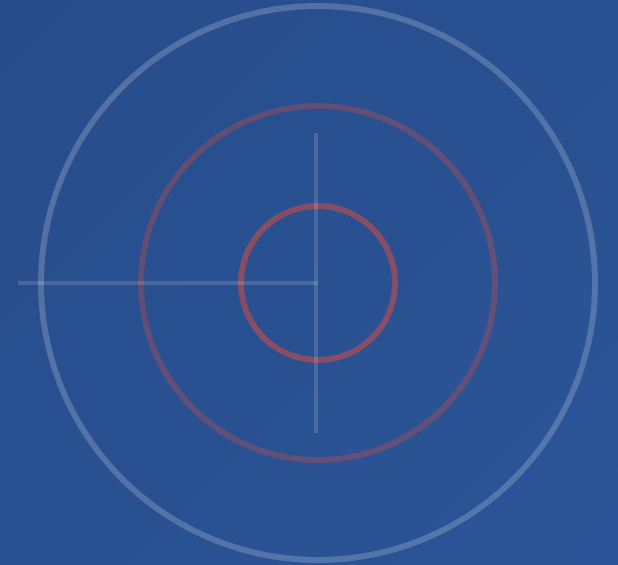


Risk Management

Protecting Your Business from the Unexpected



Why Risk Management Matters to Your Bottom Line

Four critical business outcomes that drive organizational value

■ **Attracts Investment & Funding**

Well-governed companies with robust risk management frameworks are perceived as safer, more credible investments. This confidence enables easier and cheaper access to capital for growth initiatives.

■ **Protects & Enhances Reputation**

Proactive risk management in data security, ethical conduct, and stakeholder relations builds trust with customers, suppliers, and the public. Strong reputation becomes a competitive asset driving brand loyalty.

■ **Prevents Major Crises**

Many corporate scandals and failures stem from poor risk management. A strong framework identifies weaknesses like financial fraud or systemic failures before they escalate into disasters that destroy shareholder value.

■ **Improves Strategic Decisions**

When leadership understands potential risks and opportunities, they make more informed, confident decisions. Risk management transforms uncertainty from a threat into a strategic advantage for competitive positioning.

The Business Voyage: Navigating Uncertainty

Your business is a ship on a voyage toward strategic goals—profitability, market leadership, and sustainable growth. The business environment is an unpredictable ocean where conditions change rapidly.

A ship without a navigation plan is at the mercy of the elements, likely to be blown off course or run aground. **Risk management is that navigation plan.**

It's not about avoiding the ocean entirely; it's about having the right maps, weather forecasts, and a skilled crew to anticipate and handle challenges effectively.

Challenges Your Business Faces

■ Economic Storms

Market downturns, interest rate shifts, and economic volatility that impact operations and profitability

■ Competitive Threats

Disruptive competitors, market share erosion, and strategic missteps that undermine competitive position

■ Regulatory Reefs

Sudden regulatory changes, compliance failures, and legal penalties that threaten license to operate

■ Operational Hazards

Fraud, cyber threats, system failures, and process breakdowns that disrupt business continuity

Understanding Your Risk Landscape

Financial Risks

■ Market Risk

The risk of loss from changes in market prices, interest rates, exchange rates, or equity valuations that impact financial position and returns.

■ Credit Risk

The risk that customers, partners, or counterparties will fail to pay what they owe, resulting in financial losses and cash flow disruptions.

■ Liquidity Risk

The risk of not having sufficient cash available to pay bills and meet short-term obligations, threatening operational continuity.

■ Operational Risk

The risk of financial loss from failures in internal processes, people, systems, including fraud, errors, and technology failures.

Non-Financial Risks

■ Strategic Risk

The risk of a business plan failing due to poor strategic decisions, inadequate resources, or misalignment with market opportunities and competitive dynamics.

■ Compliance Risk

The risk of legal penalties, fines, and loss of license to operate from failing to follow applicable laws, regulations, and industry standards.

■ Reputation Risk

The risk of losing customer trust and damaging the company's brand from ethical failures, poor service, data breaches, or public controversies.

■ Environmental & Climate Risk

The risk of physical asset damage, supply chain disruption, or stranded assets from climate change, natural disasters, and environmental degradation.

The GRC Framework: Your Command Structure

Three integrated pillars that work together to protect organizational value

Governance

The Captain & Officers

The overall system of rules, processes, and authority by which the company is directed and controlled. Leadership that steers the organization in the right strategic direction.

KEY RESPONSIBILITIES

- Set strategic direction and goals
- Define risk tolerance levels
- Establish organizational policies
- Provide board-level oversight

Risk Management

The Crew on Lookout

Constantly watching the horizon, checking conditions, and listening for warning signals. Responsible for identifying potential dangers and alerting leadership so corrective action can be taken in time.

