



# Risk Appetite Guide

Scope and Objectives

Building Blocks and the Mechanics of Implementation

Case Studies - Discussion

Decision Support

Case Studies - Discussion

General Q&A

Summary of Key Themes

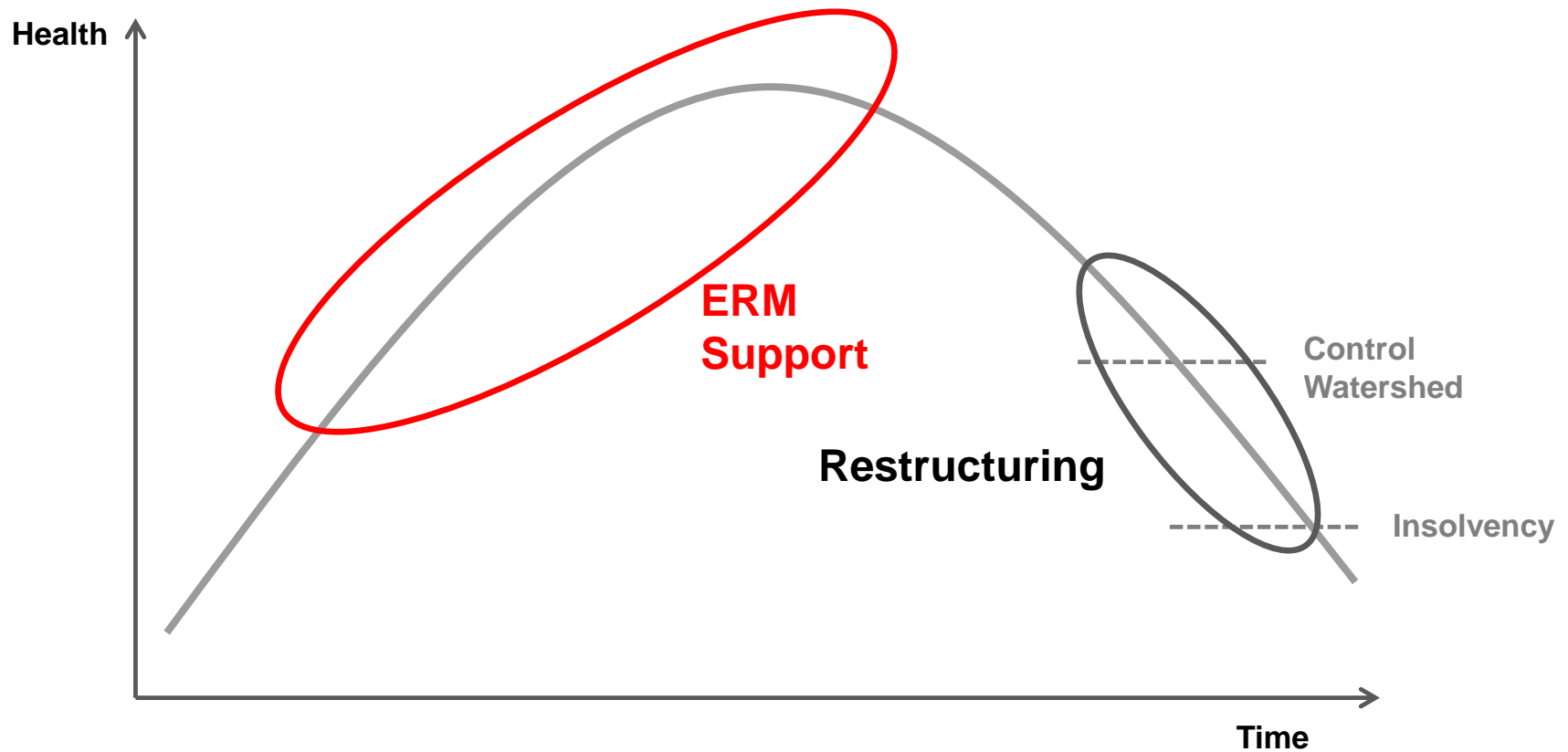
# Scope & Objectives

- **Scope**
- **Objectives**
- **Team**
- **Data collection**
  - Literature review
  - Interviews
  - Operational experience

