



Effective Risk Management

IFRS Advisory Council
September 2019

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The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.

- Risk Management - the identification, evaluation, and prioritisation of risks followed by coordinated and economical application of resources to minimise, monitor, and control the probability or impact of unfortunate events or to maximise the realisation of opportunities. An on-going process.
- For our session today, we seek your experience and advice on three key aspects of effective risk management:
 - identification of key risks
 - consideration of the right steps to minimise impact of those risks
 - consideration of the risk appetite for the IFRS Foundation.

Risk Management- Introduction



Reassessing how we manage risks

- Where have we come from?
- Last 6 months members of the executive team have had a 'fresh' look and evaluation of our risk management approach. Recognised that we had many risks identified with the accompanying details (likelihood, impact responsibility etc) but were we focused sufficiently on the critical matters? And were we thinking sufficiently on the mitigating actions to the identified risks? Did we have too many actions and did that blur the priorities and ultimately the allocation of our resources?

The Foundation's risk appetite

- We started afresh – set the primary goal of a sharper (simpler?) approach to our effective risk management; bring greater clarity in our thinking and judgements and being able to reassess our risk appetite.
- Risk appetite meaning the amount of risk that an organisation is willing to accept in order to achieve its objectives. Defining risk appetite enables better decision making and promotes more consistent risk management.
- Our approach to risk appetite has started from a risk averse position.

Range of risk appetite

- Risk tolerance is the level of risk-taking acceptable to achieve a specific objective or manage a category of risk.
- The type of scale with risk tolerances could be:

Lowest				Highest
Risk Averse	Moderately Risk Adverse	Risk Neutral	Risk Tolerant	Risk Seeking

Implementation of our risk assessment performance and reporting framework.

Risk	Description	Likelihood	Impact	Mitigating actions	Residual Risk	Primary Responsibility
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Regular review of risks

- Regular reporting on our effective risk management occurs through engagement with the Foundation's Audit, Finance and Risk committee
- On an annual basis (at least) the Trustees engage the executive leadership on an environmental scan, our key risks, the mitigating actions and organisational risk appetite. Particularly where there is still some strong level of residual risk after mitigating actions. This process will next be occurring at the October 2019 Trustee meeting.

Our 2018 Annual Report discloses the following principal risks:

- **Brand**—the risk that the Foundation fails to protect its reputation as a professional and competent global accounting standard-setter.
- **Geopolitical**—the risk that the UK’s decision to leave the European Union affects the IFRS Foundation in different ways, including our ability to recruit and retain EU nationals and the adoption of IFRS Standards in the UK.

- **Product**—the risk that the Foundation fails to develop high quality IFRS Standards (including the IFRS Taxonomy) and that inconsistent application of the Standards undermines them as a single set of global accounting standards.
- **Technological infrastructure**—the risk of breaches of both the Foundation’s IT infrastructure and the data it contains as a result of cyber hacks, phishing campaigns, system failure or human error.

- For the break-out sessions, we would like to ask each group to discuss the following questions with regard to effective risk management:

1 From your experience, are there other principal risks the Foundation should recognise?

2 For the risks identified what actions does the Foundation need to consider to minimise impact of those risks.

3 What do you think our risk appetite/tolerance for each of the principal risks should be?

Brand

Geopolitical

Product

Technical infrastructure

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