

# Integrated Risk Management Fact or Fiction?

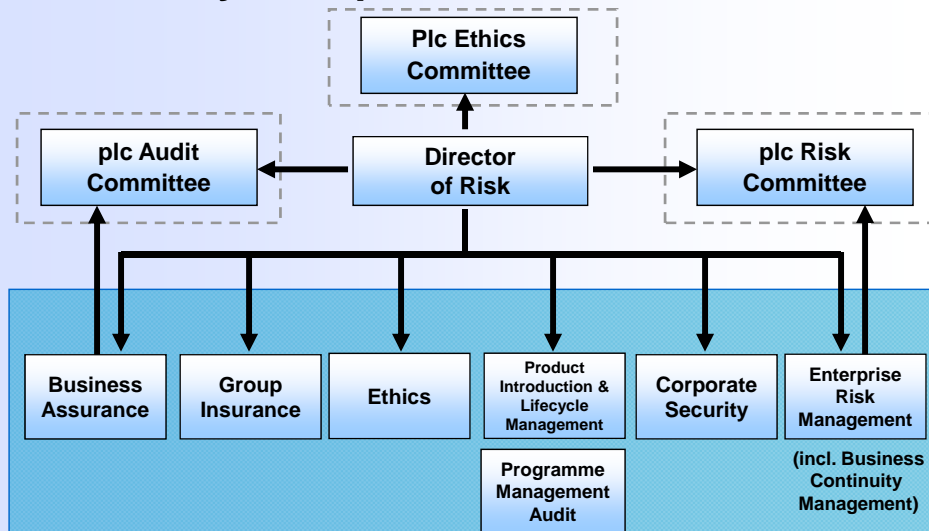
September 2008

Mark W Wilford – Director of Risk

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## Rolls-Royce Department of Risk



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In a survey by Coopers & Lybrand (Moules, 1996), respondents cited three factors contributing to project failures:

- Inadequate Risk Management
- Insufficient Understanding of Business Issues
- Too Little Accountability

**“You only have to miss one risk to ruin an otherwise successful project”**

Laurence Holt, quoted in Warren, 1996

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The term **Risk Management** is applied in a number of diverse disciplines.

People in the fields of Statistics, Economics, Psychology, Social Sciences, Biology, Engineering, Toxicology, Systems Analysis, Operations Research, and Decision Theory, to name a few, have been addressing the field of Risk Management.

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Credit Agency  
 Board of Directors  
 Risk Practitioners  
 Think Tanks  
 Insurers  
 Consultants  
 IT Solutions  
 Internal Audit

Everyone wants to have a view on Risk Management

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## FTSE Ten Year Performance

FTSE 100 Share Index - 10 year history



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# Who are the Risk Managers?

Chief Risk Officer

Insurers

CEO / CFO

Risk  
Champions

Audit  
Committee

Department of  
Risk

Internal Audit Function

But where have all the business people gone?

