

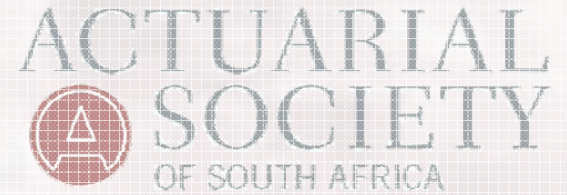


ERM within Sanlam Personal Finance

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Chief Risk Officer

ERM: Sanlam Personal Finance



1. What is ERM for us? Why ERM function?
2. Challenges to embed ERM
3. What works for us?

What is ERM for us?

- Many different businesses / subsidiaries
- Specialised departments
- Different assurance providers
- Result: Silo-focus
- SPF Exco -> SPF RM: Monitor & ensure risk managed across enterprise
- Mandate: Accumulation / consistency / leadership / ownership

Challenges

- **Business:**
 - Diversity: Products / services / systems / markets - distribution / culture
 - Specialist functions: Sharing?
 - Portfolio view of risk
 - Loss & Incident data analysis

Challenges

- **Business:**
 - Diversity
 - Specialist functions
 - Portfolio view of risk
 - Loss & Incident data analysis
- **ERM function**
 - Resources
 - Mandate: Relationships – risk is bad!
 - Measure value-adding: Another audit function? CSO?
 - Risk Appetite vs Risk Tolerance Bands

Challenges

- **Business:**
 - Diversity
 - Specialist functions
 - Portfolio view of risk
 - Loss & Incident data analysis
- **ERM function**
 - Resources
 - Mandate: Relationships
 - Measure value-adding
 - Risk Appetite vs Risk Tolerance Bands
- **Technical issues:**
 - Quantification? Data / model / correlations
 - Model: Flexible / transparent / simple – black box??
 - Maturity of Risk Management subject

What's working for us? What's helping to advance RM?



- **External / Global awareness**

- King II & III; Solvency 2
- Global failures
- Local “failures”

What's working for us? What's helping to advance RM?



- **External / Global awareness**
- **RM in Business**
 - Risk is our business
 - Allow different levels of maturity across businesses
 - Decentralised RM → RM'ers
 - Risk Forums:
 - IA / External Audit / RM / Forensics / Compliance / management

What's working for us? What's helping to advance RM?



- **External / Global awareness**
- **RM in Business**
- **ERM Function**
 - Assurance providers
 - Specialised functions continue
 - Portfolio view

What's working for us? What's helping to advance RM?



- **External / Global awareness**
- **RM in Business**
- **ERM Function**
- **ERM Process**
 - Common language & framework
 - Management actions: Exco responsible / Track
 - Key risks vs Risk universe
 - Software Tool

**Finally: It's not WHAT you do,
it's HOW you do it.**



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*“Essential in our approach to risk management is a **strong internal control environment** with multiple overlapping and reinforcing elements. Our Risk Management Division develops policies and procedures to identify, measure and monitor the risks involved.....Our approach applies **analytical rigor** overlaid with sound practical judgment..... We work **proactively** with the business.... “*

*“Developing and maintaining **risk quantification methodologies** supporting market, credit and operational risk — which includes VAR, stress tests, scenario analyses, **potential credit exposures** and capital allocation. ”*

CEO: *“It's all about Risk Management! I expect everyone at the firm to be a risk manager.”*

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Lehman Brothers

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*Asset manager: “(Risk management team) that very carefully studies the risks taken by all trading desks and incorporates them into a **firm-wide risk analysis**. It is staffed only by **quantitative PhDs** and very experienced ex-traders, and uses a lot **statistical and financial modelling tools**.”*

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Bear Stearns



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