

APPENDIX B 1 RISK READINESS QUESTIONNAIRE – MAIN STUDY

Questionnaire designed to establish the extent of risk readiness and oversight within the organization

Please circle the appropriate choice by circling one number only to reflect your response.

- 1 Not at all
- 2,3 or 4 Minimally
- 5,6 or 7 Moderately
- 8,9 or 10 Extensively
- 11 A Great Deal

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 1

To what extent has the volume and complexity of risks in your business increased over the past 5 years?

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 2

To what extent has your organization faced an operational surprise in the last 5 years

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 3

What is the level of maturity of your organisation's approach to a fully functioning ERM process according to King III

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 4

How has the level of reporting and disclosure on risk issues increased over the last year

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 5

To what extent are you confident that the overall risks the organization faces are being strategically managed in an effective manner

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 6

Does the company maintain any risk inventories to counter supply line/industrial disruption

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 7

To what extent does the company formally assess supply chain risks

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 8

To what extent are the top risk exposures facing the organization formally discussed when the Board discusses the organisation's strategic plan.

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 9

Indicate the extent to which existing risk exposures are considered when evaluating possible new strategic initiatives

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 10

Indicate the extent to which your organization has articulated its appetite for, or tolerance of, risks in the context of strategic planning

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 11

Indicate the extent to which your organization has carried out a formal assessment of market risk.

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 12

Indicate the extent to which your organization has carried out a formal assessment of industry risk.

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 13

Indicate the extent to which your organization has carried out a formal assessment of political risk.

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 14

Indicate the extent to which your organization has carried out a formal assessment of regulatory/legal risk.

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 15

Indicate the extent to which your organization has carried out a formal assessment of IT risk.

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 16

Indicate the extent to which the organization uses qualitative means to assess risks

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 17

Indicate the extent to which your organization uses quantitative means to assess risk

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 18

In assessing risk issues to what extent does the Board actively consider risk probabilities

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 19

Indicate the extent to which the Board believes that existing compensation arrangements might contribute to excessive risk taking on the part of management.

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 20

Indicate the extent to which risk exposures are considered when making capital allocations to functional units

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 21

What risks are monitored by the audit committee. Choose one only:

financial risks only ;

operational and compliance risks in addition to the financial risks ;

all entity risks, including operational, compliance and financial risks

Question 22

The highest level of reporting by the CRO is to the:

board,

CEO or President or Chairman;

CFO;

COO;

Other

No dedicated/appointed CRO

Question 23

Indicate the extent of requests for increased senior executive involvement in risk management from the following sources.

Board;

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Audit Committee;

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

CEO;

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Internal Audit.

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

Question 24

Indicate the incentives which have led to senior executives increasing focus on ERM activities. Choose one from the following:

unanticipated risk events that have affected the organization;

expectation that ERM is “best practice”;

unanticipated risk events that have affected competitors.

Question 25

What is the extent of the following barriers which act as an impediment to the implementation of an effective ERM process. Choose one from:

competing priorities;

insufficient resources;

lack of perceived value;

perception ERM adds bureaucracy;

lack of Board or senior executive ERM leadership;

legal or regulatory barriers.

Question 26

Indicate the current state of ERM currently in place in the organization. Choose one of the following:

no enterprise-wide risk management process in place;

currently investigating concept of ERM, but no firm plans in place yet;

no formal ERM process in place yet, but plans underway to implement one;

partial ERM process in place – some areas addressed but not others;

complete formal ERM process in place

27. How would you describe your company's attitude to strategic risk e.g. expansion or corporate activity such as M and A (1 = totally intolerant, 11 actively risk seeking)

Totally intolerant

Actively risk seeking

1 2 3 4 5 6 7 8 9 10 11

28. How would you describe your company's attitude to operational risk (1 = totally intolerant, 11 actively risk seeking)

Totally intolerant

Actively risk seeking

1 2 3 4 5 6 7 8 9 10 11

29. How would you describe your company's attitude to financial risk (1 = totally intolerant, 11 actively risk seeking)

Totally intolerant

Actively risk seeking

1 2 3 4 5 6 7 8 9 10 11

30. How would you describe your company's attitude to market risk (1= unconcerned, 11= market risk is a major issue for the company)

Unconcerned

Market risk is a major issue for the company

1 2 3 4 5 6 7 8 9 10 11

31. Does your company become more risk seeking when the company achieves its targets

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

32. Does your company become more risk averse when the company underperforms its targets by a similar amount

Not at all

A Great Deal

1 2 3 4 5 6 7 8 9 10 11

33. How would you describe your company's overall attitude to risk

Intolerant

Actively risk seeking

1 2 3 4 5 6 7 8 9 10 11

APPENDIX B 2

Please complete the following table which shows which asks you to choose between certain risky alternatives from a project you may be contemplating. In each case choose between Project A and Project B:

