



# Risk Reimagined

Audit Committee Institute

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# Risk Reimagined

We will discuss the evolution of risk management, consider lessons from the past, through to dealing with the challenges and opportunities risk and technology brings for tomorrow.



Globally connected, leveraging single source data, applied machine learning and predictive analysis to make better business (risk) decisions.



Through applied risk appetites addressing the values and behaviours, to instil risk aware cultures that form the foundations of sustainable and consumer focused businesses.



Embedded risk focus across the organisational structure, risk at the front line in core decision making - to deliver truly integrated opportunity and risk management

# The last 30 years

Organisations focused on relatively short term capital market reporting requirements

Limited availability and access to data and information

Risk management has evolved from - intuitive in making business decisions, to a large and growing practice and profession in its own right

Risk management has become more and more separated from what used to be considered the front line executives responsibility



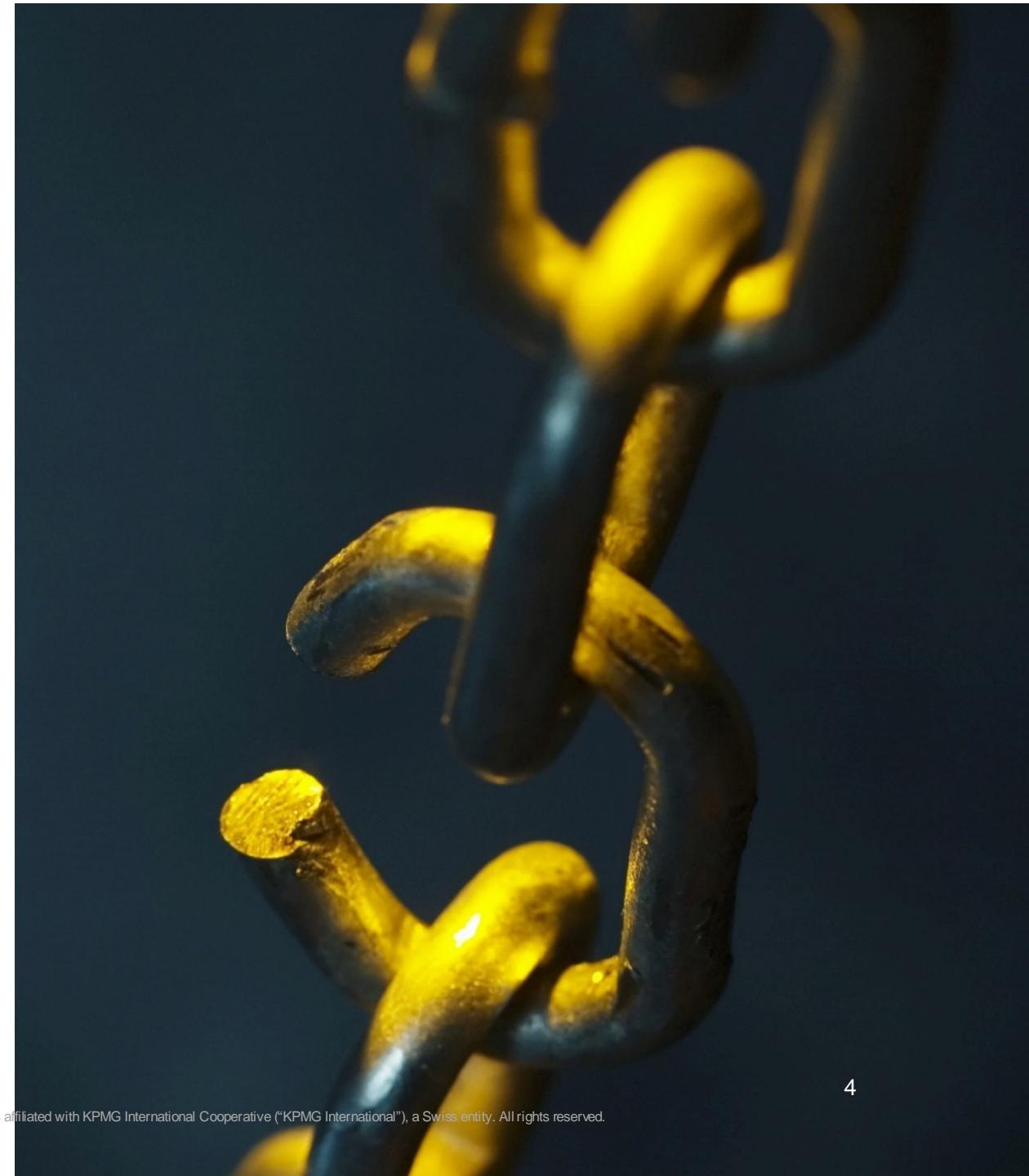
# Where are we now

Second line risk functions, of varying maturity and connection to organisational business activity

