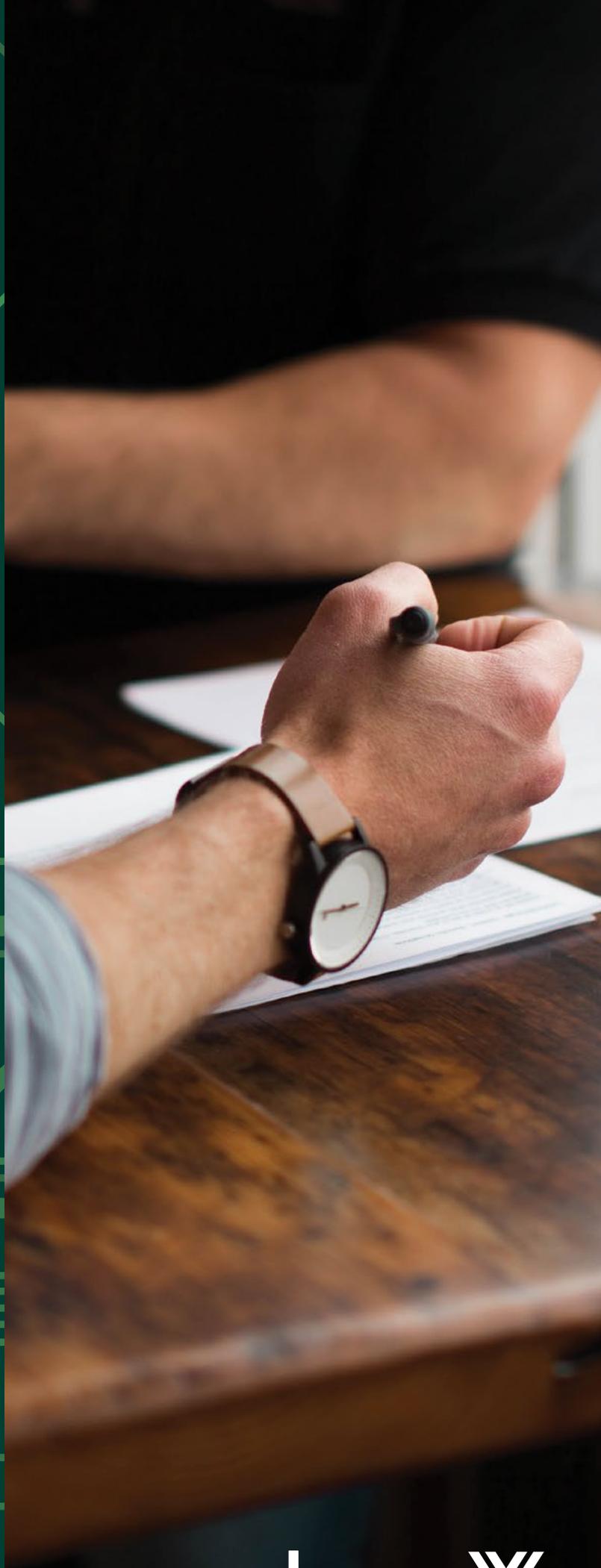


Risk Management Guide



Developing a Risk Management Solution for Your Organization

QualiWare X supports a flexible risk management solution your organization can use to document and manage risks in a way that is relevant to you. This guide will help you to either establish risk management or translate the way your organization works with risk management, so you can utilize the possibilities that QualiWare X provides.

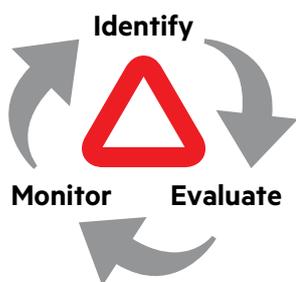


Figure 1 Risk Management is a continuous process that is initiated by the discovery of risks.

Having documented the process landscape of your organization with workflow diagrams gives you an excellent foundation for documenting and managing risks.

By attaching risks to the activities in which they occur, the risks can be visualized in the workflow diagrams and become actionable. This is why we at QualiWare advice our customers to document their risks at the activity level.

Managing risks can continuously be done in three phases:

1. **Identifying** risks
2. **Evaluating** the risks and formulating a plan of action
3. **Monitoring** the effect of the plans and taking appropriate actions if they don't.

The risk management process of identifying, evaluating and monitoring is ongoing and demands that an organization develop a mindset for continuous risk handling.

Identifying the Risks:

When beginning to identify risks, a good place to start is to define what risk types you should be looking for. This could, for example, be Financial Risks, Business Risks, or Health and Safety Risks.

