

# Corporate Risk Profiling



# Stock-Exchange Combined Code



## The code provisions (D2.1) require:

- The directors to conduct a review of the effectiveness of the internal controls
- ALL internal controls (financial, operational and risk management)
- At least annually
- Report to shareholders that they have done so

# Selecting the Right Approach

- ✓ **Systematic Process to Identify Risks**
- ✓ **Categorisation of Risks**
- ✓ **Ensure there is a System of Risk Control**
- ✓ **Monitor to Ensure the Control is Effective**

# Corporate Risk Profiling



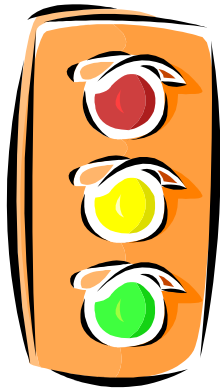
A structured process which helps identify, assess and control your business risks and to:

- meet Stock Exchange requirements
- optimise business profitability
- protect against surprise losses

# Level of Detail

- ✓ Many controls in place already - what is required is to formalise the process and keep it simple
- ✗ Not overly complex and time-consuming
- ✓ The approach should be at a "Group Materiality" level
- ✗ Not at too great a level of detail
- ✓ Appropriate summary report to the board providing a "corporate overview"

# Framework



- **Metrics for impact and likelihood**
- **Risk scoring matrix**
- **Risk “map”**
  - route plan for identification of risks within businesses
- **Risk register**

# Corporate Risk Areas

Mission, vision, values and strategy

Corporate Management

Legal and Regulatory

Mergers, acquisitions and  
divestments

Subsidiaries

Expansion

IP

IT

Security

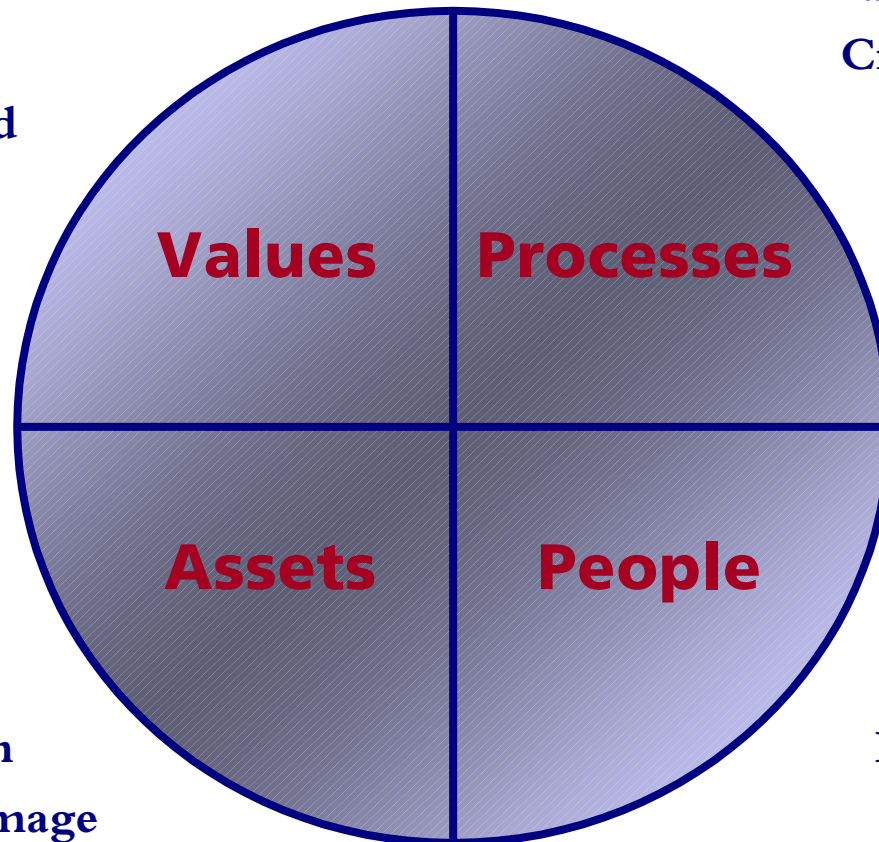
Facilities

Plant, offices, premises

Confidential Information

Company Reputation/Image

Branding



Responding to Market

Business Continuity

Crisis Management

Operational Risks

Financial control

Reputation

Suppliers

Customers

HR

Key personnel

Outsourcing

Environment

Health and Safety

Ethical behaviour

Neighbours / 3rd parties

# Risk Ranking

**Objective: Set up an appropriate system for ranking and prioritising actions on risks**

## IMPACT

<b>None</b>	Negligible and impact recoverable
<b>Minor</b>	0.1% reduction in turnover or 1% reduction in contribution.
<b>Moderate</b>	1% reduction in turnover or 10% reduction in contribution.
<b>Significant</b>	10% reduction in turnover contribution wiped out
<b>Substantial</b>	Business unit posts significant losses...

## LIKELIHOOD

<b>Incredible</b>	Is not judged to be credible
<b>Improbable</b>	Is not likely to occur over the next ten years with some margin of safety
<b>Remote</b>	Is likely to occur about once every ten years
<b>Occasional</b>	Is likely to occur about once a year...

