Finance's Role in Operational Risk Management:

CFO Research on Building a Resilient Company

January 2017





Survey Respondents

Chief executive officer, president, or managing director	27.7%
Chief financial officer or equivalent	41.6%
Executive vice president or senior vice president of finance	13.9%
Vice president of finance	1.0%
Director of finance	6.9%
Treasurer	0.0%
Controller	4.0%
Senior finance manager	5.0%





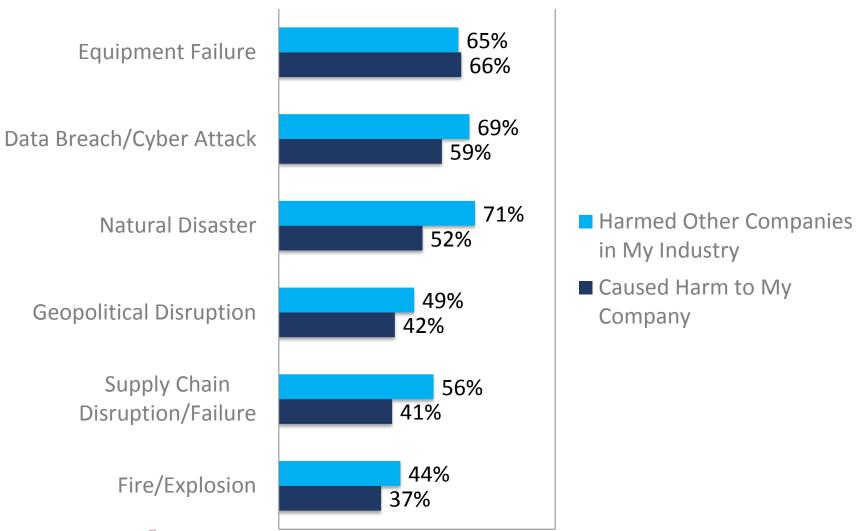
Survey Respondents' Organizations

\$500 million to \$1 billion	29.7%
\$1 billion to \$2 billion	17.8%
\$2 billion to \$5 billion	18.8%
\$5 billion to \$10 billion	15.8%
More than \$10 billion	17.8%





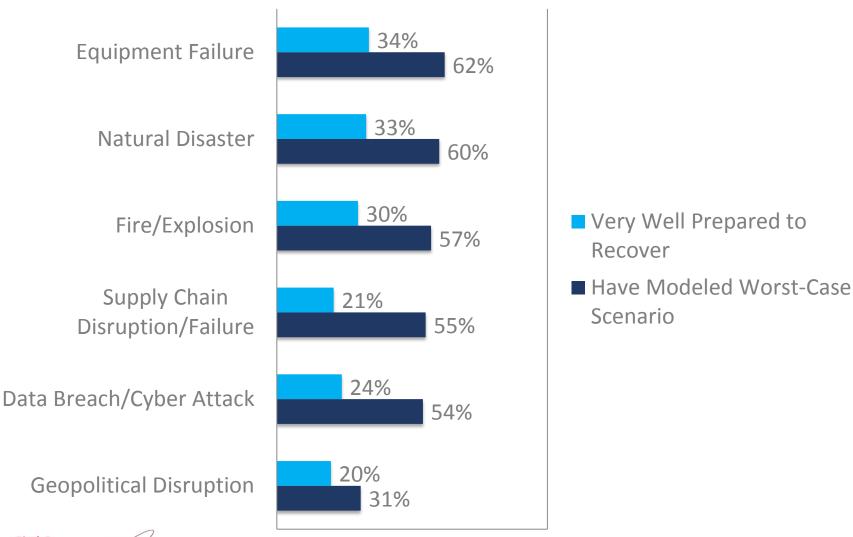
CFOs' Experience with Specific Operational Risk Events







CFOs' Level of Preparedness for Specific Operational Risk Events







Impacts of a Loss Event

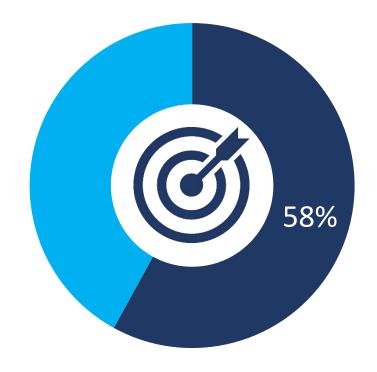
Damage to customer service/relationships Threat to employees' health and wellbeing 43% Harm to my company's brand or reputation 39% Production or service delivery interruption... 36% Unplanned cost increases 24% Compliance problems 22% Reduction in our market share 14% Other





