2020
THE STATE OF RISK OVERSIGHT

AN OVERVIEW OF ENTERPRISE RISK MANAGEMENT PRACTICES

11TH EDITION | APRIL 2020

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ERM PROFESSIONAL INSIGHTS

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LET'S NOT MISS THE LESSONS FROM COVID-19

The evolving uncertainty surrounding the vast implications of COVID-19 is triggering a complex array of risks affecting virtually all aspects of most enterprises. Many executive teams are beginning to realize the implications of being ill-prepared to manage such a large scale root cause event of the magnitude of COVID-19. While organizations that previously invested in developing robust enterprise-wide risk management processes are still experiencing significant impacts from this unfolding crisis, that previous preparation to manage risks at an enterprise-wide level has hopefully positioned their leadership teams to be in a more proactive risk management position relative to others who have little, if any, ERM process in place.

Despite some signs of greater ERM maturity for some organizations, this 2020 The State of Risk Oversight Report, suggests there is significant room for improvement in risk oversight across many organizations. We fully acknowledge that ERM will not prevent the next COVID-19; however, as we emerge from this crisis, it is our hope that more organizations will take the necessary time to honestly evaluate the robustness of how its leaders think about potential risks across their enterprise and that they will take the actions necessary to put them in a stronger position for the next unfolding event.

This report highlights the current state of risk oversight practices in 563 organizations. We believe this report highlights a number of factors to be considered as business leaders enhance their approaches to managing the ever-changing nature of the global business environment.

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The ERM Initiative in the Poole College of Management at North Carolina State University provides thought leadership on enterprise risk management (ERM) and its integration with strategic planning and corporate governance, with a focus on helping boards of directors and senior executives gain strategic advantage by strengthening their oversight of all types of risks affecting the enterprise.

ABOUT THIS STUDY

As business leaders manage the ever-changing economic, political, and technological landscape they face an exponentially increasing range of uncertainty that creates a highly complex portfolio of potential risks that, if unmanaged, can lead to lost opportunities that might cripple, if not destroy, an organization's business model and brand. COVID-19 is elevating that reality. Some business leaders and other key stakeholders are realizing they need to invest more in how they proactively manage potentially emerging risks by strengthening their organizations' processes surrounding the identification, assessment, management, and monitoring of those risks most likely to impact – both positively and negatively – the entity's strategic success. They are recognizing the increasing complexities and real-time challenges of navigating potentially emerging risks as they seek to achieve key strategic goals and objectives.

Many organizations have embraced the concept of enterprise risk management (ERM), which is designed to provide an organization's board and senior leaders a top-down, strategic perspective of risks on the horizon so that those risks can be managed proactively to increase the likelihood the organization will achieve its core objectives. To obtain an understanding of the current state of enterprise risk oversight among entities of all types and sizes, we have partnered over the past eleven years with the American Institute of Certified Public Accountants' (AICPA) Management Accounting - Business, Industry, and Government Team to survey business leaders regarding a number of characteristics related to their current enterprise-wide risk management efforts. This is the eleventh report that we have published summarizing our research in partnership with the AICPA.

Data was collected during the fall of 2019 through an online survey instrument electronically sent to members of the AICPA's Business and Industry group who serve in chief financial officer or equivalent senior executive positions. In total, we received 563 fully completed surveys from individuals representing different sizes and types of organizations (see **Appendix A** for details about respondents). This report summarizes our findings and provides a resource for benchmarking an organization's approach to risk oversight against current practices. In addition to highlighting key findings for the full sample of **563 respondents**, we also separately report many of the key findings for the following subgroups of respondents:

