



SEGREGATION OF DUTIES POLICY

This policy provides guidelines for the segregation of duties pertaining to financial transactions within Costain Group PLC's EnterpriseOne (E1) system and BACS payment system.

Adequate segregation of duties is critical to effective internal control, providing the necessary checks and balances to deter fraud, detect errors and prevent concealment of irregularities.

In general, the order approval function and accounting/reconciliation functions should be segregated among employees. When these functions cannot be separated, detailed supervisory review of related activities is required as a compensating control activity.

Procure to Pay

In order to mitigate risks of fraudulent activity within the procure-to-pay (P2P) process it is necessary to segregate duties to an extent that ensures that no individual has the ability to perform the full end-to-end process, from Address Book maintenance through to production of payments. In practice, this likely to be achieved by ensuring that individual users are excluded from performing certain key sub-processes or combinations of sub-processes.

The following rules have been established:

- Users able to create purchase orders must not be able to approve those orders.
- Users able to add or change supplier address book records or bank details must not have access to any other P2P sub-process
- The person preparing the BACS payment must not perform any other process within the payment run.
- The BACS payment paperwork must be reviewed and signed as approved by an Accountant on the payment mandate before the online payment is created.

Access Approval

Ability to perform P2P sub-processes within the E1 system is controlled through the assignment of E1 roles. Requests for assignment of the E1 roles must be approved by the Group Financial Controller or in his absence his deputy.

Requests for access to Purchase Order Entry or Voucher Entry will only be subject to approval if the user concerned is present on any approval route. Conversely, requests to be added to an approval route will trigger a check of P2P roles assigned to that user. All approvals must be confirmed via email to the E1 Support group to maintain an audit trail.

Exceptions

In exceptional circumstances (e.g. users based on small sites needing to perform a greater proportion of the P2P process than would normally be acceptable) the business may choose to allow a segregation of duties conflict. Such exceptions require the approval of the Group Financial Controller (or in his absence his deputy) by email to E1 Support.

Exceptions will be reviewed on quarterly basis to confirm that they are still acceptable.

This policy will be reviewed annually to ensure the segregation of duties is suitable, effective and consistently implemented across the Costain Group.

Signed:

A handwritten signature in black ink, appearing to read "A. Wyllie".

A. Wyllie (Chief Executive Officer)

Date: 6th Feb 2015