the business and prevent us from delivering our strategy.</p>	<p>The Group expends a great deal of management effort and resource in this area, and further details of our staff controls are given in the Human Resources Review and Corporate Governance Report.</p> <p> See pages 36 to 41 for our Human Resources Review</p>
<p><b>Crisis event</b> A crisis event at an Atkins site or one affecting staff could lead to loss of staff or interruption to service delivery.</p>	<p>The Group's business continuity strategy requires business continuity plans (BCPs) for all major global offices. Staff awareness and testing of BCPs is a key mitigating measure, and the resilience of our back-up systems for IT infrastructure is regularly tested.</p>
<p><b>Global political, economic, legal and regulatory risks</b> Atkins works in selected countries around the world, potentially exposing the Group to political, economic, legal and regulatory risks. Political instability could threaten our operations, an economic slowdown could have an adverse impact on workload for both our private and public sector clients, and the Group could fail to adequately address legal and regulatory risks in unfamiliar jurisdictions.</p>	<p>The Group mitigates these risks by monitoring economic indicators and sentiments in the markets in which we operate, as well as maintaining a strong balance sheet, working in a diverse portfolio of business sectors and markets and by building flexibility into future plans. We look to remain cash-positive on projects and negotiate commercially favourable payment terms on contracts. Our service delivery process seeks to identify legal and regulatory risks during bidding and through the lifecycle of projects.</p>