



A better response to risk.

REFOCUSING RISK MANAGEMENT ON BETTER DECISION MAKING

August 3, 2018

Tim Leech, Managing Director
Risk Oversight Solutions Inc.
timleech@riskoversightsolutions.com

www.riskoversightsolutions.com

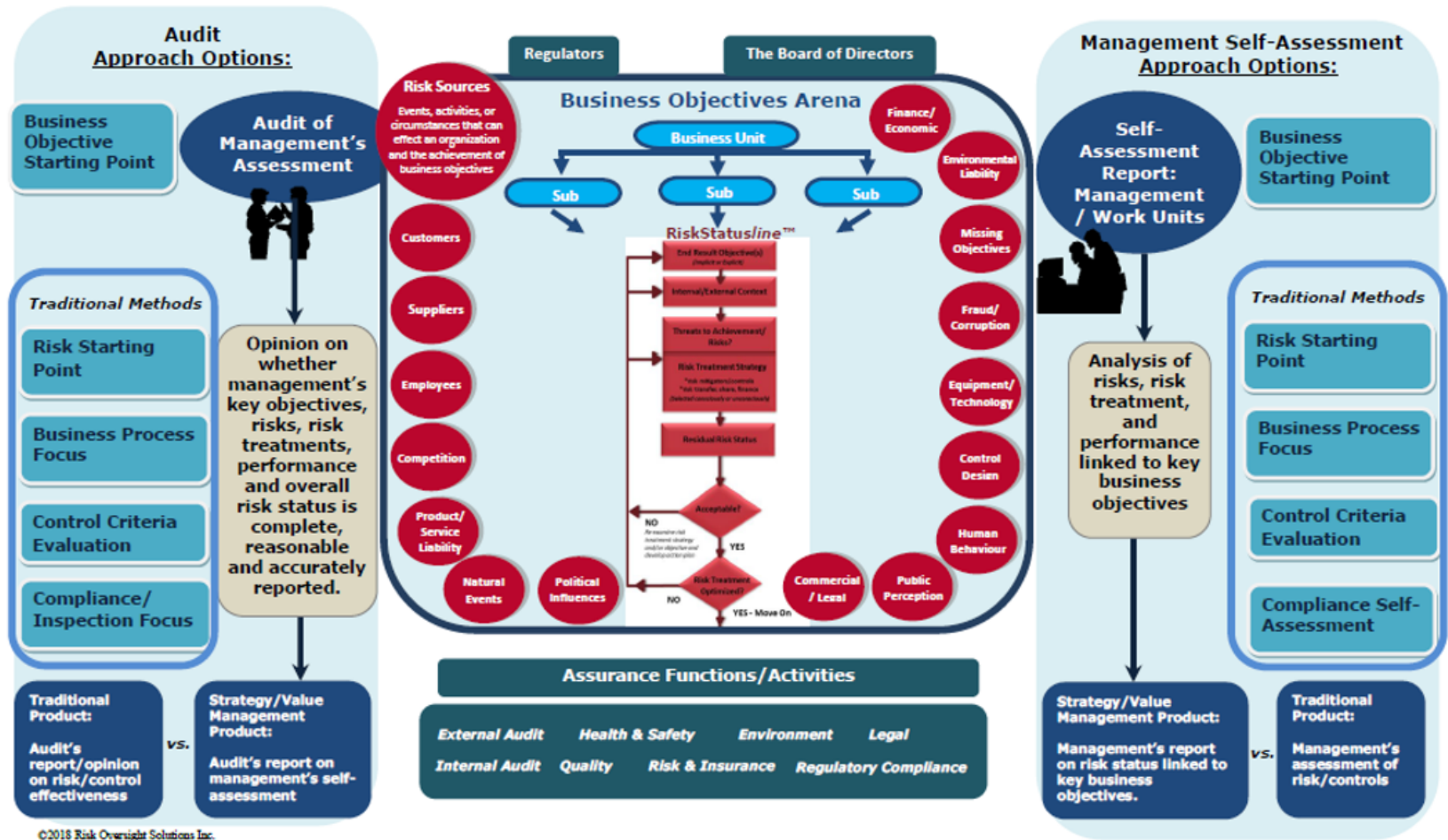
Refocusing Risk Management on Better Decision Making

© Risk Oversight Solutions Inc.