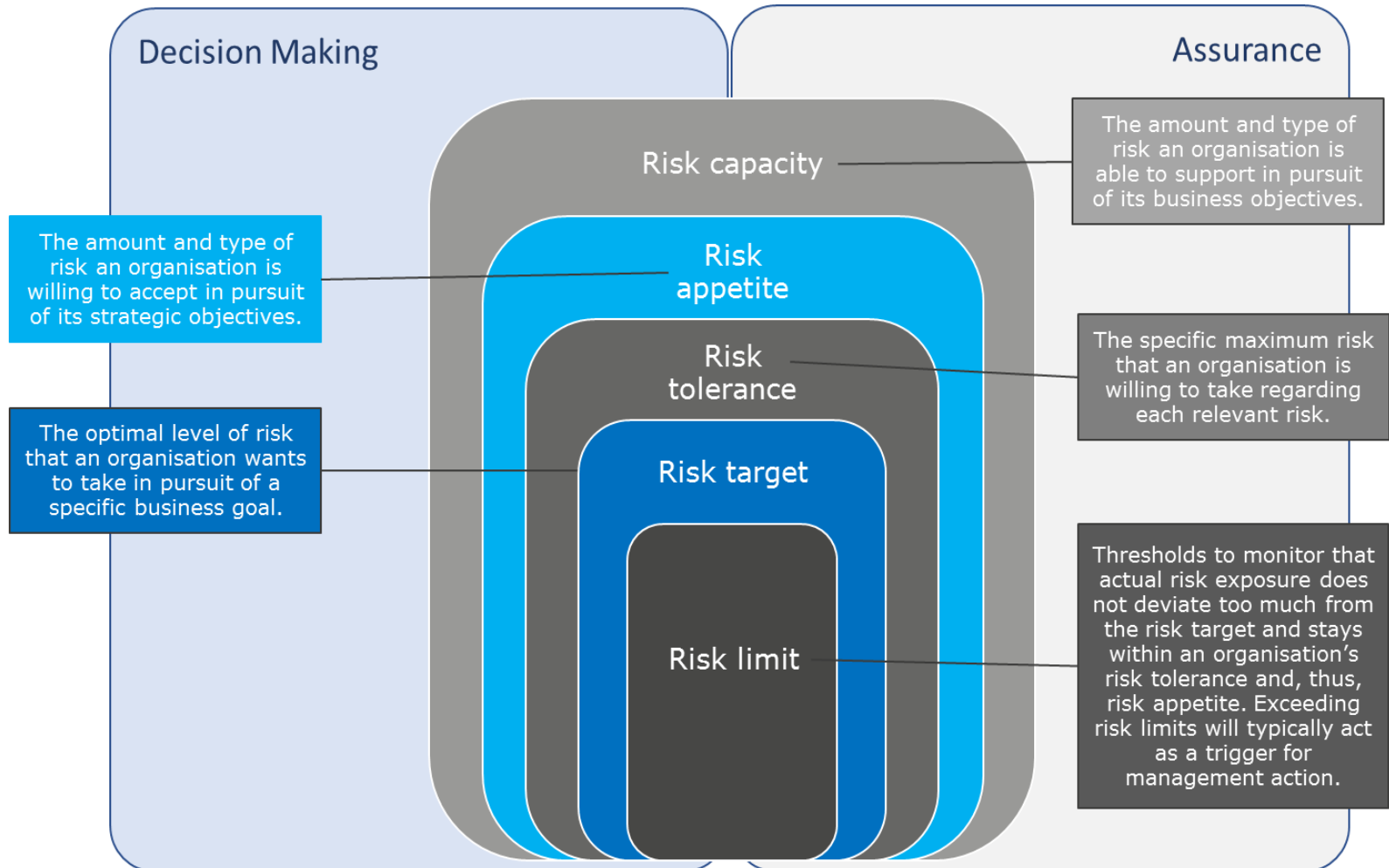


# Positioning Risk Taking

## Corporate Decline Curve



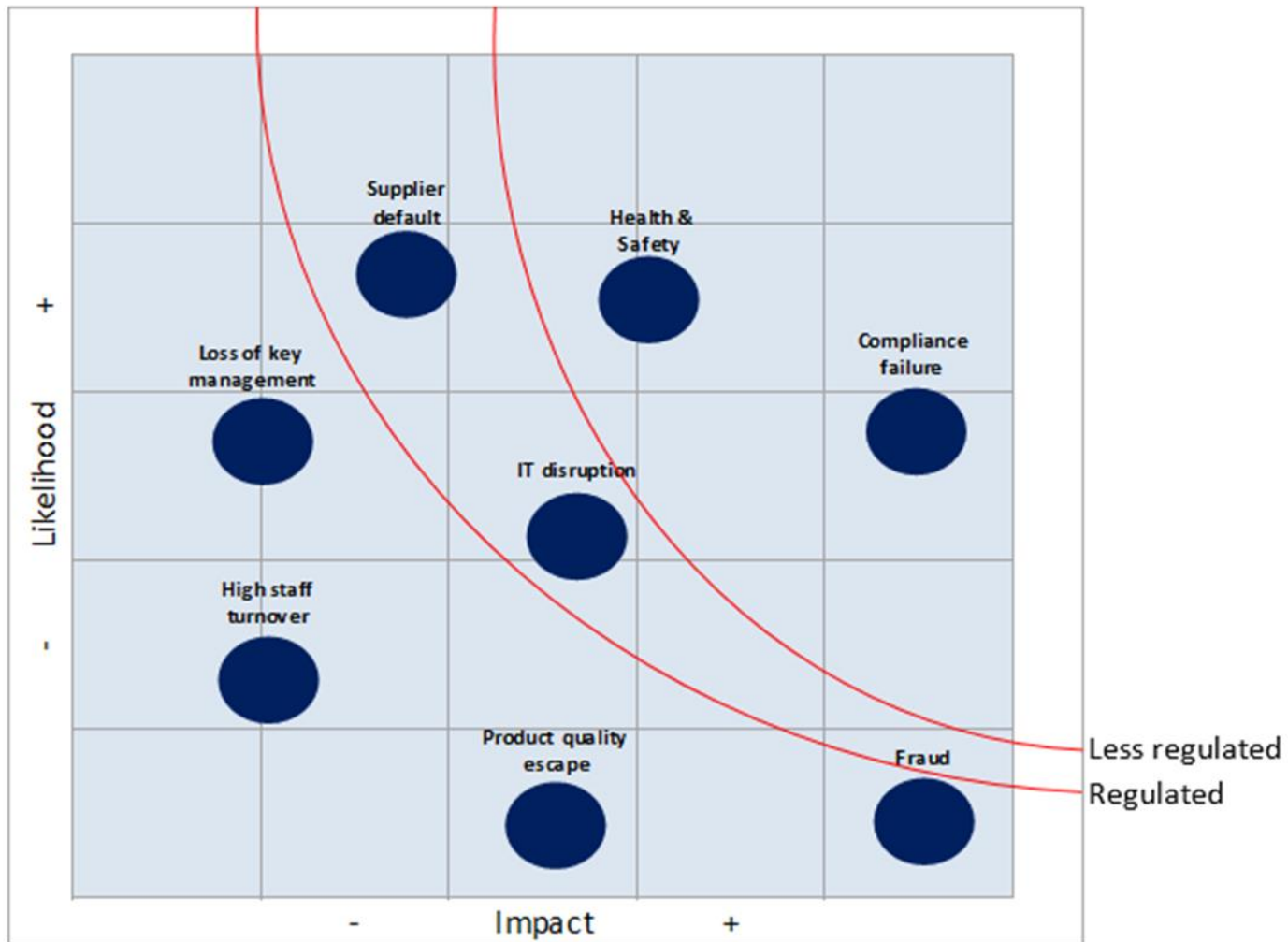
# Key Definitions



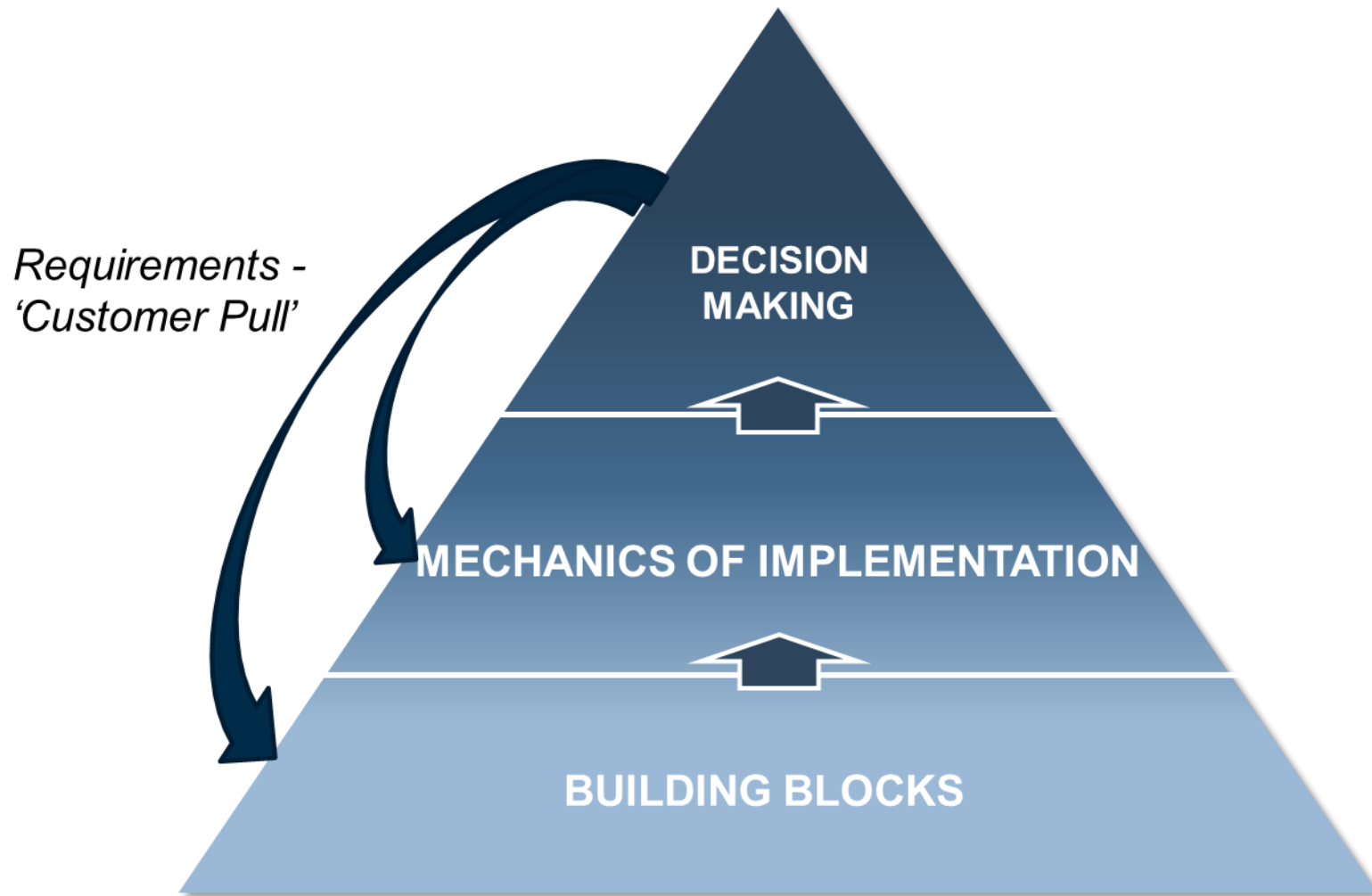
# Myths & Criticisms

- Too theoretical
- Lack of business context
- Stifling entrepreneurship
- Lack of commonly accepted terminology and methodology
- One size fits all
- Paralysis by analysis
- Impossible to implement (culture and ROI)
- Impossible to quantify

# The Role of Industry



# Framing the Challenges and Potential Solutions





# Global risks demand resilient and agile business strategies

## THE ROLE OF RISK MANAGEMENT

Risk identification and landscape  
Risk prioritisation and risk appetite

## SCENARIO PLANNING

Triggers, trends and scenarios  
Strategic options

## BUSINESS IMPORTANCE

Understanding risk inter-connectivity  
Managing risks and maximising opportunities

## RISK AWARENESS AND RESILIENCE

Starts in the boardroom  
