



Risk Management



Learning objectives

- What is risk?
- What is risk management?
- Types of risk
- The nature of risk
- Assessing and managing risk
- Our company's risk management strategy and policy
- Your responsibilities



What is risk?

“...the possibility of an event occurring that will have an impact on the achievement of objectives...”

CIIA's International Standards



“...the effect of uncertainty on objectives...”

ISO 31000



What is risk management?

“...the process of identifying, quantifying, and managing the risks that an organisation faces...”

Financial Times Lexicon



“...involves understanding, analysing and addressing risk to make sure organisations achieve their objectives...”

Institute of Risk Management





Why is risk management important?

If we don't manage the risks in our industry, people may get hurt or even killed

If we don't manage financial risks, our costs may rise, slashing our profitability

If we don't manage risk in manufacturing, our equipment may break down - making it impossible to fulfil customer orders

If our employees don't follow company procedures, we may be exposed to bribery, resulting in reputational damage and fines by the regulator



When it goes wrong

Banks fined €1.71bn
for rigging LIBOR

£3m fine for offshore
gas incident

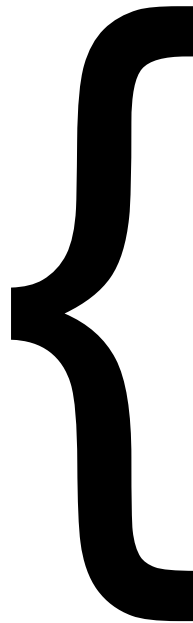
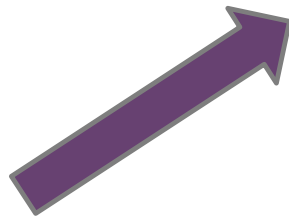
Worker killed after
safety failings

Firms unprepared for
cyberattack: with half
having no incident
plan



Types of risk

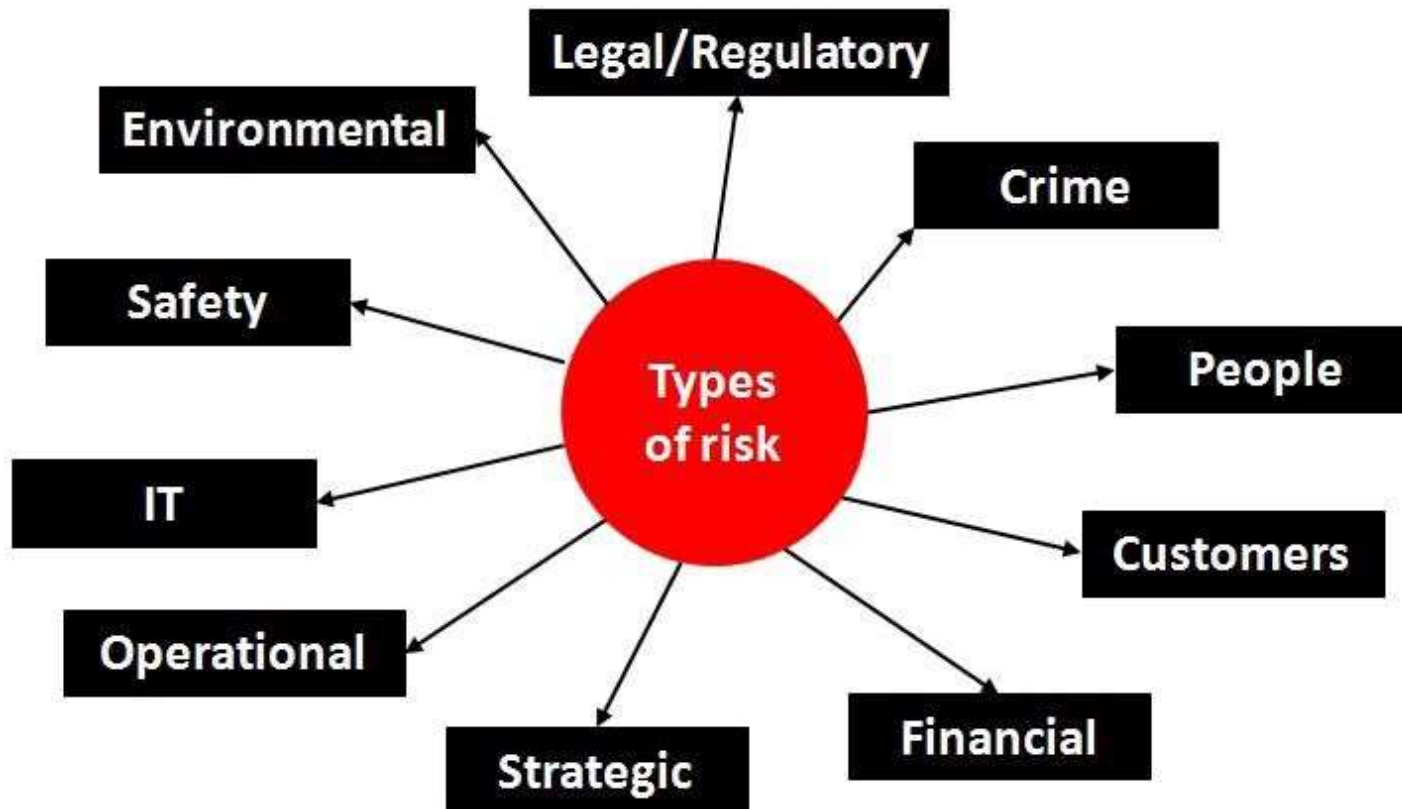
- Financial
- Operational
- Business
- External - PESTLE



