

How to become a Risk Intelligent company?

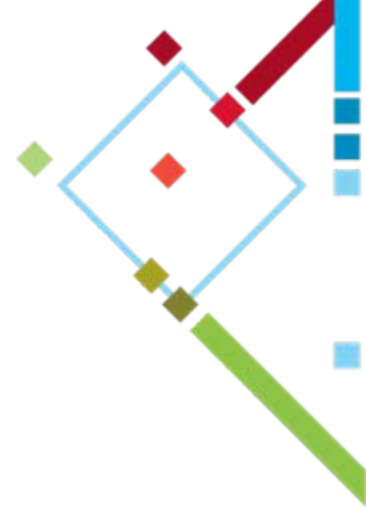
Joris Bulens

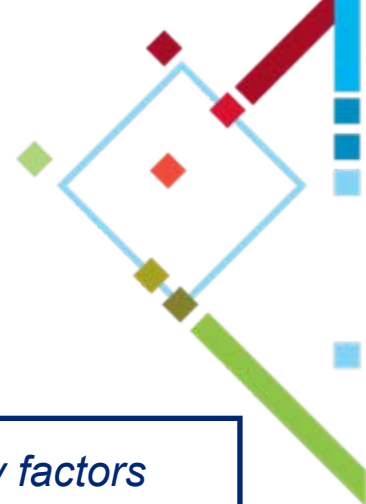
Deloitte



Agenda

1. Defining a risk
2. Risk Management
3. Implementation of Risk Management
4. Critical success factors
5. Q&A





1. Defining a risk

A. Definition

“**Risk** is the **potential for loss** or **diminished opportunity for gain** caused by factors that can adversely affect the achievement of a company’s objectives.”



