The Evolving
Risk Landscape

Chief Audit Executive Roundtable
Chicago, IL

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# Agenda

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Introduction

Business Environment and Risk Landscape continue to change. The World Economic Forum (WEF) recently published its update on Global Risk.

The Report’s objectives were to improve public and private sector efforts to MAP, MONITOR and MANAGE global risk.

Report organizes 50 risks into five categories:

- Economic
- Environmental
- Geopolitical
- Societal
- Technological

If certain risks are relevant to your organization, what can IA include in their audit plan to be aligned?
Economic Risk

1. Chronic fiscal imbalances
2. Severe income disparity
3. Extreme volatility in energy and agriculture prices
4. Major systemic financial failure
5. Recurring liquidity crises
6. Chronic labour market imbalances
7. Prolonged infrastructure neglect
8. Hard landing of an emerging economy
9. Unmanageable inflation or deflation
10. Unforeseen negative consequences of regulations
Economic Risk Audits

**Regulatory Compliance Process**
Understand and evaluate the organization’s processes to analyze and react to changing regulatory environment

**Commodity Hedging Audits**
Define typical risks and controls associated with hedge accounting and validate if corporate strategic initiatives related to hedging are being properly applied

**ERA/ERM Process Review**
This is applicable across all categories, to understand how the organization identifies risks and monitors emerging risks

**Succession Planning Process**
Review succession planning process, especially how the organization identifies and manages areas within the organization with shortage(s) of talent

**Foreign Subsidiary / Alliances**
Review the financial and operational health of business units in countries with high inflation / deflation, emerging economies, and/or chronic fiscal issues
Environmental Risk

1. Rising greenhouse gas emissions
2. Failure of climate change adaptation
3. Land and Waterway use management
4. Antibiotic-resistant bacteria
5. Mismanaged urbanization
6. Persistent extreme weather
7. Irremediable pollution
8. Species overexploitation
9. Unprecedented geophysical destruction
10. Vulnerability to geomagnetic storms
Environmental Risk Audits

Business Continuity Planning
Identify and assess existing strategies, plans and actions to protect the business from an interruption to critical processes due to weather, bio/germ, resource restrictions or limited capacity, etc.

Disaster Recovery Planning
Evaluate plans to restore essential IT systems and applications that enable critical business processes

Regulatory Compliance Process
Assess how the organization monitors compliance with green regulations globally (greenhouse gases, pollution, etc.) and the process to identify new regulations in this area
Geopolitical Risk Audits

Crisis Management Audits
Audit the key communication mechanisms necessary to ensure employee safety, provide initial information and direction, and organize ongoing actions.

Procurement Audits
Validate if procurement processes and policies are compliant with domestic and international trade regulations, such as OFAC, as well as diligence on vendors/partner relationships.

Foreign Subsidiary / Alliances
Review the financial and operational health of business units in countries with high inflation / deflation, emerging economies, and/or chronic fiscal issues.

Business Continuity Planning
Identify and assess existing strategies, plans and actions to protect the business from an interruption to critical processes due to weather, bio/germ, resource restrictions or limited capacity, etc.

Anti-Corruption / Anti-Bribery
Identify and assess existing procedures to monitor and address FCPA, UK Bribery Act compliance and other regulations in this areas.
Societal Risk

1. Water supply crises
2. Food shortage crises
3. Rising religious fanaticism
4. Mismanagement of population aging
5. Vulnerability to pandemics
6. Unsustainable population growth
7. Unmanaged migration
8. Rising rates of chronic disease
9. Backlash against globalization
10. Ineffective drug policies

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Societal Risk Audits

**Business Continuity Planning**
Identify and assess existing strategies, plans and actions to protect the business from an interruption to critical processes due to pandemics.

**Regulatory Compliance**
Identify and assess procedures to address current regulations on supply chain transparency, slave labor, conflict minerals, as well as processes to identify and comply with new regulations as they are enacted.
Technological Risk

1. Cyber attacks
2. Massive incident of data fraud or theft
3. Critical systems failure
4. Mineral resource supply vulnerability
5. Massive digital misinformation
6. Unintended consequences of new life science technologies
7. Unintended consequences of climate change mitigation
8. Failure of intellectual property regime
9. Proliferation of orbital debris
10. Unintended consequences of nanotechnology

Impact vs. Likelihood graph with dot annotations for each risk.

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Technological Risk Audits

Vulnerability and Penetration Assessments
Determine if processes, procedures, and configurations are adequately designed and implemented to provide reasonable protection against common attack vectors (internal, external, wireless, social engineering, etc.)

Database Security Audits
Evaluate the security controls around critical system databases

IT Asset Management Audits
Review the process to procure, manage, and remove IT assets, including software licenses

Business Continuity Management Reviews
Assess the company’s capabilities to manage and recover from emergencies and/or disasters that might span the enterprise

Data Privacy Audit
Evaluate processes to manage and safeguard sensitive data (e.g., personally identifiable information, protected health information)
Questions for Internal Audit

1. Is internal audit considering longer-term global risks (more than 3-5 years) that impact the company?

2. Does the organization consider interrelationships among risks?

3. How does Internal Audit periodically monitoring changes in the business environment?

4. Is Internal Audit apprised of significant risk profile changes timely?

5. Other Questions / Comments?