- P**olitical
- E**conomic
- S**ociological
- T**echnological
- L**egal
- E**nvironmental



Types of risk





Top 10 risks

1. Business interruption
2. Market developments
3. Cyber incidents
4. Natural catastrophes
5. Changes in legislation and regulations
6. Macroeconomic developments
7. Fire and explosion
8. Political risks and violence
9. Loss of reputation or brand value
10. New technologies



Think about it: What type of risk is it?

CITO Loans faced heavy losses due to a change in regulations



- Financial
- Operational
- Business
- External 


The IT policy was inadequate, and this led to a huge data breach



- Financial
- Operational 
- Business
- External

A UK travel firm pays suppliers in US dollars so is exposed to currency fluctuations



- Financial 
- Operational
- Business
- External



Upside and downside risks

Changes in Technology



Opportunity (Upside Risk)

- Access to new markets and consumers
- Leaner and more streamlined sales process
- Unprecedented sales and demand

Threat (Downside Risk)

- Technology may become obsolete (narrow window of opportunity)
- Do you have the right skills to take advantage?
- Can you ramp up supply to exploit demand?

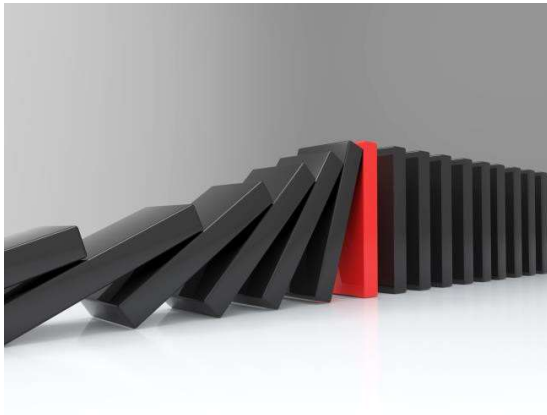


Measuring risk



Probability (likelihood)

What is the likelihood of this happening?



Impact (Severity)

What would be the consequences?



