Integrated Risk Management Solutions, LLC

James E. Blair, President

June 2015

Dear Colleague;

Back to Basics!

You take risk to generate business and cash. You take risk to pursue new goals. Long term success results from taking risk better than your competitors, enabling you to deliver quality and reliable products and services. When risks are well managed, profit margins increase because 1) revenue is reliable and 2) costs are controlled. The Basics!

Unmanaged Risks Limit Success

When revenue is not reliable, performance is impaired. Consider insufficient sales, errors in accounting, inadequate market planning, missed forecasts, incorrect pricing, unreliable cash management, large credits to customers and fraud. All contribute to the RISK of underperforming revenue. Increased costs result from unanticipated operational failures, down-time, delays from the supply chain, over-billing by vendors, poor quality, computer system interruptions, accidents, damage, employee absence and inadequate performance. All contribute to the RISK of increased costs, diminished brand quality and dissatisfied customers.

Managing RISK = Improved CASH

Effective management of risk defines the business. It establishes a culture among team members of awareness and anticipation. Everyone in the organization is a Risk Manager, primed to take risk in serving customers and minimize risk to protect the business, colleagues and customers. Managing risk is foundational and strengthens the organization each day by enhancing the balance between risk taking and prevention.

Organizational decision making about risk is best led by a Risk Governance Team comprised of the top leaders of Operations, Finance, Sales, Legal and Human Resources (and IT where appropriate). Risk priorities are determined and risk mitigation programs assigned. Cross-silo alignment is encouraged and organizational response processes are developed to react when threats and disruptions occur. Cash flow is improved; the business is strengthened and your organization is distinguished among peers/competitors.

Vendors and the supply chain must be managed as critical segments of the organization. These resources are often overlooked and managed as “attachments” rather than seamless components of the operations. The result is incongruous work flow and potential disconnect in the normal delivery of business and customer service. Outsourcing is a major risk requiring intense management attention particularly when preparing for business interruptions. Suppliers and their suppliers form a service chain that requires thorough understanding, documentation and risk preparedness.

P.O. Box 334 Littleton, CO 80160-0034 jeblair@integratedrisksolutions.com
303-795-9754 (O) 303-734-1814 (F) 303-886-8450 (C)
www.integratedrisksolutions.com

The Reality!

Amazingly, no more than 20% of global businesses have formalized a Risk Governance process! Significant cash flow improvements are being missed. One client has produced an ROI of 200+ in the first 6 months of deploying the Risk Management approach offered by *Integrated Risk Management Solutions*. The costs are minimal because our approach helps clients deploy the Organizational Intelligence that exists within the business. We coach and advise, deliver expertise and experience, and we augment resources where internal capacity is not available.

Since the 1st quarter Advisory, major new data breaches have been reported. Anthem, one of the largest health care systems, saw 80 million health records compromised, the Internal Revenue Service suffered a breach impacting more than 100,000 taxpayer records and the US Office of Personnel Management suffered a hack that actually pirated between 4 million and 14 million personal files of government employees.

These breaches do not immediately threaten individual's credit cards or bank accounts. More importantly, the loss of their personal identity is a permanent – lifetime threat that can impact every aspect of their lives. Social Security numbers are attached to every element of American life. They can be resold in the "Dark Web" infinitely.

The Stakes have SkyRocketed!

Credit protection services that are offered for 18 months are no longer useful. One-time penetration tests and information security audits must be replaced by 24x365 real-time monitoring that captures intrusions and disruptions on an hourly/daily basis. Your organization should establish an information security response process that engages every employee and supplier; one that is governed by the top leaders of the business (the Risk Governance Team).

Managing organizational risks requires a nimble approach accomplished by top-level Risk Governance that prioritizes risks, aligns mitigation, measures results and discovers emerging conditions. A Risk Management culture engages everyone as "All-Eyes-On" stewards. *Integrated Risk Management Solutions* provides the Advisory services to help strengthen your business. I look forward to your thoughts and questions – please contact us.

Manage Your Risks Well,

Attachment

Risk Management is Every Team Member's Business

Managing Risk = Cash Flow

Typical returns are 4:1 ROI and significant cash flow improvement

Risk is anything that impacts cash flow! Successful companies manage risk more effectively than competitors. By practicing a "Risk Awareness" culture that engages every level of the business in prevention-centric behavior, cash flow is improved.

