

Corporate Governance Report

The Board is committed to maintaining high standards of corporate governance. The directors seek to ensure that the Group's governance framework complies with accepted good practice and in particular with the principles of the Combined Code on Corporate Governance (the Code), adopted by the Financial Reporting Council (FRC) in June 2008. It provides an explanation of how the Code has been applied and the extent of the Company's compliance. A copy of the Code can be found on the FRC's website www.frc.org.uk.

A. Directors

A.1 The Board

The Board is responsible for the overall direction and management of the Company and for the establishment and maintenance of a framework of delegated authorities and controls which ensure the efficient and effective management of the Group's operations.

Within this framework, operational management is delegated to the chief executive with the Board maintaining appropriate oversight of operational activities via regular review and reporting.

The Board retains control of a number of defined matters which include the consideration and approval of strategy, the approval of financial statements and shareholder circulars, Group policies, major capital investments, risk management strategy and significant acquisitions and disposals. The Board has held regular meetings throughout the year with discussions covering:

- health, safety and environmental performance
- the Group's strategic plan and the strategic issues facing its businesses
- potential acquisitions and disposals
- approval of the Group's budget and ongoing review of financial performance
- the Group's financial results and dividends

- people management including employee engagement, recruitment, retention, succession planning and the Group's pension plan arrangements
- the corporate governance framework and internal controls
- risk monitoring and management
- major projects and tenders
- shareholder matters and feedback.

Directors also meet as members of committees. The attendance of each director at Board meetings, and those committees of which they were a member during the year, is set out in Table 1. The business and academic background of each director in office at the year end is contained in his or her biography (pages 52 and 53). The chairman and non-executive directors also meet formally without the executive directors present. Regular dialogue takes place between directors between scheduled meetings.

The Board has approved terms of reference for each committee which are reviewed annually. Copies of the terms of reference for the Audit, Remuneration and Nomination Committees are available on the Group's website www.atkinsglobal.com or on request from the company secretary. Following formal consideration the Board may also delegate authority to a standing committee, consisting of any two directors, to provide the final sign-off for an agreed course of action within pre-defined parameters.

A.2 Chairman and chief executive

The roles of the chairman and chief executive are separate, with their responsibilities clearly defined. The chairman's main responsibility is the leadership and management of the Board and its governance.

Table 1: Board and committee attendance

| Director | Board | Audit Committee | Remuneration Committee | Nomination Committee |
|--|-------|-----------------|------------------------|----------------------|
| Chairman | | | | |
| Ed Wallis ¹ | 8/8 | – | 4/4 | 2/4 ² |
| Allan Cook ³ | 4/4 | – | – | 1/1 |
| Executive directors | | | | |
| Keith Clarke | 10/10 | – | – | 5/5 |
| Heath Drewett ⁴ | 8/8 | – | – | – |
| Alun Griffiths | 10/10 | – | – | – |
| Robert MacLeod ⁵ | 3/3 | – | – | – |
| Independent non-executive directors | | | | |
| Admiral the Lord Boyce | 10/10 | – | 5/5 | 5/5 |
| Fiona Clutterbuck | 10/10 | 4/4 | 4/4 | 5/5 |
| Joanne Curin | 10/10 | 4/4 | – | 5/5 |
| James Morley ⁶ | 3/3 | 1/1 | 2/2 | 3/3 |
| Raj Rajagopal | 10/10 | – | 5/5 | 5/5 |
| Sir Peter Williams | 10/10 | 4/4 | 5/5 | 4/5 ⁷ |

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

1. Ed Wallis resigned as a director and chairman on 31 January 2010.
2. Ed Wallis absented himself from two meetings, mindful of the Code requirement that he should not chair any discussion at which arrangements for the recruitment of his successor took place.
3. Allan Cook was appointed as a non-executive director and chairman-elect on 10 September 2009. He succeeded Ed Wallis as chairman on 1 February 2010.
4. Heath Drewett was appointed as a director on 15 June 2009.
5. Robert MacLeod resigned as a director on 19 June 2009.
6. James Morley resigned as a director on 30 June 2009.
7. One meeting was called at short notice and coincided with a prior engagement.



Terms of reference
[www.atkinsglobal.com/
investors_tor](http://www.atkinsglobal.com/investors_tor)

Ed Wallis, chairman until 31 January 2010, usually spent two days per week on the business of the Group. His successor, Allan Cook, currently spends at least three days per week with Atkins. He has made this additional time commitment to obtain a thorough understanding of the Group and its operations, to meet staff and to engage with shareholders.

