



Risk Management - The Heart of Good Governance

British Chamber | Family Business Workshop Series

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Introduction

Who's With You And Our Approach To This Discussion



Aaron Jay Dason

Role

Risk Advisory Myanmar, Corporate Governance, Risk Management, and Internal Audit Leader

Cross-Border Work Experience

Malaysia, Thailand, Vietnam, Singapore, Indonesia, and Myanmar

Primary Location

Yangon, Myanmar

Professional Accolades

- Association of Chartered Certified Accountants (ACCA)
- Chartered Member of the Institute of Internal Auditors (IIA)
- MSc Strategic Project Management (University of Heriot Watt)

1

Origins, Definition, and Market Expectations

2

Findings From A 2019 Global Risk Management Survey

3

Key Players and Roles

4

Peek Into Risk Intelligent Organisations

5

Common Complexities and Good Practice Examples

Risk Management

Origins, Definition, and Market Expectations

Risk Management Origins



*Risks and necessary actions to be taken become clear
when we know what we're after*

Risk Management

How Its Defined

"The possibility of an event occurring that will impact an organization's achievement of objectives."

Institute of Internal Auditors (IIA)

"The volatility of returns (both positive and negative) that can be quantified through statistical measures such as probabilities, standard deviations and correlations between different returns."

Association of Chartered Certified Accountants (ACCA)

"Risk is the possibility that events will occur and affect the achievement of objectives."

Committee of Sponsoring Organizations of the Treadway Commission (COSO)

"Whatever we do in our life, risk is always involved. Risk is the necessary component of progress."

Jeff Bezos
Chief Executive Officer (CEO) of Amazon.com Inc.

"Culture of risk taking is important. Without risk, there is no reward. Risk should be viewed optimistically."

Sundar Pichai
Chief Executive Officer (CEO) of Google Inc.

"In the world that is changing so quickly, the biggest risk you can take would be not taking any risk."

Mark Zuckerberg
Chief Executive Officer (CEO) of Facebook Inc.

"Anyone who has never made a mistake, has never tried anything new. Without risk, comes no reward."

Albert Einstein

Risk Management

International Requirements For Risk Management

1

U.S. Securities And Exchange Commission (SEC):

Disclosure Requirement in Proxy Statements (starting 2010) requires companies to describe the board's role in the oversight of risk.

2

Committee of Sponsoring Organizations of the Treadway Commission (COSO):

i) Principle 7

The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.

ii) Principle 8

The organization considers the potential for fraud in assessing risks to the achievement of objectives.

3

Bursa Malaysia Securities Listing Requirements:

A listed company must ensure that its board of directors makes a statement about the state of risk management and internal control in its annual report.

4

Singapore Corporate Governance Code:

The Board is responsible for the governance of risk where they determine the company's level of risk tolerance and risk policies and oversee Management. The Board should also review and comment on the adequacy and effectiveness of the company's risk management and internal controls in the annual report.

5

Myanmar Companies Act 2017:

The Directors' report that is to be included within the financial statement of a company should include a description of risks and uncertainties facing the company.

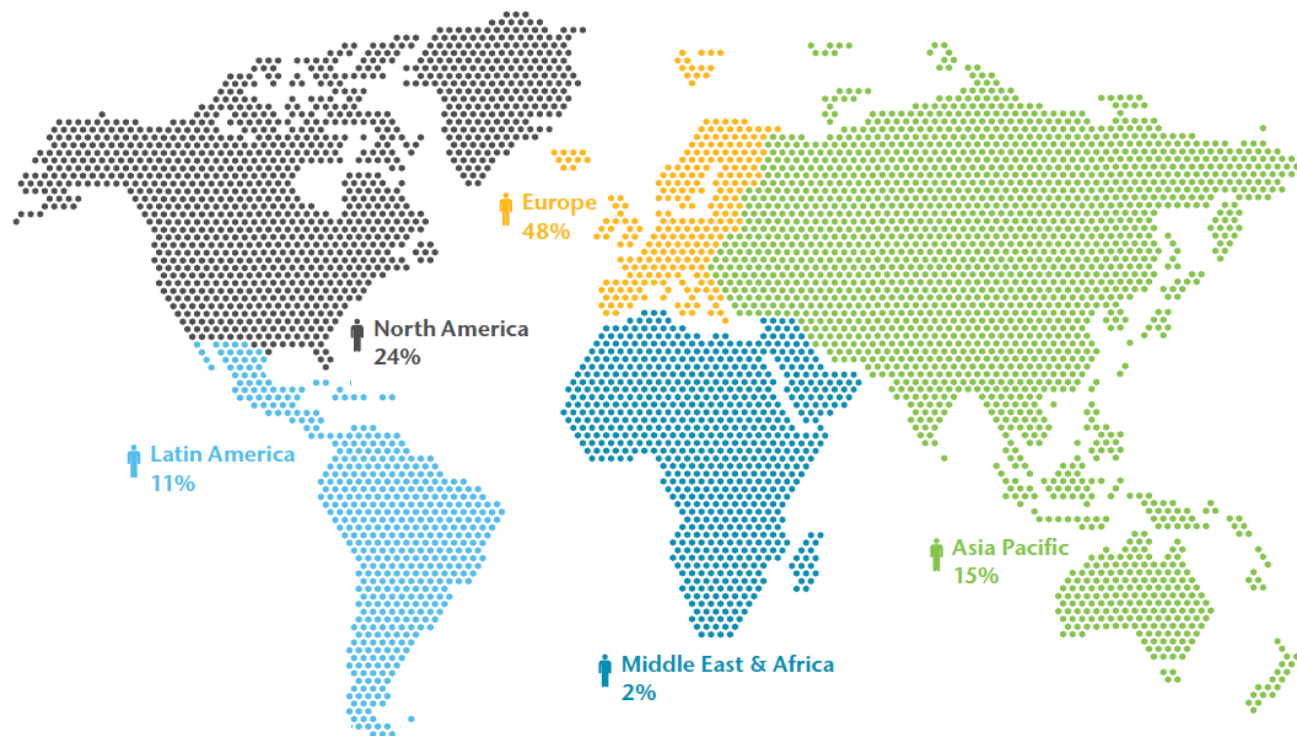
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Findings From A 2019 Global Risk Management Survey

