

# ENSURING CORPORATE VIABILITY IN AN UNCERTAIN WORLD

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Framing the Board conversation on risk

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# FOREWORD

Sir Win Bischoff  
Chairman, Financial Reporting Council



In regulation and in risk, as in life, it is as well not only to try to learn from our experience but to anticipate the impact of the rapidly changing world in which we all work. In a Board context this requires careful thought to the increasingly complex topic of risk and to well informed and adequate discussion and debate on matters which critically affect the long term viability of the business.

It was for this fundamental reason that we at the Financial Reporting Council introduced new guidelines on our reporting requirements in relation to risk two years ago. These included a number of non-prescriptive recommendations and the requirement for disclosure of an annual Viability Statement, which now forms part of the Listing Rules.

Research on how best practice is developing started just over a year ago. We could not have imagined then the nature, scope and pace of change in the risk landscape from an economic and geo-political standpoint and the challenges that businesses face as a result.

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

It has become increasingly evident that while responsibility rests with the board and its leadership, a culture of openness and engagement at all levels and a sense that risk is ‘everyone’s job’ will serve us well in years to come.

It is for each company to determine how it approaches these issues and this guide is not intended to be in any way prescriptive. Its purpose is to share some practical thinking on the key issues and to offer an agenda and roadmap to help Boards to evaluate where they stand in relation to emerging best practice and to frame their own board discussions on this important topic.

I hope you will find it helpful.

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# INTRODUCTION

Sir Peter Gershon  
Chairman, National Grid PLC and Tate & Lyle PLC



The effective management of risk is critical to the success of any business and essential to its long term viability.

The increasingly complex, interconnected and global nature of the risks we face demand greater understanding and ‘air time’ at Board level and regular in-depth discussion with relevant market facing executive teams. This guide aims to help the Board to shape its agenda and the conversation on risk.

Risk has traditionally been approached as an audit and compliance issue and a potential liability, often siloed in different areas of the business but the changing nature of risk and the pace of change demands constant vigilance and careful review. There is a sense in which risk is an essential pre-requisite for commercial success and a potential asset to be nurtured, developed and understood.

This guide addresses the compliance issues which every Board needs to address and sets out some of the challenges which we face in a fast changing global economic climate and against the backdrop of a post-Brexit and post-US Presidential election geo-political agenda. It is arguably one of the most turbulent and unpredictable times we have faced for many years as is illustrated by a number of our contributors.

It is appropriate therefore that the UK Financial Reporting Council has sought to introduce more effective measures in its UK Corporate Governance Code to help ensure corporate viability. Two years ago the FRC updated its code to incorporate a requirement on listed companies to publish a Viability Statement.

This statement offers a medium-term rationale for understanding the degree of realistic visibility of anything happening in the organisation. There is scope for companies to interpret for themselves what time span constitutes ‘medium term’ for them.

We are beginning to see what best practice looks like and the merits of this reporting requirement.

Critically the Viability Statement is about boards and management teams looking at their assessment which can be industry-specific or business-specific and asking themselves ‘What are our principal risks?’ Addressing these critical questions in depth at Board level will do much to help us ensure corporate viability in the challenging times ahead.



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# IN CONVERSATION WITH...

Sir Roger Carr  
Chairman, BAE Systems PLC



## **How do you rank the issue of risk as a priority for Board deliberation?**

“The need for Boards to devote more time to qualitative discussion of risk is vital in the increasingly complex global economic and geo-political climate in which we all operate. Globalisation of business, increased transparency and integration, coupled with faster information flows has increased the fear of risk and acted as an accelerator. It is often difficult to work out the reality from the perception.”

## **Do culture and behaviors have an impact on risk?**

“Getting the culture of an organisation right is vital for the effective management of risk and culture starts at the top. The culture and character of the business needs to be set within a framework. People and their behaviours at all levels are crucial.”

## **How do you see Board leadership in the management of risk?**

“There are three levels of looking at risk from a Board perspective – Assessing, Reporting and Managing.”

“The best discussions about *assessing* risk are inevitably to be had at the executive level. They understand the risks and can ensure integration with the business plan. Boards must be more responsive in their approach to the management and reporting of risk. Humility is required to break through hierarchies and meet with experts in the business. Boards must interface with risks at the coalface – they must not rely on arm’s length and potentially sanitised reporting.”

“As to *reporting* – too much transparency could be dangerous and may lead to negative consequences. Leadership needs to make a judgment call as to what should be reported.”

“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 and to lead, has been lost.”

## **Do you think that board and management diversity has an impact on risk?**

“In risk as in everything diversity of all kinds is mission critical, especially given the fast changing nature of risk. Views are needed from those ‘old enough to be credible but young enough to have up to date knowledge.’”

## **Drawing upon your experience of different boards and given the pace of change where do you think we need to focus on improvement?**

“Applying ‘Rumsfeldian’ principles we have found that as far as ‘known knowns’ Boards are generally good at predicting, reporting and managing known risk with confidence.”

“When it comes to ‘known unknowns’ the key issue is the management of the risk and not the prediction. Risk is generally known but it is the scale and the accelerator and magnifier of 24/7 media coverage that often adds pressure and makes management difficult.”

“But when we look at ‘unknown unknowns’ most Boards are ill-equipped to deal with these problems as they have no experiences to draw on and have not contemplated the risk or the consequences. Cyber risk is an example where damage is caused in both the business and reputational sense but an area where Boards have little to no experience or knowledge. The real risk is that Boards treat the issue as one that ‘won’t happen here’. The use of experts is crucial to prevent Boards fighting the last war and forgetting that weapons have changed.”

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# BOARD SUMMARY

The board's fundamental role of creating value in the short, medium and long-term is being undertaken in an operating environment where the pace of change has increased, the changes have become more unpredictable and disruptive and the world is more connected than before.

Risk continues to become more complex. Risks have become so interconnected that 'local events' can have global impact. The potential for risk contagion or systemic risk is increased – companies are no longer facing individual risks but a combination of such risks resulting in changes in individual risk profiles. And new types of risks are appearing which relate to information technology and digitization such as cyber security risks.

Companies and regulators are responding to this changing risk landscape.

Companies are recognizing that they have to be more resilient and minimize disruption while continuing to enhance the ways in which they identify, assess and take risks in order to survive and thrive over the short, medium and long term.

Regulators are revising their corporate governance codes and corporate reporting requirements.

In the UK, the Financial Reporting Council (FRC) announced changes to the UK Corporate Governance Code in September 2014.

The changes in the Code are focused upon improving the assessment and reporting of principal risks, evaluating the longer term viability of the entity (Viability Statement), monitoring the effectiveness of risk management and internal control systems. This goes hand in hand with the recent FRC consultation on boardroom culture and attitudes to risk, particularly in relation to incentives, behaviors and ability to manage short and long-term expectations.

The Code also emphasizes that "risk management and internal control should be incorporated within the company's normal management and governance processes, not treated as a separate compliance exercise"

The changes to the UK Code are not without their challenges. They have prompted much thought about how to meet the new reporting requirements, the future shape of risk management and reporting, what best practice looks like and what will add value to the business.

The key challenges identified by the research and which this report addresses are:

- the changing risk landscape and agenda elevates risk management from being focused on compliance
- the crucial role of data, particularly its quality, analysis and the ways in which it generates understanding for different purposes
- the potential for unintended consequences
- the timescale of the Viability Statement particularly when considered alongside the timescale for strategy and planning and its relationship to the Going Concern statement
- the impact on the role of the board.

There is a danger that the Viability Statement is seen as another tick box exercise, diverting the board's time and attention. But the production of a Viability Statement offers an opportunity for the board to focus time on what really matters, and to do so in the way that best enables multiple obligations for the business to be met

Drawing on the views of 21 FTSE Chairmen, 14 other Chairmen, Deputy Chairmen, CEO's, CFO's and NEDs and 13 specialists this guide advocates that boards adopt an integrated approach to risk in response to these changes.

