



# **ATTRIBUTE BASED MATURITY INDEX**

## **REFERENCE LIBRARY**

*A risk management implementation &  
competency development model*

e-Book

**LIMITED PAGE PREVIEW**

**2021 EDITION**

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The background of the page features a series of diagonal lines in shades of light gray, extending from the bottom-left towards the top-right. The lines vary in thickness and spacing, creating a dynamic, geometric pattern.

# abmi

*Every harvest comes after the season.*

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# WELCOME TO THE ATTRIBUTE BASED MATURITY INDEX

The ABMI Reference Library provides definitive guidance on the attribute-based maturity index for risk management. It is a risk implementation and governance guideline that provides streamlined and straightforward practice guidelines for each area of risk management. The main intent thereof, is to ensure that managing risk creates and preserves value through attaining performance and sustainability. The ABMI Reference Library is your advisor and source of insights when you find yourself in need of clarity on key risk management concepts.

Informed by extensive ongoing research and a peer review process, the ABMI Reference Library has its roots set in a risk maturity model conceptualised in 2011 and officially launched to the risk industry in 2013. This 2021 edition supersedes the 2018 edition and with it brings along key technical enhancements, the author's remarks on various risk practices, and refreshed knowledge presentation. Although there is significant change in content and competency considerations, the 2021 revision of the ABMI competency model retains the familiar seven core components.

The assessment of risk competency can be performed using the myABMI risk maturity assessment module available on [www.abmi.co.za](http://www.abmi.co.za). This tool is a web-based application that can be used to self-assess and benchmark risk maturity as well as to automate the generation of risk improvement plans. There are additional risk maturity tools available via the ABMI portal. You can also explore and learn more about the ABMI reference library's e-book or printed version.

As a learning tool, read the ABMI Reference Library slowly and do so with key learning objectives. When effectively leveraged, this material will not only assist you in your learning or everyday work but will develop your knowledge to advanced levels and put you ahead of your peers in technical and practical knowledge.

This is our heritage and investment as a continent in global risk excellence.

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**ATTRIBUTE BASED MATURITY INDEX-**  
**Reference Library**

# INTRODUCTION

INTRODUCTION

## Introduction

### ABOUT THE AUTHOR:



I have worked within the auditing, strategy, technology, and risk advisory space for around 26 years and in that time advised several public and private sector organisations within Sub-Saharan Africa. As a professional speaker and trainer, I have assisted in the development of the risk profession through custom developed and relevant training interventions as well as staff motivation and culture-building sessions.

I additionally play an active role as a mentor for various risk professionals as well as small business owners as part of my extended social investment focus. In addition to my corporate experience, I have served on two medical scheme boards in South Africa as well as chaired the risk committees of several public and private sector organisations.

### KEY PROFESSIONAL HIGHLIGHTS

- **Master of Business Administration (“MBA”)**, Certified Information Systems Auditor (“CISA”), Certified in Risk & Information Systems Control (“CRISC”), Bachelor of Commerce (“B.Com”).
- **26 years’ experience:** External Audit, Internal Audit, Strategy, Risk, Compliance, Ethics, Training, Corporate Governance, IT Audit, Network Automation, Information Security, Business Continuity Management.
- **Recent & previous roles:** ABMI Research Institute, Treten Group, SNG Grant Thornton (then SizweNtsaluba vsp), Nedbank, Zimnat Insurance Group, Deloitte.

## Introduction

### AUTHOR'S INTRODUCTION

The attribute-based maturity index ("ABMI") for risk management is my investment in the global body of knowledge that I hope will serve countries, organisations, and people to learn and improve their risk management capabilities. This project began in 2011 with the conception of an idea; informed by the need to build a credible, consistent, and widely applicable risk maturity assessment model. As a professional, I have always been averse to the notion of pushing a checklist to my clients which is not backed by empirical evidence or research. For that reason, I decided that, if I were to assist anyone with a risk maturity study or an as-is evaluation of the risk management programme, I needed myself to be convinced that the methodology I apply is credible. My work on developing a risk maturity checklist was quickly overtaken by the desire that there needed to be more to this methodology than a risk maturity checklist. I therefore took on the bigger task of developing what today is the ABMI Reference Library as well as its supporting tools and technology. It is a wonderful feeling to be at this stage of releasing the 2021 edition, and I hope it will impart some knowledge and where it adds no new knowledge, give you comfort that you are on the correct path.

Growing up, I have always been a budding narrator and aspirant writer, although my career took me on a different path at the end of my school years. After completing high school, I joined the then, Deloitte & Touche in 1995 to serve my articles of clerkship. At Deloitte, I interacted with and learnt from a myriad of mentors, clients, and colleagues. My early career guidance at Deloitte saw me receive multi-disciplinary training and work experience such that I became an all-rounder in areas of related work. In 2000, I joined Zimnat Insurance Group before beginning my career journey in South Africa at what later became known as SNG Grant Thornton. I worked for Nedbank for a three-year period as a project risk auditor and it is then that my love for risk management grew to what it is now. Having re-joined SNG Grant Thornton for a further 3-year period, I subsequently founded the Treten Group which is a risk advisory, strategy, and boutique solutions provider. I have served on the boards of two medical schemes (insurance companies in some countries), and chaired risk committees and several board sub-committees in my career. I have participated and continue to participate in building the risk management profession either independently or in contributory roles within global risk bodies. I have mentored small businesses, provide and serve in various advisory roles to client boards and am fully invested in building unique risk management intellectual property and technology.

It is my up-bringing, and collective experience that sees me take my risk advisory journey further, and today, finds me invested in the attribute-based maturity index. We are together in this journey!

## Introduction

### CREDITED TECHNICAL REVIEW TEAM:

The technical review team comprises a team of individuals who bring their collective experience and skills to the development of the ABMI Reference Library through providing their technical review input on all or certain sections of the ABMI Reference Library. Their feedback has been considered, aggregated and certain adjustments made where considered key to the outcome to ensure technical soundness and consistency across the knowledge resource. Although not all reviewers have been credited, this edition has benefitted greatly from their valuable inputs. Some of the members of the technical review team are as follows:



- **D.Com:** Business Management
- **14 years' experience:** Associate Professor at the University of South Africa, teaching Operational Risk Management for the Postgraduate Diploma in Risk Management qualification.
- **Recent roles:** University of South Africa

### REVIEWER'S COMMENTARY

In an impressively condensed manner, the author has produced probably the first risk management guide, the attribute-based maturity index for risk management with some South African flavour. The ABMI Reference Library is underpinned by views of the COSO framework, ISO31000 standard on risk management and core principles of The King IV Report. The theme of the book resonates with the current Institute of Risk Management South Africa (IRMSA)'s drive to promote integrated risk management with strategy, resilience and sustainability and how these are supposed to work, not only in theory but in practice. This book is

## Introduction

relevant, especially to those organisations that were found wanting at the time the Covid-19 virus pandemic struck globally.

The attribute-based maturity index (“ABMI”) for risk management is essentially a product of the author’s research and corporate experience. As a result, it integrates various aspects of risk management in a fashion that elucidates the basic building blocks of the subject in a manner amenable even to the non-specialist.

