HOW TO GET THE MOST OUT OF YOUR RISK MANAGEMENT PROGRAM

2023 Crowe Financial Services Conference
Guide your organization through industry volatility
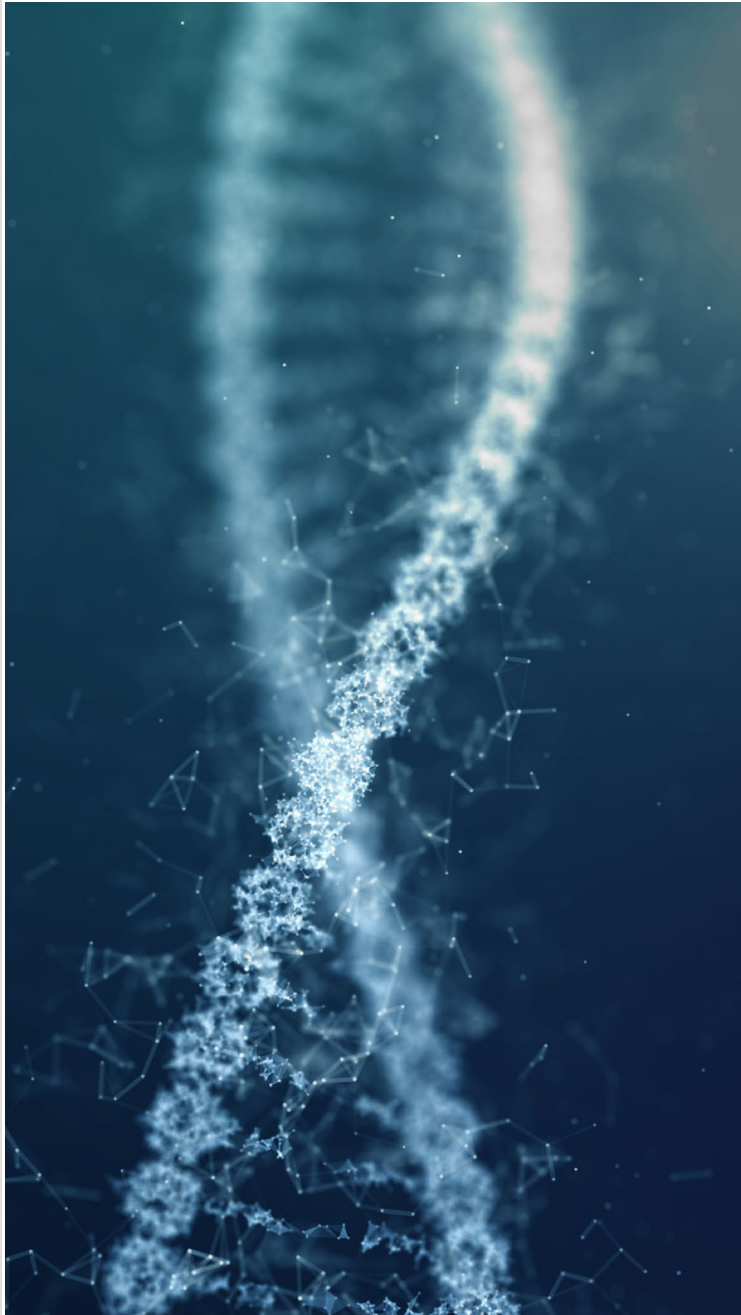
AGENDA

1 Industry perspective

2 Getting the most out of an IRM program

3 Summary and takeaways

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INDUSTRY PERSPECTIVE

WHAT IS IRM?

Integrated Risk Management (IRM) is a set of practices and processes supported by a risk-aware culture and enabling technologies, that improves decision making and performance through an integrated view of how well an organization manages its unique set of risks. - *Gartner*

Done poorly can feel like:

- Check-the-box activity.
- Congestion on a highway.
- Cost center, not a value center.

Done effectively, should feel like:

- A non-event. Embedded into the institution DNA.
- An enablement function.
- It has a seat at the table.

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IRM VS. ERM: WHAT'S THE DIFFERENCE?

