



RISK FOCUS

Risk focus is a highly efficient and effective process that assists in the identification, assessment, and prioritisation of the critical risks that threaten your business. Risk Focus can help your organisation:

- Reduce and more effectively manage operating and insurance costs
- Protect earnings, revenue streams, and key relationships
- Enhance the integrity and transparency of business operations; and
- Align operations with stakeholder expectations

ORGANISATIONS TYPICALLY NEED RISK FOCUS WHEN THERE IS ONE OR MORE OF:

- No clearly defined or current risk management structure or practices
- Over-reliance on a limited number of vendors or customers

- Significant change to the business model
- Key leadership repositioning and/or change
- A reputational crisis or a serious business failure and/or
- A compliance and/or governance issue

WITH MINIMAL INVESTMENT OF YOUR TIME AND RESOURCES, RISK FOCUS DELIVERS:

- A comprehensive identification and ranking of your key business risks
- A thorough evaluation of the current controls intended to manage these risks
- A roadmap that details the action plans required to close risk management gaps and
- An enhanced ability to develop and execute effective corporate-level risk management strategies

The Risk Focus process has been utilised by over 800 Marsh clients, in a wide range of industries, in more than 27 countries around the world.

ENHANCE YOUR ABILITY TO MANAGE CORPORATE RISK

Risk Focus not only helps an organisation’s management team to develop an understanding of the critical risks that exist across the entire business, but also helps the team to prioritise those risks, to develop action plans both to mitigate and control their possible impacts, and finally to understand the “upside” to risk.

Risk Focus is designed to integrate risk with decision making via:

- An analysis of current business activities, objectives, and challenges to growth and profitability
- An evaluation of existing risk management practices:
 - maturing of the framework for managing risk
 - the culture of risk management as a formal business practice
 - a process for anticipating the risks related to change
- adequacy of technical information to support risk-based decisions; and
- a systematic approach to support the management practices that control risk
- A ranked inventory of risks and risk scenarios facing your organisation, according to Likelihood of occurrence, severity of impact, and current levels of management effectiveness
- An analysis that covers nine categories of risk and quantifies the extent to which each is or can be insured
- An action plan to:
 - improve existing risk management practices
 - close gaps in risk management effectiveness
 - identify risk retention or transfer strategies, goals, and cost drivers; and
 - develop a risk communications strategy for key stakeholders

RANKING RISKS BY LIKELIHOOD AND IMPACT

Not all risks are equal. Using a risk matrix based on AS/NZS ISO 31000 we can see that while some risks may have a high impact, the associated likelihood may be minor, so the overall level of risk is low. On the other hand, some risks of only moderate impact – lost-time injuries, for example – are persistent, so the relative risk level is high.

| | Insignificant | Minor | Moderate | Major | Catastrophic |
|----------------|---------------|-------|----------|-------|--------------|
| Almost Certain | H | H | E | E | E |
| Likely | M | H | H | E | E |
| Possible | L | M | H | E | E |
| Unlikely | L | L | M | H | E |
| Rare | L | L | M | H | H |

| | | | |
|--|---|---|--|
| L Low Risk Monitored at supervisory level | M Moderate Risk Appropriately monitored by middle management | H High Risk Requires attention of managing director/CEO and general managers | E Extreme Risk Should be brought to the attention of directors and continuously monitored |
|--|---|---|--|

How the Risk Focus process works

Risk Focus is a highly efficient, low-cost, proprietary software-based, five-step risk assessment process that is executed as follows:



RISK FOCUS ASSESSES RISKS ACROSS NINE COMPREHENSIVE CATEGORIES OF RISK

Marsh has identified nine categories of risk that pose the greatest threats to an organisation achieving its goals and objectives:

