52 Risks® Framework

Improve business decision making through a deeper understanding of business risks

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17 Strategic Risks
16 Financial Risks
19 Operational Risks

52 Risks® is a methodology that can assist all businesses compile the definitive list of strategic, financial and operational risks that can impact them

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The Need for 52 Risks®

No simple, comprehensive and widely used framework exists to enable the effective identification, assessment and management of business risks. 52 Risks® combines ‘top down’ and ‘bottom up’ analysis - in a clear and easy to follow format.

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About 52 Risks®

52 Risks® is a unique, innovative framework designed to assist organizations identify, assess and manage their business risks. The framework comprises 17 Strategic Risks, 16 Financial Risks and 19 Operational Risks. All potential business risks will map to one of these risk categories.

52 Risks® provides a high-level, end-to-end framework that enables organizations to understand and determine their risk profile. In addition, organizations can, on an ongoing basis, measure and manage changes in its risk profile. The risks can be internal or external, short, medium or long-term.

52 Risks® can assist all organizations – no matter how large or small - to compile the definitive list of strategic, financial and operational risks that can impact them.

The framework enables both a top-down and bottom-up analysis of key strategic, financial and operational risks. By systematically working through each risk category, a core list of key business risks can be identified for further investigation. Very low risk categories can be discarded early in the top down approach, leaving a relevant list of risk categories to be explored and assessed further.

Information on existing, known risks from management reports, financial reports, audit reports and any previous risk assessments undertaken can identify key business risks and build a risk profile of the organization. This bottom up analysis can leverage off the understanding within the organization about key business risks.

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Enterprise Risk Management

Enterprise Risk Management (ERM), as a credible and valued business activity, has gained currency in recent years and is now widely accepted.

Many businesses however have difficulty identifying, assessing and documenting the extensive range of risks that they face. Management struggle to implement a framework to identify the risks that they must assess in the day-to-day operation of their businesses and also maintain focus on strategic business risks.

In addition, the development of new business strategies and successful execution of these often fail due to an inability to fully understand the risks involved.

The key to successful implementation of an ERM program across an organization is getting the balance right between ‘micro’ operational risks – many of which are still important – and key strategic business risks.

A bottom-up analysis of risks by line management and risk managers will often only focus on operational risks. These risks – whilst important to identify, mitigate and manage – do not always give rise to significant financial loss or business impairment.

The risks which do, however, are often left to be managed at board or executive level for larger organizations or with the business owner in private enterprises.

It is important to implement an approach to ERM that does not omit key business risks and ensures critical business risks are elevated to the appropriate level in an organization – usually board and executive level – in a transparent and structured manner.

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Strategic Risk Management Toolkit

Success in effectively identifying and managing business risks usually requires an organization to progressively implement the following:

- Establishment of a Risk Management Strategy. This document will encompass the organization's risk appetite, risk management processes, roles and responsibilities for the management of business risks;
- Establishment of an organizational rhythm for the identification, assessment and management of business risks. This should include half yearly or annual risk management workshops with boards and executives. For organizations implementing ERM for the first time, there will be an initial series of workshops to identify key business risks;
- Incorporating risk management assessments into strategic planning, business planning and investment approval processes;
- Developing and implementing comprehensive, yet ‘fit for purpose’, risk management reporting.

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What Is A Business Risk ?

What is risk management, what is a business risk, what is a risk ?

Unlike law, medicine or accounting, there continues to be no clear consensus what risk management is or means. There is also an absence of an agreed taxonomy for risk management terms and concepts.

As a result, there are numerous definitions of risk. In simple terms the best way for organizations to think of risk is:

the possibility, likelihood or threat of liability, loss, damage or any other adverse outcome caused by external or internal factors, that may be probable, expected or envisioned or unexpected and unforeseen.

This definition is helpful in framing the discussion around risk management.

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The Six Dimensions of Business Risks

It is helpful to think of business risks as having six dimensions or characteristics. Many business risks will have more than one dimension.

