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## **Treasury and Risk Alexander Hamilton Best Practices Summit Enterprise Risk Management (ERM)**

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# **Enterprise Risk Management (ERM)**



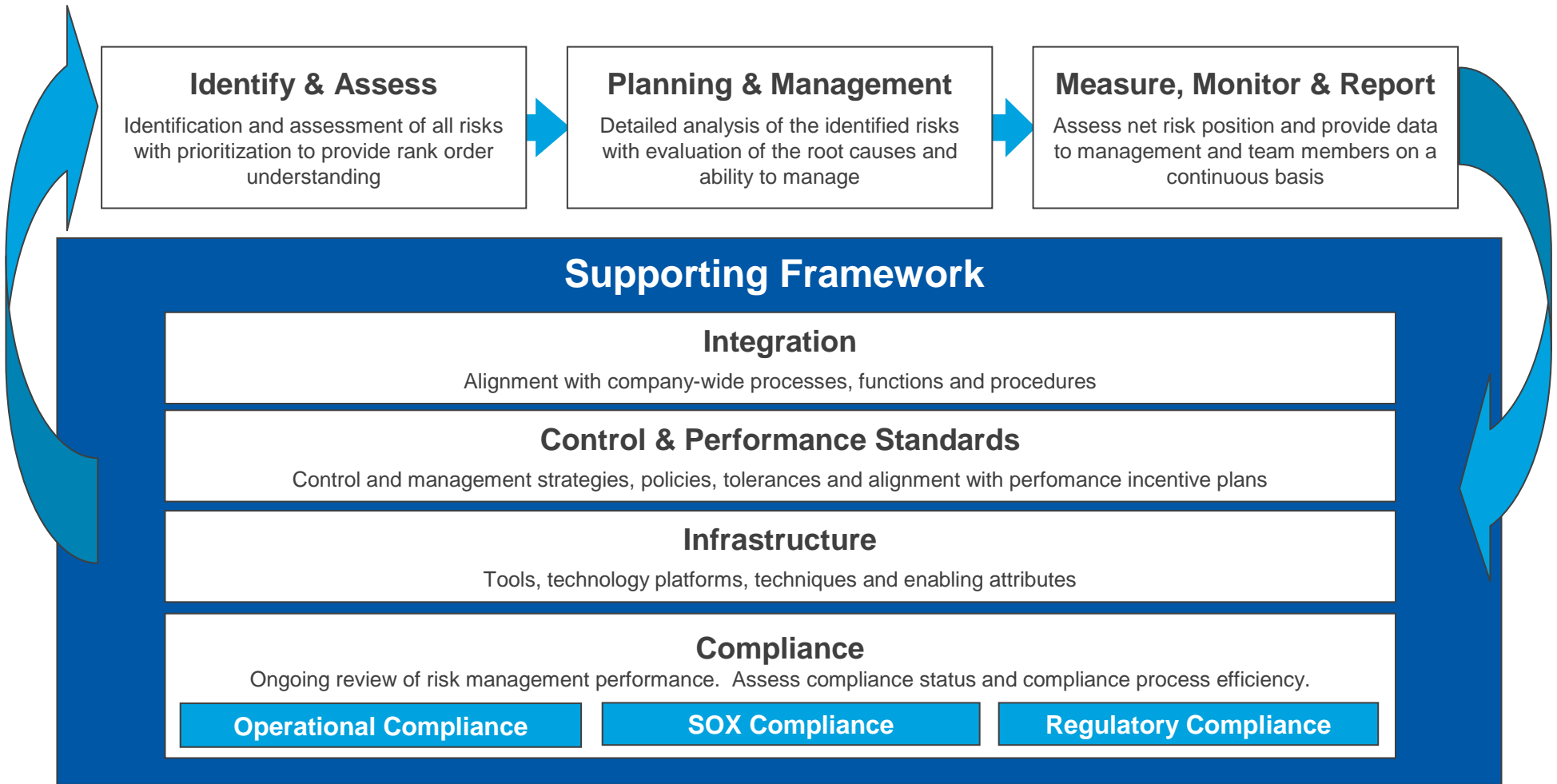
## Enterprise Risk Management

### What is ERM?

*A structured, consistent and continuous risk management process that is applied across the entire organization that brings value by:*

- ❑ Proactively identifying, assessing, and prioritizing material risks
- ❑ Developing and deploying effective mitigation strategies
- ❑ Aligning with strategic objectives and business processes
- ❑ Embedding key components into the organization's culture:
  - ◆ Risk ownership, governance and oversight
  - ◆ Reporting and communications
  - ◆ Leveraging technology and tools

# Enterprise Risk Management Framework



## Key Questions to Consider

- ❑ Does our organization have a detailed understanding of acceptable/tolerable risk?
- ❑ Does management agree on:
  - What the critical risks are?
  - The importance of these risks?
- ❑ Does our organization have a plan in place to improve the management of:
  - Under managed risks?
  - Over managed risks?
- ❑ Can we respond to the Board question:
  - “Do we know what our most critical risks are and are we effective in managing them?”



## Key Benefits of ERM

- Builds foundation for “best in class” risk management practices
- Effective critical event response
- Develops a framework for regulatory reporting
- Provides transparency
- Promotes better decision making and enhanced sustainability of business performance
- Improved strategic planning process
- Optimal capital allocation
- Continued rating agency confidence
- Creates strategies to turn risk into opportunities
- Improved competitive position

# The ERM Continuum

