

Staying ahead of emerging risks



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RESOLVER

Presented by

RIMS
the risk management society

Moderator



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Connectfirst Credit
Union

Pandemic risk was not top of mind for most companies



Agenda

- Immediate impact and response
- Emerging risks in a post-COVID-19 world
- Identify, prioritize and analyze emerging risks
- Response and recovery planning

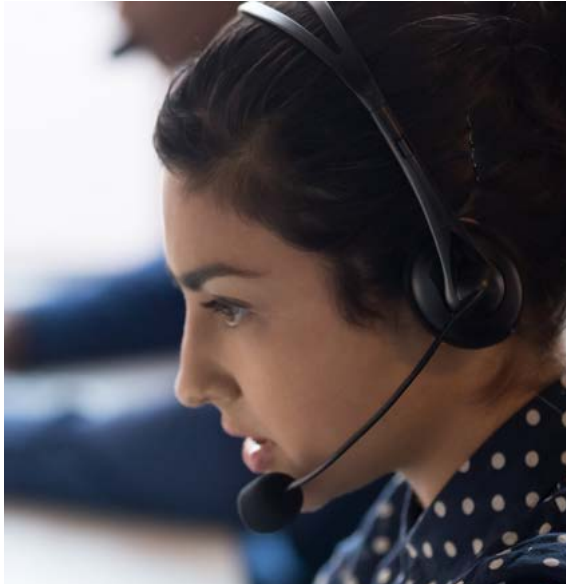
Poll 1

What has been the biggest COVID-19 impact to your organization?

Immediate Impact



Remote
workforce



Customer
demand shock

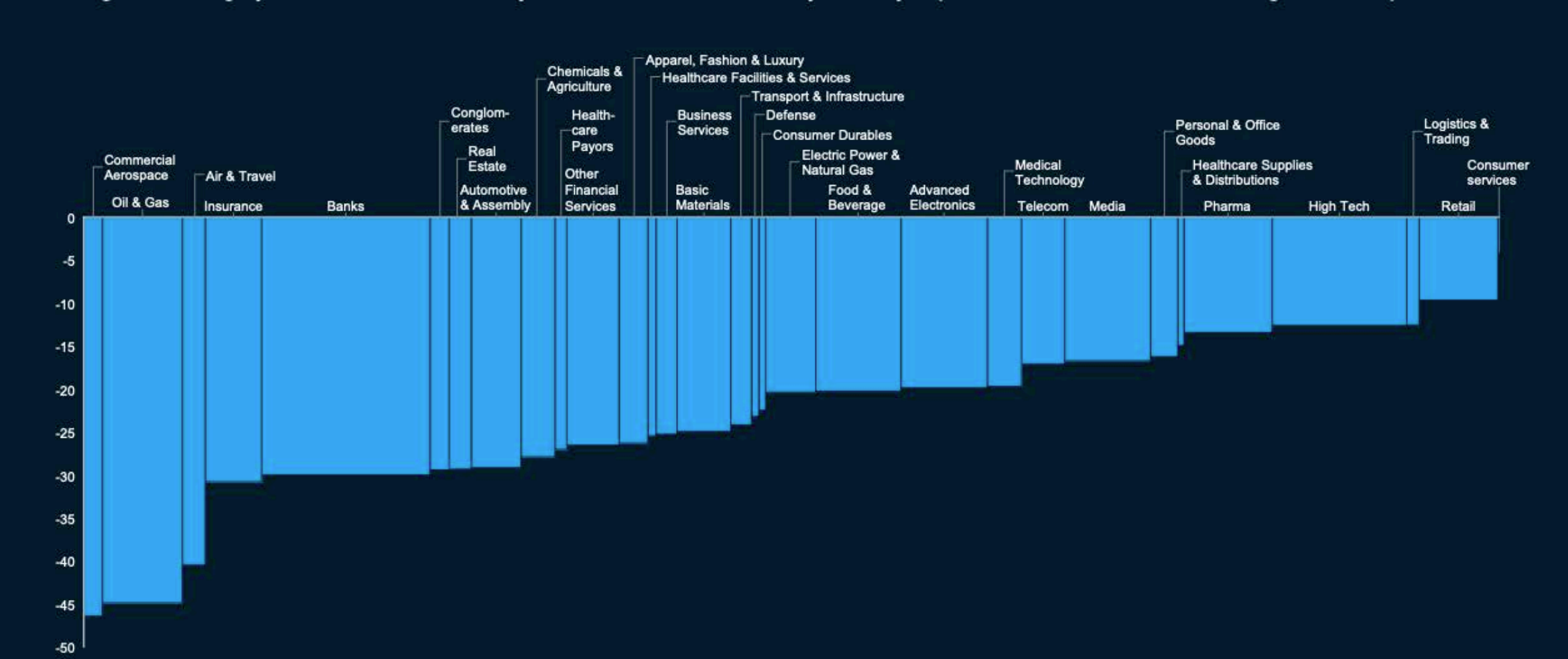


Supply chain
destabilization



Financial
pressure

Economic Impact: Hardest-hit Sectors



1. Data set includes global top 3000 companies by market cap in 2019, excluding some subsidiaries, holding companies, companies with very small free float and companies that have delisted since

Source: Corporate Performance Analytics, S&CF Insights, S&P Global



Poll 2

How did your business continuity plans prepare your organization for this crisis?

Immediate Response to COVID-19



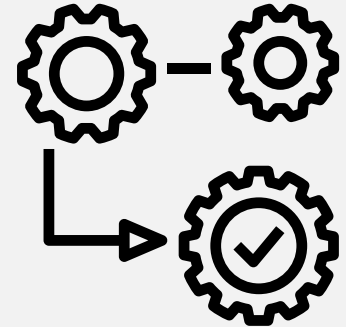
Protection of
employees



Staying close and
engaging customers



Ensuring that
liquidity is sufficient
to weather storm
short term



Stabilizing the supply
chain

Managing Risks in a Post-COVID-19 World

- How deep are the demand reductions?
- How long could the disruption last?
- What shape could the recovery take?
- What other downstream emerging risks could arise?

What does it mean for ERM Teams?

- Re-direct risk expertise to COVID-19 priorities
- Identify new delivery models to help add value and mobilize ERM program
- Help the organization manage emerging risks including how to:
 - Identify and prioritize
 - Analyze
 - Respond
 - Monitor

Poll 3

What is your most useful technique when assessing the impact of an emerging risk?

