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Risk Committee Resource Guide for Boards

Board-level Risk Intelligence map

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Critical areas and sample risks that the board should own and manage									
Board effectiveness/ knowledge management	Board structure and leadership	Compensation/ performance incentives/alignment	Corporate Responsibility & Sustainability (CR&S)	Reputation/ stakeholder relations	Risk-oversight	Transparency and financial integrity	Ethical culture/ tone at the top	Crisis management	CEO succession planning
– Failure to understand and exercise fiduciary duties – Ineffective/ insufficient independent committees – Poor communication from management – Inadequate knowledge of board responsibilities – Inadequate understanding of the organization's business – Limited exposure to management outside of the CEO and CFO – Lack of board cohesiveness	– Lack of appropriate tone at the top set by leadership – Weak structure/ composition of the board – Ineffective communication between and among the board and management – Board conflict of interest or lack of independence – Inappropriate decision-making and delegation of authorities – Poor cooperation and organizational alignment – Inadequate attention to strategy and execution	– Inadequate disclosure of compensation process and philosophies – Misalignment of performance metrics with long-term strategy – Executive compensation inconsistent with stakeholder expectations – Undue emphasis on the short-term results – Misalignment of incentives and rewards	– Failure to meet social responsibility obligations – Lack of involvement from appropriate levels of management – Inadequate oversight over CR&S activities – Lack of adequate disclosure of CR&S activities	– Inability to understand and meet shareholder expectations – Failure to understand trends related to the organization's workforce, creditors, customers, and other stakeholders – Real or perceived influence of majority shareholders – Failure to adequately consider and/ or respond to shareholders proposals – Poor corporate brand perception	– Inadequate board oversight of risk management activities – Inadequate structure to allow for an enterprise risk management process – Inadequate or inappropriate risk appetite and tolerances – Lack of Risk Intelligent decision-making – Inadequate risk-related public disclosure – Inadequate utilization of an appropriate risk framework – Lack of risk management expertise on the risk committee (or board)	– Cursory reviews of financial statements and related disclosures – Failure to challenge management assumptions – Inadequate oversight of internal and external auditors – Inadequate of unqualified finance organization – Lack of financial expertise on the audit committee	– Failure to foster an ethical culture – Inappropriate performance incentives – Failure to monitor and control unauthorized activities – Failure to protect whistleblowers	– Lack of planning for management during crisis – No formal crisis management plan exists – Lack of definition of roles during crisis	– Lack of discussion or formal plan for CEO succession – Inadequate focus placed on recruitment, development and deployment of quality leadership

Representative questions that the board might ask in managing board-level risks			
Managing known risk areas		Identifying the unknown	
• Is there a common understanding of risk and opportunity? • Is there a common language to bridge risk and business silos? Is it ingrained into the risk framework? • How much can be gained by properly managing this risk? How much is it costing us (or will it cost us) to manage this risk? What is the cost of inaction? • What are the different ways in which value can be created or destroyed? • Does our risk management or mitigation strategy introduce any additional risks?	• What is the magnitude of the known risk exposures (inherent)? • Are any of these risk exposures life threatening to the enterprise? How fast can they occur? Are we prepared to respond/recover? • How can we be confident of our risk management practices? What are the exposures (residual) despite them? • Are the residual exposures within the risk appetite of the firm? If not, what can we practicably do to reduce our exposure to these risks to an acceptable level? • Do we only conduct business within approved business areas, for approved product and transaction types, and with approved customers and counterparties?	• What are the risks arising out of the underlying assumptions in our strategy choices? What if the assumptions are wrong? • Do the underlying assumptions of our industry and enterprise pose some risks? • What are the assumptions underlying our value proposition and market segmentation? • Have the opposites of these assumptions been identified? What are the implications of these on our business?	• Can we detect significant changes in the environment (including regulatory changes) that affect our business model and its underlying assumptions? • What might be the unintended consequences of our decisions? Can we detect them? • Does the enterprise have common triggers to alert leadership to strategic changes? • Does bad news travel fast or have there been delays in escalating negative issues? • How do we monitor for potential new business activity, new transaction types, and new customers and counterparties?

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