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THE RISK PROFILE WITHIN S.N.G.N. ROMGAZ S.A. for 2019

The risk profile creates an overall image of the company from a risk perspective, but the risk tables have the practical utility (represented by the Risk Alert Sheets as well as the Risk Register) are structured to become operational instruments for the risk management.

The Risk Profile, graphically represented below by the impact-probability matrix, results from the regrouping of the identified, assessed and ranked risks in relation to the size of the risk tolerance exposure deviation.

		<i>Risks</i>				
<i>Very High (5)</i>	IMPACT	8	6	-	-	-
<i>High (4)</i>		16	50	32	3	-
<i>Medium (3)</i>		16	53	61	3	-
<i>Low (2)</i>		16	203	42	8	3
<i>Very Low (1)</i>		36	30	14	3	1
		PROBABILITY				
		<i>Very Low (1)</i>	<i>Low (2)</i>	<i>Medium (3)</i>	<i>High (4)</i>	<i>Very High (5)</i>

From the company's Risk Profile analysis we can draw some interesting conclusions, mentioning:

- *The proposed tolerance limit (see the chart above) aims at framing the "intolerable" risks;*
- *There are three (3) "intolerable" risks (the "critical" risks) (the risks marked with red, representing only 0.47% of the total of reported and identified risks (634)); the relatively low weight of this type of risks represents a positive aspect for the company and it shows the prudent and rigorous nature of the development of the activity within the company;*
- *For the above-mentioned risks, it is necessary to take urgent and short-term measures to treat them;*
- *Two (2) of the intolerable risks are operational in nature and one (1) is informational in nature;*
- *The number of the risks with "low tolerance" is 105 – recording an increasing tendency as compared to the last 2 years of the analysis (96 in 2017 and respectively 78 in 2018) – representing 16.56% of the total of identified risks; these risks imply a careful monitoring, so that, in the future, their "migration" to the intolerable risks should be avoided;*
- *The rest of the risks that do not require careful monitoring, respectively taking urgent or short-term treatment measures, represent 82.97% of the total of identified risks, that is 526 risks of the total of 634 identified risks;*

Based on the number of the identified and classified risks in the Risk Profile, we shall calculate the value of *The Overall Risk of the Company (OR)* as a weighted arithmetic mean of the risks exposure value. *The Overall Risk value will be between value 1 – represented by the minimum calculated exposure as a product between the probability and the impact (1x1) – and the maximum value – represented by the maximum calculated exposure as a product between the probability and the impact (5x5). Thus:*

$$OR_{2019} = \frac{36 \times 1 + 76 \times 2 + 30 \times 3 + 222 \times 4 + 9 \times 5 + 95 \times 6 + 58 \times 8 + 61 \times 9 + 9 \times 10 + 35 \times 12 + 0 \times 15 + 3 \times 16 + 0 \times 20 + 0 \times 25}{634} = 5.29$$

We present below the value of the Overall Risk of the company calculated for 2013 – 2019.

Overall Risk	2013	2014	2015	2016	2017	2018	2019
Value	7.00	6.22	5.62	5.30	5.17	4.95	5.29

Analysing the seven (7) annual values of the Overall Risk, we can state that for the current year the Overall Risk of the company increased as compared to the period between 2017 – 2018.

Among the main *causes* that made this increase in the value of the Overall Risk indicator possible, we can mention:

- *The increase of the intolerable risks number to three (3);*
- *The increase of the risk managers concern on the risk management process at the level of their activity, who wanting to solve the problems they are dealing with, they show a tendency to increase the risk escalation at the highest levels of management (The Monitoring Committee) in order to take the best treatment measures;*
- *Awareness of the risk managers regarding the necessity of reporting intolerable risks and settlement/solving the major problems facing in the workplace;*
- *Eliminating the belief that the reporting of intolerable risks implies the feeling of “guilt” or failure to perform the work tasks properly.*

**Endorsed by,
Constantin Adrian VOLENTIRU
CEO**



**Elaborated by,
Cristian HERCIU
Head of Risk Management Office**

A handwritten signature in blue ink, consisting of the letters 'CH' followed by a flourish.