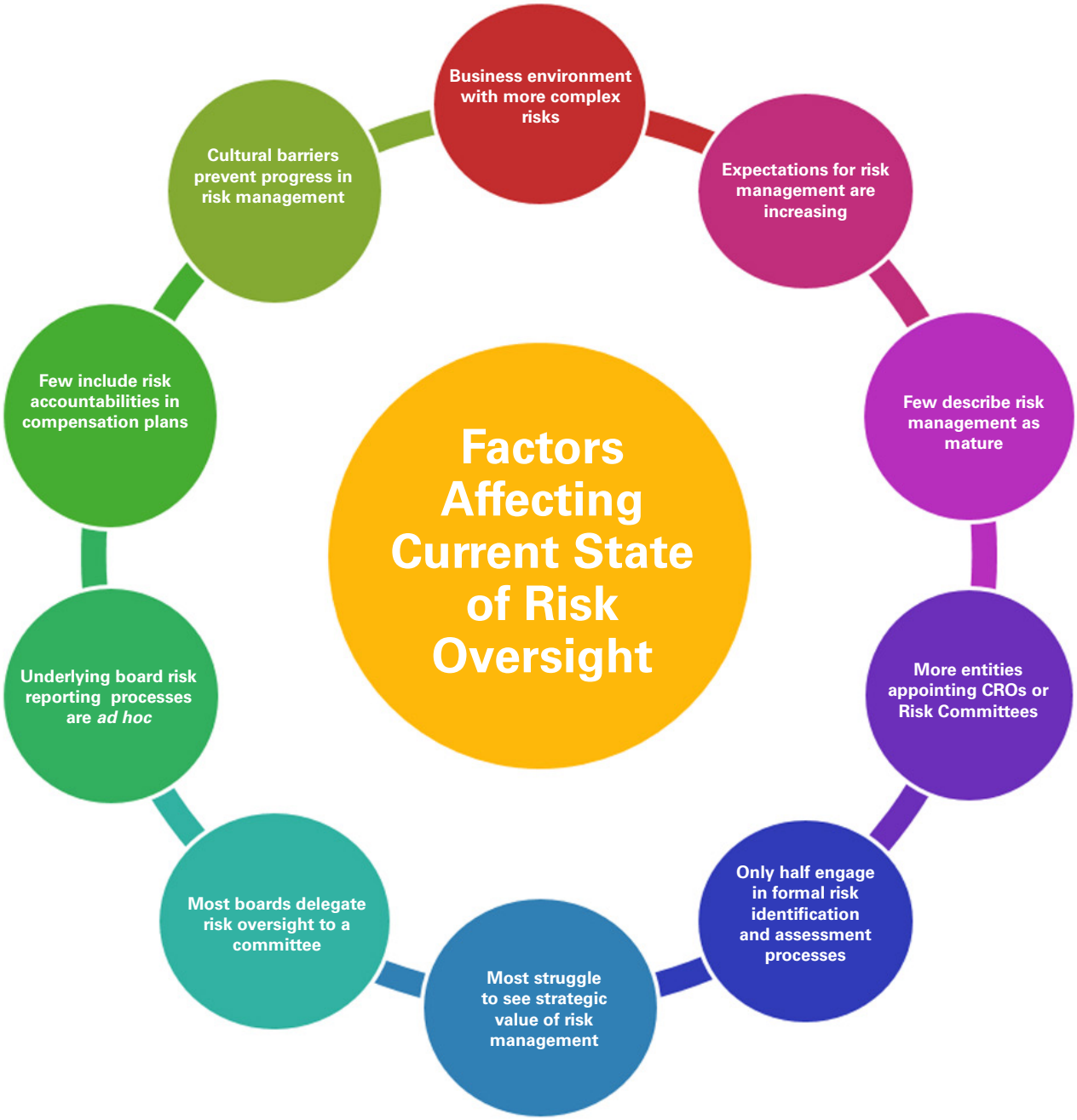
- 150 large organizations (those with revenues greater than $1 billion)
- 132 publicly-traded companies
- 164 financial services entities
- 157 not-for-profit organizations

The following page highlights some of the key observations from this research. The remainder of the report provides more detailed information about other key findings and related implications for risk oversight.

KEY OBSERVATIONS

Our overall findings summarized in this report provide some indication that management efforts related to enterprise-wide risk oversight are increasing over time. However, there continues to be noticeable room for improving how organizations identify, manage, and keep their eyes on risks that may emerge and significantly impact their ability to achieve strategic goals.

Several factors provide an overall profile of the current state of risk oversight:



Key findings related to each of these factors is summarized on the next page.

