

## Risk Storm Workshop *- an example*

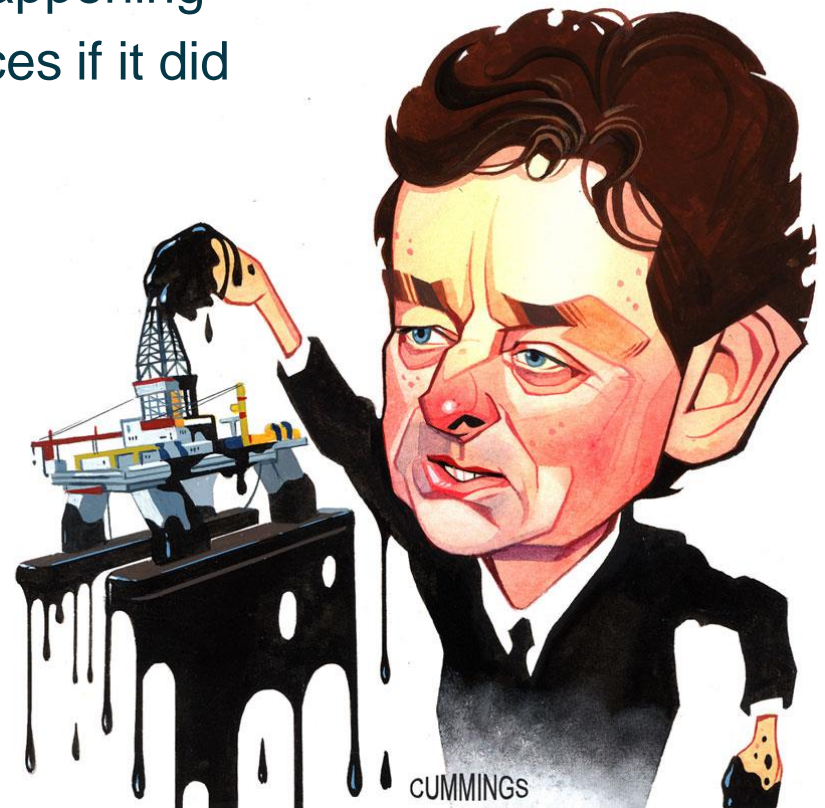
Hong Kong – 22 August 2017



## ■ Defining risk

Risk is made up of two elements:

- The likelihood of something happening
- The impact of the consequences if it did



## Defining Likelihood

Risk probability	
<b>1 - Rare</b>	<b>The risk may occur only in exceptional circumstances.</b> No recorded incidents, anecdotal evidence of occurrence; and/or No recent incidents in other like establishments elsewhere. Virtually no opportunity, reason or means to occur.
<b>2 - Unlikely</b>	<b>The risk could occur at some time but probably will not.</b> One or two recorded incidents in the past at like establishments; and/or Unsubstantiated anecdotal evidence of occurrence; and/or Some opportunity, reason or means to occur.
<b>3 - Credible</b>	<b>The risk might occur at some time and probably will.</b> Few, infrequent random recorded incidents at like establishments; Some anecdotal evidence of occurrence; and/or Known opportunity, reason or means to occur
<b>4 - Likely</b>	<b>The risk will probably occur in most or many circumstances.</b> Incidents have been recorded or a trend has been established; and/or Strong anecdotal evidence from a variety of sources and/or Considerable opportunity, reason or means to occur
<b>5 - Almost Certain</b>	<b>The risk is expected to occur in most or many circumstances.</b> Level of reported incidents indicates an endemic situation or a sustained campaign A strong likelihood of future occurrence, because of identified circumstances; and/or Great opportunity, reason or means to occur.

