

### 10K Risks

What is the quality of the risks identified in your 10K? How well do you manage these risks? What new risks have you identified this year?

When its time to prepare your 10K filing, its also a good time to reflect on these 3 questions.

#### What is the quality of the risks you've identified?

This critical question reflects directly on the thoughtfulness of you and your management team. When risks were first incorporated into 10Ks, they were basically boilerplate and defensive. Most companies listed risks primarily to protect themselves from shareholder lawsuits.

Today, good companies take the time to thoughtfully consider the risks they face and the consequences. For improved clarity, risks should be framed as an "if...then" paragraph: i.e. "If \_\_\_\_\_ occurs, then \_\_\_\_\_ may result.

#### How well do you manage these risks?

Think about how you are managing each risk and what you're communicating to your board. If there are weaknesses in your risk management practices, now is the time to fix the deficiencies. If there is no process to periodically update your board on risk management, begin at your next board meeting.

If communications to your board are poor or completely absent, one or more directors may begin to ask questions after they review the 10K before signing off on it. This delays the process and potentially puts you in a defensive position.

#### What new risks have you identified this year?

If you've identified new risks this year, make sure you have also established risk mitigation plans for these risks? If not, you've only done half the job.

If no new risks have been identified, think carefully about what has changed in your business that might pose new risks. Over time, it's rare that no new risks arise. Make sure you have an objective internal process to identify risks. Internal Audit can be a valuable resource to identify and prioritize risks.

Take the time to thoughtfully assess your company's risk profile. Then, make sure you communicate your risk management plans effectively to your board.