



British Nuclear Group

Intelligent nuclear clean-up

Risk Management in a Highly Regulated Industry

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Objectives

- Discuss the Role of Effective Risk Management in a highly Regulated Environment
- Why embedded Risk Management is important
- Stakeholder interaction
- Providing customer assurance

Effective Risk Management - Risk Management Framework

- What Key aspects do we need from a Risk Management Framework?
- It is **risk based**
- It is **embedded** in the business
- It provides **assurance** to stakeholders
- It's effectiveness is **reviewed**
- It is an **integral** part of the Programme Controls Organisation

Effective Risk Management

BNFL Risk Management Best Practice

- Clear commitment for the process from the top of the organisation
- On everybody's agenda
- Understand why it is important
- People have clear objective and target
- Regular reporting

Effective Risk Management

Risk Treatment

- The main treatments are:
 - *avoidance* - can the business strategy be changed?
 - *retention* - managing risks within the organisation by positive action or process
 - *transfer* - transferring risks to third parties or use of insurance transfer techniques
 - *financing* - financing risks through a variety of forms including provisions , government agencies etc.
 - *acceptance* - risks we accept without treatment

Embedded Risk Management Success Criteria

- Excellence is the the effective management of the organisation by the utilisation of a interrelated and interdependent systems and processes. The Results are:-
- Efficient and realistic decision making
- Effective risk management
- Ensures the delivery of the organisations aims and objectives

Stakeholder Interaction

Imbalance between Operator & Regulator Risks

Stakeholder Interaction

- How do we assess the imbalance what we as an operator see as risks vs. what the regulator wants addressed (usually a much longer list). These are:-
- short-term results vs. long term benefit (might be different)
- conflict between regulators drivers (i.e. NII vs EA)
- constant / ongoing ramping up of regulatory demands

Stakeholder Interaction

What Good Governance Requires

“The Board should maintain a sound system of internal control to safeguard shareholders’ investment and the company’s assets.”

“The directors should, at least annually, conduct a review of the effectiveness of the group’s system of internal control and should report to shareholders that they have done so. The review should cover all controls, including financial, operational, and compliance controls and risk management.”

“ Companies which do not have an internal audit function should from time to time review the need for one ”

Customer Assurance

More balanced risk assessment

- Focus on three categories, covering key aspects on the Group's business objectives:
 - Financial performance
 - Profit
 - Lifetime value (NPV)
- EH&S performance
- Stakeholder perception
 - employee morale
 - quality and customer/supplier delivery
 - external relationships (e.g. Government & media)

Questions to consider when reviewing an approach to risk management

- Senior management support and promote a risk management culture
- Risk management policies & benefits of effective risk management are communicated to staff
- Risk management is embedded in the departments management processes
- Management of risk is linked to the achievement of projects
- Effective engagement of stakeholders