

When it comes to risk management in the transformative age, when does less become more?

Integrated Risk Management Webinar for ISACA LA Chapter

This presentation is meant to accompany the voice-over as presented by Michael Ruiz during the May 19th, 2020 ISACA LA Chapter Webinar.

Please refer to the video recording for addition details and answered Q&A.

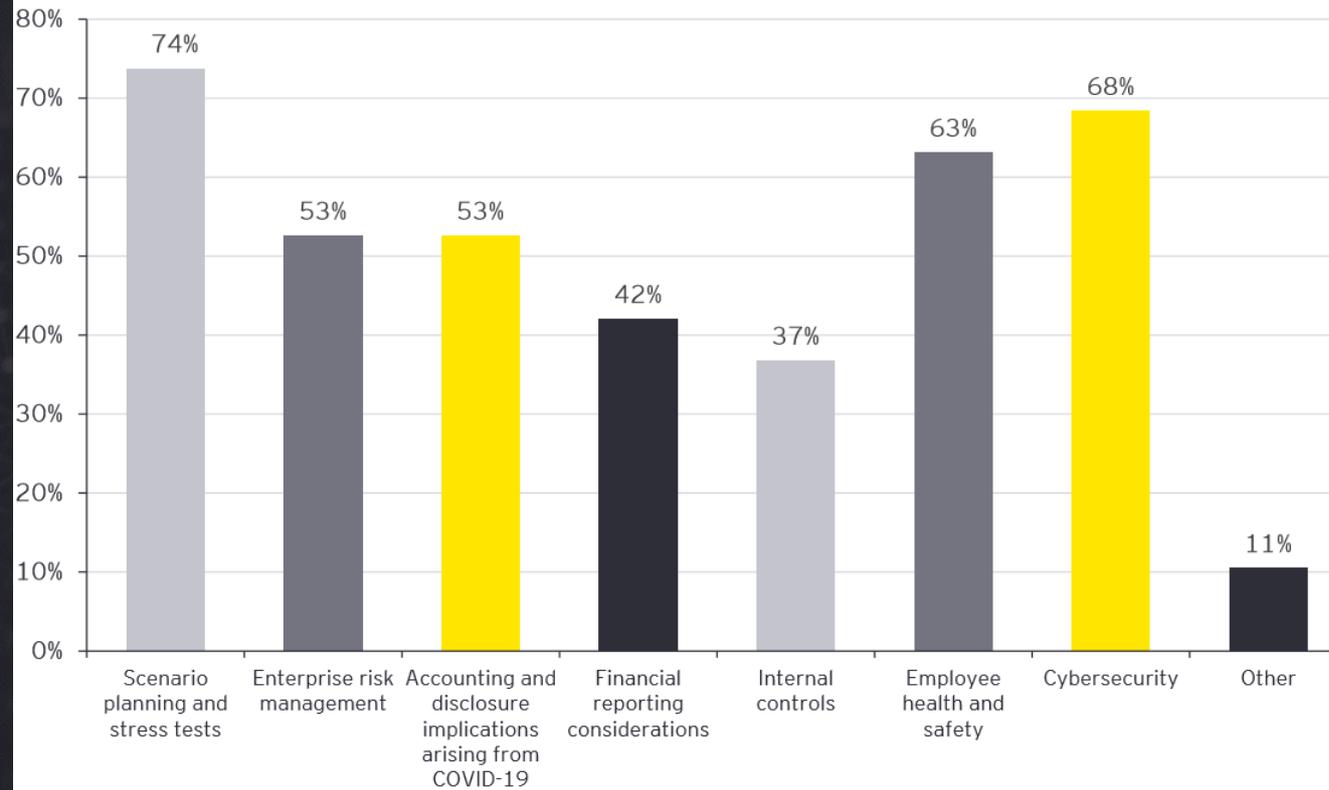
The better the question. The better the answer.
The better the world works.

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Building a better working world

What are we hearing?

What are some of the key topics the Audit Committee is looking for more transparency on?



Other topics include

- ▶ Impact of remote work
- ▶ Forward looking financial guidance

Excerpt from EY Corporate Controllers Leadership Network (CCLN) Pulse Survey – May 2020



How are companies responding

Heightened Board level **visibility needs** into risks across the enterprise

Increased pressure to **reduce spend** while keeping risk at an acceptable level

GRC programs are being revisited for **lack of value**

Enterprise Risk Management programs are being scrutinized if they lack **connection** to the business

Expectation to **capture synergies** from cross-program data

Where do you think you are in your IRM journey?