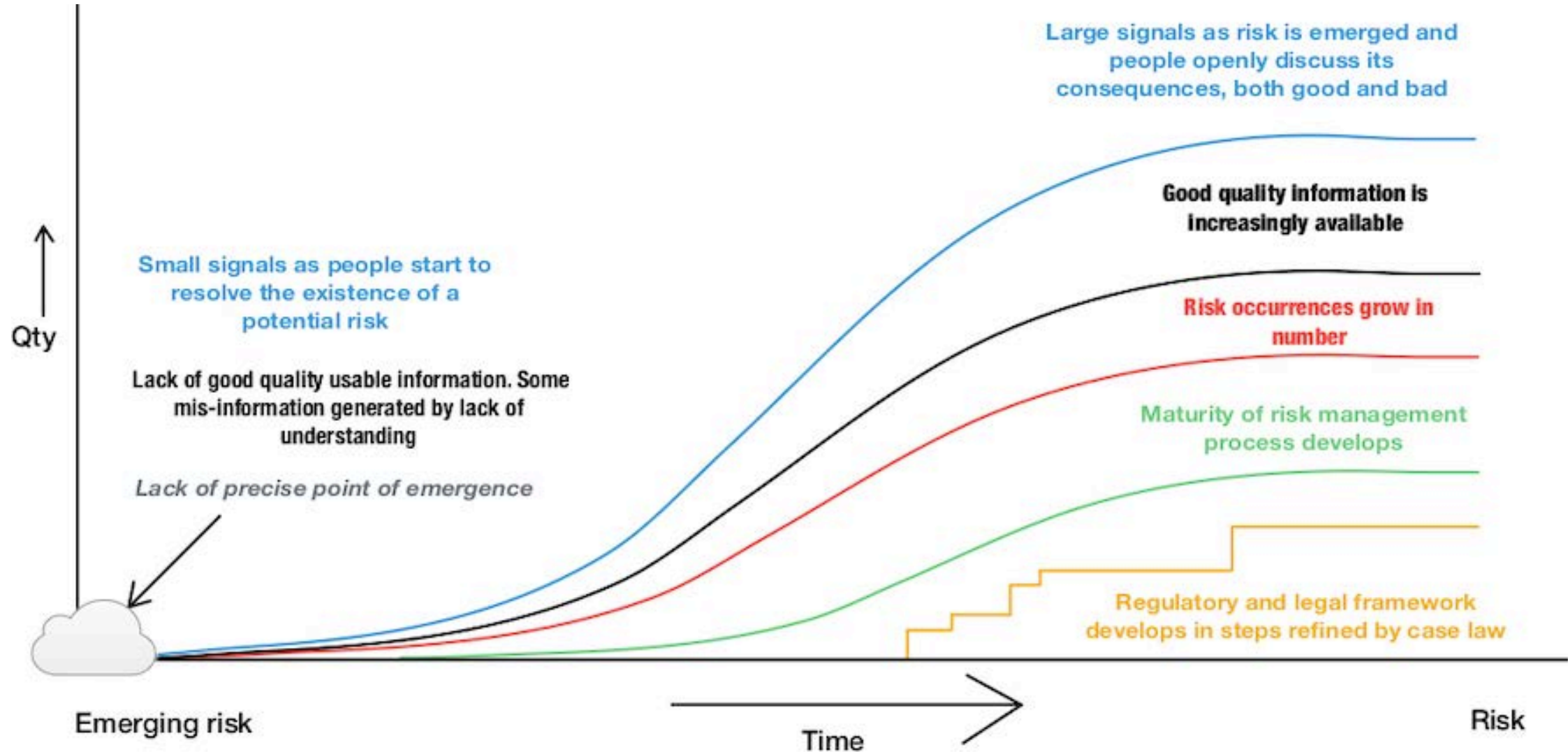
Emerging risk

A risk¹ where the consequences may be substantive, but for which the background knowledge is weak. The weakness is often because the risk is developing, either because it is new or its' context is changing.

Unofficial definition provided by one of the teams developing ISO31050

[1] Risk as defined by ISO31000:2018 – “the effect of uncertainty on objectives.... Risk may be positive and / or negative”.

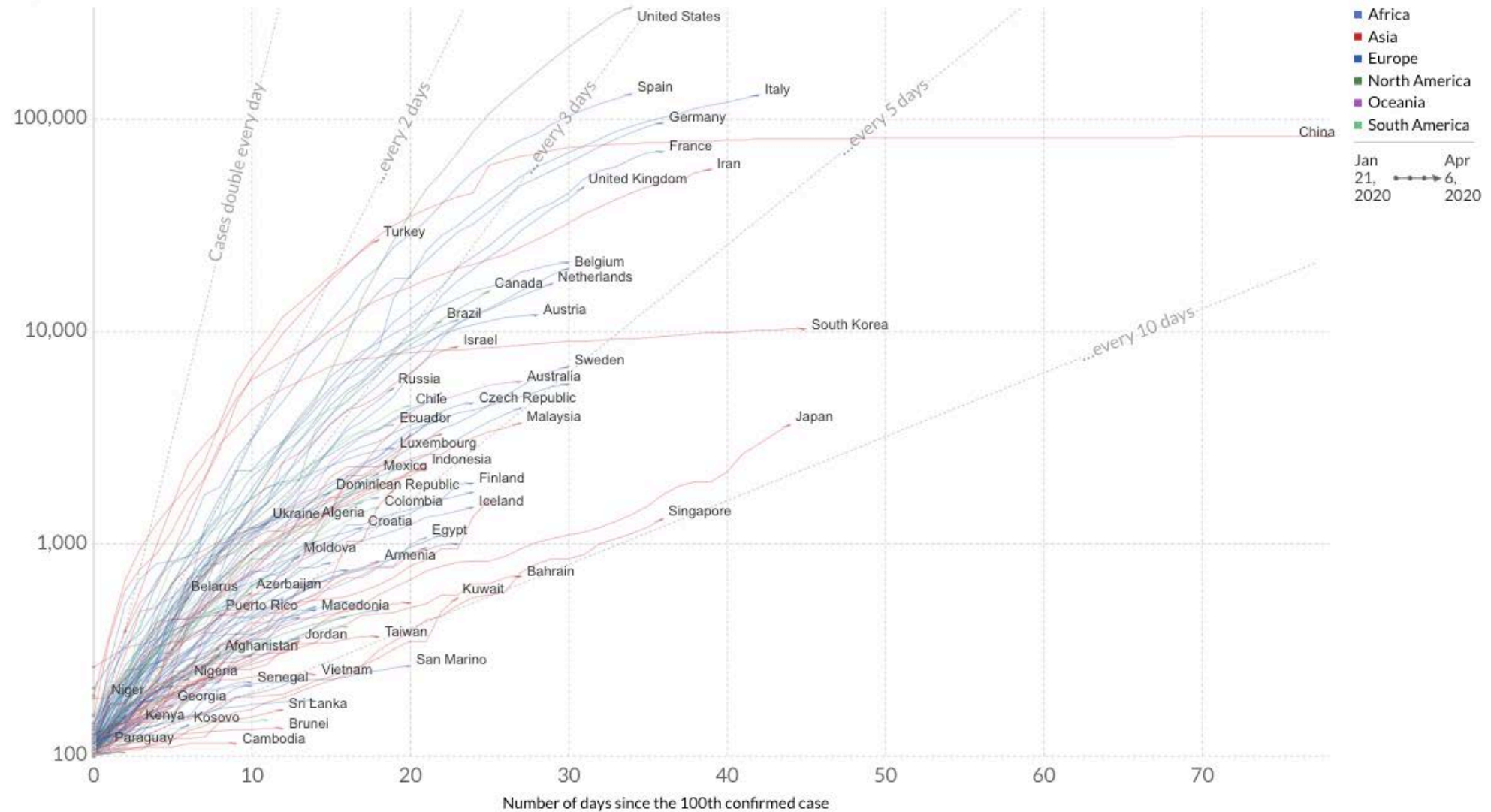
Emerging risk



Total confirmed cases of COVID-19

The number of confirmed cases is lower than the number of total cases. The main reason for this is limited testing.