- What is “Objective Centric” ERM?
- How is it different?
- Why is it better?
- OCERM – defining top value creation/preservation objectives
- OCERM – identifying risks
- OCERM – identifying “risk treatments”
- OCERM – identifying “residual risk status” data including performance information
- OCERM – assigning “composite residual risk ratings”

What is Objective Centric ERM?

Strategy & Value Oversight ERM/Audit Overview



What is Objective Centric ERM?

© Risk Oversight Solutions Inc.

Step 1

Populate 'Objectives Register' with top value creation and value preservation objectives.

Step 3

Confirm decisions made in Step 1&2 on Objectives Register, Risk Assessment Rigor and Independent Assurance Levels with the Board.

Step 5

Consolidated report including 'Composite Residual Risk Ratings' prepared for senior management and the Board.

Step 2

Assign objective 'Owner/Sponsors' and identify 'Risk Assessment Rigor' ('RAR') and 'Independent Assurance Level' ('IAL') targets.

Step 4

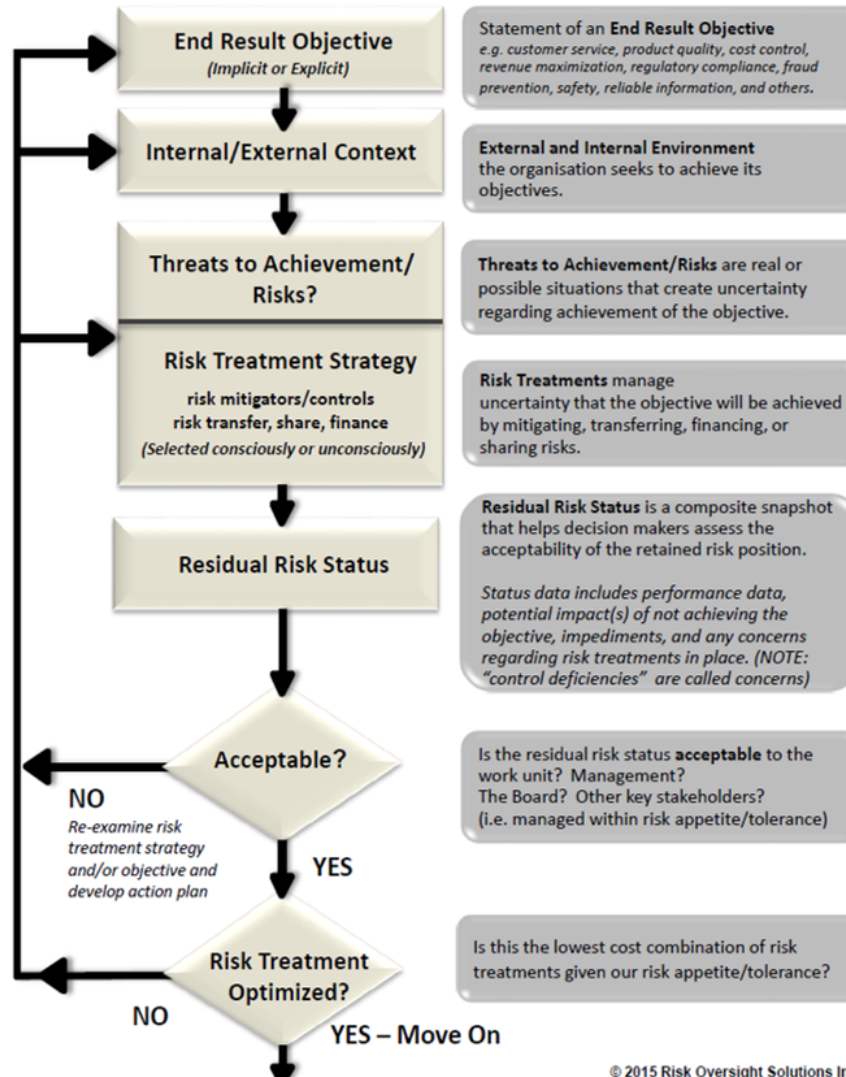
Owner/Sponsors complete RiskStatuslines™ and Internal Audit/other assurance groups complete independent assurance work.

