Risk Management Policy

Purpose of this document

The Policy explains LMA's underlying approach to risk management, documents the roles and responsibilities of staff. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.

In addition, it describes the processes, which the organisation will use to evaluate the effectiveness of internal control procedures.

Underlying approach to risk management

The following key principles outline LMA's approach to risk management and internal control.

• The organisation has a responsibility for overseeing risk management within LMA as a whole.

• An open and receptive approach to solving risk problems is adopted by the organisation.

• Managers support, advise and implement policies approved by the organisation.

• Identifying, managing and regularly monitoring risk is a routine part of the role of management at all levels.

• LMA makes prudent recognition and disclosure of the financial and non- financial implications of risks.

• Key risk indicators will be identified and closely monitored on a regular basis.

Roles and responsibilities

Role of the Organisation

The Organisation has a fundamental role to play in the management of risk. Its role is to:

Set the tone and influence the culture of risk management within LMA, which includes:

- Determining whether LMA is "risk taking" or "risk averse" as a whole or on any relevant individual issue
- Confirming what types of risk are acceptable and which are not.
- Setting the standards and expectations of staff with regard to conduct and probity.
- Determine the appropriate risk appetite or level of exposure for LMA;
- Approve major decisions which may affect LMA's risk profile or exposure;
- Monitor the management of significant risks to reduce the likelihood of unexpected problems;
- Ensure that appropriate controls are in place and working effectively for the areas of less

significant risk;

- Annually review LMA's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

Risk management as part of the system of internal control

The system of internal control incorporates risk management

- Devise and maintain a risk-based approach to establishing a sound system of internal control, covering all types of risk, at all levels;
- Identify and evaluate the risks faced by LMA;
- Identify strategies to manage and mitigate those risks identified and establish the level of exposure / residual risk;
- Devise and maintain procedures to review continually the effectiveness of the process;

This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling LMA to respond to a variety of operational, financial and commercial risks.

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