Measuring likelihood and impact

Probability	Criteria	Likelihood
Very high	>75%	Almost certain to occur
High	51-75%	It's more likely to occur than not
Medium	26-50%	It's fairly likely to occur
Low	6-25%	It's unlikely to occur
Very low	0-5%	It's extremely unlikely to occur or it's virtually impossible

Impact	Cost
Very high	>£750k
High	£500k-£750k
Medium	£250k-£500k
Low	£50k-£250k
Very low	<£50k

Impact	Time
Very high	>25 days
High	20-25 days
Medium	10-20 days
Low	5-10 days
Very low	<5 days

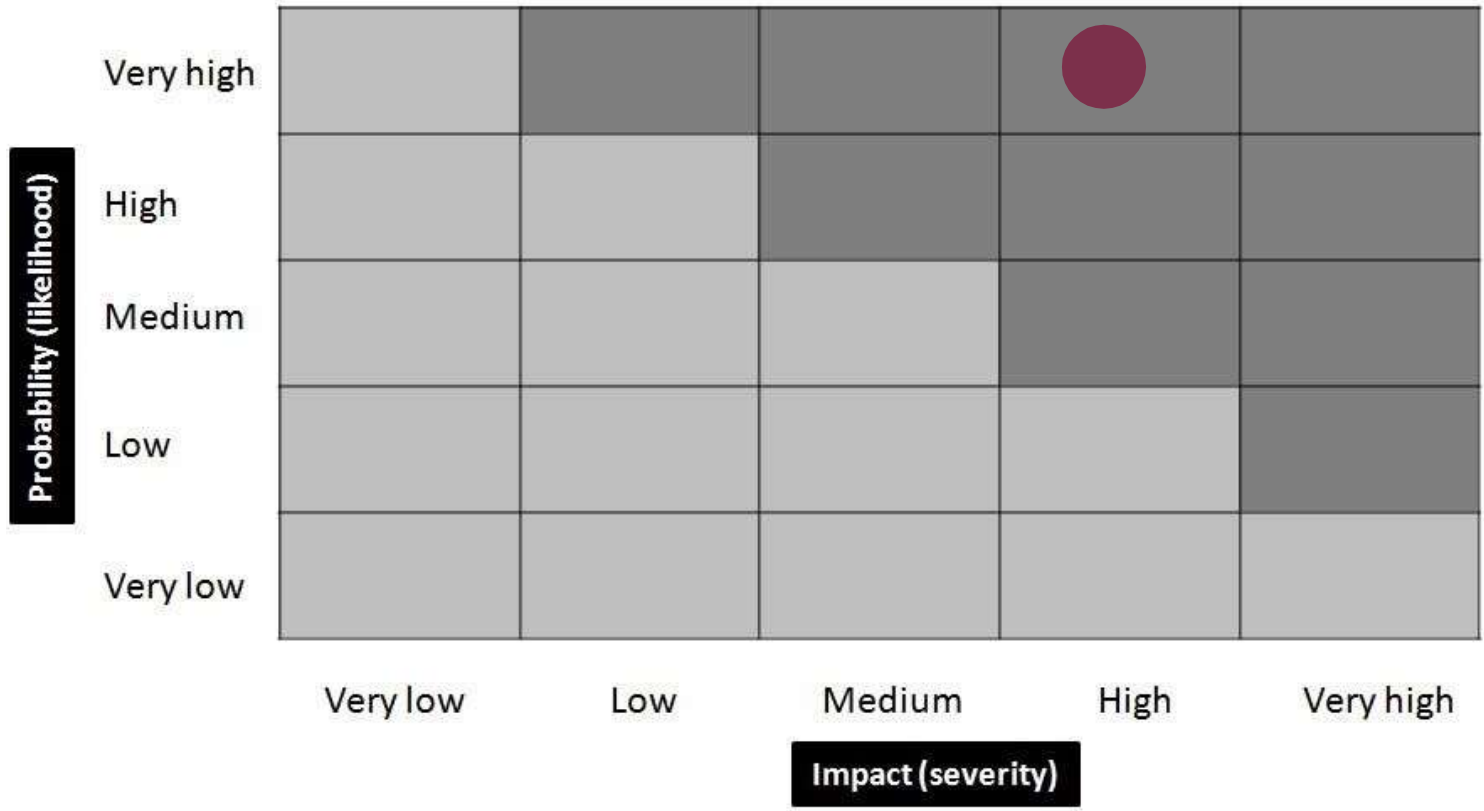


Assessing risk with heat maps

LIKELIHOOD	almost certain	Moderate	Major	Critical	Critical	Critical
	likely	Moderate	Major	Major	Critical	Critical
	possible	Moderate	Moderate	Major	Major	Critical
	unlikely	Minor	Moderate	Moderate	Major	Critical
	rare	Minor	Minor	Moderate	Moderate	Major
		insignificant	minor	moderate	major	critical

