The Route to a strong Risk Culture

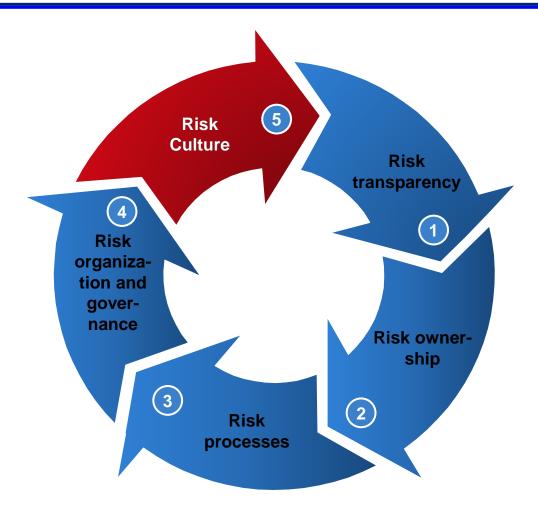


From Theory to Execution

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Integrated Risk Management Framework – ERM 2030 Strategy Implementation



SOURCE: KPC & Subs ERM 2030 strategy



Integrated Risk Management Framework – ERM 2030 Strategy Implementation

(5)

Risk

Culture

- Risk culture: Ensure soundness in Risk culture across entire organization (Perform Risk Culture Diagnostic)
- Risk norms: embed new risk norms through various corporate processes & governance
- Risk skill building: implement a skill enhancement program for kev roles

Risk identification& prioritization and Risk reporting

- Risk Taxonomy: establish common vocabulary for different risks
- Risk register/ risk heat map: characterize & prioritize risk based on probability, impact & preparedness
 - Risk insight & foresight: use business -specific scenarios, stress tests & early indicators to understand risks & opportunities.

Risk transparency

Risk owner-

ship

- Risk Models: build simple tool for business decisions.
- Risk Reporting: focus on key risks & provide clarity on these to allow actionable measures

Support risk oversight Clear lines of responsibility

- Risk archetype: define ERM mandate of the risk function
- Risk organization: design risk structure across entire organization & buy-in of top management
- Risk function profile: establish clear allocation of responsibilities between risking &controlling units

4 Risk organization and governance

Decision on overall risk appetite and strategies for key risks

- Risk ownership: consider whether you are the natural owner of a given risk
- Risk capacity: understand how much risk you can take
 - Risk appetite: decide how much risk you feel comfortable to take.
- undermine the efforts to Risk strategy: decide on actions to transform your risk profile,
- build an integrated risk including trade-offs, hedging, insurance... with corresponding
 - be addressed

Linkages and tools to risk-enabled key decisions and processes

- Risk related decisions: Embed risk in business decisions making rather than a pure compliance -oriented activity
- Risk process: design & execute core business processes & operations on a risk informed basis

A weak risk culture processes management and need to

SOURCE: KPC & Subs ERM 2030 strategy

Risk

The mindsets and behaviors of individuals and groups within an organization that determine the collective ability to identify, understand, discuss, and act on the organization's current and future risks



