



# Enterprise Risk Management (ERM)

Capability document

# Sharp & Tannan Group




**1932**  
Founded by C.R. Sharp



**INR**  
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+  
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\* Prime Academy 2018 report

# Introduction: What is ERM?

- ERM provides a **framework for Risk Management**, which typically involves **identifying particular events** or circumstances relevant to the organization's objectives (risks and opportunities), **assessing them** in terms of **likelihood and magnitude of impact, determining a response strategy, and monitoring progress**.
- ERM can also be described as a **risk-based approach to managing an enterprise**.
- ERM starts with **Risk Assessment Process**, which is not only the starting point for ERM, but its continues process. Risk assessment is all about **measuring and prioritizing risks** so that risk levels are managed within defined tolerance thresholds without being over controlled or forgoing desirable opportunities.
- Events that may **trigger risk assessment** include the initial establishment of an ERM program, a periodic refresh, the start of a new project, a merger, acquisition, or divestiture, or a major restructuring.
- Typical Risk Assessment Process is illustrated in following chart;



# Why ERM?

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## Companies Act – 2013

- **Section 134** : The board of directors report must include a statement indicating development and implementation of a risk management policy for the company including identification of elements of risk, if any, which in the opinion of the board may threaten the existence of the company.
- **Section 177** : The audit committee shall act in accordance with the terms of reference specified in writing by the board, which shall, inter alia, include evaluation of risk management systems.
- **Schedule IV** : Independent directors should satisfy themselves that systems of risk management are robust and defensible.

## Strategic Level

- Provides a macro level of understanding of the risk profiling embedded within their processes and activities.
- Prioritise significant risks and identify the weakest critical controls.
- Ascertain the impact of risk of critical processes.

## Operational

- Helps to assess the impacts of risks while making operating decisions.
- Provides a continuous benchmark on the quality of decision making with regard to the risks undertaken.

# Why ERM?

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- ERM is evolving to address the needs of various stakeholders, who want to understand the broad spectrum of risks facing complex organizations to ensure they are appropriately managed. Regulators and debt rating agencies have increased their scrutiny on the risk management processes of companies.
- Its purpose is to assess how big the risks are, both individually and collectively, in order to focus management's attention on the most important threats and opportunities, and to lay the groundwork for risk response.
- By identifying and proactively addressing risks and opportunities, business enterprises protect and create value for their stakeholders, including owners, employees, customers, regulators, and society overall.
- The point of enterprise risk management is not to create more bureaucracy, but to facilitate discussion on what the really big risks are.

# ERM journey

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## Risk management framework covering :

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- Risk Policy covering process on how to identify , classify and report a risk.
- Defining the Risk Appetite of the organisation and its tolerance levels.
- Accountability Matrix ( Covering Risk Delegation between Boards, Audit committees, Management and Employees).



## Implementing the framework :

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- Identify all the Risks ( External and Internal) to the organisation.
- Creating the Risk Register which document all the risks .
- Defining a monitoring plan over all the activities.



## Reviewing outcomes :

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- Review Key Risks and its monitoring and mitigation strategies.
- Introducing or Re-classification of Risk.

# ERM: Risk profiling



# Our approach: based on COSO ERM framework

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Defining the risk management framework in terms of Risk Management Policies, which would cover documentation of process inter alia for following topics,

- Risk management and internal control objectives (governance).
- Statement of the attitude of the organisation to risk (risk strategy).
- Description of the risk aware culture or control environment.
- Risk Appetite : Level and nature of risk that is acceptable within the organisation.
- Risk management organisation and arrangement.
- Details of procedures for risk recognition and ranking.
- List of documentation for analysing and reporting risk. (risk protocols).
- Risk mitigation requirement and control mechanisms. (risk response).
- Allocation of risk management roles and responsibilities.
- Risk management training topics and priorities.
- Criteria for monitoring and benchmarking of risks.
- Allocation of appropriate resources to risk management.

**Deliverable :**  
**Risk management policy covering the above mentioned aspects**



# Our approach: based on COSO ERM framework

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## **a) Risk Assessment- Risk shall be arrived by**

- **Conducting what can go wrong workshops with key stake holders.**
- **Filtering out pertinent risks.**
- **Mapping relevant controls/strategies against each risk.**
- **Classification of risks into Marketplace, Financial, Infrastructural and Reputational.**
- **Assignment of Risk Frequency and Impact scores.**
- **Assignment of Risk Response Score.**

## **b) The risk register shall contain the following**

- **Nature of the risk**
- **Risk Stakeholder**
- **Risk Frequency (Likelihood)**
- **Risk Impact**
- **Gross Risk Score (Impact X Likelihood)**
- **Risk Response Score (Mitigation Risk)**
- **Net Risk Score**

**Deliverable:**  
**Risk Register covering all the key business processes of the company**



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- Alkesh heads the GRC services and handles diverse sectors like pharmaceuticals, chemicals, infrastructure, renewable energy, roads, power transmissions, and oil and gas.
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