At the core of this integrated approach is the concept of a 'business model', particularly as developed by Chartered Institute of Management Accountants (CIMA) and the American Institute of Certified Public Accountants (AICPA). The model helps organizations understand how they create value, the potential impact of changes in the external environment, and how value can be created in future. It takes into account:

- the objectives of the organization, in particular the products or services to meet a particular customer need(s)
- how these objectives will be met
- through which channels, and
- how the surplus arising will be shared.

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It therefore provides the board and management with a tool through which the business can be viewed in an integrated way as well as through a series of lenses such as values and behaviors and risk and risk appetite.

While there is not a ‘one size fits all’ solution, the report also contains ‘an agenda for boards’ which is a practical toolkit containing some questions that boards might like to ask of themselves and the executive team when considering the Viability Statement.

## AN AGENDA FOR BOARD DISCUSSIONS

Some questions boards might like to ask of itself and the executive team.

### Defining, creating, delivering and sharing value

#### Questions for boards to ask themselves

- How can our discussions on risk be better integrated with our overall board agenda and discussions?
- How do we ensure that leadership of risk in our company is optimizing the potential to create and preserve value and achieve the purpose of the business?
- How do we assure ourselves that the incentives system is encouraging the right behaviors to reinforce the culture of the business to best manage risk and build resilience?

#### Questions for boards to ask the executive team

- How can we ensure that the Viability Statement does not become a ‘tick box’ exercise?

### Risk Leadership

#### Questions for boards to ask themselves

- What is the board’s risk appetite, tolerance and capacity and how well have we articulated and communicated these?
- What does a good board risk agenda look like for our company?
- How can we ensure that the right information is reaching us, and that the risk ‘glass ceiling’ is being avoided?
- How do we assure ourselves that we have a shared understanding of the organization’s risk management and internal control process?
- What is our role as a board versus the executive and the audit/risk committees?



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## Stewardship Building Trust

### Questions for boards to ask themselves

- How do we strike the right balance between increased transparency and potential unintended consequences such as disruption to shareholder value, refinancing initiatives being jeopardized and the need to preserve competitive advantage?
- What is the appropriate timeline for the Viability Statement taking into account our strategic planning horizon?
- What does the statement “reasonable expectation that a company will be able to operate and meet its liabilities” mean for our company? In what ways does the board take into account low probability high impact events in this context?

### Questions for boards to ask the executive team

- How do we ensure that our reporting is addressed to all our stakeholders?
- How can we better link risk reporting requirements with other reporting requirements?

## Risk Management

### Questions for boards to ask themselves

- How do we assure ourselves that our risk management and internal control systems are working effectively?

- What are the principal risks and how might they have changed?
- What are the risks that are not well understood and/or avoided e.g. people, complexity, cybercrime?
- What is our role as a board as a participant within the system e.g. crisis management, testing controls, learning from near misses? In what ways do we exercise effective leadership in a crisis?
- What information do we need to support our governance of risk?
- Do we have a sufficiently diverse range of views, thinking, background and experience around the board table?

### Questions for boards to ask the executive team

- What does good look like in terms of risk assessment?
- In what ways do we ensure we have a diverse range of information to help us understand complex and/or new risks?
- In what ways do we ensure that we have extracted all the insights from the information?
- In what ways do we assess whether the Risk Management / Internal Control (RM/IC) system is effective in terms of managing non-conventional risks such as cyber and complexity, particularly against a background of the ‘accelerator and magnifier’ of 24/7 media coverage?
- What are the Directors and Officers insurance implications of not aligning with the new Code provisions?

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## PERSPECTIVES

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“If Boards consider risk management as an agenda item, or as the responsibility of one of their company’s departments, I would argue they are considering risk in the wrong way. Every aspect of the business has a risk management element; every decision made or action taken can be viewed as risk prevention or risk mitigation. For companies to have success over the long term, risk management should be integrated into the fabric of every business.”

Charles Tilley FCMA, CGMA, Executive Chairman, CGMA Research Foundation

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“In businesses where many of the service functions are outsourced and especially when your supply chain contractors have a critical role to play in maintaining safety standards it is imperative to embrace these organisations in your thinking and to ensure as far as possible that a common culture prevails throughout.”

John Barton, Chairman, Next PLC and Easyjet PLC

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“If the underlying goal is to secure the long term sustainability of our companies then apart from shareholders there are both significant risks and major communications challenges in the relationship with the other four major stakeholders – the employees, customers, suppliers and the community. In fact many of the greatest risks will arise from or impact three, four or even all five of these groups and the communication may need to be subtly different for each stakeholder group.”

Sir Anthony Cleaver, Chairman, Novia Financial PLC

“”

“So much of the governance dialogue about risk is focused on protecting shareholder value that there is a danger that Boards overlook the importance of other stakeholders including customers, employees, local communities and the supply chain which will have a vital contribution to make to the longer term recovery and success of the business.”

Judith Hackitt DBE, Chair, EEF

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“Having a common understanding about our risk appetite is important so I asked each of my directors around the board table to articulate what they thought our risk appetite should be. After some initial resistance to being pinned down, this did provoke a richer group discussion. This resulted in a greater shared understanding of how we should view this area and why. Having rationalised an overall approach, we then found it easier to calibrate the tolerable risk threshold for each component of the business.”

Steve Marshall, Chairman of Wincanton PLC and Biffa PLC

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“People risk is sometimes not given sufficient consideration because the main risks are sitting round the table.”

Mark Nicholls, Chairman, Rathbone Brothers PLC and West Bromwich Building Society

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“In an interconnected world there is an increasing need for Boards to understand and seek to manage ‘complexity risk’ by factoring in a combination of risks, including the impact of global economic and geo-political trends and issues, cyber security and the potential impact of reputational risk.”

Robert Walker, Chairman, Travis Perkins PLC and Enterprise Inns PLC

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# EXECUTIVE REVIEW

Richard Sermon  
Director, The Chairmen's Forum

As Boards our fundamental focus is on creating value over the short, medium and long-term.



Thereby we both meet our responsibilities under the UK Corporate Governance Code and we satisfy our compliance obligations. But importantly we are able to go well beyond those by better ensuring that we deliver for shareholders and for other stakeholders material to the success of our business.

It is all too easy not to have our eye on the ball, because of the combination of rapidly changing external events, internal developments and compliance requirements. All too often we neither give time to what matters, and when we do, we are not able to give the quality of time required.

In this context the FRC's requirement to produce a Viability Statement offers opportunity for the Board, for the business, for shareholders and for principal stakeholders. Risk and opportunity go hand in hand, judging that we have got the balance right is critical to good governance and business leadership. How to seize that opportunity and to make that judgement is what this guide is all about.

There is a danger that the Viability Statement becomes another 'tick box' exercise generating bland 'boiler plate', 'one size fits all' narrative reports. But in consultation with experienced chairmen and others we have set out how to harness the opportunities which the discipline of the Viability Statement offers us to improve our ongoing governance.