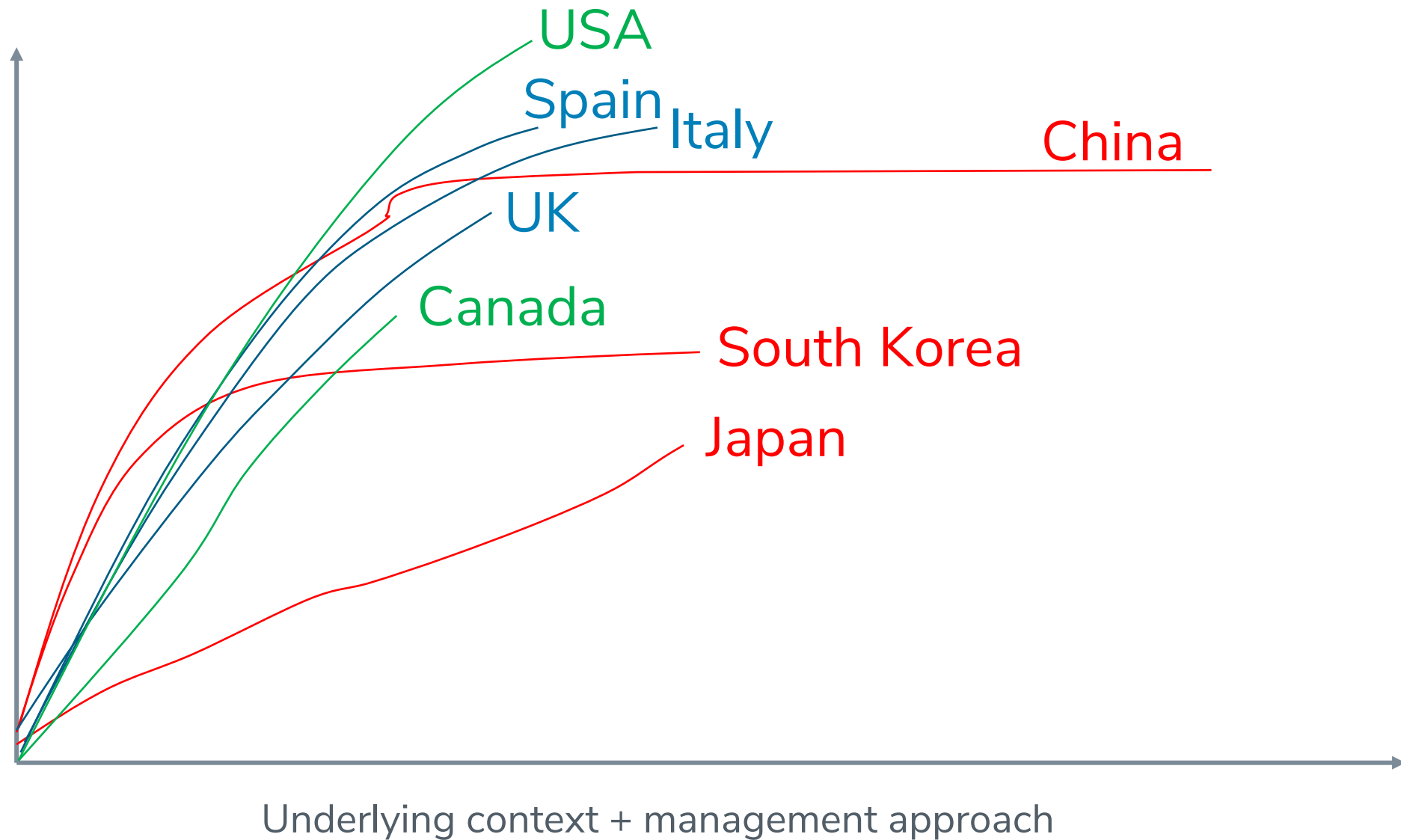
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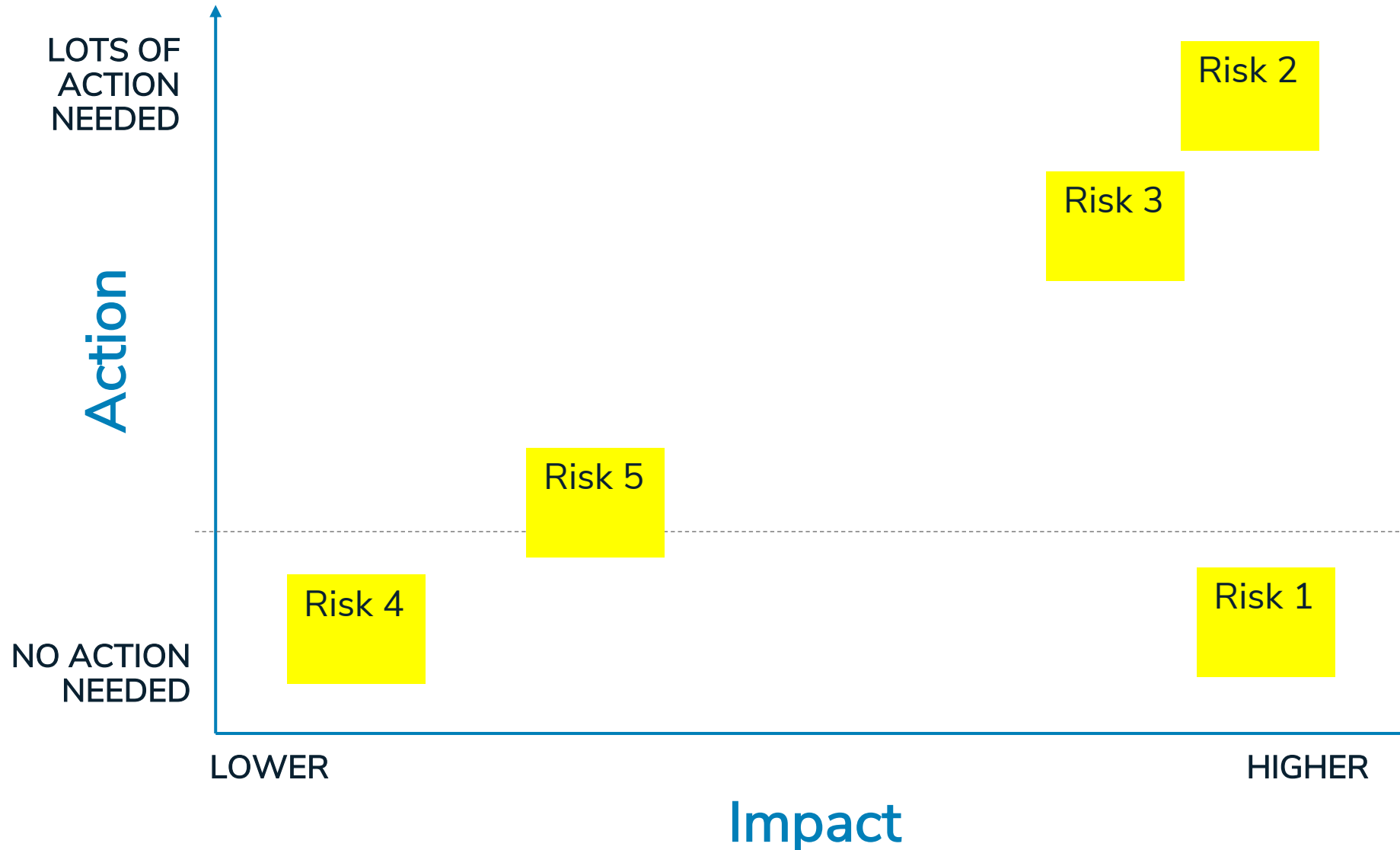
Source: European CDC - Situation Update Worldwide - Last updated 6th April, 12:00 (London time)