Enterprise Risk Management (ERM) is the "what" you do in the risk space.
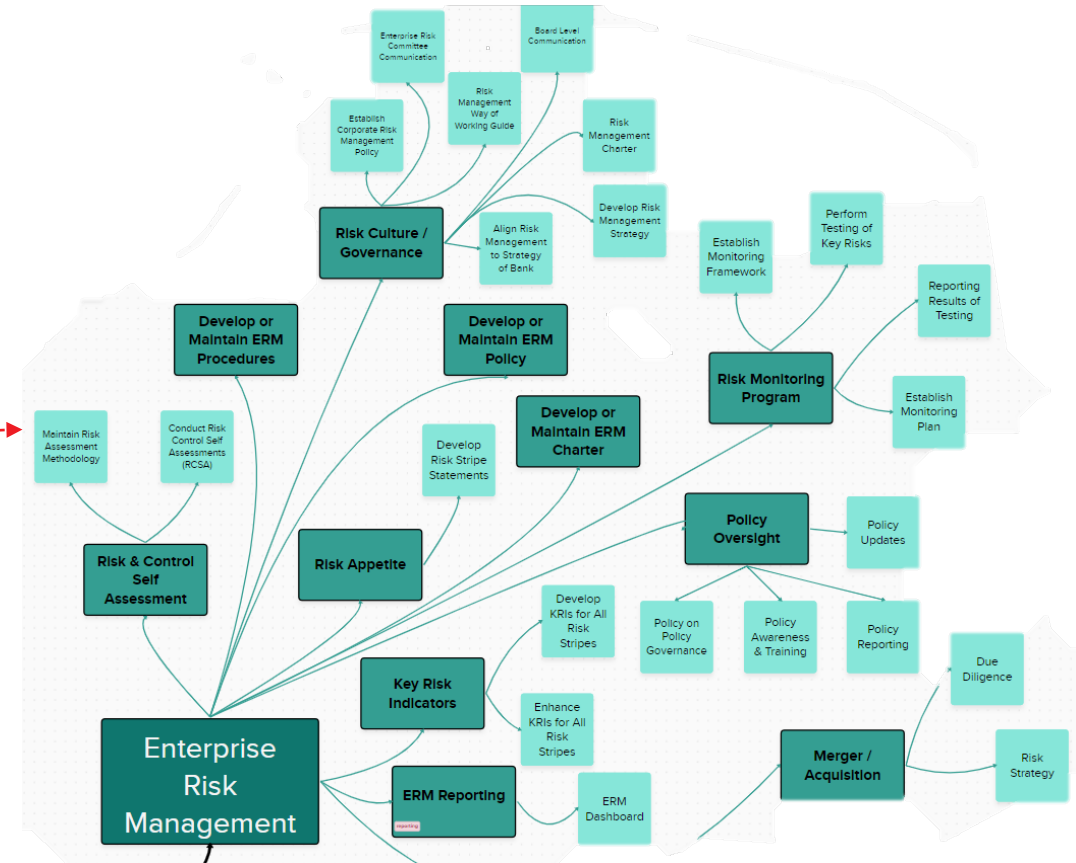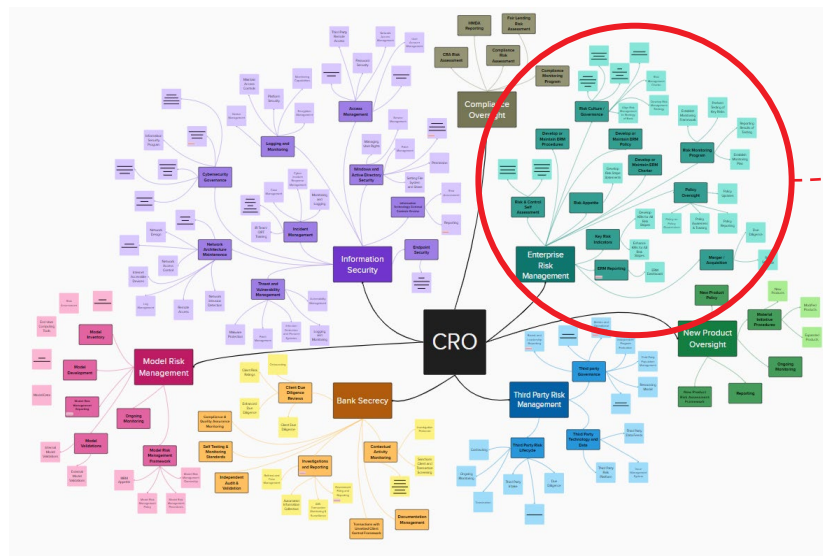
- The functions / domains you manage risk within
- Typical Components: Compliance, Information Security, Operational Risk, Business Continuity, Third-Party Risk Management
- As your organization grows, financial institutions tend to federate these functions into individual teams

IRM is the "how" you bring ERM together.

- Where are there similar skillsets, roles, responsibilities across your organization?
- How can we engage the first line more effectively from a risk perspective?
- How can we make more effective risk and compliance decisions faster?

