

telenor

*'Accountability or empowerment - which direction for ERM?'*

**Anthony Kingston, Senior Consultant Risk Management, Telenor Group**  
Enterprise Risk Management Special Interest Group of the IRM, May 13 2009

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## Telenor facts

Our business is telecommunications

We are among the world's largest mobile operators with 164 million mobile subscriptions at y/e 2008

Our 2008 revenue was NOK 111 bn (circa GBP 11bn)

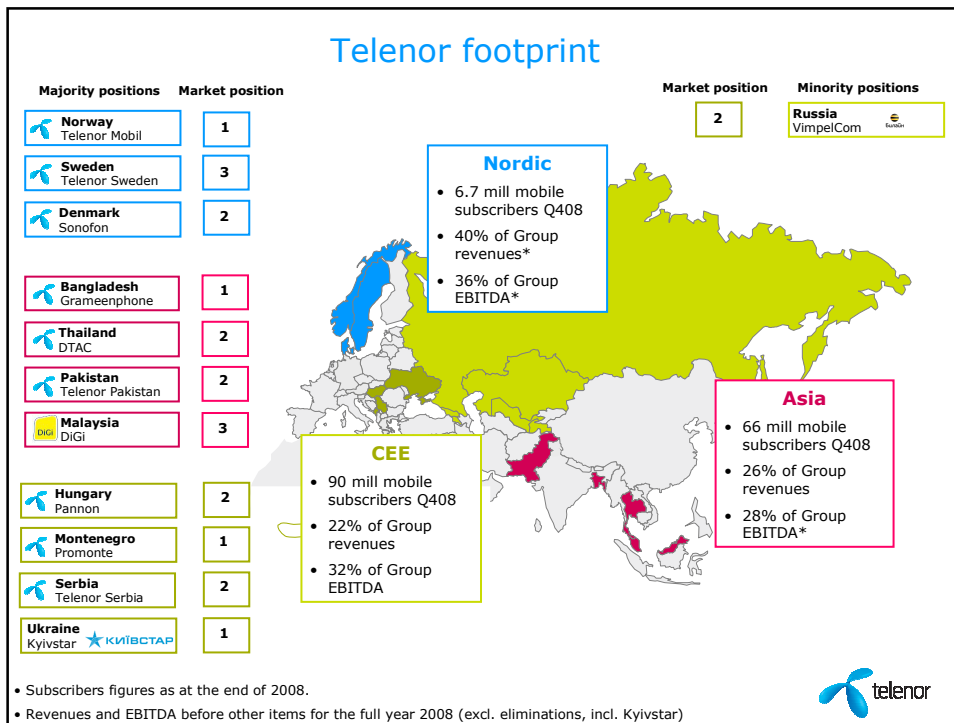
We have a strong footprint in Central Eastern Europe and Asia

Our technologies include mobile, broadband, satellite and terrestrial TV services

We are listed on the Oslo Stock Exchange



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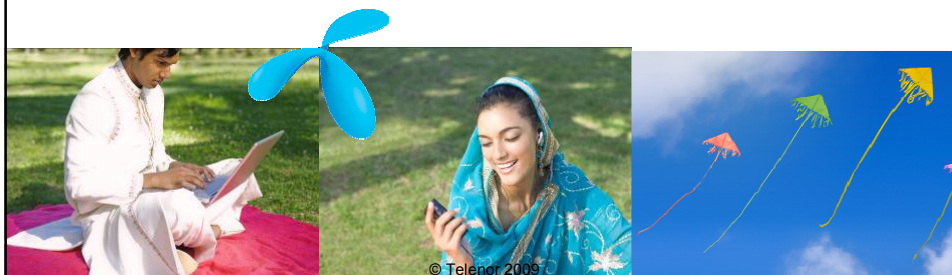
## Entering India: new opportunity

On 20 March 2009 Telenor completed the Unitech Wireless transaction

Subject to regulatory approvals, Telenor will hold a 67% controlling stake in Unitech Wireless

Unitech Wireless plans to launch its services in mid 2009

India has a population of approximately 1.2 billion, mobile penetration currently at 30%



In Telenor Enterprise Risk Management is about helping the Group understand potential futures

*"We can never avoid the dilemma that all our knowledge is of the past, while our decisions are about the future"*

