



WEEKLY WEBINAR SERIES - 6

Applying Operational Risk
 Management thinking to COVID-19

**Building scenarios to
 assess COVID-19 risk
 exposures**

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Webinar Schedule – Financial Services

Date	Topic	AEST	GMT
Thursday 7 May	6. Building scenarios to assess COVID-19 risk exposures	8.00 p.m. – 9.00 p.m.	11.00 a.m. – 12.00 p.m.
Thursday 14 May	7. Practical demonstration of ERM processes applied to COVID-19 using Protect.ERM	8.00 p.m. – 9.00 p.m.	11.00 a.m. – 12.00 p.m.



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Your Presenters



Manoj Kulwal

Co-Founder & CRO at
RiskSpotlight



David Tattam

Director, Research and
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The Protecht Group



Jason Smith

CEO and Executive
Director at Risk
Management Institute of
Australasia



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Agenda

- 1** | Introduction and Housekeeping
- 2** | Presentation: Building scenarios to assess COVID-19 risk exposures
- 3** | Q&A
- 4** | Conclusions and next Webinar



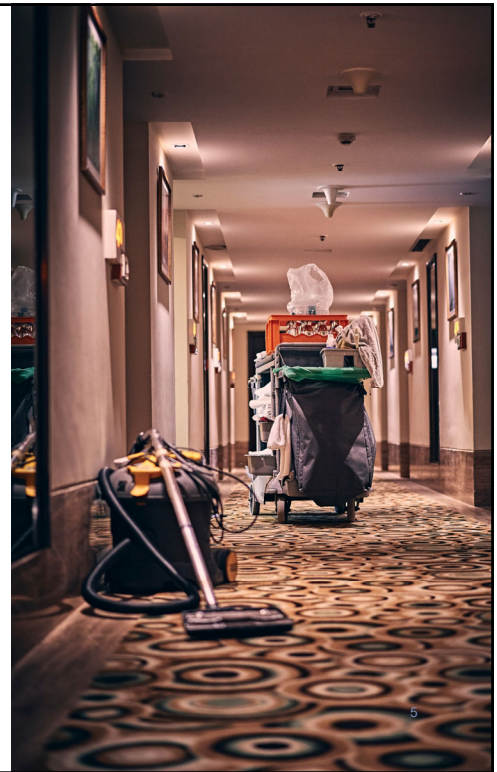
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Housekeeping

1. The webinar will go for 60 minutes.
 - Introduction 5 mins
 - Presentation 30 mins
 - Q&A 20 mins
 - Concluding Remarks 5 mins
2. Ask questions as we go using the question section on the GOTO control panel. If the question input area is not visible, click on the orange arrow at the top of the panel to expand the viewing area.
3. Any questions we don't get to during the webinar:
 - Address any key questions at the beginning of the next Webinar
 - Consider writing a blog or a later topic for any theme questions
4. Please complete the post webinar feedback questions at the end of the webinar
5. You will be send a pdf copy of the slides and a recording of the webinar will be made available to registered participants on our websites:

www.protechtgroup.com www.riskspotlight.com



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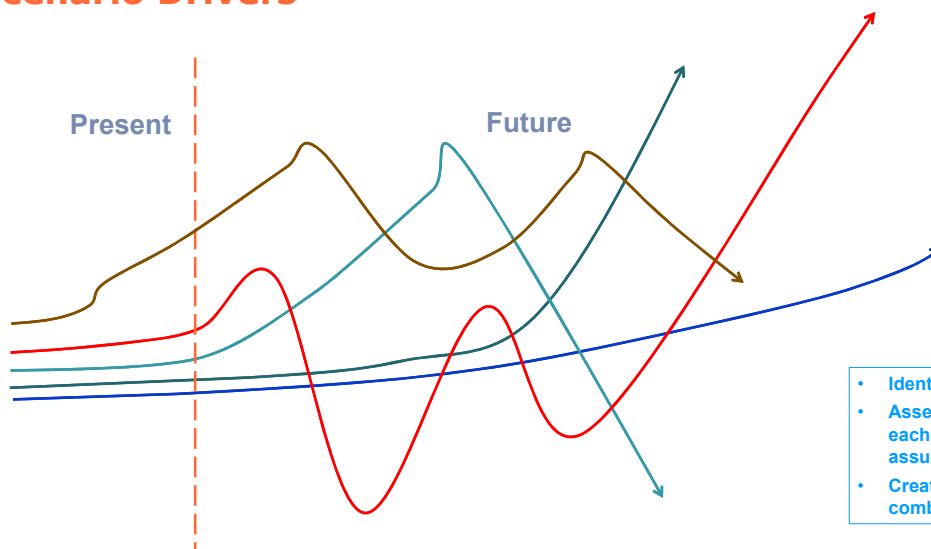
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Scenarios

