

Managing Risks in a Global Company

June 2, 2015

Learning Objectives

- Recognize the global trends in risk management
- Identify how companies are organized to manage risk globally
- Illustrate the key success factors and barriers to implementing the three lines of defense model

Agenda

1. Global Trends in Risk Management
2. Strategies for Managing Risk in a Global Company
3. Ensuring Global Risk Management is Sustainable
4. Success Factors and Challenges

Global Trends in Risk Management

Key Trends That Have a Global Impact:

- Intense regulatory pressure
- Extending and expanding enterprises
- Heightened expectations over data privacy
- Increased geopolitical risks
- Instant communication

Global Trends in Risk Management – Top 10 Initiatives

Recently Implemented:

1. Risk culture
2. Risk assessment / methodology
3. Integration with 1st line of defense
4. Reporting
5. Communication plan
6. Integration of 2nd line of defense
7. Risk management committee
8. Action plan follow-up
9. Relationship with strategy
10. Anti-fraud program

Planned Within Next Twelve Months:

1. Risk culture
2. Integration with 1st line of defense
3. Integration of 2nd line of defense
4. Risk assessment/ methodology
5. Reporting
6. Relationship with strategy
7. Communication plan
8. Monitoring / alert
9. Risk appetite and tolerance
10. Action plan follow up

Global Trends in Risk Management – Specific Initiatives

Risk culture:

- A risk appetite model based on regulatory excess capital and the cash impact of ERM actions is quantified and reported.

Risk assessment / methodology:

- The potential impacts (both positive and negative) associated with the risks of projects or decisions are formally incorporated in strategic planning

Integration with 1st line of defense:

- Risk management approaches are embedded into the governance, tools and frameworks adopted for high-risk or significant operational projects

Reporting:

- Integrated assurance reporting, consolidating all 2nd and 3rd line of defense conclusions, recommendations and metrics

Communication:

- A formal strategy is developed by risk management, internal control, and internal audit for communicating “up, in, and out”

Polling Question #1

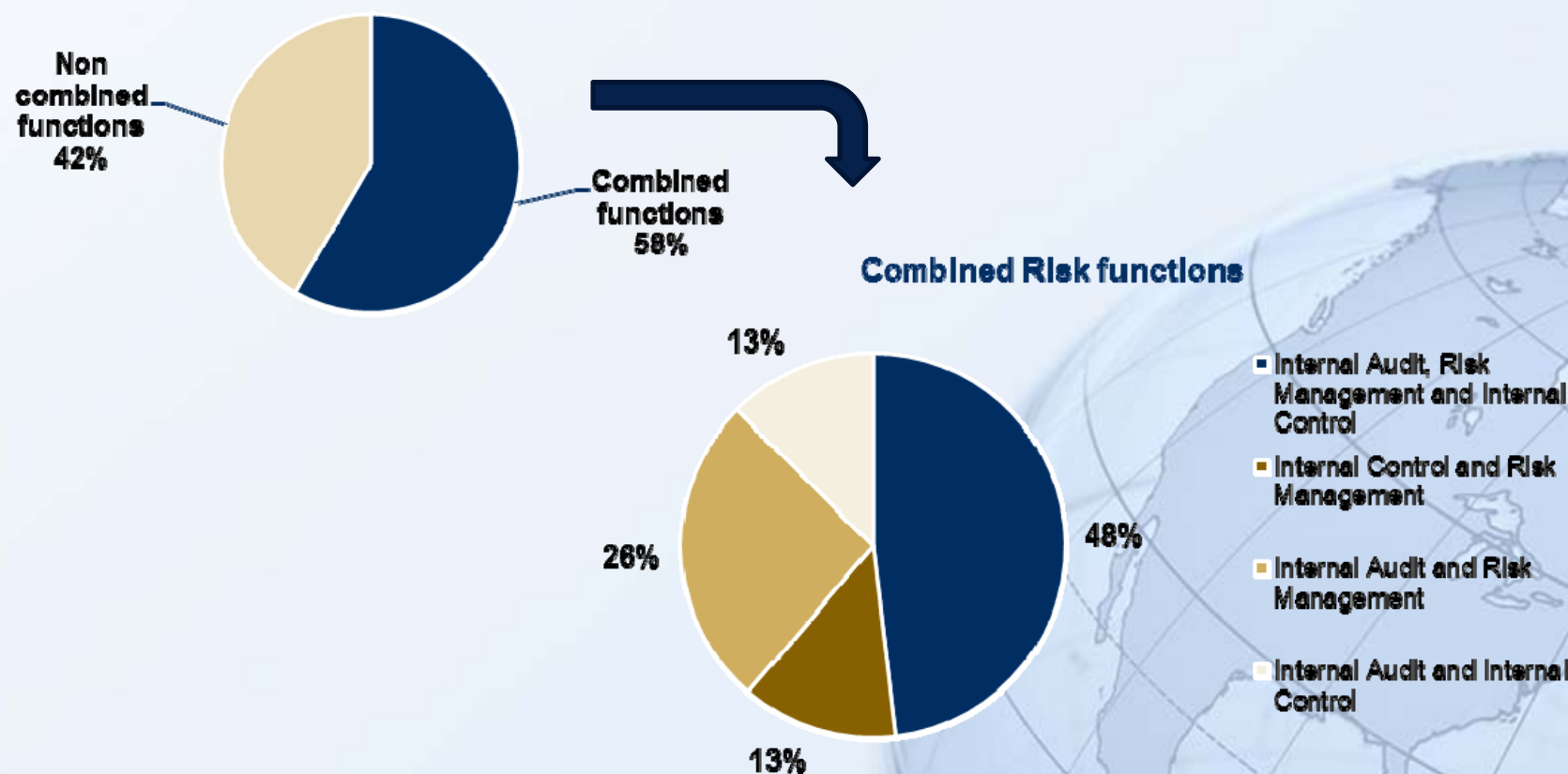
What trend has the biggest impact on your organization today?