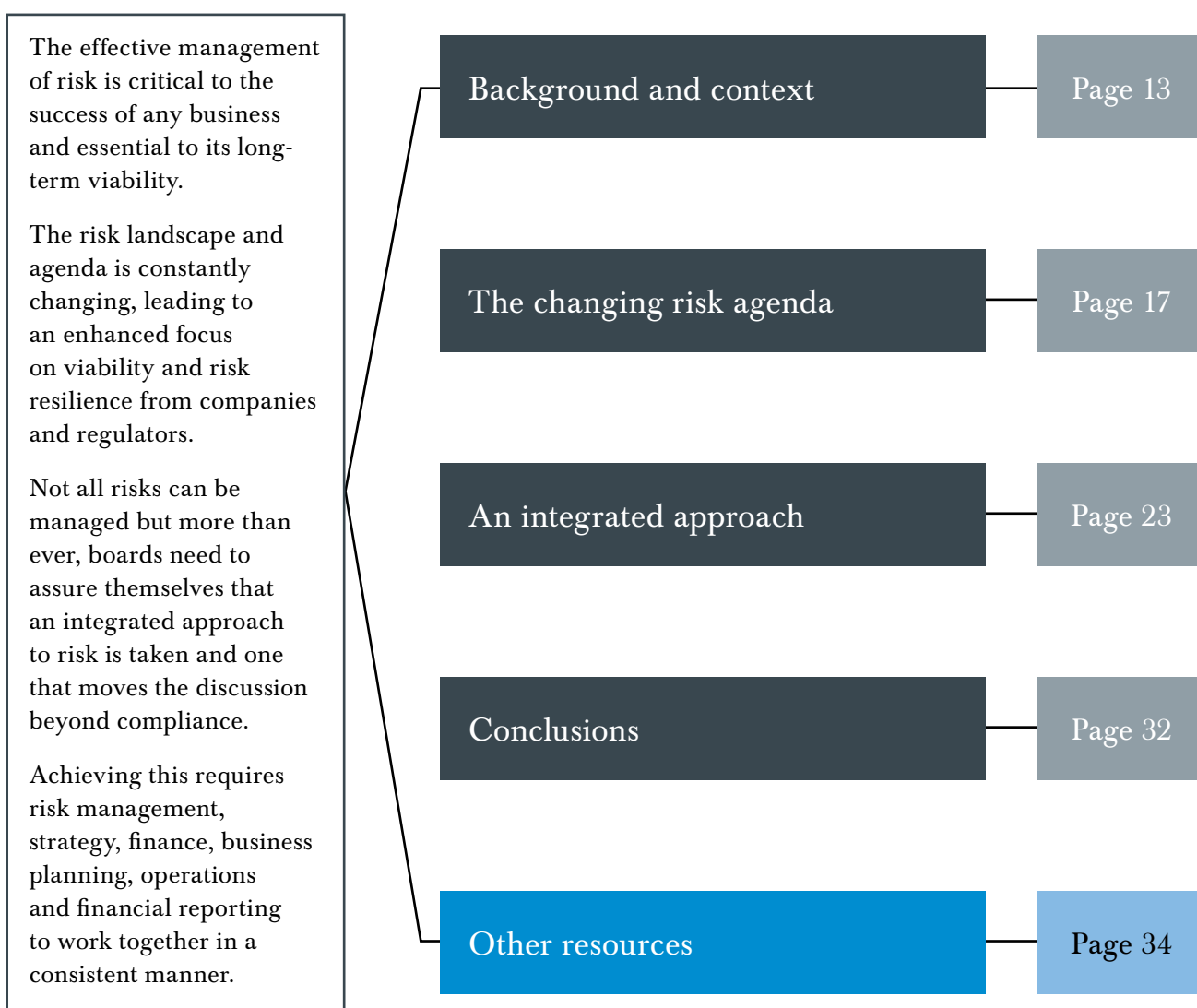
Through its integration with management reporting we also provide insights on making the business model come alive for boards to guide their decision making. In doing so we seek to better ensure the success of the business now and for the future, to build organizational resilience and a clear line of sight to what will make the most difference.

Considered discussion of risk at Board level, greater interface with executives at the coalface and the greater integration of risk in management reporting against the organization's business model will all serve to improve decision making in this area.

# STRUCTURE OF THIS GUIDE

The rest of this report outlines in more detail the changing risk landscape, the changes to the UK Corporate Governance Code (the Code), what these changes mean for the board agenda and how an integrated approach can help address these changes to create a more risk resilient organization.

The report is structured as follows:



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# BACKGROUND AND CONTEXT



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# BACKGROUND

This report presents an integrated approach for boards on managing and reporting risk.

It has been produced to address the challenges of meeting the new reporting requirements arising from the changes to the UK Corporate Governance Code.

It is based on the views of 21 senior FTSE Chairmen, CEOs and CFOs and 13 specialist discussants who participated in a series of roundtables organized by the Chairmen's Forum and CIMA in partnership with Airmic and Alvarez & Marsal. The conversations were conducted under the 'Chatham

House Rule' in order to ensure open and frank discussions of the relevant issues.

The roundtables explored the challenges presented by the new reporting requirements, the role of boards and the skill sets they need to manage and report risks whilst driving performance and keeping a focus on value creation. The end goal is to ensure business resilience and to report in a way that assures stakeholders of the long-term viability of the company.

## CONTEXT

Nearly a decade ago the world witnessed high profile corporate failures in the financial sector that had widespread and persistent impacts. These were attributed to failures in regulatory control, corporate governance and risk management. The role of the Board came under intense scrutiny and harsh criticism.

Since then the pace of change in the operating environments of companies has increased, the changes have become more unpredictable and disruptive and the world is more connected than before. For companies to survive and thrive they have to be more resilient, minimize disruption to their businesses and take risk in a controlled manner. This requires boards to have a qualitatively better handle on and debate about risk.

In response to these ongoing developments regulators are revising their corporate governance codes and corporate reporting requirements. They intend to stimulate better and more detailed consideration of the risks which affect the longer term viability of companies and to drive overall improvement in the level and quality of risk management. In this regard the Financial Reporting Council (FRC) announced changes to the UK corporate code in September 2014.

The revised FRC Guidance reflects issues identified during the financial crisis where the Going Concern

basis of valuation failed to provide the requisite levels of assurance. The Viability Statement is designed to encourage risk to be considered as integral to the business rather than as a separate function and to take a strategic perspective of the risks that a business faces.

The FRC aims to improve: (a) the assessment and reporting of principal risks; (b) evaluation of the longer term viability of the company; (c) monitoring the effectiveness of risk management and internal control systems; and (d) reporting on a going concern basis. These are explained briefly as follows:

- a. In relation to principal risks the code states that the "directors should confirm in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten the business model, future performance, solvency and liquidity. The directors should describe those risks and explain how they are being managed or mitigated."

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b. To evaluate its long-term viability the code requires a company to prepare a Viability Statement. It stipulates that “taking account of the company’s current position and principal risks, the directors should explain in the annual report how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate. The directors should state whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.”

c. The board’s role in risk management and internal controls are emphasized in the code as follows: “The board should monitor the company’s risk management and internal control systems at least annually, carry out a review of their effectiveness, and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.”

d. These changes are underpinned by the need to consider the applicability or otherwise of the going concern basis of accounting. The code states that: “In annual and half-yearly financial statements, the directors should state whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company’s ability to continue to do so over a period of at least twelve months from the date of approval of financial statements”.

The changes are also aligned with and reinforce Section 172 of the Companies Act directors duties<sup>i</sup> (see below).

This requires that directors take a long-term view of the organization and the risks that can flow from not taking into account all its key stakeholders.

### **S 172 Duty to promote the success of the company**

(1) A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to—

- (a) the likely consequences of any decision in the long term,
- (b) the interests of the company's employees,
- (c) the need to foster the company's business relationships with suppliers, customers and others,
- (d) the impact of the company's operations on the community and the environment,
- (e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- (f) the need to act fairly as between members of the company.

(2) Where or to the extent that the purposes of the company consist of or include purposes other than the benefit of its members, subsection (1) has effect as if the reference to promoting the success of the company for the benefit of its members were to achieving those purposes.

(3) The duty imposed by this section has effect subject to any enactment or rule of law requiring directors, in certain circumstances, to consider or act in the interests of creditors of the company.

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# CHALLENGES

The changes to the code are not without their challenges. They have prompted much thought about how to meet the new reporting requirements, the future shape of risk management and reporting, what best practice looks like and what will add value to the business. The challenges are outlined and discussed briefly below.

