EXTERNAL FACTORS, SUCH AS UNCERTAINTY COMPLEXITY DYNAMISM HAVE AN IMPACT ON ENTERPRISE GOALS & SUSTAINABILITY

OpCo GOALS & MEDIUM/LONG TERM SUSTAINABILITY

ERM IS A COMPANY “ANSWER” TO ENSURE THE ACHIEVEMENT OF COMPANY OBJECTIVES AND MEDIUM/LONG TERM SUSTAINABILITY FOR THE CREATION OF SUSTAINABLE VALUE FOR STAKEHOLDERS
ERM IS A PROCESS, EFFECTED BY AN ENTITY’S BOARD OF DIRECTORS, MANAGEMENT AND OTHER PERSONNEL, APPLIED IN STRATEGY SETTING AND ACROSS THE ENTERPRISE, DESIGNED TO IDENTIFY POTENTIAL EVENTS THAT MAY AFFECT THE ENTITY, AND MANAGE RISK TO BE WITHIN ITS RISK APPETITE, TO PROVIDE REASONABLE ASSURANCE REGARDING THE ACHIEVEMENT OF ENTITY OBJECTIVES

(DEFINITION FROM COSO ERM FRAMEWORK 2004)
ERM OPPORTUNITIES

STRATEGY AND OBJECTIVES IN VIEW OF RISK APPETITE

INFORMED DECISIONS

LOSS LIMITATION

REDUCTION OF INSURANCE AND HEDGING COSTS

ACCOUNTABILITY

PROTECTION OF BRAND REPUTATION
BRAND REPUTATION

TRANSPARENT COMMUNICATION

RISK APPETITE

ERM

ETHICAL – SOCIAL ENVIRONMENTAL ISSUES

FINANCIAL RESULTS
“ENTERPRISE” APPROACH

- Stakeholders’ Attention to Sustainability
- Regulatory Developments
- Changes of Business and Globalization Models
- Financial and Economic Crises

“INSURANCE” APPROACH
IMPLEMENTATION OF ERM SYSTEM VARIES FROM SECTOR TO SECTOR

**FINANCIAL SECTOR**

«REGULATORY DRIVEN» APPROACH
WIDE AVAILABILITY OF HISTORICAL DATA

**NON-FINANCIAL SECTOR**

GUIDELINES - REFERENCE FRAMEWORK
NO-STANDARD ERM MODEL
THE CONTEXT OF REFERENCE FOR NON-FINANCIAL COMPANIES

**FRAMEWORK**
- COSO
- ISO 31000:2009
- RATING AGENCIES

**LOCAL REGULATIONS & STANDARDS** (e.g. Italy)
- LEGISLATIVE DECREE 231/01
- CONSOLIDATED LAW ON FINANCE
- LEGISLATIVE DECREE 254/16
- CORPORATE GOVERNANCE CODE FOR LISTED COMPANIES

FRAMEWORK AND LOCAL REGULATIONS PROVIDE GUIDELINES, REQUESTS FOR DISCLOSURE AND GUIDANCE ON GOVERNANCE. THEY DO NOT CONSTITUTE OPERATIONAL GUIDANCE FOR THE DEVELOPMENT OF METHODS TO EVALUATE OPERATIONAL RISKS.
THE GOVERNANCE OF AN ITALIAN COMPANY IN THE ERM MODEL

CORPORATE BODIES

BOARD OF DIRECTORS

DIRECTORS IN CHARGE

CONTROL AND RISK COMMITTEE

BOARD OF STATUTORY AUDITORS

ORGANIZATIONAL STRUCTURES

Third Control Level

INTERNAL AUDIT

Second Control Level

RISK OFFICER • MANAGER IN CHARGE
OPERATIONS CONTROL • OPERATIONAL/LEGAL
COMPLIANCE • ETHICS OFFICER...

First Control Level

RISK OWNER
IN NON FINANCIAL COMPANIES ERM PROCESSES CAN BE CONSIDERED ALMOST SIMILAR

OPERATIONAL RISKS ARE “CORE RISKS” FOR NON-FINANCIAL COMPANIES (IMPACT ON BRAND REPUTATION) AND ARE CLASSIFIED INTO PRIMARY RISKS (FOCUS ON PREVENTION) AND INTERCONNECTED RISKS (FOCUS ON IMPACTS MITIGATION)
RISK ASSESSMENT METHODS ARE BASED ESSENTIALLY ON IMPACT AND PROBABILITY

IN NON-FINANCIAL SECTOR:

THE LIMITED NUMBER OF OpCo HISTORICAL TRENDS AND THE FEW GLOBAL DATA FOR COMPARABLE EVENTS HAVE LED COMPANIES TO DEVELOP MOSTLY QUALITATIVE ASSESSMENT METHODS
TAKEAWAYS FOR THE EVOLUTION OF ERM IN NON-FINANCIAL COMPANIES

- GREATER INTEGRATION IN STRATEGIC PLANNING
- DEVELOPMENT OF QUANTITATIVE MODELS FOR THE MANAGEMENT OF OPERATIONAL RISKS
- DEVELOPMENT OF «GLOBAL» DATABASES FOR COMPARABLE EVENTS