



JULY 29, 2015

# Whose Risk is it Anyway: The Province of the Risk Committee?

ASPEN, COLORADO





# CORPORATIONS STRUGGLE TO MANAGE REPUTATIONAL RISK



87%

of executives rate reputation risk as more important than other strategic risks\*

**Deloitte.**

88%

say their companies are explicitly focusing on reputation risk as a key business challenge\*

**Deloitte.**

25%

25% of a company's market value is directly attributable to its reputation\*\*

WORLD  
ECONOMIC  
FORUM

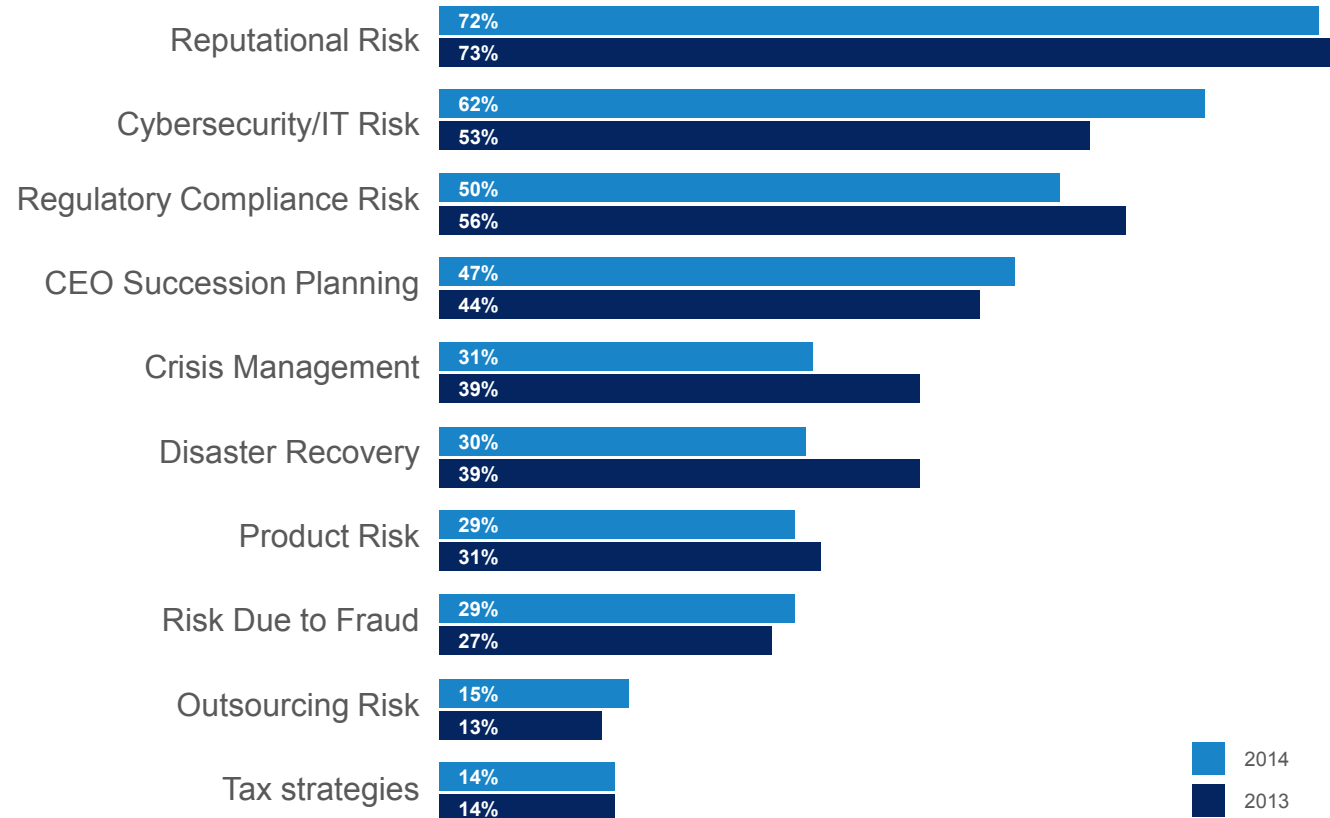
# CONCERNS ABOUT RISKS CONFRONTING BOARDS

## Risks Driving Concern

Our first question is based on the most fundamental concept driving this survey: What specific risks are top of mind for boards today? This creates an important lens through which to evaluate how boards are addressing risk: from identifying it to managing it, strategically and operationally.