The use of practice guidelines to elaborate upon risk management concepts and practical implications thereof, makes the framework user-friendly to risk managers/practitioners, despite the length of the book. There are opportunities for further simplification of the content for the benefit of undergraduate students and the small and medium enterprises who do not have extensive resources available to them. Postgraduate students, on the other hand, are likely to find the script good reading material as it comprehensively covers all aspects of enterprise risk management. For the specialist, it is a good reference text because it has some useful references for further reading as well.

## Introduction



- **M.Com:** Applied Risk Management (cum laude) North-West University
- **30 years' experience:** Treasury Operations, Risk, Corporate Governance
- **Recent roles:** North West University, Transnet SOC Limited, Liberty Life

### REVIEWER'S COMMENTARY

As a futuristic and driven leader, I have three decades of experience in the corporate environment, specialising within the treasury operations, risk management, corporate governance, and compliance disciplines. The author presents a clear path of successfully safeguarding organisational sustainability and promoting high standards of ethical behaviour.

I have reviewed the framework carefully and have observed that it is based on a comprehensive literature review and credible contributions by renowned practitioners. The seven components of the attribute-based maturity index provide sound guidance on which to benchmark, design and improve risk maturity within any organisation. What is particularly useful is the codification of attributes and practices that allows for easy comparison of implementation levels across the various operating units of your organisation. Useful practice guidelines based on the core attributes provide sufficient detail to design an appropriate risk management programme.

## Introduction



- **Master of Business Leadership:** UNISA School for Business Leadership. Further qualifications in Political Sciences / International Politics and Information Technology. International certifications in ISO 31000, ISO 27001 and Training.
- **30 years' experience:** Consulting, Training, Corporate governance, Integrated risk management, Basel operational risk, IT audit, Information security, Business continuity and State security.
- **Recent roles:** Ristco (Pty) Ltd, Absa Group, Barclays Africa Group, Ingwe Coal Corporation

### REVIEWER'S COMMENTARY

I have been in various risk related leadership roles for more than thirty years and have a deep understanding of several specific risk types. In addition, I am providing specialist strategic services to manage across silos / departments to effectively correlate risk, governance, strategy, and performance management in support of well-considered organisational objectives. I am a member of the South Africa Mirror Committee responsible for the review of amongst others the ISO 31000 Risk Management Standard and as such there is periodic interaction with international risk experts as part of the International Standards Organisation activities.

The ABMI Reference Library was reviewed from a technical perspective. The main benefit of the ABMI Reference Library is that it could be consulted in business as it goes into deeper detail than other standard related documents. It also contains some detailed information on aspects that are currently explored further internationally, such as emerging risk. The Reference Library forms excellent reference

## Introduction

material for a maturity assessment and even comparability if the same aspects are repeatedly assessed. It is therefore complementary to the international risk standard (ISO 31000), COSO ERM and King IV that are referenced as the main input.

Such a maturity assessment will be based on the ABMI Reference Library categories which, as a set, are quite different from the structure of the international risk management standard or COSO ERM. Many of the definitions in the ABMI Reference library are also unique. Organisations operate in an integrated world with international links to own operations or Third Parties. As such, a common set of vocabulary to ensure a common understanding is advised. The ABMI reference Library does not advocate for the disregard of international standards but seeks to be applied as an additional method for interpretation and application within a unique context. There is continued international cooperation as part of the process to establish and update international standards and these international standards will likely remain in their dominant positions. Organisations should factor this in from an expectation and planning perspective.

There is clear evidence that the author has done a lot of research with several references that could be further interrogated by the reader.

## Introduction



- **Certified Internal Auditor**, FCCA, BSc Quantitative Economics
- **15 years' experience:** Accounting, Risk, Internal Controls & Audit
- **Recent roles:** ABMI Research Institute, PWC Uganda, Lafarge E-Africa

### REVIEWER'S COMMENTARY

Living in an ever-evolving world, change is imminent with or without warning. By embracing the great Greek philosopher, Heraclitus' quote that "change is the only constant in life", organisations can learn to keep their finger on the pulse when it comes to the inevitable risks that emanate from change. A holistic yet detailed analysis of risk management, this book is well balanced as it not only mirrors the author's experiences and learnings accumulated over the course of his decades-long career in this field, but also contains views from various globally and locally respected experts.

As a practitioner who has practically applied this methodology in advisory interventions, I have noted a clear evolution and enhanced relevance of information from the 2018 edition to the 2021 edition, which reflects more on world and industry circumstances as they have evolved in time. The knowledge is presented methodically, ensuring an easy flow as well as compartmentalisation of material, as it breaks down the strategic risk components into granular details presented as risk sub-attributes. Furthermore, the author's personal accounts and day-to-day stories brilliantly usher in each chapter as they allow the reader to appreciate risk in a simplified manner before subsequent paragraphs expound on more technical aspects. This reference library is a must-have for risk practitioners.

## Introduction

### FOREWORD:

The attribute-based maturity index (“ABMI”) for risk management is the result of research and development work undertaken by the author. This research and development exercise, which started in 2011 and has been ongoing has been supplemented by a further research process as well as academic and peer review of the foundational research outcomes. The 2021 edition signals the tenth year since the original start of research on this risk competency and implementation model.

### WHAT IS ABMI:

The discipline of risk management has been developing progressively over the past two decades and its strategic significance has been heightened by an up-surge in corporate failures, economic crises and the significant risk governance gaps demonstrated by the corona virus disease (COVID) pandemic as declared in 2020. The response to these circumstances has seen and resulted in increased focus on good governance, sustainability and contingency management globally.

Earlier interventions within the governance circles include but are not limited to the Committee of Sponsoring Organisations (“COSO”) of the Treadway Commission formulating the renowned COSO Risk Framework. In South Africa, the King Commission continues to champion and progress the development of leading and definitive governance practices that bear global significance. In what was a definitive moment of both the placement and significance of risk management, the King Commission provided clarity in advocating for non-separation of risk management from strategic management and sustainability elements within organisations. This supports a paradigm shift in the way risk management is approached.

The ABMI competency model presents an integrated approach to enterprise risk management. This model in its initial phases was developed as a maturity modelling tool used to assess risk maturity at the organisational level. This model is backed by academic study and research that focused on proving the linkage between advancements in risk maturity and positive organisational performance. Its value proposition is that it is a combined model for risk policy, framework, maturity and strategy setting with its origins set in comprehensive research informed by recognised best practice, organisational practice and a range of academic studies and professional opinions. It has been developed to be applicable globally and within varying types of organisations with little adjustment.

The ABMI Reference Library contributes to the body of knowledge within the risk management space and may be of interest to students, academics, auditors, risk management practitioners and management within organisations seeking to implement, benchmark and further develop their risk management practices. This model does not seek to present a divergent perspective on risk management, but rather works to provide structured clarity by integrating various sources of best practice as well as disciplines of risk management that are traditionally presented as separate professional practices. It also seeks to act as supplementary information that guides risk practitioners and organisations on trends to be considered in implementation of enterprise risk management in the wake of certain changes that have been proposed within the governance and risk management space.

