

SAP Solution in Detail

SAP Solutions for Governance, Risk, and Compliance

SAP Risk Management

Preserving and Growing Value Through Enterprise Risk Management



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Quick Facts

Summary

The SAP® Risk Management application helps you integrate and coordinate risk management activities, gain a deeper understanding of risk, and plan timely, reliable responses. With reliable, accurate information, business users make better decisions about risks and opportunities and boost the bottom line. The risk management solution for governance, risk, and compliance helps you to identify and assess current and future risks, link them to business value drivers, and preserve and build value.

Business Challenges

- Establish a formal enterprise risk management framework and process across the business
- Adopt predictive analytics and continuous monitoring to identify and manage risks
- Foster collaboration
- Standardize risk management practices and tools across the business

Key Features

- **Value drivers** – Identify critical business value drivers
- **Resource alignment** – Focus on value-added processes and activities
- **Value creation** – Provide insight into factors driving risk to value-added activities and processes with analytics, visualization, and predictive key risk indicator functionality
- **Emerging risks and opportunities** – Predict and manage risks and opportunities; analyze responses, enhancement plans, and outcomes; and plan and execute responses with functionality that promotes collaboration and streamlines issue management

Business Benefits

- **Improved business value preservation and growth** via enhanced collaboration, productivity, and communication
- **Managed risk level** with increased accuracy
- **More effective response** with an insight into relationships among drivers, events, and consequences
- **Greater gains** from opportunities
- **Reduced impact of catastrophic losses** through early mitigation
- **Confident compliance** with oversight and disclosure

For More Information

Call your SAP representative, or visit us on the Web at www.sap.com/grc.

Understanding Risk – And Linking It to Business Value

Enterprise risk management helps you to understand risk and how it affects business value, to foresee and act on emerging opportunities, and to anticipate catastrophic losses. With the SAP® Risk Management application, you can employ effective, integrated risk management activities. It provides insightful information to support responsible and profitable responses to risk, and it helps you assess and address current and future risks and opportunities – so you can [preserve and build business value](#).

FOCUS RISK MANAGEMENT ACTIVITIES ON BUSINESS VALUE DRIVERS

Risk management is not yet a mature practice, and many companies are frustrated by ineffective programs based on unstructured, informal, and disparate activities. Limited oversight practices don't drive consistent results, while increased pressure for effective risk management from key influencers such as CEOs and auditors can result in a costly, inefficient, "boil the ocean" approach that loses sight of business value.

To be effective, your risk management practices must focus on the specific value drivers in your organization. Value drivers vary across industries, can be intangible, and may change over time. To pin down your company's value drivers, it is necessary to look beyond financial line items to the activities and processes that are integral to your organization's business model.

For example, for energy and mining companies, value drivers may include oil, gas, and mineral reserves still in the ground. For the airline industry, passenger experience

is an extremely important (and difficult to quantify) value driver. For utility companies, critical drivers include customer confidence in energy availability and reliability of delivery.

By focusing risk management on the value drivers, activities, and processes in your organization that create value, you can directly link risks to value – and make decisions that positively impact the bottom line.

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Enabling Effective Risk Management

Typical enterprise and niche applications only offer point-in-time risk reviews and discontinuous management solutions. Many risk solutions are control centric and fail to consider the complex interrelationships required to effectively and intelligently respond to and manage or even completely avert risk events.

RECOGNIZE RISKS AND VALUE DRIVERS

The SAP Risk Management application can help your organization to integrate and coordinate risk management activities, from corporate and executive levels to audit committees and operating managers. Among other benefits, the application empowers your decision makers to:

- Better understand and align risk management with particular business value drivers
- Create reliable insights into how value is created and destroyed by understanding and linking risk drivers, key risk indicators, and related impacts
- Act quickly and decisively on emerging risks and opportunities by detecting them early

With SAP Risk Management, you can balance your organization's appetite for risk with strategy and operations. Use the software to improve risk response decisions, identify and manage multiple risks that span lines of business, reduce surprise occurrences and related losses, and better prepare your organization to assess and seize new opportunities.

The application gives you a framework for risk management activities throughout the enterprise. In the context of your organization's objectives, you can identify

specific events and circumstances that pose risks and opportunities. The solution helps you to assess their likelihood and potential magnitude of impact, determine strategies for response, and monitor the progress of your value initiatives.

ENABLE CONTINUOUS IMPROVEMENT AND RISK ACCOUNTABILITY

SAP Risk Management helps you to foster continuous improvement and risk accountability, and it helps ensure that risk management is applied to appropriate decision making processes throughout the enterprise. It enables collaboration and coordination among departments, and it helps you to fully integrate risk management processes into your organizational governance structure.

Now you can focus your risk management efforts on the activities and processes that are most important to your business. You can track the progress of your risk management initiative and measure its maturity (see the table for examples of the types of key performance indicators you can develop and report against). SAP Risk Management helps you gain a deeper understanding of what drives risk levels, how risks affect value, and how your organization should respond to risks. It also lets you make predictions about the potential impact of unplanned events.

ALIGN RISK MANAGEMENT WITH YOUR BUSINESS VALUE DRIVERS

The application enables you to focus risk management efforts on the fundamental processes and activities that are most

important to your business. It does this by aligning value drivers, critical activities, and high-impact risks.

You can define enterprise value drivers in terms of organizational and geographic factors, processes, and strategic initiatives. Along with that, you can define broad and insightful risk management strategies to maximize value protection and growth. Additionally, you can align audit, compliance, and control management on critical value drivers and related activities.