Key Risk Management Facts:

- Companies spend between 7 - 10% of revenue on risk-related costs, including:

- Safety	- Security	- Information Security	- Health & Wellness
- Absence*	- Theft	- Fraud Prevention	- Revenue Inefficiency
- Audit	- Compliance	- Investigations	- Settlements
- Claims	- Insurance	- Crisis Management	- Emergency Response

  * Incidental absence can increase the costs of employee health and wellness programs by 2X.

- Risk costs are incurred in multiple corporate silos hiding the "Total Cost of Risk."
- 75% of company information system risks come from employees and trusted vendors.
- FM Global, a world-wide property insurance and engineering firm, recently estimated that company earnings volatility can be reduced by 50% through effective Risk Management prevention and preparedness programs.
- In 2014, companies that manage risks effectively will receive the best insurance prices and maximize the option to *self-insure*.
- Enterprise-wide Risk Management is a complete vision of company risk. A strong Risk Management culture helps a company respond well to unforeseeable events.
- Documented and tested Business Interruption/Scenario Plans sustain key operations during an emergency and improve company survival by 70%.
- Uncertainty and financial pressure renew the need to manage risk. These pressures have always been present, but the magnitude and visibility is at an all-time high.
- Third party vendor transactions often result in 10% or greater errors and inaccurate billing.
- Sarbanes-Oxley, Dodd-Frank and compliance audits only test transactional controls – operational controls are "the source" of risk.
- Regular Operations Assurance reviews can improve revenue efficiency by up to 20%.
- Synergy from a holistic focus on risk, cost/revenue efficiency, loss reduction, underperforming vendors and fraud produce impactful cash flow improvement.

2015 Global Risks Defined by:

World Economic Forum

- Interstate conflict
- State collapse or crisis
- Unemployment/underemployment
- Spread of infectious disease
- Profound social/political instability
- Cyber-attacks – Data theft
- Extreme weather event(s)
- Terrorist attack
- Failure of national governance
- Fiscal crisis

Executive Opinion Survey*

- Fiscal crisis – key economies
- Liquidity crisis
- Oil price shock
- Infrastructure neglect
- Water crisis
- Organized crime escalation
- Terrorist attack
- Profound political instability
- Large scale cyber-attacks
- Violent interstate conflict

**WEO Survey January 2015*

Manage Your Risks Well!

P.O. Box 334 Littleton, CO 80160-0034 jeblair@integratedrisksolutions.com
303-795-9754 (O) 303-734-1814 (F) 303-886-8450 (C)
www.integratedrisksolutions.com

James E. Blair, President

June 2015

Dear Colleague;

Back to Basics!

You take risk to generate business and cash. You take risk to pursue new goals. Long term success results from taking risk better than your competitors, enabling you to deliver quality and reliable products and services. When risks are well managed, profit margins increase because 1) revenue is reliable and 2) costs are controlled. The Basics!

Unmanaged Risks Limit Success

When revenue is not reliable, performance is impaired. Consider insufficient sales, errors in accounting, inadequate market planning, missed forecasts, incorrect pricing, unreliable cash management, large credits to customers and fraud. All contribute to the RISK of underperforming revenue. Increased costs result from unanticipated operational failures, down-time, delays from the supply chain, over-billing by vendors, poor quality, computer system interruptions, accidents, damage, employee absence and inadequate performance. All contribute to the RISK of increased costs, diminished brand quality and dissatisfied customers.

Managing RISK = Improved CASH

Effective management of risk defines the business. It establishes a culture among team members of awareness and anticipation. Everyone in the organization is a Risk Manager, primed to take risk in serving customers and minimize risk to protect the business, colleagues and customers. Managing risk is foundational and strengthens the organization each day by enhancing the balance between risk taking and prevention.

Organizational decision making about risk is best led by a Risk Governance Team comprised of the top leaders of Operations, Finance, Sales, Legal and Human Resources (and IT where appropriate). Risk priorities are determined and risk mitigation programs assigned. Cross-silo alignment is encouraged and organizational response processes are developed to react when threats and disruptions occur. Cash flow is improved; the business is strengthened and your organization is distinguished among peers/competitors.