Public pressure for increasing regulation and oversight to protect consumers

Leaders challenging the balance between regulation and oversight vs innovation and business growth

Vast amounts of data being created and available, but organisations are failing to interpret



# Corporate Culture

Corporate values and behaviours need to shift organisational culture to deliver longer term sustainable strategies through an understood risk return relationship - appetite

Understanding the end customer and building shared trust through data interpretation and risk informed decisions

How does technology advancement and the increasing use of A.I and machine learning impact and shape corporate culture?



# Risk Appetite

A robust risk appetite statement will help operationalise the desired risk culture and shift organisations into a more sustainable operating environment.

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Connecting the corporate strategy, narrative and purpose with the community and public expectations

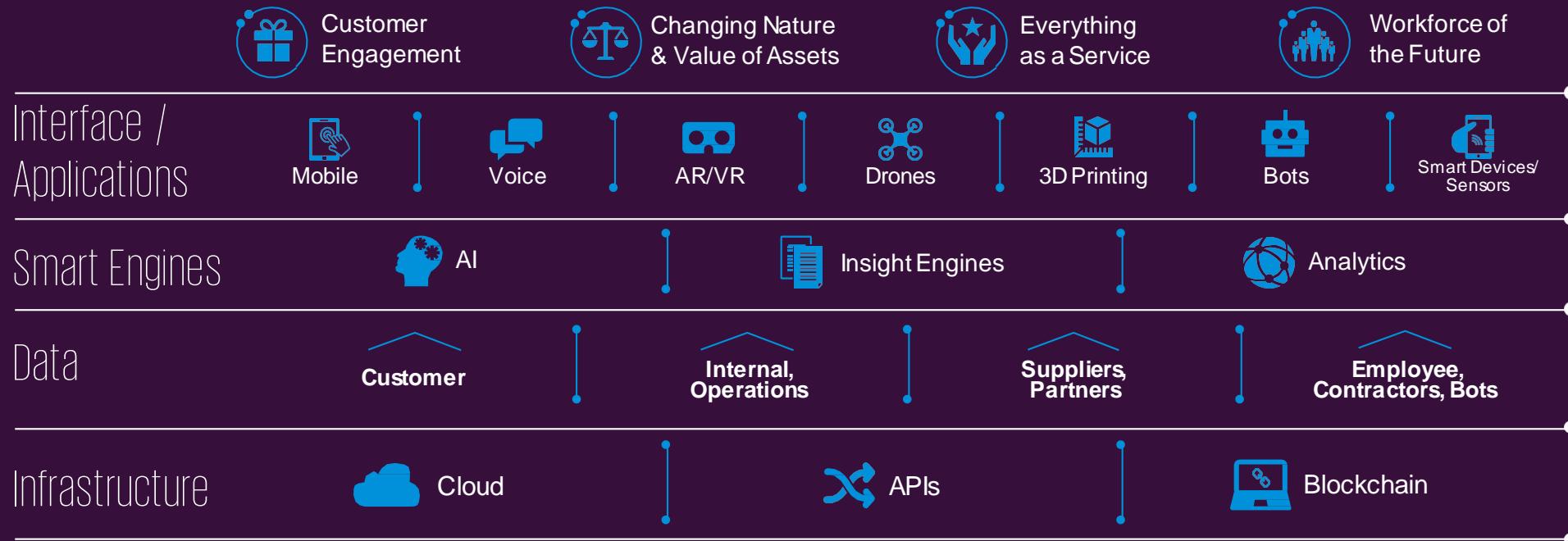
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Moving from “*pursuit of short-term profit*” to longer term sustainability

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# Digital transformation and the 21st Century Enterprise



Source: SAE Analysis

**54%**  
of China CEOs  
are actively disrupting the sectors in which they  
operate, rather than waiting to be disrupted  
Source: 2019 KPMG CEO survey

# Intelligent Automation

“Rates of adoption of intelligent automation with all industry verticals and business functions jumping on the bandwagon are at an unprecedented level. Companies will need to evaluate desired business outcomes, level of financial investment and complexity of task/process to help determine which classes of intelligent automation addresses their needs while understanding the risk implications of automation.”