- a) Ever-increasing regulation (and sanctions)
- b) International expansion generally
- c) Extended enterprise and reliance on third parties
- d) Scrutiny over data privacy and security
- e) Reliance on emerging markets
- f) Unsure/don't know

Strategies for Managing Risk in a Global Company

Organizational Strategies – Combined Functions

How are functions dedicated to the overall Risk Management Framework organized?

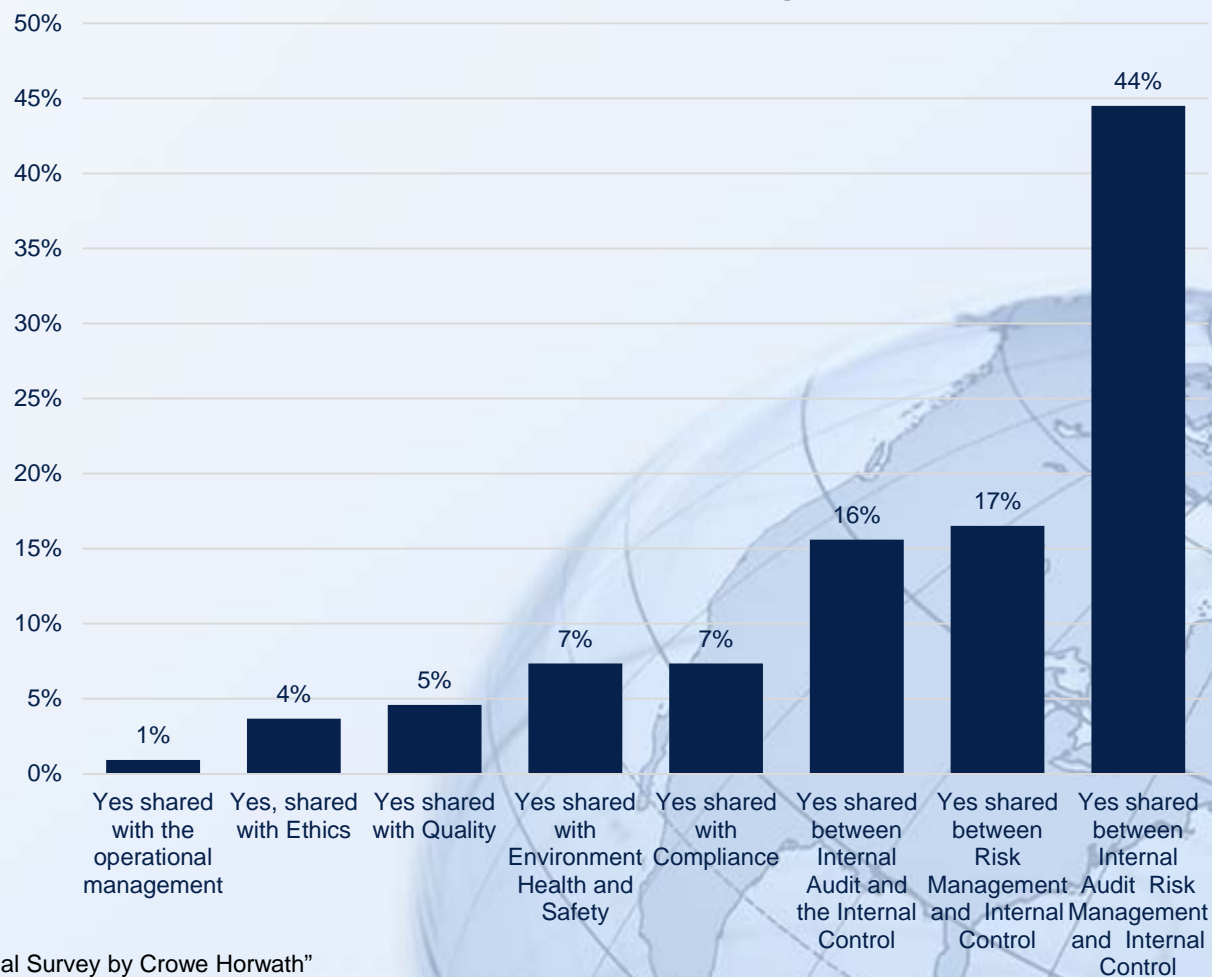
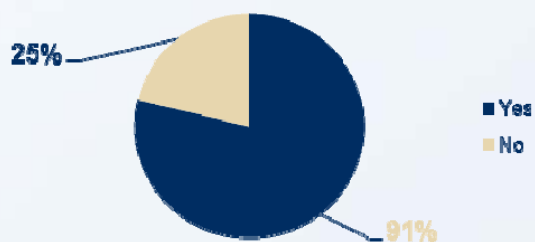


Source: "Extract from Mastering Risk – An International Survey by Crowe Horwath"

Organizational Strategies – Coordinated Functions

Shared frameworks between Risk Management functions

Do you share common frameworks with other Risk Management stakeholders?