On appointment, Allan Cook met the independence criteria set out in the Code. He also disclosed his other significant commitments to the Board prior to his appointment and his current commitments are disclosed in his biography (page 52). The Board considers that these commitments do not hinder his ability to discharge his responsibilities to the Company effectively. Indeed, his involvement with organisations that promote the education of future engineers complements the Group's efforts to promote engineering and technical professions.

The chief executive is responsible for the operational management and leadership 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 coordinates the operational management of the Group via the Group Executive, the membership of which includes the managing directors of the Group's principal businesses, the Group finance director, the Group HR director and the Group communications director. Those members of the Group Executive who are not directors of the Company meet with the Board at least biannually and proactively engage with the non-executive directors.

A.3 Board balance and independence

The Board considers the independence of the non-executive directors annually against the criteria set out in the Code with each being determined as independent of management having no business or other relationship that could interfere materially with the exercise of their judgement.

Lord Boyce succeeded James Morley as senior independent director on 30 June 2009. His responsibilities include leading the non-executive directors' annual consideration of the chairman's performance. Lord Boyce 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

Directors are required to notify the company secretary of any potential conflicts of interest when they are appointed to the Board and, following appointment, as new potential conflicts arise. These notifications are then considered and authorised by the Board as appropriate. In addition, the Company has put in place an annual process to review conflict authorisations with the last review undertaken in October 2009.

A.4 Appointments to the Board

Allan Cook, Keith Clarke, Lord Boyce, Fiona Clutterbuck, Joanne Curin, Raj Rajagopal and Sir Peter Williams are members of the Nomination Committee. Ed Wallis was committee chairman until his retirement from the Board on 31 January 2010 with Allan Cook succeeding him as chairman. James Morley was a member of the committee until his retirement from the Board on 30 June 2009. The Committee's responsibilities include:

- reviewing the structure, size and composition of the Board
- identifying and nominating candidates for appointment to the Board
- ensuring planned and orderly succession
- making recommendations to the Board regarding the continuing service of directors and, if appropriate, their re-election to the Board, subject to shareholder approval.

The non-executive directors' terms of appointment are available for inspection at the Company's registered office during normal business hours and also at the Company's AGM.

During the year the Committee recommended the appointment of Allan Cook as a non-executive director and chairman-elect with effect from 10 September 2009. Ed Wallis did not attend meetings regarding the appointment of his successor and these meetings were therefore chaired by James Morley initially, and subsequently Lord Boyce, as senior independent director. The Committee used an external search consultancy to assist in making the recommendation for Allan Cook's appointment. As part of the search process, the Committee prepared a job specification including a clear indication of the time commitment expected. The Board believes that Allan Cook will be a considerable asset to the Company, bringing his experience to bear as it continues to grow the business.

A.5 Information and professional development

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

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 framework, site visits and meetings with employees. The induction is tailored to each new director's specific needs with Allan Cook in the process of completing and Heath Drewett having undertaken a comprehensive induction programme.

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 See pages 54 to 57 for our Directors' Report

 See page 65 to 71 for our Remuneration Report

The company secretary ensures that the chairman, executive directors and non-executive directors are provided with appropriate training opportunities to enable them to discharge their responsibilities effectively. During the year this has included external training courses paid for by the Company. Key employees are also invited to attend Board lunches and dinners during the year and this, together with presentations and site visits, helps to 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 is committed to ensuring its effectiveness. On his appointment as chairman, Allan Cook conducted an immediate appraisal of the Board, its Committees and individual directors collectively and via private one-to-one meetings with each director. He also obtained feedback on the Board from members of the Group Executive and the company secretary. A more comprehensive performance evaluation will take place later in 2010 and it is anticipated that an evaluation facilitated by an external third party will take place in 2011.

The performance of the previous chairman, Ed Wallis, was reviewed during the year by the non-executive directors, led by the senior independent director. The tenure of the new chairman, Allan Cook, has not been of sufficient length for a meaningful review of his performance to be carried out and this will therefore be considered later in 2010.

A.7 Re-election

In accordance with the Company's articles of association, one-third of the Board retires by rotation each year. In addition, any director appointed since the last AGM will stand for election at the next AGM and must subsequently retire from the Board at least every third year at which time, being eligible, he or she may offer himself or herself for re-election. This ensures that each Board member is re-elected at regular intervals.

B. Remuneration

Details of the directors' remuneration and the work of the Remuneration Committee, as required by the Code, the Companies Act 2006 (the Act) and Schedules 5 and 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, can be found in the Remuneration Report (pages 65 to 71).