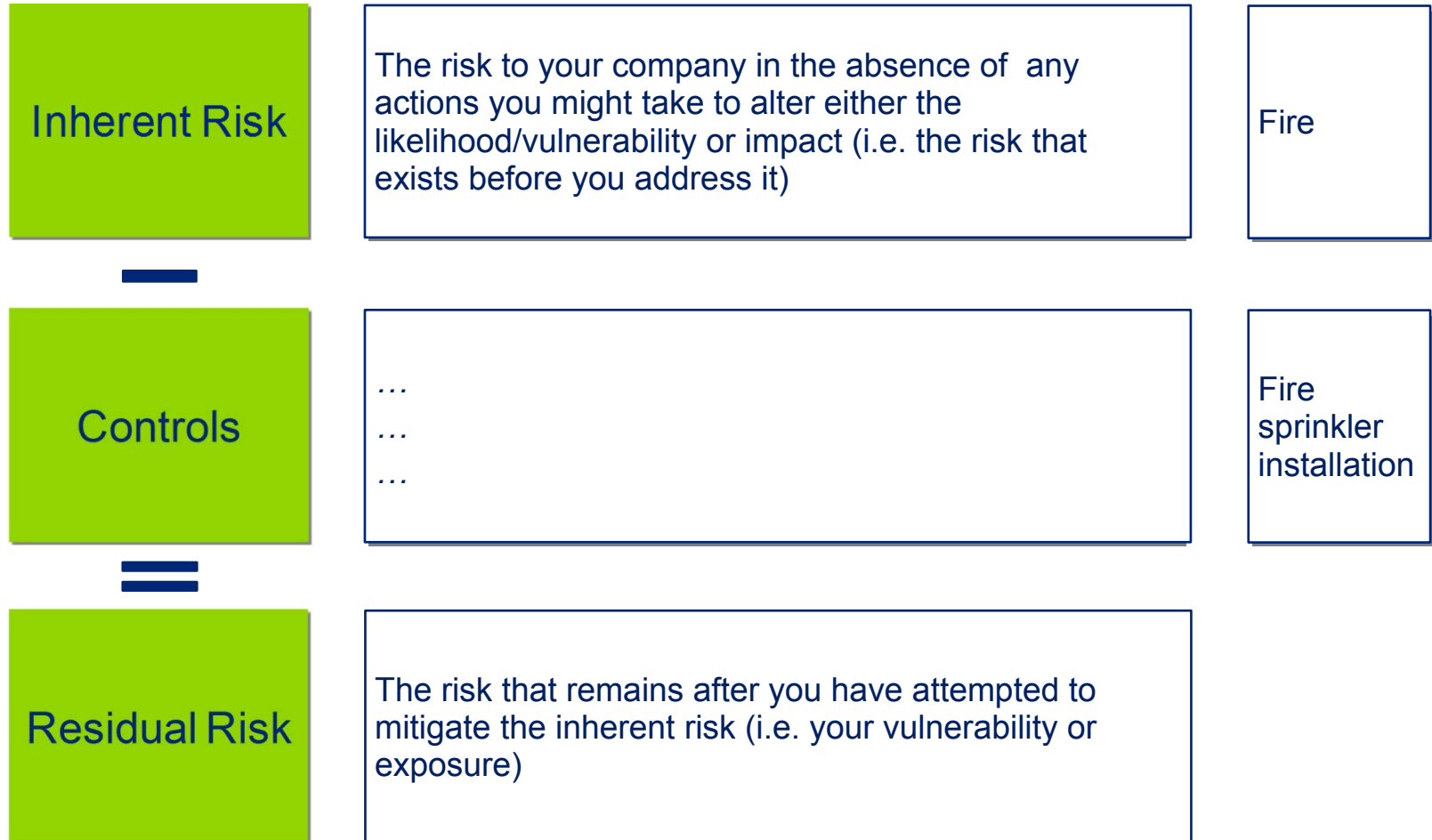
1. Defining a risk



HERE LIES A PSEUDO-SCIENTIST

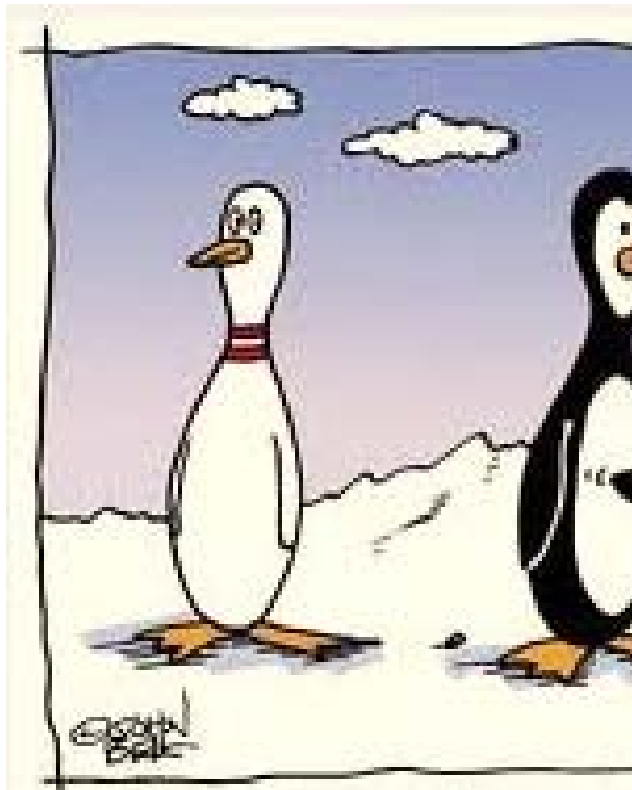
1. Defining a risk

B. Inherent vs. residual risk (cont'd)

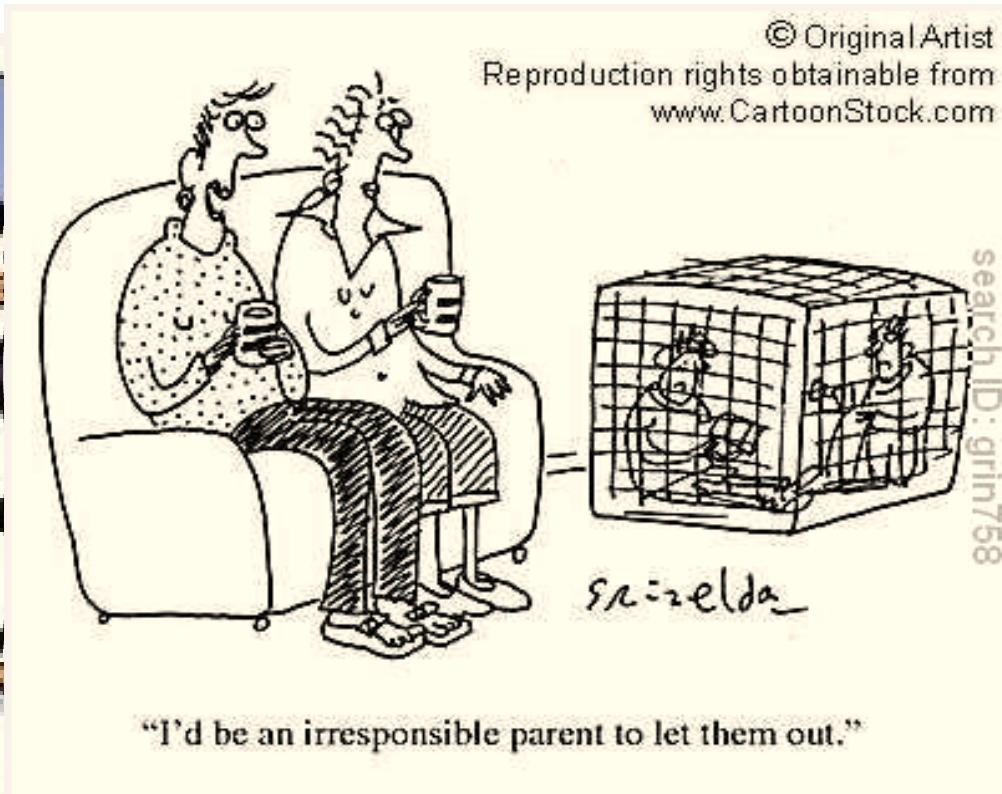


1. Defining a risk

B. Inherent vs. residual risk (cont'd)



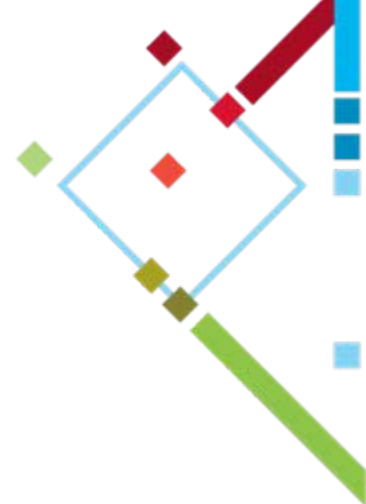
HE'S IN THE "WITNESS PROTECTION PROGRAM".



"I'd be an irresponsible parent to let them out."

Defining a risk

C. Rewarded vs. unrewarded risk



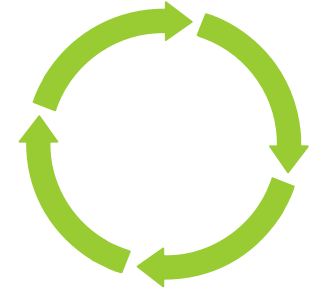
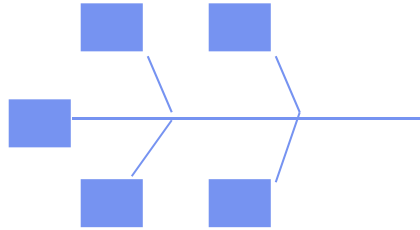
1. Defining a risk

C. Rewarded vs. Unrewarded Risks



Defining a risk

D. Risk scene overview



Objectives

Risks

Controls

Risk Management

What does the enterprise want to achieve?