KEY RESPONSIBILITIES

- Identify emerging threats
- Analyze risk likelihood & impact
- Develop mitigation strategies
- Monitor risk indicators

Compliance

The Rules of the Sea

The duty to follow established laws, regulations, and industry standards. Ensures the business adheres to all applicable requirements, avoiding legal penalties and maintaining its license to operate.

KEY RESPONSIBILITIES

- Monitor regulatory changes
- Ensure policy adherence
- Manage compliance audits
- Document regulatory adherence

The Risk Management Process: From Identification to Monitoring

1

Risk Identification

Proactively find and list all potential problems or threats the business might face.

2

Risk Analysis & Assessment

Evaluate each risk to determine likelihood of occurring and potential severity of impact.

3

Risk Response

Decide how to handle each significant risk identified.

4

Monitoring & Communication

Continuously watch identified risks and ensure response plans are working effectively.

The Annual Check-up

Create a comprehensive inventory of risks that need to be managed

The Diagnosis

Prioritize risks to focus resources on most significant threats

The Treatment Plan

Avoid • Reduce • Share • Accept

The Follow-up

Report status to leadership and adjust as environment changes

Three Lines of Defence: Clear Accountability

BOARD OF DIRECTORS & EXECUTIVE LEADERSHIP

Set risk tolerance, establish governance framework, hold ultimate responsibility for organizational risk strategy

1st

Business Units

The Soldiers on the Wall

KEY RESPONSIBILITIES

- Own and manage day-to-day operational risks
- First to identify and respond to threats
- Implement controls and risk mitigation measures
- Report risk status to management

2nd

Risk & Compliance

The Castle Guards

KEY RESPONSIBILITIES

- Set risk management standards and frameworks
- Provide tools, guidance, and training
- Challenge and oversee first line execution
- Monitor compliance with regulations

3rd

Internal Audit

The Independent Inspector

KEY RESPONSIBILITIES

- Provide independent assurance to leadership
- Assess effectiveness of first two lines
- Report directly to audit committee
- Identify gaps and recommend improvements

Risk Management in Practice: Real-World Applications

ECONOMIC SHIFTS

Interest Rate Impact on Credit Portfolios

Rising interest rates create significant credit risk as borrowers in sectors like real estate face intense financial pressure. The full impact has a lagging effect due to hedging strategies, but certain segments show immediate vulnerability.

HIGH-RISK SEGMENTS

Pure real estate developers and new housing construction are the first to show signs of significant pressure, particularly in markets like Sweden.

MONITORING APPROACH

- Track key economic indicators in real-time
- Segment portfolio by interest rate sensitivity
- Model stress scenarios for borrower defaults

SUSTAINABILITY RISKS

Climate-Related Physical Risks to Assets

Climate change poses tangible business risks. Banks and financial institutions now assess how environmental factors impact operations and asset portfolios through data-driven analysis.

RISK ASSESSMENT METHOD

Geospatial data and local hazard maps identify properties in high-risk flood zones with 1-in-100-year flood probability projected for 2115.

MITIGATION STRATEGY

- Quantify exposure across asset portfolios
- Develop targeted mitigation strategies by region
- Adjust lending and investment criteria accordingly

Competitive Advantages of Strong Risk Management

■ Enhanced Investor Confidence

Well-governed companies with robust risk management frameworks are perceived as safer, more credible investments by both domestic and global investors. This confidence translates directly into competitive advantage in capital markets.

Result: Easier and cheaper access to capital for growth initiatives and strategic investments

■ Stronger Reputation & Brand Loyalty

A proactive approach to managing risks—from data security to ethical conduct—builds deep trust with customers, suppliers, and the public. This strong reputation becomes a valuable competitive asset.

Result: Enhanced brand loyalty, customer retention, and premium pricing power in competitive markets

■ Prevention of Major Crises

Many of the biggest corporate scandals and failures in recent history were rooted in poor risk management. A strong framework identifies weaknesses like financial fraud or systemic failures before they escalate into disasters.

Result: Protection of shareholder value, avoidance of reputational damage, and preservation of organizational continuity

■ More Informed Strategic Decisions

When leadership has a clear understanding of potential risks and opportunities on the horizon, they can make more informed, confident, and successful business decisions. Risk management transforms uncertainty into strategic advantage.

Result: Improved decision quality, faster execution, and better competitive positioning in dynamic markets

Building a Resilient Organization

Storms on the business sea are inevitable. No company can completely avoid uncertainty or unexpected challenges. But a business equipped with a strong risk management framework is built to navigate through them.



MORE RESILIENT

Better prepared to withstand shocks and recover quickly from disruptions



MORE TRUSTWORTHY

Demonstrated commitment to protecting stakeholder interests and value



BETTER POSITIONED

Equipped to seize opportunities and achieve sustainable growth

A well-structured risk management framework enables organizations to emerge from challenges stronger, more trustworthy, and better prepared for the long and rewarding journey ahead.