Systems and Processes Not Developed

Risk management functions are struggling to develop systems and processes. Some technology enablement may be in place, but siloed. Formalized integrated processes are not developed.

Systems and Process Development In Progress

Systems and / or processes are developed and may be mature, but siloed. Integration of risk management functions is not in place. Multiple taxonomies and technologies may exist.

Mature Integration of Systems and Processes

A strong sense of integration is already in place and new business areas would like to be onboarded. More efficient processes could be utilized and there may be an appetite for emerging technology tools.

Key Questions

- ▶ Does your existing risk program build Trust with your consumers, business partners, investors and regulators?
- ▶ Are you capturing synergies from using aligned governance, processes and technologies across your risk management ecosystem?
- ▶ How confident are you that risks across your risk management program are measured consistently and aligned with your enterprise performance appetite?
- ▶ Are you exploring how to simplify your risk management ecosystem?

Polling Question 1

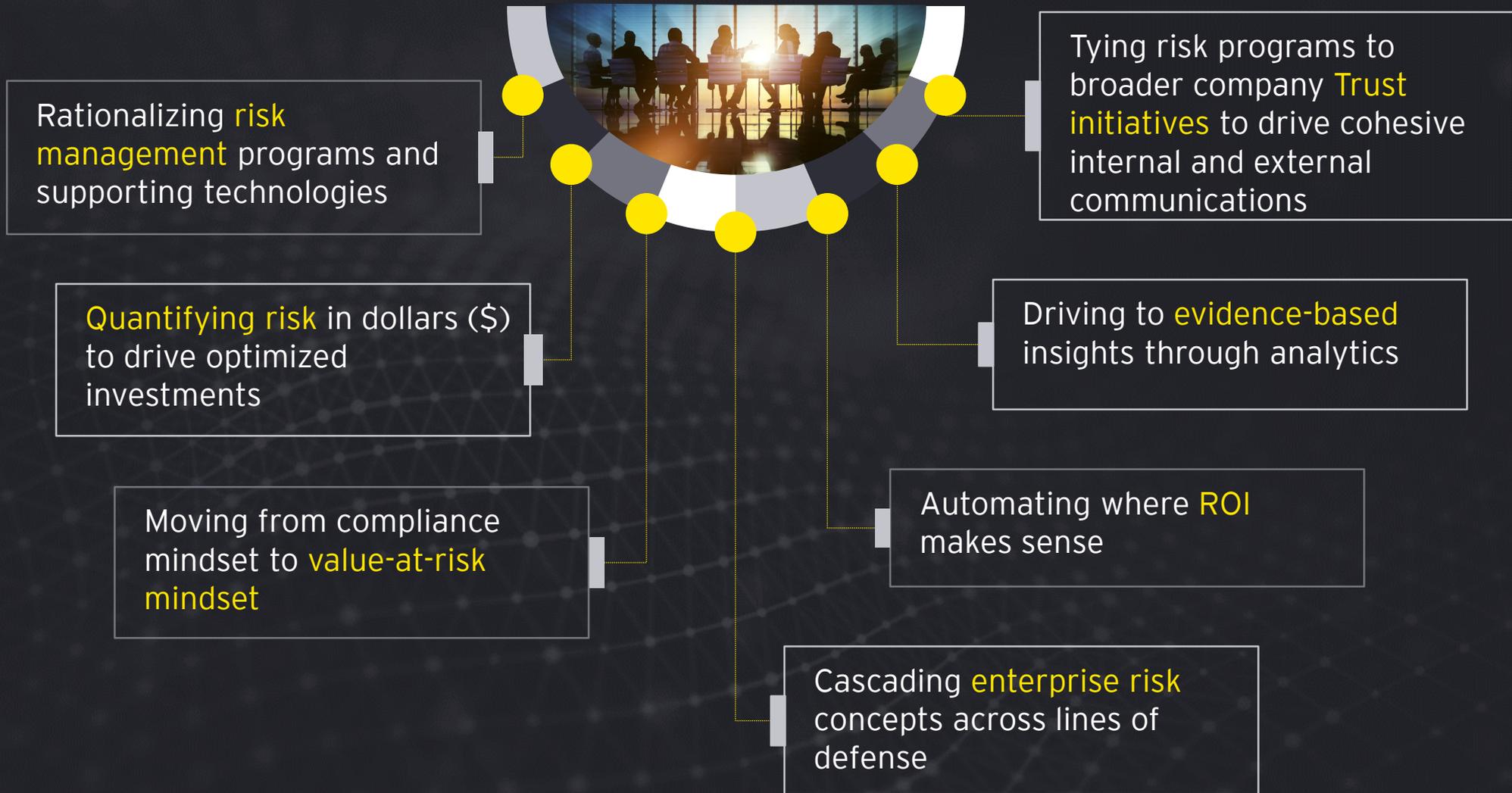
How many separate risk or compliance programs does your company have in place?