Once you know which types of risks your organization is interested in managing, you can set out to identify them and document for which activities they apply.

Starting with a set of already identified risks

You may have a list with common business or financial risks you can evaluate, or a list of previous identified risks for your organization. These should be attached to the activities where they are relevant. This can be done at the same time you brainstorm with the relevant stakeholders and subject matter experts to identify additional risks for the different processes in your organization.

Starting with your documented processes

If you don't have any previously identified risks, you can start identifying them in workshops with stakeholders and subject matter experts. You can use your process models as a basis for brainstorming and discussing which risks are prevalent. It can be a good idea to prioritize where to start identifying risks if your organization is large. You may, for example, evaluate which processes are high at risk or especially crucial to the organization and start there. You may also choose to review your organization one department at a time based on the availability of the relevant stakeholders. It is very important to mindfully choose a combination of people who will be able to identify and assess the risks in the different areas of your organization.

Each risk should be created and described in your system. In QualiWare, a risk is documented in a dedicated template called "Risk". Once the risk is created, it can be linked to the process or activity where it occurs. You should always link a risk to the lowest operational level you have documented. This means that if you can link a risk to either a Business Process or an Activity in a Workflow for that process, you should always choose to link it to the Activity.

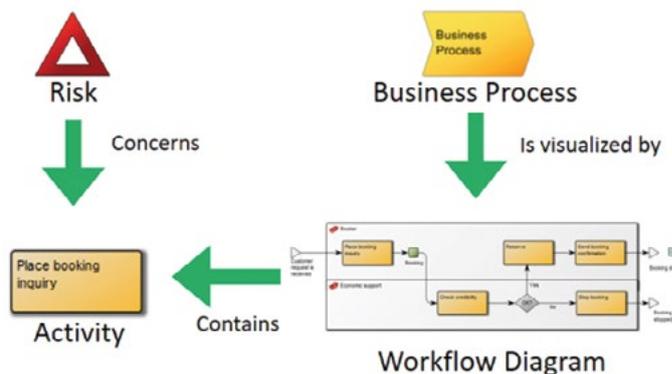


Figure 2 The Risk links to the Activity, which is contained in a Workflow Diagram

The risk can initially be described with a type, a short description and a cause (Figure 3). When identifying the risks, you should consider whether they are caused by external forces or internal dysfunctions, as this affects how you can expect to handle it.

Evaluating and Handling the Risks:

Once the risks have been identified and linked to the relevant activities and processes, they can be evaluated. You may evaluate the risks before they are attached to an activity or process, but they will then lack operational context that can improve the accuracy of the evaluation.

QualiWare provides both a simple and a more detailed method for scoring risks.

Simple risk scoring

In QualiWare, you score the likelihood of a risk to occur and the significance of its occurrence. The easiest way to manage this is by manually scoring the risks according to a five-step scale. You may also add a written explanation of the rationale behind the two scores.

The five-step scales for evaluating likelihood and significance are as follows:

Likelihood of the risk occurring:

- 0 - Remote
- 1 - Low
- 2 - Moderate
- 3 - High or
- 4 - Very high

Significance of the risk occurring:

- 0 - Negligible
- 1 - Low
- 2 - Moderate
- 3 - Substantial
- 4 - Catastrophic

Before you score your risks, you must be clear on which parameters your organization score and how the scale is used. You can then map the approach over to QualiWare's five-step scale. You may adopt the five-step scale evaluation system QualiWare provides, but you should still be clear on how your organization choose to interpret it.

Figure 3 Shows the property window of the Risk template in QualiWare's web platform. Here, you can manually score risks.

Detailed risk scoring

In some cases, a more detailed scoring is beneficial – this could be if you wish to differentiate between different types of impact, or if you wish to indicate what affects the likelihood of the risk occurring in a systematic manner.

Each of the parameters (likelihood and significance) have four categories that may be evaluated and scored. The detailed scores for likelihood and significance are as follows:

Likelihood categories:

- Automation (to what degree does the automation of the task in question affect the likelihood of the risk?)
- Routine (to what degree does routine performance of the task in question affect the likelihood of the risk?)
- Frequency (to what degree does the frequency of the task in question affect the likelihood of the risk?)
- Complexity (to what degree does the complexity of the task in question affect the likelihood of the risk?)