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 56 and 57). The Company seeks to comply with Accounting Standards Board guidance on narrative reporting.

A summary of our share capital structure is set out in the Directors' Report (pages 55 and 56).

Figure 1: Governance framework



C.2 Internal control

The Board is responsible for reviewing and approving the Group's governance framework and ensuring its adequacy and effectiveness, as set out in the Turnbull guidance. Internal controls, which include financial, operational and compliance and risk management systems, are central to this framework and are considered in three categories:

- Board
- business performance controls
- project controls.

The Group's values and ethics permeate each category of the governance framework as do controls with regard to quality, safety and environment (QSE), people and audit and risk.

The governance framework is illustrated in Figure 1.

The governance framework reflects the devolved and decentralised structure of the Group, which is considered a key part of the Group's ability to deliver multi-local services to its clients. Under this structure authority and control are delegated from the chief executive to the managing directors of the principal businesses (each of whom are members of the Group Executive) and then downward to business and project managers as appropriate. Within this framework:

- authority is delegated within clearly prescribed limits
- decisions are escalated where either project size or risk profile require a higher level of authority
- activity and performance are tracked through monthly and quarterly reports
- effectiveness is audited via internal audit and self-assessment controls.

The governance framework is designed to manage, rather than eliminate, the risk of failure to achieve stated business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss.

Joint Ventures in which the Company does not have overall control are not covered by the Group's governance framework. For these Joint Ventures, systems of internal control are applied as agreed between the Joint Venture parties.

Business performance controls

The Group's devolved and decentralised structure is considered key to its continued success. Within this, operational management is delegated to the managing directors and management teams of each business.

Strategic plans and annual budgets are developed via a structured process which ensures that each business responds appropriately to market opportunities within an overall strategy for the Group. These plans and budgets are reviewed formally by the chief executive, Group finance director and Group HR director before finally being approved by the Board.

The performance of each business against targets is reviewed quarterly by the chief executive, Group finance director and Group HR director. These reviews are wide-ranging, covering matters including quality, safety and environment, financial performance and forecasts, employee matters and commercial, strategy and operational matters.

In addition, the managing director and management team of each business review management accounts for the business on a monthly basis. The Group finance director and Group financial controller also review monthly financial performance. These monthly financial performance updates are consolidated and distributed to the Board, business managing directors and business finance directors.

Each business has a management board, which varies in size and composition to meet the specific needs of the business but always includes at its core the business managing director, business finance director, business commercial director and HR business partner. The business management board is responsible for the day-to-day operations of each business.

Project controls

The primary objective of the Group's project systems and controls is to deliver business objectives and customer requirements in an efficient and consistent manner. These systems and controls are mandated in order to minimise the risk of errors on projects, and to maximise the delivery of the required technical quality to customers and the required profitability to the Group.

Controls are in place to ensure that the right people approve bids, projects and purchases and that appropriate and focused reporting provides managers with the right information to make informed decisions. The system provides common processes to deliver maximum efficiency.

Whilst significant responsibility for commercial issues is delegated to the businesses, there are consistent controls in place to ensure the Group is able to assess and manage overall business risk. This is set out in the commercial risk and audit framework.

Within each business a framework of internal controls exists that forms a robust business management system. These systems include policies, processes, procedures, guidance, plans and other tools such as pro formas specific to the needs of the business. They are implemented to manage and control risk and to ensure activities are effectively controlled.

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Corporate Responsibility
www.atkinsglobal.com/cr



See pages 36 to 41 for our
 Human Resources Review

The Group authority matrix summarises the authority of employees at each level of the organisation to commit the Group to expenditure and contractual liabilities in the course of their duties. It has been designed to allow the Group to operate flexibly and efficiently. Controls are in place to ensure the Group authority matrix and procedures around its operation and management are adhered to.

A service delivery process has been adopted to enable us to realise value from opportunities for customers, the Group and partners whilst always adhering to the Group's business conduct policy. The process is applied from the receipt of a lead, through bidding, project delivery and project closure; the full life cycle of a project. It overlays requirements on line managers to ensure a consistent, controlled approach to projects.

Each bid and each project has a project manager and a project director appointed to it. These individuals are responsible for ensuring the project is carried out in accordance with the Group's service delivery process. Controls exist to identify individuals who are suitable for these roles.

Commercial procedures and guidance notes have been developed to help bid and project managers understand specific commercial issues in the bidding process. Whilst the Group commercial policies and procedures are mandatory, guidance notes are advisory and provide the background to specific commercial and legal issues. The guidance notes are reviewed annually to ensure they are up to date and relevant.