- Strategic
- Operational
- Reporting
- Compliance

How can the enterprise fail to achieve its value objectives?

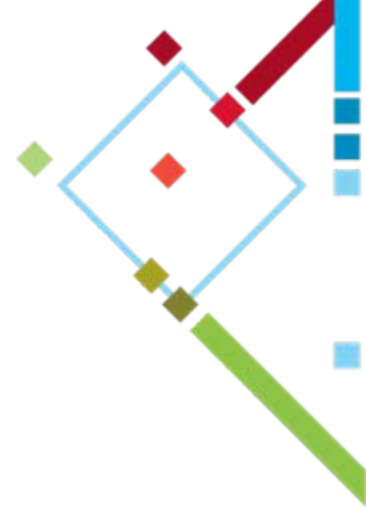
What can the enterprise do to mitigate its risks?

How should the enterprise manage its risks?

What is the vulnerability to failure?

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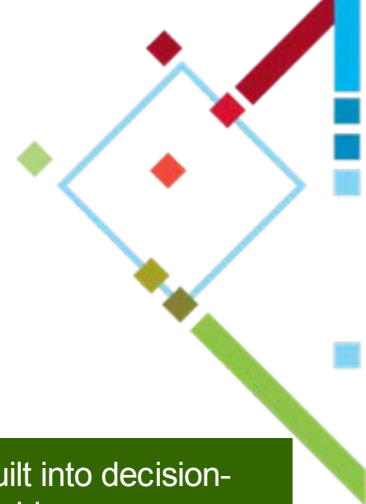
2. Risk Management

A. Definition

*“**Risk Management** is a process, effected by an entity’s board of directors, management and other personnel, applied in a strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.”*

Breaking this definition into its **key elements**, the important components of risk management are:

- Board and senior management are involved
- Risk is linked with strategy
- Risk management spans the entire enterprise
- Risk management reflects the organization’s risk appetite
- The goal is reasonable assurance, not certainty
- The focus is primarily on objectives (and only secondarily on process)



