

Boardroom Questions

Why is risk an issue in the Boardroom?

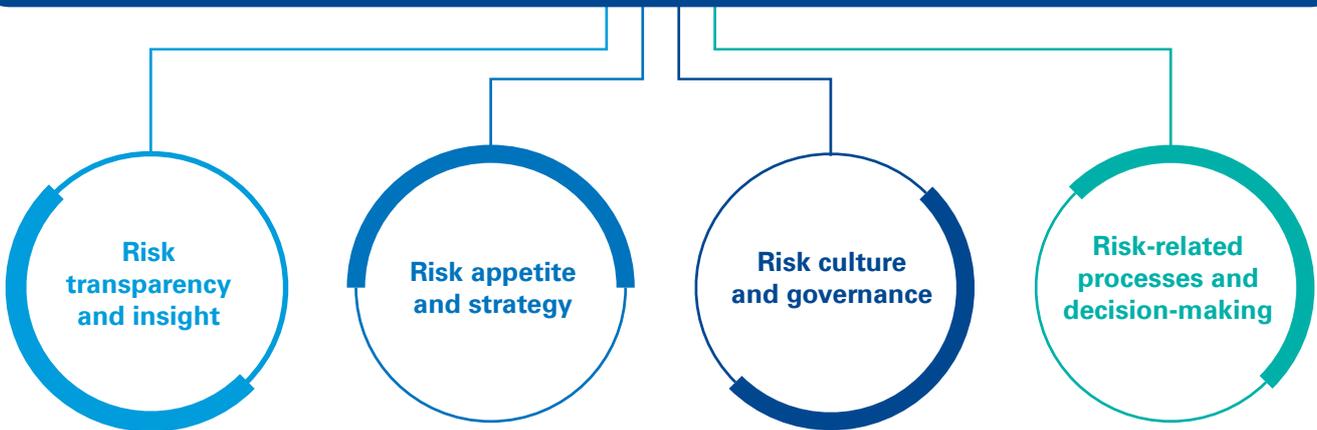
Board Leadership Center (India)



Fortify your business: Risk management should be embedded within the culture of the organisation

Managing risk is not about compliance and/or 'tick-in-the-box' exercise: It is a critical investment that can underpin an organisation's long-term growth, value and sustainability.

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In vast majority of the cases, past corporate failings could be attributed to lack of accountability, long-term vision, and failure to foresee and address emerging risks and signals of change.

Different risks that may affect the business

Strategic



- Changing customer preferences / behaviours
- Inability to predict or simulate future scenarios

Reputation



- Bribery and corruption associated risks
- Adverse media publicity
- Breaches in privacy (GDPR)

Regulation



- Non-compliance with local and global regulations
- Government policies and legislations impacting business

Operational



- Cyber and information security risks
- Talent and succession
- Third-party risks

Financial



- High currency volatility
- Credit, market & liquidity risk
- Cost of capital and interest burden

ESG



- Workplace health and safety related risks
- Economic activities impacting environment

Potential benefits and consequences for an organisation

Benefit of addressing risk

- Improves agility
- Creates a strong risk culture throughout the organisation
- Allows more effective reporting, processes and internal controls
- Helps minimise disruption
- Enables better business performance



Consequences of not addressing risk

- Possible reputational damage
- Impact on long term growth potential
- Loss of market opportunities
- Troubles in business sustainability
- Impact on profitability and ability to generate cash



Boardroom Questions

- Does our company's risk reporting provide management and the Board information we need about the top risks and how they are managed?
- To what extent has the Board issued guidance for risk management?
- Does the Board comprise a good cross section of professionals with the right skills to assess risks to the organisation?
- Are we under any regulatory actions?
- Do we have a formal robust practice for addressing regulatory change and its corresponding impacts?
- What is our company's strategy to manage ethics?
- Is the company prepared to respond to uncertain events?
- What is the current level and business impact of cyber security to our company? What is the plan to address identified risks?
- Have we performed due diligence on vendors, agents representatives and other third parties?
- Do we have adequate mechanism to identify & address changes in geopolitical scenarios affecting our business
- Is there a robust business continuity plan?

What actions can the board consider?

- Require management to complete a full risk review across our organisation which includes prioritisation of risk
- Develop a formal process to review risk. Require a formal written report from management
- Consider engaging outside expertise to drive or conduct an ERM review –experience at both risk identification, impact measurement and mitigation
- Make risk an annual agenda item –not part of a three-year strategic plan
- Active involvement of Board members to participate in the process
- Ask the tough questions
- Ensure the Board has a mixture of the right skills to address risk issues across an organisation

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