Connecting Operational Risk with Revenue/Earnings Volatility





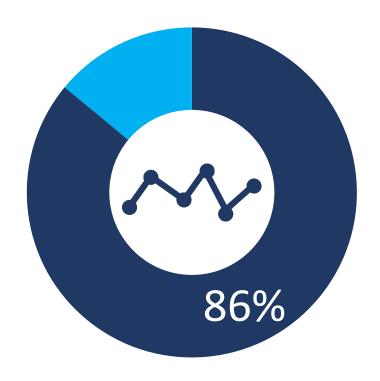
I am concerned that revenues or earnings will become **more vulnerable** to operational risk over the next two years

The need to manage operational risks will make it more difficult to meet revenue and earnings targets over the next two years





Connecting Operational Risk with Revenue/Earnings Volatility



A risk management program for operational risk can help reduce revenue/earnings volatility





The Most Important Protection from Operational Risk over the Next Two Years

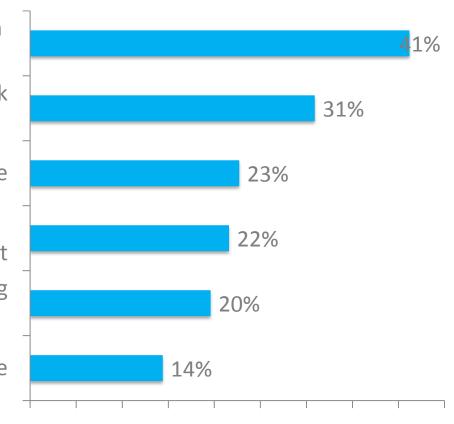
Focusing more on preventing losses from operational risks

Aligning management of operational risk with other types of risk

Controlling the costs of insurance coverage

Having more detailed physical and engineering data on facilities/equipment Investing more in protection against hacking or cyber attacks

Strengthening our insurance coverage

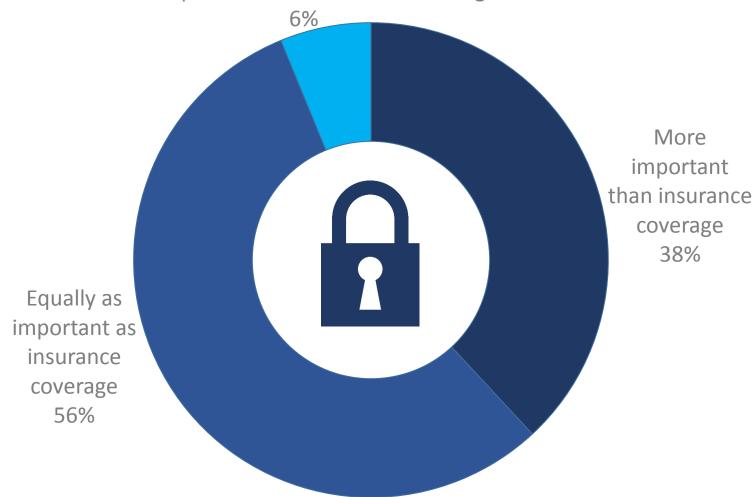






Loss Prevention/Mitigation Is ...

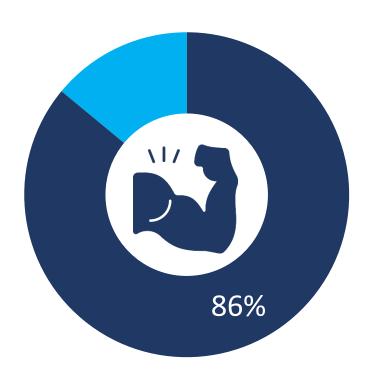


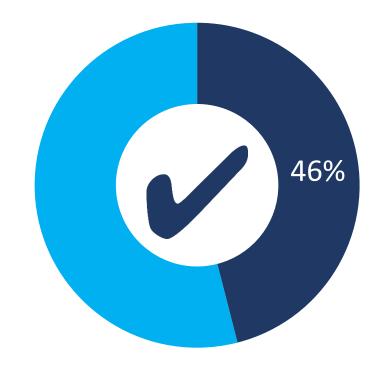






Tension Between What CFOs Say Is Needed and What Has Actually Been Done





Companies will need to be more resilient in the future

My company has developed and tested formal loss-recovery plans