These can in QualiWare be scored as either Remote, Low, Moderate, High or Very high

Significance categories:

- Financial Impact (to what degree will the organization's ability to manage its debt and financial leverage be impacted if the risk occurs)
- Brand Image (to what degree will the organization's Brand or image be impacted if the risk occurs)
- Political Influence (to what degree will the risk impact organization's policies if it occurs)

- Business Impact (to what degree will the organization's ability to generate sufficient revenue be impacted if the risk occurs)

These can in QualiWare be scored as either Negligible, Low, Moderate, Substantial or Catastrophic. When the different categories are scored, a total score of likelihood and significance will be generated. As with the simple scoring, you must be clear on which parameters your organization score and how the scale is used.

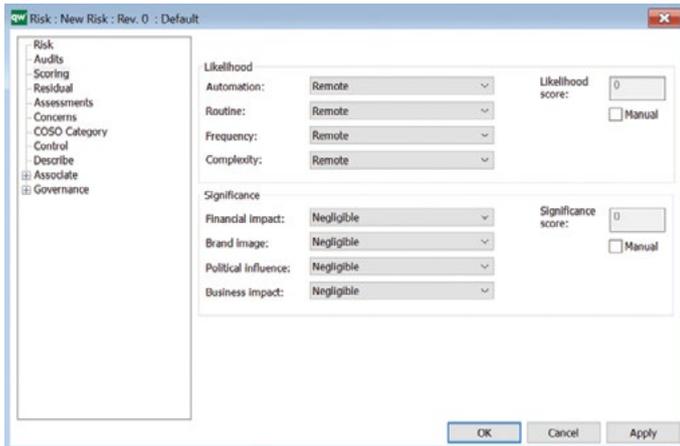


Figure 4 Detailed scoring of Risk in QualiWare Lifecycle Manager - These fields can also be included in the web platforms editing of risks.

Creating a plan of action

Once the likelihood and significance of the risks are scored, you can evaluate how (and if) you should take action. Some risks may be so remote or insignificant that no remedial plan of action is needed. When using QualiWare, you can easily find a prioritized list of your risks so you can create plans of action where they are most urgent:

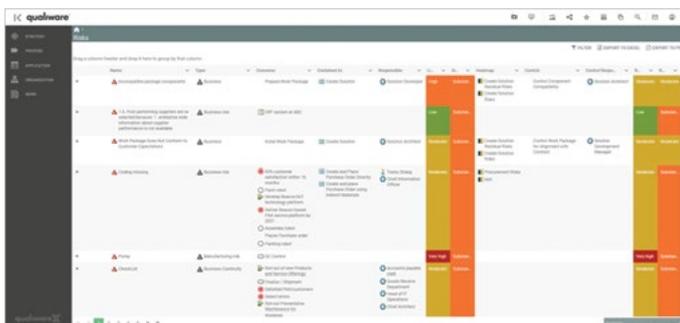


Figure 5 Example of an online Risk overview in QualiWare X. The colored fields represent the significance and likelihood of the risk

Heat maps can be created from a Workflow Diagram, Business Process Diagram or Business Process Network. Heat maps can give a great overview of the risks associated with a specific process area. You can choose to visualize the risks based on several criteria such as their likelihood and significance scores, what type of risk they are and whether they are the original or mitigated risks. See guides for how to create heat

maps on QualiWare's Center of Excellence:

<https://coe.qualiware.com>

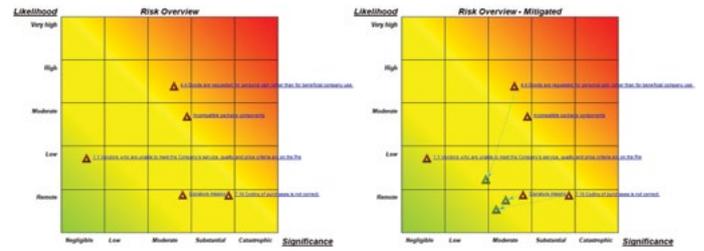


Figure 6 Example of heat maps – note that not all the risks have been mitigated. Some may be deemed insignificant or too unlikely to implement an action plan for, or there may not have been found a way to mitigate the risk yet.

Once you have identified the risks, you must create an action plan for how to mitigate them. This is done by creating mitigative activities and implementing them. In QualiWare, this is done by creating activities that can be categorized as a control or a key control. The activity can then be inserted into existing workflows where they are visible to the relevant employees. The risk-mitigating activities should be included in your organizations change initiatives so they are properly implemented into the organizations business processes.