The six dimensions are:

1) **External** – this dimension, as the name implies, is a risk that arises due to external factors.

2) **Internal** – this dimension will be a risk that arises internally within the business or organization.

3) **Controllable** – this dimension recognizes that the risk can in some way be controlled, managed or mitigated. This can be partial or full mitigation.

4) **Uncontrollable** – this dimension, as the name implies, reflects that the risk cannot be controlled by the business or organization. To lessen the impact (if possible to) or to mitigate the risk usually requires the firm or organization to adapt or change what it does.

5) **Primary** – this dimension is where a risk is the primary cause of adverse outcomes.

6) **Consequential** – this dimension is where a risk arises due to the occurrence of another adverse risk outcome (a primary risk).

The approach toward a particular business risk or risk category needs to be developed, taking into account the nature and characteristics of each risk.

Many business risks will be both external and uncontrollable. The resultant operational and financial risk profile needs to be shaped by these insights.

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Risk Ratings

The most effective way to use the 52 Risks® framework for the first time is to assess the net risk exposure that a firm of organization carries in each risk category.

The net risk exposure or net residual exposure that a firm or organization has is after taking into account all measures the firm or organization takes to reduce the risk exposure. This is often referred to as residual risk – after controls are established and/or risk mitigation strategies are implemented.

The following is a suggested risk rating scale.

1) Very High Risk

The firm or organization has little or no control over the risks and/or is uncomfortable with the level of risk.

2) High Risk

Limited or some control over the risks, which are High, and/or needs to be monitored closely.

3) Medium Risk

Risks appear to be acceptable or are being managed to an acceptable level.

4) Low

Low risk exposure to the firm or organization. This can be either because the nature of the organization or because the risks are well managed to an acceptable level.

5) Very Low

Negligible risk exposure to the firm or organization.

6) N/A

The organization has no risk exposure whatsoever to this category.

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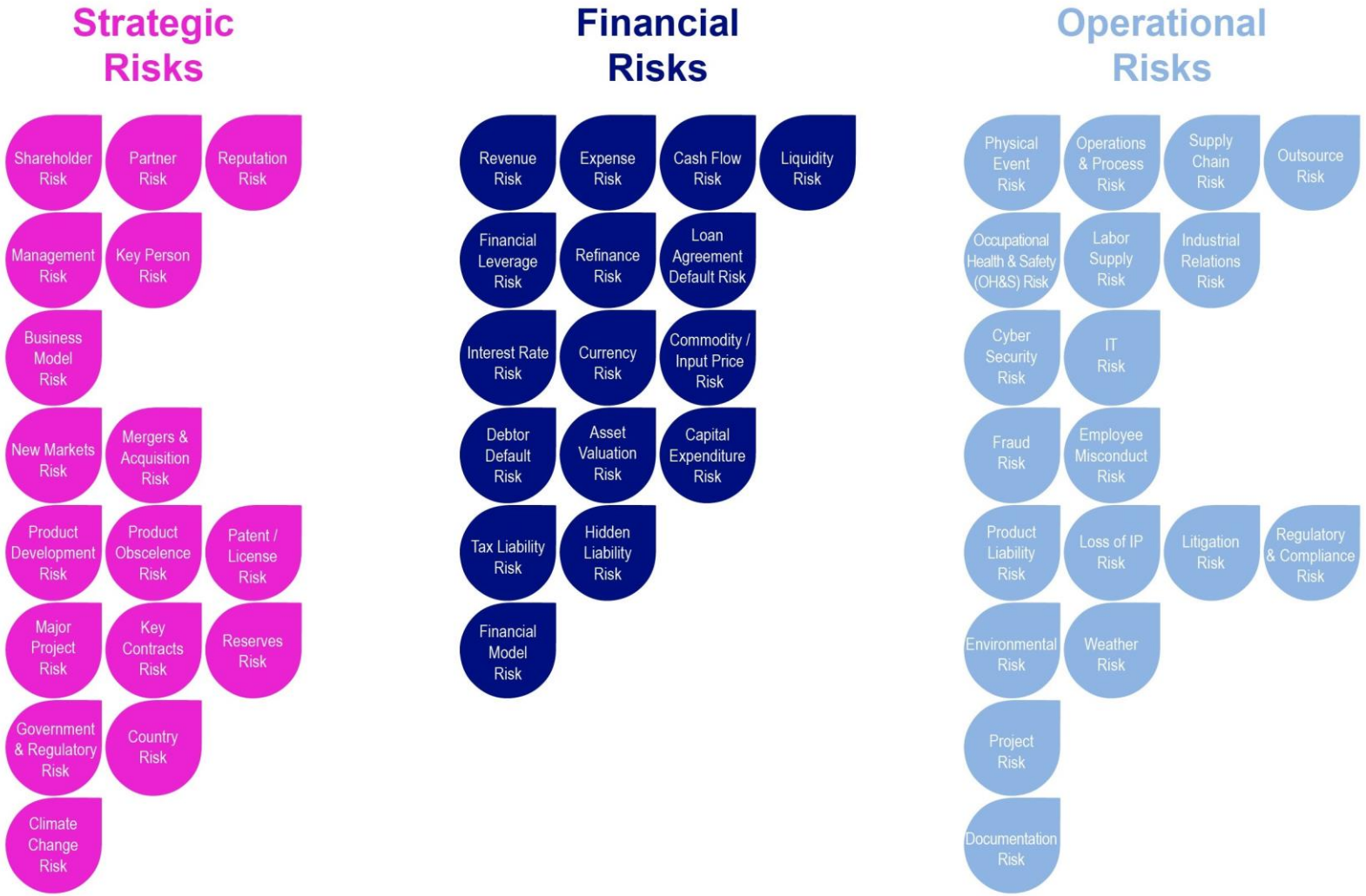
52 Risks® - The Definitive Guide to Business Risks