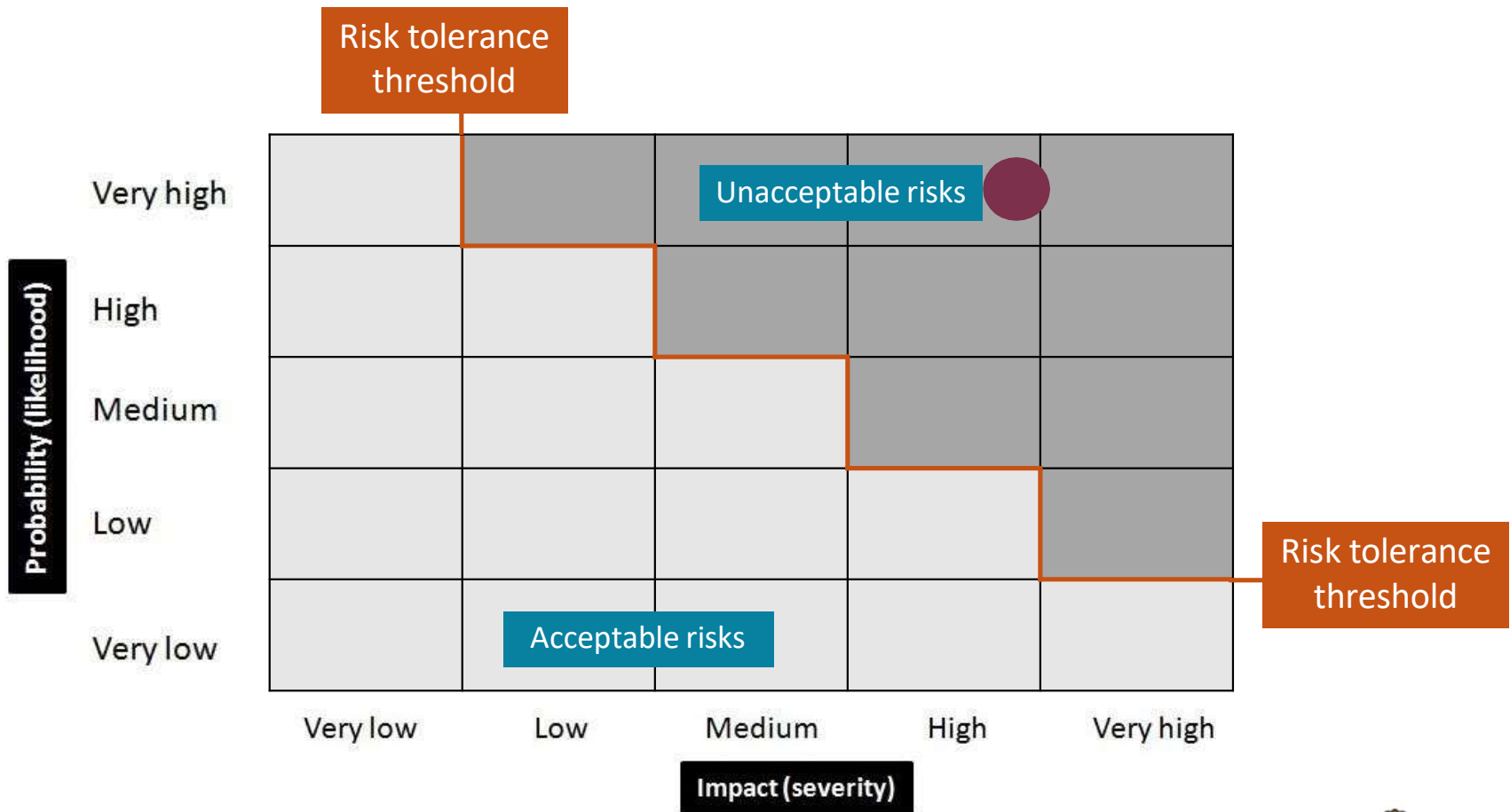


Exercise: Plotting risk



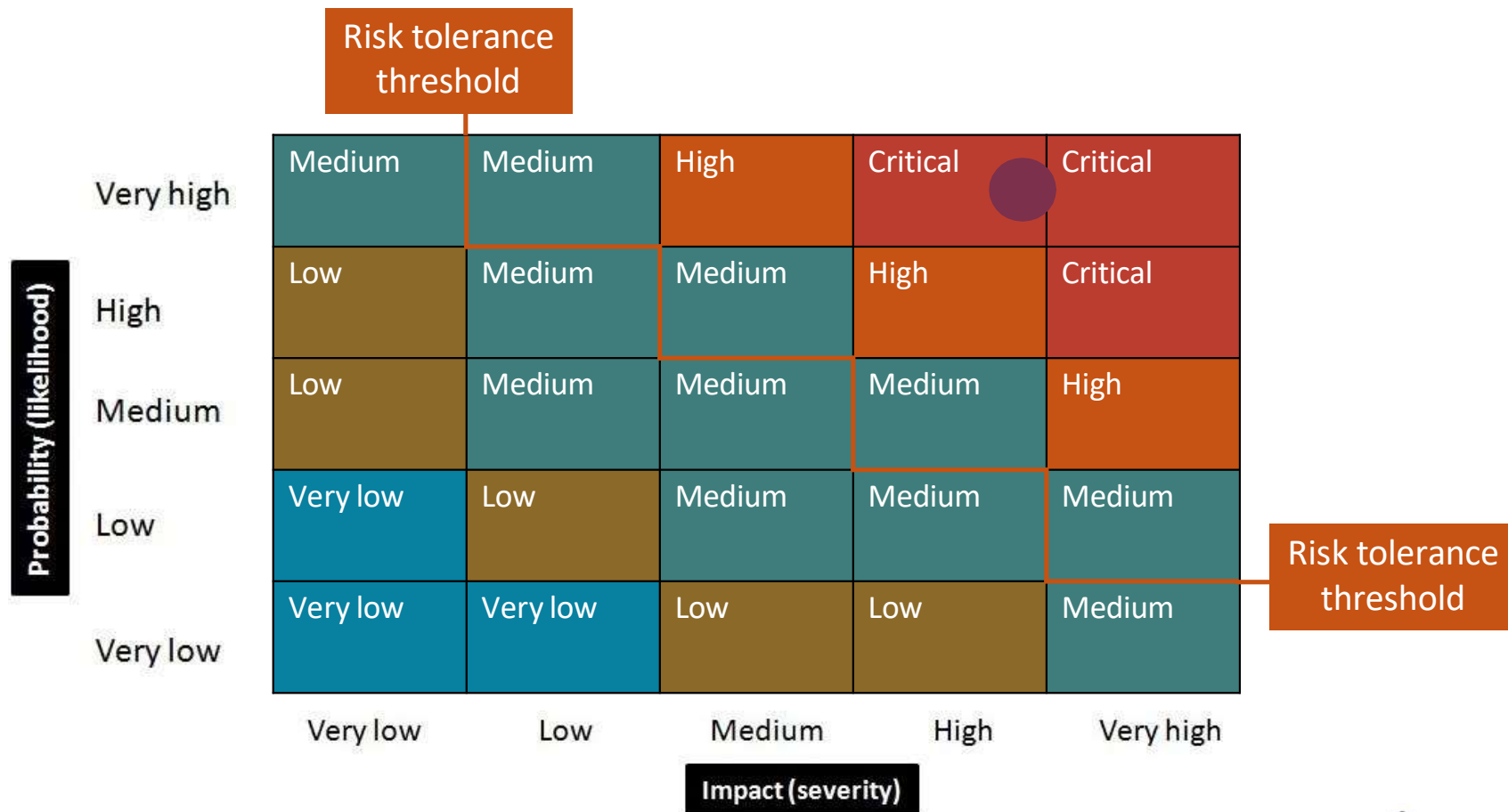


Assessing risk with heat maps





Managing risk with heat maps 1





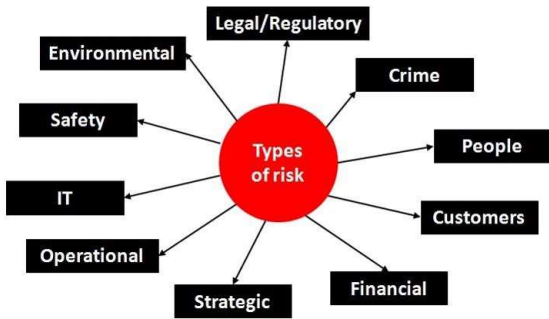
Responding to risk