Source: "Extract from Mastering Risk – An International Survey by Crowe Horwath"

Polling Question #2

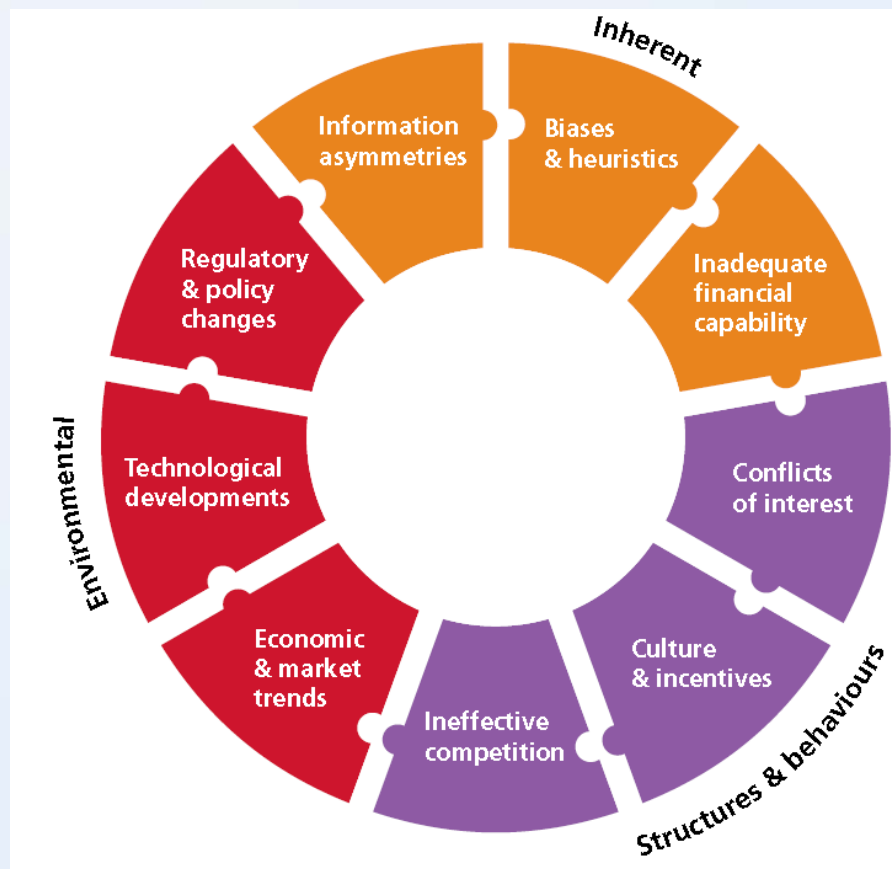
Which stakeholders in your company use common risk and control frameworks globally (choose all that apply)?

- a) Operational management / 1st Line of Defense
- b) Compliance, risk management, control and other 2nd Line of Defense
- c) Internal audit/ 3rd Line of Defense
- d) Unsure/don't know

Specific Risk Management Strategies – Conduct Risk Example

“The risk that firm behaviours will result in poor outcomes for customers.”

- FCA Risk Outlook 2014 (UK)



Specific Risk Management Strategies – Conduct Risk Example

■ FSA/FCA view of Conduct Risk

- ✓ Business model
- ✓ Culture, governance and controls
- ✓ Risk assessment and controls
- ✓ Product development and approval
- ✓ Sales – and sales incentives
- ✓ Post-sales handling – delivering on promises

■ TCF – Culture Framework

- ✓ Strategy
- ✓ Leadership
- ✓ Decision making
- ✓ Controls
- ✓ Recruitment, training and competence
- ✓ Reward

www.fca.org.uk/static/fca/documents/fsa-tcf-culture.pdf

Polling Question #3

What is the most significant risk that your company faces globally?
(Please select only one)

- a) Conduct risk
- b) Cybersecurity risk
- c) Third party risk
- d) Geopolitical risk
- e) Unsure/don't know

Ensuring Global Risk Management is Sustainable

Sustainability – Through Leadership

LEADERSHIP

- Strategy

Helping organizations visualize and incorporate formal risk prioritization into their goals, strategies, and budgets

- Change Management

Helping to integrate changes associated with risk management into the organization's existing change management practices

- Organization

Working closely with business leaders and executive team to understand and respond to risks, defining roles and accountability within the three lines of defense

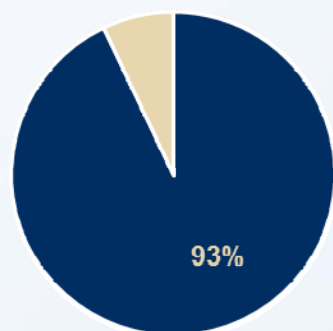
- Culture

Understanding an organization's values, strategies, beliefs, and embed risk awareness within it's culture