OurWorldInData.org/coronavirus • CC BY

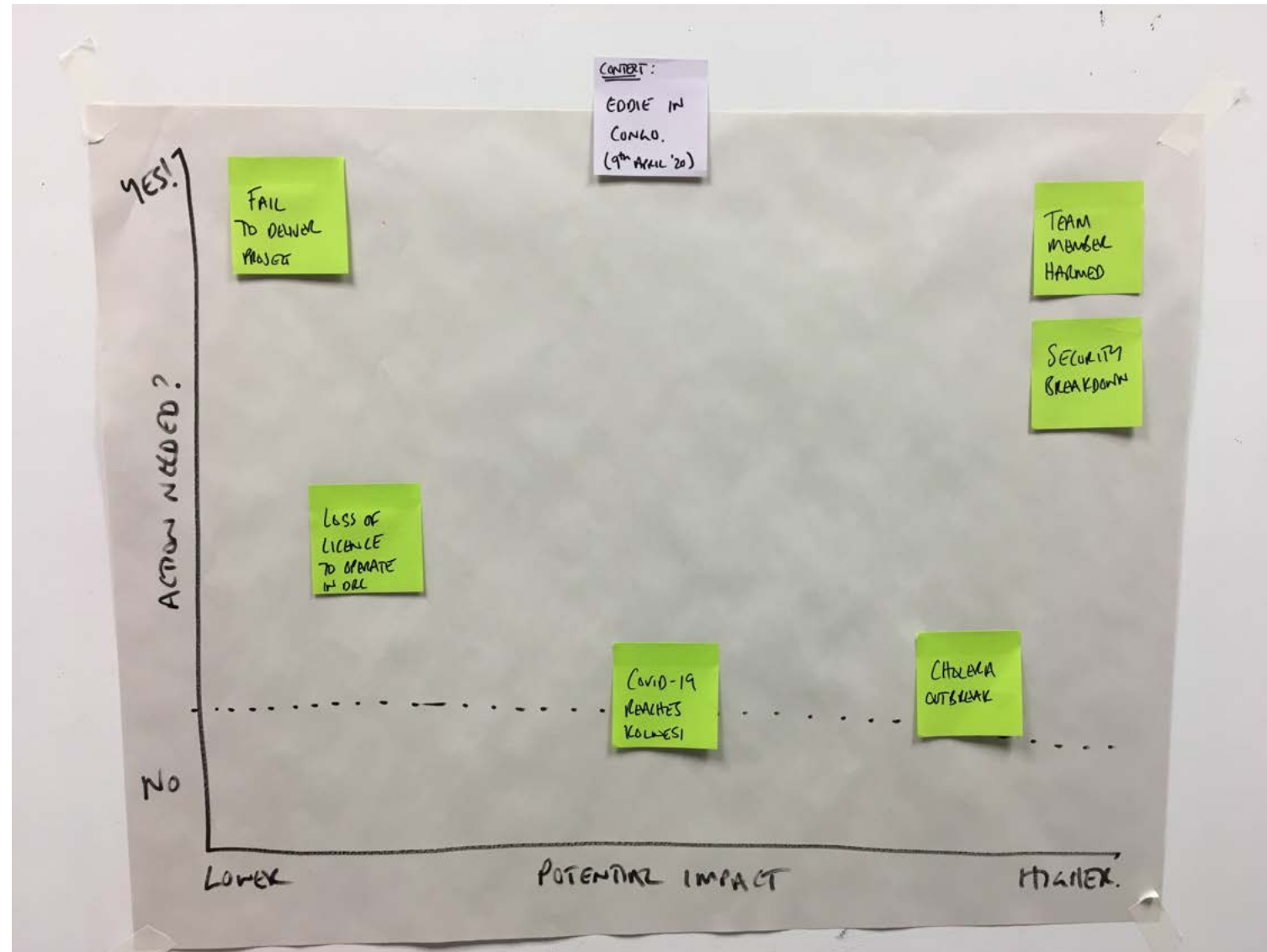
Scenario analysis



Scenario impact + action mapping



Scenario impact + action mapping



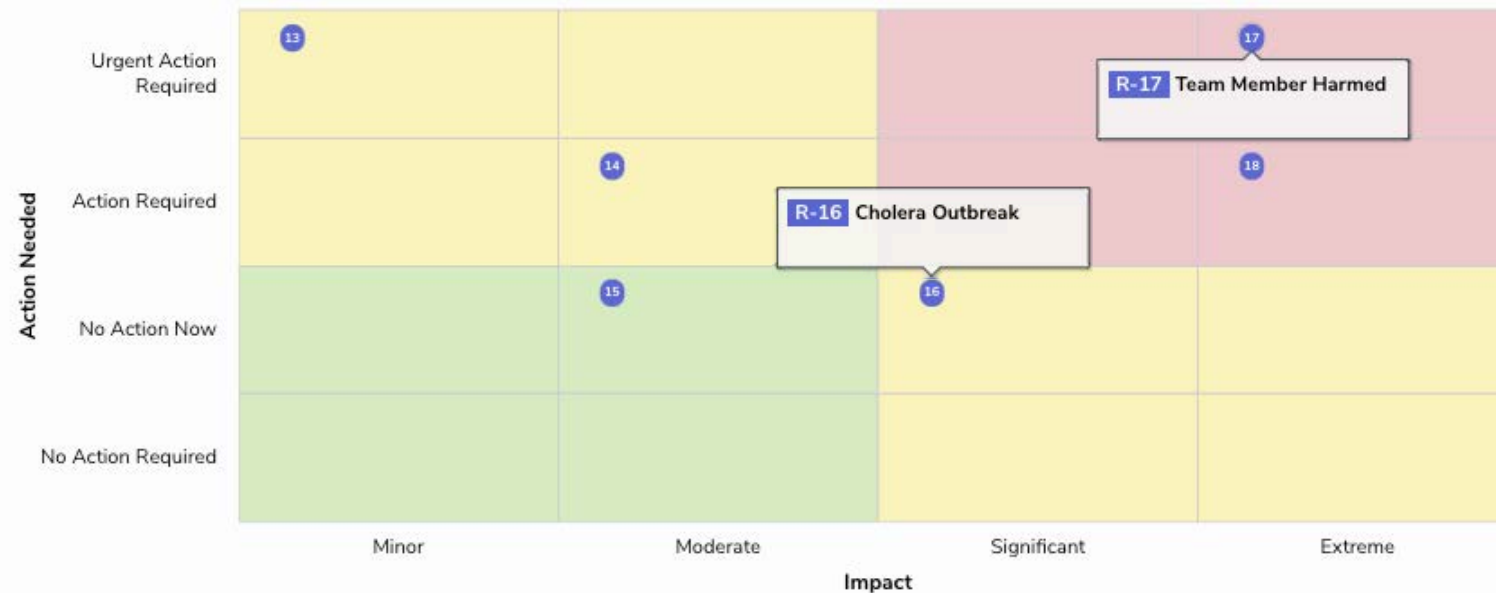