Operation  
Leaders

Supply Chain  
Leaders

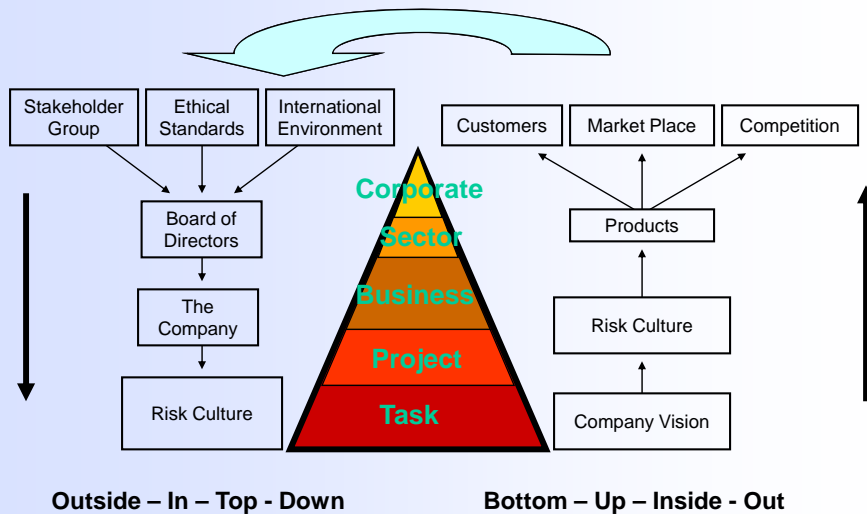
Direct Workers  
Supervisors

Project  
Managers

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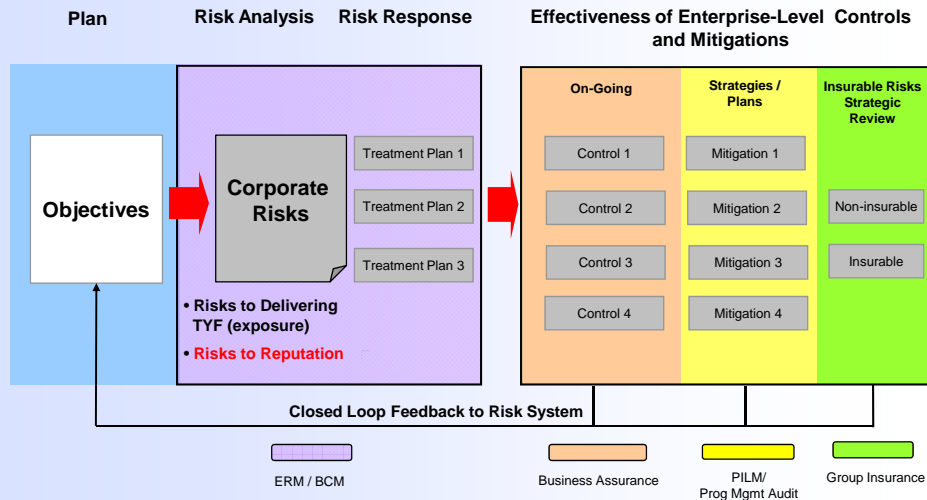
# Top Down Inside Out



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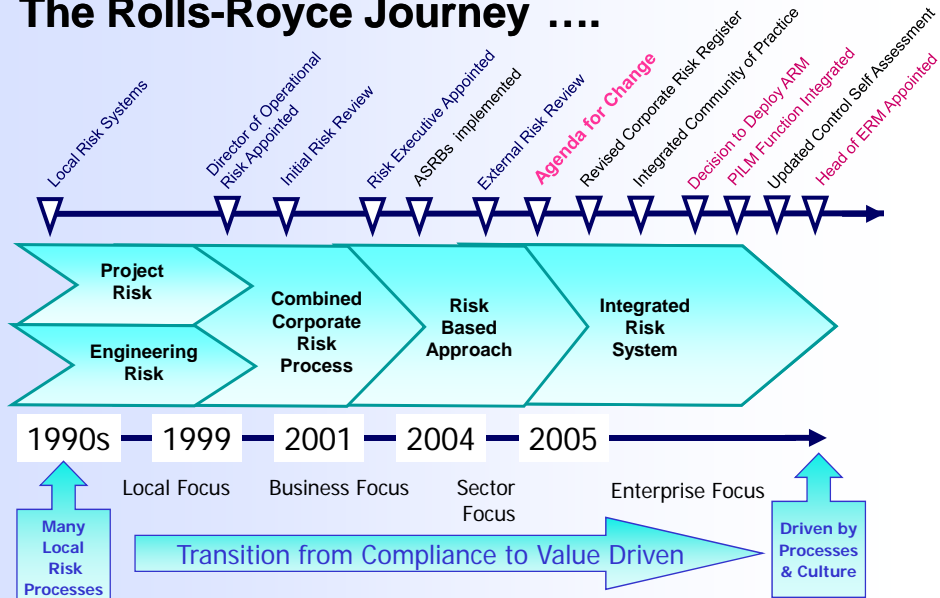
# Integrated Risk Management