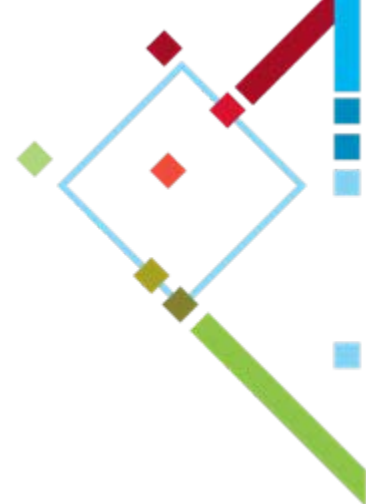
2. Risk Management

B. Risk Intelligence Maturity



Un-rewarded risk

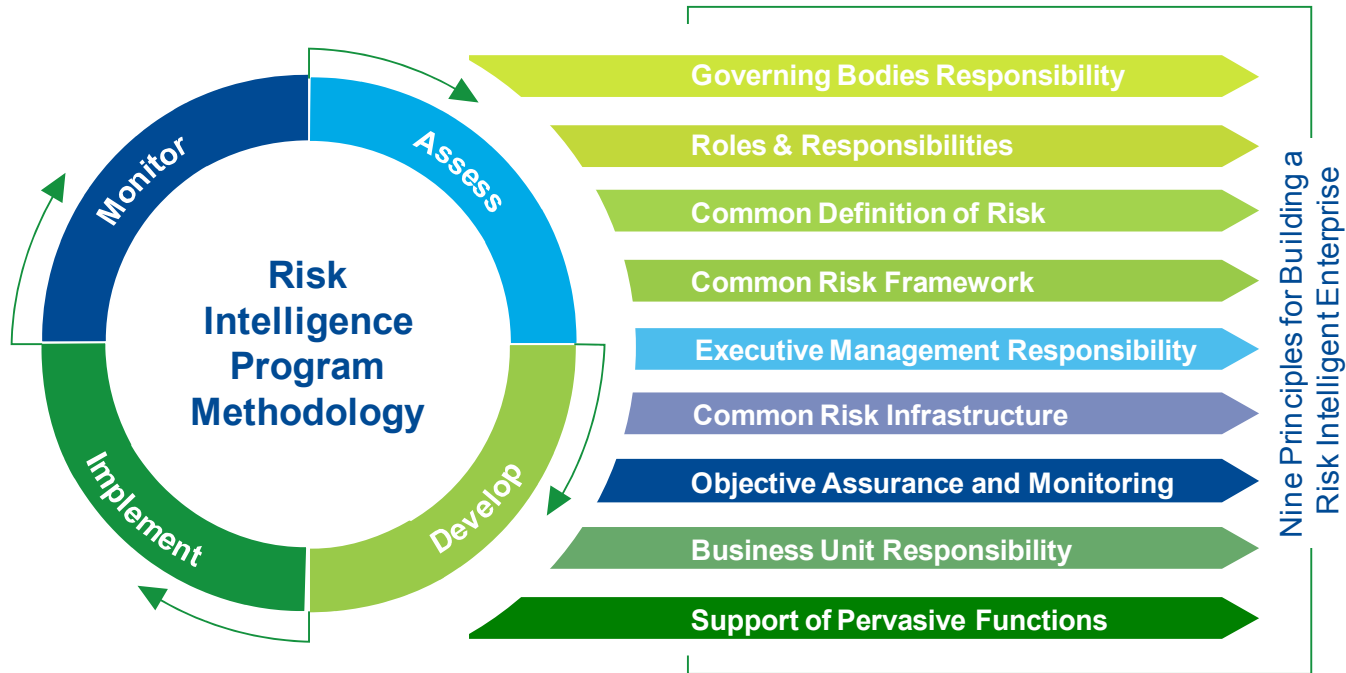
Rewarded risk

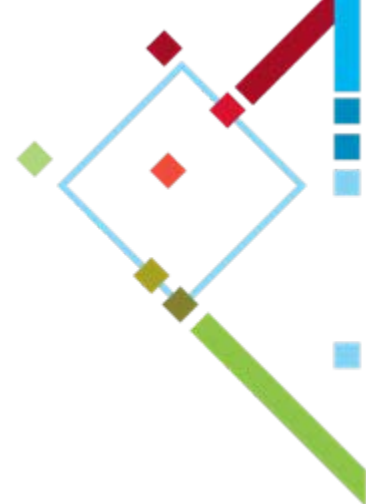


2. Risk Management

C.1 Methodology

Deloitte's Risk Intelligence Program Methodology:



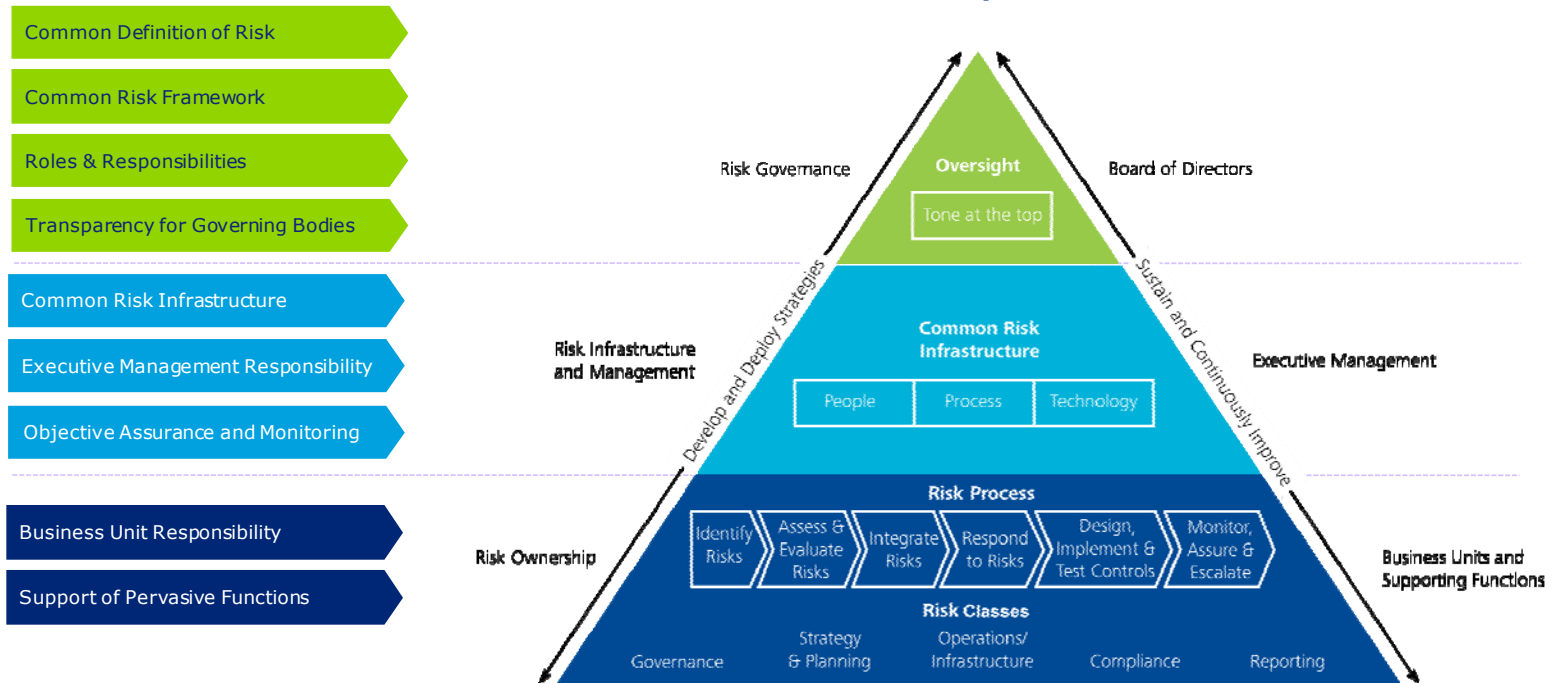


2. Risk Management

C.2 Risk Intelligence

Risk intelligent Enterprise:

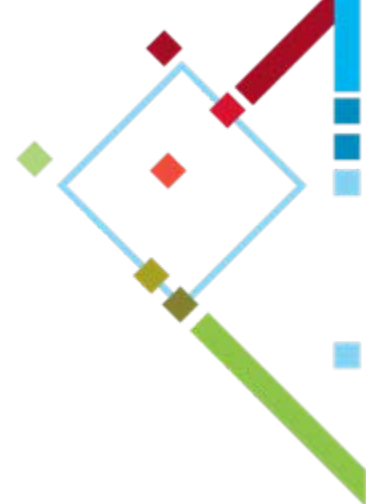
- Right balance between risk & reward
- Simultaneous focus on value protection & value creation