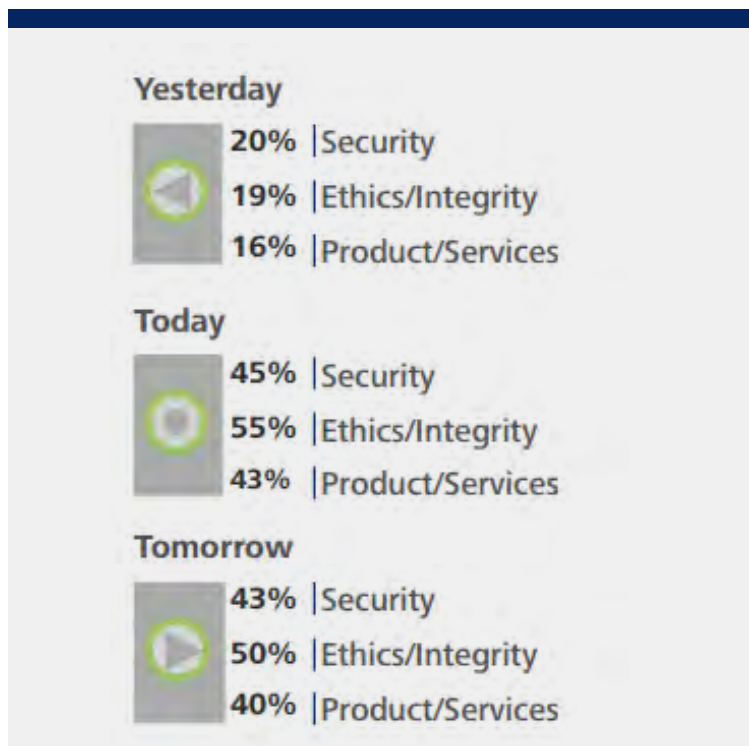
Cybersecurity/IT risk has risen almost 10%. It has overtaken regulatory/compliance risk (which has also increased 4%) as the second most important concern to all boards.

Aside from financial risk, which of the following areas of risk management are most important to your Board



# FALSE CONFIDENCE

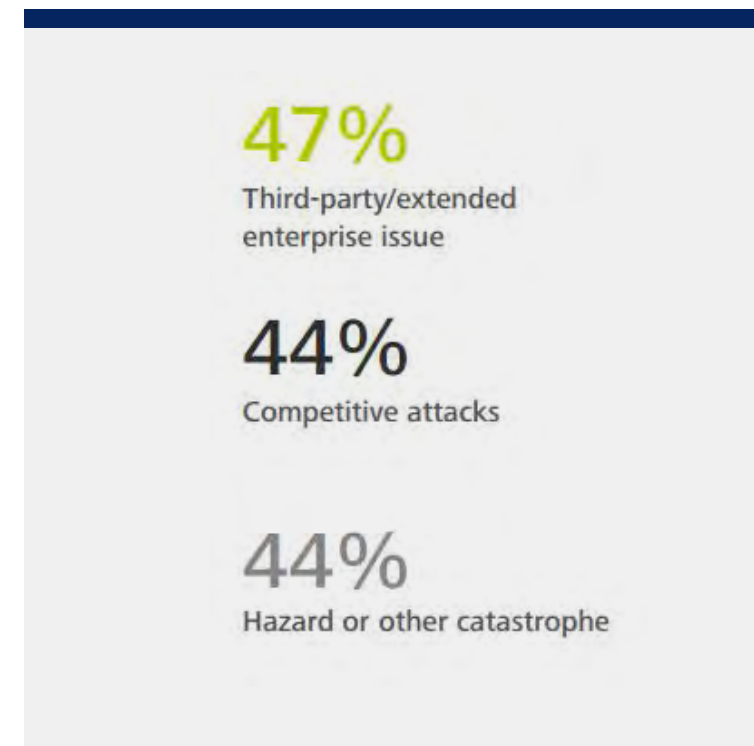
Top 3 drivers of reputation risk:  
past, present, and future



Companies feel most prepared  
to manage risks within their  
direct control...



...and least prepared for risks  
beyond their control



**The Finding: Weak internal communication is a major source of reputational risk**

# DETERMINING WHETHER TO ESTABLISH A SEPARATE RISK COMMITTEE

## Support:

- A risk committee focuses director attention on the company's most critical risks and risk management capabilities
- A risk committee fosters an integrated, enterprise-wide approach to identifying and managing risk and provides an impetus toward improving the quality of risk reporting and monitoring, both for management and the board.