2.1.4 An edit list of new vendor additions is generated from the system and review...

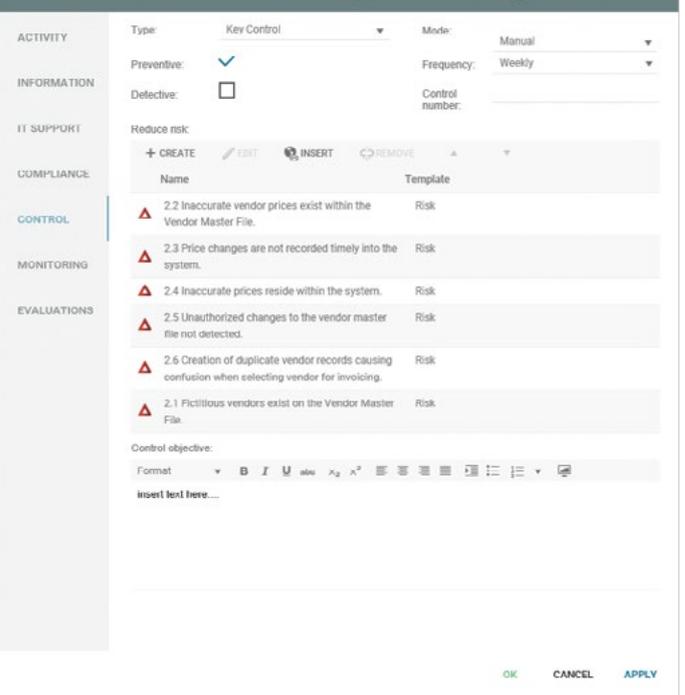


Figure 7 Shows the Control tab in the property window of an Activity in QualiWare's web platform. Here you register which risks the activity acts as a control for, as well as define its control properties.

In QualiWare, the action plan may be further documented in the 'Activity' template with information regarding:

- Control Coverage (how much of the risk the action plan will reduce in likelihood and/or Impact)
- Whether the action plan is Preventive (it prevents

the occurrence of a risk) or Detective (it minimizes the impact of a risk on occurrence).

- Whether the activity is manual, automated or interactive.
- Assertions (claims, for example by management, regarding the risk and action plan)
- COSO Categories (categories within internal controls, enterprise risk management (ERM) and fraud deterrence.)
- Influences on the action plan (for example an Account or Financial Statement)

For further descriptions of the Risk, Activity and Control Activity templates, please visit QualiWare's Center of Excellence:
<https://coe.qualiware.com>

Monitoring the Effect of the Plan of Action:

Once the plan of action for reducing the likelihood or significance of the risks have been created and implemented, you must monitor the effects of the action plan to ensure they have the desired outcome.

The monitoring of the action plans and their effect can also be documented in the 'Activity' template. You can document the following in the Activity's properties (*Figure 8*):

- Monitoring (information about how the monitoring of the action plan is handled)
- Evaluation (which is a type of object designed to serve as either a walkthrough of the action plan or a test of the action plan)
- Deficiency - If the action plan has been found to be deficient, you can create a control deficiency which is an object template designed to handle the control deficiency from initial observation to recommended actions and logging.

The monitoring of the action plan can be scheduled to occur at a specific frequency. At the specified time, the responsible stakeholders will be notified, as the process is supported by QualiWare's Governance Workflow for Risk Management. The Governance Workflow for Risk Management ensures that the relevant stakeholders will be involved in the risk management process at the right time. This ensures a consistency in managing risks throughout their lifecycle.