The type of risk

How significant it is

Company limits

Whether we stand to gain or lose





The 4Ts model

1. Tolerate
2. Treat
3. Transfer
4. Terminate



Think about it: How is it managed?

A firm ceases its operations in a dangerous territory



- Tolerate
- Treat
- Transfer
- Terminate ✓

We have insurance to safeguard against fire or cyber attacks



- Tolerate
- Treat
- Transfer ✓
- Terminate

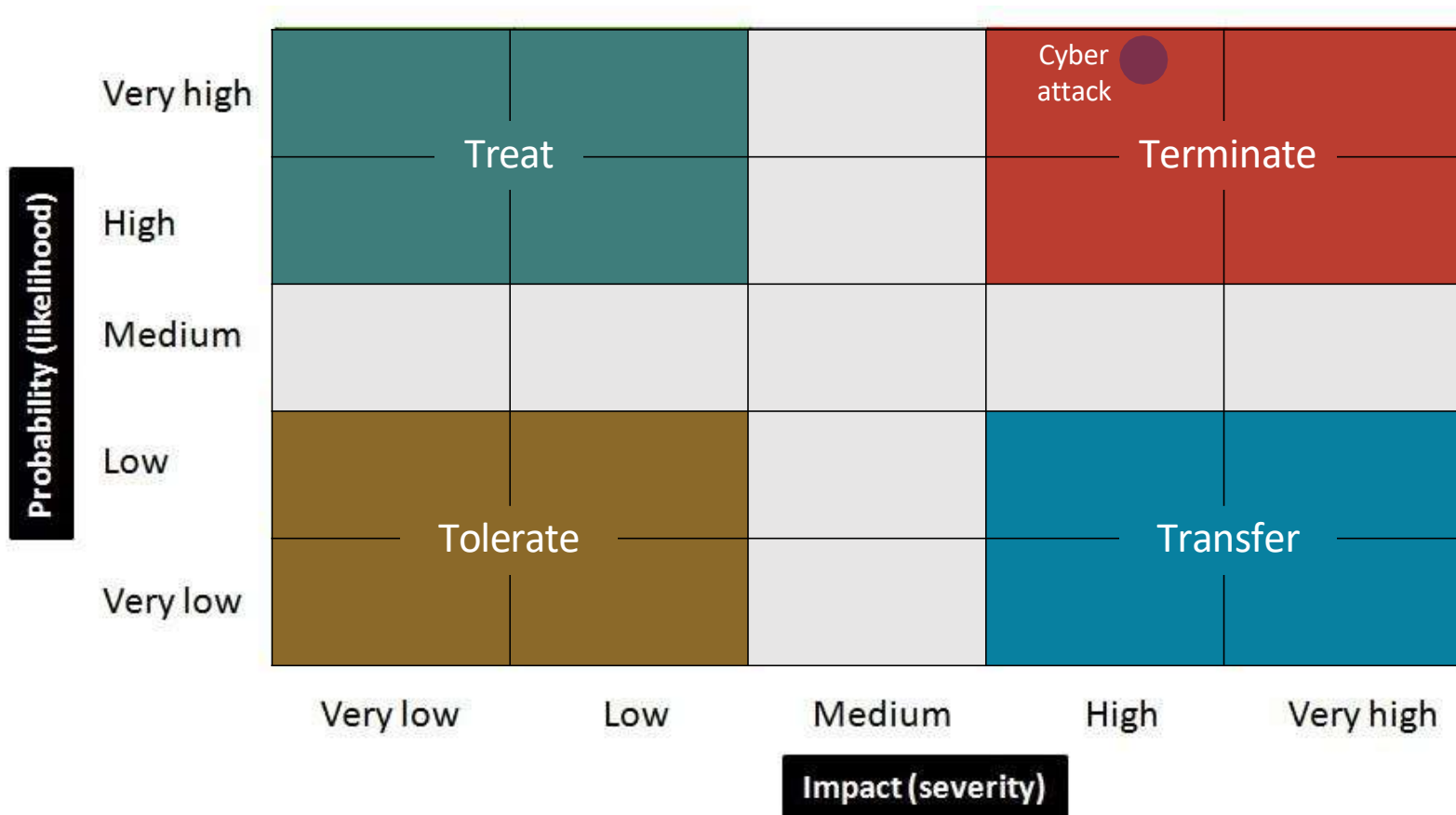
A company provides protective clothing to improve safety