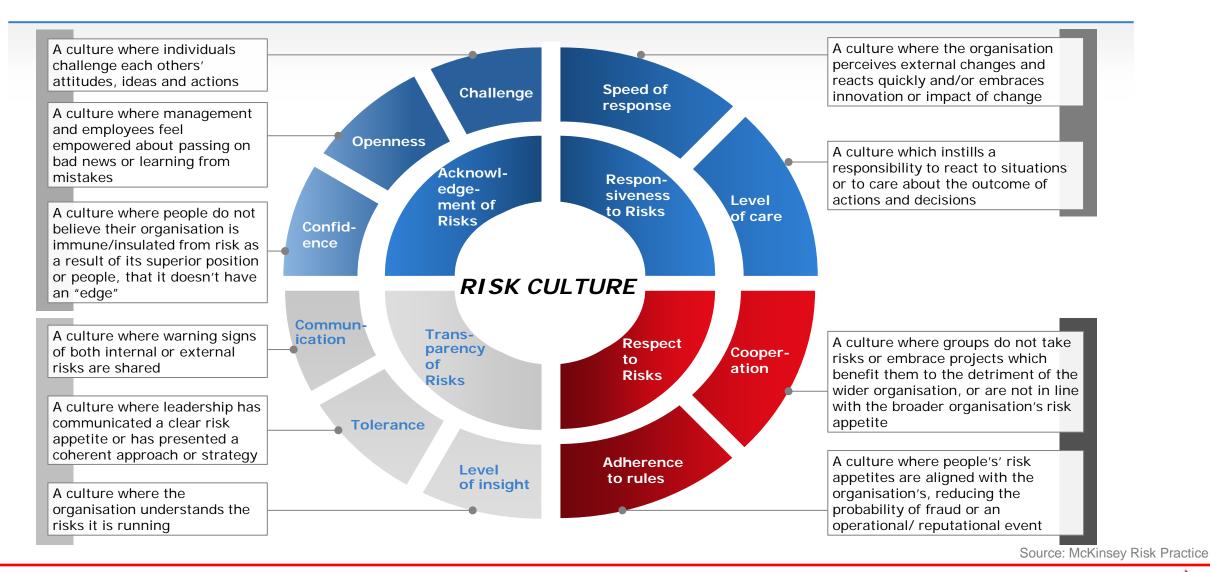
Elements of "Strong" Risk Culture



Source: McKinsey Risk Practice

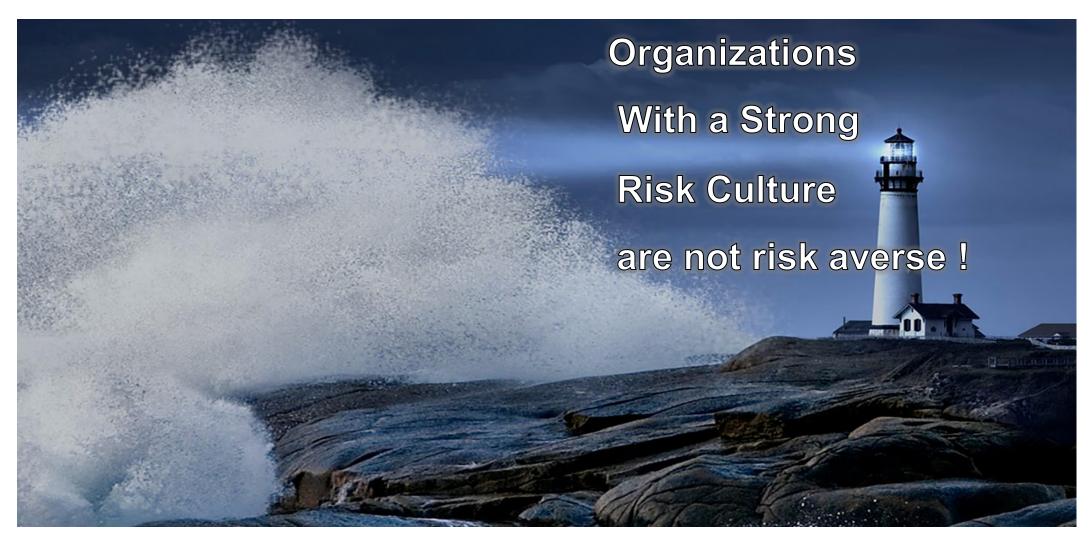


Elements of "Strong" Risk Culture









Source: Enterprise Risk Management Academy

Risk Culture change: Action plan

The influence model is a most proven approach for ensuring sustainable change in mindsets and behaviors "I will change my behavior if..."

I see superiors, peers, and subordinates behaving in the new way

"I have the skills and competencies to behave in the new way"

Role Modeling

Leaders are the owners of cultural & behavioral change

Fostering understanding & conviction

To have a common understanding of what is required to change & belief in it

Mindset & behavior shifts

Talent & Skills
Skills are required to
carry out the change

Reinforcing Mechanisms

Clear structure & process in place to support change.

"I know what is expected of me – I agree with it, and it is meaningful

"The structures, processes, and systems reinforce the change in behavior I am being asked to make"

Source: McKinsey Risk Practice



- Creation of two-way flow of risk management information/reporting: Top bottom & bottom up.
- CEO annual review, approval of ERM policy as demonstration of his commitment to ERM.
 Role Modeling
- Senior leadership support ERM community

Leaders are the owners of

- Middle management commitment to attend all risk workshops [Risk identification, assessment, mitigations, etc.
- Risk sessions at senior leader's events on new risk process.
- Support ERM Governance: establishment of RM department, ROC, Involve company leaders as members.
- Regular messages from Senior management that celebrate & encourages examples of good risk management.
- Share openly information about risks, business issues, mistakes, wrong decisions and lessons learned.
- Short videos on intranet with senior management on importance & value of risk management.
- Senior management actively encourage risk discussions in meetings e.g., ask attendees to create an alternate views, different scenarios, ask explicitly "what might we be missing" and "what can go wrong"



- Establish ERM competencies [for each Professional level] as a development requirement for Risk & non-Risk Area employees.
- Develop a comprehensive, tenure-appropriate training program on Risk management for Risk & non-Risk Area employees.
- Establish ERM community, develop pool of risk SME's and Invite speakers to talk about ERM value & benefits, framework, challenges,...
- Technical training modules to risk employees (e.g., Risk Quantification concepts, Risk measures: CFAR, RAROC, BI modules).
- Provide frequent general ERM training to all employees' & in different languages.
- Develop ERM Awareness strategy in the company: RM department website, ERM Awareness Campaign, newsletters, posters, educational movies, messages, quizzes, banners, booklets & brochuresetc.
- Provide specific RM sessions to senior management on ERM processes, new risk metrics, ..etc.
- Submit papers in ERM national & international conferences.
- Risk Working Sessions across the company with notable influencers to learn and practice skills in identifying and managing risks.
- Provide access to more junior employee Developing Talention Risk committees / discussions as part of their traineeship.
- Participate in regular ERM dialog Skills are required powledge sharing & learning best practices: Integration meetings, KPC ROC, PMO, 2040 Strategy.
- Introduce Risk conversations in depter to carry out the nd Organize ERM forum gathering all departments to discuss risks and interact together to enhance risk culture and encourage to change
- Build business knowledge within risk function business areas and e.g., Job Rotation, attachment programs,...