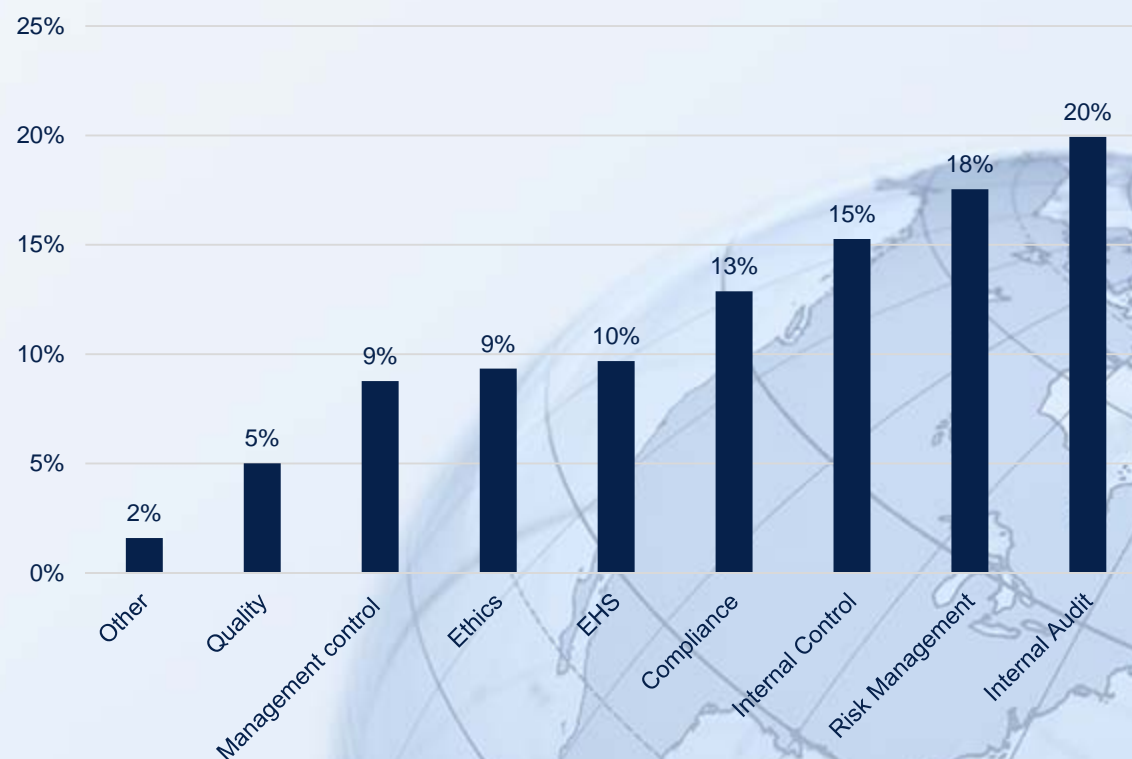
Sustainability – Through Integrated Assurance/Reporting

Is Integrated assurance existent within the organization?



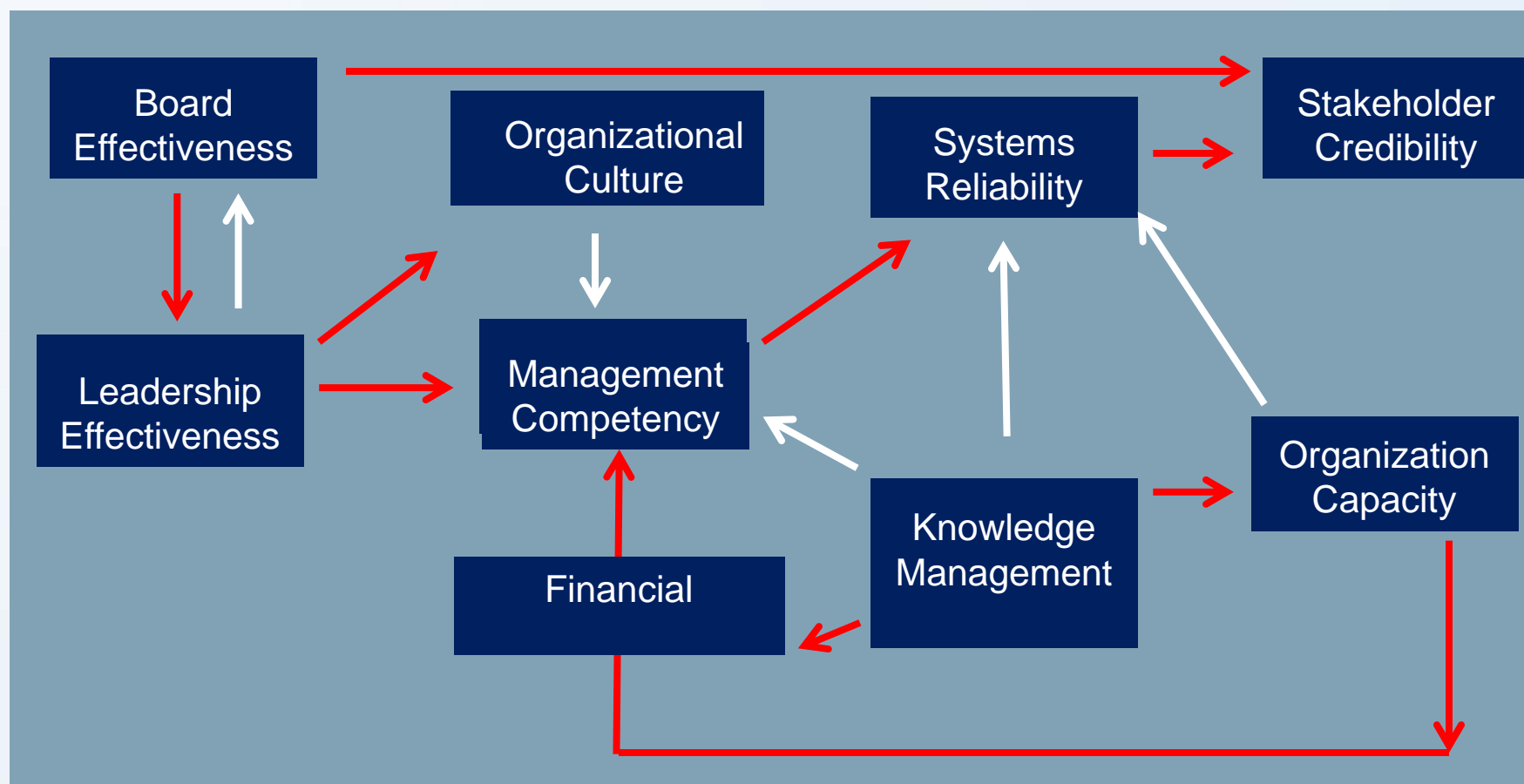
- Existence of Integrated assurance
- No Integrated assurance