# Introduction

ABMI comprises seven key components which are the subject of this model:

CODE	COMPONENT NAME	VALUE PROPOSITION/ OBJECTIVE
<b>A</b>	<b>Risk culture and leadership</b>	A well governed and sound risk culture supported by formalised policy, risk taking limits and competency development.
<b>B</b>	<b>Strategy integration</b>	Improved chances of attaining strategic objectives by incorporating risk and opportunity management into strategic planning.
<b>C</b>	<b>Performance integration</b>	Reduced uncertainty over performance objectives and ensuring that performance is delivered with minimal exposure to unmitigated risk.
<b>D</b>	<b>Sustainability integration</b>	Attainment of sustainability imperatives of the organisation through development and implementation of sustainability plans, management protocols and related business continuity management plans.
<b>E</b>	<b>Risk identification and assessment</b>	An understanding of both risks and opportunities as well as prioritisation thereof to guard against adverse impact through related risk mitigation.
<b>F</b>	<b>Risk response and optimisation</b>	Enhanced organisational performance and resource optimisation through deployment, management and monitoring of effective risk response strategies.
<b>G</b>	<b>Monitoring and communication</b>	Comprehensive overview of risk implications and enhanced capability for early warning systems for performance and sustainability assurance.

*Table 1: Summarised ABMI components and objectives*

## KEY HIGHLIGHTS:

### Departure from process-driven frameworks:

Organisations that have adopted ABMI will have noted a key departure from a process-based approach to risk management to an “attribute-based” model wherein the focus is on defining the desired characteristics of the risk management programme without dictating the process that under-pins those characteristics, known here as attributes. This allows flexibility in the approach and manner of execution within organisations and positions ABMI as a guidance and competency model that allows risk practitioners and organisations to benchmark whether their individually designed processes are aligned with the relevant requirements.

### Applicability across sectors and industries:

This model is applicable across industry types and different size entities with the direct ability to

## Introduction

compare results across these categories in risk maturity assessments. In formulating this model, consideration has been given to universal risk management practices within organisations and some minor degree of adjustment may be required to cater for unique characteristics of individual organisations. It is noted in the case of public sector organisations that, depending on the scheduling in terms of relevant public-sector legislation, organisations may be under the leadership of the Accounting Authority or Accounting Officer. The term Accounting Authority would essentially align with the Board of Directors/ Trustees whereas the Accounting Officer is an individual assigned such powers by the Executive Authority (Government/ Ministerial). The term “governing authority” is used in reference thereof.

### **A focus on behavioural attributes:**

This model as a competency model prefers entrenched, repeatable and observable behaviours over ‘paper-based-compliance’. Paper-based-compliance means the existence of policies and other process documents without any follow-through or implementation thereof. This model does not seek to under-value the importance of compliance documentation. It prefers and is based on the theory that implementation and follow up mechanisms through the human element, if ignored would nullify the effects of having the required compliance documentation in the first place.

### **Consistency through codification:**

This model comprises components, attributes and sub-attributes which are referenced, and the relevant practices codified to allow for easy comparison across divisions and entities. The use of a codified model also permits sharing and compartmentalisation of knowledge across organisations and participants because all knowledge and lessons learnt can now be linked to a specific codified practice. This allows for rapid replication and the building of effective risk forums for knowledge sharing.

### **It promotes an integrated approach:**

One of the most cited challenges to effective deployment of risk management within organisations is ineffective integration thereof with existent strategic management processes. This tends to create a view that risk is an additional burden of compliance that is added as another layer on top of what is already perceived as cumbersome and complex work. Instead of further enabling such misunderstanding, this body of knowledge elaborates on the mechanisms of enabling integration in a manner that builds understanding, not only of the necessity of the risk management component, but also provides clearer guidance on the manner, scope and outcomes of such integration.

### **It is widely researched:**

This body of knowledge includes extensive referencing of regulatory, industry body, academic, and professional sources including noted organisational practices. A rigorous literature study was conducted over a period spanning from 2011 to date and this will continue as part of continuous improvement programmes for ABMI. The use of a structured academic and professional research approach contributes

## Introduction

to the development of a credible and globally referenced body of knowledge. The ABMI Reference Library contains the opinions and conclusions of the author on a balanced view of reviewed literature and practices, which allows for a combined view of both theory and practice. The framework development process has involved ongoing stakeholder inputs gathered through beta-testing, feedback from users of the ABMI Reference Library and its tools as well as a structured stakeholder consultation and review process.

### **KEY CHANGES FROM THE 2018 EDITION:**

This 2021 edition of the ABMI Reference Library has introduced certain key changes in how the knowledge is presented as well as the overall arrangement of model attributes and sub-attributes. For that reason, readers are encouraged to upgrade to the latest edition to get up to date recommendations and ensure alignment of Reference Library content with the arrangement and presentation of the myABMI risk maturity assessment technology. Notable changes include but are not limited to the following:

#### **Seven familiar components but different wording:**

The 2021 update retains the seven broad components that readers will be familiar with from the very onset in 2013 as detailed in the 2018 model. However, these have been renamed in certain instances for enhanced clarity and to align with their underlying objectives better.

#### **Author's introductory remarks:**

The 2021 edition now includes the author's introductory remarks and practical experience in a simplified manner for each of the 24 attributes. These remarks are presented at the introduction of each of the practice guidelines respective to each attribute.

#### **Reviewed arrangement of attributes and sub-attributes:**

The 2021 edition has in certain areas changed the naming, underlying detail and mapping of attributes to the respective attributes. This change was necessitated by the need to build clearer linkage between risk management practices but also to eliminate confusion that may arise in application of the various risk management practices as recommended herein.

#### **Additional technical enhancements:**

As the underlying research has deepened, the ABMI Reference Library update has greatly benefited from increased technical understanding, broader inputs and the inclusion of more recent developments into the agenda of risk management. The key technical changes include:

- Additional technical elaboration has been provided on each component, attribute and the respective sub-attributes.

## Introduction

- Additional diagrammatic models have been introduced to assist with developing understanding of the relevant subject area.
- Recent events and developments were considered and researched to ensure that the updated edition accommodates relevant lessons learnt in its proposals and conclusions.
- The 2021 edition has been subjected to additional levels of technical scrutiny by a panel of technical reviewers. The review panel includes academics and professionals, some of whom are credited herein.

### ACKNOWLEDGEMENTS:

I would like to acknowledge the support received from the research support team, reviewers, suppliers and those organisations that have adopted the ABMI risk model and provided valuable insights to the continuous development work. This product of research, innovation and stakeholder consultation has progressed beyond its formative stages and due to its wide adoption, has gained credibility and substance. Together and through believing in our collective wisdom, we have entrenched ABMI as a risk management model of global relevance and scope.

