Commercial Risk Advisor

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Managing Reputational Risk

Financial loss can often be forecasted and mitigated, but if a business experiences an unfortunate event that negatively affects its reputation, the effects can be devastating and even lead to closure.

Even if you do everything in your power to maintain your company's reputation, at some point, a damaging mistake will occur. Therefore, you need to plan ahead and learn how best to manage your reputational risk.

There are many things that you can do to try to manage reputational risk. Here are some suggestions for coming up with your own plan:

- **Understand the risk**—Damage to your reputation can not only result in negative public perception, but can also anger and disappoint stakeholders in your business.
- **Build yourself up**—Your company should take the time to build a positive relationship with the general public and your peers. Gradually build up your reputation in order to provide a cushion should an issue arise in the future.
- **Set realistic expectations**—Be transparent with clients, employees and stakeholders, and work with them to create realistic expectations. Setting the bar too high and falling short will result in your company being known for not delivering on promises.
- **Control processes**—Establish clear and standardized processes and procedures to reduce the chance of an event that harms your reputation. If something does happen, this can also help reduce damage to your reputation by allowing you to explain the cautionary measures in place and how you plan to improve them in the future.
- **Be ready**—Have contingency plans in place before something happens so that if a crisis does occur, your company will be ready to respond quickly and properly. A situation involving your reputation can quickly spiral out of control, so every second counts.

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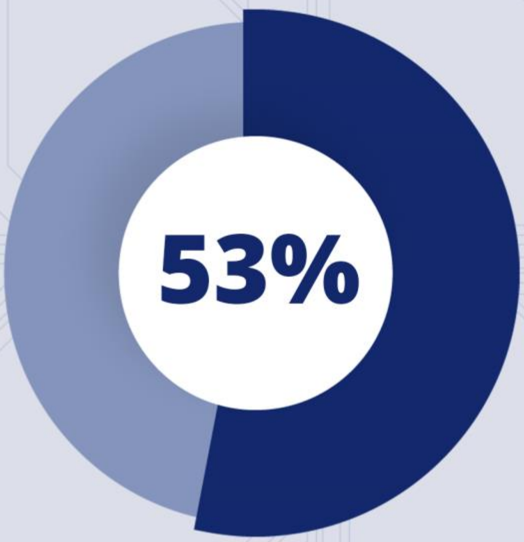
As it pertains to financial reporting, cyber security and their associated risks,



of board directors

said the quality of management reporting must improve.

Tips for Effective Risk Assessment

Even the most careful companies regularly have to confront risk. There will always be hazards that could cost your business dearly. But, at the same time, you have finite resources to devote toward protecting yourself from those hazards. As such, it becomes very important to properly assess and prioritize your risk factors.

Effective risk assessment helps your company prepare for the inevitable hazards every company faces, while also being cost-effective and efficient. When assessing your company's risks, consider the following:

1. **Look at other angles**—Involve a wide variety of stakeholders in your risk assessment process, including external opinions. Your customers care about your company's well-being and expect you to provide and preserve value on their behalf, so you should consider what they might think.
2. **Focus on business**—Whether it be through audits, internal policies or other support functions, the main goal of risk management is to help your company achieve its primary objectives. When developing your risk management plans, make sure they are set up to further your company's overall growth and progress.
3. **Establish a culture of communication**—Your risk management plans won't be effective unless everyone is aware of them. Make managers and employees fully aware of acceptable behavior and risk tolerances, and create a culture at your company in which senior management is available and approachable to address questions and concerns.
4. **Align with auditors**—Avoid seeing your internal auditors as potential adversaries who are looking for problems. Rather, consider them important allies in managing your company. Internal auditors should be seen as trusted advisors who are equally interested in the future success of your company.
5. **Be ready for change**—Just because you assess risks to your company once doesn't mean that those factors will always be the same or hold the same weight. New risks, such as environmental and social issues, can emerge and become more important to consider. Similarly, risks that you had previously considered to be greater threats can become less important to consider. Stay current and regularly reassess your company's risks.