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Shareholder Risk

Shareholder Risk is the risk that the firm or organization is impacted or suffers loss due to one or more of the following:

- The financial position and/or credit worthiness of a parent company or major shareholder;

- Other actions taken by, or issues with a parent company or major shareholder.

Shareholder Risk is related to **Reputation Risk**. Risks arising in this category can manifest themselves in **Reputation Risk.**

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Partner Risk

Partner Risk is the risk that the firm or organization is impacted or suffers loss due:

- The financial position, credit worthiness or capability of a partner in a business venture or project that impacts on the ability of that entity to carry out its responsibilities.

Partner Risk is often related to **Reputation Risk**. Risks arising in this category can manifest themselves in **Reputation Risk**.

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Reputation Risk

Reputation Risk is the risk that the firm or organization is impacted or suffers loss from negative opinion among clients, employees, general public, business community and/or government bodies/regulators. The negative opinion usually arises from a specific event or series of events – usually of the organization's own doing.

Reputation Risk can, however, also arise due to the actions of other companies or competitors in a firm’s industry or actions of a parent or shareholder (refer **Shareholder Risk**).

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Management Risk

Management Risk is the risk that the firm or organization is impacted or suffers loss due to the inability of the executive management team to execute the strategy or business plan. This may be due to one or more of the following:

- Insufficient skills, expertise or resources within the management team;
- The management team being distracted or preoccupied by issues, problems, projects or other initiatives;
- The management team executing and implementing a different strategy or business plan to that approved by the Board or shareholder(s).

Whilst not strictly a risk under **Management Risk** there is also the possibility that the strategy or business plan may not be capable of execution (and the Board or management team may not be able to identify this). This risk is included for the benefit of investors or creditors using the framework.