## Defining Impact

Impact of Threats	
<b>1 - Insignificant</b>	Measurable financial effect, less than \$1,000 and/or; negligible effect on operations. No local public image/investor influence. No influence on staff morale/ productivity.
<b>2 – Minor</b>	There will be a measurable cost, between \$1,000 and \$10,000 and/or a complaint or interruption and/or one or two injuries or medical reports. Reported minor local public image/investor influence. Reported but insignificant influence on staff morale/ productivity.
<b>3 - Moderate</b>	There will be a measurable cost, between \$10,000 & \$100,000. Some complaints or interruptions and/or small number of injuries or medical reports. Possible loss of community standing. Minor loss of investor confidence. Obligation to advise regulator with assessed minimal consequences. Minor influence on staff morale/ productivity.
<b>4 - Major</b>	There will be a measurable cost between \$100,000 and \$1,000,000, wide-spread dissatisfaction and media attention arising from this and/or very severe injuries, and/or long delays or interruptions to operations, and/or serious public relations damage, requiring considerable effort to rectify, and/or litigation, and/or noticeable loss of community standing, investor confidence and/or noticeable influence on staff morale/ productivity. Regulator seeks formal response/commences independent investigation or legal proceedings.
<b>5 - Extreme</b>	Very serious disruption to operations, impacting on the continuity. Long term effectiveness adversely affected, with costs over \$1,000,000 and/or at least one death and widespread injuries and property damage and/or community standing very seriously affected, requiring very concentrated effort & cost to rectify afterwards and/or class action and individual ambit litigation claims and/or major influence on staff morale/ and ability to perform their duties. Restriction of operation or adverse finding by regulator/courts.

## Risk Storm Exercise

You can assess risk intuitively – *the risk storm review...*

- What is your **WORST CASE** risk scenario (what makes you sit bolt upright in a cold sweat at 3am in the morning?)
- What are your two (2) **MOST LIKELY** business risk scenarios (you envisage it could occur in the next 12 months)
- For each risk scenario: What is the **likelihood** it will occur (is it rare, unlikely, credible, likely or almost certain) and what is the **impact** the risk would have on your business (is it insignificant, minor, moderate, major or extreme)

		RISK MATRIX				
IMPACT	Extreme	Orange	Red	Red	Red	Red
	Major	Orange	Orange	Red	Red	Red
	Moderate	Yellow	Yellow	Orange	Orange	Red
	Minor	White	White	Yellow	Orange	Orange
	Insignificant	White	White	White	Yellow	Orange
		Rare	Unlikely	Credible	Likely	Almost certain
		LIKELIHOOD				

***Do this exercise with your own teams and focus on your preparation for the most likely scenarios. Using the impact & likelihood definitions plot the scenarios (risks) on the matrix. The key to this exercise is getting everyone's perspective i.e. ask each individual for their scenarios.***

## Risk Rating, Treatment Implications & Tolerance Examples

Risk Rating	Definition & treatment requirements	Risk appetite or tolerance examples
Low	Minor Risk. Risk Mitigation measures should be considered and implemented within twelve months.	<b>More:</b> competitive(>), M&A(>) and supply chain(>)
Medium	Action required. Risk Treatment Plan should be produced with minimal delay and a Risk Owner assigned. The Risk Should be treated within the Quarter.	<b>Some:</b> geographic(>), margin(>) and manufacturing(<)
High	High Risk. Immediate action required. Risk Owner should be identified and treatment plan drawn up immediately. There should be no delay in reducing this risk.	<b>Minimal:</b> tax, currency and transactional
Extreme	Extremely high risk. Comprehensive treatment required or more likely activity should be stopped until risk can be reduced.	<b>Zero:</b> compliance, business ethics, financial reporting, fraud and reputation

# Control Risks

An example of a matrix with an assessment of existing treatment plans

	Extreme		<b>EXTREME RISKS</b>			
	Major	HIGH				
IMPACT	Moderate	MEDIUM				
	Minor	LOW				
	Insignificant					
		Rare	Unlikely	Possible	Likely	Almost certain
			LIKELIHOOD			

1. Regulatory breach
2. Employee kills a member of the public in an MVA
3. Employee death/serious injury due to negligence
4. Loss of key staff/business teams
5. Lack of BC planning
6. Utility failure/loss of access
7. Natural disasters
8. Over-reliance on key customers relative to market
9. Customer price
10. Major system failure - DRP
11. Privacy breach
12. Quality issues with third party resulting in their cessation of production
13. Fraud – failure to deliver invoiced services

**Legend:**

- **Yellow circle:** indicates partial controls or contingencies are in place.
- **Green circle:** full controls or contingencies are in place
- **Grey circle:** indicates there is limited or no controls or contingencies in place

# Control Risks