**Terence Murasiki**  
Author & Researcher

# Table of Contents

<b>SECTION i - EXECUTIVE SUMMARY</b> .....	1
<b>1. INTRODUCING THE ATTRIBUTE-BASED MATURITY INDEX</b> .....	2
<b>2. COMPONENTS OF THE ABMI RISK MODEL</b> .....	3
<b>A. RISK CULTURE AND LEADERSHIP</b> .....	5
A.1 Risk oversight and accountability management .....	5
A.2 Risk philosophy and culture .....	6
A.3 Risk appetite .....	6
A.4 Risk tolerance limits .....	7
A.5 Competency assessment and development .....	7
<b>B. STRATEGY INTEGRATION</b> .....	8
B.1 Strategic planning framework .....	8
B.2 Strategic planning and risk integration .....	8
B.3 Risk appetite and planning integration .....	9
B.4 Risk contingency integration .....	9
<b>C. PERFORMANCE INTEGRATION</b> .....	10
C.1 Performance indicator integration .....	11
C.2 Risk adjusted performance measurement .....	11
C.3 Integration with staff and third-party performance .....	11
<b>D. SUSTAINABILITY INTEGRATION</b> .....	12
D.1 Strategic sustainability .....	12
D.2 Sustainability reporting .....	12
D.3 Business continuity management .....	12
<b>E. RISK IDENTIFICATION AND ASSESSMENT</b> .....	13
E.1 Risk identification and prioritisation .....	13
E.2 Risk opportunity evaluation .....	13
E.3 Emerging risks .....	14
<b>F. RISK RESPONSE AND OPTIMISATION</b> .....	14
F.1 Risk response strategies .....	14
F.2 Financing of risk response strategies .....	15
F.3 Internal audit assurance .....	15
<b>G. MONITORING AND COMMUNICATION</b> .....	16
G.1 Strategic combined assurance .....	16
G.2 Risk programme effectiveness .....	17
G.3 Incident management .....	17
<b>3. ABOUT THE ABMI RISK MATURITY MODEL</b> .....	18
<b>3.1 SUMMARY OF RISK MATURITY LEVELS</b> .....	18
<b>3.2 DESCRIPTION OF RISK MATURITY LEVELS</b> .....	19
3.2.1 Non-functional: Level 1 .....	19
3.2.2 Defining: Level 2 .....	19
3.2.3 Developing: Level 3 .....	19
3.2.4 Implementing: Level 4 .....	19
3.2.5 Managing: Level 5 .....	19
3.2.6 Optimising: Level 6 .....	20

# Table of Contents

<b>SECTION ii - PRACTICE GUIDELINES</b> .....	22
<b>A1: PRACTICE GUIDELINE: RISK OVERSIGHT AND ACCOUNTABILITY MANAGEMENT</b> .....	22
1. <b>DEFINING THE MAIN ATTRIBUTE</b> .....	23
2. <b>INTRODUCTORY REMARKS</b> .....	23
3. <b>BUSINESS CASE</b> .....	24
4. <b>COMMON PRACTICES</b> .....	25
5. <b>DEFINING THE SUB-ATTRIBUTES</b> .....	26
5.1. Risk oversight structures.....	27
5.2. Risk assessment oversight .....	28
5.3. Reporting by risk oversight structures .....	28
5.4. Risk reporting by management .....	29
5.5. Risk management focus & deliberation .....	29
6. <b>SUB-ATTRIBUTE COMPLIANCE MATRIX</b> .....	30
<b>A2: PRACTICE GUIDELINE: RISK PHILOSOPHY &amp; CULTURE</b> .....	32
1. <b>DEFINING THE MAIN ATTRIBUTE</b> .....	32
2. <b>INTRODUCTORY REMARKS</b> .....	32
3. <b>BUSINESS CASE</b> .....	34
4. <b>COMMON PRACTICES</b> .....	35
5. <b>DEFINING THE SUB-ATTRIBUTES</b> .....	37
5.1. Risk policy formulation and approval.....	38
5.2. Risk culture assessment and improvement.....	38
5.3. Risk policy communication and awareness .....	38
5.4. Organisational culture through awareness .....	39
5.5. Ethics and values.....	39
5.6. Breach and consequence management.....	39
5.7. Risk culture and performance management .....	40
5.8. Monitoring of risk policy compliance.....	40
6. <b>SUB-ATTRIBUTE COMPLIANCE MATRIX</b> .....	40
<b>A3: PRACTICE GUIDELINE: RISK APPETITE</b> .....	43
1. <b>DEFINING THE MAIN ATTRIBUTE</b> .....	43
2. <b>INTRODUCTORY REMARKS</b> .....	44
3. <b>BUSINESS CASE</b> .....	46
4. <b>COMMON PRACTICES</b> .....	46
5. <b>DEFINING THE SUB-ATTRIBUTES</b> .....	49
5.1. Risk appetite determination .....	49
5.2. Strategy and risk appetite alignment.....	50
5.3. Risk appetite and stakeholder alignment.....	50
5.4. Consideration of both quantitative and qualitative elements.....	50
5.5. Communication and entrenchment.....	50
5.6. Risk appetite monitoring and reporting.....	51
6. <b>SUB-ATTRIBUTE COMPLIANCE MATRIX</b> .....	51

## Table of Contents

<b>A4:</b>	<b>PRACTICE GUIDELINE: RISK TOLERANCE LIMITS</b> .....	53
1.	<b>DEFINING THE MAIN ATTRIBUTE</b> .....	54
2.	<b>INTRODUCTORY REMARKS</b> .....	54
3.	<b>BUSINESS CASE</b> .....	56
4.	<b>COMMON PRACTICES</b> .....	57
5.	<b>DEFINING THE SUB-ATTRIBUTES</b> .....	57
5.1.	Risk tolerance threshold determination .....	57
5.2.	Communication of risk tolerance limits .....	57
5.3.	Risk tolerance monitoring and reporting .....	58
6.	<b>SUB-ATTRIBUTE COMPLIANCE MATRIX</b> .....	58
<b>A5:</b>	<b>PRACTICE GUIDELINE: COMPETENCY ASSESSMENT &amp; DEVELOPMENT</b> .....	59
1.	<b>DEFINING THE MAIN ATTRIBUTE</b> .....	60
2.	<b>INTRODUCTORY REMARKS</b> .....	60
3.	<b>BUSINESS CASE</b> .....	62
4.	<b>COMMON PRACTICES</b> .....	63
5.	<b>DEFINING THE SUB-ATTRIBUTES</b> .....	64
5.1.	Objective-based risk strategy development.....	64
5.2.	Commitment of financial resources to support risk management strategy.....	65
5.3.	Building organisational capability to support strategy.....	65
5.4.	Monitoring of performance against risk management strategy.....	66
5.5.	Re-assessment and plan adjustment.....	66
6.	<b>SUB-ATTRIBUTE COMPLIANCE MATRIX</b> .....	67
<b>B1:</b>	<b>PRACTICE GUIDELINE: STRATEGIC PLANNING FRAMEWORK</b> .....	68
1.	<b>DEFINING THE MAIN ATTRIBUTE</b> .....	69
2.	<b>INTRODUCTORY REMARKS</b> .....	70
3.	<b>BUSINESS CASE</b> .....	70
4.	<b>COMMON PRACTICES</b> .....	71
5.	<b>DEFINING THE SUB-ATTRIBUTES</b> .....	75
5.1.	Strategy setting.....	75
5.2.	Strategic relevance and alignment.....	76
5.3.	Strategy implementation.....	76
5.4.	Strategy and organisational alignment.....	76
6.	<b>SUB-ATTRIBUTE COMPLIANCE MATRIX</b> .....	77
<b>B2:</b>	<b>PRACTICE GUIDELINE: STRATEGIC PLANNING &amp; RISK INTEGRATION</b> .....	78
1.	<b>DEFINING THE MAIN ATTRIBUTE</b> .....	79
2.	<b>INTRODUCTORY REMARKS</b> .....	79
3.	<b>BUSINESS CASE</b> .....	80
4.	<b>COMMON PRACTICES</b> .....	81
5.	<b>DEFINING THE SUB-ATTRIBUTES</b> .....	82
5.1.	Risk-return analysis in strategic planning .....	82
5.2.	Risk-based approval of programmes and projects.....	83
6.	<b>SUB-ATTRIBUTE COMPLIANCE MATRIX</b> .....	83