		Payoff 1	Probability of Payoff 1	Payoff 2
Probability of Payoff 2				
<u>Question 1</u>				
Project A	R100,000		20%	R0
			80%	
Or				
Project B	R300,000		20%	-R70,000
			80%	
<u>Question 2</u>				
Project A	R100,000		50%	R0
			50%	
Or				
Project B	R300,000		50%	-R100,000
			50%	

Question 3

Question 8

Project A	R300,000	95%	R0
		5%	

Or

Project B	R500,000	60%
	R50,000	40%

On these next 8 questions imagine that the company is faced with a loss position, and the alternatives below represent the losses from alternative risk mitigation strategies.

	Loss 1	Probability of Loss 1	Loss 2
		Probability of Loss 2	

Question 9

Project A	R0	10%	-R100,000
		80%	

Or

Project B	-R300,000	20%	R0
		80%	

Question 10

Project A	-R100,000	60%	R0
		40%	

Or

Project B	-R200,000	25%	R0
		75%	

Question 11

Project A	-R200,000	20%	-R100,000
		80%	

Or

Project B	-R500,000	20%	R0
		80%	

Question 16

Project A	-R100,000	95%	R0
	5%		

Or

Project B	-R700,000	10%	R0
		90%	

APPENDIX B 3 RISK BIAS QUESTIONNAIRE MAIN STUDY

Risk Bias Questionnaire						
The Table below lists a series of possible projects faced by your company						
We assume a large sized capital project requires a capital investment of \$10m, a medium project \$3m, a small project \$1m						
It is important when answering you consider the impact of size of the project on current financial position of the company						
Insert the value the company would to invest to achieve the payoffs shown, taking into account the probability of each payoff						
Treat each project shown below as completely distinct from the others						
In some cases the value of the project is negative. This means the company faces a potential loss						
In this case you need to ask yourself what you feel the company would pay to eliminate this potential loss						
Project	Payoff 1	Probability of Payoff 1	Payoff 2	Probability of Payoff 2	Insert value of this project to your company or the insurance you would pay to eliminate this risk	Expected value of the project if it were repeated many times over
	US Dollars		US Dollars		US Dollars	US Dollars
A	10,000,000	20%	3,000,000	80%		4,400,000
B	3,000,000	60%	1,000,000	40%		2,200,000
C	10,000,000	20%	-1,000,000	80%		1,200,000
D	1,000,000	80%	-1,000,000	20%		600,000
E	-1,000,000	80%	0	20%		-800,000
F	-1,000,000	80%	-3,000,000	20%		-1,400,000
G	-1,000,000	10%	1,000,000	90%		800,000
H	-500,000	10%	500,000	90%		400,000
I	-1,000,000	30%	-500,000	70%		-650,000
J	-500,000	20%	1,000,000	80%		700,000
K	0	90%	-1,000,000	10%		-100,000
L	0	50%	500,000	50%		250,000
M	0	50%	-500,000	50%		-250,000
N	0	10%	500,000	90%		450,000
O	0	99%	500,000	1%		5,000
P	0	90%	1,000,000	10%		100,000
Q	0	75%	1,000,000	25%		250,000
R	0	50%	1,000,000	50%		500,000
S	0	25%	1,000,000	75%		750,000
T	0	10%	1,000,000	90%		900,000
U	0	1%	1,000,000	99%		990,000
V	0	99%	-1,000,000	1%		-10,000
W	0	90%	-1,000,000	10%		-100,000
X	0	75%	-1,000,000	25%		-250,000
Y	0	50%	-1,000,000	50%		-500,000
Z	0	25%	-1,000,000	75%		-750,000
AA	0	10%	-1,000,000	90%		-900,000
BB	0	1%	-1,000,000	99%		-990,000
CC	500,000	95%	1,000,000	5%		525,000
DD	500,000	75%	1,000,000	25%		625,000
EE	500,000	50%	1,000,000	50%		750,000
FF	500,000	25%	1,000,000	75%		875,000
GG	500,000	5%	1,000,000	95%		975,000
HH	-500,000	95%	-1,000,000	5%		-525,000
II	-500,000	75%	-1,000,000	25%		-625,000
JJ	-500,000	50%	-1,000,000	50%		-750,000
KK	-500,000	25%	-1,000,000	75%		-875,000
LL	-500,000	5%	-1,000,000	95%		-975,000
MM	-500,000	1%	-1,000,000	99%		-995,000
NN	-10,000,000	20%	0	80%		-2,000,000
OO	-10,000,000	30%	-1,000,000	70%		-3,700,000
PP	-10,000,000	50%	0	50%		-5,000,000
QQ	-10,000,000	20%	-3,000,000	80%		-4,400,000