- Clear description of the new ERM processes and comprehensive guidelines assigning responsibilities & accountabilities [at each level & every step].
- Embed Risk metrics in Company's existing processes [CFAR in FYP, RAROC in project appraisal].
- Enhance performance management framework to include risk management components (risk related KPI's in corporate & departments BSC).
- Redesign incentive program to include risk management perspective.
- Introduce standard communication plans across company for all ERM activities:
 - 1- Setup Schedule & fixed agenda with senior management, committees & BOD.
 - 2- Coordinate with responsible departments for risk meetings (ERM toolbox).
 - 3- Synchronize ERM activities with mother company [time line Schedule & reporting]
 - 4- Develop SLA's with departments for data collection & reporting.
- Ensure promotion/recruitment assessment to include risk knowledge and risk attitude. Reinforcing
- Formalizing escalation paths for specific risks.
- During risk meetings, it is required to provide & circulate systematic provide in the data to the systematic provide in the circulate systematic provide systematic provide in the circulate systematic provide systematic provide systematic provide systematic provide systematic provid
- Ensure recognition for risk/return behaviors.

support change.

Clear structure &

Mechanisms

Source: KNPC Risk Practice

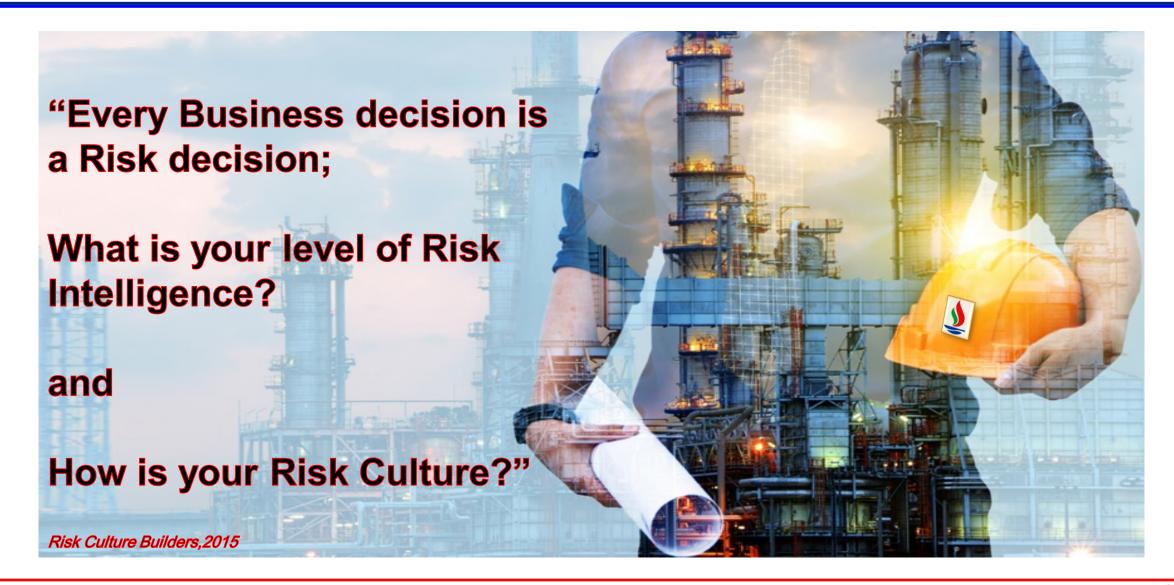
- Create a narrative for the company's risk culture that clearly articulates the desired end state and specific behaviors by role [ERM Maturity Level target].
- Define responsibilities & accountabilities [at each level & every step] in all ERM processes & guidelines [new & existing].
- Establish structured reporting system to senior management, ROC, BOD, Auditwds (Standing) with meaningful agenda & defined roles & conviction

 Conviction

 Conviction
- Include ERM responsibilities in all employees JD's [Risk & non risk employees] To have a common understanding of what is
- Ensure including risk management objectives in employee's annual appraisals. required to change & belief in it
- Explicit ERM policy [Arabic/English] is articulated to all levels of employees & distributed to all department.
- Celebrate stories of good risk behaviors and outcomes by individuals on annual basis [ERM ceremony]
- During risk meeting / discussions, disseminate and draw implications from both internal and external ops risk events (loss and near-miss).
- Develop connections / network with Senior Management & middle management [CEO, DCEO's, BOD, A&R committee , ROC, Managers, ...] to enhance Risk knowledge & acquire their support.













Q&A