IRM is about making your risk management practices more effective as you scale.

THE LIST OF *JOBS TO BE DONE IS GROWING.* HOW DO YOU PRIORITIZE ACROSS IRM?

Knowing what jobs are getting done across the organization can help prioritize where you'll get the most valuable IRM investments.

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WHAT SHOULD YOUR INTEGRATED RISK MANAGEMENT (IRM) PROGRAM DO FOR YOU?
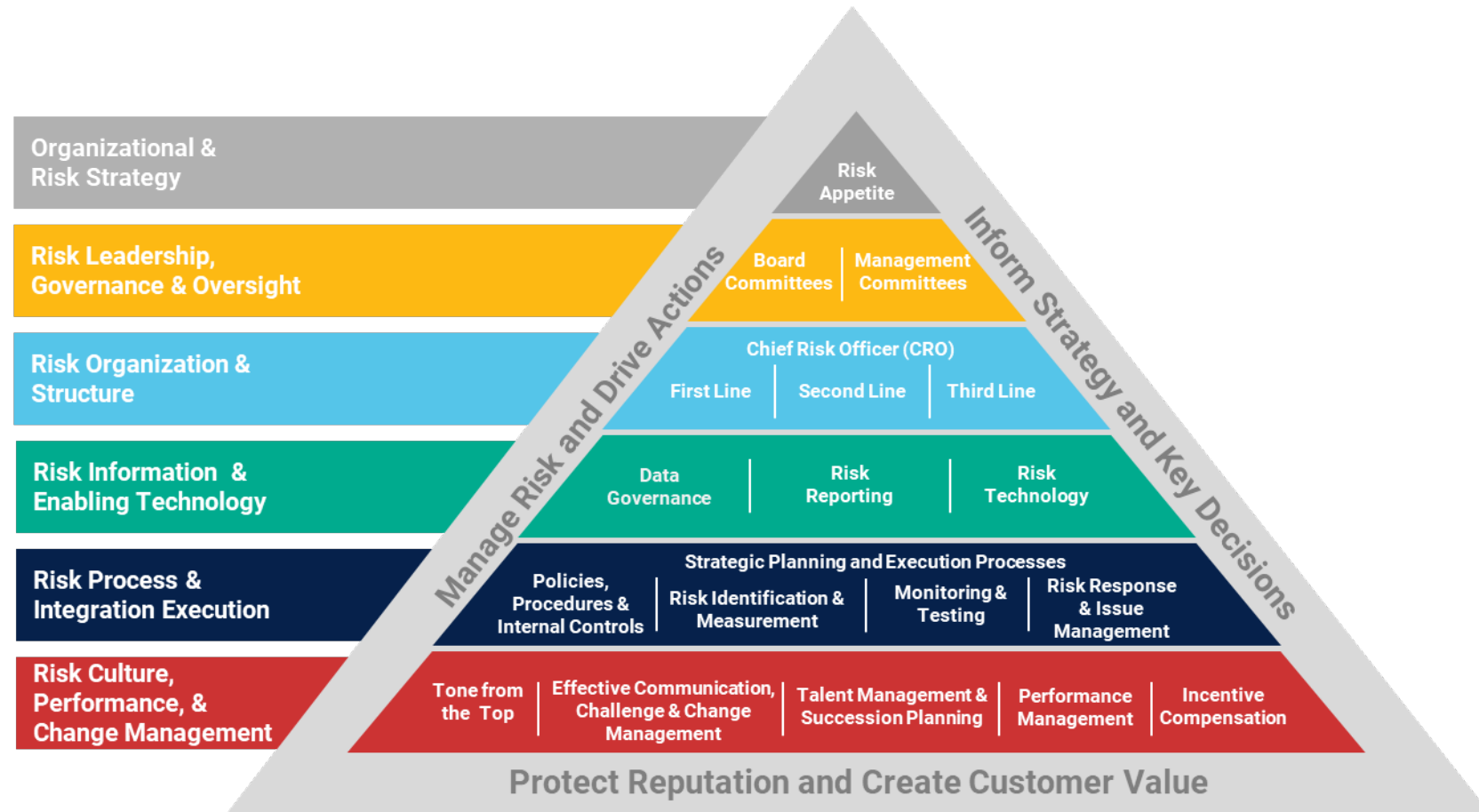
Give you confidence.

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You should have confidence to manage the business and be able to give your stakeholders confidence you're making informed business decisions, especially in where to invest your resources.

