

Boardroom Questions

Why is Risk an issue in the Boardroom?



Fortify your business: risk management should be embedded within the culture of the organization



Managing risk is not about compliance and box-ticking: it is a critical investment that can underpin an organization's long-term **growth, value and sustainability**

How robust are your policies on

- Governance
- Risk
- Compliance

Can you demonstrate

- Discipline
- Control
- Responsibility

Past corporate failings have been attributed to lack of accountability, strategy and transparency

What types of risk may affect the business?



Business risk

- Misconduct and fraud risk
- Emerging technology and underlying algorithms
- Governance and compliance
 - Talent and succession
 - Third Party Risk
 - Operational Risk



Reputation

- Cyber and information security
- Third-party risks including contract defaults or a collapsing business
 - Crisis management and business continuity
 - Reputational risk
 - Instigator or defendant in a litigation case



Regulation

- Local and global regulation governing suppliers investment tax and shareholders
- Credit, market and liquidity risk
 - Geopolitical drivers
 - Anti bribery and corruption legislation
 - Privacy (GDPR and other country privacy legislation)

Potential benefits and consequences for an organization



Benefits of addressing risk

- Improved agility
- Creates a strong risk culture throughout the organization
- Allows for more effective reporting, processes and internal controls
- Helps minimize disruption
- Enables better business performance



Consequences of not addressing risk

- Possible reputational damage
- Long term growth potential
- Lost market opportunities
- Long term business sustainability
- Additional resources required to find replacement suppliers including due diligence

Boardroom Questions



Business risk

- 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 firm?
- What is our company's strategy to **manage ethics**?
- Are people in our firm equipped to recognize and resolve **moral dilemmas**?

Reputation

- Is the company prepared to respond to **extreme events**?
- What is the current level and business impact of **cyber security** to our company? What is the plan to address identified risks?
- How comprehensive is our cyber **incident response plan**? How often is the plan tested?
- How do we monitor our systems and **prevent breaches**?
- Have we performed **due diligence on vendors, agents representatives** and other third parties?

Regulation

- Are we under **any regulatory actions**?
- Do we have a **transaction monitoring system** or program to detect suspicious activity?
- Do we have a formal robust practice for addressing **regulatory change** and its corresponding impacts?
- Have we implemented a **reporting hotline** for internal and third parties to report concerns?

What actions can the Board consider?



Business risk

- Require management to complete a **full risk review** across our organization which includes prioritization 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
- Full **active involvement** of Board members to participate in the process
- Hold **management accountable**. Require management to integrate risk management into core management processes across the organization
- Ask the **tough questions**
- Ensure the Board has a mixture of **the right skills** to address risk issues across an organization

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