- Effective tool for evaluating different versions of the future
- Most effective tool when the level of uncertainty is high
- Effective when created by multi-disciplinary team members and supported by external experts



Scenario Drivers



- Identify the key scenario drivers
- Assess the future direction of each driver with associated assumptions
- Create multiple scenarios using combination of scenario drivers

43 COVID-19 Scenario Drivers

COVID-19 Scenarios ☆

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ID	Category	Scenario Driver	Level 1	Level 2	Level 3	Level 4
SD01	Business Impact	Level of revenue impact during the lockdown - decrease compared to pre-crisis level	Revenues have fallen more than 80%	Revenues have fallen between 41% - 80%	Revenues have fallen 5% - 40%	Revenues have fallen < 5%
SD02	Business Impact	Level of revenue impact during the lockdown - increased compared to pre-crisis level	Revenues have increased by < 5%	Revenues have increased 5% - 40%	Revenues have increased 41% - 80%	Revenues have increased > 80%
SD03	Business Impact	Level of revenue - post lockdown	Revenues stay below pre-crisis level for 2-3 years and firm goes bankrupt	Revenues stay below pre-crisis level for 2-3 years and then grow	Revenues stay below pre-crisis level for upto 2 years and then grow	Revenues grow immediately
SD04	Business Impact	Level of business strategy update required	Business strategy requires a complete reset	Business strategy requires major updates	Business strategy requires minor updates	Business strategy requires no updates
SD05	Business Impact	Level of damages during the lockdown e.g. large number of process failures, large number of IT system disruptions, large number of cyber incidents, large number of business projects paused/cancelled	Significant amount of damages suffered across many business areas during the lockdown	Significant amount of damages suffered in some business areas during the lockdown	Minor amount of damages suffered during the lockdown	No damages suffered during the lockdown
SD06	COVID-19 Human Impact	No. of COVID-19 deaths in UK before vaccine is widely available	25,000+	10,000 - 25,000	< 10,000	
SD07	COVID-19 Human Impact	No. of COVID-19 deaths globally before vaccine is widely available	1 mln+	250,000 - 1 mln	< 250,000	
SD08	COVID-19 Human Impact	State of infection spread in UK when lockdown is revoked	No. of new cases rising over the past 30 days	No. of new cases have stabilised over the past 30 days	No. of new cases have fallen over the past 30 days	Zero cases identified in the past 30 days
SD09	COVID-19 Human Impact	State of infection spread globally when lockdown is revoked	No. of new cases rising over the past 30 days	No. of new cases have stabilised over the past 30 days	No. of new cases have fallen over the past 30 days	Zero cases identified in the past 30 days
SD10	COVID-19 Human Impact	Level of immunity in UK population when lockdown is revoked	Not known/measured	< 50%	51% - 80%	>80% are immune

Note 1: The scenario drivers highlighted below are the key variables that need to be considered to construct relevant scenarios.
Note 2: The drivers highlighted in blue color are new drivers discussed during the online workshop on 21Apr2020. These will be further updated by RiskSpotlight team.