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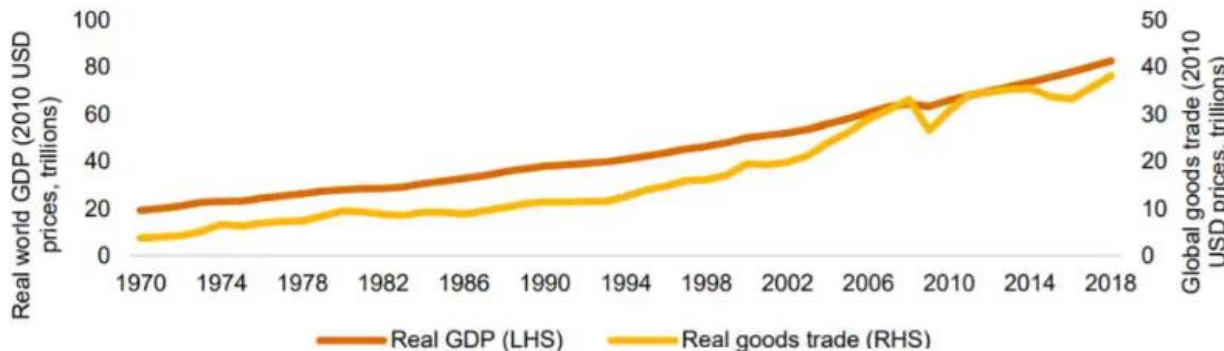
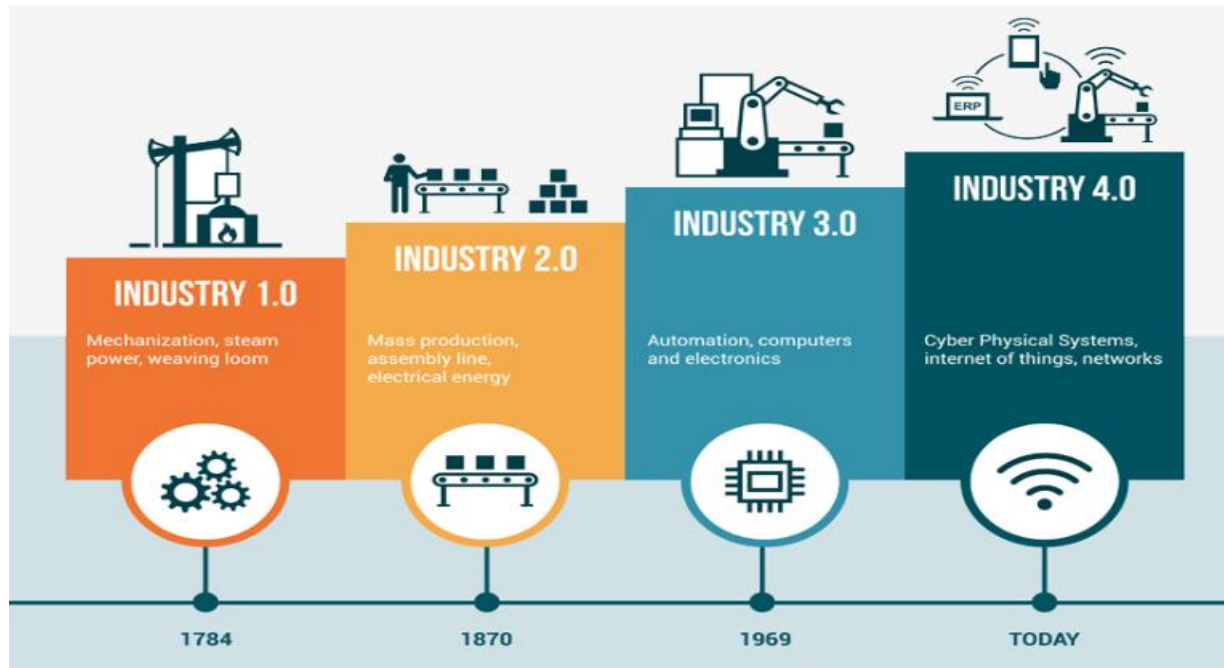
Global Risk Management Survey 2019

Survey respondents by region



Risk Management

Global Risk Management Survey 2019



Source: CPB World Trade Monitor, World Bank

Top 10 Risks

| | 2019 | 2009 |
|----|--|---|
| 1 | Economic slowdown / slow recovery | Economic slowdown/slow recovery |
| 2 | Damage to reputation / brand | Regulatory/ legislative changes |
| 3 | Accelerated rates of change in market factors | Business interruption |
| 4 | Business interruption | Increasing competition |
| 5 | Increasing competition | Commodity price risk |
| 6 | Cyber attacks / data breach | Damage to reputation |
| 7 | Commodity price risk | Cash flow/liquidity risk |
| 8 | Cash flow / liquidity risk | Distribution or supply chain failure |
| 9 | Failure to innovate / meet customer needs | Third party liability |
| 10 | Regulatory / legislative changes | Failure to attract or retain top talent |

Source: AON Global Risk Management Survey 2019

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Global Risk Management Survey 2019

What Are Your Top 3 Risks?