Vendors and the supply chain must be managed as critical segments of the organization. These resources are often overlooked and managed as “attachments” rather than seamless components of the operations. The result is incongruous work flow and potential disconnect in the normal delivery of business and customer service. Outsourcing is a major risk requiring intense management attention particularly when preparing for business interruptions. Suppliers and their suppliers form a service chain that requires thorough understanding, documentation and risk preparedness.

The Reality!

Amazingly, no more than 20% of global businesses have formalized a Risk Governance process! Significant cash flow improvements are being missed. One client has produced an ROI of 200+ in the first 6 months of deploying the Risk Management approach offered by *Integrated Risk Management Solutions*. The costs are minimal because our approach helps clients deploy the Organizational Intelligence that exists within the business. We coach and advise, deliver expertise and experience, and we augment resources where internal capacity is not available.

Since the 1st quarter Advisory, major new data breaches have been reported. Anthem, one of the largest health care systems, saw 80 million health records compromised, the Internal Revenue Service suffered a breach impacting more than 100,000 taxpayer records and the US Office of Personnel Management suffered a hack that actually pirated between 4 million and 14 million personal files of government employees.

These breaches do not immediately threaten individual's credit cards or bank accounts. More importantly, the loss of their personal identity is a permanent – lifetime threat that can impact every aspect of their lives. Social Security numbers are attached to every element of American life. They can be resold in the "Dark Web" infinitely.

The Stakes have SkyRocketed!

Credit protection services that are offered for 18 months are no longer useful. One-time penetration tests and information security audits must be replaced by 24x365 real-time monitoring that captures intrusions and disruptions on an hourly/daily basis. Your organization should establish an information security response process that engages every employee and supplier; one that is governed by the top leaders of the business (the Risk Governance Team).

Managing organizational risks requires a nimble approach accomplished by top-level Risk Governance that prioritizes risks, aligns mitigation, measures results and discovers emerging conditions. A Risk Management culture engages everyone as "All-Eyes-On" stewards. *Integrated Risk Management Solutions* provides the Advisory services to help strengthen your business. I look forward to your thoughts and questions – please contact us.

Manage Your Risks Well,

Attachment

Risk Management is Every Team Member's Business

Managing Risk = Cash Flow

Typical returns are 4:1 ROI and significant cash flow improvement

Risk is anything that impacts cash flow! Successful companies manage risk more effectively than competitors. By practicing a "Risk Awareness" culture that engages every level of the business in prevention-centric behavior, cash flow is improved.

Key Risk Management Facts:

- Companies spend between 7 - 10% of revenue on risk-related costs, including:

- Safety	- Security	- Information Security	- Health & Wellness
- Absence*	- Theft	- Fraud Prevention	- Revenue Inefficiency
- Audit	- Compliance	- Investigations	- Settlements
- Claims	- Insurance	- Crisis Management	- Emergency Response

* Incidental absence can increase the costs of employee health and wellness programs by 2X.

- Risk costs are incurred in multiple corporate silos hiding the "Total Cost of Risk."
- 75% of company information system risks come from employees and trusted vendors.
- FM Global, a world-wide property insurance and engineering firm, recently estimated that company earnings volatility can be reduced by 50% through effective Risk Management prevention and preparedness programs.
- In 2014, companies that manage risks effectively will receive the best insurance prices and maximize the option to *self-insure*.
- Enterprise-wide Risk Management is a complete vision of company risk. A strong Risk Management culture helps a company respond well to unforeseeable events.
- Documented and tested Business Interruption/Scenario Plans sustain key operations during an emergency and improve company survival by 70%.
- Uncertainty and financial pressure renew the need to manage risk. These pressures have always been present, but the magnitude and visibility is at an all-time high.
- Third party vendor transactions often result in 10% or greater errors and inaccurate billing.
- Sarbanes-Oxley, Dodd-Frank and compliance audits only test transactional controls – operational controls are "the source" of risk.
- Regular Operations Assurance reviews can improve revenue efficiency by up to 20%.
- Synergy from a holistic focus on risk, cost/revenue efficiency, loss reduction, underperforming vendors and fraud produce impactful cash flow improvement.