What is Objective Centric ERM?

RiskStatusline™



© Risk Oversight Solutions Inc.



What is Objective Centric ERM?

© Risk Oversight Solutions Inc.

An “OBJECTIVES REGISTER” with top value creation/strategic objectives and top value preservation objectives provides the foundation for all ERM and internal audit work

Corporate	Description	End Result Objective Owner / Sponsor(s)	Composite Residual Risk Rating (CRRR)	CRRR Update Date	Potential to Increase Entity Value	Potential to Erode Entity Value	Current Risk Assessment Rigor (RAR)	Independent Assurance Level (IAL)
	Ensure that financial statements are reliable and in compliance with GAAP.	Tim Leech	6 - Major	6/12/2014	Medium	Low	Medium (M)	LOW
	Safeguard and enhance ABC's reputation	Tim Leech	4 - Advanced	6/10/2014	High	High	Very Low (VL)	MEDIUM

Resolver GRC Cloud

Copyright © Resolver 2014, All rights reserved.

How is it different?

© Risk Oversight Solutions Inc.

- It uses an “objective register” as a foundation not a “risk register”
- End result objectives “Owner/Sponsors” are the primary risk assessor/reporters not risk specialists or internal audit
- Risks are assessed collectively in terms of their composite effect on achieving specific objectives
- After deciding on acceptability of current retained risk status a second decision is encouraged on whether the current risk treatment design is optimized – lowest possible cost combination that would still provide an acceptable residual risk status

Why is it better?

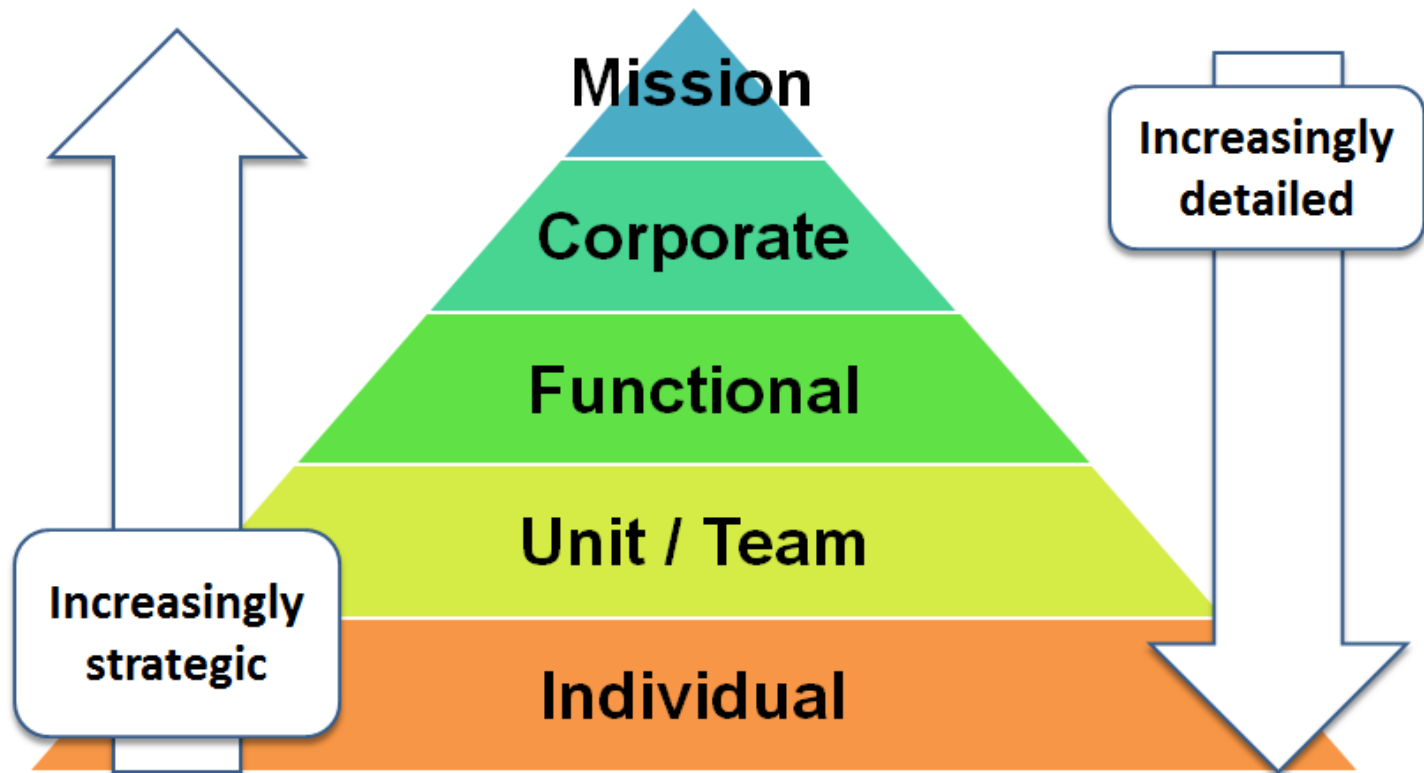
© Risk Oversight Solutions Inc.

