



HELLENIC  
ASSOCIATION  
OF **RISK**  
MANAGERS

**ΣΕΙΡΑ ΔΙΑΔΙΚΤΥΑΚΩΝ  
ΕΡΓΑΣΤΗΡΙΩΝ «ΤΟ ΣΥΣΤΗΜΑ  
ΕΣΩΤΕΡΙΚΟΥ ΕΛΕΓΧΟΥ: ΚΛΕΙΔΙ  
ΓΙΑ ΤΗΝ ΕΤΑΙΡΙΚΗ  
ΔΙΑΚΥΒΕΡΝΗΣΗ –**

**ΜΕΡΟΣ Β': THE RISK OFFICER &  
PARTICIPATION TO  
COMMITTEES»**

**Τετάρτη 2 Μαρτίου 2022 (17.00-19.20)**

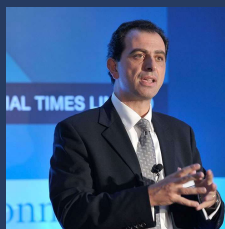


Hellenic  
Observatory  
Corporate  
Governance

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# Who we are

## OUR TEAM



### Dr Dimitrios N. Koufopoulos

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### Founder – Director

V. Professor Queen Mary University, CCLS  
Honorary Research Fellow, Birkbeck University London

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Research Assistant

#### Styliani Stamatouza

Research Assistant

#### Lydia Koutsioni

Research Assistant

# HOCG Reviews and Studies



**Football**



**ATHEX**



**State-Owned  
Enterprises**



**Hospital**



**Maritime**



HELLENIC  
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OF **RISK  
MANAGERS**



 **EWOB**



**Risk  
Training  
Institute**

**CORPORATE** *Matters*

# Our Research Model

## Context

- Organizational Size
- Industry Sector
- Organizational Age
- Years Listed
- Listed in other Stock Exchanges
- Ownership structure
- Institutional Investors

Environmental

Social

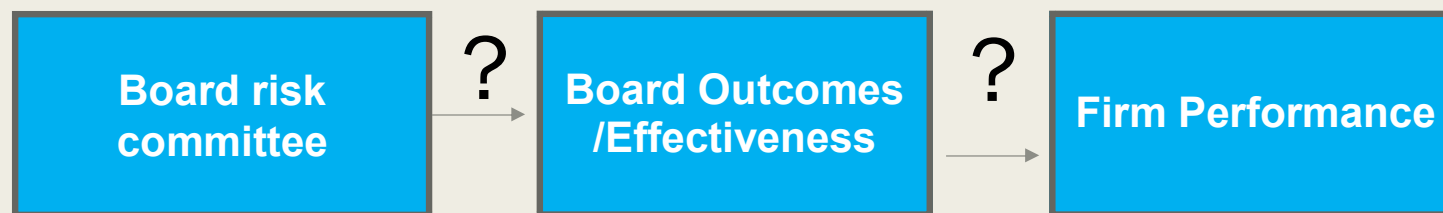
## Governance

- |                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Duality/Separation</li> <li>• Board Size</li> <li>• Internal BM</li> <li>• Externals BM</li> <li>• Number/Ratio of Independent - Dependent BM</li> </ul> | <ul style="list-style-type: none"> <li>• Number/Gender Ratio</li> <li>• Number of Female Chairpersons</li> <li>• Number of Female CEOs and Members</li> <li>• Committees</li> <li>• Foreigners</li> <li>• Internal Auditors</li> <li>• Auditing Firms</li> <li>• Interlockings</li> </ul> | <ul style="list-style-type: none"> <li>• Tenures (Chairperson/CEO/Members/Internal Auditor)</li> <li>• Educational Background/Specialisation</li> <li>• Frequency of meetings (board, committees)</li> <li>• Executive Remuneration</li> </ul> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## Outcomes

- Decision Making, Trust, Conflict
- Organizational Performance - Financial Performance
- Corporate Social Performance

**A fundamental question is whether a *board risk committee* adds value and improves board effectiveness and as such firm performance/effectiveness**



- ❖ Brief on the regulatory canvas
- ❖ Studies on Risk Committees



## **Dodd-Frank Provisions Regarding Risk Committee** requires a separate risk committee for:

- (1) Nonbank financial companies supervised by the Board of Governors that are publicly traded companies.
- (2) Certain bank holding companies, that are publicly traded and have total consolidated assets of not less than \$10 billion. The Board of Governors may require a publicly traded company with total consolidated assets of less than \$10 billion to establish a risk committee to promote sound risk management practices.

