

Risk assessment: 10 steps

Steps	Description
1 Define your business operations	What products or services do you offer, and what are the crucial components needed to maintain this offering?
2 List key categories based on three parameters	Create a horizontal table listing 3-7 key categories based on your top spending, highest volume, and potential risks (DFØ's high risk list can be a useful tool)
3 Create an overview of suppliers	List your suppliers and link them to spend, volume and risk exposure in step 2 (if you have many suppliers, start with contracted spend)
4 Develop a spreadsheet listing your suppliers and select parameters to assess risk.	<p>A. For fragmented categories: If you have many diverse categories, assess risks by geography, sector, and product.</p> <p>B. For specific categories: Focus on geographical risk and key products with different "control" points (e.g. textile - where is country of origin, key manufacturing countries and assembling country)</p>
5 Identify potential "gross" risk.	Gross risks: risks faced before mitigation measures. Use indexed and statistical data.
6 Evaluate suppliers subjectively to find "net" risk	Now include relevant mitigating factors to calculate Net Risk (Net Risk = Gross Risk - Mitigation Measures). Mitigating measures could include supplier maturity, certification, and effort over time. You now have a short list of suppliers to follow up with.
7 Prioritize direct engagement	Arrange 1:1 meetings with the suppliers you've identified in steps 5 and 6. During these meetings, demonstrate pragmatism and an understanding of the complexities involved.
8 Develop action plan	Establish clear action plans and schedule meetings based on the identified risks and the goals you've agreed upon
9 Update purchasing requirements	Revise your requirements to directly address the core issues and risks you've uncovered.
10 Let's do the dance again!	This process is dynamic. Regularly revisit step 5-9 at scheduled intervals to maintain effective risk management.

[1] DFØ | High risk list

[1] OECD Guidelines | An introduction to Due Diligence Guide, mineral supply | Page 11: