

## Corporate governance

### Corporate governance

The company is committed to high standards of corporate governance throughout the group and the board is accountable to the company's shareholders for maintaining those standards. This statement describes how the Code provisions identified in the Combined Code are applied by the company.

The board considers that the company has complied throughout the accounting period with the Code provisions set out in Section 1 of the Combined Code.

### The board of directors

The company is led by a board of directors which maintains control over the company's activities. Biographies of the current board members appear on page 16 of this report. These indicate the high level and range of experience which they possess.

The board meets at least six times each year and more frequently where business needs require. The board has a schedule of matters reserved for its decision and the requirement for board approval on these matters is communicated widely throughout the senior management of the group.

Appropriate briefing and training is available to directors on, and subsequent to, their appointment. There is an agreed procedure for directors to take independent professional advice at the company's expense. Directors have direct access to the group company secretary who is responsible for ensuring that board procedures are followed. The directors receive full and timely access to all relevant information.

The board includes four executive directors and four non executive directors. All of the non executive directors are considered by the board to be independent. Derek Roberts is the senior independent director. On 10 April 2000, John Napier agreed to accept an interim appointment as executive chairman, combining the roles of chairman and chief executive. The interim appointment is kept under review and the directors consider that it is in the best interests of the company to maintain it.

Potential appointments of both executive and non executive directors to the board are considered by the nominations committee, a majority of the members of which are non executive directors. The recommendations of the nominations committee are ultimately made to the full board, which will consider them before any appointment is made.

Any director appointed during the year is required, under the provisions of the company's articles of association, to retire and seek election by shareholders at the next annual general meeting. The notice of the annual general meeting contains a proposal to adopt new articles of association of the company, including a new article 105 to require each director to be subject to re-election at intervals of no more than three years. This will reflect more accurately the requirement of the Combined Code, which the company has previously complied with in practice.

The board has delegated certain authority to the following committees. Each committee has formal terms of reference. The membership of each of the committees is shown on page 16.

### Executive committee

Comprising all the executive directors, it has delegated authority to supervise the executive and operational management of the company.

### Audit committee

Comprising of three non executive directors, it reviews the group's system of internal control, accounting policies and financial and other reporting procedures. It makes recommendations to the board relating to the appointment of the external auditors and agrees the nature and scope of the audit. Jamie Pike is chairman of the audit committee.

### Remuneration committee

Comprising of three non executive directors, it recommends to the board the remuneration policies for the executive directors and senior management and determines remuneration packages for those executives. The executive chairman has been invited to attend meetings of the committee to discuss the performance of the other executive directors and makes proposals as necessary. No director is involved in discussion or voting in relation to their own remuneration. David Salkeld is chairman of the remuneration committee.

### Nominations committee

Comprising all of the non executive directors and the executive chairman, it makes recommendations to the board on the appointment of directors. Derek Roberts is chairman of the nominations committee.

### Environment and community committee

Comprising of two executive directors, it recommends to the board appropriate environmental policies and procedures. It is responsible for the publication of the environment and community report which is available on the internet at [www.keldagroup.com/environment](http://www.keldagroup.com/environment)

### Directors' remuneration

Full details of directors' remuneration and a statement of the company's remuneration policy is set out in the remuneration report appearing on pages 21 to 24.

### Communication with stakeholders

The company places a great deal of importance on communication with its stakeholders. Shareholders have direct access to the company via the investor relations section of its website at [www.keldagroup.com](http://www.keldagroup.com) and its free shareholder information telephone service. The company responds promptly to enquiries from shareholders and customers on a wide range of issues.

There is regular dialogue with individual institutional shareholders as well as general presentations after the interim and preliminary results. All shareholders have the opportunity to put questions at the company's annual general meeting and the company will make a presentation at the meeting to highlight the key business developments. The chairmen of the audit, remuneration and nominations committees will be available to answer questions at the annual general meeting.

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### Internal control

The board is responsible for the group's system of internal control and for reviewing its effectiveness. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the group and this has been in place for the year under review and up to the date of approval of the annual report and accounts. Strategic, financial, commercial, operational, and social, environmental and ethical risks fall within the scope of this process. The process is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, not absolute, assurance against material misstatement or loss. During the financial year, material joint ventures have been dealt with as part of the group for the purposes of applying the guidance. Associates have not been dealt with as part of the group for this purpose. However, Waste Recycling Group plc has its own process for compliance with the Code provisions.

The group's risk management process aims to be comprehensive, systematic and continuous, and based on constant monitoring of business risk. The key features of the process include the following:

- The main risks facing the group are identified and recorded in a risk register together with the control mechanisms applicable to each risk.
- There is clear allocation of management responsibility for risk identification, analysis and control.
- The audit committee generally meets four times each year and reviews the effectiveness of the systems which are in place and reports to the board.
- A risk management forum has been established with formal terms of reference comprising of senior management from key disciplines and operating companies. It advises and assists operational managing directors and the board in the implementation of the risk management process and monitors risk on behalf of the board. It reports to the audit committee.
- Business units are required to report annually on principal business risks and the operation of control mechanisms.
- The group Audit and Business Services department provides objective assurance and advice on risk management and control, and monitors the risk management process.
- Comprehensive and well defined control policies are formally set out in the company's Policies and Procedures Manual.

The board confirms that it has reviewed the effectiveness of the system of internal control. It has received the reports of the audit committee and has conducted a formal annual review covering all controls including financial, operational and compliance controls and risk management, in accordance with the Internal Control: Guidance for Directors on the Combined Code issued in September 1999.