## **What evaluation and assessment methods should the company use?**

Executives have voiced concerns about the evaluation methods with regards to both Principal Risks and the Viability Statement. More specifically, concerns have been raised about the lack of clarity around the appropriate assessment methods to achieve an appropriate balance between quantitative and qualitative assessment, stress testing and sensitivity analysis. For example, what is meant by a ‘reasonable expectation that the company will be able to operate and meet its liabilities?’ How are ‘black swan’ events considered in this context? How should materiality and effects on the business model be factored into the assessment and support the ‘going concern’ accounting approach?

## **How much information should the company provide?**

The changes to the code are non-prescriptive. In addition, the FRC has given limited guidance on how to report principal risks and uncertainties; what it means to conduct ‘robust principal risk assessment’; and the need to ‘describe risks and explain how they are being managed or mitigated’.

This raises a number of issues. How much should be divulged in the annual report? The amount and type of information disclosed could lead to unintended responses from competitors and investors. If it is too detailed, could it be misunderstood by the investor community or mistakenly call the viability of the company into question? Could a detailed approach to risk assessment present a conflict to the Going Concern or Viability Statement? Are there materiality implications in disclosing the information? Does the introduction of these additional requirements help or hinder the understanding of how much risk an entity is prepared to accept?

## **How does the company integrate the information into the annual report?**

Currently risks are disclosed in various places in the Annual Report. This can make it difficult for the reader to ‘join the dots’ in order to get the overall risk picture. These additional reporting requirements could make company reports bigger and more unreadable.

## **What period of time should the Viability Statement cover?**

What is a realistic period over which the Viability Statement should be framed? Should this period be linked to the strategic planning cycle? A shorter timeframe could be viewed as indicating a lack of confidence in the company whilst a longer one could be read as over-confidence on the directors’ part. In addition, the new code specifically requires companies to provide a rationale for the timeframe they chose. This can make the process more onerous particularly when considering the various analytical methods available. It is a challenge for any business to predict how it is going to perform for years into the future.

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# THE CHANGING RISK AGENDA FOR BOARDS



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This section summarizes the insights from the roundtable discussions by board level participants, senior executives and other specialist discussants.

It notes:

- The changing nature of risks in an interconnected world which requires that risk management move from a compliance approach and be integrated into how the business is run.
- The role of data is crucial, particularly its quality, analysis and the ways in which it generates understanding for different purposes.

- Boards need to be aware that the requirements of the Code might lead to unintended consequences that need to be managed.
- The timescale of the Viability Statement presents its own challenges particularly when considered alongside the timescale for strategy. This challenge needs to be addressed.
- Finally, the role and challenges for boards are considered.

The integrated view of risk management required by the code has potential benefits. The main benefit is greater business resilience. But this requires boards to become qualitatively better at handling risk.

## MOVING BEYOND A COMPLIANCE VIEW OF RISK

Risks are becoming more complex due to at least three factors:

- The world has become so interconnected that ‘local events’ can have global impact.
- Organizations no longer face individual risks by themselves but a combination of those risks. The World Economic Forum Global Risk Report 2016 noted this interconnection of risks. Risk profiles change dramatically when different types of risks combine with others.
- New types of risks are appearing which relate to information technology and digitization. Cyber security risks are a prime example.

Boards are increasingly concerned about this ‘complexity risk’ which must be understood and managed. They need to assess the impact of any combination of risks, the influence of global economic and geo-political events on trade, increased vulnerability to IT and cyber security crime, the susceptibility to supply chain risks and the profound impact of reputational risk.

Risk started as a component of routine ‘compliance’ but now needs to be raised to the strategic level. This

leads to different conversations. The consideration and management of risk should be part of how a business is run. It must be fully integrated from top to bottom without becoming prescriptive. Business needs to take controlled and considered risk in order to open up opportunities. There is a tendency to focus too much on the negative side of risk. It must be borne in mind that risk is often also the reciprocal of return. Boards must understand this link between risk and return. This requires the active involvement of the executives and constant interaction between the board and them.

Getting the culture right in this evolving environment is important. A recent report by the FRC – Corporate Culture and the Role of Boards – defined culture in the corporate context as “the combination of values, attitudes and behaviours manifested by a company in its operations and relations with its stakeholders”.<sup>ii</sup> The more complex an organization the more diverse its cultures. This will require mature risk management.



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## DATA REQUIREMENTS FOR DIFFERENT PURPOSES

The FRC intends that changes to the code should lead to a focus on expectation rather than retrospective reporting. This forward looking approach should align reporting with strategy.

However, companies differentiate between the data required for reporting and the information necessary for strategic planning purposes. All businesses plan strategically for the long term but the value

of reported data is generally retrospective. Annual reports are often not read in detail unless there is an issue when they can be used as evidence of governance failure.

Furthermore, whilst both shareholders and the business have long term interests, the information and requirements for each are different.

## UNINTENDED CONSEQUENCES

Increased regulation may lead, unintentionally, to risk aversion on the part of boards. There is a growing dichotomy between management who are entrepreneurial by nature and prepared to take risks and boards whose governance role drives a constraining nature. It is the responsibility of the board to understand the business that they have governance oversight of.

The vagaries of the reporting requirements are likely to result in a lowest common denominator approach. It is important that middle-ground,

anodyne language is avoided. Firms will be reluctant to be first-movers and will want to see how far the competition goes before committing.

The level of detail of reporting that boards are prepared to allow has yet to be defined. This will be influenced by competition and the likely levels of stakeholder interest. Boards must take into account unintended consequences in areas such as re-financing or bond release. Too much information could be considered to be dangerous and may scare or concern stakeholders.

## TIMESCALE FOR THE VIABILITY STATEMENT

The timescale required from the Viability Statement has been left open for boards to determine the optimal timescale thus far is generally seen to be three years. This may differ between sectors and by maturity within sectors. Risk maps have not changed but the development of scenarios to deliver a three-year time frame has been one result of the introduction of the code.

An issue raised in this regard is the alignment of the timescales of the Viability Statement and strategy because most strategies cover periods beyond the three years generally used for the Viability Statement.

It has been pointed out that there is a risk that increasing the timescale of the Viability Statement to bring it in line with strategy (which looks further forward) will create problems for companies because they might not be able to reduce the timescale in future once they extend it. Equally, companies in highly regulated sectors may see an advantage in taking a longer term view.

Of particular note will be the timescale of the Going Concern statement. It is broadly expected to be a three-year forecast. However, there is a significant degree of unpredictability associated with this timescale.

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# THE VIABILITY STATEMENT

Tom Teixeira,  
Managing Director, Alvarez & Marsal



A number of Viability Statements have been produced and disclosed in the annual reporting cycle in the past year. Drawing on the experience of boards to date, a number of factors have been identified that can help drive the right level of senior attention and focus in relation to determining how viable a company is in light of the business environment it operates in.

## Integrated approach

It is recommended that an integrated approach is considered when producing a company's Viability Statement. Teams from the risk management, finance and strategy functions should work together to define realistic best case and worst case scenarios, undertake financial modelling, consider the existing control/risk management framework and stress test using a combination of all of these factors.

In addition, the assumptions considered need to be documented and made available to the board for the review and challenge. Publishing a robust set of assumptions could help in creating some competitive advantage. Risk management must therefore be a business plan contributor in the overall framework. The risk management function must act as an enabler to ensure there is a clear understanding between risk and opportunity and how they could affect the current business plan/model and strategic priorities when considering various scenarios.

This integrated approach should drive better and informed decision making by ensuring that risk and the agreed risk appetite are factored into both the strategic planning and financial forecasting processes, thereby providing a better understanding of viability. It will ensure a degree of consistency between various scenarios considered, the risks and uncertainties, and the related sensitivities.

The stress testing must be linked to severe but plausible scenarios with a strong link to the principle risks that have been identified and assessed. A robust understanding of the risk profile faced by the business will therefore be a key contributor to this approach and effort should be applied to achieving a better understanding of the key risks as well as assurance that the risk management strategies in place are effective.

The way a company is set up to deal with the fall-out from negative events cannot be ignored. Effective business continuity planning and crisis management should minimize both the financial and reputational effects from these events and improve the resilience of the overall business. This improved resilience must be factored into the development of the Viability Statement particularly in relation to scenario testing.