2015 Global Risks Defined by:

World Economic Forum
- Interstate conflict
- State collapse or crisis
- Unemployment/underemployment
- Spread of infectious disease
- Profound social/political instability
- Cyber-attacks – Data theft
- Extreme weather event(s)
- Terrorist attack
- Failure of national governance
- Fiscal crisis

Executive Opinion Survey*
- Fiscal crisis – key economies
- Liquidity crisis
- Oil price shock
- Infrastructure neglect
- Water crisis
- Organized crime escalation
- Terrorist attack
- Profound political instability
- Large scale cyber-attacks
- Violent interstate conflict

**WEO Survey January 2015*

Manage Your Risks Well!

P.O. Box 334 Littleton, CO 80160-0034 jeblair@integratedrisksolutions.com
303-795-9754 (O) 303-734-1814 (F) 303-886-8450 (C)
www.integratedrisksolutions.com

James E. Blair, President

June 2015

Dear Colleague;

Back to Basics!

You take risk to generate business and cash. You take risk to pursue new goals. Long term success results from taking risk better than your competitors, enabling you to deliver quality and reliable products and services. When risks are well managed, profit margins increase because 1) revenue is reliable and 2) costs are controlled. The Basics!

Unmanaged Risks Limit Success

When revenue is not reliable, performance is impaired. Consider insufficient sales, errors in accounting, inadequate market planning, missed forecasts, incorrect pricing, unreliable cash management, large credits to customers and fraud. All contribute to the RISK of underperforming revenue. Increased costs result from unanticipated operational failures, down-time, delays from the supply chain, over-billing by vendors, poor quality, computer system interruptions, accidents, damage, employee absence and inadequate performance. All contribute to the RISK of increased costs, diminished brand quality and dissatisfied customers.

Managing RISK = Improved CASH

Effective management of risk defines the business. It establishes a culture among team members of awareness and anticipation. Everyone in the organization is a Risk Manager, primed to take risk in serving customers and minimize risk to protect the business, colleagues and customers. Managing risk is foundational and strengthens the organization each day by enhancing the balance between risk taking and prevention.

Organizational decision making about risk is best led by a Risk Governance Team comprised of the top leaders of Operations, Finance, Sales, Legal and Human Resources (and IT where appropriate). Risk priorities are determined and risk mitigation programs assigned. Cross-silo alignment is encouraged and organizational response processes are developed to react when threats and disruptions occur. Cash flow is improved; the business is strengthened and your organization is distinguished among peers/competitors.

Vendors and the supply chain must be managed as critical segments of the organization. These resources are often overlooked and managed as "attachments" rather than seamless components of the operations. The result is incongruous work flow and potential disconnect in the normal delivery of business and customer service. Outsourcing is a major risk requiring intense management attention particularly when preparing for business interruptions. Suppliers and their suppliers form a service chain that requires thorough understanding, documentation and risk preparedness.

P.O. Box 334 | Littleton, CO 80160-0034 | jeblair@integratedrisksolutions.com
303-795-9754 (O) | 303-734-1814 (F) | 303-886-8450 (C)
www.integratedrisksolutions.com

The Reality!

Amazingly, no more than 20% of global businesses have formalized a Risk Governance process! Significant cash flow improvements are being missed. One client has produced an ROI of 200+ in the first 6 months of deploying the Risk Management approach offered by *Integrated Risk Management Solutions*. The costs are minimal because our approach helps clients deploy the Organizational Intelligence that exists within the business. We coach and advise, deliver expertise and experience, and we augment resources where internal capacity is not available.

Since the 1st quarter Advisory, major new data breaches have been reported. Anthem, one of the largest health care systems, saw 80 million health records compromised, the Internal Revenue Service suffered a breach impacting more than 100,000 taxpayer records and the US Office of Personnel Management suffered a hack that actually pirated between 4 million and 14 million personal files of government employees.

These breaches do not immediately threaten individual's credit cards or bank accounts. More importantly, the loss of their personal identity is a permanent – lifetime threat that can impact every aspect of their lives. Social Security numbers are attached to every element of American life. They can be resold in the "Dark Web" infinitely.

The Stakes have SkyRocketed!

Credit protection services that are offered for 18 months are no longer useful. One-time penetration tests and information security audits must be replaced by 24x365 real-time monitoring that captures intrusions and disruptions on an hourly/daily basis. Your organization should establish an information security response process that engages every employee and supplier; one that is governed by the top leaders of the business (the Risk Governance Team).

