

*ERM Masterclass*  
*May 2017*

# *Risk, Governance & Culture*

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*Influence of culture and governance on RM  
– exercise*



## ***Consider a financial institution as a reference case:***

- In groups of 5-10; examine the interrelationship between the risk culture, risk governance and incentive program for effective risk management implementation in a financial institution.*

## *Break-out session - 8 min presntn*



Examine the risk culture wheel and:

- Describe how you can use it to implement an effective enterprise-wide risk management culture within your organization

# Interrelationships



	Elements	Risk Culture	Risk Governance	Incentive Program
Risk Competence	Skills	x	x	
	Learning	x	x	
	Recruitment and Induction	x	x	
Organization	Strategy and objectives		x	
	Values and ethics	x		
	Policies, procedures and processes		x	x
Relationships	Challenge	x	x	
	Leadership	x	x	
	Communication	x	x	x
Motivation	Performance management	x	x	x
	Risk orientation	x	x	x
	Accountability	x	x	x

# *Solution explanation*



*Name your organization. Give it's context – what the organ does and how it does it... then explain the potential risks exposed to and justification for managing risk in one statement.* Risk culture is a good indicator of how widely risk management policies and practices have been adopted. It encompasses the general awareness, attitudes, and behaviors of the bank's Board of Directors, senior management, and employees toward risk.

- 1. Any organizations needs risk competence – skills, continuous learning and effective recruitment of people with appreciation for risk management.*
- 2. The organization must have an effective strategy; with clear objectives; which are supported by strong values and ethics in an ideal risk culture environment, with clear policies, procedures and processes within good risk governance and incentive program for effective execution.*