FUTUREPLUS

RISK REGISTER GUIDE

INTRODUCTION

A business will never be able to anticipate every risk event that could occur within its value chain, but by implementing a risk register and risk management policy, businesses can prepare to respond quickly to the most serious and likely risks.

A risk register is a practical log (often a spreadsheet or database) that records potential risks to an organisation. It provides an up-to-date assessment of the nature, likelihood and potential impact of a broad range of risks that may directly impact the business. It serves as a key risk management tool, supporting regulatory compliance and, increasingly, ESG (Environmental, Social, and Governance) objectives.

A risk management policy (or business resilience policy) sits alongside the register and sets out the framework (the principles, responsibilities, and processes) for risk management, ensuring that risks are proactively addressed and controlled.

IMPLEMENTING A RISK REGISTER

IS A RISK REGISTER REALLY NEEDED?

Every business, no matter how small, is subject to risks in some form or degree.

A risk register allows organisations to stay ahead of potential threats before they occur. By identifying potential risks, your team can create a plan of action to implement should an incident arise.

RISK IDENTIFICATION

The first step is to identify potential risks and categorise them according to different risk areas.

These risk areas could include:

- **Financial Risks:** Such as as market fluctuations, credit or liquidity risks.

- **Environmental Risks:** Risks associated with an organisation's environmental impact, climate change, resource management, and regulatory compliance (e.g. carbon emissions, waste management).

- **Social Risks:** Risks related to an organisation's social impact, including labour practices, community relations, diversity and inclusion, and human rights.

- **Governance Risks:** Risks associated with corporate governance, ethical business practices, board structure, regulatory compliance, and transparency.

- **Operational Risks**: Risks that impact day-to-day operations, such as supply chain disruptions, equipment failure, cybersecurity or health and safety risks.

- **Reputational Risks:** Such as negative publicity or a social media backlash.

- **Strategic Risks:** Risks that pose a threat to goals and success.

- **Physical Risks:** Such as flooding or fire events.

- **Compliance Risks:** Risks related to non-compliance with industry laws, regulations, and policies

OWNERSHIP

Assign a risk owner (individual or team) for each identified risk. The risk owner will be responsible for monitoring, managing, and overseeing the mitigation actions for the specific risk. This ensures accountability for risk management and implementation of mitigation measures.

PROBABILITY AND IMPACT

Assess the likelihood and potential impact of each risk. This is typically done using a qualitative scale (e.g. low, medium, high) or on a quantitative scale (e.g. 1-5).

Combine the likelihood and impact assessments to determine the overall risk rating of each risk.

Use the risk rating to rank risks, focusing on high-priority risks that have the greatest potential impact. Consider using a risk matrix to visually represent the risk ratings.

RESPONSE AND MITIGATION PLAN

For each identified risk, include a detailed response or mitigation plan. This should outline the actions and strategies to minimise or eliminate the risk. It could include:

- Preventative measures to avoid the risk occurring.
- Contingency plans in case the risk materialises.
- Key actions, timelines, and resources required for each response.
- Details of any residual risks that cannot be mitigated against.

POLICY ALIGNMENT

A risk management policy is an overarching document that sits alongside the risk register, outlining an organisation's approach to management of risks.

The policy should define:

- The organisation's framework for risk management.
- Roles and responsibilities.
- Risk tolerance levels.
- The general strategies for risk responses (e.g., avoid, mitigate, transfer, accept).
- The process for creating and maintaining the risk register.

The risk management policy typically contains general guidelines on how risk response planning should be conducted, leaving the specific response plans for each individual risk to be detailed in the risk register.

INCORPORATING ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS

Traditionally, risk management has focused primarily on financial and operational threats. However, the growing recognition of the interconnectedness between business activities and broader societal and environmental factors has made Environmental, Social and Governance (ESG) risks a critical consideration.

Factors such as climate change, social inequality and ethical governance can have profound impacts on a company's reputation, financial stability, and long-term viability.

NEED MORE HELP?

For further support with risk assessment and management, you can get in touch with the team at: info@future-plus.co.uk.