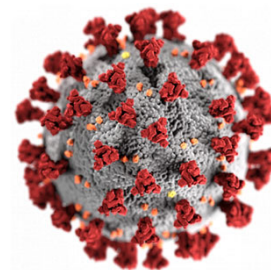
Link - <https://www.riskspotlight.com/covid19>

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Starting Point

1. There is no cure for the virus currently except reducing physical contact
2. A person can infect others even when they themselves are not showing any symptoms
3. Effective vaccination at global scale is 12-18 months away
4. It is unclear the duration and strength of immunity gained by people who have suffered from the virus and fully recovered
5. It is unclear how the virus may mutate over time
6. Governments cannot sustain lockdown for long periods and will need to reopen economies in phased manner
7. Employees will largely remain fearful of getting infected when they commute to work, work in offices, visit customers/vendors for business meetings
8. Firms will need to provide assurance to employees that work environment is safe through measures such as deep cleaning, regular testing, safety measures at entry points of offices, contact tracing mobile apps, personal protection equipment, social distancing measures
9. Working from home practices will remain in place until commute to work (e.g. public transport) becomes safe
10. Airline travel will remain scarce until vaccination programs are rolled out across major countries



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Scenario 1: Same old same old

1. Firms will return to pre COVID-19 world after a vaccine is discovered and distributed globally
2. COVID-19 will soon be forgotten as a bad dream
3. Until vaccine is available, firms will need to follow social distancing norms and safety protocols to protect employees and customers
4. The pollution levels rise globally and all the climate gains are soon lost making climate change as the top threat again
5. We go back to the working patterns of 9 – 5 that was originally established during the industrial era even when it is no longer effective for a globalised knowledge economy
6. Long boring commutes become the norm again even when most people hate them
7. We go back to the same stressful life and resume the quest to find the elusive work-life balance
8. We continue on this path until another novel large scale global event disrupts our work and life



Polling Question

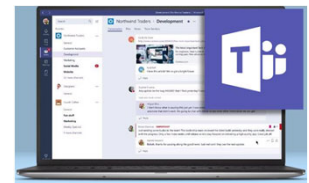
How likely do you believe scenario 1 is?

1. Very Likely (> 95%)
2. Likely (71% to 95%)
3. Possible (31% to 70%)
4. Unlikely (5% to 30%)
5. Very Unlikely (< 5%)



Scenario 2: Same old and little different

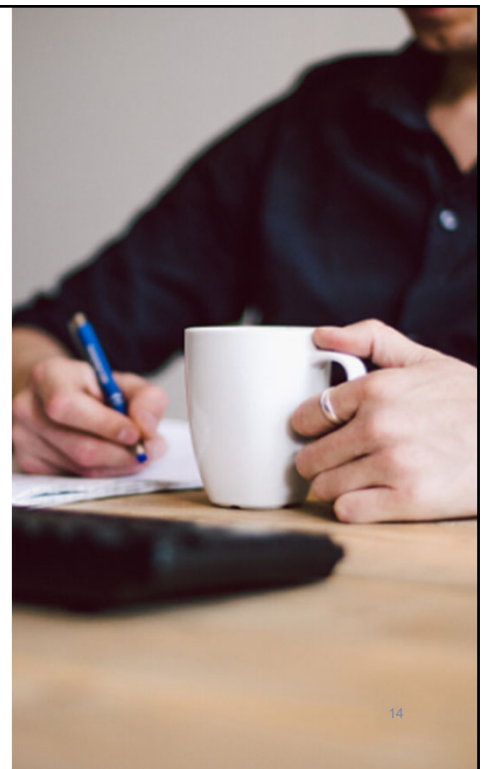
1. Firms will largely return to pre COVID-19 world after a vaccine is discovered and distributed globally
2. COVID-19 changes the rules of physical business meetings e.g. no handshakes/hugs/kisses
3. Increase in use of online meetings even when all employees are in the office and only conduct physical business meetings where absolutely necessary
4. Firms increase work from home arrangements but still expect employees to come to office regularly
5. Use of personal safety equipment (e.g. masks) becomes common practice globally
6. People remain paranoid and fearful in public places until the COVID-19 memories fade (3-5 years)



Polling Question

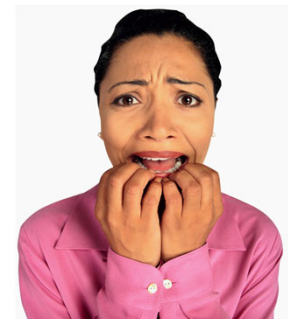
How likely do you believe scenario 2 is?