Driven by C-suite  
Cascaded at every level



# Building Blocks

- Risk Maturity
- Risk Culture
- Risk Awareness
- Willingness & Understanding



**An ability to understand your organisation's pain points is essential.....**

# Mechanics of Implementation

Defining and communicating an organisation's appetite for risk:

- Setting a boundary on a risk matrix.
- Statements
- Capital Measures
- Performance Indicators

## The following should always be remembered...

- The appetite should align with the overall strategy of the organisation
- Stakeholders should be consulted (or at least considered) when defining risk appetite
- The regulatory & legal framework in which an organisation operates will also determine its appetite for, and ability to take, risks
- Communication is the key. If people cannot understand which risks are acceptable and which are not, your communication is probably at fault

# Implementation Challenges

- Not turning this into a bureaucracy
- Focussing on the right risks and decisions
- Consistency throughout the organisation
- Integrating into normal business
- Keeping the process alive

# Case Study – Approach to Risk Appetite

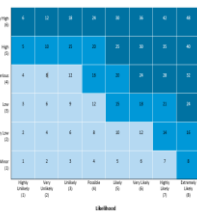
The Board has approved high level Group Risk Appetite Statements for each Group Priority:

## Safety, Compliance & Conduct

- Ensuring the safety of our people, customers and communities, and minimising our environmental impacts is fundamental to having a successful business. Our risk appetite is as low as reasonably practicable as we continue to strive for an incident free workplace.
- We have a very low risk appetite for failing to conduct business operations in compliance with the laws and regulations that Centrica manages as part of its various licences to operate. This includes failing to protect customer data, not adhering to legislation such as the Modern Slavery Act and failing to exercise strong financial control.