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A SUCCESSFUL IRM PROGRAM IS ANCHORED BY A COMPREHENSIVE RISK MANAGEMENT FRAMEWORK
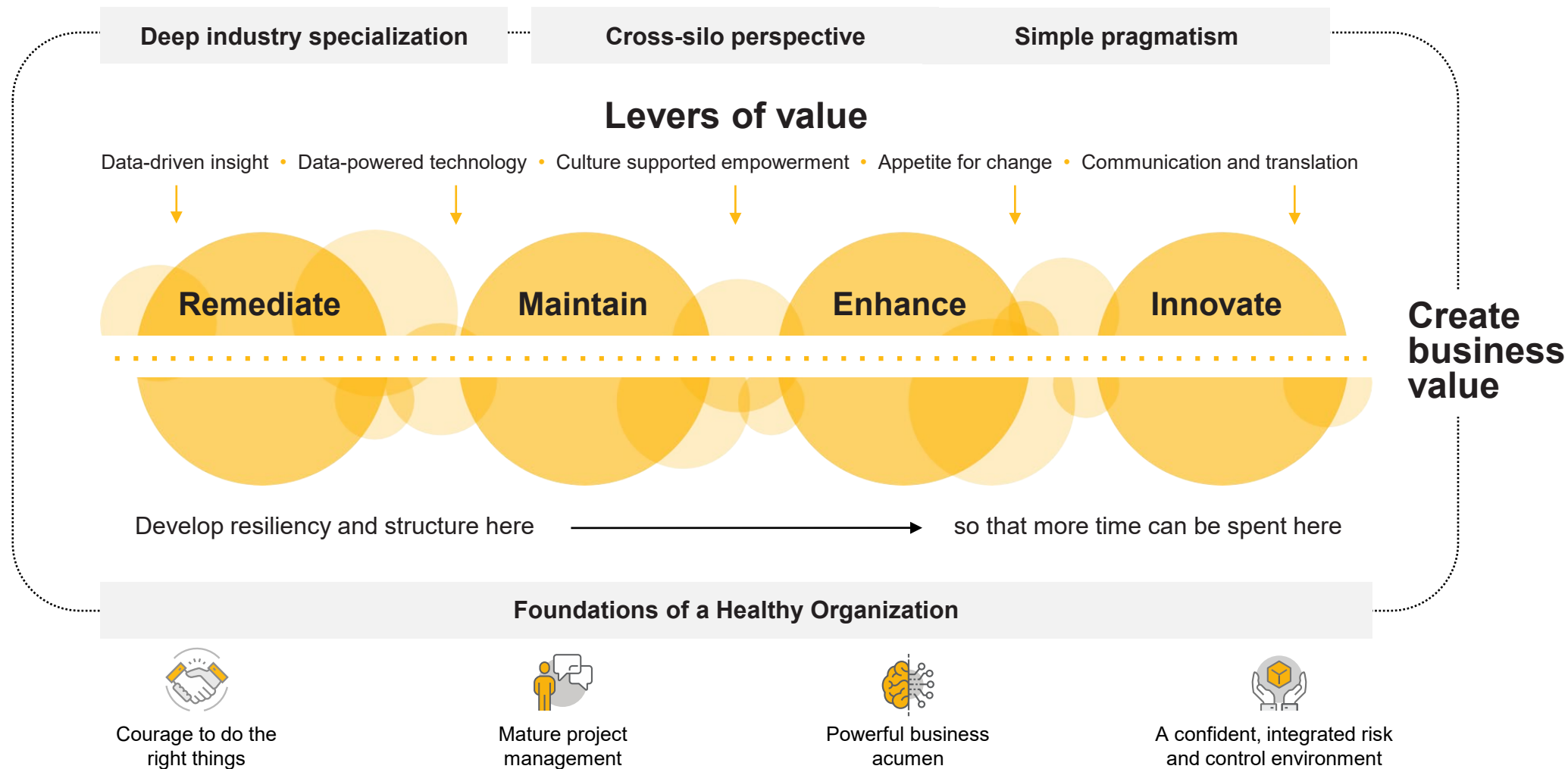
The framework is derived from our experience, established regulatory guidance, industry standards, and common risk management practices and principles.

The components of the framework work together to manage risk, maintain capital, inform both strategy and decision making, and protect the organization's reputation while creating customer value.

