

Media Release

Research reveals boards have more to do on risk management

Melbourne, 4 December 2008 - Board Benchmarking and Insync Surveys have released a study, *Risk management in the boardroom*, based on the views of 625 directors who sit on 79 different Australian and New Zealand boards.

Mr Nicholas Barnett, Insync Surveys Chairman, said: "The good news is that boards are setting the right 'tone at the top', however some boards need to pull up their socks in terms of risk management systems, including developing an appropriate risk culture, internal controls and compliance procedures.

"We believe this is the most comprehensive insight into directors' perceptions of their board's risk management practices ever publically released in our region.

"The spotlight is likely to shine more brightly on risk management as economic times become more difficult and volatile. Governments, shareholders, directors and management should expect a significant increase in scrutiny over the next few years. Oversight and review of their risk culture and risk management practices for all types of organisations are paramount."

The report shows that most directors (83%) believe they set the right "tone at the top" for their organisations but there are large gaps in perceptions of the "right tone" between directors under 45 years (with just 66% agreeing) and over 64 years (with an overwhelming 90% agreeing).

Barnett said: "Some boards and management need to do more to get on the same page in relation to their organisation's risk appetite, with only 49% of directors overall saying their board and management have an agreed view on the organisation's risk appetite for each significant risk.

"Once risk appetite is agreed, it is essential that the CEO and management team ensure the organisation's culture is adapted accordingly," he said.

The report shows that around 41% of directors overall either disagree or are uncertain that their organisation adopts a culture that's consistent with the organisation's agreed risk appetite.

"The report shows that risk management at the board level isn't happening to the extent it should.

"Directors need to ask themselves how well risk management is embedded in their organisation's business processes, including in employee inductions, job descriptions, performance management practices and at each level of management," said Barnett.

In terms of enterprise risk management systems, almost half of the 625 directors in the research sample overall either disagree or are not sure that their organisation has this nailed.

"For listed organisations, it's a very clear requirement that directors need to require management to design and implement a risk management system to direct the organisation's material business risks. So it's disappointing that this isn't happening on a larger scale," said Barnett.

The report also shows that directors overall consider that their organisations have more effective compliance procedures, with agreement levels of 70%, than they do in relation to the effectiveness of risk management systems (just 52% of directors agree overall) and internal controls (just 61% of directors agree overall).

"This may be because compliance is more 'black and white' and less subjective than internal controls and risk management systems," he said.

About the sample

Around 20% of the 79 boards are ASX listed, including in the top 10. Aside from ASX listed organisations, the boards included in this study also represent a cross section of organisations ranging from associations, not-for-profits and government entities. As for director gender, 25% of responses are from females and 75% are from males. The majority of directors in the sample are non-executive. Director age revealed the biggest contrast of views compared to the other demographic splits.

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About Board Benchmarking

Board Benchmarking has two world class measurement tools: its Board Effectiveness Survey and Audit Committee Effectiveness Survey. Both are available globally and are distributed via authorised distribution partners, which include: KPMG Australia, Insync Surveys, Oppeus, Westlake Consulting and Gerard Daniels.

Board Benchmarking has carried out over 100 board and audit committee surveys for organisations ranging from large public companies and government organisations to private companies, associations and not-for-profit entities. Board Benchmarking's surveys are powered by integrated benchmarked stakeholder survey specialists, Insync Surveys.

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About Insync Surveys

Insync Surveys has a range of leading edge integrated benchmarked stakeholder surveys. Its surveys are distributed in over 40 countries and in over 15 languages and include surveys for employees, customers, boards, board committees and many other organisation stakeholders.

Insync Surveys has carried out surveys for some of the largest organisations in Asia Pacific and has offices or representatives in Australia, Asia, North America and the United Kingdom. Insync Surveys' technology also powers the surveys of Board Benchmarking.

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