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Top 3 Risks By Industry

| Industry | Key Risk 1 | Key Risk 2 | Key Risk 3 |
|---|---|---|---|
| Agribusiness | Commodity price risk | Climate change | Damage to reputation / brand |
| Aviation | Business interruption | Economic slowdown / slow recovery | Increasing competition |
| Banking | Cyber attacks / data breach | Capital availability / credit risk | Accelerated rates of change in market factors |
| Beverages | Business interruption | Commodity price risk | Climate change |
| Chemicals | Business interruption | Commodity price risk | Economic slowdown / slow recovery |
| Conglomerate | Economic slowdown / slow recovery | Regulatory / legislative changes | Accelerated rates of change in market factors |
| Consumer goods manufacturing | Commodity price risk | Damage to reputation / brand | Accelerated rates of change in market factors |
| Construction | Economic slowdown / slow recovery | Cash flow / liquidity risk | Capital availability / credit risk |
| Education | Damage to reputation / brand | Cyber attacks / data breach | Failure to attract or retain top talent |
| Energy (oil, gas, mining, etc.) | Commodity price risk | Accelerated rates of change in market factors | Business interruption |
| Food processing & distribution | Commodity price risk | Damage to reputation / brand | Distribution or supply chain failure |
| Government | Cyber attacks / data breach | Third-party liability (e.g. E&O) | Aging workforce & related health issues |
| Health care | Cyber attacks / data breach | Damage to reputation / brand | Increasing competition |
| Hotels & hospitality | Economic slowdown / slow recovery | Damage to reputation / brand | Business interruption |
| Insurance | Cyber attacks / data breach | Damage to reputation / brand | Concentration risk (product, people, geography) |
| Investment & finance | Damage to reputation / brand | Economic slowdown / slow recovery | Capital availability / credit risk |
| Lumber, furniture, paper & packaging | Commodity price risk | Economic slowdown / slow recovery | Business interruption |
| Machinery & equipment manufacturers | Economic slowdown / slow recovery | Increasing competition | Accelerated rates of change in market factors |
| Metal milling & manufacturing | Commodity price risk | Business interruption | Economic slowdown / slow recovery |
| Pharmaceuticals & biotechnology (life sciences) | Damage to reputation / brand | Accelerated rates of change in market factors | Distribution or supply chain failure |
| Power/utilities | Regulatory / legislative changes | Business interruption | Accelerated rates of change in market factors |
| Printing & publishing | Accelerated rates of change in market factors | Failure to innovate / meet customer Needs | Commodity price risk |
| Professional & personal services | Damage to reputation / brand | Cyber attacks / data breach | Failure to attract or retain top talent |
| Real estate | Economic slowdown / slow recovery | Asset value volatility | Property damage |
| Restaurant | Damage to reputation / brand | Business interruption | Distribution or supply chain failure |
| Retail trade | Damage to reputation / brand | Economic slowdown / slow recovery | Increasing competition |
| Rubber, plastics, stone & cement | Economic slowdown / slow recovery | Commodity price risk | Accelerated rates of change in market factors |
| Technology | Cyber attacks / data breach | Disruptive technologies | Failure to innovate / meet customer needs |
| Telecommunications & broadcasting | Increasing competition | Cyber attacks / data breach | Economic slowdown / slow recovery |
| Textiles | Economic slowdown / slow recovery | Commodity price risk | Damage to reputation / brand |
| Transportation manufacturing | Economic slowdown / slow recovery | Accelerated rates of change in market factors | Distribution or supply chain failure |
| Transportation services (non-aviation) | Economic slowdown / slow recovery | Business interruption | Damage to reputation / brand |
| Wholesale trade | Economic slowdown / slow recovery | Commodity price risk | Distribution or supply chain failure |

Source: AON Global Risk Management Survey 2019

Risk Management

Global Risk Management Survey 2019

Top 10 Risks By Region

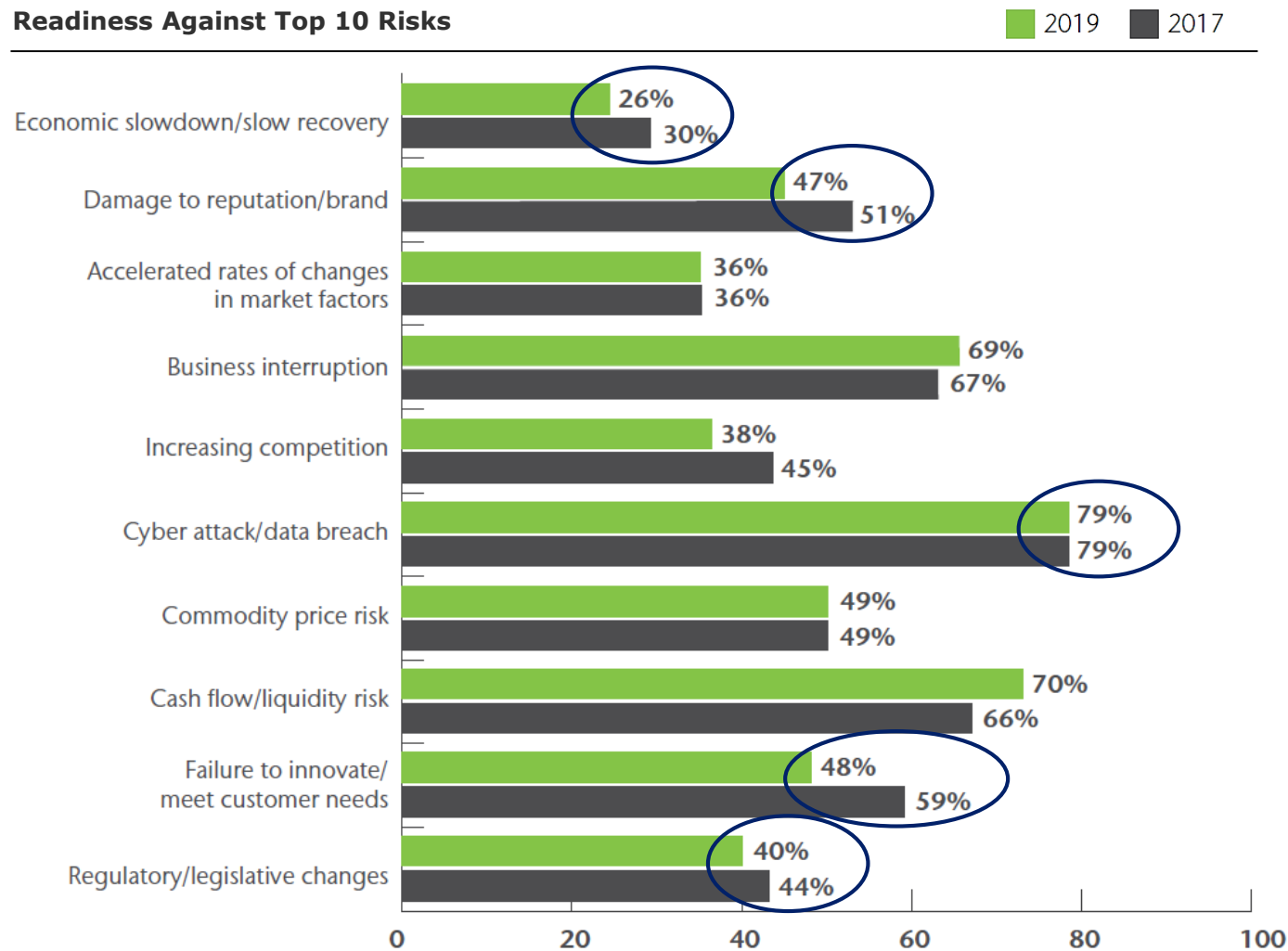
■ Not Top 10 For Asia Pacific

| | Asia Pacific | Europe | Latin America | Middle East & Africa | North America |
|----|---|---|---|---|---|
| 1 | Damage to reputation / brand | Accelerated rates of change in market factors | Economic slowdown / slow recovery | Economic slowdown / slow recovery | Cyber attacks / data breach |
| 2 | Increasing competition | Economic slowdown / slow recovery | Business interruption | Exchange rate fluctuation | Damage to reputation / brand |
| 3 | Business interruption | Commodity price risk | Accelerated rates of change in market factors | Political risk / uncertainty | Economic slowdown / slow recovery |
| 4 | Economic slowdown / slow recovery | Damage to reputation / brand | Damage to reputation / brand | Commodity price risk | Failure to innovate / meet customer needs |
| 5 | Accelerated rates of change in market factors | Business interruption | Commodity price risk | Accelerated rates of change in market factors | Business interruption |
| 6 | Cash flow / liquidity risk | Increasing competition | Cash flow / liquidity risk | Business interruption | Failure to attract or retain top talent |
| 7 | Cyber attacks / data breach | Cash flow / liquidity risk | Regulatory / legislative changes | Cash flow / liquidity risk | Increasing competition |
| 8 | Failure to innovate / meet customer needs | Cyber attacks / data breach | Distribution or supply chain failure | Cyber attacks / data breach | Regulatory / legislative changes |
| 9 | Regulatory / legislative changes | Failure to innovate / meet customer needs | Increasing competition | Interest rate fluctuation | Accelerated rates of change in market factors |
| 10 | Failure to attract or retain top talent | Regulatory / legislative changes | Capital availability / credit risk | Increasing competition | Distribution or supply chain failure |

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Global Risk Management Survey 2019

Readiness Against Top 10 Risks



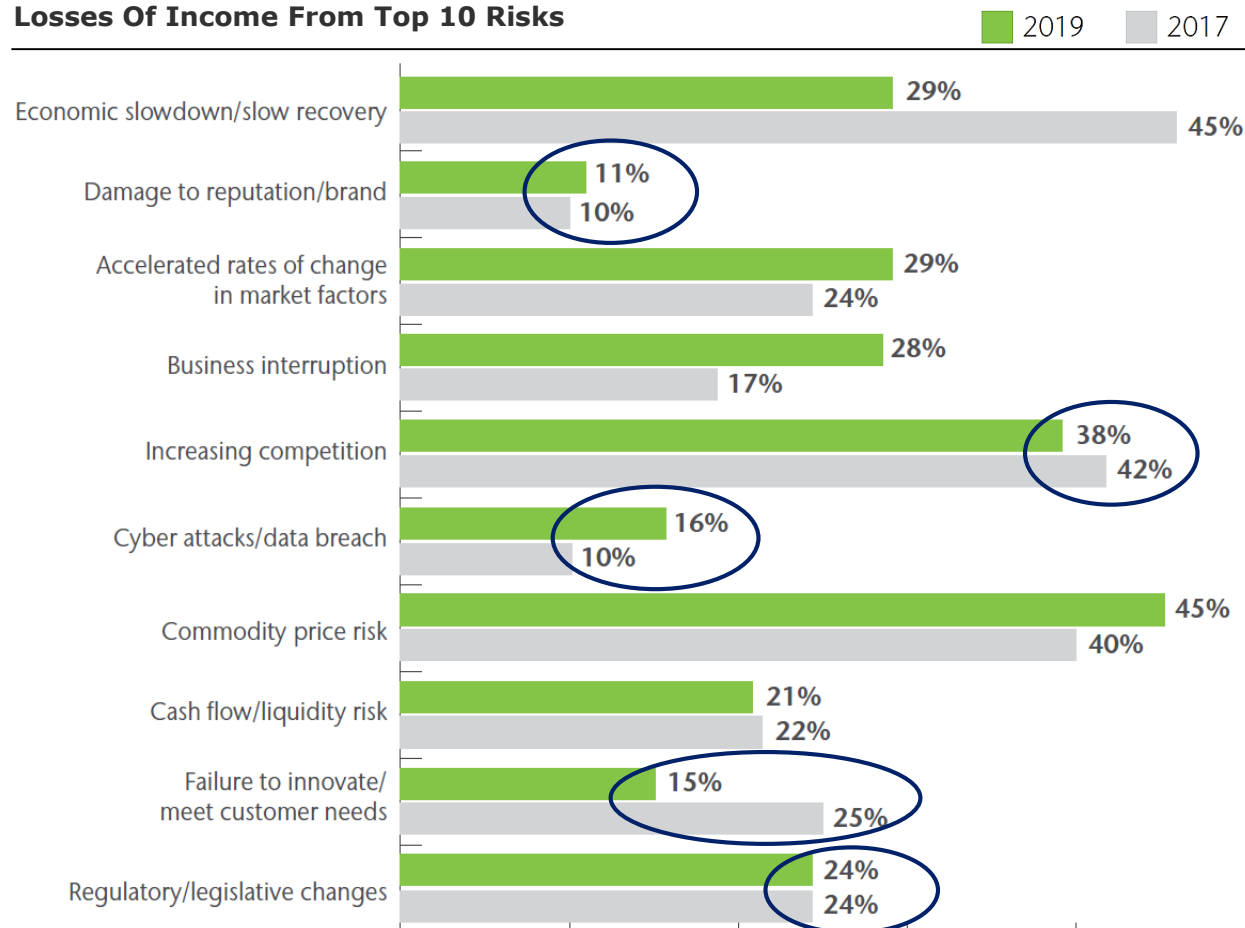
Average Readiness For Top 10 Risks By Region