Gro Harlem Brundtland,  
Former Director General World, Health Organisation

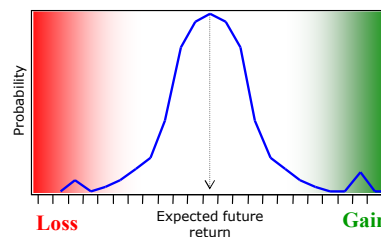


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ERM also helps to secure a long-term return on investment commensurate with risks undertaken

**Risk\***  
*The chance of something happening that will have an impact on objectives.*



Risk Management has a dual focus

\* AS/NZS 4360:2004 Risk Management

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## Independent Research Firm hints at a need for accountability in ERM

*“Simply stated, ERM is about providing a proactive and managed approach to risk as opposed to point-in-time reactive assessments conducted in organizational silos and not consistently measured and reported across the organization.*

*Ultimately, ERM is about value creation and performance management — value to stakeholders, meeting organizational objectives, and seeing this through in business operations and investments.*

*Organizations that fail to adequately understand and manage risk destroy their ability to create value and meet goals.”*



## Accountability is part of the ERM picture

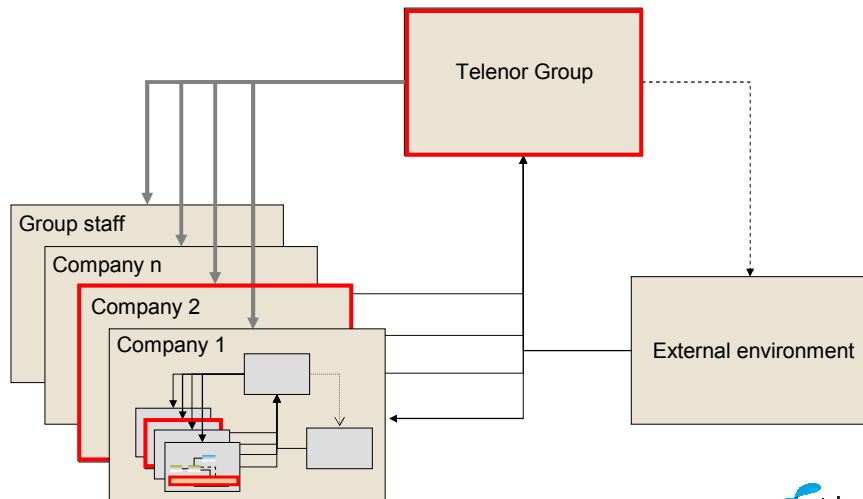
In leadership roles, accountability is the acknowledgment and assumption of responsibility for actions, [...] and encompassing the obligation to report, explain and be answerable for resulting consequences

(Wikipedia)



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## ERM in Telenor requires accountability at multiple levels



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## Three Telenor cornerstones for ERM

Ensure risks are known, owned and managed\*

- Perform risk assessments
- Understand roles and responsibilities, i.e. risk owners

Embed risk management into the business

- All managers at all levels are responsible for risk management within their areas and for embedding risk management in the day-to-day business processes

Use a common and consistent enterprise-wide risk process

- Across the business, at all levels

\* Minimising risk is not the purpose

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## An exclusive 'accountability' focus could lead the business to misinterpret RM as compliance

- Risks should become known not only when the business is forced to undertake a Risk assessment
- Risks should be owned and managed not only once individuals are forced to take responsibility
- Risks should be communicated not only once the hierarchy demands it



## Independent Research Firm hints at a need for accountability in ERM

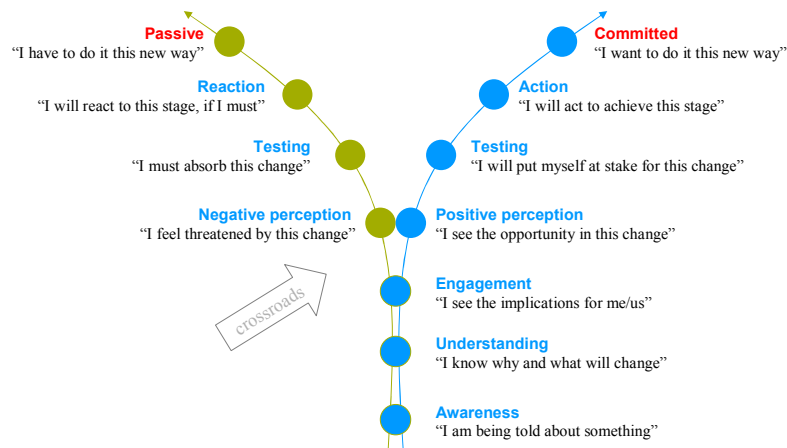
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## RM commitment creates more value than RM compliance