- Management/business units are the primary risk assessor/reporters – this establishes clear accountability for risk acceptance decisions, “embeds” risk management in the business, and leads to better decisions
- It is technically superior in terms of identifying the true residual/retained risk position linked to top objectives
- It links all risk assessment work to top strategic and value preservation objectives, current performance being achieved, and impact information
- It integrates with Daniel Kahneman’s Nobel prize winning work on how people make important decisions (thinking fast/thinking slow)
- It meets emerging regulatory corporate governance risk oversight expectations (e.g. OSFI, Bank of Canada)

OCERM – defining top value creation and preservation objectives

© Risk Oversight Solutions Inc.

The hierarchy of objectives in a business



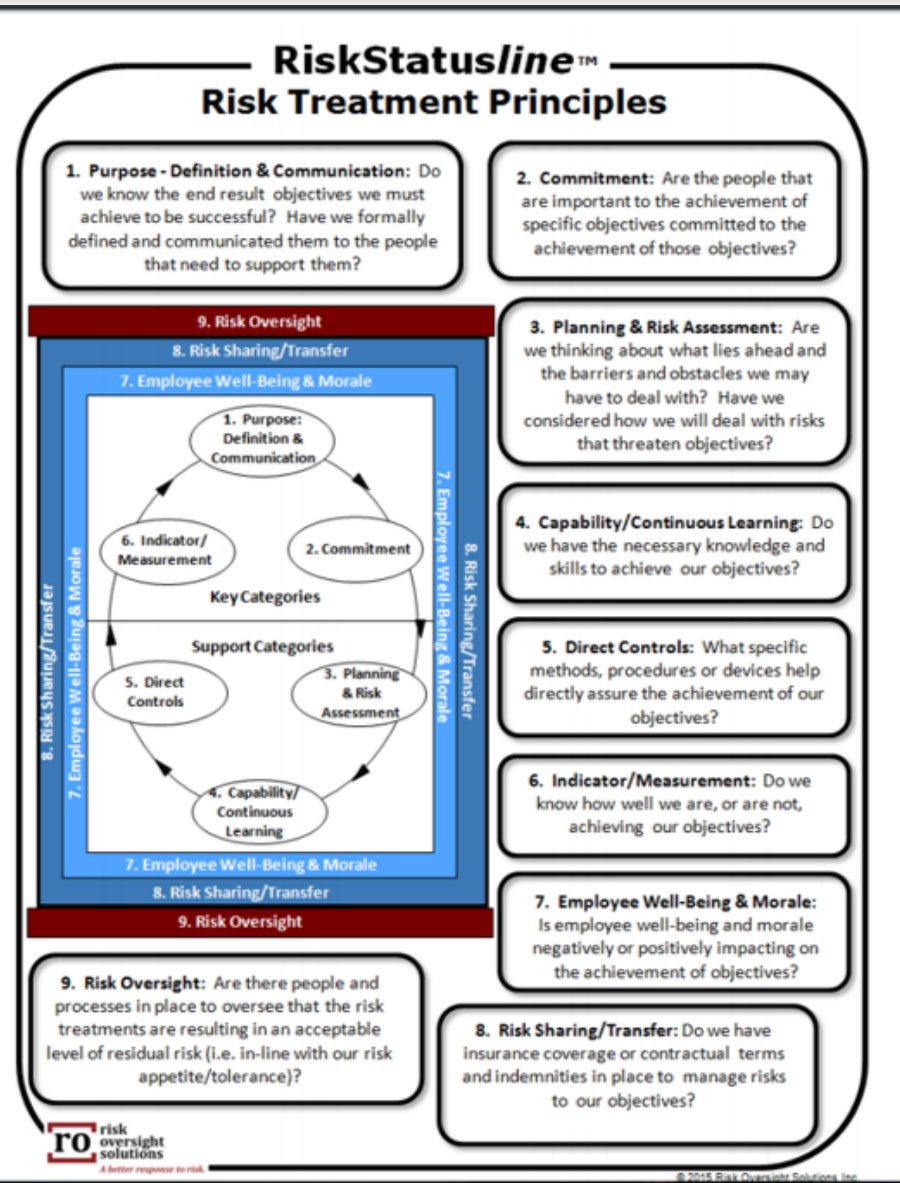
OCERM – Identifying risks

© Risk Oversight Solutions Inc.

Some Core Methods

1. Internet research
2. Sources of risk
3. Cause of failure/loss event analysis
4. Inverse control
5. Scenario modelling
6. Visualization
7. Simple prompts to knowledgeable group
8. Brainstorming with aids
9. Flowcharting

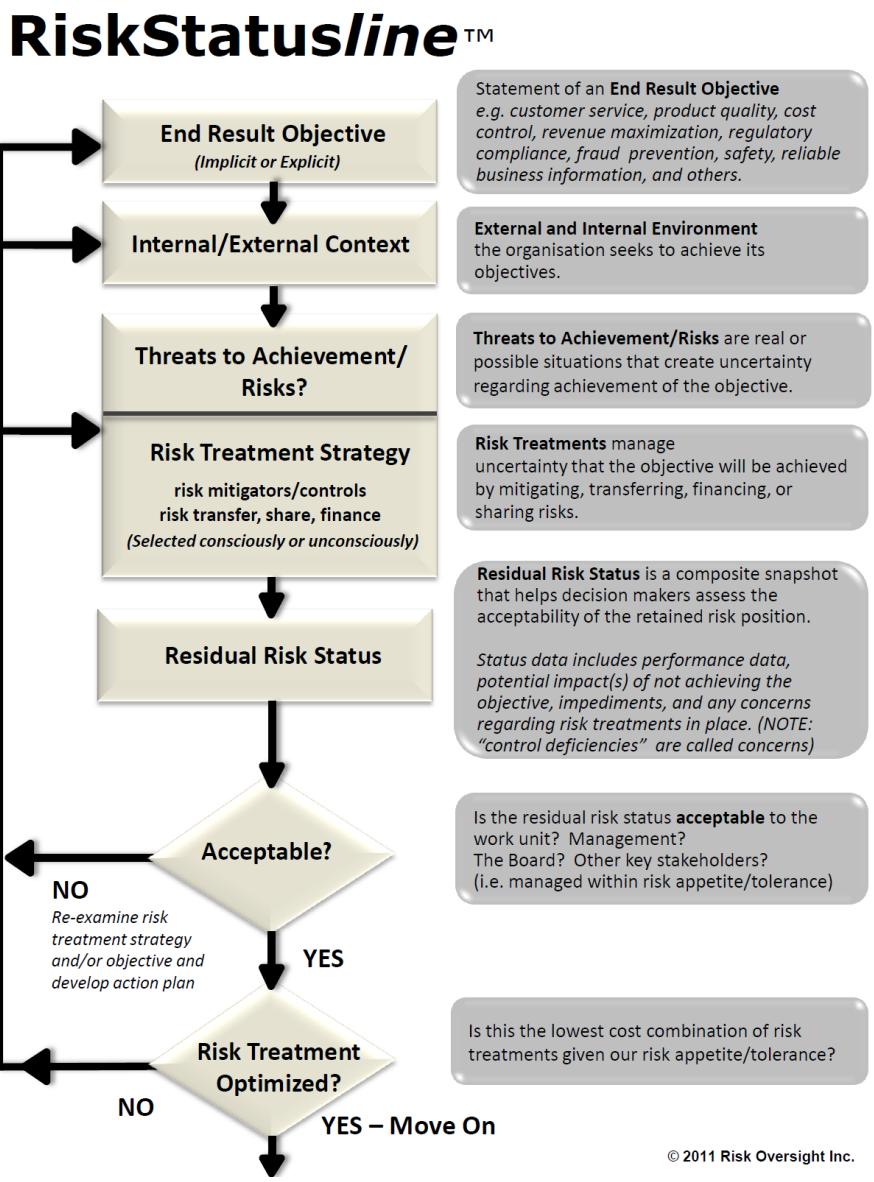
OCERM – identifying “risk treatments”