- a. 1
- b. 2
- c. 3
- d. 4
- e. 5+

Risk management is an enterprise wide responsibility



Leading organizations are doing the following to maximize the value of their risk programs



Integrating risk management capabilities accelerates program effectiveness

To be successful, organizations will need to shift their focus from a compliance-based mindset to a **risk-based mindset to embrace upside opportunities** and manage outside and downside risks optimally based on value at risk

Upside risks

Risks that offer benefits. Risks significant to the organization's ability to execute its business strategy and achieve its objectives

Potential for innovations to grow consumer bases

Increasing market share

Acquiring, managing and deriving value from new assets and talent

Outside risks

Risks that offer negative or positive benefits beyond the organization's control

Actions of existing and emerging competitors

Geopolitical and economic megatrends

Demographic and environmental megatrends

Downside risks

Risks that offer negative impacts. Risks that an organization is focused on eliminating, avoiding, mitigating or transferring in a cost-effective manner

Information security and cybercrime (also an outside risk)

Employee fraud, and regulatory compliance

Enterprise resiliency – technology and business continuity

Embedding integrated risk into the fabric of your business will build Trust with your consumers, business partners, and communities in which you operate



Balanced portfolio designed to embrace disruption while managing negative outcomes

Evaluating risks across multiple dimensions to monitor what must go right (upside), what could go wrong (downside) and what could surprise you (outside)

Risk-enabled products and services to accelerate innovation and speed to market

Embedding risk into the agile development life cycle to design and sustain trust along the customer journey

Risk-informed business decisions to instill confidence

Digitizing risk intelligence to enable predictive and real-time reporting to drive agile decision-making aligned with strategic priorities (from the board to line managers focus on what matters most)

Digital mindset and culture to deliver trust

Transforming the organization to design a business and risk strategy that is more customer-centric and relationship-driven

Polling Question 2

What types of risk management programs are in place at your company (select one or more):

- a. Enterprise risk management
- b. Cyber risk management
- c. Third party risk management
- d. Operational risk management
- e. I don't know

Integrating risk management components drive decision and investment synergies while reducing cost

