

Session 102 - Part 2

Legal Risk Management: Key Performance Indicators

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Is my legal risk management system...

- Reliable?
- Efficient?
- Effective?

Reliability

- Level of certainty that LRMS adequately identifies and assesses all material legal risks of the company
- Key factors to consider:
 - Clear scope and materiality definitions
 - Reliable information-gathering process (facts and figures)
 - Transparent assessment criteria
 - Periodicity
- Monitor and improve based on:
 - Incidents and litigation
 - Other sources
 - Internal (e.g. audit and other reports)
 - External (e.g. regulatory watch)

Efficiency

- Level of resources required to organise and operate the LRMS
- Key factors to consider:
 - Clear governance structure and process
 - Easy-to-use/understand standard tools
 - Clear budget/ressources allocation
 - Integrating LRMS in other (information and reporting) systems operated by the Legal Department
 - Potential efficiencies to be gained (or lost) by integrating LRMS with other risk management/internal control systems and processes within the company
 - Internal vs external sourcing
- Monitor and improve processes based on:
 - Lean management principles
 - Best practices within and outside company

Effectiveness

- Extent to which LRMS results in adequate and effective risk mitigation/remediation
- Key success factors:
 - Quality:
 - Substance and presentation
 - Availability/capacity:
 - Clear focus
 - Business involvement
 - Constancy and consistency:
 - Overall risk profile adopted by board/audit committee
 - Day-to-day approach by Legal Department
 - Integration/links with:
 - Relevant other actors/systems in the company (accounting, audit, compliance, insurance,...)
 - Tools:
 - Tracking/reporting/management evaluation
- While:
 - not forgetting the objectives and limits of LRMS (not a substitute for compliance and governance); and
 - properly managing confidentiality risks