Managing organizational risks requires a nimble approach accomplished by top-level Risk Governance that prioritizes risks, aligns mitigation, measures results and discovers emerging conditions. A Risk Management culture engages everyone as "All-Eyes-On" stewards. *Integrated Risk Management Solutions* provides the Advisory services to help strengthen your business. I look forward to your thoughts and questions – please contact us.

Manage Your Risks Well,

Attachment

Risk Management is Every Team Member's Business

P.O. Box 334 | Littleton, CO 80160-0034 | jeblair@integratedrisksolutions.com
303-795-9754 (O) | 303-734-1814 (F) | 303-886-8450 (C)
www.integratedrisksolutions.com

Managing Risk = Cash Flow

Typical returns are 4:1 ROI and significant cash flow improvement

Risk is anything that impacts cash flow! Successful companies manage risk more effectively than competitors. By practicing a "Risk Awareness" culture that engages every level of the business in prevention-centric behavior, cash flow is improved.

Key Risk Management Facts:

- Companies spend between 7 - 10% of revenue on risk-related costs, including:

- Safety	- Security	- Information Security	- Health & Wellness
- Absence*	- Theft	- Fraud Prevention	- Revenue Inefficiency
- Audit	- Compliance	- Investigations	- Settlements
- Claims	- Insurance	- Crisis Management	- Emergency Response

* Incidental absence can increase the costs of employee health and wellness programs by 2X.

- Risk costs are incurred in multiple corporate silos hiding the "Total Cost of Risk."
- 75% of company information system risks come from employees and trusted vendors.
- FM Global, a world-wide property insurance and engineering firm, recently estimated that company earnings volatility can be reduced by 50% through effective Risk Management prevention and preparedness programs.
- In 2014, companies that manage risks effectively will receive the best insurance prices and maximize the option to *self-insure*.
- Enterprise-wide Risk Management is a complete vision of company risk. A strong Risk Management culture helps a company respond well to unforeseeable events.
- Documented and tested Business Interruption/Scenario Plans sustain key operations during an emergency and improve company survival by 70%.
- Uncertainty and financial pressure renew the need to manage risk. These pressures have always been present, but the magnitude and visibility is at an all-time high.
- Third party vendor transactions often result in 10% or greater errors and inaccurate billing.
- Sarbanes-Oxley, Dodd-Frank and compliance audits only test transactional controls – operational controls are "the source" of risk.
- Regular Operations Assurance reviews can improve revenue efficiency by up to 20%.
- Synergy from a holistic focus on risk, cost/revenue efficiency, loss reduction, underperforming vendors and fraud produce impactful cash flow improvement.

2015 Global Risks Defined by:

World Economic Forum

- Interstate conflict
- State collapse or crisis
- Unemployment/underemployment
- Spread of infectious disease
- Profound social/political instability
- Cyber-attacks – Data theft
- Extreme weather event(s)
- Terrorist attack
- Failure of national governance
- Fiscal crisis

Executive Opinion Survey*

- Fiscal crisis – key economies
- Liquidity crisis
- Oil price shock
- Infrastructure neglect
- Water crisis
- Organized crime escalation
- Terrorist attack
- Profound political instability
- Large scale cyber-attacks
- Violent interstate conflict

**WEO Survey January 2015*

Manage Your Risks Well!

P.O. Box 334 Littleton, CO 80160-0034 jeblair@integratedrisksolutions.com
303-795-9754 (O) 303-734-1814 (F) 303-886-8450 (C)
www.integratedrisksolutions.com

James E. Blair, President

June 2015

Dear Colleague;

Back to Basics!

You take risk to generate business and cash. You take risk to pursue new goals. Long term success results from taking risk better than your competitors, enabling you to deliver quality and reliable products and services. When risks are well managed, profit margins increase because 1) revenue is reliable and 2) costs are controlled. The Basics!

Unmanaged Risks Limit Success

When revenue is not reliable, performance is impaired. Consider insufficient sales, errors in accounting, inadequate market planning, missed forecasts, incorrect pricing, unreliable cash management, large credits to customers and fraud. All contribute to the RISK of underperforming revenue. Increased costs result from unanticipated operational failures, down-time, delays from the supply chain, over-billing by vendors, poor quality, computer system interruptions, accidents, damage, employee absence and inadequate performance. All contribute to the RISK of increased costs, diminished brand quality and dissatisfied customers.

