Effectively Managing Operational Risks & Driving Operational Excellence
Why Are We Talking About Operational Risk?

The DuPont Sustainable Solutions Global Risk Survey 2017, conducted in August of 2017, surveyed executives to gain insights on Operational Risk Management practices across various organizations around the world.

75% KEY FINDING

Of executives who participated in a recent global DSS survey feel that their business performance management of operational risks is inadequate.
Executives recognize they are not devoting enough resources/capabilities to managing risks, which threatens their continued right to operate.

Executives acknowledge significant organizational disconnects and misalignment among leadership and employees in risk management, which greatly contributes to likelihood of a catastrophic event.
How did such a situation arise?

Common challenges related to Operational Risk that we have seen in DuPont and with clients:

• Inability to adapt risk profiles to changes in the business environment quickly enough

• Tendency to “cut to the bone” when making investment/cost-savings decisions – not enough consideration of operational risks

• Lack of alignment on how people view operational risk – different layers of the company look at risk differently
Adapting Risk Profile to Change in Business Environment: The Constantly Evolving Risk Profile of DuPont

**2015 – Chemours Divestiture**

DuPont Footprint Prior to Chemours Divestiture
- 224 Plant Sites, 43 countries
- 21,090 Employees + 14,075 Resident Contractors = 35,165 total
- $4.3B Payroll Employees and Contractors
- 106 High Hazard Processes
- 29 Low Hazard Processes

**Changes to Risk Profile**
- Significantly less high hazard processes
- Significant change in mentality among workforce
- Close collaboration between companies necessary due to shared production sites/facilities

**2017 – DowDuPont Merger**

DuPont and Dow have merged, with intention to split into three companies – Agriculture, Materials & Speciality Products

**Changes to Risk Profile**
- Alignment/upgrading of IT infrastructure
- Acquisition/divestiture/closing/opening of sites across all regions
- Risks associated with new technologies or upgrading of existing technologies
- Risks arising from change management
Tendency to “Cut to the Bone”: Number and Scale of Incidents in Oil & Gas Increased with Price Drop

Top 100 losses in 2015 were more than US$33 billion, average loss above $130MM

- Refineries
- Petrochemicals
- Gas processing
- Terminals and distributors
- Upstream

Source: Marsh Research, The 100 Largest Losses 1974-2015 in the hydrocarbon industry
Different Organizational Layers View Risk Differently: Executives Surveyed See Lack of Alignment

Lack of alignment among leadership

86% of responders
Did not believe that senior executives are aligned in their understanding of top operational risks within their organization

96% of responders
Did not believe that front-line operators are aligned in their understanding of top operational risks within their organization
So how can you better manage operational risks & improve business performance?

- Align risk processes to business objectives
- Use data to more effectively identify and manage risk
- Prioritize operational risks with maximum impact
- Institutionalize operational risk processes
- Connect operational risks to business operations
- Enhance operational risk mgt. processes
- Elevate risk awareness of everyone in organization
- Look at risk across departments and functions

Demonstrate leadership commitment
Increase executive accountability
Link organizational culture into daily operations
Advance risk capability
An integrated approach to ORM provides a roadmap for Operational Excellence that delivers value and reduces risk concurrently.
1. Risks evolve as companies evolve. Therefore, risk profiling and risk mitigation planning should be undertaken on a continuing basis.

2. Align risk processes to business objectives

3. Elevate risk awareness of everyone in the organization

4. Look at risk across departments and functions

5. Advance risk capability
Roundtable Discussion

We will explore this topic in more depth in a roundtable discussion taking place from 13:05-14:05 in the room just in front of the exhibition hall.

*Space is limited.*

Outcome: Greater understanding of how operational risk management can be applied within your organization.
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