| Region | 2019 (%) | 2017 (%) |
|----------------------|----------|----------|
| Asia Pacific | 51% | 66% |
| Europe | 47% | 47% |
| Latin America | 49% | 46% |
| Middle East & Africa | 49% | 58% |
| North America | 58% | 63% |

Risk Management

Global Risk Management Survey 2019

Losses Of Income From Top 10 Risks



Average Loss Of Income From Top 10 Risks By Region

| Region | 2019 (%) | 2017 (%) |
|----------------------|----------|----------|
| Asia Pacific | 23% | 23% |
| Europe | 27% | 23% |
| Latin America | 27% | 22% |
| Middle East & Africa | 30% | 31% |
| North America | 23% | 24% |

Risk Management

Global Risk Management Survey 2019

Mitigation Action For Top 10 Risks

| Risk description | Assessed risk | Quantified risk | Developed risk management plan | Evaluated risk finance/transfer solutions | Developed continuity plans |
|---|---------------|-----------------|--------------------------------|---|----------------------------|
| Economic slowdown / slow recovery | 16% | 11% | 11% | 6% | 8% |
| Damage to reputation / brand | 34% | 22% | 31% | 12% | 21% |
| Accelerated rates of change in market factors | 26% | 17% | 19% | 10% | 13% |
| Business interruption | 55% | 42% | 47% | 32% | 44% |
| Increasing competition | 28% | 17% | 18% | 7% | 13% |
| Cyber attacks / data breach | 64% | 41% | 55% | 36% | 49% |
| Commodity price risk | 32% | 26% | 22% | 17% | 14% |
| Cash flow / liquidity risk | 50% | 41% | 37% | 29% | 24% |
| Failure to innovate / meet customer needs | 29% | 16% | 23% | 6% | 14% |
| Regulatory / legislative changes | 27% | 14% | 19% | 7% | 12% |

Mitigation Action For Top 10 Risks By Region

| Category | Asia Pacific | Europe | Latin America | Middle East & Africa | North America |
|---|--------------|--------|---------------|----------------------|---------------|
| Assessed risk | 34% | 32% | 35% | 30% | 40% |
| Quantified risk | 24% | 22% | 23% | 20% | 29% |
| Developed risk management plan | 28% | 25% | 29% | 26% | 35% |
| Evaluated risk finance/transfer solutions | 15% | 14% | 13% | 14% | 22% |
| Developed continuity plans | 20% | 16% | 20% | 19% | 22% |

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Top 10 Risks In 2019



Projected Top 10 Risks In 2022



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Top 5 risks in the next 3 years by region