Managing RISK = Improved CASH

Effective management of risk defines the business. It establishes a culture among team members of awareness and anticipation. Everyone in the organization is a Risk Manager, primed to take risk in serving customers and minimize risk to protect the business, colleagues and customers. Managing risk is foundational and strengthens the organization each day by enhancing the balance between risk taking and prevention.

Organizational decision making about risk is best led by a Risk Governance Team comprised of the top leaders of Operations, Finance, Sales, Legal and Human Resources (and IT where appropriate). Risk priorities are determined and risk mitigation programs assigned. Cross-silo alignment is encouraged and organizational response processes are developed to react when threats and disruptions occur. Cash flow is improved; the business is strengthened and your organization is distinguished among peers/competitors.

Vendors and the supply chain must be managed as critical segments of the organization. These resources are often overlooked and managed as "attachments" rather than seamless components of the operations. The result is incongruous work flow and potential disconnect in the normal delivery of business and customer service. Outsourcing is a major risk requiring intense management attention particularly when preparing for business interruptions. Suppliers and their suppliers form a service chain that requires thorough understanding, documentation and risk preparedness.

P.O. Box 334 Littleton, CO 80160-0034 jeblair@integratedrisksolutions.com
303-795-9754 (O) 303-734-1814 (F) 303-886-8450 (C)
www.integratedrisksolutions.com

The Reality!

Amazingly, no more than 20% of global businesses have formalized a Risk Governance process! Significant cash flow improvements are being missed. One client has produced an ROI of 200+ in the first 6 months of deploying the Risk Management approach offered by *Integrated Risk Management Solutions*. The costs are minimal because our approach helps clients deploy the Organizational Intelligence that exists within the business. We coach and advise, deliver expertise and experience, and we augment resources where internal capacity is not available.

Since the 1st quarter Advisory, major new data breaches have been reported. Anthem, one of the largest health care systems, saw 80 million health records compromised, the Internal Revenue Service suffered a breach impacting more than 100,000 taxpayer records and the US Office of Personnel Management suffered a hack that actually pirated between 4 million and 14 million personal files of government employees.

These breaches do not immediately threaten individual's credit cards or bank accounts. More importantly, the loss of their personal identity is a permanent – lifetime threat that can impact every aspect of their lives. Social Security numbers are attached to every element of American life. They can be resold in the "Dark Web" infinitely.

The Stakes have SkyRocketed!

Credit protection services that are offered for 18 months are no longer useful. One-time penetration tests and information security audits must be replaced by 24x365 real-time monitoring that captures intrusions and disruptions on an hourly/daily basis. Your organization should establish an information security response process that engages every employee and supplier; one that is governed by the top leaders of the business (the Risk Governance Team).

Managing organizational risks requires a nimble approach accomplished by top-level Risk Governance that prioritizes risks, aligns mitigation, measures results and discovers emerging conditions. A Risk Management culture engages everyone as "All-Eyes-On" stewards. *Integrated Risk Management Solutions* provides the Advisory services to help strengthen your business. I look forward to your thoughts and questions – please contact us.

Manage Your Risks Well,

Attachment

Risk Management is Every Team Member's Business

P.O. Box 334 | Littleton, CO 80160-0034 | jeblair@integratedrisksolutions.com
303-795-9754 (O) | 303-734-1814 (F) | 303-886-8450 (C)
www.integratedrisksolutions.com

Managing Risk = Cash Flow

Typical returns are 4:1 ROI and significant cash flow improvement

Risk is anything that impacts cash flow! Successful companies manage risk more effectively than competitors. By practicing a "Risk Awareness" culture that engages every level of the business in prevention-centric behavior, cash flow is improved.

Key Risk Management Facts:

- Companies spend between 7 - 10% of revenue on risk-related costs, including:

- Safety	- Security	- Information Security	- Health & Wellness
- Absence*	- Theft	- Fraud Prevention	- Revenue Inefficiency
- Audit	- Compliance	- Investigations	- Settlements
- Claims	- Insurance	- Crisis Management	- Emergency Response

* Incidental absence can increase the costs of employee health and wellness programs by 2X.