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Key Person Risk

Key Person Risk is the risk that the firm or organization is impacted or suffers loss due to resignation or departure of a key person (or a small number of key personnel) within the organization. This risk may be due to one or more of the following:

- Specific technical, operational, organizational or other business knowledge that is not documented or known by other individuals in the organization;
- Key business relationships (with customers, suppliers, shareholders or other stakeholders including government bodies) are controlled by a key individual;
- A lack of senior management skills or management depth to oversee the strategic and business management of the organization in the event of the departure of a key individual (such as a CEO).

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Business Model Risk

Business Model Risk is the risk that the firm or organization is impacted or suffers loss due to a fundamental flaw or inherent weakness in the high level or strategic premise or business structure of the organization. This renders its way of undertaking its business offering, products and services, business practices and/or relationships uneconomic, unviable or uncompetitive. Changes to an industry structure can give rise to **Business Model Risk**.

For a new business or venture, it is the risk that the business model is not sustainable or robust and, for the same reasons outlined above, may be uneconomic, unviable or uncompetitive in its current form.

Other risk categories than may give rise to **Business Model Risk** are **Product Obsolescence Risk**, **Government & Regulatory Risk**, **Climate Change Risk** and the longer-term impacts of **Commodity / Input Price Risk**.

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New Markets Risk

New Markets Risk is the risk that the firm or organization is impacted or suffers loss due its inability to successfully enter new markets. This can be new lines of business or industries or new geographic areas (such as another country).

This arises due to difficulties the organization may encounter in undertaking its activities as a result of:

- a lack of knowledge of the particular market or country;
- insufficient resources to operate in the new markets; or
- a general inability of the organization to compete with established market participants.

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Mergers & Acquisition Risk

Mergers & Acquisition Risk is the risk that the firm or organization is impacted or suffers loss as a result of a merger, acquisition, or other major corporate transaction that the organization undertakes.

This risk may be due to one or more of the following:

- Paying a price that cannot be recouped from future earnings, synergies or other benefits, and requires a write down in the carrying value of the businesses or assets acquired in the short or medium term;
- Acquiring businesses or assets that do not subsequently prove to be of the value paid due to additional information subsequently obtained or the result of a detailed review of the businesses or assets, after the transaction is concluded;
- Failure to successfully integrate or otherwise manage the businesses or assets acquired; or
- Departures of key personnel after the businesses or assets are acquired.

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Product Development Risk

Product Development Risk is the risk that the firm or organization is impacted or suffers loss due to a failure to develop and/or implement a major new product (or products) that an organization agrees to develop or otherwise approves the development of.

The failure can be due to one or more of the following reasons:

- Problems or issues in the technical or development phase of the product;
- Problems in commercializing or producing the products in economically viable quantities;
- Inability of the product to meet the requirements of the customers or intended markets; or
- Failure of a new product or products to be accepted by the market.

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Product Obsolescence Risk

Product Obsolescence Risk is the risk of loss due to the development by competitors (or participants in related industries) of new products, technologies, processes or other innovations that impact on the organization's existing (and proposed) products or services.

In the short, medium or long-term the result is to reduce the saleability and/or attractiveness of the organization's existing (and proposed) products and services.

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Patent / Licence Risk

Patent / Licence Risk is the risk of loss due to the expiry or termination of patents, licence agreements or other defined period franchise agreements and arrangements. This is usually due to a contractual or legislative time period expiring, but can also include termination due to default or non-performance under a licence or franchise agreement.

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Major Project Risk

Major Project Risk is the risk that the firm or organization is impacted or suffers loss as a result of the failure of the organization to successfully complete a major project or initiative.

The loss can be financial – from such things as time delays and cost overruns – or from the consequential impact on the organizations' products, customers, external contractual arrangements or operations generally.

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Key Contracts Risk

Key Contracts Risk is the risk of losses arising from the expiry, cancellation, non renewal or material variation of a key sales/revenue contract of the firm or organization.

This risk may be due to one or more of the following:

- The customer choosing to change to another party (competitor) for reasons either within or outside the organization's control;
- A change in the customer’s business (such as closure of a line of business).