An annual risk review of all parts of the Group is undertaken with the assistance of the Group's insurance brokers. This review is based on interviews with key personnel and the results are shared with the Group's Risk Committee and the Board. Risk logs are produced throughout the Group in accordance with the risk management policy, including project risk logs and business risk logs, which feed into the Group risk log. Project risk logs form an important part of the service delivery process whilst the Group risk log is reviewed by each of the Risk Committee, Audit Committee and Board.

Project summary reports are one-page summaries of the financial status of projects at a point in time. The project manager, project director and lead engineer are required to approve the report on a monthly basis.

Project audits are carried out by the internal audit function. The activities of this function are described in more detail below.

Quality, safety and environment (QSE)

The Board sets Group policies on corporate responsibility, including QSE. The chief executive is the Board member responsible for corporate responsibility and for the Group's performance, supported by Group-wide frameworks. A common management structure governs QSE. The Group director for QSE, who reports to the chief executive, is responsible for Group QSE. Each business also has dedicated QSE representatives.

Corporate responsibility-related Group policies include quality, health and safety, environment, sustainability, community, business conduct, data protection, dignity and equality at work, employee disclosure (whistle-blowing) and the appropriate use of information technology. These are published on the Group's intranet and may be provided externally on request. They are reviewed regularly and updated to reflect changes to legislation, emerging good practice and business needs.

A summary of the Group's corporate responsibility activities is provided for shareholders in the Corporate Responsibility Review (pages 42 to 50). In addition, the Group provides further information on corporate responsibility, which includes detailed information in respect of safety leadership and performance, carbon reduction, respect for the environment and working with our community on the Group's website www.atkinsglobal.com/cr.

People

The Group's principal objective is to maintain a culture and an environment within which talented professionals can be recruited, retained, developed and deployed to work in support of its clients. Significant effort is made to treat staff consistently and fairly yet at the same time as individuals.

The Group endeavours to operate cohesively. However, people are employed in several countries where employment practices and legislation differ from the principal market in the UK. In these jurisdictions the Group operates in compliance with local requirements.

A range of business controls are maintained to ensure that the Group:

- identifies and meets resource requirements
- selects people with the requisite skills, qualifications and credentials
- manages employee performance and engagement
- develops the careers and capabilities of individuals
- makes skills and careers mobile across the organisation
- assures the health and well-being of all staff
- manages employment obligations, liabilities and risks.

More information on the Group's people is provided in the Human Resources Review (pages 36 to 41).

Risk

The Board has established a Risk Committee, chaired by the chief executive, to provide assistance with the day-to-day management of risk and to oversee the operation of the Group's risk management framework. During the year, the members of the Risk Committee comprised the chief executive, the Group finance director, the company secretary, the Group legal director, the head of internal audit, the corporate services director and the Group risk manager. The Committee's responsibilities during the year have included:

- reviewing significant risks and ensuring they are being actively managed
- instilling risk awareness into Atkins' corporate culture and sharing knowledge and best practice
- reviewing and monitoring the changing risk profile for the Group
- reviewing the continued relevance of the Group's insurance programme arrangements
- reviewing significant claims arising in the period together with lessons learned
- reporting to the Board and Audit Committee regularly on its activities.

Internal audit

The Group aims to ensure that all its activities are adequately controlled to mitigate risk and support achievement of objectives, while avoiding the creation of excessive bureaucracy. The internal audit function supports this aim by providing the directors, through the Audit Committee, with an objective evaluation of the Group's governance framework. The internal audit function also aims to raise levels of understanding and awareness of risk and control throughout the Group.

The head of internal audit reports to the Group finance director and, through the Audit Committee, to the Board. Where relevant, the internal audit function will additionally report its findings to members of the Group Executive and other operational managers.

The internal audit function uses an annual self-certification process which requires managers throughout the Group to personally confirm the testing of the internal controls and compliance with Group policies within their business or function and the steps taken to address actual or potential issues that are identified. Central reporting enables good practice to be shared throughout the Group.

The internal audit function has unlimited access to records, staff and data (subject to any formal client restrictions). The head of internal audit will report any concerns about restrictions placed on the authority or scope of the team's work to the chief executive, Group finance director and Audit Committee.

The internal audit function is independent and free from interference in determining the scope of internal auditing, performing audit work and communicating results. It operates within the terms of its charter as laid out on the Group's intranet and complies with the Standards and Code of Ethics of the Institute of Internal Auditors. Should the head of internal audit become aware of any non-compliance, the chief executive, Group finance director and Audit Committee would be informed.