Functions involved in integrated assurance



Source: "Extract from Mastering Risk – An International Survey by Crowe Horwath"

Sustainability – Through Smart Risk Assessment



Polling Question #4

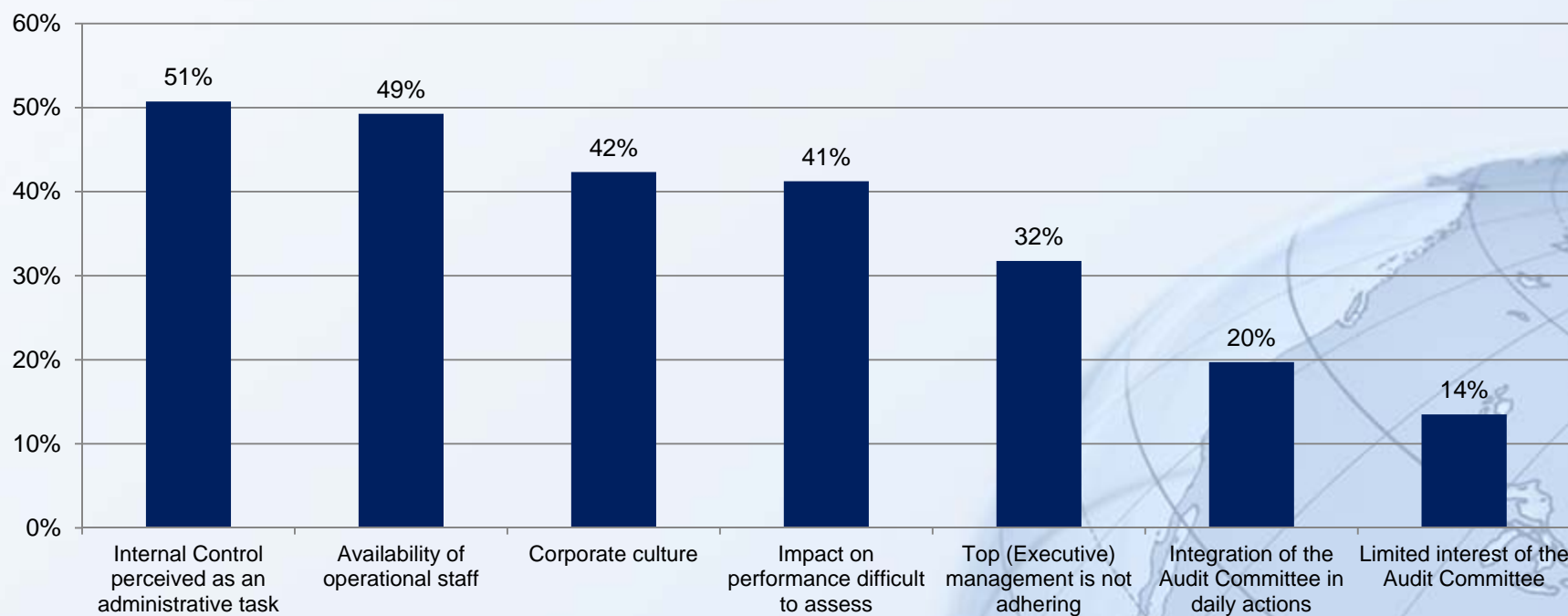
Is your company's approach to managing risks globally focused on the following?
(multiple choices possible)

- a) Leadership (the company's organization, strategy, culture, and change capability)
- b) Reporting and monitoring
- c) Mature or advanced risk assessments
- d) Business resilience and continuity planning in key markets
- e) None of the above
- f) Unsure/don't know

Success Factors and Challenges

Challenges - Organizational

In your opinion, what are the main obstacles to implementing the overall Risk Management Framework?