Resolver

Scenario Impact and Action Mapping



Last Updated: Apr 8, 2020 11:55 AM

RSC-11 Eddie in the Congo - April 9th, 2020

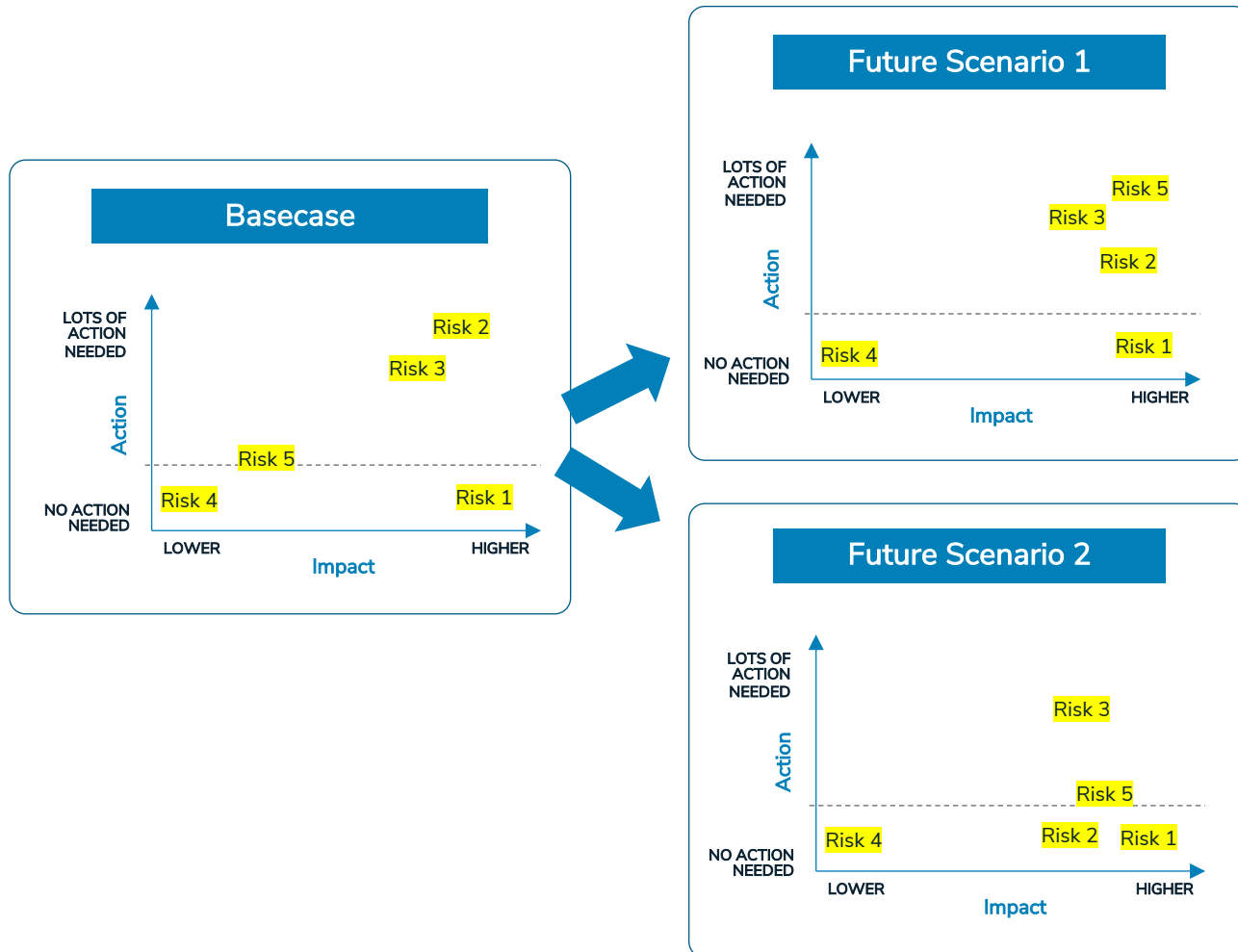


Search Table...

