

## **What is a mapping of legal risks?**

*How can it help your company's legal department?*

A mapping of legal risks is a tool which provides a legal department with a global and ordered vision of the risks to be managed for the company.

At the crossroads of legal expertise and risk management technique, a mapping of legal risks leads to the definition, identification, evaluation and management of legal risks.

This tool facilitates the monitoring of the processing of these risks and the information to be provided to the management as well as allowing the legal department to take part in the overall risk management of the company, in collaboration, if necessary, with the risk manager.

### **Definition of the legal risk**

*What position does the legal department adopt vis-à-vis the legal risks?*

The definition of the legal risk, and its various components, determines the position of the legal department vis-à-vis this risk.

Thus, although the legal department may manage certain aspects of this risk (legal monitoring, legal compliance, drafting of legal texts), in other cases, the department may share responsibility with other operational divisions (negotiation and management of the contract, wrong use of standard contractual documents).

The definition of the components of the legal risk leads to the identification of the managers or co-managers of the risk, who contribute to handling the risk by making those involved in the risk aware of it.

## **Identification**

*What events lead to a legal risk?*

The identification of the legal risks requires a solid understanding of the company, the professions employed and the company's end product.

For this purpose, a strategic analysis of the company will show the skills and resources which are necessary for the creation of its products and its competitive positioning on the market.

This *top-down* approach is completed by a *bottom-up* approach which aims to establish which events lead to the legal risk as previously defined.

An interview with in-house lawyers and operational staff will lead to the identification of the events at the origin of the legal risks (contractual, criminal or penal responsibility risk, change to legal requirements and/or lack of compliance with the latter).

The identification phase shows the events leading to the legal risks and allows their origin to be listed according to the profession, business unit or geographical zone.

The degree of occurrence of the risk can also be estimated at this stage, according to the level to which it can be contained, or to precedents within the company or at other companies, or to warnings signs (formal notices, etc.)

## **Evaluating the significance of the legal risks**

The legal risks thus identified can be evaluated to establish the significance of their effect on the aims and strategy of the company.

The risk criteria (i.e. the terms of reference which allow for the evaluation of the seriousness of the risks) aim to identify the major legal risks, i.e. those which could deprive the company of its fundamental competences and resources.

Other risk criteria may be established according to the specific nature of the company: reputational risk linked to ethical risks, etc...

The establishment of the significance and likelihood of the risk allows the mapping of the legal risks to be finalized

## **Managing the legal risks**

A map of the legal risks facilitates communication about legal risks within the company, vis-à-vis the operational departments as well as the governing bodies (Board of directors, audit committee, etc.).

This mapping thus plays a role in the overall risk management of the company as carried out by the risk manager.

The identification of the manager or co-manager of the legal risks allows action plans involving the various stakeholders to be drawn up.

These action plans involve the lawyers and their internal clients. They improve communication between the stakeholders and the efficiency of the processes involved as well as improving the definition of training programmes.

Performance criteria can be established in order to check the efficiency of these procedures.

## **Updating the mapping of legal risks**

Updating the mapping allows a regular re-evaluation of the significance of the risks (particularly regarding the way risks are managed) and the identification of new risks or emerging risks.

In this regard, carrying out a mapping gives the company an indispensable tool for anticipating risk.

## **The service offered by Verdun-Verniole Avocats**

We offer legal and HR departments methodological solutions for drawing up and using the mapping of legal or HR risks, adapted to the profession and culture of our clients. We also accompany our clients in the organisational and managerial changes which may result from this process.

With our wide legal expertise, we are also able to identify and classify the legal risks through interviews with lawyers and operational staff.