Whilst the impact of the loss will usually be financial and is a specific category of **Revenue Risk**, the materiality of the key contract makes it a Strategic Risk.

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Reserves Risk

Reserves Risk is risk that a firm or organization will be unable to operate at the same level of capacity and/or operate profitably in the future due to the decline (or exhausting) of the quantity and/or quality of the economic reserves of a core product or commodity.

This risk is usually only relevant to organization's operating in the mining and natural resources, commodity processing or agricultural industries.

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Government & Regulatory Risk

Government & Regulatory Risk is the risk that the firm or organization is impacted or suffers loss due to a change in laws or regulations that will impact the organization's businesses, operations, and its industry or market segment.

The loss can be in the form of increased costs of operations, new or significantly increased taxation or financial imposts, prohibition on certain existing activities, or a change in the competitive position of the organizations products or services.

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Country Risk

Country Risk is the risk that the firm or organization is impacted or suffers loss – either directly or indirectly – as a result of adverse events or changes in circumstances in a country that the organization operates in or has business dealings with/in.

These risks primarily arise where a country (or counterparties within that country) cannot pay obligations to foreign creditors. There are a variety of issues that give rise to country risk including political and regulatory changes, financial distress or war / civil unrest.

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Climate Change Risk

Climate Change Risk is the risk that the firm or organization is impacted or suffers loss from the adverse consequences of climate change (actual or perceived) and its consequences on the organization.

This can be due to the direct impact of climate change on the activities and operations of the business, or changes in business practices of the organization, its customers, its industry and/or governments.

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Revenue Risk

Revenue Risk is the risk of future revenues being materially lower than planned. This is a large risk category and there are numerous drivers of revenue risk, including one or more of the following:

- A decline in general economic activity;
- A decline in the competitiveness or attractiveness of the organization's products or services;
- A reduction in the price or margin the organization is able to receive for its products or services;
- Changes in the usage patterns for the firm’s products or services for economic, social or industry reasons;
- A general loss of market share to competing products or services.

Other risk categories than can give rise to **Revenue Risk** can include **Country Risk, Currency Risk, Key Contract Risk, Debtor Default Risk** and **Product Obsolescence Risk**.

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Expense Risk

Expense Risk is the risk of future expenses being materially higher than that planned. This can be due to one or more of the following:

- Increasing costs of production and operations generally (either cost based or related to lower productivity);
- Labor shortages;
- Changes to operations processes, implementation of new products and systems.

Other risk categories than can give rise to **Expense Risk** can include **Commodity / Input Price Risk, Currency Risk** and **Operations & Process Risk.**

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Cash Flow Risk

Cash Flow Risk is the risk of financial distress, or some form of insolvency or administration occurring at some point in the future, due to a reduction in the firm or organization's cash flow over a period of time.

This can be over short, medium or long-term time horizons. **Cash Flow Risk** will usually be due to a reduction in revenue, an increase in expenses or a change in the trade terms and conditions (debtors or creditors).

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Liquidity Risk

Liquidity Risk is the risk that the firm or organization is unable to meet its short-term payment obligations when due (including repaying maturing borrowings, regular trade creditors or other expense payments) or otherwise fund its ongoing operations due to operating cash flow shortfalls, acceleration of repayments or other short-term reasons.

Whilst often occurring for similar reasons to **Cash Flow Risk, Liquidity Risk** is a short-term risk.

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Financial Leverage Risk

Financial Leverage Risk is the risk of financial distress or some form of insolvency or administration due to high financial leverage.

High financial leverage will usually be as a result of excessive borrowings or external creditors that the company is unable to sustain, repay or refinance over a period of time.

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Refinance Risk

Refinance Risk is the risk that the firm or organization is unable to refinance its external interest-bearing liabilities (usually bank borrowings) when due.

This can be due to the its own specific circumstances (for example, an adverse business or financial position), that of its credit providers (lenders/financiers) or market conditions generally at the time of the organization seeking refinance.