- **Asset Management** – property loss, damage, destruction, or loss of use (to you or third party) of buildings, plants, equipment and/or stock
- **Compliance** – losses stemming from inadequate compliance systems
- **General Management** – impact of poor management practices
- **Personnel** – injury to employees or other parties – failure of duties of care to other parties
- **Environment** – damage to the environment, both direct and indirect
- **Change Management** – impact on business because of poorly managed change processes
- **Financial** – reduced revenues and/or increased expense flows
- **Products/Services** – liability arising from a product or service, including quality and delivery; and
- **Technology** – negative impact on the business because of failures of technology

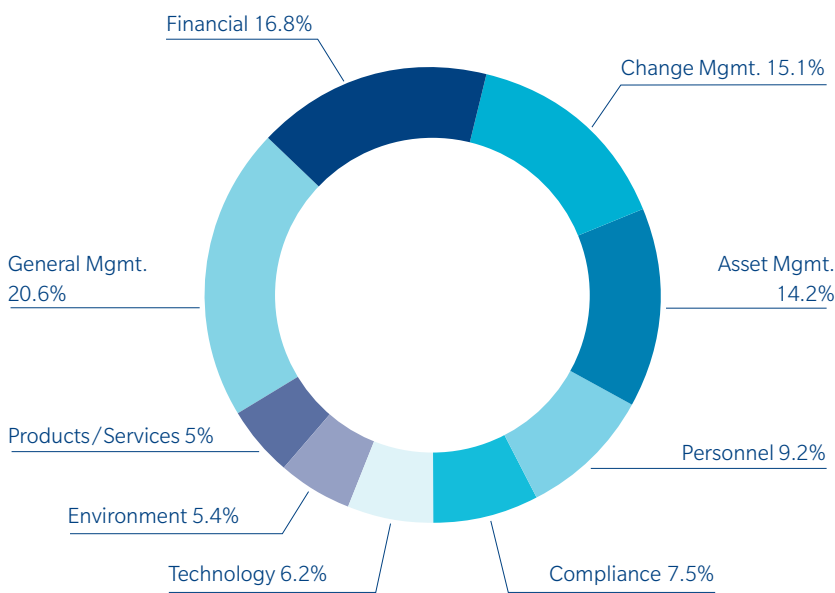
Assessing Risk: the Delphi Method

The Risk Focus process is based on the Delphi method. This is a time-tested and rigorous method for reaching consensus among experts in areas where empirical data is limited. It is based on the principle that the most qualified people to assess risks are the people who are managing them on a daily basis and, at the same time, provides the platform for more detailed quantifiable data in the future.

The Risk Focus process complies with the Australian Risk Management Standard AS/NZS ISO 31000, leverages company-wide knowledge and builds management consensus. Activities in our approach include:

- Document reviews
- Management interviews
- Surveys
- Pre-workshop meetings
- Facilitated workshops; and
- Deliverables review meeting

Sample Prioritisation of Risk Categories



BUSINESS RISK CONSULTING

The Business Risk Consulting Practice (BRC) specialise in assisting clients to better understand strategic and operational risks and opportunities and is responsible for the delivery of Risk Focus to clients. The BRC team are part of the broader Marsh Risk Consulting (MRC) division with access to a global team of consultants with extensive technical expertise across a broad range of disciplines that assist with developing customised enterprise-wide risk solutions, building resiliency, and achieving business objectives.

FOR FURTHER INFORMATION CONTACT:

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About Marsh: Marsh, the world’s leading insurance broker and risk advisor, teams with its clients to define, design, and deliver innovative industry-specific solutions that help them protect their future and thrive. It has over 24,000 colleagues who collaborate to provide advice and transactional capabilities to clients in over 100 countries. Marsh is a member of Marsh & McLennan Companies, a global professional services firm with 52,000 employees worldwide and annual revenue exceeding \$10 billion, which is also the parent company of Guy Carpenter, the risk and reinsurance specialist; Mercer, the provider of HR and related financial advice and services; and Oliver Wyman, the management consultancy. Its stock (ticker symbol: MMC) is listed on the New York, Chicago and London stock exchanges. Follow Marsh on Twitter @Marsh_Inc.

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