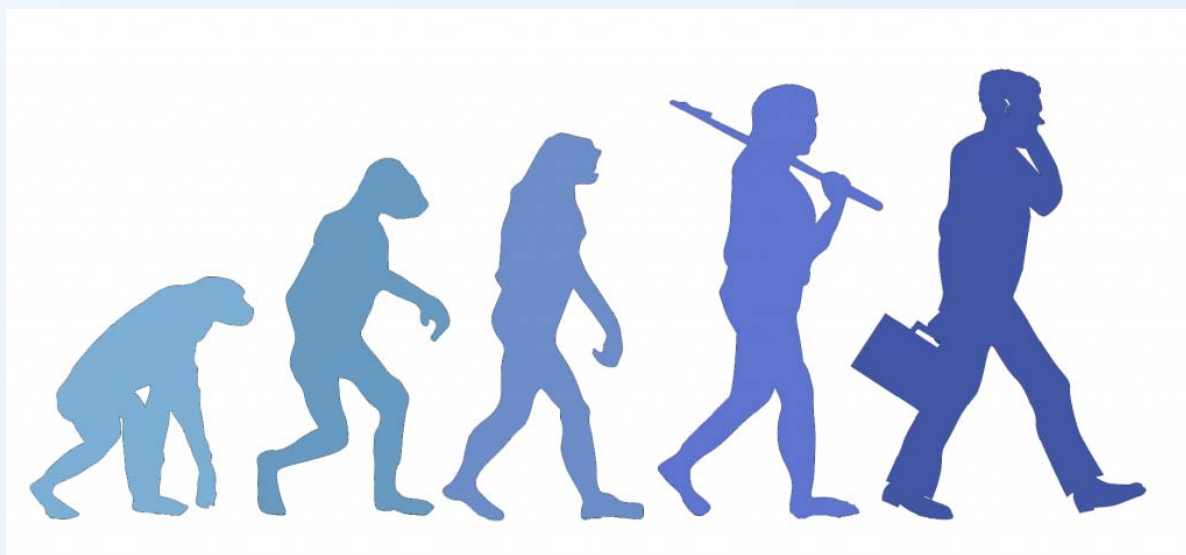


Source: "Extract from Mastering Risk – An International Survey by Crowe Horwath"

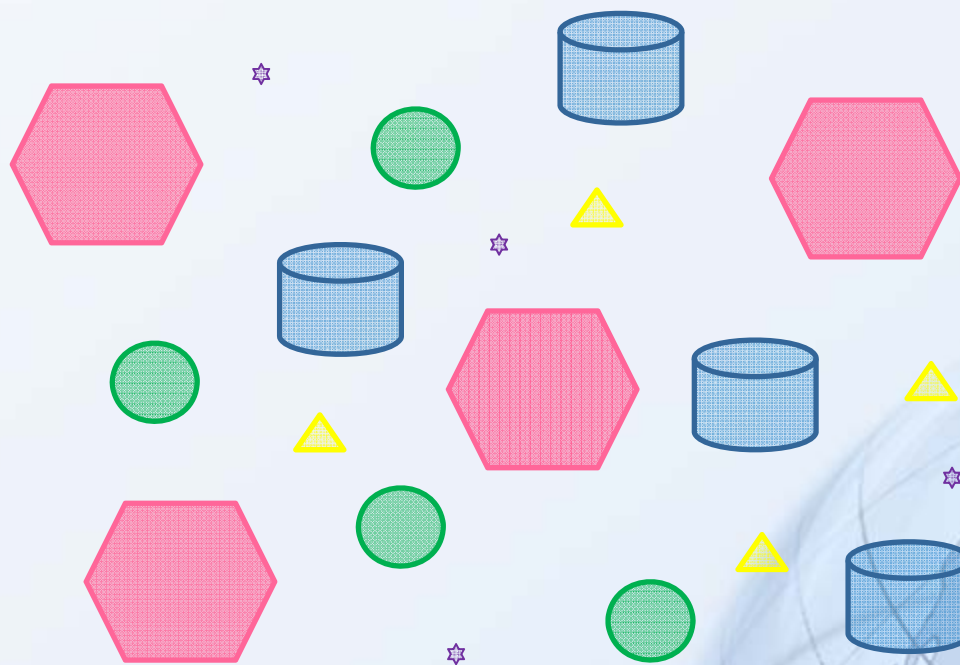
Challenges – Maturity of the 3 Lines of Defense

Four Stages of Maturity Evolution:

1. Fragmented
2. Implemented
3. Embedded
4. Enhanced



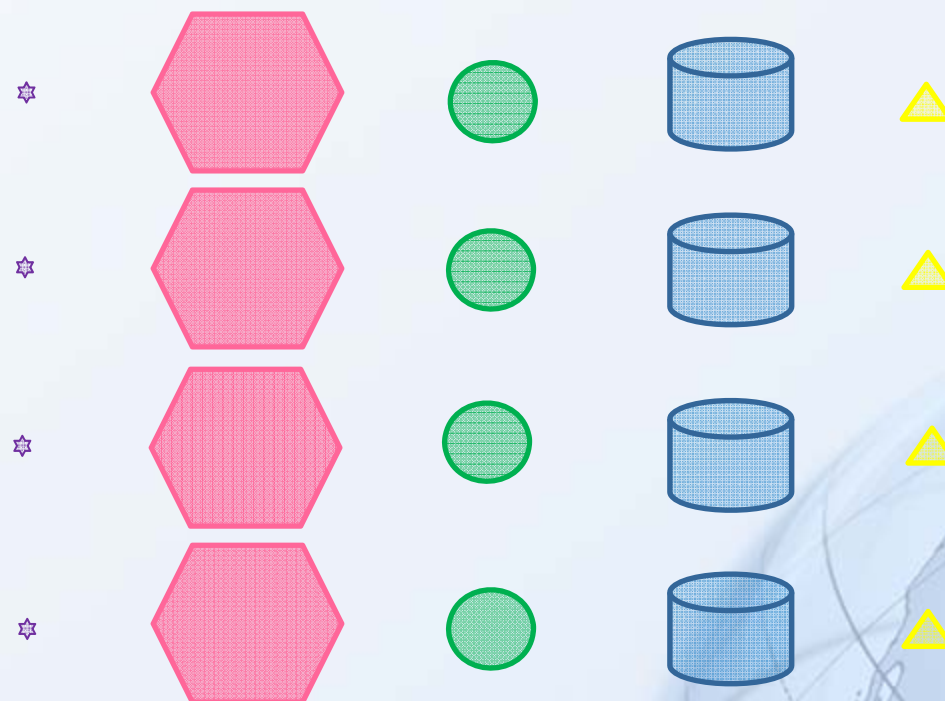
Challenges – “Fragmented” Maturity



Risk, Assurance and Compliance is Project-Centric

Disconnected and/or inconsistently applied

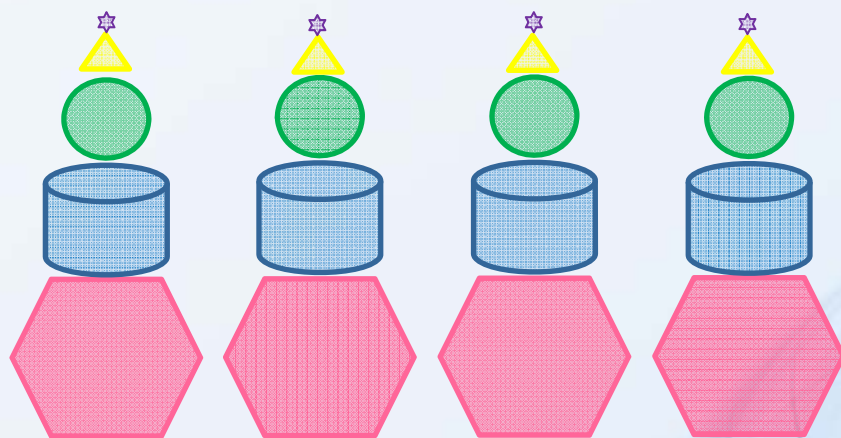
Challenges – “Implemented” Maturity



Risk, Assurance and Compliance is Program-Centric

Oversight of a new, overarching, stand-alone program

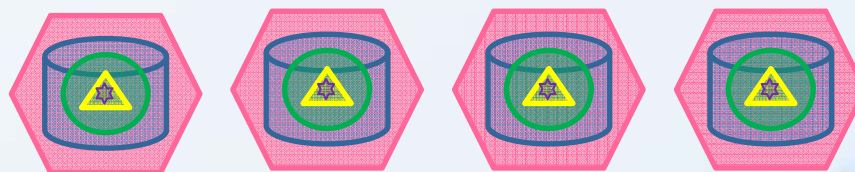
Challenges – “Embedded” Maturity



Risk, Assurance and Compliance is Process-Centric

Building risk management and compliance activities into existing business processes and technology

