

APPENDIX A

Summary of the findings of the Report on the Current State of Enterprise Risk Oversight – 2nd Edition February 2010 (Beasley M.S., Branson B.C., Hancock B.V.)

The principal findings of the Enterprise Risk Management Initiative (The ERM Initiative) in the College of Management at North Carolina State University, in conjunction with the American Institute of Certified Public Accountants (AICPA), in 2010, are summarized below:

63% believe risks have change significantly over the previous 5 years

74% had had “operational surprises” which had markedly affected their businesses over the last 5 years

Around 50% describe their organizations as “strongly risk averse” or “risk averse”

However 50% describe their risk mitigation structures as being immature

57% have no formal enterprise wide risk approach to risk oversight

Around 50% report dissatisfaction with the nature and extent of reporting of key risk indicators

Only 15% of organizations provide explicit guidelines or measures to business unit leaders on how to assess the probability or potential impact of a risk event. Despite this 60% believe risks are being effectively assessed and monitored in ways other than ERM.

Around 50% of companies have provided their executives with specific training on risk management issues over the previous 2 years.

23% of companies have an appointed Chief Risk Officer

53% do no formal assessments of strategic, market or industry risks and do not maintain any risk inventories on a formal basis. Yet 43% believe that existing risk exposures are considered “extensively” or a “great deal” – which suggests overconfidence in their informal processes.

65% assign risk oversight to the audit committee

64% of audit committees focus on financial, operational or compliance related risks. Only 35% track strategic and emerging risks.

45% of companies are expected to raise their involvement at a senior executive level in risk oversight processes