OCERM – identifying “Residual Risk Status” data

Residual risk status is a composite set of information designed to help decision makers

Risk Oversight Solutions Inc.



OCERM – Assigning “Composite Residual Risk Ratings”

© Risk Oversight Solutions Inc.

Conscious and transparent decisions on “Composite Residual Risk Rating”



2013 Risk Oversight Inc.

COMPOSITE RESIDUAL RISK RATING DEFINITIONS

- 0 Fully Acceptable – Composite residual risk status is acceptable. No changes to risk treatment strategy required at this time. (NOTE: this could mean that one or more significant risks are being accepted. Information on accepted concerns is found in the Residual Risk Status information)
- 1 Low - Inaction could result in very minor negative impacts. Ad hoc attention may be required to adjust composite residual risk status to an acceptable level.
- 2 Minor – Inaction or unacceptable terms could result in minor negative impacts. Routine management attention may be required to adjust composite residual risk status to an acceptable level.
- 3 Moderate - Inaction could result in or allow continuation of mid-level negative impacts. Moderate senior management effort required to adjust composite residual risk status to an acceptable level.
- 4 Advanced – Inaction could allow continuation of /or exposure to serious negative impacts. Senior management attention required to adjust composite residual risk status.
- 5 Significant - Inaction could result in or allow continuation of very serious entity level negative impacts. Senior management attention urgently required to adjust composite residual risk status to an acceptable level.
- 6 Major - Inaction could result in or allow continuation of very major entity level negative consequences. Analysis and corrective action to adjust composite residual risk status required immediately.
- 7 Critical - Inaction virtually certain to result in or allow continuation of very major entity level negative consequences. Analysis and corrective action to adjust composite residual risk status required immediately.
- 8 Severe - Inaction virtually certain to result in or allow continuation of very severe negative impacts. Senior management/board level attention urgently required to adjust composite residual risk status.
- 9 Catastrophic – Inaction could result in or allow the continuation of catastrophic proportion impacts. Senior management/board level attention urgently required to adjust composite residual risk status and avert a catastrophic negative impact on the organization.
- 10 Terminal - The current composite residual risk status is already extremely material and negative and having disastrous impact on the organization. Immediate top priority action from the board and senior management required to prevent the demise of the entity.



QUESTIONS???

Thank you

timelech@riskoversightsolutions.com