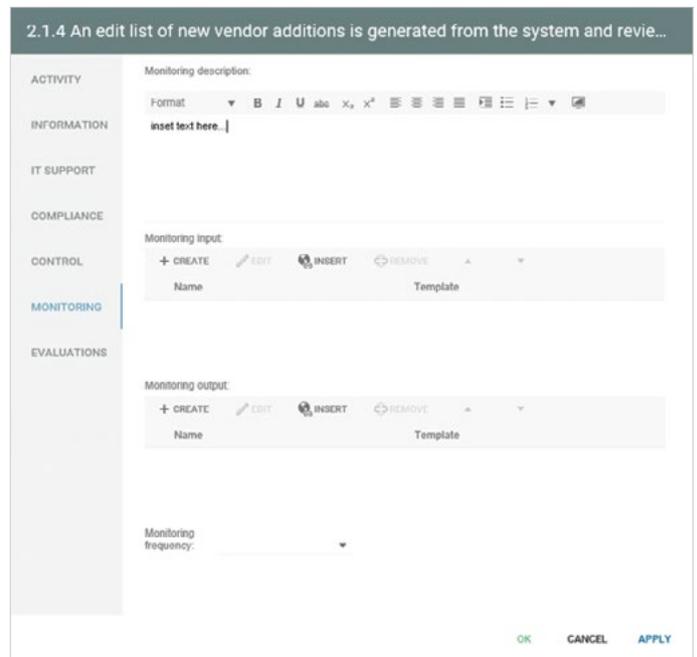
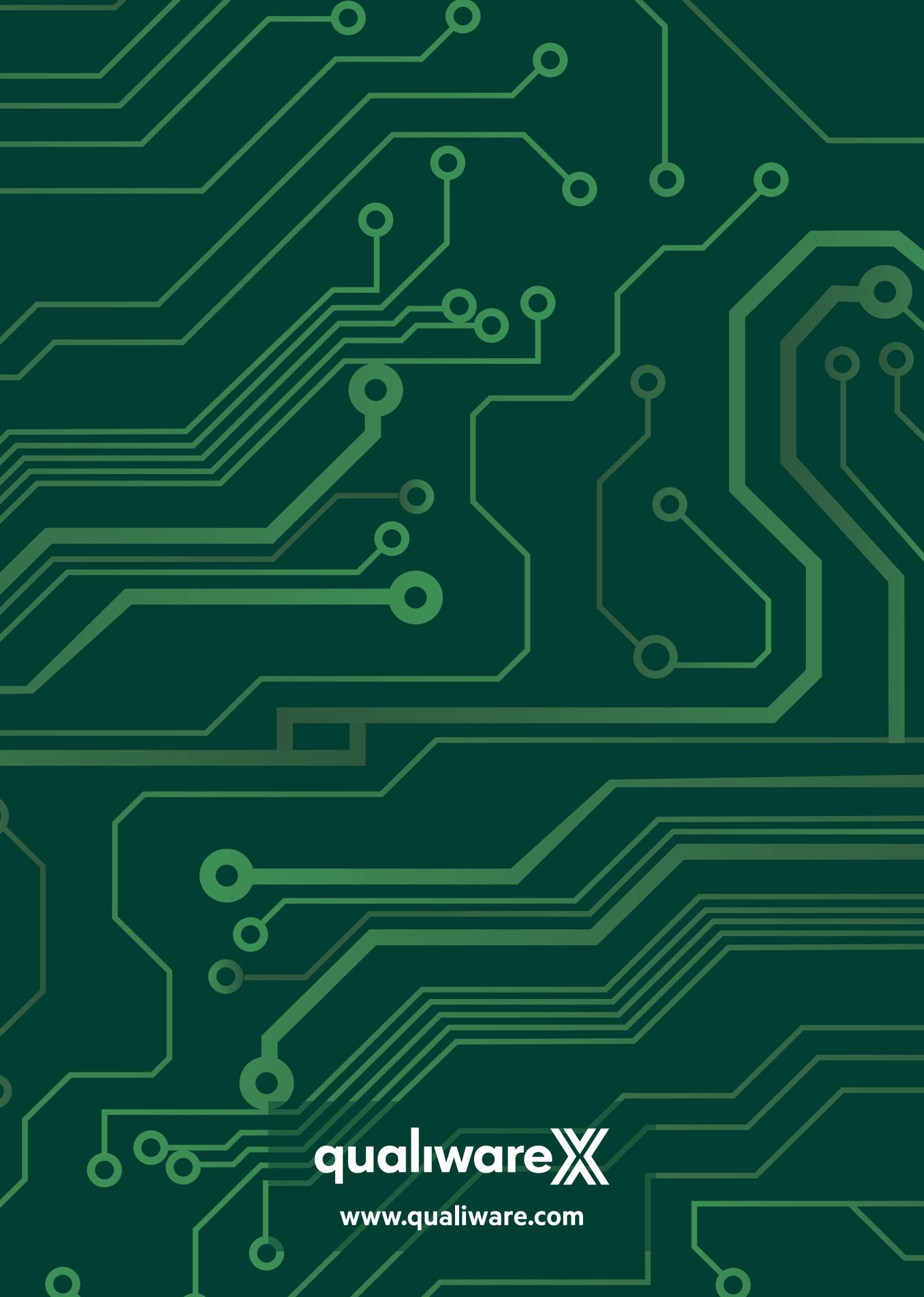


Figure 8 Shows the Monitoring tab in the property window of an Activity in QualiWare's web platform. Here you register how the monitoring of the activity is performed.



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