Developing a Framework for Risk-Enabled Performance

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The purpose of risk management is the ‘creation and protection of value. It improves performance, encourages innovation and supports the achievement of objectives.’

Developing a Framework for Risk-Enabled Performance

- Enterprise Risk Management is evolving rapidly. Challenges for funds arise via:
    - Regulatory changes
    - Standard of governance
    - Insourced / outsourced asset management model variations
    - Investment skills asymmetry
    - Whether to imbed risk within investments, or not

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- For superfunds that outsource investments, investment risk is often:
  - Imbedded within the investment team;
  - With shared responsibilities from consultants, particularly for smaller funds.
- Investment managers maintain insurance helping protect member reserves

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- QIC outsources and insources. We are an asset owner and an asset manager
  - The model that many superfunds are now, in effect, adopting
- For these funds this has changed risk from Agent risk to Principal risk
  - Different skills required for Enterprise Risk Management
- Knowledge required in:
  - Investment (public and private markets) risks
  - Operational risks
  - Compliance risks

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- QIC uses a three lines of defense approach
- The first line: Internal Investment Team review and compliance with mandates
    - Heavy use of technology to automate and assist in checks as well as peer review
- The second line: Governance, Risk and Compliance Teams
    - A separate team with substantial resources and technology to externally review risks
- The third line: Internal and External audit