All in all, internal reporting processes need to be properly aligned and integrated to ensure that all facets of the business resilience framework are covered. Giving senior management the opportunity to be fully involved in understanding the information that is being presented and challenge where appropriate will elevate the quality of the conversation across senior levels within the organization.

Development of the Viability Statement for external reporting purposes is best not left to the last minute. Timing is an important consideration to ensuring there is sufficient data available that could be used to provide a robust defence of the statement in light of potential challenges by investors and stakeholders. These challenges may well arise following material events that occur during the stated viability period.

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## Viability Period

In many cases, the Viability Statement period has been linked to the strategic planning cycle of the organization. The majority of the companies that have reported to date have opted for their Viability Statement to cover a period of three years, while some have gone for five years or more. A critical consideration is the effect that different viability periods could have on shareholder confidence. A viability period that is too short, could indicate a lack of confidence in the business plan on behalf of the Board. On the other hand, one that is too long could provide the impression there is a degree of over confidence. Boards need to be in a position to explain the period used and understand the criteria used.

## Risk Assessment

It is important that the Board assure themselves that the Viability Statement is supported by a robust set of analytics. This could include but not be limited to:

1. Trend analysis and supporting metrics (such as Key Risk Indicators) indicating whether the key exposure categories faced by the organization are increasing or decreasing. The analysis does not need to be sophisticated and can be based on qualitative scores but still provide a degree of assurance around the direction of travel;
2. Financial modelling of risk to provide an understanding of potential future volatility and deviation from baseline forecasts. Whilst this type of analysis is not always straightforward to undertake, particularly by companies outside the financial services sector, it is recommended that key exposures to the business plan are analysed by combining an understanding of key risk factors, related consequences, historic frequencies and financial impact data. The resulting risk model should be linked via simulated impacts to a financial forecast such as operating cash flow, or EBITDA. It is also recommended that when considering the period over which to undertake the risk analysis and modelling, it should be consistent with the period used for the Viability Statement thus ensuring a degree of consistency and understanding at Board level.

## Publishing and Format of the Viability Statement

When focusing on the format and structure of the annual report, consideration should be given to ensuring there is a close link between the 'Principal Risks and Uncertainties' section and the Viability Statement. Readers need to be assured that the company being reported on is viable over a stated period based on the existing exposure it faces and the quality of the risk management strategies in place. These sections need to be properly aligned, strongly cross-referenced and ideally appear side by side in the annual report.

Developing a robust Viability Statement to provide assurance can be challenging particularly in relation to the sensitivity of the data that might get disclosed. On the other hand, the statement should nurture the need to have a more integrated approach to corporate reporting so ensuring that the resilience of the organisation is given appropriate attention and consideration at board level. Also, if developed effectively, it should help support better and informed decision making which in turn will have a direct impact on improving business performance.

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# THE ROLE AND CHALLENGE FOR BOARDS

It was observed that “there are three levels of looking at risk from a board perspective: assessing, reporting and managing”. Boards want to do the right thing in all these areas but acknowledge they have different levels of capability to do that.

Boards are generally good at reporting the risks that they think are important but these are rarely the issues that have significant impact. When reporting they must find the balance between reporting within a framework and reporting the reality. Reporting can be viewed as ‘protected transparency’ or sticking to legal guidelines and must be treated with caution.

Timelines have compressed and history suggests that businesses are not always effective in looking to the future. It is hard enough to understand the present let alone predict the future.

Boards need to have a better understanding of the details and complexities of the business for which they are responsible. This requires transparency across the business. All must feel able to raise issues quickly and effectively. The quality of information flow to the Board is absolutely essential. Provocative questions are essential for Boards to ensure effective management and can often be unleashed by a diverse board.

## CONCLUSIONS

The following conclusions were derived from the contribution of participants at the roundtable discussions:

1. There are numerous challenges with the adoption of the Code that vary by business scale and industry sector. What needs to be addressed are the benefits to a business from the more integrated approach to governance proposed by the Code. The FRC’s aspiration is that the Code should lead to a focus on expectation rather than retrospective reporting. However, the gap between reporting and strategy negates the forward-leaning opportunities the code presents at this stage in its evolution.
2. The enhanced risk governance guidance will enable boards to demonstrate better behavior and a more joined up approach. This takes risk beyond a process requirement into a business plan and strategic contributor.
3. A more detailed understanding of risk governance will benefit the crucial nature of the Executive/ Board relationship. It will focus executives on their management responsibilities whilst Boards can focus on providing greater advice and guidance.
4. The FRC are not looking for a ‘one-size fits all’ approach as it will be impossible to get a consistent approach across the commercial sector. There will be common themes but the assessment and prioritization of risks will clearly differ. The FRC do not want to see templates, boiler plates or check-lists develop.
5. Ensuring that these reporting requirements dovetail with existing procedures, rather than creating duplications, will be important.
6. The guidance helps to ensure the transparency of Board reporting. The most positive effect has been the movement of risk from an Audit Committee responsibility to a Board level issue. Risk must be effectively incorporated into business plans and resulting discussions at Board level. Risk discussions must not be disproportionate as a result.



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# AN INTEGRATED APPROACH



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Despite the challenges the changing risk agenda for boards also presents a number of opportunities.

Adopting an integrated approach, if implemented properly, can lead to a more cohesive approach to managing and reporting risks whilst ensuring that the company creates value and drives performance.

To achieve this a number of disparate but related processes need to be integrated into one board process, with relevant functions, such as risk

management, strategy, finance, business planning, operations and financial reporting, all timed to work together in a consistent manner.

Integrating such processes does not remove the need for effective leadership and insight. Too often process replaces leadership and the ability to lead and manage risk effectively in a crisis has been lost. An integrated approach should support improved decision making and therefore drive business performance.

## A FRAMEWORK FOR AN INTEGRATED APPROACH

CIMA and AICPA have developed a framework which helps bring together all these different considerations.

Although originally designed for the management accounting profession, aspects of it apply to boards to help them ensure that decisions and performance are informed by the proper analysis of the relevant information to understand the impact on value and drive business success.

