



Grant Thornton

An instinct for growth™

Risk culture

Building great organisations and growing your foundation for success

CAPABILITY STATEMENT 2016



What the regulators are saying about risk culture



An effective risk culture guides and facilitates desired behaviours

Risk culture assessments are uncharted territory for most boards and leadership teams: there are no established standards and, as yet, no generally accepted practices. At Grant Thornton, our approach is to reach below the surface of traditional reviews thereby shedding light on the culture and behaviours that underpin effective risk management frameworks. We include behavioural psychologists – and their methodologies – as an integral part of the team in a range of reviews, providing both qualitative and quantitative risk culture feedback.

Risk culture: What is it?

Whenever there is a major corporate scandal – fraud, unexpected losses, inappropriate selling practices, and safety failures – the finger is inevitably pointed at organisational culture. So it is not surprising that there is a strong desire throughout Australian businesses to measure and evaluate a company’s risk culture, so that action can be taken to reduce potentially major exposure to regulatory intervention and reputation risk.

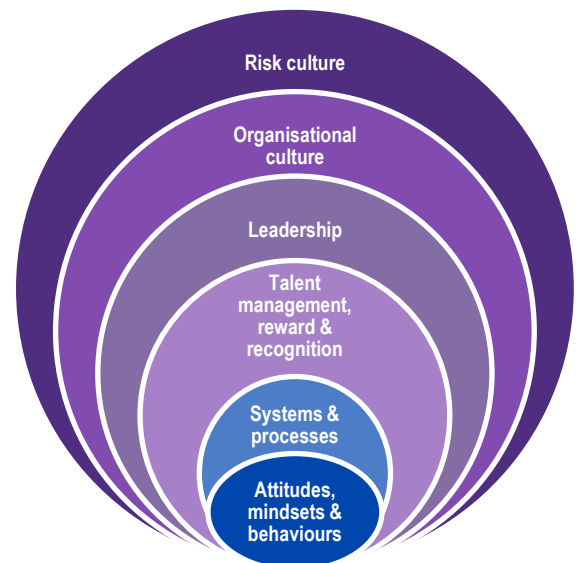
We believe that organisational culture is the actual, consistent, repeated behaviour from people in an organisation. It is the result of a system of shared norms, values and beliefs that govern how people behave. Risk culture delves deeper into an organisation’s culture and refers to the way companies manage risk and how employees elect to respond to risk related decisions.

Assessing Risk Culture

When assessing risk culture, we consider the underlying factors including organisational goals and the end customer that impact risk and compliance. A risk culture review identifies the conditions, actions and practices in the company that may directly contribute to issues arising in the future. By providing predictive

insights to the board and senior management, and by reinforcing desirable cultural traits and practices, risk culture reviews can make a significant contribution to corporate performance and integrity.