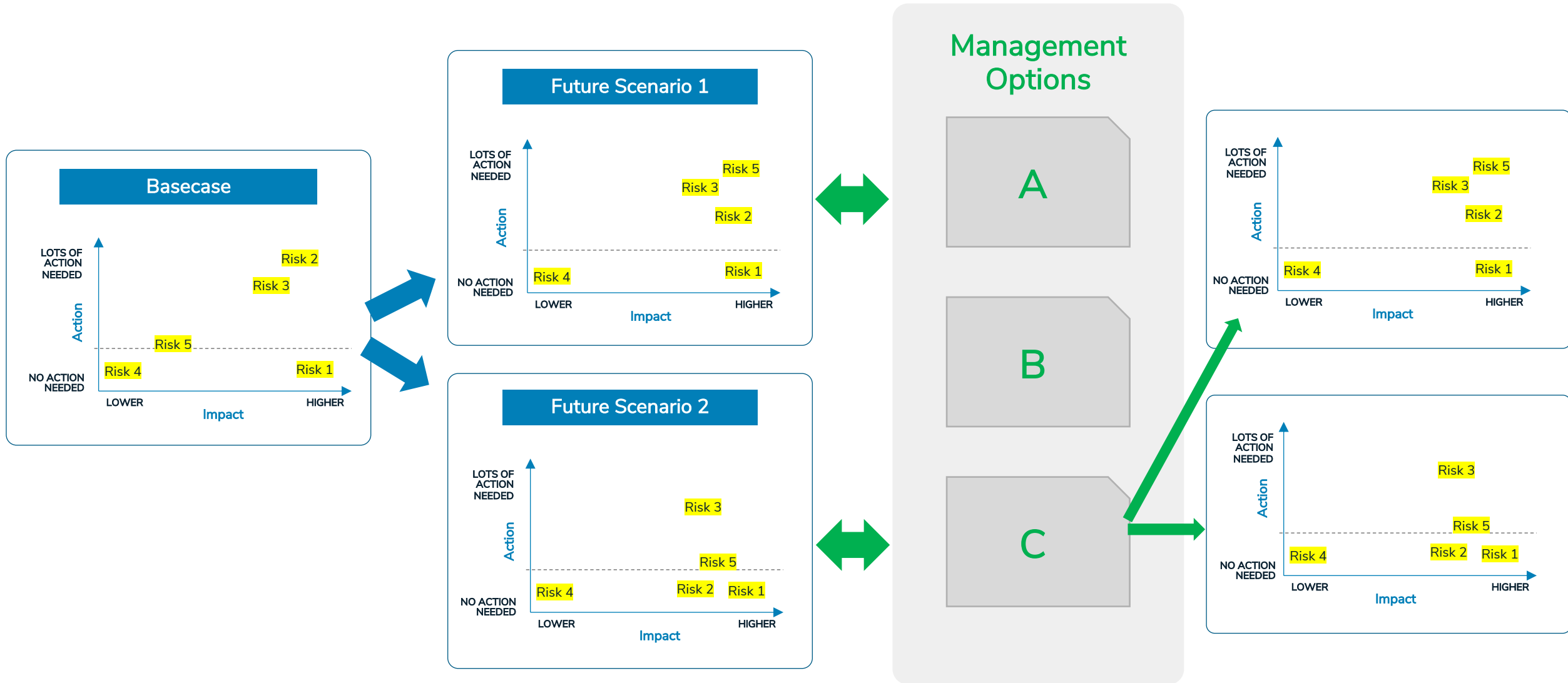
Risk Unique ID	Risk Name	Action Needed	Impact
R-18	Security Breakdown	Action Required	Extreme
R-17	Team Member Harmed	Urgent Action Required	Extreme
R-16	Cholera Outbreak	No Action Now	Significant
R-15	COVID 19 Reaches Kolwezi	No Action Now	Moderate
R-14	Loss of License to Operate in the DRC	Action Required	Moderate
R-13	Fail to Deliver on Projects	Urgent Action Required	Minor

Page 1 of 1 | 6 Rows

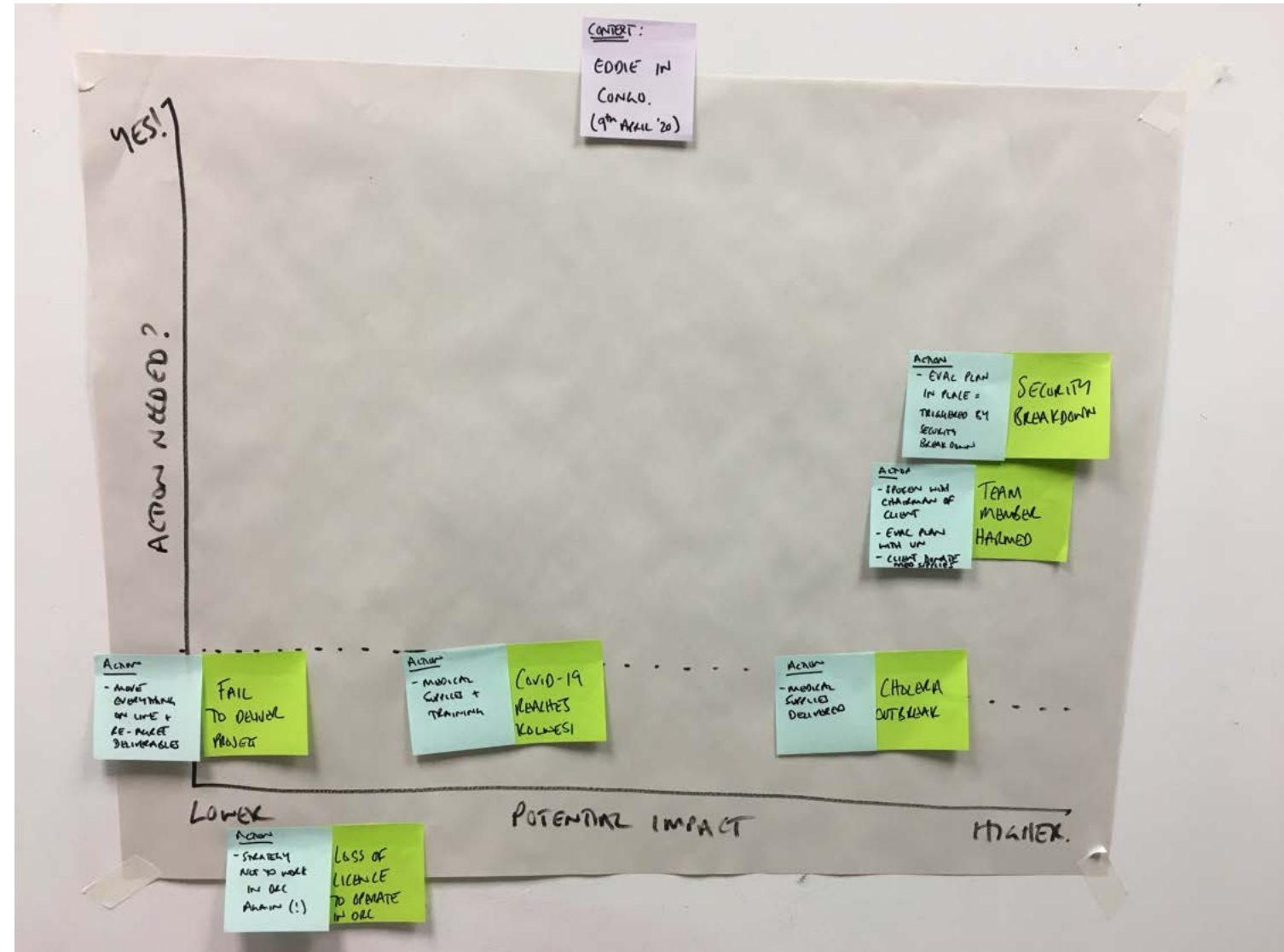
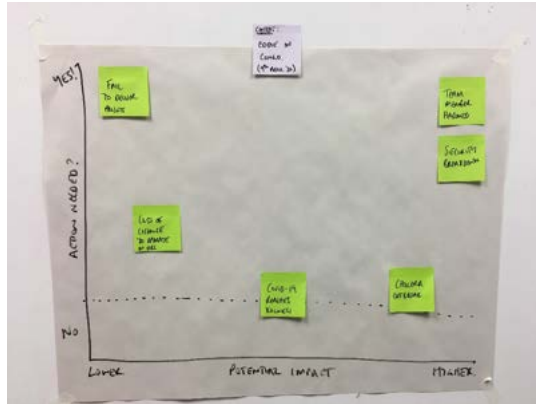
Scenario impact + action mapping