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Loan Agreement Default Risk

Loan Agreement Default Risk is the risk that the firm or organization will breach the terms and conditions of its Loan Agreements and /or other external financing documents (or other like arrangements) due to a change in its business or financial condition. The type of breach will be dependent upon what the terms and conditions of its financing documents are.

The consequences of a loan agreement default can include the right of the financier to seek early repayment and/or renegotiate the terms and conditions of the financing arrangement. There is also the potential for cross default breaches, an increase in financing costs and restrictions on the firm or organization's business activities.

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Interest Rate Risk

Interest Rate Risk is the risk of loss arising from adverse changes in interest rates over time. This is most commonly the risk of higher interest expense on borrowings or other liabilities carrying a variable interest rate.

It can also be due to the expiry of existing fixed rate arrangements (fixed rate loans or other interest rate hedging instruments).

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Currency Risk

Currency Risk is the risk of financial loss or impact arising from adverse changes in foreign exchange rates, either at a point in time or over a period of time.

The adverse impact can be on one or more of the following:

- The value of assets or liabilities denominated in a foreign currency(ies);
- Payments due (revenue or trade debts) denominated in a foreign currency(ies);
- Future revenue streams denominated in a foreign currency(ies); and
- Operating expenses denominated in a foreign currency(ies);.

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Commodity / Input Price Risk

Commodity / Input Price Risk is the risk of loss arising from adverse movements (increases) in the price of commodities or other key inputs used directly or indirectly in production or manufacturing processes.

The risk can also arise due to the non renewal or replacement of existing contractual supply arrangements that provide price protection for the purchase of a commodity or input whose prices fluctuates from period to period.

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Debtor Default Risk

Debtor Default Risk is the risk of loss from a debtor failing to make a payment or payments due to the firm or organization. This can be due to an unwillingness or inability to pay for a variety of reasons, but usually is due to financial distress on the part of the debtor.

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Asset Valuation Risk

Asset Valuation Risk is the risk of a write-down in the carrying value of the firm or organization's assets on its balance sheet. This is usually the result of a change in the carrying value under IFRS accounting rules.

Impairment can arise from a variety of reasons including, but not limited to:

- A material deterioration in the revenue, cash flow and earnings of the organization;
- Material changes in long-term growth rates, interest rates or other financial factors (prices or currencies) upon which a business valuation has been based;
- Material changes to the firm or organization’s business model or strategy, such as closure of a business, loss of a key contract or termination of a licence; or
- A write off of capitalized development and other related expenses.

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Capital Expenditure Risk

Capital Expenditure Risk is the risk that the organization is unable to undertake necessary and/or committed future expenditures. This will usually be due to a change in the financial position of the firm or organization from the time the capital commitments are made to when the payments are due.

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Tax Liability Risk

Tax Liability Risk is the risk of a material and unanticipated financial taxation liability or provision arising. This can be due to a variety of factors including, but not limited to:

- Failure to correctly and accurately identify taxation obligations;
- A change in the treatment of material taxable items; or
- A change in tax law or taxation arrangements in or between various jurisdictions.

Significant tax liabilities that were not previously identified or disclosed (but did exist) are also hidden liabilities (refer **Hidden Liabilities Risk**).

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Hidden Liabilities Risk

Hidden Liabilities Risk is the risk of material and unexpected financial liabilities or losses arising.

This can be due to a variety of factors including, but not limited to:

- Material provisions for such things as future employee, product or environmental liabilities or other such claims either not previously identified or accounted for, inadequately provided for, or incorrectly calculated;
- Abnormal trading losses or liabilities arising through mismanagement, negligence, fraud or employee misconduct; or
- Liabilities previously attributable to a third party, but due to a change in circumstances, are now required to be met by the organization.

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Financial Model Risk

Financial Model Risk is the risk of losses arising due to a financial or other related technical or quantitative model, that is supporting key business decision making processes, payments or other financial outputs, is inaccurate or flawed.