1. Very Likely (> 95%)
2. Likely (71% to 95%)
3. Possible (31% to 70%)
4. Unlikely (5% to 30%)
5. Very Unlikely (< 5%)



Scenario 3: Bruised and fearful recovery

1. Firms recover from the crisis but in a fearful business environment
2. Firms faced many significant operational risk incidents during the crisis
3. Firms faced severe liquidity/credit/market risk incidents during the crisis
4. Firms faced significant drop in revenues during the crisis
5. The demand for firm's products/services has permanently disappeared or disappeared for a few years
6. The economy goes into a multi year recession due to financial and economic damage caused during the crisis
7. High level of unemployment as firms reduce headcount to survive
8. Firms have to significantly cut costs to give them a chance to survive
9. Key parts of the value chain (customers, vendors) remain disrupted for long period of time making it difficult for firms to fully recover
10. There are multiple waves of the virus each resulting in lockdown over many weeks
11. The virus mutates into stronger version multiple times resulting in constant catchup effort to find new effective vaccines
12. Firms may recover successfully from the crisis but soon go bankrupt



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Polling Question

How likely do you believe scenario 3 is?

1. Very Likely (> 95%)
2. Likely (71% to 95%)
3. Possible (31% to 70%)
4. Unlikely (5% to 30%)
5. Very Unlikely (< 5%)

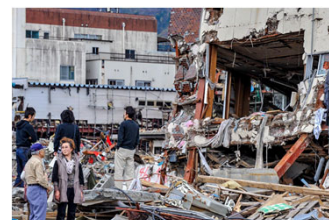


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Scenario 4: Perfect storm

1. Firms have to deal with one or more large scale operational risk incidents (e.g. terrorist attack, natural disaster) while they are recovering from the crisis or soon after the recovery
2. Weaker firms may be unable to successfully recover from this scenario
3. Firms that survive may get stretched in terms of their business viability, capital and resources
4. May extend the economic pain resulting from the COVID-19 crisis



Polling Question

How likely do you believe scenario 4 is?

1. Very Likely (> 95%)
2. Likely (71% to 95%)
3. Possible (31% to 70%)
4. Unlikely (5% to 30%)
5. Very Unlikely (< 5%)



Scenario 5: Re-think global supply chains

1. Firms focus on improving resilience by rethinking their global supply chains
2. Reduce concentration risk (e.g. key suppliers based in a single country)
3. Move supply chain to vendors closer to home – likely to increase the costs but reduce the risk exposure (cost of resilience)
4. Undo past outsourcing decisions and take advantage of new technologies (e.g. robotics) to gain the cost advantages by executing business processes inhouse
5. Increased scrutiny of third parties including more regular stress testing
6. Government offers incentives for firms to hire in home country to address higher level of unemployment
7. Government penalizes firms that continue to utilise resources in other countries vs. hiring employees in the home country



Polling Question

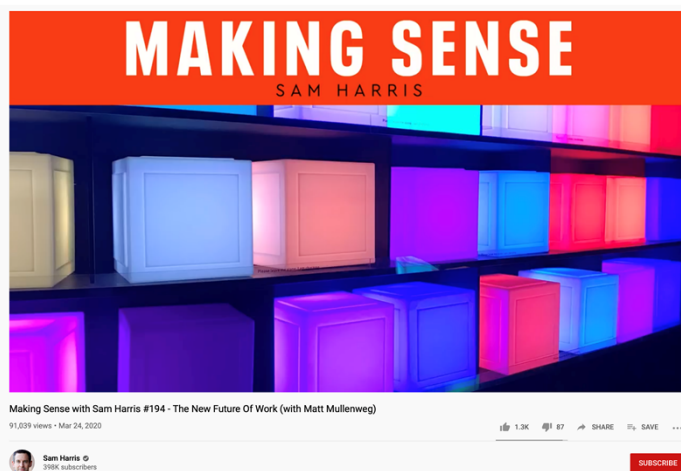
How likely do you believe scenario 5 is?