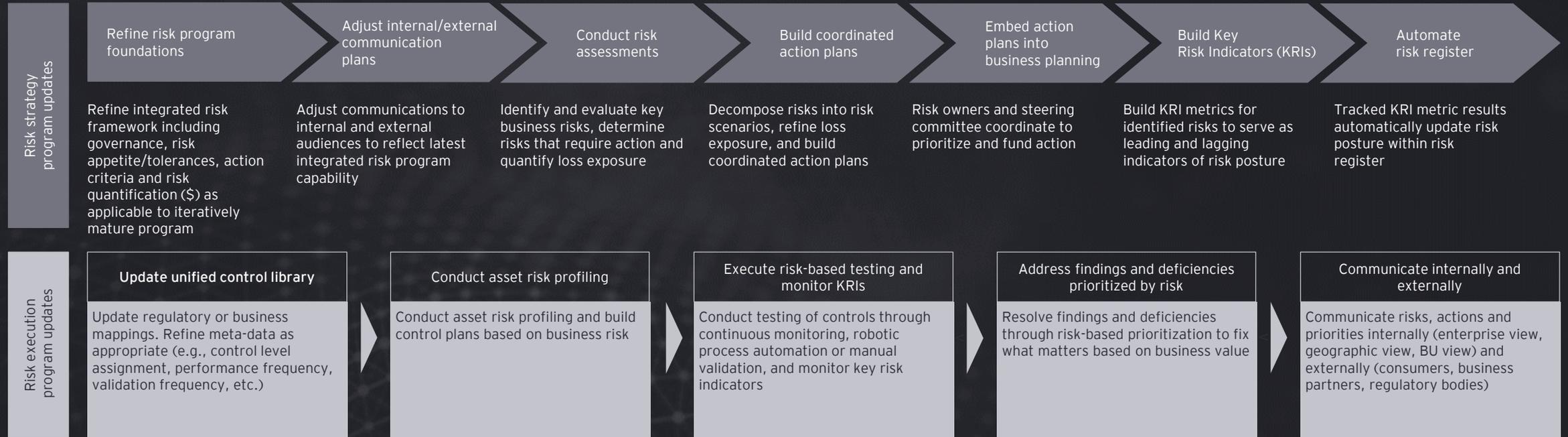


Polling Question 3

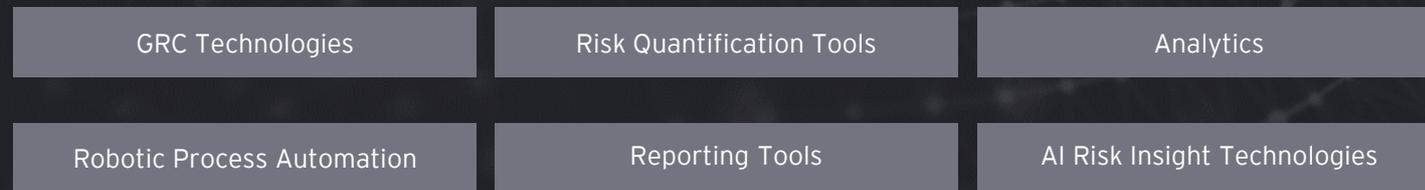
Given the situation with the pandemic, how much cost is your company looking to take out of its risk and compliance functions:

- a. None
- b. 1-5%
- c. 5%-10%
- d. 10%-20%
- e. 20%+

Illustrative integrated risk management transformation approach



IRM Tools and Technologies



Successful risk management programs align to a **common integrated foundation** and are enabled through **coordinated tools and technologies** to drive **synergies**, enforce **cross-functional governance** and enable **global scalability and alignment**

Extract further value by incorporating risk monetization across the integrated risk program

1

Business stakeholders are asking questions about risk mitigation that current qualitative methods cannot answer

Key stakeholders (e.g., Board, Audit Committee, CEO, CFO) base business investment decisions on return on investment (ROI)

3

The risk questions being asked by stakeholders are more sophisticated than what today's qualitative assessments can answer

5

Organizations are supplementing their qualitative assessments with quantitative (\$USD) measures to drive risk treatment options based on value at risk

2

4

Risk monetization should be deployed broadly and consistently throughout the integrated risk management program, examples include...

- 1 Determine vendor ROI
- 2 Compare risk issues consistently using \$USD at risk
- 3 Optimize cyber insurance coverage
- 4 Challenge policy exception validity
- 5 Develop risk treatment business case
- 6 Determine Privacy legal exposure
- 7 Align risk program spend with value
- 8 Determine asset criticality in business terms

Source: FAIR Institute

Polling Question 4

Is your company using quantitative methods to represent risk in dollars (\$)?

- a. Yes
- b. No

Benefits

- ▶ **Consistency** across the organization on how risks are assessed and reported
- ▶ **Eliminate redundancies** especially in risk functions that are common across different assessments
- ▶ **Better risk data** and information provide an opportunity to aggregate risks and reduce the level of risk for certain business activities
- ▶ **Better decision-making** through cross-functional data
- ▶ Enabler for **advanced automation** and use of automation
- ▶ **Cost savings** due to...
 - standardized approach and streamlined activities
 - increased automation
 - managed services where it makes sense
- ▶ **Increased value** capture from risk program

ISACA LA Chapter Integrated Risk Management Webinar

US West: Integrated Risk Management Solution Leader



Michael Ruiz
Partner

Michael is a Partner in Ernst & Young's Risk Transformation practice specializing in risk management and the supporting tools and technologies to accelerate the stand-up and operation of risk management programs. Michael has spent 17 years helping clients navigate their dynamic business and regulatory journeys through transformative risk and compliance programs.

When it comes to risk management in the transformative age, when does less become more?

As a response to the dynamic regulatory and business environment, many organizations find themselves setting up siloed risk management programs. While this approach can be very effective in the early stages of an organization, there are diminishing returns to additional programs, and organizations will begin to struggle with reconciling program outputs when making investment and resource allocation decisions. During this presentation, we will explore how leading organizations are making strides to integrate their risk management programs to accelerate business decision making.

We will discuss the following during our presentation:

- What leading organizations are doing to maximize the value of their risk programs
- Foundational components of an integrated risk management program
- Making the transition to align risk management programs
- Incorporating risk quantification (dollars) to drive aligned investment comparisons
- Effective use of tools and technologies to integrate risk programs

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