Independent audit

The external audit is an important independent control.

The appointment of the independent auditor is approved by shareholders annually. The independent auditor's audit of the Financial Statements is conducted in accordance with international standards on auditing issued by the Auditing Practices Board. The independent auditor, currently PricewaterhouseCoopers LLP, provides the following:

- a report to the Audit Committee giving an overview of the results, significant contracts and judgements and observations on the control environment
- an opinion on the truth and fairness of the Group and Company accounts
- an internal control report, following its audit, highlighting to management any areas of weakness or concern.

Adequacy and effectiveness of internal controls

The Board monitored and reviewed the adequacy and effectiveness of the Group's governance framework, which includes internal controls and risk management, on a continual basis throughout the year ended 31 March 2010 and up to the date of approval of the Annual Report. Support was provided by the Group's Risk Committee, the internal audit function and the Company's independent auditor.

C.3 Audit Committee and auditor

Joanne Curin, Fiona Clutterbuck and Sir Peter Williams are each members of the Audit Committee. James Morley was committee chairman until his retirement from the Board on 30 June 2009, when he was succeeded by Joanne Curin. Each member of the Committee is considered to be independent and to have recent and relevant financial experience. During the year the Committee's activities have included:

- monitoring the financial reporting process
- an assessment of the effectiveness of the Group's system of internal control, risk management process and employee disclosure (whistle-blowing) and fraud response arrangements

- a detailed review of the internal audit plan
- regular examination of the reports arising from the work undertaken by the internal audit function
- approval and review of an independent assessment of the internal audit function and its remit
- regular review of the Group's risk log
- a review of the continued independence of the independent auditor including a review of its audit and non-audit work
- a review of the independent auditor's audit strategy and implementation plan and its findings in relation to the Annual Report and half-year report
- the recommendation to the Board of the independent auditor for re-appointment
- a review of the Company's draft Annual Report, half-year results and associated announcements focusing on key judgemental areas and accounting policies.

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

PricewaterhouseCoopers LLP has been the Company's independent auditor since it listed on the London Stock Exchange in 1996. The Audit Committee considers that the relationship with the independent auditor is working well and remains satisfied with its effectiveness. Accordingly, it has not considered it necessary to date to require the firm to tender for the audit work although it has considered its appointment on an annual basis. There are no contractual obligations restricting the Company's choice of independent auditor.

The Committee monitors the cost-effectiveness of audit and non-audit work performed by the independent auditor and also considers the potential impact, if any, of this work on independence. Approval is required prior to the independent auditor commencing any material non-audit work in accordance with a Group policy approved annually by the Committee. The policy identifies certain non-audit work, such as regulatory work, the auditing of share schemes, provision

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of non-material systems or project services, that may be awarded with the approval of the executive directors within certain limited financial parameters and other work, such as the provision of material systems or project services, that requires specific approval of the Committee. Certain work, such as providing bookkeeping services, is prohibited. The Committee also regulates the appointment of former employees of the independent auditor to positions in the Group. The Committee regularly reviews all fees for non-audit work paid to the independent auditor. Details of these fees can be found in note 5 to the Financial Statements (page 93).

The independent auditor also operates procedures designed to safeguard its objectivity and independence. These include the periodic rotation of the 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 auditor reports 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 effective communication with shareholders as key. Relations with shareholders are managed principally 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 business activities including the annual and half-year results presentations.

The chairman, senior independent director and other non-executive directors make themselves available for meetings with major shareholders. This provides shareholders with the opportunity to take up with these individuals any issue they feel unable to raise with the chief executive or Group finance director.

Allan Cook wrote to the Company's major institutional investors following his appointment as chairman-elect, setting out his and the Board's commitment to shareholder engagement and offering to meet with them to gain a better understanding of their views. Representatives covering over 33% of the issued share capital of the Company accepted the offer and have now met with him to discuss their views. The feedback from these meetings has been discussed by the Chairman with the Board.

The non-executive directors are also 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.

Following the appointment of Allan Cook, the Board engaged a third party to conduct an independent appraisal of shareholder engagement by the Company. The results of this appraisal were presented to the Board in June 2010.

D.2 Constructive use of the AGM

The Company's shareholders are invited to attend the AGM at which all directors are present. Shareholder participation is encouraged by enabling proxy votes to be lodged online via the Company's share portal, www.myatkinsshares.com.

Statement of compliance with the Combined Code

Throughout the year ended 31 March 2010 the Company complied with the provisions of Section 1 of the Code.

Approved by the Board and signed on its behalf by

Richard Webster
Company secretary
16 June 2010