# Connected Devices

“IoT offers tremendous opportunities to automate processes and increase intelligence beyond expanded reach and efficiencies. Identifying where the risks are coming from and understanding how to manage that risk will have an immense impact on how successful the adoption of IoT will be in our rapidly emerging new world of connectivity.”

# Convergence of Finance, Risk & Technology

We see a need for the convergence of risk, technology and finance into front line decisions?

What will happen to the traditional second line risk functions with the move to integrated GRC solutions?

Will the shareholder and the end consumer ultimately be better off?



# Technology enabled

Over 75%  
of business enterprises in  
Hong Kong are adopting cloud  
services<sup>1</sup>



The ability to interpret data and information to make better informed risk decisions”



Convergence of risk finance and IT – IT's move from back office shared service to front line service delivery

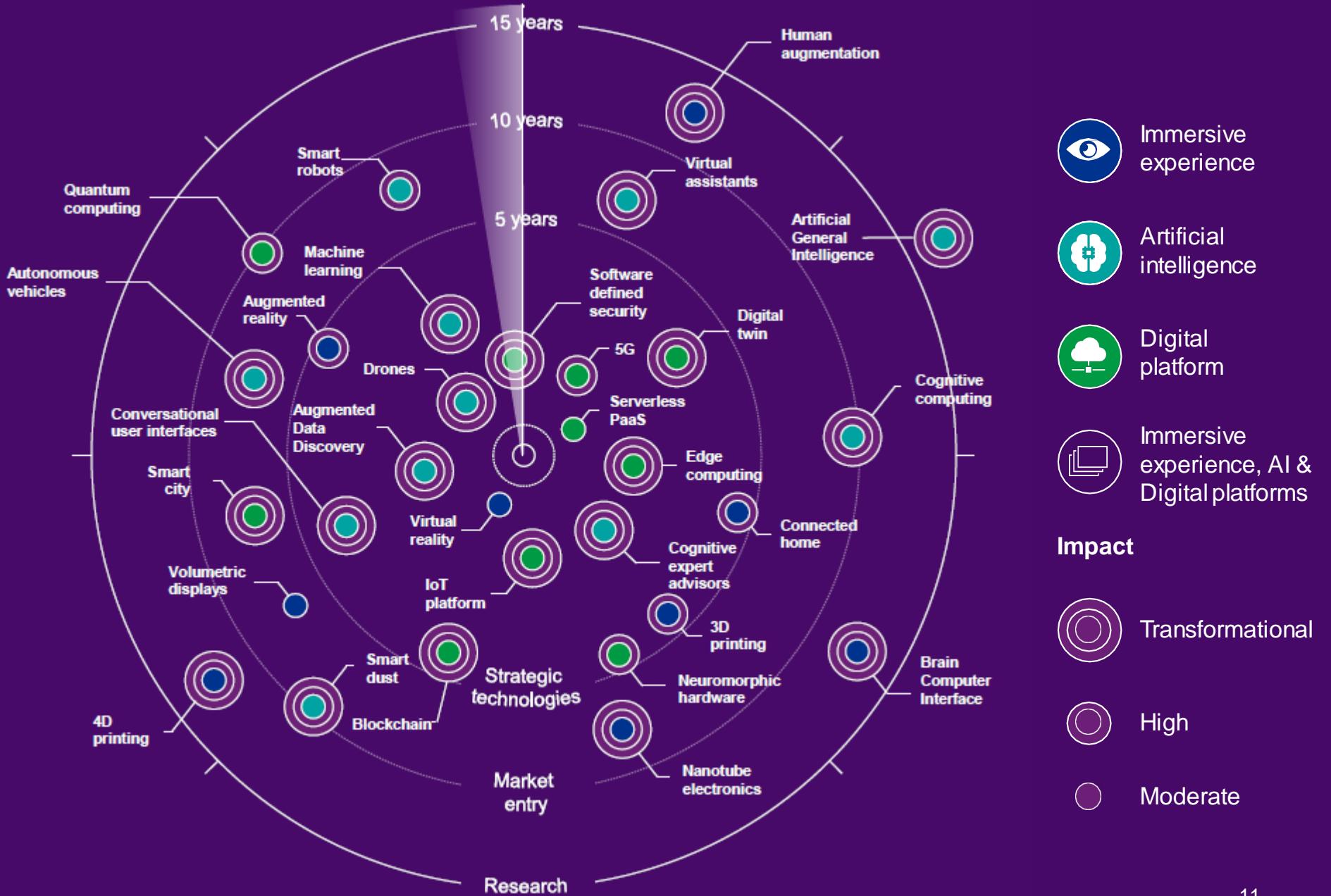


Risk management fundamentals will be delivered through augmented intelligence and predictive analytics



<sup>1</sup>\* Hong Kong Data Center Market – Investment Analysis and Growth Opportunities 2020-2025

# Emerging technology radar



# Emerging Technology risk

**85%**

**of companies** are in some phase of transforming their primary business activities over next 3 years.<sup>1</sup>



Regulatory environment **has not kept pace** with technology deployment.