Scenario impact + action + management mapping



Scenario impact + action + management mapping



Poll 4

In the next 6-12 months, what will be your top priority for your risk team?

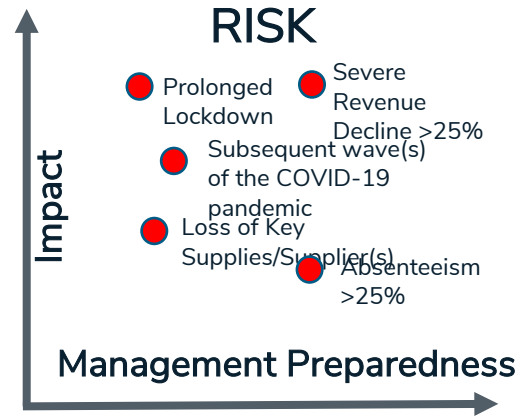
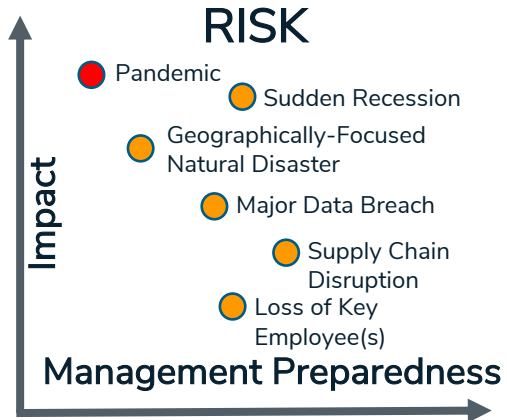
You Are Here

1. Plan and Prepare

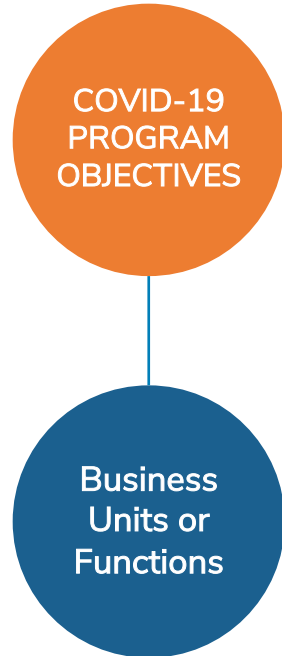
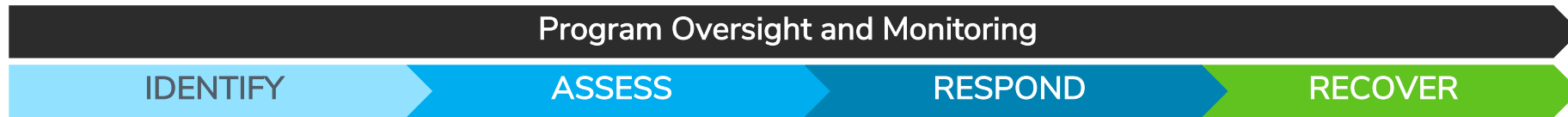
2. Assess & Respond

3. Recover / Restart

4. Reimagine / Reinvent

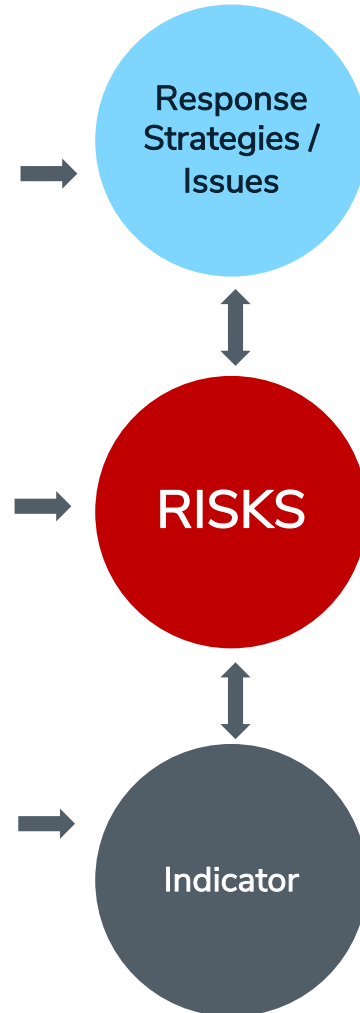


COVID-19 Risk Assessment and Response



SAMPLE PROGRAM OBJECTIVES

1. Support Employee Wellness and Positive Morale
2. Identify and Maintain Critical Supplies / Suppliers
3. Ensure Sufficient Working Capital
4. Identify and Support Key Customers
5. Identify and Maintain Critical Assets
6. Monitor/Address Changing Regulatory Landscape
7. Maintain Strong Communications with Employees, Customers, Suppliers and the Community
8. Refresh Business Plan, Objectives and Projections
9. Review and Adjust Governance Processes, Including Board Communications
10. Prepare and Execute Recovery Plan

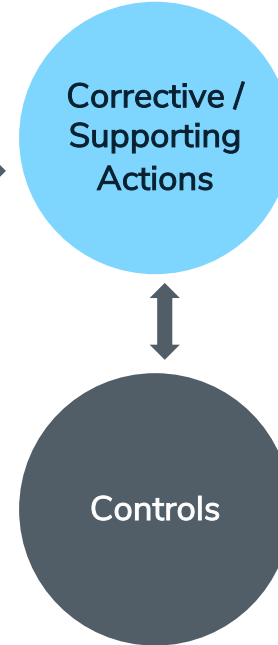


SAMPLE INITIATIVES

1. COVID-19 risk/impact assessment
2. Integrated scenario analysis and cash forecasting
3. Employee engagement
4. Supplier assessment

