



Risk Function and Effective Governance!



Risk Literacy at Board Level

“the illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn.”

—Alvin Toffler – Futurist and Author: 1970

“Knowledge without action is insanity and action without knowledge is vanity.”

—Al-Ghazali - 1058-1111 – Philosopher

Improving Board Level Risk Literacy

Avoid reporting to the board being the primary objective.

Focus the lion's share of risk reporting on critical enterprise risks and emerging risks

Address ongoing business management risks on an outlier basis and as an integral part of reporting for different areas of the business.

Ensure risk reporting is linked to key business objectives

Curiosity didn't kill the Cat

That's how it found out it had 9 lives

"Risk Reporting and agreed Risk Appetite Statement"

- Risk reporting should call attention to the level of organisational risk been taken and its relevance to the Risk Appetite Statement

"Linking Opportunity to Risk?"

Enables directors to engage with:

- underlying risks/assumptions inherent in executing the,
- implications of change on the business environment their core assumptions - desired risk levels - underlying the strategy.

"What's Changed and What's the Effect"

- Insights: markets, customers, competition, technology, etc.
- What impact on the business model?
- Non-traditional info and data not just from mgt.
- Offer contrarian/diverse views – early warning 4

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"Clarify Responsibilities"

The board needs to be assured that responsibility for risk management is where it needs to be - at the source of risk.

"Communications Channels"

- Open and free flowing
- Risk mgr should be a part of all exec reporting to board.
- Chair should meet with Risk lead

Risk Culture!

“The bank focuses only on addressing the issues through Band Aid fixes rather than investing in long term solutions which may be a cause for these issues becoming long standing or being closed then re-opened.”

Zuru chases employees for false or misleading reviews on Glassdoor

**“The practice was tried and tested, it was endemic within UBS, I just thought ... this can't be a big issue because everybody knows about it ... (it was) an open secret”
Tom Hayes**

4 Attributes Defining Weak Risk Governance

1

Transparency

- Poor Communications
- Unclear Tolerance
- Lack of Insight

2

Acknowledgment

- Overconfidence
- No Challenge
- Fear of Bad News

3

Responsiveness

- Indifference
- Slow Response

4

Respect

- Engagement
- Reflection
- Resources
- Time

Focus on Driving a Risk Aware Governance Culture

1

Risk Transparency

- Key risks the board must understand - timing
- How/Who affects the org
- What's the Purpose

2

Risk Organisation

- Charters reflect focus
- Committees – independent?
- Interaction by the board with risk function

3

Risk Strategy

- What is the risk strategy
- Boards role
- Alignment
- Mitigation

4

Risk Processes

- Boards own risk mgt reporting
- Board self Assessments
- Encouraging debate, whistle-blowing



Risk Literacy at Board Level

“Excellence is never an accident. It is always the result of high intention, sincere effort, and intelligent execution; it represents the wise choice of many alternatives - choice, not chance, determines your destiny.” Aristotle

“Behaviour is the most important performance driver. Positive boardroom behaviour can be the difference between a good and a high-performing board, yet poor boardroom behaviour can render a good board dysfunctional.”

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