

Strategic Risk Management Policy

Business Purpose

The Vesuvius plc, operates globally with manufacturing and representation in countries with developed foundry and primary steel manufacturing industries. The Foundry Division marketing and technology led business-to-business product sales are managed via regional management.

Foseco Foundry Division of Vesuvius plc, supplies foundry consumables that are designed to improve process capability, yield efficiency and resource utilisation in the foundry process. Main product areas include feeding aids, filtration, ferrous and non-ferrous metal treatment, binders, coatings, molten metal transfer and moulding materials. A unique level of technical and commercial service support differentiates Foseco Foundry's product offering.

Strategic Objectives

The primary Group Strategic Risk Management Objective is to protect the value of the Group on behalf of the shareholders. Within this policy there is a requirement to protect the generation of cash flows and profits through the supply of products and services to customers.

Benefits

It is recognised that, through effective management of risk and uncertainty, including both upside and downside risks, benefits accrue to all areas of the Group through maximising of opportunities and minimisation of threats.

Resources

Vesuvius plc, through its Finance, Human Resources, Marketing, Operational, Technical, Intellectual Property, Insurance and Risk Management personnel provide functions and services to the Group. The Foundry Division possesses significant Risk Management embedded in its existing management processes. To facilitate an effective process, existing risk management processes should be incorporated into the Division framework where appropriate.

Combined Code

The combined code principles of good governance and code of best practice requires the Board to maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets. The Turnbull report on the Combined Code provides guidance on assessing the effectiveness of the Company's risk and internal control processes which is reflected in this policy.

In order to satisfy the requirements of the combined code, it is the policy of the Group that the following should be carried out:

Management of Risk Process: Frameworks and Techniques

Appropriate, tailored frameworks that relate to key features of the business processes and are compatible with existing Company culture and management processes should be used as a basis for:

- Analysing (identifying, describing and estimating) risks
- Identification of risk owners
- Setting of acceptable levels of risk
- Evaluating the risks against acceptable levels of risk
- Identification and implementation of controls
- Monitoring of residual risks and the effectiveness of controls
- Reviewing and reporting on the Risk Management process at appropriate intervals, at least annually.

Risk Management techniques should be appropriate to the context and should take into account costs and benefits. Group Risk Management should be developed on a consistent and repeatable basis through the adoption and transfer of best practice in line with business needs.

Risk Appetite

The exposure of the Group to risks should be maintained at a level acceptable to the Board of Directors, on behalf of the shareholders, that is reviewed and determined at appropriate intervals by the Board of Directors or their nominees. Depending on availability and cost effectiveness, risk may be transferred or retained as appropriate.

Responsibilities and Ownership

- Vesuvius plc should manage global level strategic, high impact risks and interdependencies between businesses and policies.
- The Executive for each SBU should manage SBU specific strategic risks.
- Regional management should manage region specific strategic risks, programme and project risks.
- Operating Company management teams should manage operational risks.

Escalation and Reporting

Criteria and thresholds for escalating and reporting risks and occurrences to a strategic level should be reviewed and notified at least annually. Reporting on key risks to the Board of Directors and the Executives should be carried out on a regular basis at a frequency determined by the Board of Directors or their nominees at least annually.

Documentation

Risk Registers and Summary Risk Profiles should be maintained covering all significant risks capable of impacting on the Group / Operating Company at Strategic and Operational levels respectively. The Board of Directors or their nominees should review the Registers and thresholds for impact and probability at appropriate intervals, at least annually.

Auditing

Group Risk Management should be subject to internal and external audits at a frequency determined by the context and external and internal requirements.