SAMPLE RISKS

1. Employee Exposure / Infection – onsite / offsite
2. Supply Chain Interruption and/or Delay
3. Decline in Demand, Sales Pipeline and Revenue
4. Insufficient Working Capital
5. Inability to Deliver on Fixed Contracts
6. Unexpected Loss of Key Employee(s)
7. Insufficient Staffing for Key Operations
8. Increasing Employee Anxiety, Decreasing Morale
9. Subsequent Pandemic Wave(s)
10. Recession – contemplating varied depth and duration

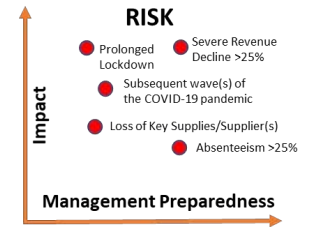


SAMPLE CONTROLS

1. Travel Policies
2. Remote
3. Social Distancing
4. Visitor Screening
5. Etc.

REPORTS

Key & Emerging Risks



Response / Action Status



Indicator Status and Trending



Review and Assurance

Crises often lead to long lasting changes – and opportunities



	1) Recover / Restart <i>(get back to the line)</i>	2) Rebound <i>(get above the line)</i>	3) Reinvent / Re-imagine <i>(stay above the line)</i>
Strategy & Business Planning	<ul style="list-style-type: none"> Assess and select your best strategic option(s) Clearly communicate your updated strategy – and why the organization truly matters. 	<ul style="list-style-type: none"> Revisit/enhance the organization's core competencies needed to effect strategy Continuously monitor success/risk indicators 	<ul style="list-style-type: none"> Rapidly innovate around new & emerging needs that align with your core Strategically refine by geo, sector, etc.
Finance	<ul style="list-style-type: none"> Focus upon earnings & cash flow Plan for & stress test 2-3 potential scenarios Budget for key growth opportunities 	<ul style="list-style-type: none"> Maintain cash war room discipline Fund carefully-vetted growth opportunities 	<ul style="list-style-type: none"> Focus upon revenue, market share, value creation Enable capacity to invest and/or acquire
Human Resources	<ul style="list-style-type: none"> Phased scale-up; screening; redeployment Holistic pulse-check of the workforce Re-invigorate team structures & relationships Review & retain some aspects of remote and flexible work arrangements 	<ul style="list-style-type: none"> Align performance management & training to support updated growth strategies Re-balance / optimize your resource mix Promote mentoring and cross-functional, team-based initiatives 	<ul style="list-style-type: none"> Establish employee feedback circles Formalize flexible work arrangements Provide child / eldercare support Enhance mentorship and teaming Enhance health benefits
Customer	<ul style="list-style-type: none"> Identify & enthusiastically engage/reassure key customers to ensure retention & growth 	<ul style="list-style-type: none"> Form customer advisory group(s) Increase executive to customer engagement 	<ul style="list-style-type: none"> Establish integrated customer experience teams spanning sales, support, product, etc.
Sales & Marketing	<ul style="list-style-type: none"> Produce realistic forecasts – but, aim high! Tirelessly and tenaciously promote your readiness to support your key market(s) 	<ul style="list-style-type: none"> Identify new market opportunities, especially those most likely to recover & grow quickly 	<ul style="list-style-type: none"> Identify and assess opportunities to reimagine your product / sales channel mix
Supply Chain	<ul style="list-style-type: none"> Identify & prioritize critical supplies / suppliers Conduct supplier health checks / triage Develop collaborative restart plans 	<ul style="list-style-type: none"> Plan for surge buying, if needed, responsive to subsequent pandemic waves 	<ul style="list-style-type: none"> Design for manufacturability, quality and flexibility - and resilience of supply Re-examine/re-invent logistics options
Legal / Compliance	<ul style="list-style-type: none"> Identify and address recent changes in the regulatory landscape Review/address fixed contracts/force majeure 	<ul style="list-style-type: none"> Review/address employment law updates, disclosure obligations, etc. 	<ul style="list-style-type: none"> Identify/address collaboration risks
Information Technology	<ul style="list-style-type: none"> Identify and address the information requirements of management to support, execute & monitor an effective restart 	<ul style="list-style-type: none"> Ensure key initiatives have access to supporting data & tools 	<ul style="list-style-type: none"> Re-invent customer-facing & back office systems to support new reality.
Risk Management & Assurance	<ul style="list-style-type: none"> Provide the strategic planning team with continuous risk assessment support Re-align assurance plans to key risks, monthly 	<ul style="list-style-type: none"> Work with planning teams to identify strategic risks and develop appropriate responses 	<ul style="list-style-type: none"> Capture/share COVID-19 lessons learned Help ensure readiness for all hazards, including the next long tail event.

The fabric of your crisis response is woven of 5 key threads



Cause and
Commitment



Capacity and
Currency



Culture and
Character



Community
and Caring



Communications and
Connectedness

A crisis is a terrible thing to waste.

Embrace the opportunity.

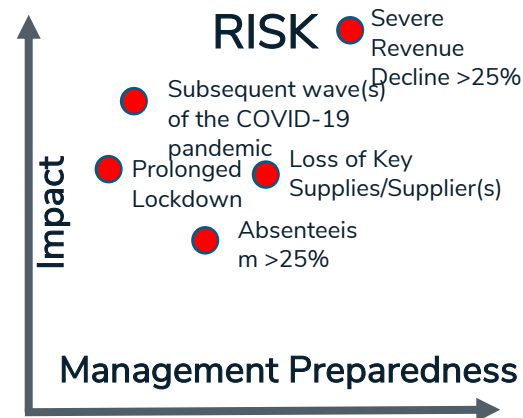
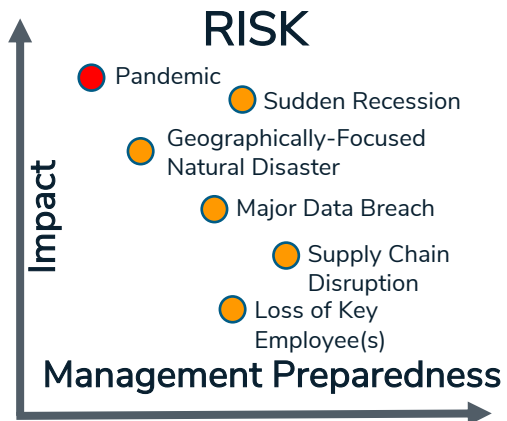


1. Plan and Prepare

2. Assess & Respond

3. Recover / Restart

4. Reimagine / Reinvent



Resilience: Lessons from 2008 financial crisis



Resilient companies
increased revenue
by 30%



Resilient companies
reduced operating
costs by 3X



Resilient companies
moved faster and
harder on
productivity

Staying ahead of emerging risks

Recap on actionable items for ERM teams:

- Redirect expertise to emerging risk priorities beyond COVID-19
- Consider new delivery models for mobilizing and sustaining your ERM program
- Perform scenario analysis for emerging risks
- Establish respond and recovery plans
- Embrace opportunity

Thank You!

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