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Major report calls on boards to raise risk to the strategic level

- *Analysis based on detailed conversations with senior Chairmen and business leaders*
 - *Research follows changes to the UK Corporate Governance Code*
- *Sets out an integrated 'best practice' approach on the managing and reporting of risk*

Against a background of what Sir Peter Gershon describes as “arguably one of the most turbulent times we have faced for years” board members need constantly to review their approach to and understanding of risk, according to a new study from a group of industry and professional services organisations.

‘Ensuring corporate viability in an uncertain world – Framing the board conversation on risk’ produced by The Chartered Institute of Management Accountants (CIMA)*, and The Chairmen’s Forum with Alvarez & Marsal and Airmic, identifies emerging best practice and offers practical advice to boards based on extensive consultations with senior Chairmen, business leaders and risk specialists.

The report recommends that while risk started as a component of compliance it now needs to be raised to a strategic level which “leads to different conversations”, particularly at a time of increasing complexity and uncertainty in global markets. With the implementation of the new reporting requirements for risk introduced two years ago by the Financial Reporting Council (FRC), boards are increasingly looking to integrate their risk management processes, ensuring that financial and risk management departments are not siloed.

Sir Win Bischoff, Chairman of the FRC commented

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“Companies best placed to manage the complexity of the risks involved and to identify the opportunities which will inevitably arise are those who have embedded the consideration of risk in their corporate agendas and integrated the reporting of risk into their management information flows.”

Sir Roger Carr, Chairman of BAE Systems PLC

“The key is to manage risk effectively and boards must equip themselves better to do so. Too often process has replaced leadership and the ability to manage risk effectively in a crisis has been lost”

Tom Teixeira, Managing Director at Alvarez & Marsal, commented:

“By analysing the experience of boards to date, it becomes clear that there are many factors which need to be addressed. Crucially, boards need to be more integrated in their approach to risk, ensuring that financial and risk management teams work together to develop a resilient framework that reduces uncertainty in the business and identifies opportunity.

Indeed, companies need to ensure that they have effective risk management strategies in place that are understood and signed off by all members of the senior management team. Without a robust understanding of the risk profile facing a business, the fall-out from negative events can cause long-term damage to both the financial and reputational health of a company.”

John Hurrell, Chief Executive of Airmic, the association that represents UK risk managers and insurance buyers, commented:

“The high-calibre of business leaders that contributed to this report is testament to the fact that risk management is firmly on the boardroom agenda. Boards are rightly recognising that risk management is not just a question of compliance, but about achieving resilience and competitive advantage in a fast-changing world.

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"This report is not only an excellent guide to help executives achieve an effective conversation about risk, but also an opportunity for the risk profession to step up and have a more strategic role in their business - it really is a 'must read' report."

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