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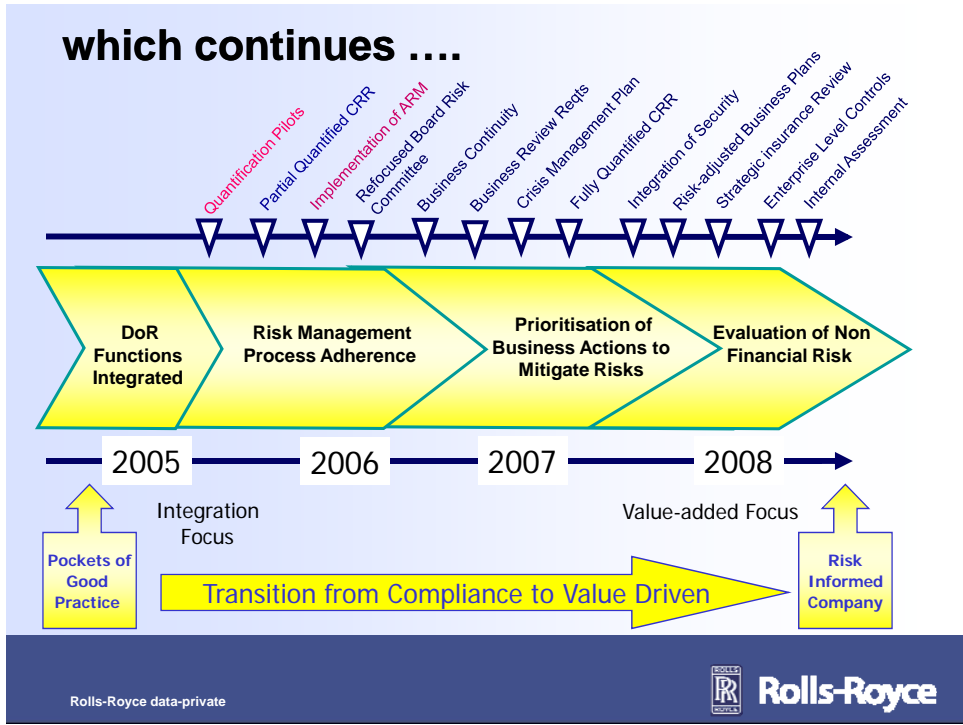
## The Rolls-Royce Journey ....



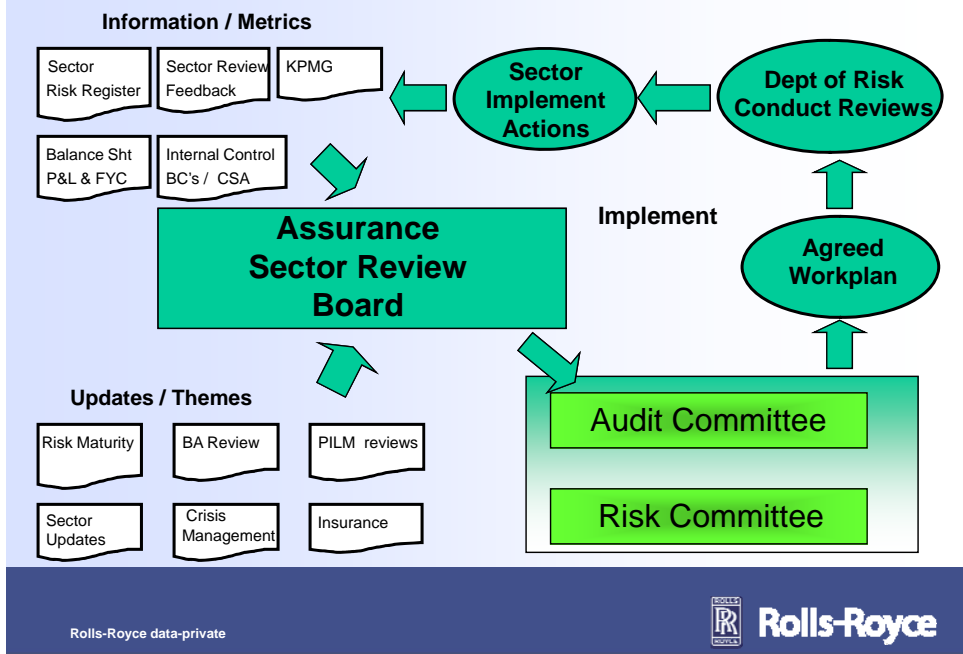
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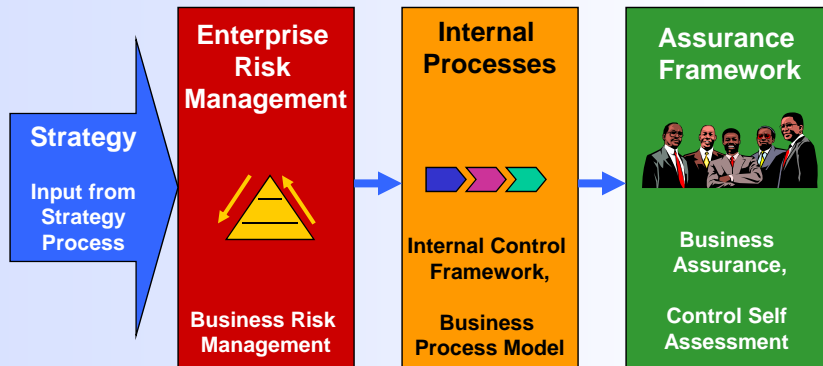
# which continues ....



The intent of the ASRB is to link risk, control and assurance activities with management strategies, in order to optimise and integrate the full resources of the Group to manage key risks and control issues.



