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A Kiwi Perspective on Risk (and World Domination)

**NZ Society for Risk Management
6th National Conference
6 September 2012**

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**“ It’s not the
mountain we conquer,
but ourselves”**

Sir Edmund Hillary

Risk and the Kiwi Story

COURAGE & SUCCESS

(an objective view)

Key Topics

- **Context** : GRC defined, Major Events, Regulators & Courts
- **The Business of Risk** : Research findings
- **Pointers** : key areas of opportunity towards 2020
- **Success or failure** : how will you know ?
- **The Future of risk management** : my views

Corporate Governance focus on realizing long term value ...

“Process and structure used to direct and help manage the business and affairs of the company towards enhancing ***business prosperity and corporate accountability*** with the ultimate objective of ***realizing long term shareholder value***, while taking into account the ***interests of other stakeholders***.”

Chapter 4, Report on Corporate Governance by the Finance
Committee on Corporate Governance
Malaysia

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Lombard

When a warning
isn't enough p12

 **NETWORK
COMPANY
EARNINGS**

**JOHN
DRINNAN**
Reality bites as

 **TA
PA**
Aus

THE
**FOUR
PILLARS**

OF GOVERNANCE
BEST PRACTICE

FOR NEW ZEALAND DIRECTORS



Context & Major Events



Regulators & Courts

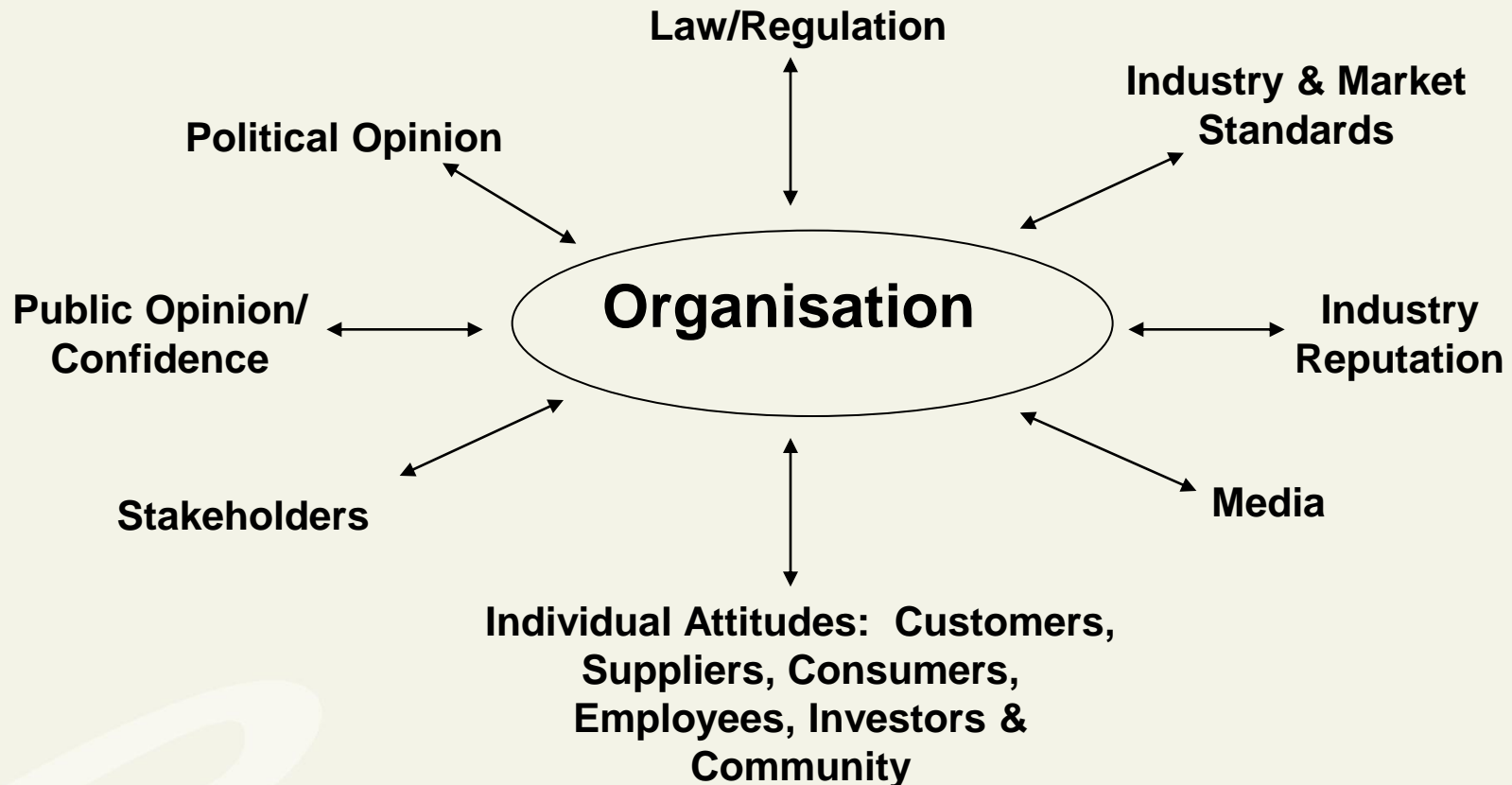
Basic Duties of a Director

- Must have clear *understanding* of strategic plan & objectives
- Must ensure correct *structures in place* to implement corporate goals & strategic plan
- Must ensure *appropriate systems* in place to identify business risks
- Must ensure that rules (constitution) are *observed & monitor* statutory compliance
- May rely on Information from management or professional advisers *subject to* proper inquiry, etc

Reckless Trading ?

- Director cannot allow company to take on a *substantial risk* likely to cause *serious loss to creditors & investors*
- Director cannot do things which any *reasonable director would not do* – *i.e. cannot act unreasonably or in a way to create substantial risk to business (leading to loss)*
- Must undertake “*sober assessment*” of *likely profitability* and income streams when company financially struggling.
- Courts focus on manner in which company *conducts its affairs* when in financial trouble.

Your licence to operate at risk ?



Lessons

- Must learn from the past and keep Radar tuned
- Interdependency in identifying and managing risk
- Black Swan events are the new norm !
- Combination of forces - Economic, Political, Social , Technological, Market
- Events shape attitude towards risk appetite & behaviours
- *Early Warning systems* crucial (for all types of organisations)

The Business Of Risk

Major Risks & Opportunities Towards 2020



Success & The Future

Attributes of Success

- Early warnings / no surprises
- Desired Risk position achieved
- Levels of compliance , prosecutions, \$ fines
- Brand & licence to operate protected
- Business integrity & objectives
- **Job offers , promotions, stress levels !!**

The Future of Risk Management

- Greater focus on active learning , resilience & agility
- Learn from past success & failure (think widely, collaborate)
- Greater use of dynamic predictive models, systemic analysis & data modelling
- Reduced use of static matrices and generic frameworks

The Future of Risk Management

- Greater focus on Psychology of Risk & required competencies
- More active governance of risk appetite /tolerance & board delegations
- Major focus on Early Warning Systems & Risk Communications
- More Scenario work , Stress Testing and Simulation

The Good News !

Market will demand Risk Managers, Executives, Directors who :

- Have relevant experience
- Done hard yards
- Right qualifications, accreditations
- Are mobile

Vision

Global Centre of Risk Studies right
here in Middle Earth - NZ !

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QUESTIONS ?

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THANKS !

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