Challenges – “Enhanced” Maturity



Risk, Assurance and Compliance is Culture- Centric

Part of how business is done and is inherently part of organizational culture

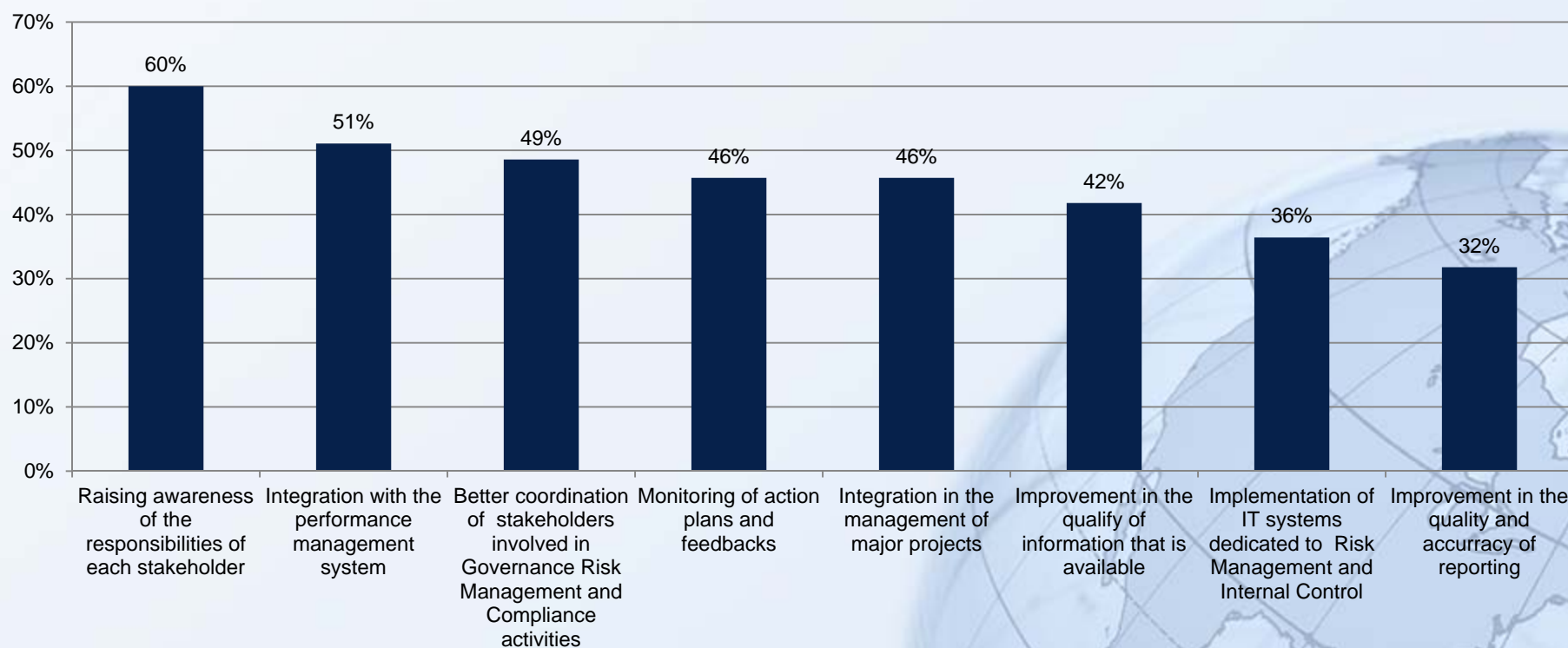
Polling Question #5

What are the barriers to implementing a global risk management approach that has the right level of maturity? (select all that apply)

- a) Managing risk and internal control are perceived as administrative
- b) It doesn't suit our corporate culture
- c) We rely on good continuity planning when we are exposed
- d) Our managers don't have capacity (time and money)
- e) It is too complicated
- f) None of the above are significant barriers
- g) Unsure/don't know

Success Factors to Implementing a Three Lines of Defense Model

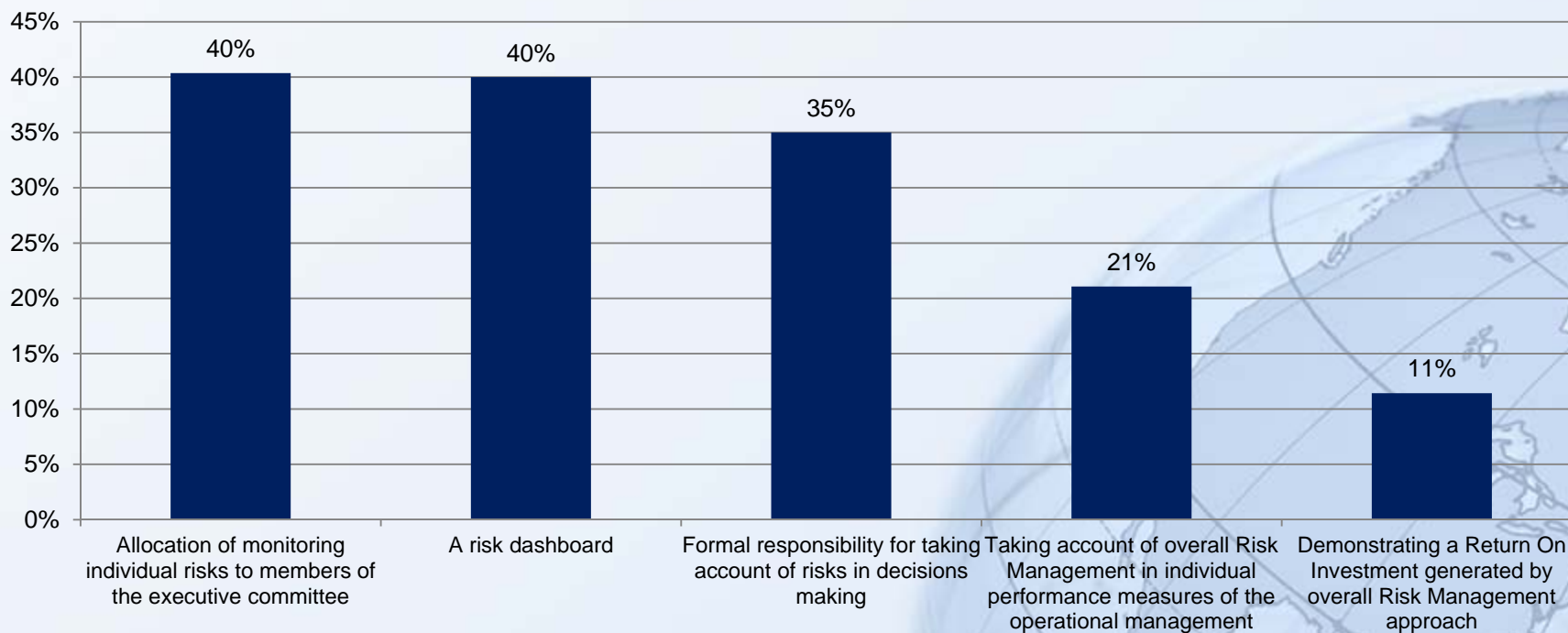
What change(s) would you like to make to your Risk Management and Internal Control organization?



Source: "Extract from Mastering Risk – An International Survey by Crowe Horwath"

Success Factors to Implementing a Three Lines of Defense Model (cont'd)

Which differentiating factors have you implemented in order to ensure effective operations of Risk Management activities?



Source: "Extract from Mastering Risk – An International Survey by Crowe Horwath"

Conclusion

Managing Risk in a Global Company:

- Global trends impact all large companies. Responding to them requires a global approach.
- Companies are breaking down internal silos to manage their risks globally and efficiently.
- Integrated “assurance” functions, reporting, and monitoring are part of the solution.
- Risk assessments need to be as smart as possible.
- Culture and leadership are key to “embedding.”
- Business continuity planning is becoming increasingly important.
- ... It is not possible without good information technology.

Questions?



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