

Risk Library

The first step in the risk assessment process is to identify your organization's risks. To help stimulate your thoughts, the following pages lists risks by categories, including examples in each category. Scanning this information will help you identify risks that apply to your organization. *Keep in mind that these are definitions only and not risk descriptions or risk statements.*

There is a way to state a risk that helps in analyzing and assessing it later in the process. The statement should include risk sources, events, and their potential consequences.

When formulating your risk statements, keep the following rules in mind:

- Ensure the risk has some real bearing on objectives.
- Do not make long statements with more than one risk, don't use OR.
- Risks should be concrete and specific,
- Stay with the formula of cause & effect.
- Work back in the chain of cause & effect to find the root cause.

External Risks	
Risk	Definition(s)
Capital Availability	Insufficient access to capital threatens company capacity to grow, execute its business model, and generate future financial returns
Climate Change	Unable to respond to actual or indirect consequences due to climate change-related regulatory or business trends
Competitor	Company is unable to keep pace with our competitors for people, resources, investments, and investors
Customer Need/Wants	Company is unable to anticipate and is not aware of changes in customer wants and needs
Economy	Drastic changes in a country's business environment adversely affect profit and other goals
Financial Markets	Movements in prices, rates, and indices affect the value of the company's assets, stock price, and cost of capital
Industry	Changes in opportunities and threats, capabilities of competitors, and other conditions affecting the company's viability
Natural Hazard/Catastrophe	Major natural disaster or other catastrophic event that may affect business operations
Pandemic	Adverse conditions may affect operations if the operations are concentrated within a specific geographic area/segment
Public Relations	The public's perception of the company becomes unfavorable
Regulatory/Legal	Changes in laws/regulations by the gov't or regulatory body that increase costs or reduce the attractiveness of investments
Shareholder Expectations	A decline in investor confidence in company's business model, or ability to execute model, threatens capacity to efficiently raise capital or sustain share valuations

Sovereign/Political	Adverse political actions threaten company's resources and future cash flows
Technological Innovation	Unable to leverage technology advancements in the business model to achieve or sustain competitive advantage
Terrorism	Unable to respond to terrorist attacks and threats

Internal Risks	
Risk	Definition(s)
<i>Strategic</i>	
Acquisitions	Risk of poor acquisition decision making and/or poor integration of acquisitions dilutes company's value
Alliances	Inefficient or ineffective alliance, joint venture, affiliate, and other external relationships affect company's capability to compete
Business Model	Obsolete business model, and company does not recognize it or lacks information to respond to the model
Business Portfolio	Company does not have a proper mix of products/properties/locations that provides for a rational asset base and which may affect overall performance
Due Diligence	Management does not have sufficient financial and operational information and/or is unable to reliably measure the value of a potential acquisition in order to make informed, strategic acquisition decisions
Intellectual Property	Inability to protect firm's intellectual property
Marketing/ Advertising	Erosion of a trademark or brand over time threatens the demand for the product and impairs growth
Marketplace	Nonexistent, irrelevant, or unreliable performance measures are used that are inconsistent with strategies
Organization Structure	Organizational structure becomes cumbersome or ineffective in maximizing net asset value
Planning	Planning and budgeting do not result in a realistic view of situation therefore leading to improper decision making
Product Life Cycle	Inability to manage and monitor the evolution of company's industry/product along the life cycle
Reputation Risk	Company may lose customers, key employees, or managers, or its ability to compete, due to perceptions that it does not provide appropriate products and services to customers and internal and external stakeholders
Resource Allocations	Not appropriately ranking or allocating resources or investment of capital against a broad spectrum of needs and priorities
Social Responsibilities	Inability to act in the best interest of society, which could result in negative public image
Trademark/Brand Erosion	The risk that a trademark or brand will lose its value. A trademark is a word, symbol, or device, or any combination of these – that identifies a product or service and distinguishes that product or service from the products and services of competitors
<i>Operational Process</i>	
Alignment	Inability to align business objectives to the company's long-term objectives
Business Interruption	Business interruptions stemming from unavailability of resources (materials, systems, people, etc.) threaten operations

Capacity	Insufficient capacity threatens the firm's ability to generate growth
Change Response	Inability to response to change in a timely manner or with appropriate actions
Compliance	Failure to comply with internal policies, procedures, customer or regulatory requirements
Contract Commitment	Entering into contracts that negatively impact company or are against company policies and procedures
Cycle Time	Drilling and operational projects are not delivered within the budgeted time and cost
Delivery Channels	Poorly performing or positioned distribution channels threaten the firm's ability to timely deliver products to customers
Efficiency	Cost of doing business is increased due to inefficient operations leading to unnecessary spending
Environmental	Activities harmful to the environment may lead to exposures including liabilities for financial damages and/or loss of business reputation
Health and Safety	Injury, sickness, or death of employees could cause delay to ongoing or future operations, significant litigation costs, or loss of human capital
Knowledge Management	Process for capturing and institutionalizing company's ideas and procedures may be ineffective or nonexistent (i.e., no policy or procedures)
Measurement (Operations)	Irrelevant and/or unreliable nonfinancial measures may cause erroneous assessment of operations
Partnering	Inefficient or ineffective alliance, joint venture, affiliate, and other external relationships that may impact operations
Physical Security	Inability to secure firm's physical assets
Product/Service Development	Inadequate process to develop product/service to sustain market competitiveness
Product/Service Failure	Significant equipment or service failure leading to downtime and loss of production
Product/Service Liability	Significant equipment or service failure leading to financial loss
Product/Service Pricing	Significant equipment or service price increase and significant commodity price fluctuations
Relationship Management	Management does not effectively foster critical relationships and customer/partner concerns
Sourcing	Availability is limited or unavailable, leading to quality decline or unavailability of company products
Strategy Implementation	Annual business plan and management/board strategy is not effectively designed, implemented, communicated, or executed
Supply Chain	Supply chain is vulnerable to disruption or does not effectively reduce costs where possible
Transaction Processing	Transaction processing failures from planned conversions, merger integration, or ongoing accounting/operations
Third Party Outsourcing	Outside service providers do not act within their defined limits of authority and do not perform in a manner consistent with the values, strategies, and objectives of the company
<u>Management Information</u>	
Accounting & Information	Information provided by operational personnel is not efficient or effective in creating accurate accounting entries to reflect operations
Budgeting & Forecasting	Management reporting analysis does not effectively or timely communicate results or realistic budgets and forecasts