Factors that impact risk culture



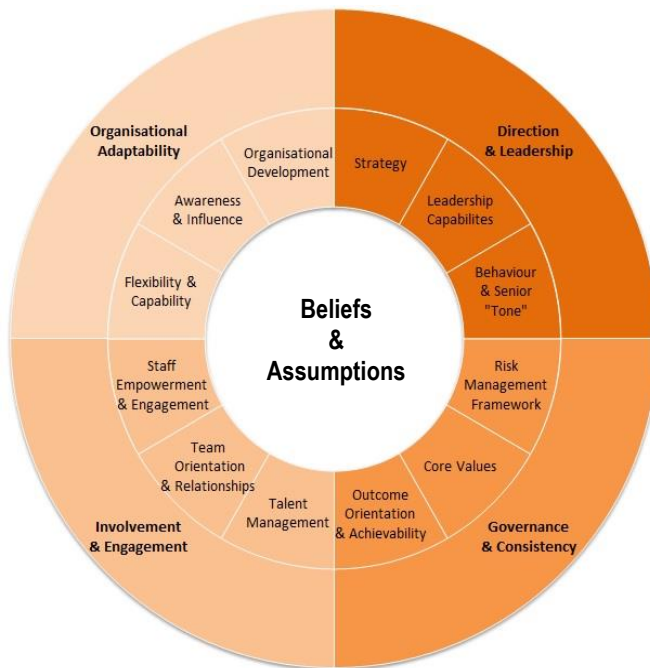
Regulatory environment

In recent years, there has been an increase in regulatory pressure for effective management of risk culture which is now seen as crucial to the risk management process of a business. The Australian Prudential Regulation Authority (APRA) identifies company boards as responsible for risk culture. Accordingly, APRA now require businesses to ensure they have a sound risk management culture and that their Risk Management Strategy instils an appropriate risk culture across the institution. Evidently, the Australian Securities and Investments Commission (ASIC) also recognise that positive culture is central to consumer trust, confidence, market integrity and growth. They recommend organisations to adopt a range of planning and culture change systems and processes in order to strengthen risk.

Our approach

Grant Thornton’s culture methodology includes the use of globally validated organisational risk culture assessment tools that look at identifying and reviewing dominant attitudes, risk behaviours and any inconsistencies between leadership direction and intention and day-to-day realities. The model outlines four critical drivers of culture:

Grant Thornton culture model



Direction and leadership

Determine if the strategic goals and plans are clearly defined, achievable, well communicated and consistently reinforced as a shared vision to drive and motivate employees. Grant Thornton assesses if the leadership behaviours and tone is aligned to the strategy and desired culture as well as fully understood by all the employees throughout the business.

Governance and consistency

To support the delivery of desired behaviours, the operating model and risk governance will be evaluated and reviewed. Included in the assessment will be a determination of degree to which accountabilities have been set, values and behaviours defined and frameworks understood and embedded. This in turn should enable operational excellence.

Involvement and engagement

Understanding skill gaps pinpoint areas of improvement or potential development is key to improving organisational capability. The work environment should aim to encourage and facilitate collaboration and allow employee empowerment. The employee lifecycle and incentives need to be aligned to the risk appetite of the company and the delivery of desired behaviours should then be reinforced. The assessment will include a review of incentives and rewards to determine if they are aligned to the desired risk culture.

Organisational adaptability

We identify any lessons to be learned and if root causes are being addressed. Are the desired and undesired behaviours in the organisation expected and measured? Ongoing learning and development will increase awareness of influences and responsiveness and help promote continuous improvement, change readiness and flexibility.

Diagnosing elements of culture

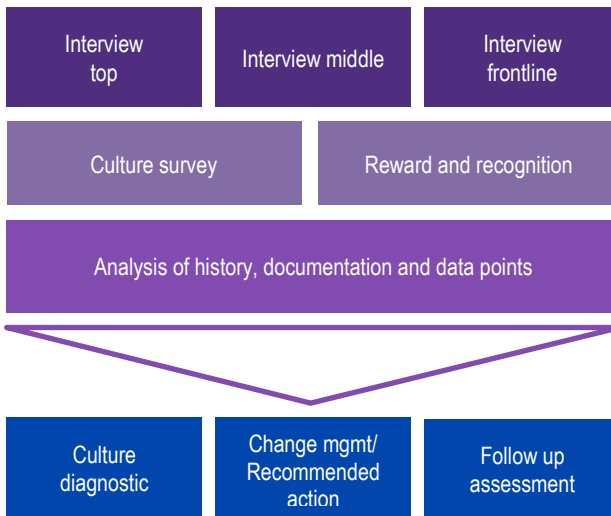
Grant Thornton uses a range of cultural diagnostic tools to build a risk profile validated with credible insight gained from other industry and organisations.



“With the increasing expectation of board accountability for risk culture, it is crucial for organisations in the 21st century to address their risk culture to retain their social licence to operate”

Madeleine Mattera
Partner - National Head of Financial Services

Elements of culture diagnosis



Measuring risk culture

Grant Thornton employs a range of techniques to examine existing business data and organisation cultural and behavioural indicators. We believe that it is possible to drive change in an organisations risk culture through a process of robust planning and measurement.

At Grant Thornton, we use a highly validated, global tool which can be customised to include bespoke questions for your industry and specific business. We will assist you in identifying areas that need to be addressed in order to improve overall risk culture and align with business strategy.