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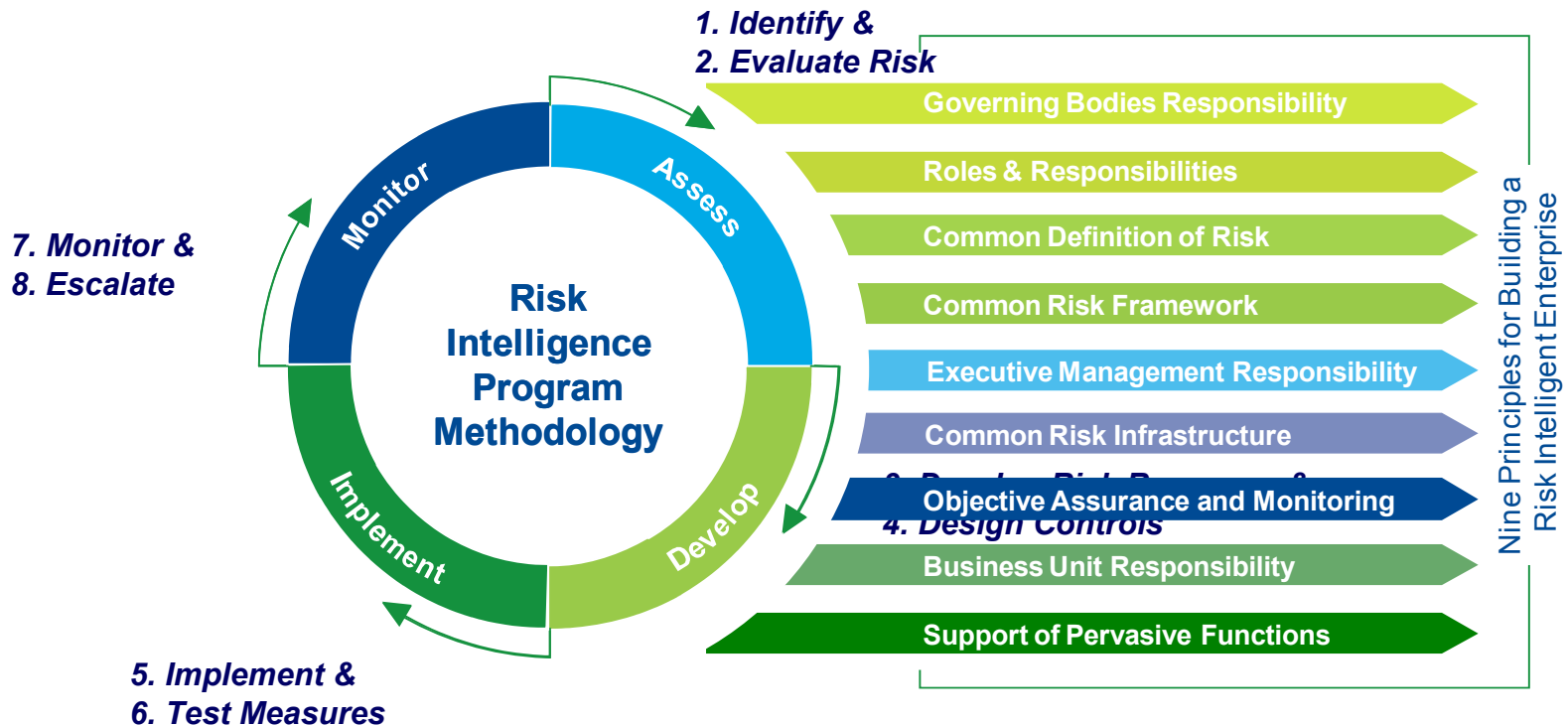
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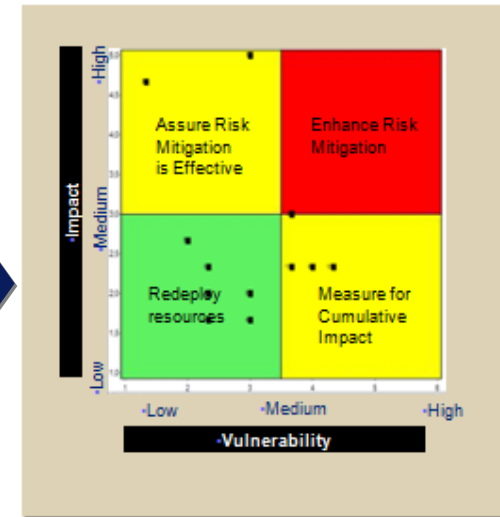
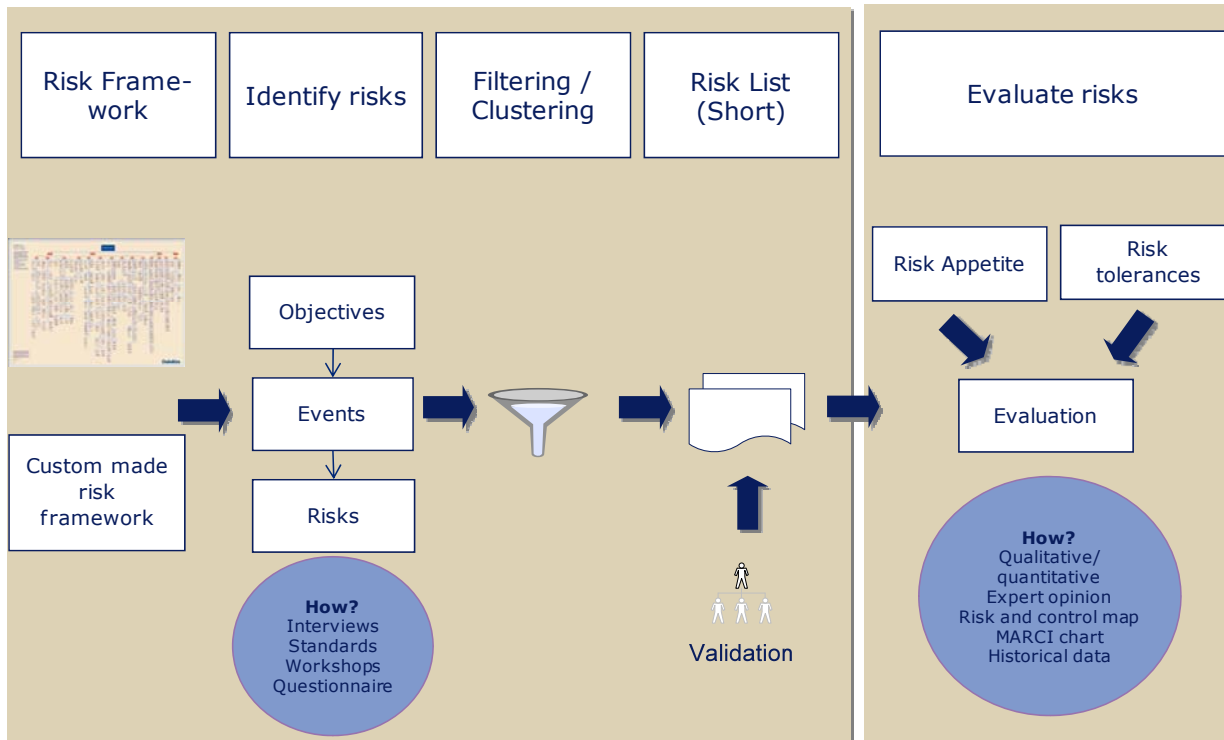
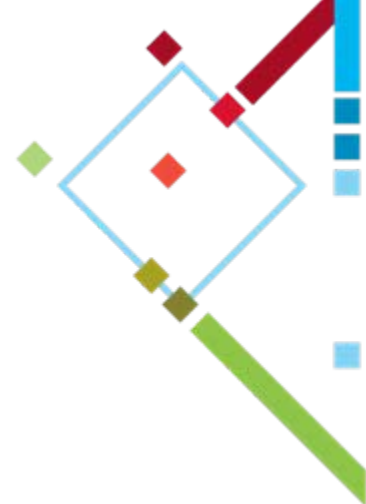
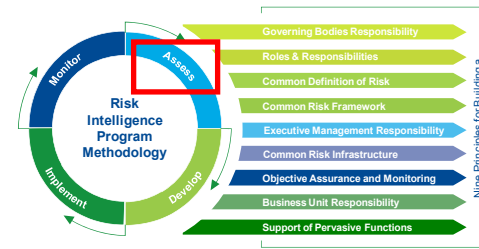


3. Implementation of Risk Management

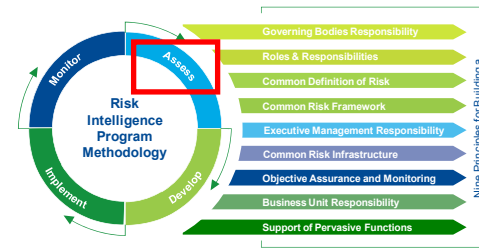
Deloitte's Risk Intelligence Program Methodology:



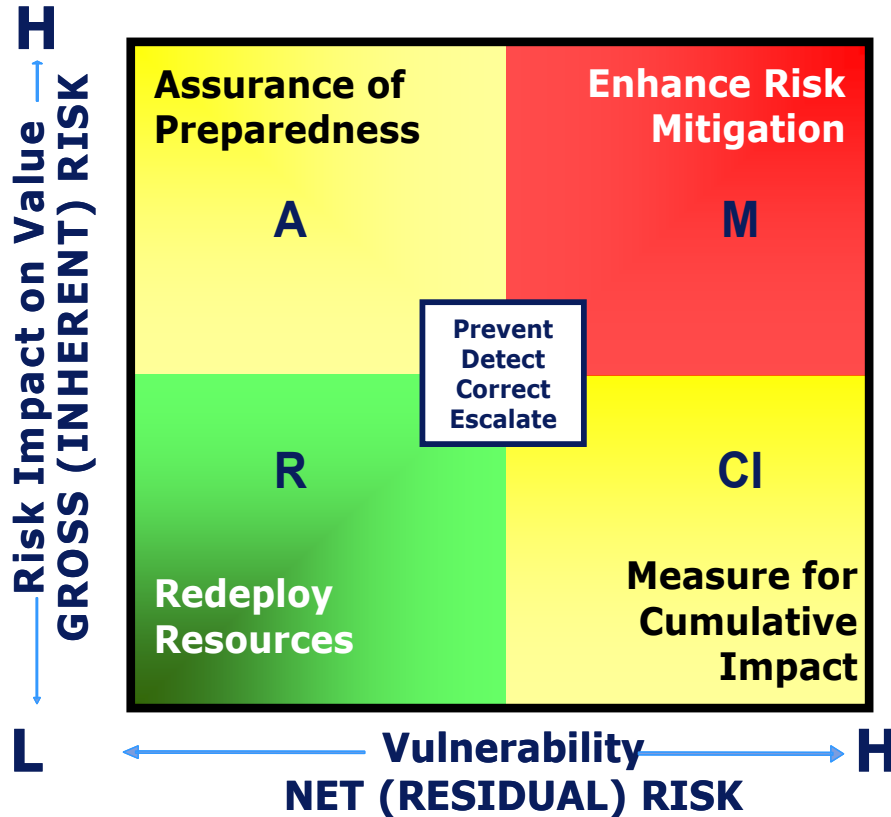
3. Implementation of Risk Management



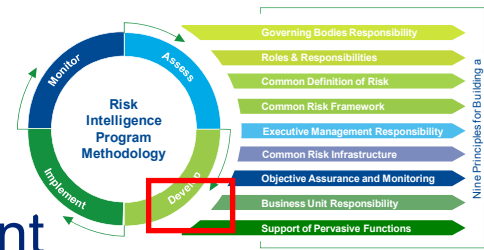
3. Implementation of Risk Management



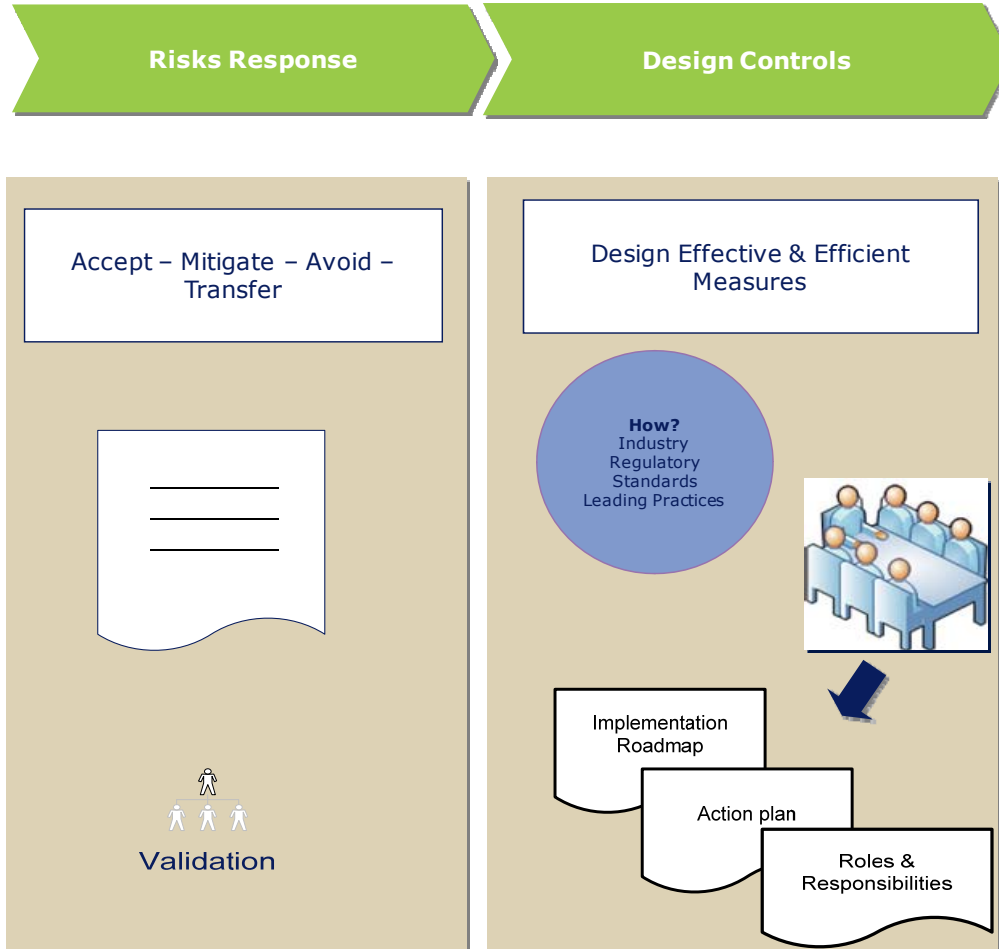
MARCI – Chart

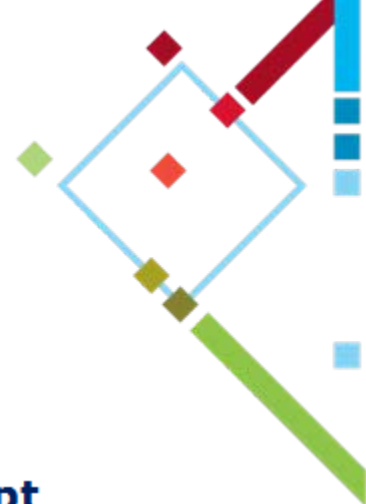
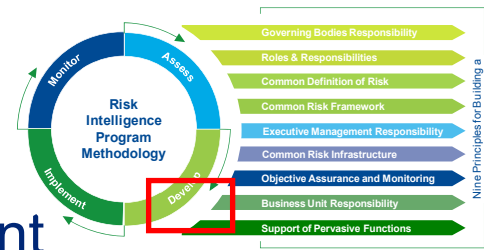


- **Mitigate** – Management strategies to reduce or minimize the impact of or the vulnerability to a risk
- **Assure** – Increased level of confidence that risk exposures are within the organization’s Risk Appetite
- **Redeploy Resources** – Determine if risk management resources are better deployed elsewhere
- **Cumulative Impact** – Investigate further to determine the aggregate impact of a number of small impacting risks



3. Implementation of Risk Management





3. Implementation of Risk Management

Avoid



Steps taken to prevent the occurrence of adverse events

- Cease activity
- Divestment of operations
- Prohibit

Mitigate



Steps taken to reduce either the occurrence or impact or both

- Define accountability
- Ensure adequate skill sets
- Develop Business Continuity Plan
- Install key controls

Transfer



Steps taken to shift loss or liability associated with adverse events to third parties