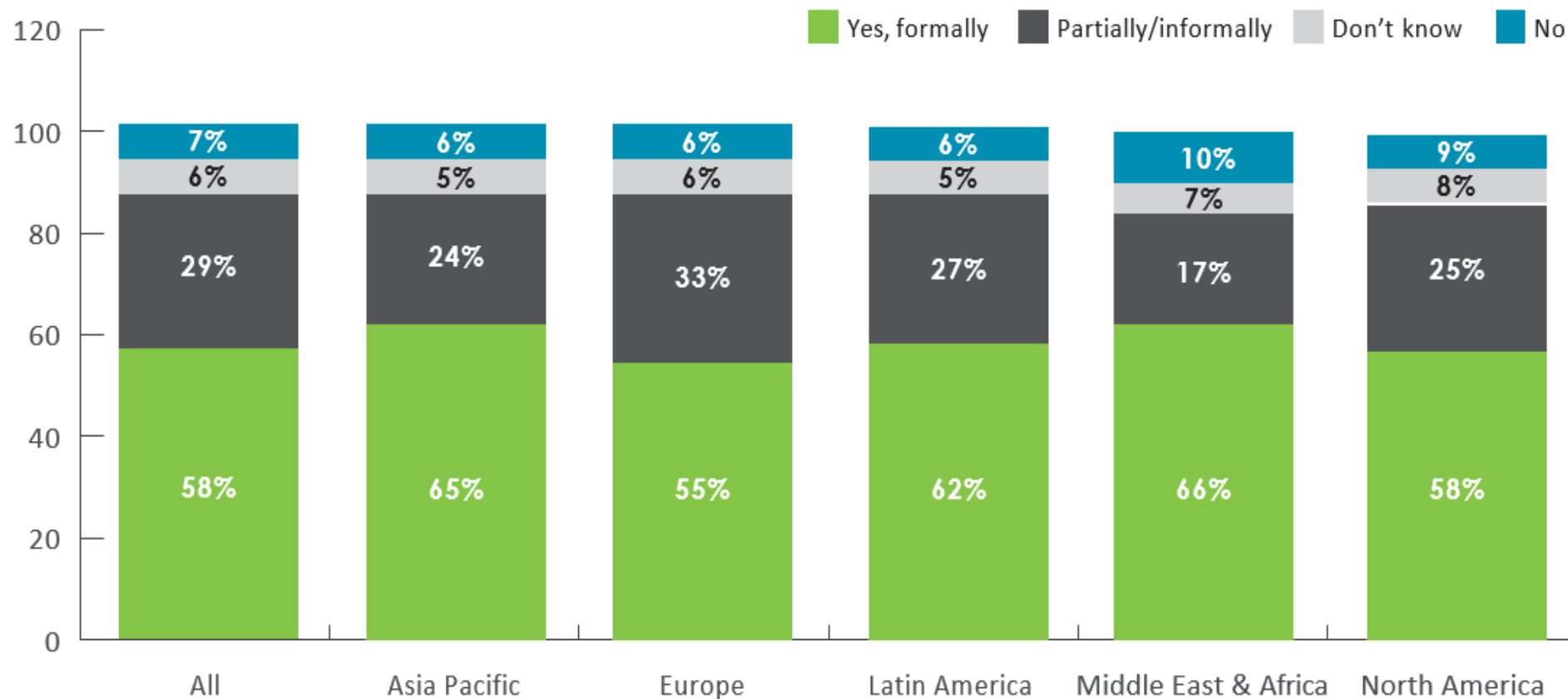
■ Not Top 5 For Asia Pacific

| | Asia Pacific | Europe | Latin America | Middle East & Africa | North America |
|---|---|---|---|---------------------------------|---|
| 1 | Economic slowdown/slow recovery | Accelerated rates of change in market factors | Accelerated rates of change in market factors | Economic slowdown/slow recovery | Cyber attacks / data breach |
| 2 | Cash flow / liquidity risk | Economic slowdown/slow recovery | Commodity price risk | Cyber attacks / data breach | Failure to innovate / meet customer needs |
| 3 | Increasing competition | Commodity price risk | Economic slowdown/slow recovery | Exchange rate fluctuation | Failure to attract or retain top talent |
| 4 | Accelerated rates of change in market factors | Cyber attacks / data breach | Cash flow / liquidity risk | Commodity price risk | Economic slowdown/slow recovery |
| 5 | Damage to reputation / brand | Increasing competition | Business interruption | Political risk / uncertainty | Aging workforce & related health issues |

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Adoption of risk oversight and management policies by region



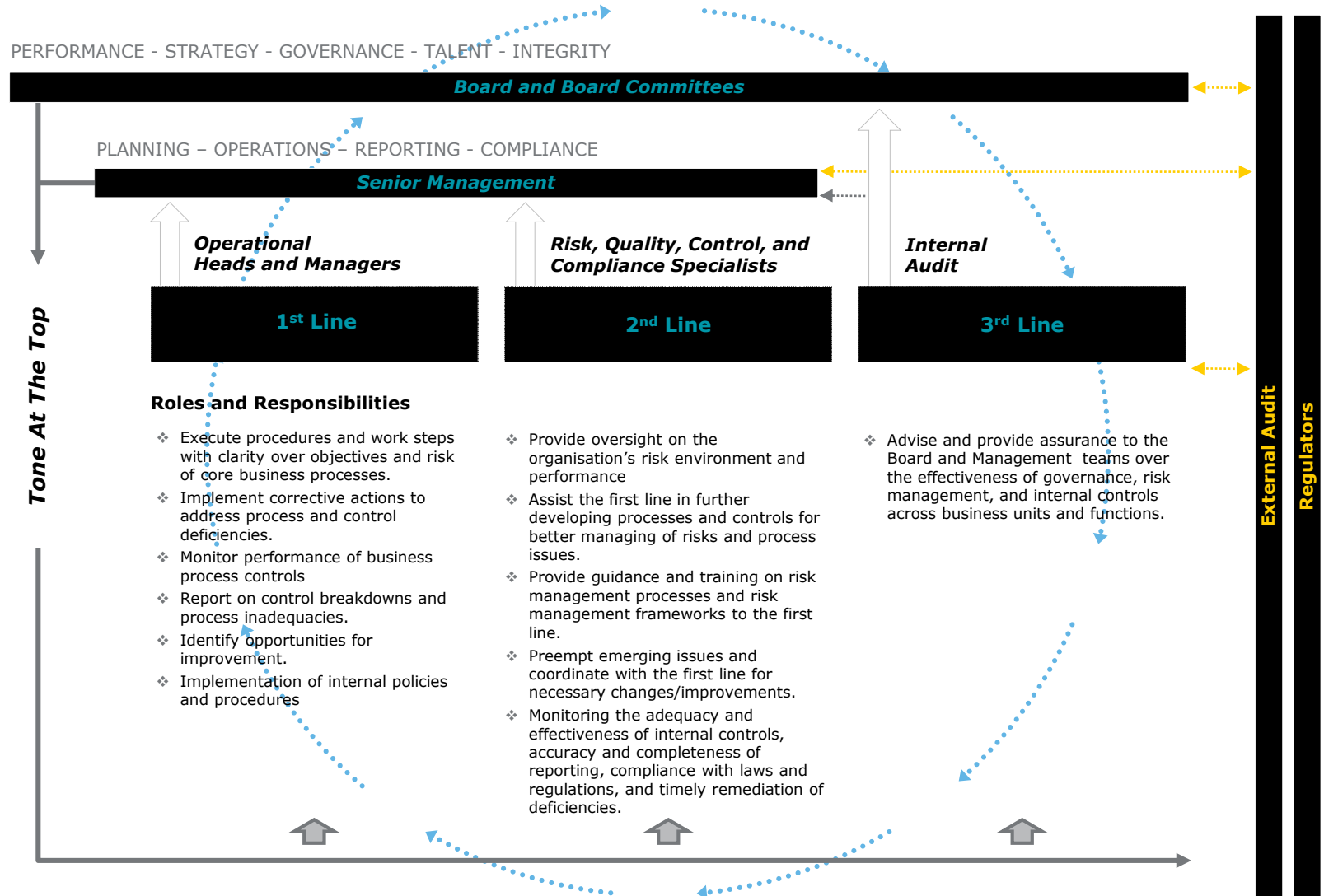
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Key Players