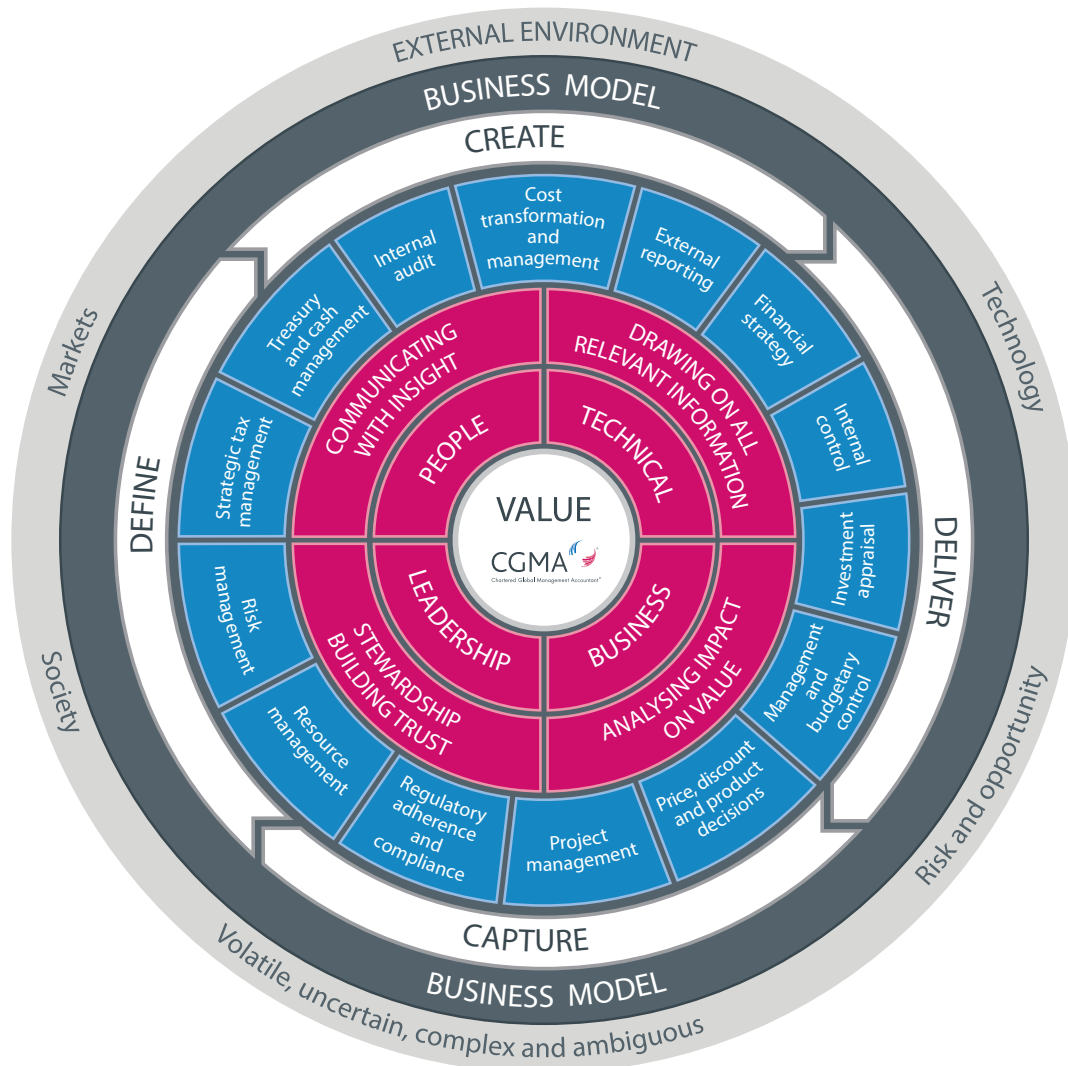
It integrates different parts of companies with each other and with their ecosystems and so enables the board to view the business through a series of lenses, for instance values and behaviours and of course risk and risk appetite. It also brings together the skills needed with the decision making required.

This is illustrated in the diagram opposite.

For the purposes of the subject of this document – the key areas of focus and relevance are, working from the centre outwards:

- Value
- Creating Value and the Business model
- Leadership
- Stewardship Building Trust
- Risk Management

All within the context of a volatile, uncertain, complex and ambiguous operating environment.



### Value (centre)

The focus for organizations should be on achieving success over time, creating value for customers, stakeholders, society and the environment.

### Creating Value and the Business Model (Dark gray ring)

The business model is the organizational value engine. It determines how business defines, creates, delivers and captures value to succeed in the short, medium and long term.

### New Operating Environment (Light gray ring)

Today's new operating environment is volatile, complex and uncertain. But it is also rich in opportunity.

### Building Skills (Inner pink ring).

Management Accountants apply technical accounting and finance skills, business acumen, leadership and people skills in the context of the business, to influence the decisions, actions and behaviours of others.

### Decision Making (outer pink ring)

The Global Management Accounting Principles provide the best in class management accounting framework that empowers organizations to take the best possible decisions to unlock value and succeed over time.

### Practice (blue ring)

These are the key practice areas of the management accounting function, as captured by the Global Management Accounting Principles®.

# VALUE

The focus for organizations should be on achieving success over time, creating value for customers, stakeholders, society and the environment.

The purpose of integrated risk management is to ensure that this happens.

## CREATING VALUE AND THE BUSINESS MODEL

Companies need to define, create, deliver and capture value, with and for their key stakeholders, in a consistent and coherent manner that connects with their ecosystems and operating environment.

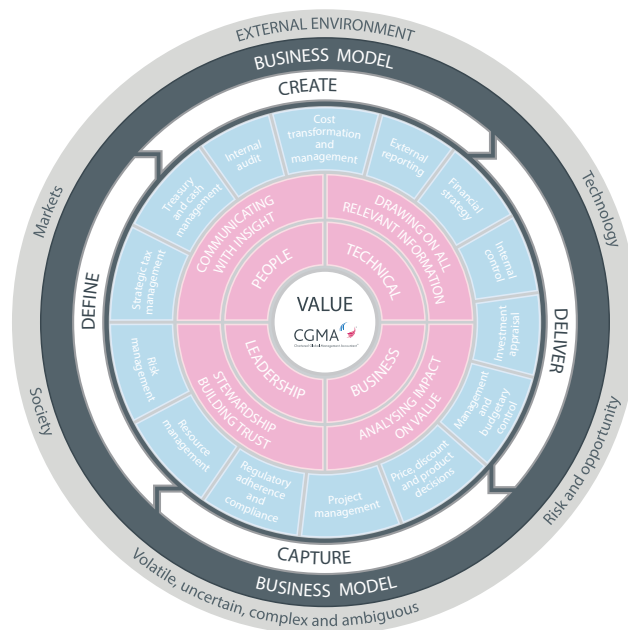
The ecosystem comprises interdependent networks and relationships that connect and interact with each other in markets and society to produce goods and services. The interactions and outcomes are influenced by regulation and technology and create risks and opportunities for companies.

The rate and type of change as well as the disruption in this environment is now often described as volatile, uncertain, complex and ambiguous (VUCA). This requires not only a deep understanding of these interconnected risks but also the agility and innovation to remain resilient to undesirable interactions and outcomes.

The business model is the organizational value engine. It determines how a business defines, creates, delivers and captures value to succeed in the short, medium and long term, with and for its key stakeholders, in a consistent and coherent manner that connects with its external environment.

Understanding the business model therefore involves:

- Understanding the organization's objectives and for which stakeholders –within the context of its overarching purpose.



- Meeting the needs of customers and other stakeholders including of society, also over time. A critical stakeholder is the investor but their return is dependent upon meeting customer needs in return for a fair consideration.
- Understanding how value is created today, the potential impact of changes in the external environment, and how value can be created in future.
- Deciding how the value derived from customers will be shared between investors, employees, investment in the business, and society and striking the appropriate balance.
- Being clear about the values to be adopted, particularly in meeting the needs of customers, suppliers and partners, and employees.

Risk and opportunity are two sides of the same coin. It depends on how firms see themselves and their positioning within their ecosystem and operating environment.

The opportunity space provides new possibilities for firms to collaborate, coordinate and compete with others enabled by law, demographic shifts, market arrangements and technological innovation.

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Firms that identify and exploit these opportunities are able to generate and deliver value to their stakeholders.

Risks arise from the decisions, activities, events and interactions in and around the firm and are managed according to the risk appetite, capacity and tolerance of the firms.

**Value is defined, created, delivered and shared within this context of risk and opportunity.** This insight should help frame discussions about risks at all levels of the company.

**Value should be defined** with customers, investors and other key stakeholders in view. They are the ones for and with whom value is created. Companies that fail to consider value from the perspective of a key stakeholder such as the customer can lose relevance, which can adversely affect their ability to generate revenue consistently and impact their viability. One of the key risks is not identifying who the key stakeholders will be in the future that value will be created for and with.

Other issues to keep in mind when defining value are the reputation and the brand of the company. These are intangible drivers of value which must be managed carefully if companies are to remain viable.

**Value is created** through the harnessing of key resources and relationships and is embodied in the products and services that companies make. The products must be made at the right quality and cost without damaging key relationships that companies have. The risks in this area relate to supply chain management, environmental impact, employee engagement and cost management. Companies will seek to avoid industrial action, lack of key inputs, regulatory and social sanction due to pollution and the loss of key partnerships. These things can threaten the viability of companies.

**Value is delivered** to ever more demanding and sophisticated customers. They are the source of revenues so companies need to know who these are, how to communicate with them and where they buy the products and services. And technology is increasingly vital in this relationship.