### **According to Dodd-Frank, a risk committee shall:**

- (A) Be responsible for the oversight of the enterprise-wide risk management practices of the nonbank financial company supervised by the Board of Governors or bank holding company;
- (B) Include such number of independent directors as the Board of Governors may determine appropriate, based on the nature of operations, size of assets, and other appropriate criteria related to the nonbank financial company supervised by the Board of Governors or a bank holding company; and
- (C) Include at least 1 risk management expert having experience in identifying, assessing, and managing risk exposures of large, complex firms.

Source: Dodd-Frank Act Section 165(h).

## Study 1: Are boards' risk management committees associated with firms' environmental performance?

- The sample consisted of ASX300 firms between 2007 and 2015, a period after the adoption of IFRS, to mitigate changes in financial accounting.
- *Environmental performance* data are from Thomson Reuters Asset4 (consists of resource reduction, emission reduction and product innovation).
- Analysing a sample of 1466 firm-year observations between 2007 and 2015, ***the presence of a committee exclusively tasked with risk management, was positively and significantly related to firms' environmental performance.***

[The British Accounting Review Volume 54, Issue 1](#), January 2022, Are boards' risk management committees associated with firms' environmental performance?

## Study 2: Risk committee, corporate risk-taking and firm value

- **Australian data**, comparing the risk-taking (the level of research and development (R&D/TA) as an investment risk measure, the SD of returns  $\sigma(\text{MRET})$  as a market-based measure, and the SD of return on assets  $\sigma(\text{ROA})$  as an accounting measure ) of firms having a **stand-alone risk committee** with that of firms having a joint audit and risk committee.
- A sample from (period 2001-2005)-Securities Industry Research center of Asia Pacific- provided 13,488 firm-year observations on risk committees. They match risk committee firm-year observations with financial accounting data, which resulted in 7,530 firm-year observations where each of the matched firm-years had either risk committee or financial accounting data; excluding financial institutions and removed 811 firm-year observations from the sample. 4,818 firm-year observations were deleted which have not reported any operational risk committees (neither a separate stand-alone risk committee nor a joint audit and risk committee), from either the SIRCA or Data Stream data, which leaves a final sample of 1,901 firm-year observations.
- **The final sample includes a combination of stand-alone risk committees (N =241) and joint audit and risk committees (N= 1700)**
- **A significant negative relationship between corporate risk-taking and the existence of a stand-alone risk committee was documented.** Furthermore, the firms with a standalone risk committee have **relatively higher firm values**.
- Therefore, these results support the hypothesis that a **stand-alone risk committee reduces not only firm corporate risk-taking but also enhances firm value**

### Study 3: Risk Committee, Firm Life Cycle, and Market Risk Disclosures

- Using 677 firm-year observations of financial firms from **Gulf Cooperation Council (GCC)** countries during the years 2007–2011, they find that firms with a **separate risk committee** are associated with greater market risk disclosures, an effect that is more pronounced for mature-stage firms. Furthermore, findings suggest that risk committee qualifications and size have a significant positive impact on market risk disclosures.
- This study complements the corporate governance literature by incorporating agency theory, legitimacy theory, stakeholder theory, and the resource-based theory to provide more robust evidence of the impact of a separate risk committee and the firm life cycle on market risk disclosures.
- **The results support the monitoring effect of a separate risk committee and suggest that a separate risk committee can improve “firm-level corporate governance”.**

## Study 4: Board risk committees: Insurer financial strength ratings and performance

- Full sample is comprised of 396 insurers from 41 unique parent firms
- Examined whether **board risk committees** add value to **insurers** by positively impacting financial health or whether they are used solely to establish legitimacy with stakeholders.
- Results provide evidence related to the perceptions that external evaluators have for firms implementing board-level risk governance mechanisms, such as board risk committees.
- The results suggest firms that have a board risk committee report **higher financial strength ratings**, but only during the post-financial crisis period. The initial formation of a board risk committee positively impacts financial strength ratings from the period prior to committee formation to the period following committee formation.
- Also, board risk committee age (i.e., the length of time that a board risk committee has been in existence) is not significantly related to ratings.
- Additionally, the **presence of a board risk committee** is not related to firm performance benefits in the short-run and that it **takes five years for the presence of a board risk committee to be associated with future performance**

**Thank you  
for your time!**

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