- Insure
- Outsource

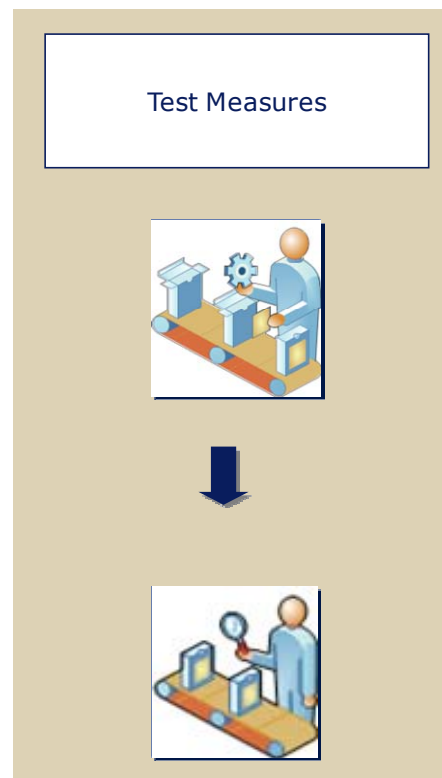
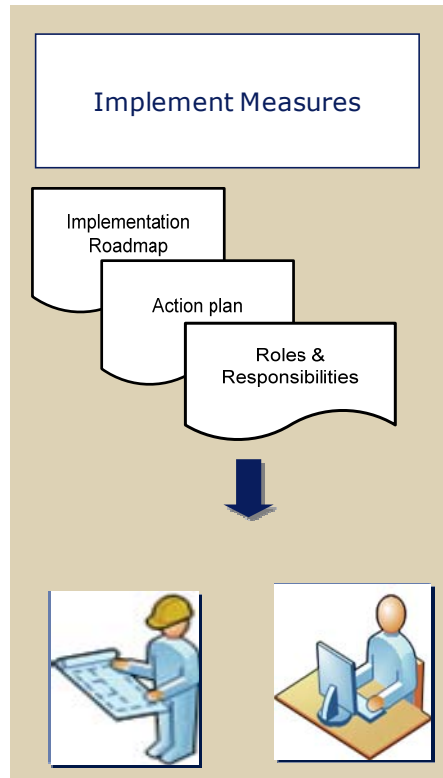
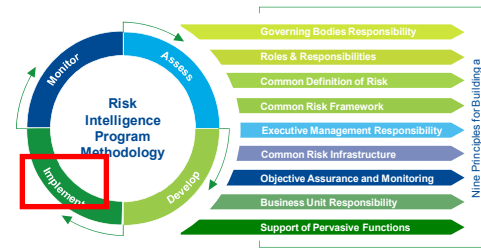
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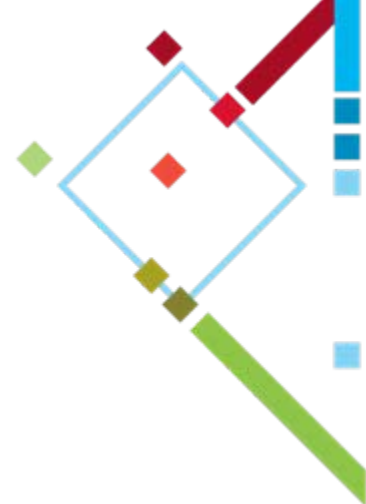
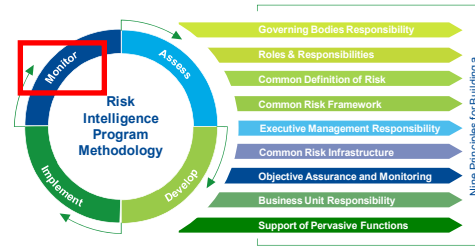
Informed decisions to fully bear the impact of any event

- No action is taken

3. Implementation of Risk Management



3. Implementation of Risk Management



Monitor

Weighted risk	Relative risk	Actions required
90	7%	
60	5%	
54	4%	
54	4%	
60	5%	

Exposure:

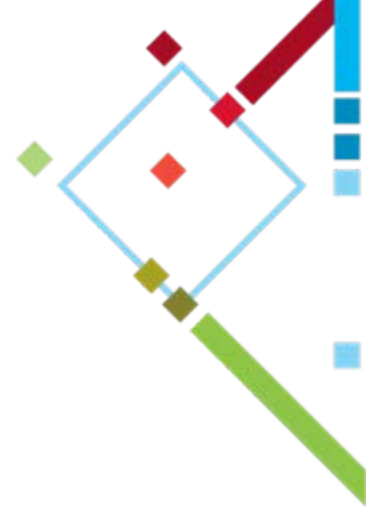
53%

Escalate

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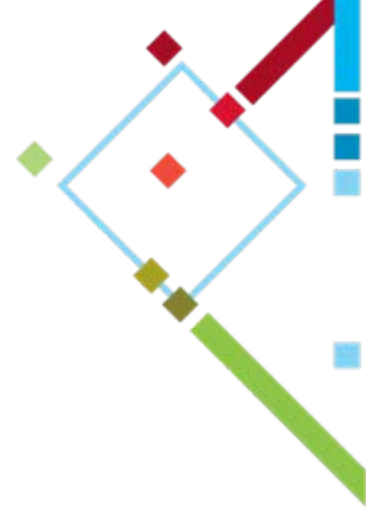


Critical success factors

- Buy-in from Board of Directors & Senior Management
- Clear & sufficient resource allocation
- Formulate a clear & common definition of risk for your company
- Create a solid RM Framework to avoid incompleteness (methodology)
- Clear ownership, also for risks transcending functions/departments (no grey zones)
- Work with measurable KPI's/KRI's
- Set up a good reporting structure & follow-up on progress
- Implement a supporting tool that fit your company's needs
- Assess once, satisfy many!

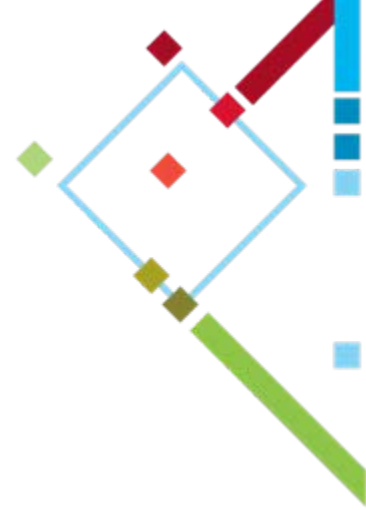
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Anticipate and shape business outcomes



Thank you