# Table of Contents

<b>B3:</b>	<b>PRACTICE GUIDELINE: RISK APPETITE &amp; PLANNING INTEGRATION</b> .....	84
1.	<b>DEFINING THE MAIN ATTRIBUTE</b> .....	85
2.	<b>INTRODUCTORY REMARKS</b> .....	85
3.	<b>BUSINESS CASE</b> .....	86
4.	<b>COMMON PRACTICES</b> .....	86
5.	<b>DEFINING THE SUB-ATTRIBUTES</b> .....	87
5.1.	Consideration of risk appetite in planning .....	87
6.	<b>SUB-ATTRIBUTE COMPLIANCE MATRIX</b> .....	87
<b>B4:</b>	<b>PRACTICE GUIDELINE: RISK CONTINGENCY INTEGRATION</b> .....	88
1.	<b>DEFINING THE MAIN ATTRIBUTE</b> .....	89
2.	<b>INTRODUCTORY REMARKS</b> .....	89
3.	<b>BUSINESS CASE</b> .....	90
4.	<b>COMMON PRACTICES</b> .....	90
5.	<b>DEFINING THE SUB-ATTRIBUTES</b> .....	91
5.1.	Contingency planning to address performance environment uncertainties .....	91
6.	<b>SUB-ATTRIBUTE COMPLIANCE MATRIX</b> .....	92
<b>C1:</b>	<b>PRACTICE GUIDELINE: PERFORMANCE INDICATOR INTEGRATION</b> .....	93
1.	<b>DEFINING THE MAIN ATTRIBUTE</b> .....	94
2.	<b>INTRODUCTORY REMARKS</b> .....	94
3.	<b>BUSINESS CASE</b> .....	95
4.	<b>COMMON PRACTICES</b> .....	95
5.	<b>DEFINING THE SUB-ATTRIBUTES</b> .....	97
5.1.	Alignment of key performance and key risk indicators for monitoring purposes .....	97
5.2.	Integrated monitoring of performance and risk .....	98
5.3.	Integrated performance and risk reporting to the governing authority.....	98
6.	<b>SUB-ATTRIBUTE COMPLIANCE MATRIX</b> .....	98
<b>C2:</b>	<b>PRACTICE GUIDELINE: RISK ADJUSTED PERFORMANCE TARGETS</b> .....	100
1.	<b>DEFINING THE MAIN ATTRIBUTE</b> .....	101
2.	<b>INTRODUCTORY REMARKS</b> .....	102
3.	<b>BUSINESS CASE</b> .....	103
4.	<b>COMMON PRACTICES</b> .....	103
5.	<b>DEFINING THE SUB-ATTRIBUTES</b> .....	105
5.1.	Performance target risk-adjustment .....	106
5.2.	Risk-adjusted performance target monitoring and reporting.....	106
6.	<b>SUB-ATTRIBUTE COMPLIANCE MATRIX</b> .....	107
<b>C3:</b>	<b>PRACTICE GUIDELINE: INTEGRATION WITH STAFF &amp; STAKEHOLDER PERFORMANCE</b> ....	108
1.	<b>DEFINING THE MAIN ATTRIBUTE</b> .....	109
2.	<b>INTRODUCTORY REMARKS</b> .....	109
3.	<b>BUSINESS CASE</b> .....	110
4.	<b>COMMON PRACTICES</b> .....	110
5.	<b>DEFINING THE SUB-ATTRIBUTES</b> .....	112
5.1.	Formal performance management system/ process .....	113

## Table of Contents

5.2.	Relative weighting of risk management in performance management model .....	113
5.3.	Integrating risk into the performance management process .....	113
5.4.	Integrating risk into third party contracts.....	114
<b>6.</b>	<b>SUB-ATTRIBUTE COMPLIANCE MATRIX .....</b>	<b>115</b>
<b>D1:</b>	<b>PRACTICE GUIDELINE: STRATEGIC SUSTAINABILITY .....</b>	<b>116</b>
<b>1.</b>	<b>DEFINING THE MAIN ATTRIBUTE .....</b>	<b>117</b>
<b>2.</b>	<b>INTRODUCTORY REMARKS .....</b>	<b>117</b>
<b>3.</b>	<b>BUSINESS CASE .....</b>	<b>118</b>
<b>4.</b>	<b>COMMON PRACTICES .....</b>	<b>118</b>
<b>5.</b>	<b>DEFINING THE SUB-ATTRIBUTES .....</b>	<b>120</b>
5.1.	Sustainability management framework .....	120
5.2.	Sustainability management plan.....	120
5.3.	Risk assessment for sustainability management.....	121
<b>6.</b>	<b>SUB-ATTRIBUTE COMPLIANCE MATRIX .....</b>	<b>121</b>
<b>D2:</b>	<b>PRACTICE GUIDELINE: SUSTAINABILITY REPORTING .....</b>	<b>122</b>
<b>1.</b>	<b>DEFINING THE MAIN ATTRIBUTE .....</b>	<b>123</b>
<b>2.</b>	<b>INTRODUCTORY REMARKS .....</b>	<b>123</b>
<b>3.</b>	<b>BUSINESS CASE .....</b>	<b>124</b>
<b>4.</b>	<b>COMMON PRACTICES .....</b>	<b>124</b>
<b>5.</b>	<b>DEFINING THE SUB-ATTRIBUTES .....</b>	<b>125</b>
5.1.	Sustainability management monitoring .....	125
5.2.	Sustainability reporting .....	125
<b>6.</b>	<b>SUB-ATTRIBUTE COMPLIANCE MATRIX .....</b>	<b>126</b>
<b>D3:</b>	<b>PRACTICE GUIDELINE: BUSINESS CONTINUITY MANAGEMENT .....</b>	<b>127</b>
<b>1.</b>	<b>DEFINING THE MAIN ATTRIBUTE .....</b>	<b>128</b>
<b>2.</b>	<b>INTRODUCTORY REMARKS .....</b>	<b>128</b>
<b>3.</b>	<b>BUSINESS CASE .....</b>	<b>130</b>
<b>4.</b>	<b>COMMON PRACTICES .....</b>	<b>131</b>
<b>5.</b>	<b>DEFINING THE SUB-ATTRIBUTES .....</b>	<b>133</b>
5.1.	Business continuity accountability .....	133
5.2.	Business impact analysis .....	134
5.3.	Records management .....	134
5.4.	Crisis and disaster management planning .....	134
5.5.	Contingency facilities planning.....	135
5.6.	Resourcing and contracting for implementation.....	135
5.7.	Business continuity plan communication .....	136
5.8.	Training programme .....	136
5.9.	Plan monitoring and testing.....	136
5.10.	Third-party plan integration .....	137
<b>6.</b>	<b>SUB-ATTRIBUTE COMPLIANCE MATRIX .....</b>	<b>137</b>
<b>E1:</b>	<b>PRACTICE GUIDELINE: RISK IDENTIFICATION &amp; PRIORITISATION.....</b>	<b>139</b>
<b>1.</b>	<b>DEFINING THE MAIN ATTRIBUTE .....</b>	<b>140</b>