With the application, you can prioritize risks according to their impact on your defined business value drivers, and build risk catalogs for all risk categories, related drivers, key risk indicators (KRIs), and associated content specific to your industry.

CREATE RELIABLE INSIGHTS INTO VALUE CREATION AND LOSSES

SAP Risk Management gives you broad and detailed insights into what factors drive risk levels, how risks impact business value, and how you can best respond to risks. Visualization functionality ties key risk events into causes and effects of specific enterprise risk management activities, and it enables a horizontal view of the anatomy of risk: where it is coming from, what is driving it, and where it is going. With sophisticated yet simple graphics, the application visually communicates the nature of risk events and the expected causes and impacts of potential events, giving you 360-degree risk management and comprehensive risk insight.

With SAP Risk Management, you can identify and assess enterprise risks in the context of potential impacts on your value drivers. Through integration with the

The SAP Risk Management application can help your organization to [integrate and coordinate risk management activities](#), from corporate and executive levels to audit committees and operating managers.



SAP Process Control application, you can use manual or automated controls and align policies to manage residual risk. Also, using predictive KRIs for monitoring and alerts, you gain continuous insight into risk activity.

Embedded and extensible reporting and analytics provide visibility into risk events and current risk profiles. KRI alerts prompt management action and deliver risk information to appropriate personnel at the optimal time. Real-time access to existing audit processes and projects helps reduce risks and strengthen risk management plans.

ACT ON EMERGING RISKS AND OPPORTUNITIES

Using collaborative tools and techniques, such as surveys and mobile applications, you can leverage your company's resources and organizational expertise and help ensure that risks across the enterprise

are well understood and managed. The application helps you to predict the impact of unplanned events, analyze possible responses and outcomes, and tap into organizational expertise. Through scenario analysis and simulations, you can predict outcomes and plan and execute effective responses.

You can integrate collaborative tools to help ensure that all risks are identified and assessed. With issue management functionality, you can create effective action plans and help ensure accountability. These action plans help prevent the recurrence of an event or issue.

IMPROVE THE BOTTOM LINE

By focusing your governance, risk, and compliance efforts on the most important issues, you can address the issues that concern your organization the most. The SAP Risk Management application helps you to protect and build business value,

increase the gains you realize by identifying and capitalizing on promising opportunities, and enable compliance with effective risk oversight and disclosure activities.

Additionally, you gain a better understanding of cause and effect relationships among risk drivers, risk events, and their consequences. As such, the application helps:

- Improve risk response through more-informed decision making
- Manage residual risk levels and the impacts of loss events
- Increase accountability, agility, and competitiveness

Use the application to better prepare your organization for emerging risks and opportunities and to minimize the impact of catastrophic losses, if they were to occur. With SAP Risk Management, you are positioned to recover more quickly from unplanned events, and you are ready to overtake the competition by exploiting emerging opportunities faster.

Suggested Key Performance Indicators for Effective Risk Management Initiatives

Key performance indicators for risk management practitioners	Align risk management with value drivers	Create reliable insights into value creation	Act on emerging risks and opportunities
Percentage of value drivers identified	x		
Percentage of value-adding or -preserving processes identified	x	x	x
Percentage of value-driving activities with complete risk assessments and responses	x	x	
Internal audit opinion on reliability of risk management process	x	x	
Number of unanticipated risk events identified		x	x
Number of risks identified by business management versus GRC professionals		x	x
Percentage of risk, audit, compliance, and financial reporting professionals using the application for planning, analysis, and reporting	x	x	
Number of key risk indicators (KRIs) per risk driver		x	x
KRIs within range, KRI alerts outstanding	x	x	x
Percentage of controls and policies not linked to business risks	x	x	

Proactively Balance Risk and Opportunity Across Your Business Process

OBTAIN GREATER INSIGHT, EFFICIENCY, AND FLEXIBILITY

SAP Risk Management is part of the SAP solutions for governance, risk, and compliance. These solutions provide organizations with a preventive, real-time approach to governance, risk, and compliance across heterogeneous environments. The solutions also provide complete insight into risk and compliance initiatives, enable resources to be used more effectively, and allow for a faster response to changing business conditions.

Deeper Insight

SAP solutions for GRC enable more complete insight by providing you with a common approach to risk and compliance initiatives. By continuously monitoring governance, risk, and compliance initiatives, you can better understand

business conditions and manage risks and ultimately improve decisions.

Greater Efficiency

SAP solutions for GRC efficiently support the documentation and implementation of automated controls for any framework. The solutions help to reduce cost and allow effective use of resources by automating manual risk and compliance activities, rationalizing compliance, and prepopulating line-of-business and industry-specific content. Through integration with the SAP Process Control application, you can use manual or automated controls and align policies to manage residual risk.

Improved Flexibility

Working together, SAP solutions for GRC give you a preventive, real-time approach for your heterogeneous environment. Performance indicators across fragmented


control environments are aggregated to deliver a common, systemwide view and unify management of strategic, financial, operational, and compliance-related risks across the organization. Having a single strategy for internal policy and external regulation enables faster response to changing business conditions.

FIND OUT MORE

The SAP Risk Management application enables you to create and preserve business value across your enterprise while minimizing the time and cost of compliance. To learn more about how SAP Risk Management and other SAP solutions for GRC can help your organization, call your SAP representative today or visit us on the Web at www.sap.com/grc.

SAP Risk Management helps you to **protect and build business value**, increase the gains you realize by identifying and capitalizing on promising opportunities, and enable compliance with effective risk oversight and disclosure activities.





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