## Business Assurance: Risk Based Audit Approach



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## Strategic Review of Insurable Risks

Sponsor	Chief Finance Officer
Undertaken	Brokers - Marsh
Objective	Review Effectiveness of Insurance and Risk Transfer Programme
Deliverables	<ol style="list-style-type: none"> <li>1. Comment on Insurability of Risk Areas</li> <li>2. Actuarial Models for Expected Outcomes and Risk Pricing</li> <li>3. Assessment of Risk Tolerance and Retention</li> <li>4. Design of Optimum Insurance Programme Evaluate Against Risk Profile</li> </ol>

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# Strategic Review of Insurable Risks

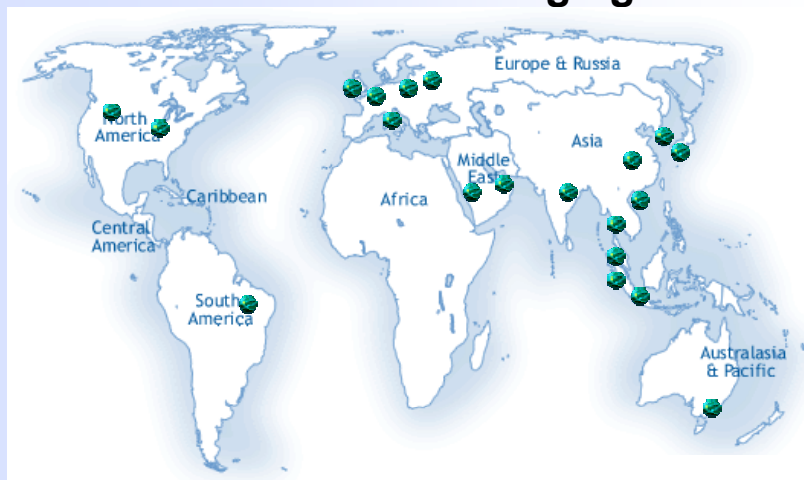
## Conclusions


- From a governance perspective, external review confirmed that there is an effective programme in place
- Provided clear insight of insurance coverage against key corporate risks to inform the Corporate Risk Register
- Confirmed that our insurance strategy is correct
- The recommendations arising from the review have formed the basis of our objectives for the next two years.

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## A Global Business – Changing Risk Profile



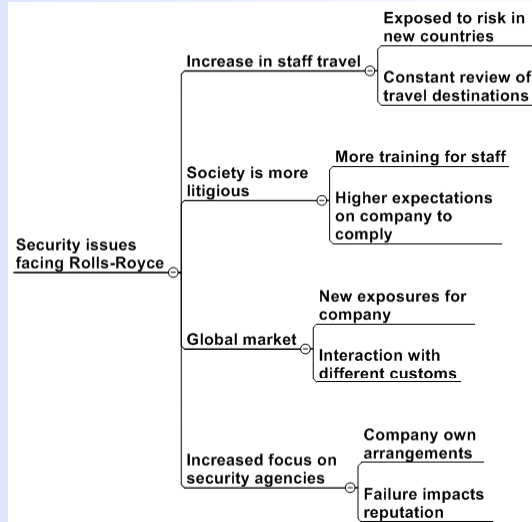
 Rolls Royce Global Offices

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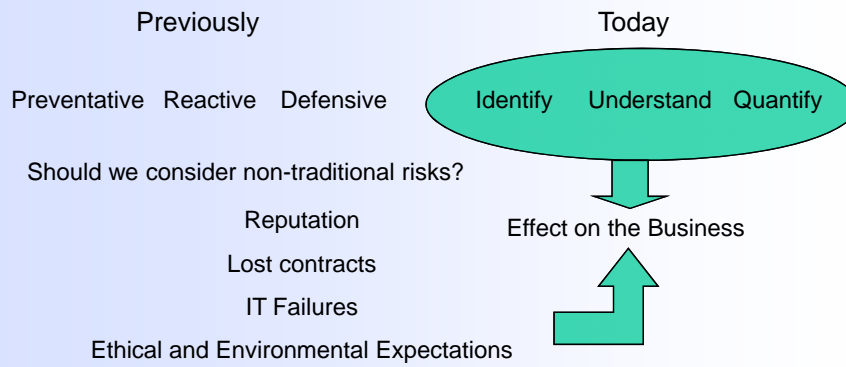
## Security Reviews Are Now Focused on Different Drivers



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## Risk Management for the Future



So what should we be asking?

Are we looking at the right risks?

Do we have an integrated vision of how these risks effect the business?

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