# Table of Contents

<b>2.</b>	<b>INTRODUCTORY REMARKS</b> .....	140
<b>3.</b>	<b>BUSINESS CASE</b> .....	144
<b>4.</b>	<b>COMMON PRACTICES</b> .....	145
<b>5.</b>	<b>DEFINING THE SUB-ATTRIBUTES</b> .....	148
5.1.	Context-based risk identification .....	148
5.2.	Strategic risk assessment.....	149
5.3.	Operational risk assessment .....	149
5.4.	Fraud risk assessment.....	149
5.5.	Project risk assessment and planning.....	150
5.6.	Compliance risk assessment.....	150
5.7.	Ethics risk assessment .....	150
5.8.	Technology and cyber risk assessment.....	151
5.9.	Key risk indicator mapping.....	151
5.10.	Risk appetite, tolerance and prioritisation alignment .....	151
<b>6.</b>	<b>SUB-ATTRIBUTE COMPLIANCE MATRIX</b> .....	152
<b>E2:</b>	<b>PRACTICE GUIDELINE: RISK OPPORTUNITY EVALUATION</b> .....	154
<b>1.</b>	<b>DEFINING THE MAIN ATTRIBUTE</b> .....	155
<b>2.</b>	<b>INTRODUCTORY REMARKS</b> .....	155
<b>3.</b>	<b>BUSINESS CASE</b> .....	160
<b>4.</b>	<b>COMMON PRACTICES</b> .....	161
<b>5.</b>	<b>DEFINING THE SUB-ATTRIBUTES</b> .....	163
5.1.	Risk opportunity framework.....	163
5.2.	Risk opportunity assessment .....	164
5.3.	Risk opportunity implementation, monitoring and evaluation.....	164
<b>6.</b>	<b>SUB-ATTRIBUTE COMPLIANCE MATRIX</b> .....	165
<b>E3:</b>	<b>PRACTICE GUIDELINE: EMERGING RISKS</b> .....	166
<b>1.</b>	<b>DEFINING THE MAIN ATTRIBUTE</b> .....	167
<b>2.</b>	<b>INTRODUCTORY REMARKS</b> .....	167
<b>3.</b>	<b>BUSINESS CASE</b> .....	169
<b>4.</b>	<b>COMMON PRACTICES</b> .....	169
<b>5.</b>	<b>DEFINING THE SUB-ATTRIBUTES</b> .....	172
5.1.	Emerging risk identification.....	172
5.2.	Emerging risk assessment.....	173
5.3.	Responses to emerging risks .....	173
5.4.	Monitoring and Reporting.....	174
<b>6.</b>	<b>SUB-ATTRIBUTE COMPLIANCE MATRIX</b> .....	174
<b>F1:</b>	<b>PRACTICE GUIDELINE: RISK RESPONSE STRATEGIES</b> .....	175
<b>1.</b>	<b>DEFINING THE MAIN ATTRIBUTE</b> .....	176
<b>2.</b>	<b>INTRODUCTORY REMARKS</b> .....	176
<b>3.</b>	<b>BUSINESS CASE</b> .....	178
<b>4.</b>	<b>COMMON PRACTICES</b> .....	179
<b>5.</b>	<b>DEFINING THE SUB-ATTRIBUTES</b> .....	183
5.1.	Strategic risk response planning .....	184

## Table of Contents

5.2.	Formulation of policies and procedures.....	184
5.3.	Consideration and implementation of risk insurability .....	184
5.4.	Monitoring performance of risk response strategies .....	185
<b>6.</b>	<b>SUB-ATTRIBUTE COMPLIANCE MATRIX .....</b>	<b>185</b>
<b>F2:</b>	<b>PRACTICE GUIDELINE: FINANCING OF RISK RESPONSE STRATEGIES .....</b>	<b>186</b>
<b>1.</b>	<b>DEFINING THE MAIN ATTRIBUTE .....</b>	<b>187</b>
<b>2.</b>	<b>INTRODUCTORY REMARKS .....</b>	<b>187</b>
<b>3.</b>	<b>BUSINESS CASE .....</b>	<b>188</b>
<b>4.</b>	<b>COMMON PRACTICES .....</b>	<b>188</b>
<b>5.</b>	<b>DEFINING THE SUB-ATTRIBUTES .....</b>	<b>189</b>
5.1.	Financial quantification of cost of risk .....	189
5.2.	Approval for the funding of risk response activities .....	190
5.3.	Value realisation from the financing of risk response activities.....	190
5.4.	Cost-efficiency optimisation.....	191
<b>6.</b>	<b>SUB-ATTRIBUTE COMPLIANCE MATRIX .....</b>	<b>191</b>
<b>F3:</b>	<b>PRACTICE GUIDELINE: INTERNAL AUDIT ASSURANCE .....</b>	<b>192</b>
<b>1.</b>	<b>DEFINING THE MAIN ATTRIBUTE .....</b>	<b>193</b>
<b>2.</b>	<b>INTRODUCTORY REMARKS .....</b>	<b>193</b>
<b>3.</b>	<b>BUSINESS CASE .....</b>	<b>195</b>
<b>4.</b>	<b>COMMON PRACTICES .....</b>	<b>195</b>
<b>5.</b>	<b>DEFINING THE SUB-ATTRIBUTES .....</b>	<b>197</b>
5.1.	Establishment of a risk-based internal audit function.....	198
5.2.	Approval of the Internal audit charter .....	198
5.3.	Value realisation from the financing of risk response activities.....	199
5.4.	Implementation of internal audit recommendations .....	199
5.5.	Quality assurance and improvement.....	199
<b>6.</b>	<b>SUB-ATTRIBUTE COMPLIANCE MATRIX .....</b>	<b>200</b>
<b>G1:</b>	<b>PRACTICE GUIDELINE: STRATEGIC COMBINED ASSURANCE .....</b>	<b>201</b>
<b>1.</b>	<b>DEFINING THE MAIN ATTRIBUTE .....</b>	<b>202</b>
<b>2.</b>	<b>INTRODUCTORY REMARKS .....</b>	<b>202</b>
<b>3.</b>	<b>BUSINESS CASE .....</b>	<b>203</b>
<b>4.</b>	<b>COMMON PRACTICES .....</b>	<b>204</b>
<b>5.</b>	<b>DEFINING THE SUB-ATTRIBUTES .....</b>	<b>208</b>
5.1.	Formalisation of a combined assurance model .....	208
5.2.	Risk register based assurance .....	209
5.3.	Implementation of combined assurance activities and standards .....	209
5.4.	Thematic risk assurance .....	210
5.5.	Governance based assurance .....	210
5.6.	Compliance based assurance .....	210
5.7.	Combined assurance monitoring and reporting.....	210
<b>6.</b>	<b>SUB-ATTRIBUTE COMPLIANCE MATRIX .....</b>	<b>211</b>
<b>G2:</b>	<b>PRACTICE GUIDELINE: RISK PROGRAMME EFFECTIVENESS.....</b>	<b>212</b>