Risk Management has been one of the key barriers to monetising technology innovations.<sup>3</sup>

**95%**

**see technology disruption as opportunity**, not a threat.<sup>2</sup>



Continued adoption of emerging technology, **no IT risk measurement.**

1 – Harvey Nash / KPMG CIO Survey 2019

2 – KPMG 2019 Global CEO Outlook

3 - KPMG Managing technology innovation

# Contact us

## Shanghai:

**Li Fern Woo**  
**Partner**  
Tel: +86 (21) 2212 26 03  
[lifern.woo@kpmg.com](mailto:lifern.woo@kpmg.com)

**Grace Chen**  
**Partner**  
Tel: +86 (21) 2212 2780  
[grace.xh.chen@kpmg.com](mailto:grace.xh.chen@kpmg.com)

**Joyce Ge**  
**Partner**  
Tel: +86 (21) 2212 3295  
[joyce.ge@kpmg.com](mailto:joyce.ge@kpmg.com)

**Bryan Hu**  
**Director**  
Tel: +86 (21) 2212 3686  
[bryan.hu@kpmg.com](mailto:bryan.hu@kpmg.com)

**Sabrina Fang**  
**Director**  
Tel: +86 (21) 2212 4197  
[sabrina.hl.fang@kpmg.com](mailto:sabrina.hl.fang@kpmg.com)

## Beijing:

**Frank Mei**  
**Partner**  
Tel: +86 (10) 8508 7188  
[frank.m.ei@kpmg.com](mailto:frank.m.ei@kpmg.com)

**Jessica Xu**  
**Partner**  
Tel: +86 (10) 8508 5952  
[jessica.xu@kpmg.com](mailto:jessica.xu@kpmg.com)

**Johnson Li**  
**Partner**  
Tel: +86 (10) 8508 5975  
[johnson.li@kpmg.com](mailto:johnson.li@kpmg.com)

**Vera Li**  
**Director**  
Tel: +86 (10) 8508 5870  
[vd.li@kpmg.com](mailto:vd.li@kpmg.com)

**Haoyu Liu**  
**Director**  
Tel: +86 (10) 8553 3343  
[haoyu.liu@kpmg.com](mailto:haoyu.liu@kpmg.com)

**Medivh Luo**  
**Director**  
Tel: +86 (10) 8508 5016  
[medivh.luo@kpmg.com](mailto:medivh.luo@kpmg.com)

**Aaron Ren**  
**Director**  
Tel: +86 (10) 85085454  
[aaron.ren@kpmg.com](mailto:aaron.ren@kpmg.com)

## Hong Kong:

**Alva Lee**  
**Partner**  
Tel: +852 21438 764  
[alva.lee@kpmg.com](mailto:alva.lee@kpmg.com)

**Jia Ning Song**  
**Partner**  
Tel: +852 29788101  
[jianing.n.song@kpmg.com](mailto:jianing.n.song@kpmg.com)

**Jeffrey Hau**  
**Partner**  
Tel: +852 2685 7780  
[jeffrey.hau@kpmg.com](mailto:jeffrey.hau@kpmg.com)

**Jens Kessler**  
**Director**  
Tel: +852 21438584  
[jens.kessler@kpmg.com](mailto:jens.kessler@kpmg.com)

**Paul Cheng**  
**Director**  
Tel: +852 2847 5075  
[paul.cheng@kpmg.com](mailto:paul.cheng@kpmg.com)

**Claudia Yu**  
**Director**  
Tel: +852 2847 5075  
[paul.cheng@kpmg.com](mailto:paul.cheng@kpmg.com)

## Guangzhou/Shenzhen

**Kelvin Leung**  
**Partner**  
Tel: +86 (755) 2547 3338  
[kelvin.oc.leung@kpmg.com](mailto:kelvin.oc.leung@kpmg.com)

**Eric Chang**  
**Partner**  
Tel: +86 (20) 3813 7088  
[eric.chang@kpmg.com](mailto:eric.chang@kpmg.com)

**Joyce Xie**  
**Partner**  
Tel: +86 (755) 2547 1261  
[joyce.xie@kpmg.com](mailto:joyce.xie@kpmg.com)





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