Internet Appendix A83 Risk Management

A83.1 Illustrative Pitch Template Example

Pitcher's Name	Giulia Leoni, Cristina Florio	FoR category	(15) Corporate Governance	**Date Completed**	22.01.2016
(A) Working Title	Risk management and firm performance: evidence from Australia				
(B) Basic Research Question	What are the effects of the integration of risk management (RM) in corporate governance (CG) on firm performance of Australian listed companies?				
(C) Key paper(s)	Baxter, R., Bedard, J.C., Hoitash, R., & Yezegel, A. Enterprise risk management program quality: Determinants, value relevance, and the financial crisis. Contemporary Accounting Research. 2013; 30:1264-95. Buckby, S., Gallery, G., & Ma, J. An analysis of risk management disclosures: Australian evidence. Managerial Auditing Journal. 2015; 30:812-69. Grace, M.F., Leverty, J.T., Phillips, R.D., & Shimpi, P. The Value of Investing in Enterprise Risk Management. Journal of Risk and Insurance. 2015; 82:289-316.				
(D) Motivation/Puzzle	**Motivation**: Due to the pressures generated by the global financial crisis (GFC), RM has recently evolved from a finance function to an overall corporate function, with the primary objective of preventing risk and, thereby, improving company performance and maximising shareholders value (e.g., Baxter et al., 2013; Grace et al., 2015). Although Australia was limitedly hit by the GFC, it has increased its attention to RM systems, similarly to USA and EU countries. In 2007 first and again in 2014, the ASX Corporate Governance Principles and Recommendations (CGPR) provided guidance to good RM practices through detailed risk disclosure and the integration of RM in CG bodies and practices. While research was conducted on risk disclosure of Australian companies (e.g., Buckby et al., 2015) and there are opposite evidence on the impacts of RM practices on firm performance in the countries most affected by the GFC (Baxter et al., 2013; Grace et al., 2015), little is known on the impacts of RM practices on firm performance in more stable economies like Australia. **Puzzle**: Does the integration of RM into CG impact firm performance of Australian listed companies? Does this relation exist in context not affected by the GFC? Are RM system only risk prevention tools or also performance tools?				
THREE	**Three** core aspects of any empirical research project i.e. the "**ID**io**T**s" guide				
(E) Idea?	The GFC had one of its roots in RM systems failures, especially in US and Europe. Unlikely, Australia was limitedly affected by such problems (Pomfret, 2009; Saunders and Wong, 2011). However, likely EU and US, Australia has strengthen the attention on RM (from 2007), advocating its integration to CG (from 2014). In contexts that were limitedly affected by the GFC, RM may be used more as a performance tool to improve firm performance than a prevention tool to mitigate and avoid risks and failures. Therefore, due to its more stable economy, Australia is a suitable context to study the relation between the integration of RM in CG and firm performance, which is expected to be positive. We hypothesise that the higher the integration of RM in CG, the higher the firm performance. The key dependent variable is the firm performance, both measured as financial and market performance. The key explanatory variables are the main elements associated to the integration of RM in CG according to the ASX Corporate Governance Principles: presence of a Chief Risk Officer, his/her attendance to meetings, his/her main characteristics (education, age, gender), the creation of an *ad hoc* committee for risk management, its meeting frequency, etc. Other firm characteristics are also considered as control variables: size, leverage, board size, etc.				
(F) Data?	(1) **Country/setting:** Australia because of the increased attention to RM and its integration in CG (2007 and 2014) without being too affected by the international financial crisis, availability of a unique dataset for CG and RM variables (SIRCA). **Unit of analysis:** individual listed companies from the ASX-100 Index of the Australian Stock Exchange. **Sample period:** 2005 to 2014. **Sampling interval:** Annual **Type of data:** firm specific. (2) **Expected sample size:** 400-1000 observations: longitudinal sample with observations from max. 100 companies for min 10 years. (3) **Dataset:** Panel dataset that may be balanced. (4) **Data Sources:** CG database with directors and committees details of Australian listed companies by SIRCA, stock market data and financials by Datastream and/or Bloomberg. **Data Availability:** Data is assessable through RMIT trading facility annual subscriptions. **New Data:** novelty consists in using SIRCA dataset to proxy for the integration of RM in CG bodies and practices. (5) **Data Collection:** Standard issues of missing firm years and specific data, tracking and adjusting for identification numbers in order to merge different				

Cued Template taken from Faff, Robert W., Pitching Research (March 22, 2015). Available at SSRN: http://ssrn.com/abstract=2462059 or http://dx.doi.org/10.2139/ssrn.2462059

	datasets, manual interventions on databases before merge. **Research Assistance:** Some research assistance may be needed to reshape and merge different datasets. (6) **Variation in the test variables:** At firm level, variation of RM integration in CG is expected along the timeframe analysed, due to ASX recommendations changes. At sample level, level of RM integration in CG may vary across firms. However, neither of such variations has previously been tested in the Australian context.
(G) Tools?	**Empirical framework:** (A) Pooled/panel data regression models (clustered by firms when necessary); year and industry fixed effects included when necessary (B) Robustness checks to test for reverse causality, endogeneity, and other incoming issues. **Econometric software:** STATA 13. **Econometric Skills:** Own + CIDE (Interdipartmental Centre for Data Processing) of the University of Verona + RMIT Trading facility.
TWO	**Two** key questions
(H) What's New?	The novelty is in the idea of studying the relation between RM practices and firm performance in a country that was limitedly affected by the GFC and has a more stable economy in recent years.
(I) So What?	The stronger attention to RM also in stable economies, like Australia, may indicate that the integration of RM systems into CG practices is not only a prevention tool to avoid risks and failures, but directly improves firm performance. If such relation is proven by the research, more insights on such relation may clarify the usefulness of RM programs. In details, companies may become more committed to RM and their decision processes may improve trough a better evaluation of risks; companies facıng a context of crisis may consider RM systems as a long term performance tool and not just a short term aid tool.
ONE	**One** bottom line
(J) Contribution?	The research extends the knowledge about the relationshıp between RM and firm performance, provides insights from a different context of RM implementation, and intends to demonstrate that RM exerts both a prevention too and a performance role.
(K) Other Considerations	**Collaboration**: A collaboration with an academic with expertise in risk management and the Australian setting ıs desirable. **Target Journal(s):** Accounting and Financeor Management Accounting Journal "**Risk**" **assessment**: low risk in data collection; average risks of limited results, but alternative explanations are possible.