## Table of Contents

<b>1.</b>	<b>DEFINING THE MAIN ATTRIBUTE</b> .....	213
<b>2.</b>	<b>INTRODUCTORY REMARKS</b> .....	213
<b>3.</b>	<b>BUSINESS CASE</b> .....	214
<b>4.</b>	<b>COMMON PRACTICES</b> .....	214
<b>5.</b>	<b>DEFINING THE SUB-ATTRIBUTES</b> .....	217
5.1.	Self-assessment of risk management effectiveness .....	217
5.2.	Reporting on risk effectiveness to the governing authority .....	218
5.3.	Independent assurance over risk management effectiveness .....	218
<b>6.</b>	<b>SUB-ATTRIBUTE COMPLIANCE MATRIX</b> .....	219
<b>G3:</b>	<b>PRACTICE GUIDELINE: INCIDENT MANAGEMENT</b> .....	220
<b>1.</b>	<b>DEFINING THE MAIN ATTRIBUTE</b> .....	221
<b>2.</b>	<b>INTRODUCTORY REMARKS</b> .....	221
<b>3.</b>	<b>BUSINESS CASE</b> .....	222
<b>4.</b>	<b>COMMON PRACTICES</b> .....	222
<b>5.</b>	<b>DEFINING THE SUB-ATTRIBUTES</b> .....	224
<b>6.</b>	<b>SUB-ATTRIBUTE COMPLIANCE MATRIX</b> .....	227
<b>SECTION iii: ABMI ROLES AND RESPONSIBILITIES</b> .....		229
<b>1.</b>	<b>INTRODUCTION</b> .....	230
<b>2.</b>	<b>RACI MATRIX: ABMI - COMPONENT LEVEL</b> .....	230
<b>3.</b>	<b>RACI MATRIX: ABMI - ATTRIBUTE LEVEL</b> .....	232
<b>4.</b>	<b>THE SIGNIFICANCE OF JOINT RESPONSIBILITY</b> .....	234
<b>SECTION iv: GLOSSARY &amp; BIBLIOGRAPHY</b> .....		235
<b>1.</b>	<b>GLOSSARY OF COMMON TERMS</b> .....	236
<b>2.</b>	<b>BIBLIOGRAPHY</b> .....	238

# SECTION i

## Executive Summary

## Executive Summary

### 1. INTRODUCING THE ATTRIBUTE-BASED MATURITY INDEX

#### **What is ABMI:**

This model is referred to as the attribute-based maturity index (ABMI) and it provides a detailed description of the enterprise risk management programme from a competency and implementation perspective. It addresses the components, attributes and competencies that should be in place under ABMI to manage risk in an enterprise-wide and consistent manner. The ABMI Reference Library can also be used to guide risk maturity assessments, risk strategy development and the design and development of various risk management interventions. It is designed to apply to a diverse range of organisations, regardless of their industry sector and is a framework for organisational enterprise risk management implementation. It is however not designed to be an assessment or guide for specialised risk management fields such as credit risk management, clinical risk management or treasury risk management.

ABMI learns from various sources and literature and is under-pinned by the core principle of the King report in its advocating for inseparability of components that include strategy, risk and opportunity, performance, and sustainability management. ABMI recognises and prioritises the implementation and entrenchment of risk management practices and does not fully recognise and reward the existence of policies and procedures without effective implementation and integration efforts. In alternative terms, this methodology does not promote a “tick-box” culture.

In the case of maturity assessments, this model, through its technology-driven risk maturity model allows for rapid availability of assessment results and phased improvement plans that are benchmarked per sector.

#### **Dealing with Risk Management Basics:**

This reference library provides intermediate to advanced guidance for risk management implementation. Although certain fundamental risk management concepts are addressed in the book, readers are advised that a basic understanding of risk management would assist in easier understanding and applying the advanced principles contained in this reference library. To compensate for its technical context, this book has been, where relevant, structured to provide some useful information that allows the reader to understand key technical terms and usage thereof. Some of this guidance is provided in the glossary and some is provided in the narrative text provided in each section of this book.

As best as possible, every attempt is made to present information in the simplest possible form without losing context and technical facts where necessary.

# Executive Summary

## 2. COMPONENTS OF THE ABMI RISK MODEL

In terms of the attribute-based maturity index, there are a total of twenty-four (“24”) capabilities within the enterprise risk management framework. These capabilities are referred to within ABMI as attributes. Attributes are demonstrable capabilities within a functional and effective risk management programme. Entities that exhibit more advancement within these attributes are viewed under ABMI as relatively more mature and likely to derive strategic value from risk management programmes. The ABMI Reference Library considers the views of the COSO framework, ISO31000 standard on risk management, as well as the King IV Report on Corporate Governance™ in South Africa. It additionally considers academic and professional opinion and recommendations. The ABMI risk model is broken down into components which are in turn supported by attributes. Attributes are also further analysed and broken down into sub-attributes.

The high-level ABMI competency model is depicted as below:

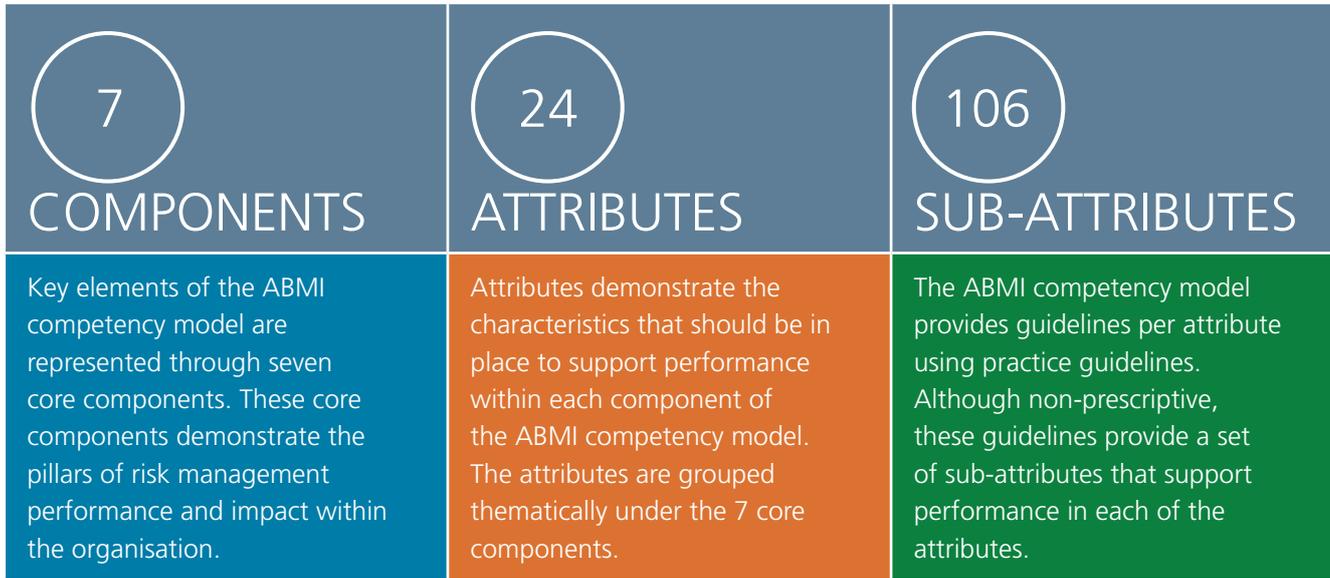


Figure 1 – ABMI Risk Competency Model Components (2013 as revised in 2021)