1. Very Likely (> 95%)
2. Likely (71% to 95%)
3. Possible (31% to 70%)
4. Unlikely (5% to 30%)
5. Very Unlikely (< 5%)



Scenario 6: Redefine workplaces

1. Firms utilise the crisis to redefine workplaces to move away from industrial age working patterns in place before the crisis
2. Firms utilise online/digital working tools to increase productivity and innovation in alignment with the knowledge economy
3. Firms increasingly utilise virtual reality technologies to replace physical proximity with virtual proximity
4. Firms make 40% to 80% of employees permanently home based. This reduces commute for employees and real estate costs for firms. It also allows firms to hire employees internationally and allows individuals to work for firms internationally.
5. Employees increasingly demand firms to adopt online/digital models and leave firms that fail to adopt - making such firms unattractive employers and extinct over time
6. Business travel becomes rare due to wide use of online meeting tools
7. The climate gains made during the crisis are retained and increased over time as more firms globally make the changes to workplaces



- Podcast with Matt Mullenweg (CEO of Automattic) on ideas and practices to developing effective processes/practices in relation to working from home.
- Matt refers to this as "running distributed teams".
- Automattic has 1,100 employees based in 75 countries who all work from home all the time.
- He shares a five level maturity model of how organisations can evolve and maximise the organisational benefits of running distributed teams.
- You can hear the podcast recording here - <https://lnkd.in/gvkNcpe>

Polling Question

How likely do you believe scenario 6 is?

1. Very Likely (> 95%)
2. Likely (71% to 95%)
3. Possible (31% to 70%)
4. Unlikely (5% to 30%)
5. Very Unlikely (< 5%)



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Scenario 7: Redefine life using robots

1. Firms increase adoption of physical and software robots to reduce need for human employees wherever possible to deal with future pandemic crisis and generally increase productivity levels
2. Reducing costs by using robots becomes a necessity to survive in the post COVID-19 world
3. Increasing use of robots also becomes a necessity if developing effective vaccination takes more than 12-18 months
4. Governments introduce Universal Basic Income for individuals affected by increased use of robots
5. Humans don't have to do mundane/repetitive/boring tasks that can be handled very effectively by robots. They can utilise their intelligence and resources towards innovation and improving quality of life.
6. It takes 3-5 years for firms/governments/societies to adjust to this new model but eventually everyone gets onboard due to the improved quality of life that emerges from this model



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Polling Question

How likely do you believe scenario 7 is?

1. Very Likely (Greater than 95%)
2. Likely (71% to 95%)
3. Possible (31% to 70%)
4. Unlikely (5% to 30%)
5. Very Unlikely (Less than 5%)



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Other Significant Scenario Drivers

1. Escalation of US – China dispute extends the polarisation of world order
2. Long term impacts of mental health issues from the COVID-19 crisis
3. Populist political leaders prioritise their countries and actively refuse to help other countries with COVID-19 related resources such as vaccines
4. Firms reducing work week to 3-4 days a week
5. Rise in freelance economy
6. One or more major country fails to honour its debt obligations
7. Damage caused by COVID-19 encourages terrorist organisations to develop and spread new virus to cause global disruption and terror



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Questions and Answers

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Final Comments



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David Tattam

Director, Research and
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Jason Smith

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Coming Up in the COVID-19 Series

Next Week's Topic:



Practical demonstration of ERM processes applied to COVID-19 using Protecht.ERM

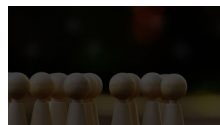
Thursday 14 May 2.00 – 3.00 pm AEST

More Resources:



Article collection: Risk in a Covid-19 World

Key insights on risk and compliance in a Covid-19 world
protechtgroup.com/covid-19



Managing COVID-19 OpRisks

COVID-19 Resources from RiskSpotlight
riskspotlight.com/covid19

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What is next in May and June. Protecht webinars



Topic: Redefining How You Do Compliance Management LexisNexis content in Protecht.ERM

Tuesday May 12th. 12:00-12.45pm AEST (Syd)

Regulatory Obligations in Protecht.ERM

Tuesday May 12th. 10:00-10:45 am BST (London)