Completeness/ Accuracy	Management reporting analysis is not complete or accurate enough for management to adjust to current market conditions
Investment Evaluation	Valuation of investment/acquisition opportunity is inaccurate or incomplete
Investor Relations	Communication with shareholders in regards to current operations or financial position is misleading, inaccurate, duplicative, or not complete
Pension Fund	Incomplete or inaccurate data pertaining to compensation and benefits exposes the company to financial loss
Regulatory Reporting	Noncompliance with regulatory reporting requirements
Relevance	Inability for management to make decision based on timely and relevant information
Taxation	Changes in tax environment are unknown, or if known, not effectively implemented and the company does not take advantage of tax savings
<u>Human Capital</u>	
Accountability	Individual and group performance is subpar and no personal responsibility is taken or required by direct supervision
Bench Strength	Management and employees do not possess the knowledge, skills, and experience necessary to effectively execute their duties, including making good business decisions and aligning these with enterprise goals and strategies
Change Readiness	Unable to implement process/product improvements/changes in a timely manner to keep up with the marketplace
Communications	Communication across the organization does not allow for personnel to effectively execute change or management strategy
Competencies/ Skills	Personnel do not have the necessary competencies or skill base to execute their responsibilities
Empowerment	Regional or focused tone leads to poor company performance or results in different strategies than that of the senior management and the board
Hiring/Retention	Obtaining and retaining talented, technical, experienced, and expert personnel
Leadership	Senior management does not effectively lead/motivate the management team to meet or exceed budgets and expectations
Outsourcing	Contracted third parties are not acting within the authority that was agreed upon
Performance Incentives	Performance incentives are misunderstood or not effective to align performance to the firm's objectives
Succession Planning	Unexpected change in or termination of senior management positions that are not timely filled with qualified or trained personnel
Training/ Development	Inability to train and develop resources to competently perform job responsibilities
<u>Integrity</u>	
Conflict of Interest	Conflicts of interest are not identified, reported, or understood
Employee Fraud	Major management fraud or ethical scandal committed by employees
Ethical Decision Making	Management does not clearly communicate ethical behavior to employees
Illegal Acts	Illegal acts committed by employees expose the firm to loss and fines/penalties
Management Fraud	Intentional misstatement or misrepresentation of the firm's financial capabilities and intentions
Third Party Fraud	Fraudulent activities by third parties expose the firm to loss
Unauthorized Acts	Unauthorized use of the firm's physical, financial, or information assets exposes the firm to financial loss

Technology	
Access	Failure to adequately restrict access to data may impact unauthorized usage/knowledge of confidential data
Availability	Unavailability of data or systems when needed
Data Integrity – Internal data	Data entered in the system(s) is not complete and accurate or may be compromised
e-Commerce	Unable to protect firm's assets and information through e-commerce medium
Infrastructure	Inadequate technology infrastructure to support data requirements of the business
IT Governance	System in which all stakeholders, including the board, internal customers, and especially departments have the necessary input into the decision-making process
Obsolete/Outdated	Object, service, or practice is no longer wanted even though it may still be in good working order
Reliability	Data is not processed accurately or completely by IT systems.
Technical Capacity	IT infrastructure cannot keep up with the current organizational needs
Security Vulnerabilities	Varying, large and/or complex systems increase the probability of flaws and unintended access points
Financial	
Cash Flow	Limited sources of funding and inadequate preferred lender selection threaten company's ability to provide access to funds on a timely basis.
Collateral	Loss of value or inability to secure the collateral provided
Commodity	Uncertainty in future cash flows and future growth due to unreplaced production or significant decrease in prices
Concentration	Significant resources and asset base pose over-concentration of operations and financial condition
Counterparty	Counterparty does not comply with contractually obligated terms
Credit	Company enters into contracts with uncreditworthy parties
Default	Counterparty is unable to fulfill obligations
Equity	Net asset value per share goals are not met or realistically developed
Financial Instruments	Exposure to excessive costs due to the complexity of the financial instrument structures
Foreign Exchange	Volatility in foreign exchange rates exposes the firm to losses
Interest Rate	Changes in interest rates expose the firm to higher borrowing costs and decrease in net assets
Liquidity	Company cannot meet obligations as they become due and the current asset base is not marketable to divest into liquid form
Misstatement	Failure to accumulate relevant, reliable, and timely external and internal information may result in the issuance of misleading financial reports that contain material errors
Modeling	Critical models are applied to operations/projects/acquisition for which they are inappropriate or implemented incorrectly
Opportunity Cost	Current investments result in lost opportunities for more profitable investments
Reporting Integrity	Reports of operating and financial information required by regulatory agencies, are incomplete, inaccurate, or untimely, exposing the company to fines, penalties and sanctions