# Findings: Risk Matrix

Frequent	1.19	2.83,2.84,3.7,4.9	2.1,5.5,6.6			
Probable		1.23,2.5,2.17,2.25, 2.28,2.81,2.87,3.8, 3.14,3.31,4.1,4.19, 6.8	1.30,2.82,3.24,4.5, 4.6,	5.9		
Occasional	1.25,3.10,4.7,4.17, 5.11	1.2,1.21,1.29,6.1, 6.3,6.5	1.17,1.18,1.27,1.32, 2.18,2.20,2.23,2.53 2.54, 2.55,3.22, 5.2,5.6,5.7	1.37		
Unlikely		1.15,1.20,1.22,2.13	1.1,1.3,1.33,1.35, 1.53,2.57,4.4,6.2,	3.17,5.8		
Improbable	5.12		1.6,1.10,2.24, 2.70,2.71	1.4, 1.5,5.1,5.15,	1.42	
Extremely Unlikely				2.26,3.2,	1.49,1.50	
	None	Minor	Moderate	Significant	Substantial	Catastrophic

# Combining Risks at Corporate Level

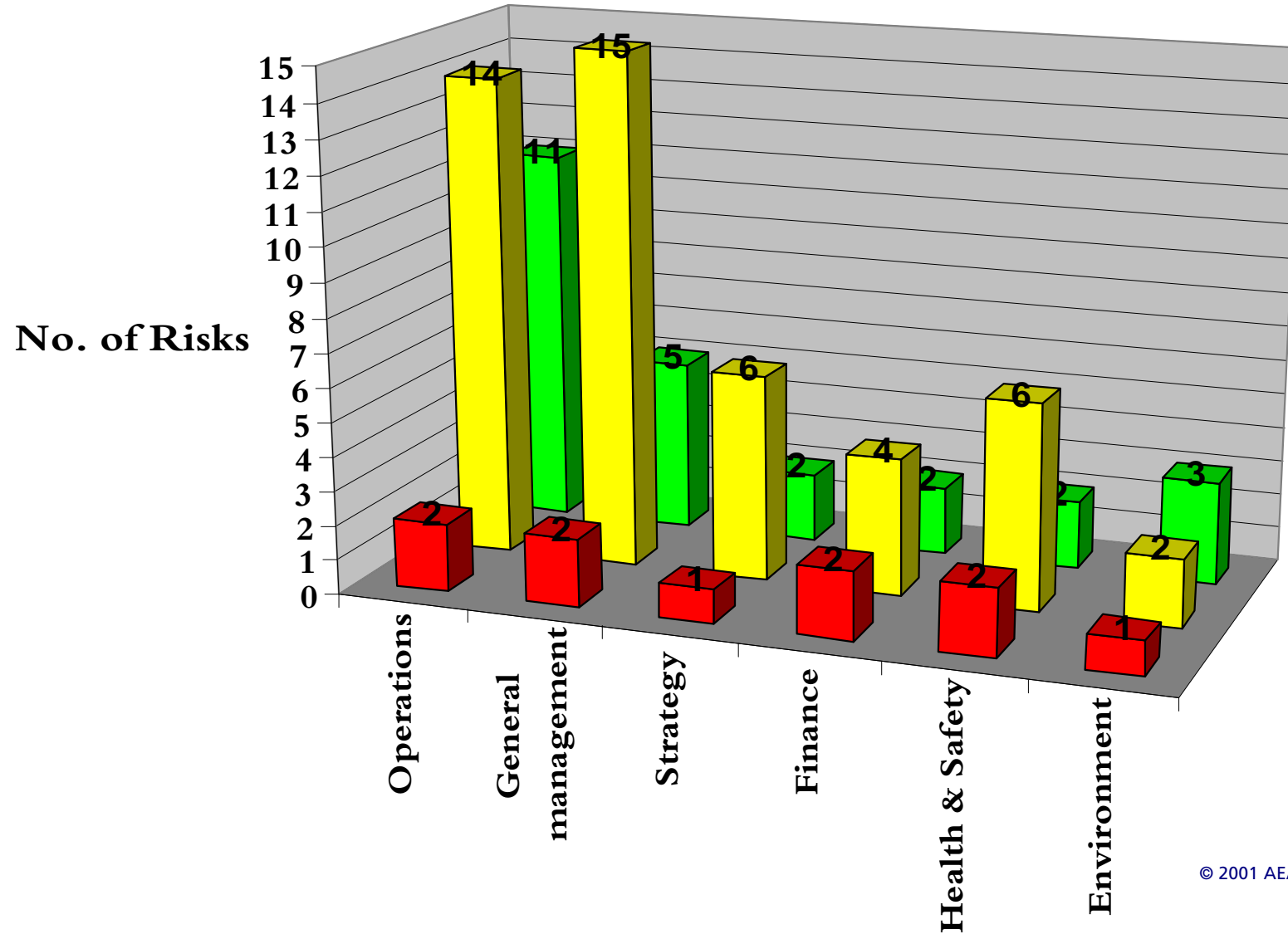


A Concise summary report is produced:

- Description of methodology and risk ranking system
- Risk Units/Sectors comprising the Group
- Corporate risk map
- Overview picture of risk “profile”
- Risk profile for key sectors
- Summary list of red risks, owners and actions



# Findings: Risk Profile



# Way Forward - Embedding the Process

- Agree Red Risk Actions
- Instigate regular review of progress against red risk action plans at quarterly management meetings
- Review amber risks at quarterly management meetings
- Flag up any new risks quarterly
- Overall review 12 monthly

# Conclusion

- We have **Turnbull**
- We have **risks**
- We need to **identify** them
- We need to **quantify** them
- This helps us to understand them and better **manage** them
- We need a framework to achieve this using a demonstrable approach which satisfies **Turnbull**

The End

Please press 'Esc' to quit.

Thank you.