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Key Players And Their Roles

Both Senior Management and Boards and Board Committees have responsibility and accountability to ensure that governance frameworks, policies, procedures, systems, and practices are fit to business needs and the operating environment. These top-down establishments serves as the bedrock for Operational Managers to effectively perform their duties, and in turn also, the foundation in which Risk & Compliance Specialists position themselves to lend their specialist support. Internal Audit ("IA") whilst sharing similar goals for the organisation, are unique in the sense that the function acts as trusted independent advisors who abide strictly by principles such as integrity, objectivity, and confidentiality. IA can consist of multi-skilled/disciplined personnel, thus exponentially increasing the likelihood of organisational value to be preserved and created.



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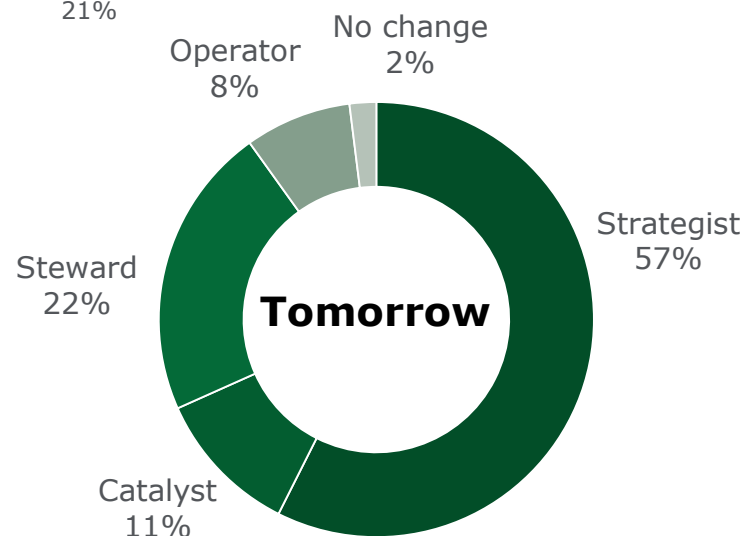
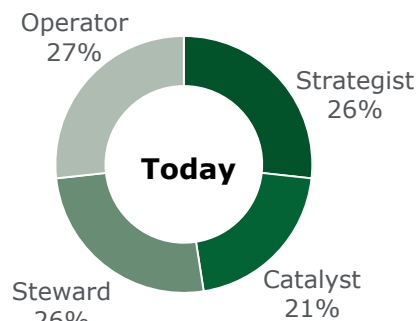
The Chief Risk Officers (CROs) Needed For Tomorrow's Organisations

Strategist: Participating in setting the strategic direction of the company and aligning risk management strategies accordingly.

Catalyst: Engaging leadership across the organization in defining and executing strategic objectives in line with risk appetite.

Steward: Protecting and challenging the organization through effective risk management; ensuring appropriate oversight and governance of risk-taking activities.

Operator: Balancing structure, capabilities, talent, and technology within the risk management organization.