**Risk Universe**  
Provides a clear view of the Group's Principal Risks and their components



**Heatmap**  
Provides a useful representation of the criticality of our risks based on the likelihood and impact

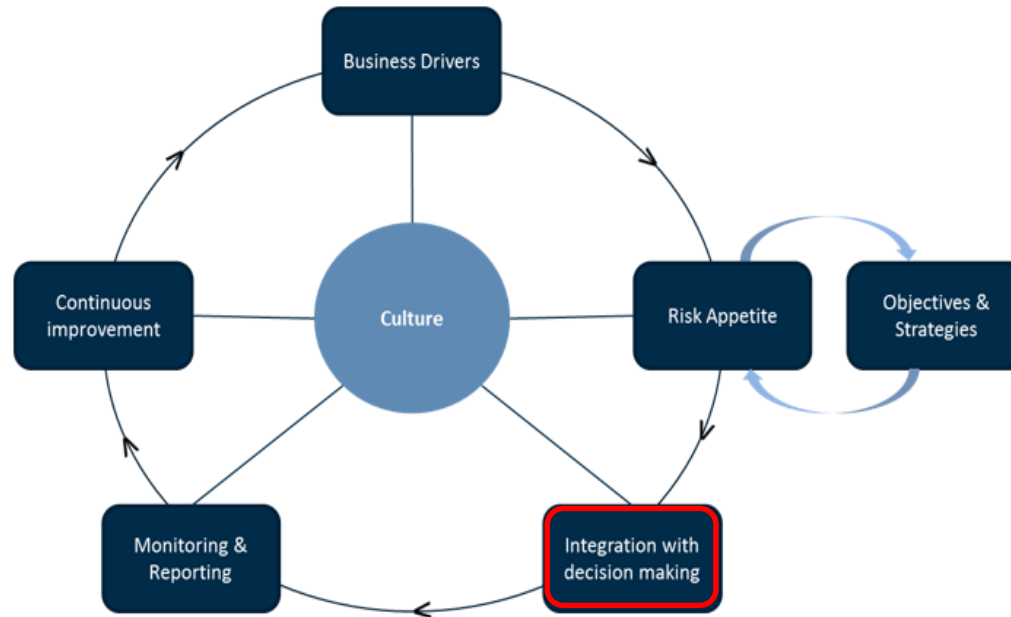
Key Risk Indicators	Actual	Target
Substantial changes in legal/regulatory frameworks or rules (tax, regulatory, etc.)	0	0
Quarterly change in Customer Complaints from Regulatory or other External Parties (BBG, etc.) - Q4 2016 (91) to Q4 2017 (128)	+40%	<10%
Quarterly change in CSAT customer complaints	8.6%	<10%
GDPR Vendor holding of Q4 compliance score	85%	<50%
Quarterly change in CSAT sales force	-9%	<25%

**Key Risk Indicators**  
Clear and indicative measures to help us keep track of our risk exposure and tolerance ranges

Activity	Responsible Party	Frequency	Reporting Line	Reporting Period	Reporting Method	Reporting Frequency	Reporting Period
Substantial changes in legal/regulatory frameworks or rules (tax, regulatory, etc.)	Input	Input	Input	Input	Input	Input	Input
Quarterly change in Customer Complaints from Regulatory or other External Parties (BBG, etc.) - Q4 2016 (91) to Q4 2017 (128)	Input	Input	Input	Input	Input	Input	Input
Quarterly change in CSAT customer complaints	Input	Input	Input	Input	Input	Input	Input
GDPR Vendor holding of Q4 compliance score	Input	Input	Input	Input	Input	Input	Input
Quarterly change in CSAT sales force	Input	Input	Input	Input	Input	Input	Input

**Decision Rights Table**  
Communicates the roles and responsibilities of each stakeholder to facilitate the process

# Decision Support



	Alternative I	Alternative II	Alternative II
Scenario P	Under	Aligned	Over
Scenario B	Aligned	Aligned	Over
Scenario O	Under	Under	Over





# Summary of Key Themes