## Challenges:

- Without a sufficient number of independent directors who possess deep knowledge and experience in dealing with the industry and its critical risks, a risk committee will lack effectiveness
- A risk committee cannot cover any gaps in the company's risk management process and is highly dependent upon the quality of inputs to and outputs from the process and information and insights from external sources

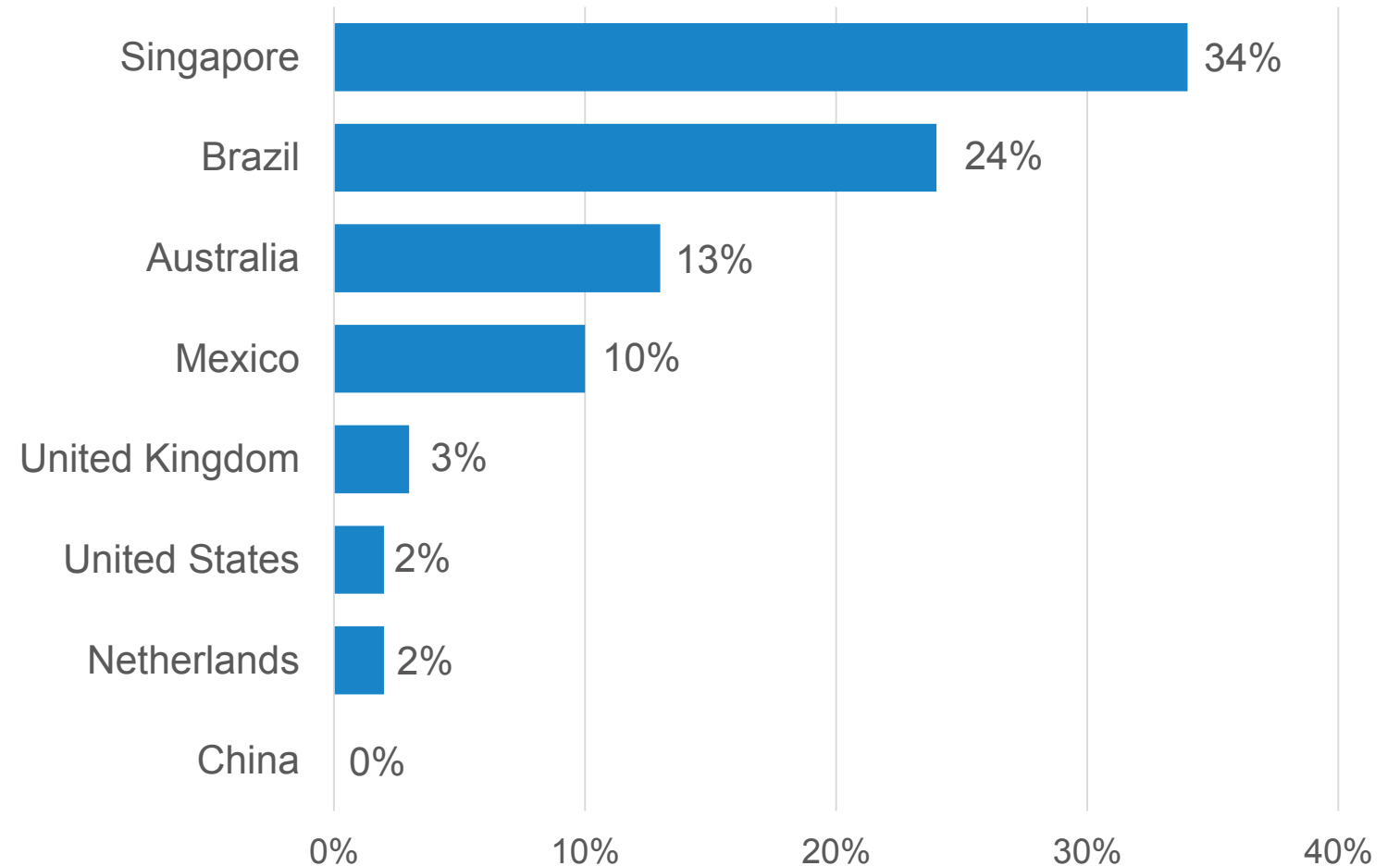


**The Finding: The audit committee already has many responsibilities focused on financial reporting and is, in effect, the last line of defense for financial reporting risk**



# RISK COMMITTEES ON A SLOW RISE

## Percentage of Non-FSI Board-level Risk Committees



Source: Deloitte



# DISCUSSION

- Bridging the Gap
- Connection between trust in boards and escalation in reputational risk
- Measurement of expectations vs performance







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# Thank You!