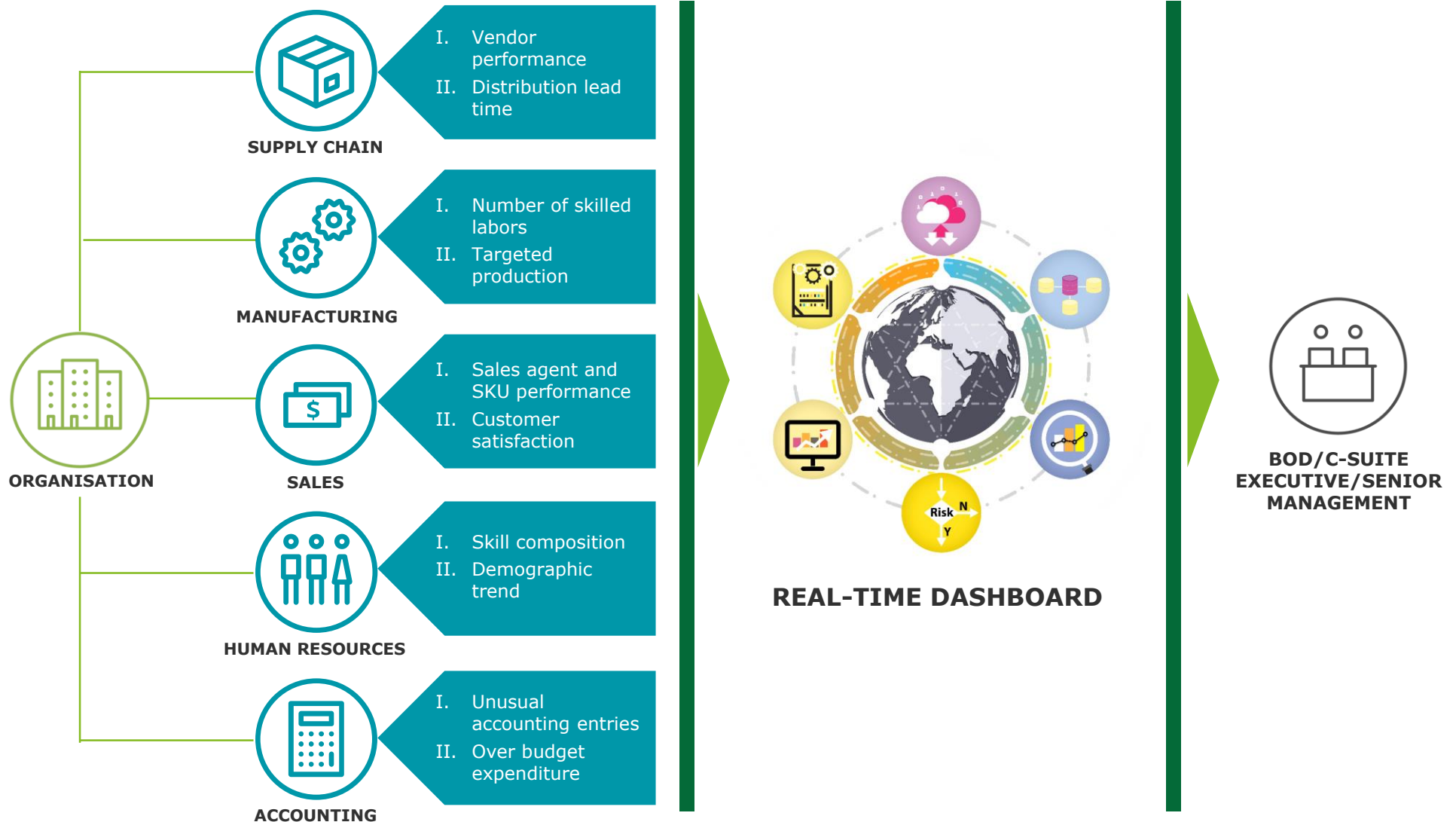


Risk Intelligent Organisations

Technology For Navigating The Business

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How Can Technology Assist In Business Navigation?



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How Can Technology Assist In Business Navigation?



REAL-TIME DASHBOARD

e.g. HR KPI Dashboard



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Family Business Risk And Strategies To Mitigate
The Risk

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Common Family Business Complexities Within The Local Market

1

***Overlapping of roles and responsibilities
(Board and Management Duties)***

2

***Boards not fit or effectively composed to oversee, guide, and
constructively challenge Management***

3

***Middle and Junior Management teams without sufficient
accountability and responsibility***

4

***Boards and Management teams not knowing or understanding
the organisation's risk environment***

5

***Boards and Management without quality data for impactful
decision making***

6

***Disagreement between leadership over new ventures and the
level of associated risk accepted***

7

***Over reliance on a small number of personnel and
redundant/outdated processes***

8

***No or weak channels for confidential communication and
employees afraid/unwilling to speak-up***



Risk Management

Steps Forward Taken By Local Organisations

- 1** *Leadership consensus over objectives, risk environment, appetite, tolerance, and responses*
- 2** *Board member independence and confidential channels for communication*
- 3** *Clarity and separation between Board and Management roles and responsibilities*
- 4** *Empowering of middle and junior level Management personnel*
- 5** *Empowering and building of capacity and capabilities of Internal Audit*
- 6** *Maintain adequate data protection procedure and have in place data breach response plans*
- 7** *Gradual implementation and enforcement over supply chain sustainability (internal and external)*
- 8** *Commitment to an inclusive culture centred around team camaraderie and growth*



Risk Management

World Leading Example

General Motors (GM)

- **Risk Committee meets 4 times a year** to facilitate discussions around selected key enterprise risks, current responses, and mitigation plans.
- **Management-level risk advisory council** with an executive lead from every business function or unit **meets monthly** to discuss enterprise and cross-functional risks.
- Practice a risk culture where **risk is believed to be the driver of the business** and needed to be viewed on an enterprise-wide basis.
- **Pilot workshops** were held to develop techniques and to help management team to use a risk lens to analyze risks and solve complex business challenges.
- **Risk Committee uses the language of the business** and talk about threats, consequences, and responses rather than using risk terminology jargons such as risk appetite, tolerance, culture, and residual risk. Thus, business leaders could relate and understand the implications of risk to their objectives.
- Continuously incorporate emerging risks, **consider current industry trends, and look at external players.**
- **Incorporate automated solution** to serve as risk and mitigation repository. The **visual dashboards are refreshed weekly** to provide a better user interface for the business. The data are gathered into one place to be relied upon over risk analysis, risk reporting, and ultimately, quantification.



Risk Management

World Leading Example

Coca-Cola

The key features of our enterprise-wide risk management system are:

- Group statements on strategic direction, ethics and values
- Clear business objectives and business principles
- A formalised risk management policy
- A clearly defined risk universe aligned to our strategic priorities: community trust, consumer relevance, customer preference and cost leadership
- Integration of risk management into our business planning processes
- A continuous process to identify and evaluate significant risks to the achievement of business objectives
- Implementation of management processes to mitigate significant risks to an acceptable level
- Implementation of strategies to further embed risk management into the cultural fabric of the business
- Continual monitoring of our internal and external environment for factors that may change our risk profile



*"Our robust risk framework is both **top down and bottom up**, ensuring that we identify, review and escalate, where appropriate, any risks arising from our business activities."*

*"We divide our risk universe into four areas that correspond to our four strategic pillars: **community trust, consumer relevance, customer preference and cost leadership.**"*

Risk Management

What It Is and What It Isn't

It's NOT just SOPs and playing safe

It's about knowing your playing field and equipping your organisation with the right people, processes, and systems in order to increase the odds of your organisations survival in the ever changing business environment

Quick and Powerful Decision Making

Streamlined Processes With Necessary Checks and Balances

Separation of Power and Delineation of Roles

Shared Values and Goals Across All Levels of The Org.



THANK YOU

Questions?

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