

Risk Assessment for International Investment: A Standardized Approach to Identify Risk, Risk Appetite, Risk Rating, Risk Treatment and Mitigation Plans

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Abstract : Change of global economy landscape and business environment has led to companies' decision to go global and enter international markets. As the companies go beyond the comfort zone (i.e. investing in the home country), it is important to ensure a comprehensive risk assessment is carried out. This paper describes a standardized approach for international investment, ensuring identification of risk, risk appetite, risk rating, risk treatment and mitigation plans for respective international investment proposal. The standardized approach is divided into three (3) stages as follows: Stage 1 - Preliminary Risk profiling; with the objective to gauge exposure to countries and high level risk factors as first level assessment. Stage 2 - Risk Parameters; with the objective to define risk appetite for the international investment from the perspective of likelihood and impact. Stage 3 - Detailed Risk Assessments; with the objectives to assess in detail any triggered elements from Stage 1, and project specific risks. The final output will include the mitigation plans for the identified risks for the total investment. Example will be given in this paper to show how comprehensive risk assessment is carried out for an international investment in power energy sector.

Keywords : international investment, mitigation plans, risk appetite, risk assessment

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