- Risk costs are incurred in multiple corporate silos hiding the "Total Cost of Risk."
- 75% of company information system risks come from employees and trusted vendors.
- FM Global, a world-wide property insurance and engineering firm, recently estimated that company earnings volatility can be reduced by 50% through effective Risk Management prevention and preparedness programs.
- In 2014, companies that manage risks effectively will receive the best insurance prices and maximize the option to *self-insure*.
- Enterprise-wide Risk Management is a complete vision of company risk. A strong Risk Management culture helps a company respond well to unforeseeable events.
- Documented and tested Business Interruption/Scenario Plans sustain key operations during an emergency and improve company survival by 70%.
- Uncertainty and financial pressure renew the need to manage risk. These pressures have always been present, but the magnitude and visibility is at an all-time high.
- Third party vendor transactions often result in 10% or greater errors and inaccurate billing.
- Sarbanes-Oxley, Dodd-Frank and compliance audits only test transactional controls – operational controls are "the source" of risk.
- Regular Operations Assurance reviews can improve revenue efficiency by up to 20%.
- Synergy from a holistic focus on risk, cost/revenue efficiency, loss reduction, underperforming vendors and fraud produce impactful cash flow improvement.

2015 Global Risks Defined by:

World Economic Forum

- Interstate conflict
- State collapse or crisis
- Unemployment/underemployment
- Spread of infectious disease
- Profound social/political instability
- Cyber-attacks – Data theft
- Extreme weather event(s)
- Terrorist attack
- Failure of national governance
- Fiscal crisis

Executive Opinion Survey*

- Fiscal crisis – key economies
- Liquidity crisis
- Oil price shock
- Infrastructure neglect
- Water crisis
- Organized crime escalation
- Terrorist attack
- Profound political instability
- Large scale cyber-attacks
- Violent interstate conflict

**WEO Survey January 2015*

Manage Your Risks Well!

P.O. Box 334 Littleton, CO 80160-0034 jeblair@integratedrisksolutions.com
303-795-9754 (O) 303-734-1814 (F) 303-886-8450 (C)
www.integratedrisksolutions.com

James E. Blair, President

June 2015

Dear Colleague;

Back to Basics!

You take risk to generate business and cash. You take risk to pursue new goals. Long term success results from taking risk better than your competitors, enabling you to deliver quality and reliable products and services. When risks are well managed, profit margins increase because 1) revenue is reliable and 2) costs are controlled. The Basics!

Unmanaged Risks Limit Success

When revenue is not reliable, performance is impaired. Consider insufficient sales, errors in accounting, inadequate market planning, missed forecasts, incorrect pricing, unreliable cash management, large credits to customers and fraud. All contribute to the RISK of underperforming revenue. Increased costs result from unanticipated operational failures, down-time, delays from the supply chain, over-billing by vendors, poor quality, computer system interruptions, accidents, damage, employee absence and inadequate performance. All contribute to the RISK of increased costs, diminished brand quality and dissatisfied customers.

Managing RISK = Improved CASH

Effective management of risk defines the business. It establishes a culture among team members of awareness and anticipation. Everyone in the organization is a Risk Manager, primed to take risk in serving customers and minimize risk to protect the business, colleagues and customers. Managing risk is foundational and strengthens the organization each day by enhancing the balance between risk taking and prevention.

Organizational decision making about risk is best led by a Risk Governance Team comprised of the top leaders of Operations, Finance, Sales, Legal and Human Resources (and IT where appropriate). Risk priorities are determined and risk mitigation programs assigned. Cross-silo alignment is encouraged and organizational response processes are developed to react when threats and disruptions occur. Cash flow is improved; the business is strengthened and your organization is distinguished among peers/competitors.

Vendors and the supply chain must be managed as critical segments of the organization. These resources are often overlooked and managed as “attachments” rather than seamless components of the operations. The result is incongruous work flow and potential disconnect in the normal delivery of business and customer service. Outsourcing is a major risk requiring intense management attention particularly when preparing for business interruptions. Suppliers and their suppliers form a service chain that requires thorough understanding, documentation and risk preparedness.

The Reality!

Amazingly, no more than 20% of global businesses have formalized a Risk Governance process! Significant cash flow improvements are being missed. One client has produced an ROI of 200+ in the first 6 months of deploying the Risk Management approach offered by *Integrated Risk Management Solutions*. The costs are minimal because our approach helps clients deploy the Organizational Intelligence that exists within the business. We coach and advise, deliver expertise and experience, and we augment resources where internal capacity is not available.

