

## 10 Principles of Effective Risk Oversight

The following principles of effective risk oversight are excerpted from NACD's publication *Risk Governance: Balancing Risk and Reward*:

1. Understand the organization's key drivers of success.
2. Assess the risk in the organization's strategy.
3. Define the role of the full board and its standing committees with regard to risk oversight.
4. Consider whether the organization's risk management system—including people and processes—is appropriate and has sufficient resources.
5. Work with management to understand and agree on the types (and format) of risk information the board requires.
6. Encourage a dynamic and constructive risk dialogue between management and the board, including a willingness to challenge assumptions.
7. Closely monitor the potential risks in the organization's culture and its incentive structure.
8. Monitor critical alignments—of strategy, risk, controls, compliance, incentives, and people.
9. Consider emerging and interrelated risks: What's around the next corner?
10. Periodically assess the board's risk oversight processes: Do they enable the board to achieve its risk oversight objectives.