Formulating the value proposition for customers is becoming more complex as customers become more discerning. They expect to receive relevant messages and a good customer experience. They expect the

buying journey to be relevant and personalised, to reveal consistent features, offers and experiences based on where they have been, what they want and how they choose to get it. To achieve this, firms need to understand their different customer segments and the channels by which to reach each segment. Although the buying experience for customers can be fluid, complex and involve multiple channels, these channels have to be integrated to deliver customer value and significant return on investment. Failure to connect across all channels will eventually erode the firm's brand reputation and ability to completely satisfy its customers.

Calling the market wrong in the future is a key risk for example, motor manufacturers not foreseeing the development of driverless cars by Google and Apple. Attention therefore needs to be given to risks such as inappropriate delivery channels, lack of understanding of customer behaviour, mis-selling and cybercrime.

**Value is captured** for reinvestment and distribution to shareholders and wider society. After paying suppliers and those who contributed to creating value, the excess of revenue over costs is set aside for reinvestment and for distribution to shareholders.

How the surplus is distributed presents both risks and opportunities. It sends important signals to stakeholders about what the organization values and can have significant impacts. For example, not issuing a dividend sends signals to the market that may increase the cost of capital. Tax avoidance can impact on the organization's reputation and social mandate to operate. The design of remuneration packages will incentivize particular behaviours and affect the ability to attract the right talent. The level of investment in research and development will affect the supply of products and services in the future and therefore the ability to create value.

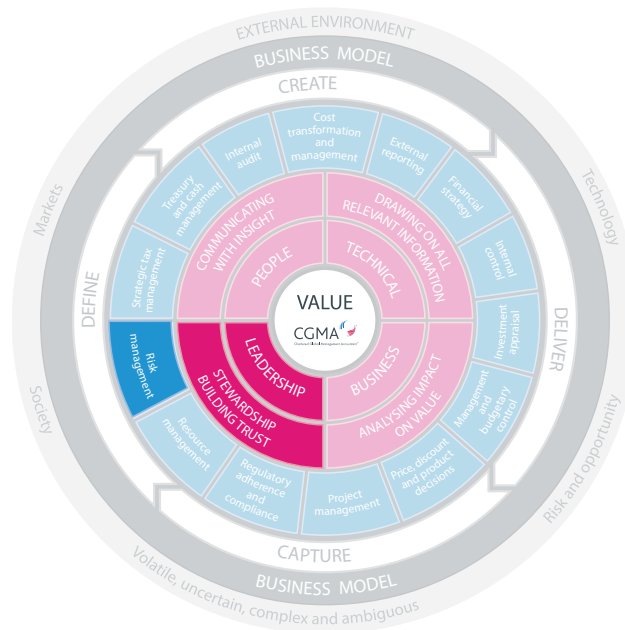
**Value and values interact with each other in the context of the changing external environment.** While an organization's stated values are not likely to change to the same extent as the business model, what is happening is that the external environment is putting these values under greater scrutiny (eg through social media), but is also subjecting these values to new questions that might not have been on boards' radars before, for example, data privacy, tax policy and ethical use of 3D printers.

This is why values need to be considered squarely within the context of value creation to enable boards to identify the right questions and to ensure that the values conversation keeps up with faster-changing business models.

An effective integrated risk management system will look at all these issues on their own and in their interaction with each other.

## LEADERSHIP

The changing risk agenda for boards requires risk leadership and therefore a qualitatively different type of board discussion.



It requires leadership that is focused on:

- Defining and articulating risk appetite (the risk you need to take to achieve your strategic objectives), risk tolerance (the degree of psychological comfort about taking such risks) and capacity (the level of risk you can afford to take financially) of the organization and how these are aligned taking into account that risk tolerance should not exceed risk capacity.
- Seeing the whole picture of risks and opportunities, now and into the future.
- Identifying the material and strategic risks that are emanating from risk complexity and the interaction of risk with each other.

- Assuring themselves that there is an embedded risk management system to identify, assess, manage and report risk at all levels within the organization and in its ecosystem and one in which everyone understands their role.
- Planning for and managing a crisis well.

This type of risk leadership is vital for the creation of value for and with stakeholders, now and in the future and therefore for the viability of the organization in the short, medium and long term.



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## STEWARDSHIP BUILDING TRUST

Stewardship builds trust and trust is essential for the viability of the organization. Accountability and scrutiny make the decision-making process more objective.

By stewardship we mean “To actively manage relationships and resources so that the financial and non-financial assets, reputation and value of the organization are protected”. The responsible planning and management of resources secures their availability for future generations. Relationships give organizations access to resources.

Trust is the bedrock of good relationships, whether between colleagues or between organizations and customers, investors, suppliers and wider society.

Balancing short-term commercial interests against long-term value creation for stakeholders enhances credibility and trust.

Without trust, relationships become transactional and the ability to create value for and with stakeholders is impaired. Loss of trust leads to reputational damage and impacts on the organization’s licence to operate. Customer loyalty is eroded. Employees will be less productive. Shareholders less willing to invest.

## RISK MANAGEMENT

An integrated systemic approach to risk management is essential for resilience and therefore the viability of any organization.

The article that follows from Airmic discusses some of the key aspects of such an integrated approach and highlights that the key to achieving resilience is to focus on behavior and culture. Traditional risk management techniques alone will not in themselves create a culture of resilience.

The board’s role is to assure itself that such a system is in place and ask the challenging questions to ensure that it is providing the right signals and information to enable effective decision making.

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# AN AGENDA FOR RESILIENCE

John Hurrell,  
Chief Executive, Airmic



Risk management, resilience and longer-term viability are inherently linked. Longer-term viability requires a good understanding of the risks facing the organisation, how they are being managed and how the company would respond if they materialise. Resilience is the organisational capability to anticipate key events from emerging trends, constantly adapt to change, and rapidly bounce back from adversity.

For boards, the need to achieve resilience is not new. What is new is the scale of the challenge is dramatically more profound than in the past due to 3 factors:

- Speed of change – of markets, environments, distribution, geography. The rate of acceleration requires a speed of response which is greater than anything previously experienced.
- Complexity – of risk, of business models, of technology dependence and of the external environment beyond anything experienced to date.
- Transparency (whether planned or otherwise) occasioned by social media, traditional media and the pervading investigative process – we all live in a glass bubble.

Traditional approaches to risk and compliance do not address these issues. An integrated approach is needed which moves beyond compliance. This is particularly critical in the case of digital risk governance which has been shown to be inadequate in many publicly exposed cases.

Some provocations that can frame the risk resilience agenda for the board follow. They are intended to stimulate conversation and not to offer solutions. The solutions will be for each board to decide based on its perceived maturity level in the subject and alignment with the strategic and operational priorities and business model of the organisation.

## Risk Appetite

Risk appetite is at heart of effective strategy and risk management and needs to take into account all the key drivers of value not just those of a financial nature.

Discussing and setting out a risk appetite statement enables the Board to reach a consensus on their tolerance for risk taking and by communicating such a statement sets the ‘tone at the top’ for the organization.

## The changing risk context

The context for risk is dynamic and changing. Many organisations use ‘future-gazing’ methodologies which can be useful, especially when considering ‘intangible risks’. For example, scenario planning can help in the understanding of extreme but plausible events that might affect achievement of the business model, strategic objectives and risk appetite. It is a useful tool for the board, for example, in testing the control environment of Principal Risks in the context of crisis management plans. Horizon scanning can help detect early signs of potentially important developments through a systematic examination of threats and opportunities, with an emphasis on new technology.

Whatever techniques are used, future gazing provides an opportunity for the board to overcome any tendencies towards ‘group think’ and to complement the more logical and analytical process of risk assessment through an intuitive and collaborative exercise.