Topic: The “New Normal” of Risk Management. What we will learn from COVID-19

With Michael Rasmussen and David Tattam

Thursday, June 18th. 11:00 a.m. BST (London) and 8:00 p.m. AEST, (Syd)



Webinar Series: WHS – EHS

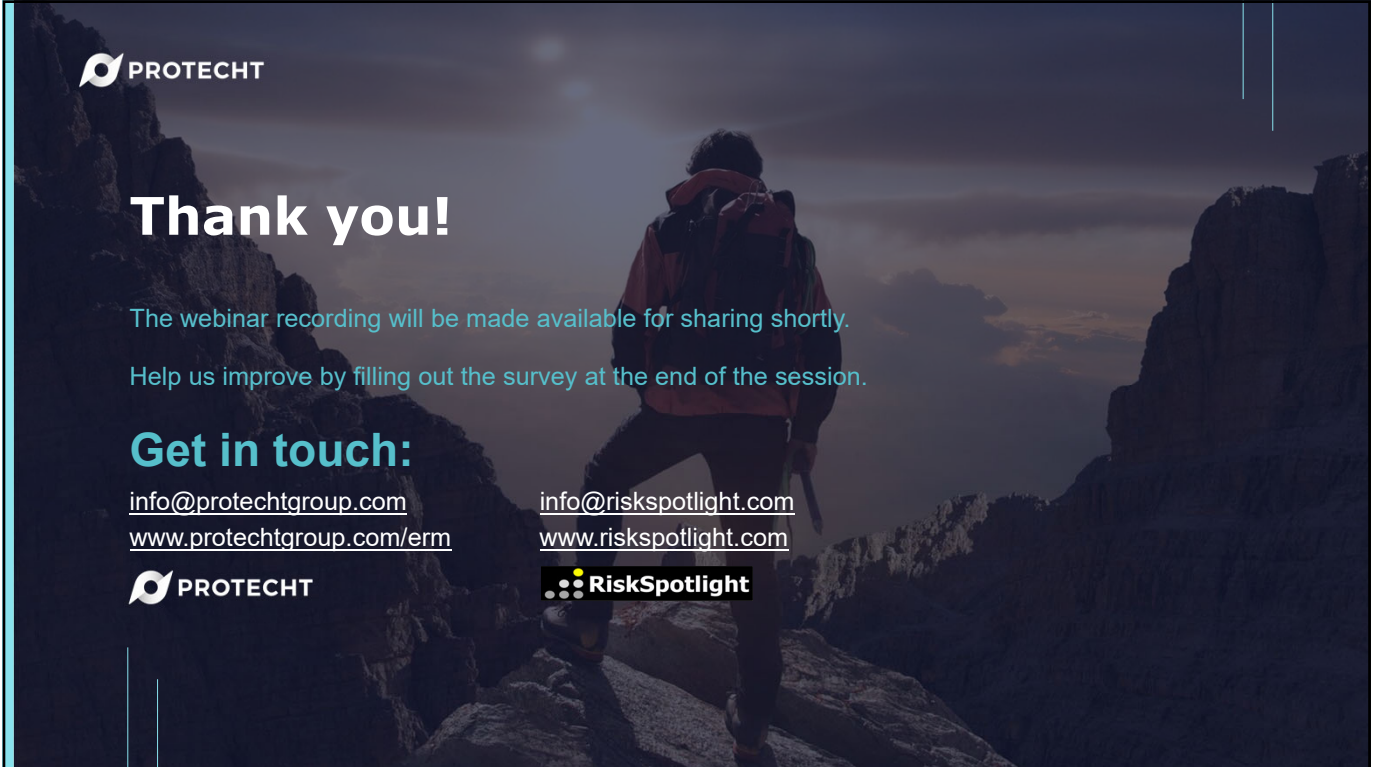
Some of the topics will cover: Risk Metrics, Controls Assurance, Reporting and Response, and others.


From June. Dates TBA.

protechtgroup.com/webinars

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Thank you!

The webinar recording will be made available for sharing shortly.


Help us improve by filling out the survey at the end of the session.

Get in touch:

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 **RiskSpotlight**

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