Grant Thornton’s Risk Culture assessments provide an independent and objective examination and evaluation of existing culture in organisations. Central to our approach is developing a sound and holistic understanding of the cultural characteristics of your operations.

To measure and achieve the desired risk culture, Grant Thornton has designed and will take you through a three stage process:



About Grant Thornton

Grant Thornton is one of the world's leading organisations of independent assurance, tax and advisory firms. These firms help dynamic organisations unlock their potential for growth by providing meaningful, forward looking advice. Proactive teams, led by approachable partners in these firms, use insights, experience and instinct to understand complex issues for privately owned, publicly listed and public sector clients and help them to find solutions.

Grant Thornton Australia has more than 1,000 people working in Adelaide, Brisbane, Cairns, the Gold Coast, Melbourne, Perth and Sydney. We combine service breadth, depth of expertise and industry insight with an approachable 'client first' mindset and a broad commercial perspective.

More than 42,000 Grant Thornton people, across over 130 countries, are focused on making a difference to clients, colleagues and the communities in which we live and work. Through this membership, we access global resources and methodologies that enable us to deliver consistently high quality outcomes for owners and key executives in our clients.

More than 1,200 people across **Six** offices nationally
The fastest growing large accounting organisation in 2012 and 2013
Combined global revenues US\$4.7bn
42,000 people in over **130** countries
Top 50 most attractive global employer 2015
Best Managed International Firm 2014
Australian revenue AU\$224.6m
Ranked in the top 6 in major markets
Around 700 offices worldwide

Contacts

If you would like to know more, please contact us.

Rory Gregg
Partner – Leadership, Talent & Culture
E rory.gregg@au.gt.com
T +61 2 8297 2531

Mark Griffiths
Partner – Risk Advisory
E mark.griffiths@au.gt.com
T +61 2 9286 5552

Madeleine Mattera
National Head of Financial Services
E madeleine.mattera@au.gt.com
T +61 2 8297 2773

Jarrod Lean
Senior Manager – Risk Advisory
E jarrod.lean@au.gt.com
T +61 2 9286 5451

Our services to dynamic businesses

Tax

- Business planning tax advice
- Corporate tax risk management
- GST & indirect taxes including fuel tax credits
- Fringe benefits tax
- Employment taxes
- International tax
- Transfer pricing
- Expatriate taxes
- Research & development
- Corporate advisory services

Audit & assurance

- External audits
- Reviews of financial reports
- Technical IFRS & accounting advice
- IFRS training
- Expert accounting & audit opinions

Private advisory

- Business & strategic planning
- Compliance services
- Tax advisory
- Outsourced accounting solutions
- Private wealth advisory

Financial advisory

- Capital markets
- Corporate insolvency
- Corporate simplification
- Debt advisory
- Complex & international insolvency
- Due diligence
- Expert witness
- Family law
- Financial modelling
- Initial Public Offerings
- Investigations
- IT forensics
- Mergers & acquisitions
- Personal insolvency
- Raising finance
- Restructuring & turnaround
- Valuations
- Transaction advisory

Growth advisory

- Risk Advisory
- Internal audit
- Legislative and regulatory compliance
- Risk management
- Internal control and process risk
- Governance
- Data analysis
- Business & growth strategy
- Operational improvement & effectiveness
- Finance function transformation
- Supply chain improvement
- Implementation strategies for M&A
- Leadership, talent & culture
- Business strategy & planning
- Leadership
- Talent & capability
- Cultural transformation
- HR Direct
- Public sector advisory
- Policy strategy governance
- Organisational design & implementation
- Regulations

- Technology advisory
- Technology strategy & optimisation
- Technology audit & reviews
- Technology project governance
- ITIL enablement
- IT security
- Project scoping & management
- Technology solutions
- ERP/CRM/eCommerce
- Corporate performance management
- Process automation
- Data analysis
- Mobile enterprise applications & document management



Grant Thornton Australia Limited ABN 41 127 556 389 ACN 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme