

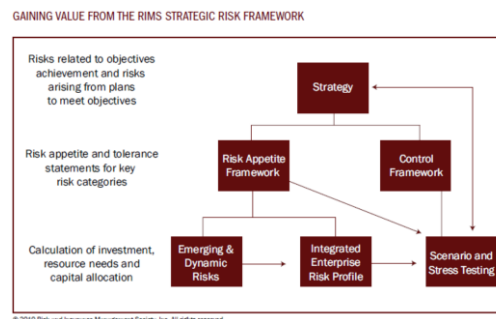
What is SRM?

Strategic Risk Management (“SRM”) is a business discipline that drives deliberation and action regarding uncertainties and untapped opportunities that affect an organization’s strategy¹ and strategy execution.

SRM represents an important evolution in enterprise risk management, based on the following guiding principles:

- A. **Value-driven:** Specifies the foundation and approach for creating, capturing and protecting enterprise value, while serving as a source of competitive advantage
- B. **Reflective:** Addresses the unintended consequences and potential exposures arising from, and created by, operational plans designed to execute strategy
- C. **Structured:** Evaluates risk and reward trade-offs within the organization’s appetite for risk and its risk control framework
- D. **Informed:** Increases risk intelligence and risk-informed decision making with respect to strategic decisions at the board and executive management level
- E. **Dynamic:** Recognizes the positive as well as negative impact on enterprise value (e.g. on earnings, cash flow, capital, reputation and differentiating position) arising from emerging and dynamic changes in the environment
- F. **Process-based:** Represents an applied method and process in effective strategic decision-making, operational implementation of decisions and responsiveness to industry, economic or technological changes
- G. **Condition-based:** Evaluates strategies in the context of significant internal and external conditions, such as organizational capabilities, environments, forces, events, trends and stakeholders
- H. **Consequential:** Prioritizes and manages strategic exposures by relevance, importance and uncertainty in risk taking as well as mitigating strategic risks²
- I. **Interdisciplinary:** Encompasses the intersection of strategic planning, risk management and strategy execution
- J. **Scenario-driven:** Focuses on the calculation of investment, resource needs and capital allocation through scenario and stress testing

These guiding principles are captured in the RIMS Strategic Risk Framework.



¹ **Strategy** is a complete plan of action for whatever situations might arise in achieving an organization’s goals within the established time. An organization’s strategic plans will determine the actions the organization will take at any stage of the planning period as circumstances change.

² **Strategic risks** are those internal or external uncertainties, *whether event or trend driven*, which impact an organization’s strategies and/or the implementation of its strategies.

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