Source: PwC

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## To gain commitment you need empowerment

**Empowerment** is probably the totality of the following or similar capabilities

- Having **decision-making power** of one's own
- Having **access to information** and resources **for taking proper decision**
- **Ability to learn skills** for improving one's personal or group power.
- Increasing one's ability in **discreet thinking to sort out right and wrong**

(Wikipedia)

**Telenor explicitly empowers risk management practitioners at all levels**

- Eliciting information relevant for local decision makers about the future path
- Linking risks to their unit and corporate goals and objectives
- Using financial and qualitative ratings familiar to them (Revenue, EBITDA etc)
- Requiring them to determine own consequence scales locally
- Defining risk policy and process requirements but allow the business to select and adapt tools for risk assessment

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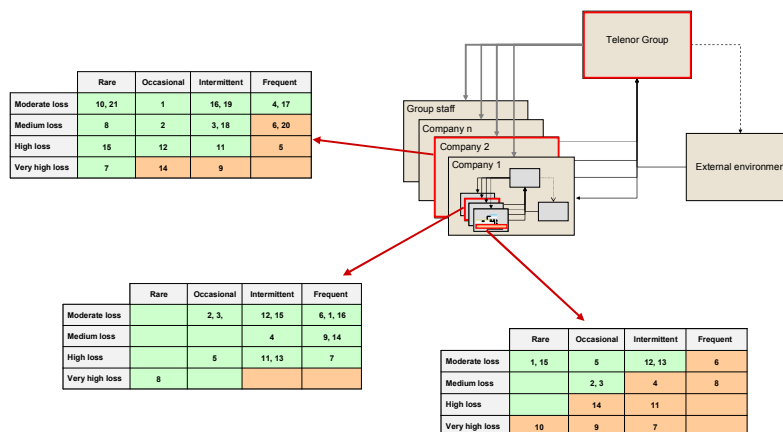
Across Telenor risk consequence scales are set locally and explicitly aligned to financial and other targets

<b>Moderate loss</b>	-Revenue loss < A -EBITDA loss < D -Net profit loss < G -<Qualitative description of loss developed and used by you>	OR OR OR
<b>Medium loss</b>	-Revenue loss A – B -EBITDA loss D – E -Net profit loss G – H -<Qualitative description of loss developed and used by you>	OR OR OR
<b>High loss</b>	-Revenue loss B – C -EBITDA loss E – F -Net profit loss H – I -<Qualitative description of loss developed and used by you>	OR OR OR
<b>Very high loss</b>	-Revenue loss > C -EBITDA loss > F -Net profit loss > I -<Qualitative description of loss developed and used by you>	OR OR OR

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Adapting consequence scales and risk tolerance thresholds within the local business makes RM relevant at all levels



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## Telenor Enterprise Risk Management aims to:

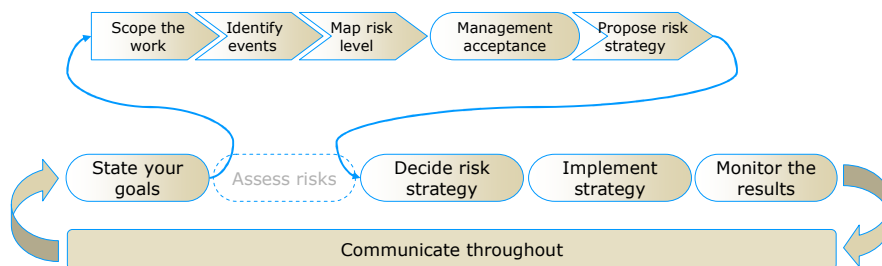
- Make the risk and reward balance more transparent
- Deliver valuable input to strategic and operational planning
- Support operational and financial integrity

This helps underpin organisational confidence and foresight

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## **Accountability** is required for performing the ERM process



## **Empowerment** is required to make ERM process valuable locally

Telenor aligns to AS/NZS4360:2004 Risk Management

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*Q: Accountability or empowerment - which direction for ERM?*

A: We need both – they are like two sides of a coin

Thank you

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