- Tolerate
- Treat ✓
- Transfer
- Terminate



Managing risk with heat maps 2





Scenario 1: Managing bribery risk



There's a risk of bribery when we use third parties and intermediaries, especially in high-risk territories

What might she do to treat the risk?

a) Ensure third parties are vetted before engagement



b) Conduct due diligence on all agents



c) Withdraw from high-risk territories

d) Take out insurance to protect against the risk



Scenario 2: Managing operational risk



Any equipment breakdowns would seriously affect production

What might he do to treat the risk?

- a) Implement regular maintenance schedules for all equipment ✓
- b) Take out insurance to cover any losses during downtime
- c) Invest in new equipment ✓
- d) There's nothing he can do – He'll just have to hope for the best



Our Risk Management Strategy & Policy

- Providing information and training – raising awareness
- Setting our risk appetite, capacity and tolerances at board level and communicating this across the business
- Establishing practices, systems and controls
- Documenting known risks in our risk register
- Appointing risk owners who are accountable for identified risks
- Requiring everyone to read and implement our Risk Management Strategy and Policy



Do

- ✓ Read our Company's Risk Management Strategy and Policy – make sure you understand our rules and know what to do
- ✓ Be aware of our attitude to risk – know what level of risk we're prepared to tolerate
- ✓ Manage all risks in line with company policy
- ✓ Ensure that known risks are documented in our risk register
- ✓ Escalate critical risks as soon as possible to your manager or Risk Management Team



Don't

- ❌ See risk management as a once-only activity or something that only happens when things go wrong
- ❌ Be complacent about risk – some risks have the capacity to wipe out our business
- ❌ Perceive all risks negatively – remember that there are positive (upside) risks too
- ❌ Do anything which could increase our exposure to risk, especially to levels outside agreed tolerances



Next steps

- Check out the Company Manual and Policy documentation on Risk Management practices
- Access self-study courses on our e-learning portal for further training
- Take the Assessment and earn a Certificate



About GRC Gulf

- GRC Gulf provides digital learning content, technology and services to help you train your staff, automate your compliance processes and generate management reports to help you keep track of it all.
- Our comprehensive Compliance Course library contains many modules from high-level standards, industry conduct and thematic topics to AML/CTF, Anti-Bribery and Risk Management



Learn more at: <https://grcgulf.com>

Copyright © 2024 GRC Gulf. All Rights Reserved.