This is a very specific risk category applying to a range of quantitative models that are use in general business management and decision making. The risk arises when the modeling or approach has incorrect assumptions, has been built or programmed incorrectly, or has other technical errors.

The errors in assumptions can be economic, operational, statistical or mathematical.

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Physical Event Risk

Physical Event Risk is the risk that the firm or organization is impacted or suffers loss as result of a physical event affecting a part (or whole) of the organization's infrastructure or operations.

The event can be an act of nature or a man-made event (either deliberate or accidental). The impact of the physical event can be loss of life, loss of property and/or temporary or permanent disruption to business operations for a period of time.

Losses arising in the category may be insurable events or uninsurable events.

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Operations & Process Risk

Operations & Process Risk is the risk that the firm or organization is impacted or suffers loss due to the inability of the firm or organization to operate its production, manufacturing or other business activities as normally planned or budgeted. The loss can be due to a short, medium or long-term factors and may be due to a variety of technical, operational, management or other constraints/issues.

Operations & Process Risk can also be a Consequential Risk Issue as a result of **Physical Event Risk, IT Risk, Cyber Security Risk, Outsource Risk** and **Supply Chain Risk**.

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Supply Chain Risk

Supply Chain Risk is the risk that the firm or organization is impacted or suffers loss due to the inability of the firm or organization to operate its production, manufacturing or other business activities as normally planned or budgeted as a result of the disruption to, or the cessation of supply of, key input components in its supply chain.

This can be short, medium or long-term disruptions and the result of operational, business or financial issues affecting the supply chain businesses. Physical disruptions (due to acts of nature) and financial distress at a key supplier are common **Supply Chain Risk** issues.

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Outsource Risk

Outsource Risk is the risk of loss arising from the inability of the firm or organization to operate its production, manufacturing or other business activities as normally planned or budgeted, due the failure of a key outsource party (or parties) to perform their contractual obligations.

This can be short, medium or long-term disruptions and the result of operational, business or financial issues. Lack of resources, lack of sufficient management and/or technical expertise, or financial distress at an outsource partner, are common reasons for this risk arising.

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Occupational Health & Safety (OH&S) Risk

Occupational Health & Safety (OH&S) Risk is the risk of injury (and consequential loss) to the firm or organization's employees, third party employees (such as employees of suppliers and contractors), customers and the general public, due to interaction or involvement with the organization's business activities.

The injury or loss can be due to either accidental or unsafe interaction by the firm or organization, with business partners, suppliers, contractors or employees.

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Labor Supply Risk

Labor Supply Risk is the risk of loss due to the inability of the firm or organization to identify, recruit and /or retain sufficient personnel with the suitable skills and capabilities to carry out, manage and oversee its operations and generally execute the firm or organization's business plans.

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Industrial Relations Risk

Industrial Relations Risk is the risk that the firm or organization is impacted, or suffers loss, due its inability to conduct business activities as planned or budgeted, as a result of the disruption to (or a cessation of) operations by all or part of its workforce seeking changes to their respective employment terms and conditions (or other reasons).

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Cyber Security Risk

Cyber Security Risk is the risk of loss arising from the failure of the firm or organization's systems and processes to adequately and securely protect its data (including customer, supplier and/or employee data), intellectual property, proprietary information, processes and operating systems from accidental release or deliberate theft, hacking or sabotage.

Cyber Security Risk can give rise to **Reputation Risk** where it results in significant release of the above data or information, breach of privacy laws (potentially **Regulatory / Compliance Risk** and **Hidden Liability Risk**) or a prolonged disruption to the its operations (**Operations and Process Risk**).

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IT Risk

IT Risk is the risk that the firm or organization is impacted or suffers loss from its inability to conduct its business operations or other business activities as normally planned or budgeted, as a result of failure of one or more of the components of its IT systems, processes and infrastructure. This can be short, medium or long-term disruptions or failures.

IT Risk can also arise in the implementation, development or upgrading of new systems and processes. If these are materially significant projects or upgrades, they should be classified as **Major Project Risk**.