The ABMI Reference Library further provides insight into each of the main components by considering the main attributes, which have a sub-set of specific focus areas underneath them as well as relative weightings thereof, in the case of maturity assessments. Although the maturity model is not intended to be adjusted on a case-by-case basis, certain organisations may seek to adjust the relative weighting of attributes to prioritise areas which they perceive as having a larger impact on risk management effectiveness. However, such customisation will imply that benchmarking against similar organisations using the risk maturity model becomes impossible

The following section provides a comprehensive discussion of areas that are included under the ABMI competency model. ABMI is structured in a layered format with more detailed context as one goes further down the structure. The structure of ABMI from an architectural perspective is as follows:

## Executive Summary



*Figure 2 – ABMI risk model architectural structure*

This model first introduces the relevant components and provides a narrative of each as well as the context within which it may be applied. In the same section where each component is discussed the respective attributes that make up the component are presented and discussed. To provide further guidance on each of the attributes, this model incorporates detailed practice guidelines per attribute which are based on detailed literature study and review. These practice guidelines codified in a similar manner as the primary attribute also provide additional context as to the required sub-attributes of each attribute discussed hereafter. Essentially the practice guidelines provide additional understanding of the attribute and in conclusion thereof the respective sub-attributes that make up each attribute.

Risk practitioners and management are required to consider the requirements of each practice guideline in benchmarking and developing their relevant practice standards. In the case of risk maturity assessments, the assessment would consider risk maturity by considering the relevant sub-attributes and summing up the results to derive overall maturity for the organisation. For high-level and strategic reporting, the framework also provides a risk maturity conclusion per component of risk practice allowing those in governance roles to gain a high-level appreciation of areas of strength and those for improvement.

# Executive Summary

## A. RISK CULTURE AND LEADERSHIP

The essence of risk culture and leadership lies in establishment of a sound control environment within the organisation. In accordance with the Institute of Internal Auditors, a control environment is defined as the attitude and actions of management regarding the significance of internal control within an organisation. It pre-supposes that firstly management must desire a good control culture and secondly that this must be followed up with effective implementation of that control system. The Institute of Internal Auditors further elaborates that a control environment is the “foundation on which an effective system of internal control is built and operated”

The Institute of Internal Auditors ascribes to the fact that previously recorded financial crises are attributable to ineffective risk leadership and culture within organisations. (Institute of Internal Auditors. Online). Under ABMI the following attributes are recommended for inclusion and assessment under this component:

Ref	Attribute	Description of attribute	Ref
A.1	<b>RISK OVERSIGHT AND ACCOUNTABILITY MANAGEMENT</b> >>	The governing authority actively leads and directs the risk management programme	Page 23
A.2	<b>RISK PHILOSOPHY &amp; CULTURE</b> >>	The organisation enables a sound risk culture through clear philosophy, ethics and value systems, integrity standards and effective awareness building to ensure that risk policy positions are understood, adhered to and enforced.	Page 32
A.3	<b>RISK APPETITE</b> >>	There is a formally defined risk appetite that considers both financial and non-financial attributes and that is approved by the governing authority	Page 43
A.4	<b>RISK TOLERANCE LIMITS</b> >>	Risk tolerance thresholds are defined and measured as well as reported on a periodic basis	Page 54
A.5	<b>COMPETENCY ASSESSMENT &amp; DEVELOPMENT</b> >>	Risk management improvement plans are in place to enhance risk management capabilities and competencies progressively	Page 60

Table 2 – Risk culture and leadership: Component attributes

### A.1 Risk oversight and accountability management

The governing authority should actively lead and direct the risk management programme. In assessing risk maturity, there would be a preference that this risk leadership be evident and effective within the organisation. This would typically be supported by documentary evidence of deliberation of risks by the governing authority. To discourage a focus on basis paper-based-compliance, the assessment of this attribute prefers active leadership and deliberation of risk and less prefers documentation such

**SECTION iv**  
**GLOSSARY & BIBLIOGRAPHY**

## Glossary Of Common Terms

### SECTION IV: GLOSSARY & BIBLIOGRAPHY

#### 1. GLOSSARY OF COMMON TERMS

Term	Description
<b>Consequence</b>	An outcome of an event/ risk, whether positive or negative.
<b>Contributory (risk) factor</b>	Any threat or event, which contributes to the risk materialising, or has the potential to contribute to the risk materialising.
<b>Control effectiveness</b>	A measure of the design and functionality of controls for managing risk.
<b>Enterprise risk management</b>	The culture-driven risk and opportunity management rules, attributes and management processes designed to assure organisational performance and sustainability in an integrated manner.
<b>Governing Authority</b>	Means the Board/ Accounting Authority or Accounting Officer of an organisation or the equivalent.
<b>Inherent risk</b>	The combined level of risk likelihood and risk impact before the consideration of any effect of controls. Alternatively, the exposure arising from risk factors in the absence of deliberate management intervention(s) to exercise control over such risk factors.
<b>Key risk indicators</b>	Metrics used by management to provide an early signal of increasing risk exposure or emerging risk.
<b>PESTEL analysis</b>	An assessment into the political, economic, social, technological, environmental and legislative aspects of an organisation
<b>Residual risk</b>	The level of risk that remains after risk mitigation measures have been implemented.
<b>Risk</b>	Risk is an uncertain factor or event that may, immediately or in the future, impact performance and sustainability.
<b>Risk analysis</b>	Systematic use of information to identify sources of risk and to estimate the level of risk.
<b>Risk assessment</b>	Overall process of risk identification, risk quantification and risk evaluation to identify potential opportunities or minimise loss.
<b>Risk exposure</b>	Extent to which the organisation is subject to a risk event.
<b>Risk owner</b>	The person with the accountability and authority to manage a risk.

## Glossary Of Common Terms

Term	Description
<b>Risk management</b>	Risk management is the identification and evaluation of actual and potential risk areas followed by deliberate and systematic response designed to ensure attainment and sustainability of organisational outcomes.
<b>Risk occurrence timeline</b>	This demonstrates the projected timeline to the risk's first estimated occurrence. In some instances, risks are identified on a future-looking basis and an understanding of timeline gives the organisation context to what available time may be used to prepare.
<b>Risk register</b>	A formal listing of risks identified, together with the results of the risk analysis and evaluation together with details of risk treatment strategies, risk controls in place and risk action plans.
<b>Risk velocity</b>	The speed with which a risk, at occurrence impacts the organisation or deteriorates the organisation's circumstances. A high-risk velocity requires effective first-line and emergency response processes.
<b>SWOT analysis</b>	An analysis that considers organisational strengths, weaknesses, opportunities and threats

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