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EVERY SMART BUSINESS DECISION FALLS SOMEWHERE ON THE SPECTRUM OF VALUE

Deep industry specialization	Cross-silo perspective	Simple pragmatism

Levers of value

Data-driven insight • Data-powered technology • Culture supported empowerment • Appetite for change • Communication and translation

Remediate **Maintain** **Enhance** **Innovate**

Create business value

Develop resiliency and structure here → so that more time can be spent here

Foundations of a Healthy Organization

Courage to do the right things

Mature project management

Powerful business acumen

A confident, integrated risk and control environment

ENABLE STRATEGY BY EMBEDDING RISK AND COMPLIANCE INTO THE DAY-TO-DAY OPERATIONS OF THE BUSINESS.

Reorient | Harmonize | Document | Assess | Report | Respond

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SHIFT TO A FIRST-LINE PERSPECTIVE AND SPEAK THEIR LANGUAGE

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Organizing risk and compliance activities against business hierarchy leads to siloed operations and blind spots. Having a product and process viewpoint will drive cross-functional conversations focused on your customers' experience and how risk and compliance tasks can support efficient delivery.

Reorient

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DEFINE STANDARD TAXONOMIES AND ASSESSMENT APPROACHES

Programs can evaluate different risks but should use a common risk taxonomy, core data, hierarchies, methodologies, and rating scales across risk areas.

Risk Taxonomy: Tiered categorization and classification of risks

Data: Implement a GRC technology that can support your goals

Hierarchies: Product, Process, Organizational

Methodologies: Work across risk functions to align on what each area is focused on. How can this be leveraged across teams?

Rating Scales: Each program can score differently, but the scale used should be uniform for aggregation and reporting consistencies

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Harmonize

CAPTURE INFORMATION IN A WAY THAT'S MEANINGFUL TO THE FIRST LINE

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The First Line of Defense is focused on delivering products (the what) via processes (the how). Work to adjust their business documentation to serve a risk purpose and feed into your GRC technology. This will create insights and conversations you've never thought possible with your partners.

- Process Flows
- User Experience Journeys
- Change Management Tasks
- Product Backlogs
- Standardized Risk & Control Content

Document

ESTABLISH STANDARDS FOR DOCUMENTING RISKS AND CONTROLS

- **Consistency** – risk and control data is presented in a consistent format across the organization.

- **Clarity** – standards help capture both simple and complex risk and control information in a clear and organized manner.

- **Risk awareness and communication** – employees and stakeholders gain a better understanding of the risks associated with their roles and activities, leading to a more risk-aware culture, facilitating cross-departmental risk communication.

- **Improved decision making** – consistent and comprehensive risk and control information enables more informed decision-making related to the prioritization of risk mitigation efforts, effectiveness of controls, and allocation of resources.

- **Process improvement** – organizations can identify areas where controls might be inadequate, or risks might have changed, enabling continuous improvement of risk management practices.

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Document

INTEGRATE YOUR SYSTEMS TO INFORM BETTER DECISIONS

- Integrate business data with your GRC to drive dynamic and multi-dimensional risk assessment processes.

- Move toward assessing risk based on change vs. scheduled periodic time windows that offer little benefit other than checking the box.

- Increase assessment frequency in areas that have higher inherent risk to the organization.

- Focus on the business user experience within your GRC.

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Assess

MULTI-DIMENSIONAL AGGREGATION AND REAL-TIME MONITORING USING KEY RISK INDICATORS (KRI)

Integrated tools and technologies to align data without manual manipulation – saving costs and increasing the accuracy and value of risk aggregation and KRI reporting.

- Multi-dimensional aggregation and reporting aligned to standardized taxonomies and hierarchies.

- KRIs serve as early warning signals – identify potential risk before it escalates to an issue and take mitigating action to prevent unwanted outcomes.

- Management enablement to drive risk-aware decisions aligned to risk appetite.

REACT WHEN RISK / REWARD BECOMES IMBALANCED

An effective risk and compliance governance program will have the tools to identify when a business breaches risk appetite and the proper procedures to engage stakeholders to get back within tolerance.

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Respond

SUMMARY

KEY POINTS & TAKEAWAYS

Reorient

Identify ways to make risk and compliance activities more valuable to the first line.

Harmonize

Establish taxonomies, hierarchies, and assessment approaches that standardize how you monitor and aggregate risk.

Document

Document risks and controls within a business context to ensure stakeholders know how they are relevant to their product and/or process.

Assess

Enable a real-time dynamic risk assessment by integrating your GRC platform with other data sources.

Report

Use your GRC to enable risk aggregation and reporting and get the most value out of KRI monitoring.

Respond

Be prepared to respond when thresholds or appetite is breached to focus on the work that matters.

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QUESTIONS?

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