Avoiding ‘group think’ and developing a wide-angle view requires diverse boards with the right knowledge and experience for the business today and to reshape it for tomorrow. Diverse boards that can offer a depth and breadth of insight, perspective and experience and a balance between seeing the risks and the rewards. Whilst a Board needs the more traditional profile of

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diversity such as gender, age, ethnicity and experience, it also needs diversity on background, knowledge and ways of thinking. For example:

- The speed of technological change and digitisation raises new economic and managerial challenges and can disrupt how organisations compete and create value in ways that will increasingly alter operating models. Cyber risk features prominently in this development and while boardroom ownership of cyber risk has increased significantly in UK firms, the majority are still failing to conduct or estimate the financial impact of a cyber-attack.<sup>iii</sup>
- Many millennials (those born between 1980 and 2000) are just starting out in their careers, but by 2030 they will comprise the majority of the workforce and will want to know that their expectations are understood by the Board.

## Risk assessment

Risk assessment needs to be a continuous process. It is about measuring and prioritising risks so that risk levels are managed within defined thresholds without missing out on opportunities. The assessment therefore needs to be tailored to the nature, scale, complexity, risk maturity and business model of the organisation, taking into consideration the opportunity costs and time constraints, as well as the format of information required and the users who will use it.

An effective risk management system comprises a series of principles, frameworks and processes that are embedded in all parts of the business model to ensure greater resilience of the business. The system needs to be dynamic and adaptable to respond to rapidly changing circumstances. And all those who use the system must be able to deal with both the ordinary and the extraordinary and be able to address both the downside and the upside of risk.

One of the simplest way to aggregate risks is by organisational unit, risk type, geography, or strategic objective. This enables the Board to assure itself that the organisation can drill up and down for analysis and reporting. Once the risks have been assessed and their interactions documented, risks can be viewed as a portfolio to prioritise risk response and reporting to different stakeholders.

Our past research has also identified the value of having a dedicated executive risk leadership role, focused exclusively on the risk agenda to help deliver the business model and drive business performance. This role is not intended to remove the responsibility for risk from members of the Board but to help support them in managing the risk agenda.

## An evolving landscape for board liabilities

The risk environment for companies and executives has changed in a way that is increasingly likely to produce conflicts of interest between them. Enforcement agencies are under pressure to successfully prosecute corporate wrongdoing. Companies are increasingly incentivised or required to conduct internal investigations of suspected wrongdoing in anticipation of reporting the conduct to authorities to head off a more formal inquiry.

Some of the implications of this emerging landscape are:

- A company that discovers or suspects that there may have been improper conduct in the group is incentivised to quickly investigate that conduct and, potentially, turn its findings over to authorities before those authorities learn of the situation from another source (for example a whistle blower).
- Company avoidance or mitigation of liability through this cooperation arguably increases individuals' criminal exposure.
- An individual executive that is part of an investigation by his or her company should consider that the company may turn over notes of his or her statements and other potential evidence to the authorities. This may mean that he or she wants or needs legal advice at that point.

This landscape presents challenges for the company as well. Given the role that the company is playing in the investigation of conduct, and the requirements of confidentiality around internal investigations, a company may struggle to meet the reporting requirements and its disclosure obligations, both of which can compromise the ability to recover under the policy.

In order to ensure that the D&O insurance will respond as expected when needed, the terms and conditions need to be thoroughly considered in light of the current risk landscape.

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# CONCLUSIONS

Charles Tilley FCMA, CGMA  
Executive Chairman, CGMA Research Foundation



Risk identification management is important for many reasons – including establishing opportunities – but I want to focus here on two.

Firstly, we are operating in a world of constant, unpredictable and accelerating change, meaning the business of creating, preserving and distributing value is increasingly uncertain and increasingly challenging. It has never been more critical for boards to be able to effectively identify and manage risks.

Secondly, organizations do not exist in a vacuum. In order to create and preserve value, they need to persuade others to work with them. This requires providing information to others about the reputation, soundness and the viability of their business.

In light of this, the Financial Reporting Council has mandated that a Viability Statement be produced as part of the reporting requirements of UK firms. This shouldn't be seen simply as a compliance requirement – it can be an opportunity.

The Viability Statement is an opportunity because it encourages an integrated approach to risk management – a concept which is at the core of the issue for us. Risk management should not sit in a silo, or be considered a distinct specialty. Instead the risk management process should encompass all parts of the business model, and take into account factors outside the business itself such as relationships with stakeholders, and the external environment.

The best people to ensure an integrated approach to risk are board members themselves. They have the oversight and the power to ensure robust risk assessment, management, reporting and mitigation takes place.

This requires more than just holding the executive team to account. Boards themselves need to consider the issue of risk, taking into account the changing risk landscape, the crucial role of data, and the potential for unintended consequences.

After all, risk management is not one of many tasks for which the business is responsible – it should be inherent in all parts of the organization itself.



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## OTHER RESOURCES

### [CGMA Competency framework](#)

<http://www.cgma.org/Resources/Tools/Pages/cgma-competency-framework.aspx>

### [Cyber risk](#)

<http://www.cgma.org/Resources/Reports/Pages/irm-cyber-risk-report.aspx>

### [ERM maturity case study](#)

<http://www.cgma.org/Resources/Tools/Pages/evaluate-enterprise-risk-mgmt-cs.aspx>

### [Ethics, risk and governance through the value chain](#)

<http://www.cgma.org/Resources/Reports/Pages/Ethics-risk-and-governance-through-the-extended-value-chain.aspx>

### [Extended enterprise risk](#)

<http://www.cgma.org/Resources/Reports/Pages/IRM-extended-enterprise-risk-report.aspx>

### [Financial risk management tool](#)

<http://www.cgma.org/resources/tools/pages/financial-risk-management.aspx>

### [Fraud risk management](#)

<http://www.cgma.org/Resources/Reports/Pages/fraud-risk-management.aspx>

### [Global Management Accounting Principles](#)

<http://www.cgma.org/RESOURCES/REPORTS/PAGES/GLOBALMANAGEMENTACCOUNTINGPRINCIPLES.ASPX>

### [Global state of enterprise risk oversight](#)

<http://www.cgma.org/Resources/Reports/Pages/Global-state-of-enterprise-risk-oversight.aspx>

### [Joining the Dots: Decision making for a new era](#)

<http://www.cgma.org/Resources/Pages/Joiningthedots.aspx>

### [Managing innovation](#)

<http://www.cgma.org/Resources/Reports/Pages/managing-innovation.aspx>

### [Mass Mutual Case study](#)

<http://www.cgma.org/Resources/Reports/Pages/MassMutual-case-study.aspx>

### [Risk – process innovation](#)

<http://www.cgma.org/Resources/Tools/Pages/risk-questions.aspx>

### [Risk appetite and tolerance](#)

<http://www.cgma.org/Resources/Reports/Pages/risk-appetite-and-tolerance.aspx>

### [Risk culture](#)

<http://www.cgma.org/Resources/Reports/Pages/risk-culture.aspx>

### [Risk Heat Map](#)

<http://www.cgma.org/Resources/Tools/essential-tools/Pages/risk-heat-maps.aspx>

### [Risk management: A guide to good practice](#)

[https://www.amazon.co.uk/Risk-Management-Guide-Practice-Research/dp/1859715648/ref=sr\\_1\\_1?](https://www.amazon.co.uk/Risk-Management-Guide-Practice-Research/dp/1859715648/ref=sr_1_1?)

### [Scenario planning tool](#)

<http://www.cgma.org/Resources/Tools/Pages/scenario-planning.aspx>

### [The boardroom and risk](#)

<http://www.cgma.org/Resources/Reports/Pages/tomorrows-company-boardroom-risk.aspx>

### [Tomorrow's Risk Leadership](#)

<http://www.cgma.org/resources/reports/pages/tomorrows-risk-leadership.aspx>

### [What does it take to be a risk leader?](#)

<http://www.cgma.org/Resources/Reports/Pages/what-does-it-take-to-be-a-risk-leader.aspx>

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January 2017

ISBN 978-1-85971-839-1

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