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Fraud Risk

Fraud Risk is the risk of loss due to the fraudulent activity of any party that has the result of illegally depriving the firm or organization of money, products, supplies or other valuable assets (tangible or intangible).

The loss can be caused by a known party such as an employee(s), customer(s) or supplier(s), or an unknown third party.

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Employee Misconduct Risk

Employee Misconduct Risk is the risk of loss due to an employee acting inappropriately, illegally or negligently in breach of laws and regulations, approved policies and procedures and/or generally accepted business and community standards.

The misconduct can be for financial or other gain, malicious reasons or to conceal operational issues, financial losses or regulatory and compliance breaches. This also includes employee fraud (**Fraud Risk**).

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Product Liability Risk

Product Liability Risk is the risk that the firm or organization is impacted or suffers loss due to problems, failures or adverse consequences from the purchase and use of the firm or organization's products or services.

This is usually as a result of identified errors, mistakes or failures in the design, manufacture or sale/distribution of the product or services. The consequences will potentially be a product recall, provision of replacement products or services, litigation and/or the payment of compensation.

This will often give risk to **Regulatory / Compliance Risk** and **Litigation Risk**.

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Loss of IP Risk

Loss of IP Risk is the risk of the firm or organization losing its intellectual property due (inter alia) to theft, accidental or deliberate disclosure of proprietary information concerning the organization's products or services, legal action taken to dispossess the firm or organization of its intellectual property, or an employee or group of employees moving to a competitor or other third party.

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Litigation Risk

Litigation Risk is the risk of loss due to legal action taken by a third party(ies) to seek financial or other compensation from the firm or organization for some contractual breach or other obligation(s) that the party(ies) believes exists or is in existence.

The parties can include shareholders, business partners, management, employees, customers, suppliers, competitors or government bodies.

The risk of loss can be due to action taken by the firm or organization or action alleged to have been taken (or not taken) by the firm or organization.

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Regulatory & Compliance Risk

Regulatory & Compliance Risk is the risk of the firm or organization failing to comply with various laws and regulations that apply to its business activities, employees and products or services.

The impact or loss arising from a failure to do so can range from criminal and civil charges, financial penalties, financial compensation to affected parties, restrictions on future business activities, directions to act (or not act), confiscation of assets, and cancellation of licences and/or cessation of business activities.

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Environmental Risk

Environmental Risk is the risk of the firm or organization's businesses activities causing a potential or actual adverse effect on people, the environment (air, water, land, other natural resources) or other living organisms, as a result of some form of environmental contamination, emission or discharge.

The events giving rise to environmental risk can be as a result of the firm or organization's normal business operations, an error or malfunction, a failure of controls, a deliberate act, or the resultant act of another event (act of nature or man-made).

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Weather Risk

Weather Risk is the risk of loss due to the impact of variable and unpredictable weather patterns from period to period.

The impact can be on the firm or organization's ability to manufacture or produce its products and services or on the sale of its products and services (if dependent on weather patterns).

Whilst not specifically **Climate Change Risk** (a Strategic Risk), this risk can also include longer term changes in weather patterns.

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Project Risk

Project Risk is the risk of loss as a result of the failure of the firm or organization to successfully complete one or more specific projects or initiatives.

The loss can be financial – from such things as time delays, cost overruns or design/development/construction errors and oversights needing rectifying – or from the consequential impact on the firm or organizations' products, customers, external contractual arrangements or operations generally.

A project or initiative that has the ability to have a significant and material impact on the organization should be included under **Major Project Risk** (a Strategic Risk).

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Documentation Risk

Documentation Risk is the risk of loss due to the inaccurate documenting of key contracts or agreements within a firm or organization.

Documentation errors can contractually oblige a firm or organization to do certain things, buy products and services, or sell its products and services on terms and conditions that were not agreed in principle or approved under delegated authorities, but were inaccurately documented. This can be due to omission, oversight, incorrect advice or negligence.

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