Since the 1st quarter Advisory, major new data breaches have been reported. Anthem, one of the largest health care systems, saw 80 million health records compromised, the Internal Revenue Service suffered a breach impacting more than 100,000 taxpayer records and the US Office of Personnel Management suffered a hack that actually pirated between 4 million and 14 million personal files of government employees.

These breaches do not immediately threaten individual's credit cards or bank accounts. More importantly, the loss of their personal identity is a permanent – lifetime threat that can impact every aspect of their lives. Social Security numbers are attached to every element of American life. They can be resold in the "Dark Web" infinitely.

The Stakes have SkyRocketed!

Credit protection services that are offered for 18 months are no longer useful. One-time penetration tests and information security audits must be replaced by 24x365 real-time monitoring that captures intrusions and disruptions on an hourly/daily basis. Your organization should establish an information security response process that engages every employee and supplier; one that is governed by the top leaders of the business (the Risk Governance Team).

Managing organizational risks requires a nimble approach accomplished by top-level Risk Governance that prioritizes risks, aligns mitigation, measures results and discovers emerging conditions. A Risk Management culture engages everyone as "All-Eyes-On" stewards. *Integrated Risk Management Solutions* provides the Advisory services to help strengthen your business. I look forward to your thoughts and questions – please contact us.

Manage Your Risks Well,

Attachment

Risk Management is Every Team Member's Business

P.O. Box 334 Littleton, CO 80160-0034 jeblair@integratedrisksolutions.com
303-795-9754 (O) 303-734-1814 (F) 303-886-8450 (C)
www.integratedrisksolutions.com

Managing Risk = Cash Flow

Typical returns are 4:1 ROI and significant cash flow improvement

Risk is anything that impacts cash flow! Successful companies manage risk more effectively than competitors. By practicing a "Risk Awareness" culture that engages every level of the business in prevention-centric behavior, cash flow is improved.

Key Risk Management Facts:

- Companies spend between 7 - 10% of revenue on risk-related costs, including:

- Safety	- Security	- Information Security	- Health & Wellness
- Absence*	- Theft	- Fraud Prevention	- Revenue Inefficiency
- Audit	- Compliance	- Investigations	- Settlements
- Claims	- Insurance	- Crisis Management	- Emergency Response

* Incidental absence can increase the costs of employee health and wellness programs by 2X.

- Risk costs are incurred in multiple corporate silos hiding the "Total Cost of Risk."
- 75% of company information system risks come from employees and trusted vendors.
- FM Global, a world-wide property insurance and engineering firm, recently estimated that company earnings volatility can be reduced by 50% through effective Risk Management prevention and preparedness programs.
- In 2014, companies that manage risks effectively will receive the best insurance prices and maximize the option to *self-insure*.
- Enterprise-wide Risk Management is a complete vision of company risk. A strong Risk Management culture helps a company respond well to unforeseeable events.
- Documented and tested Business Interruption/Scenario Plans sustain key operations during an emergency and improve company survival by 70%.
- Uncertainty and financial pressure renew the need to manage risk. These pressures have always been present, but the magnitude and visibility is at an all-time high.
- Third party vendor transactions often result in 10% or greater errors and inaccurate billing.
- Sarbanes-Oxley, Dodd-Frank and compliance audits only test transactional controls – operational controls are "the source" of risk.
- Regular Operations Assurance reviews can improve revenue efficiency by up to 20%.
- Synergy from a holistic focus on risk, cost/revenue efficiency, loss reduction, underperforming vendors and fraud produce impactful cash flow improvement.

2015 Global Risks Defined by:

World Economic Forum

- Interstate conflict
- State collapse or crisis
- Unemployment/underemployment
- Spread of infectious disease
- Profound social/political instability
- Cyber-attacks – Data theft
- Extreme weather event(s)
- Terrorist attack
- Failure of national governance
- Fiscal crisis

Executive Opinion Survey*

- Fiscal crisis – key economies
- Liquidity crisis
- Oil price shock
- Infrastructure neglect
- Water crisis
- Organized crime escalation
- Terrorist attack
- Profound political instability
- Large scale cyber-attacks
- Violent interstate conflict

**WEO Survey January 2015*

Manage Your Risks Well!

P.O. Box 334 Littleton, CO 80160-0034 jeblair@integratedrisksolutions.com
303-795-9754 (O) 303-734-1814 (F) 303-886-8450 (C)
www.integratedrisksolutions.com