KEY FINDINGS

Most perceive a much riskier business environment.	• Most respondents (59%) believe the volume and complexity of risks is increasing extensively over time. • Respondents are particularly concerned about risks related to talent, innovation, the economy, and their reputation and brand.
Expectations increasing for enhanced risk management.	• External parties (58%) are putting pressure on senior executives for more extensive information about risks, and 66% of boards are calling for "somewhat" to "extensively" increased management involvement in risk oversight. • Strong risk management practices are becoming an expected best practice. These pressures are increasing for large organizations and public companies, particularly.
Few describe their organization's risk management as mature.	• Twenty-four percent of respondents describe their risk management as "mature" or "robust" with the perceived level of maturity declining over the past two years. • Thirty percent of organizations (55% of the largest organizations) have complete ERM processes in place.
More organizations appointing a Chief Risk Officer or creating management level risk committee.	• Just over 40% of the full sample have designated an individual to serve as chief risk officer (or equivalent), with 54% of large organizations and 58% of public companies doing so. • Over 80% of large organizations and public companies have management level risk committees.
About half engage in formal risk identification and risk assessment processes.	• Forty-four percent maintain risk inventories at an enterprise level. • About 40% have guidelines for assessing risk probabilities and impact, with most (74%) updating risk inventories at least annually.
Few perceive their risk management as providing important strategic value.	• Less than 20% of organizations view their risk management process as providing important strategic advantage. • Only 24% of the organizations' board of directors substantively discuss top risk exposures in a formal manner when they discuss the organization's strategic plan.
Boards tend to delegate responsibilities to a committee.	• Just over half (54%) of boards of the full sample (83% of public companies) have delegated risk oversight to a board committee. • Typically, the delegation is to an audit committee unless they are a financial services organization with a risk committee.
Process for generating reporting to boards about risks is often *ad hoc*.	• Most boards of large organizations (84%) or public companies (91%) discuss written reports about top risks at least annually; however, just 60% of those describe the underlying risk management process as systematic or repeatable. • Forty-four percent of the respondents admit they are "not at all" or only "minimally" satisfied with the nature and extent of internal reporting of key risk indicators.
Organizations struggle to embed risk accountabilities as part of compensation.	• The lack of risk management maturity may be tied to the challenges of providing sufficient incentives for them to engage in risk management activities. • Most (70%) have not included explicit components of risk management activities in compensation plans.
Cultural barriers in organizations are limiting risk management progress.	• Respondents of organizations that have not yet implemented an enterprise-wide risk management process indicate that one impediment is the belief that the benefits of risk management do not exceed the costs or there are too many other pressing needs.

The remainder of this report provides a detailed analysis about many of the underlying components of risk oversight processes across the 563 respondents to this year's survey. This report puts a spotlight on a number of risk management practices that organizations may want to consider as they seek to strengthen their ability to proactively and strategically navigate rapidly emerging risks.

CHALLENGING UNCERTAINTIES IN BUSINESS ENVIRONMENT

Key Theme: Managing risks at an enterprise, strategic level is increasingly complex.

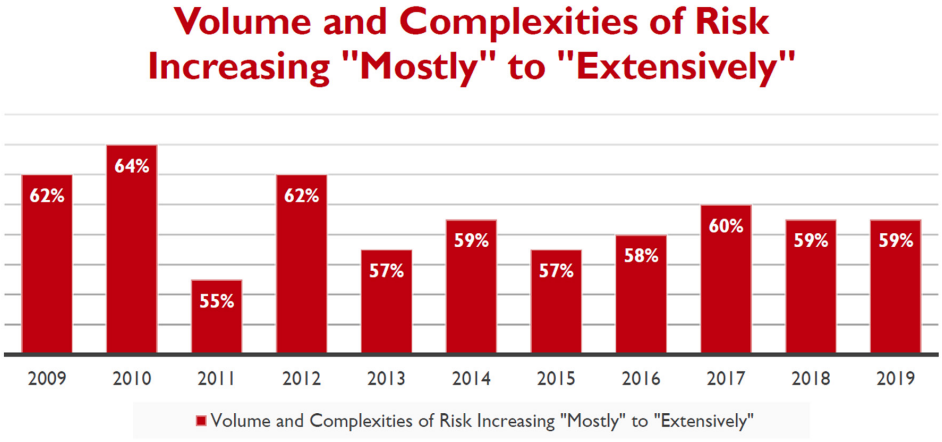
Advancements in technology, disruptive innovation, uncertainties in the geopolitical environment, the pending U.S. Presidential election, the United Kingdom's exit from the European Union, the rise of social media and demands for greater transparency and accountability, cyber breaches, terrorism, significant natural disasters, among numerous other issues, represent examples of challenges executives and boards face in navigating an organization's risk landscape. These developments create uncertainties that are increasing the volume and complexity of risks faced by organizations today, creating huge challenges for management and boards in their oversight of the most important risks. COVID-19 has exponentially increased the volume and complexity of risks for virtually all organizations.

To get a sense for the extent of risks faced by organizations represented by our respondents, we asked them to describe how the volume and complexity of risks have increased in the last five years. Even before COVID-19, 21% of respondents noted that the volume and complexity of risks have increased "extensively" over the past five years, with an additional 38% responding that the volume and complexity of risks have increased "mostly." Thus, on a combined basis, 59% of respondents indicate that the volume and complexity of risks have changed "mostly" or "extensively" in the last five years, which is in line with what participants noted in the most recent prior years. Only two percent responded that the volume and complexity of risks have not changed at all. The management of risks is not getting easier, especially now given the current crisis.

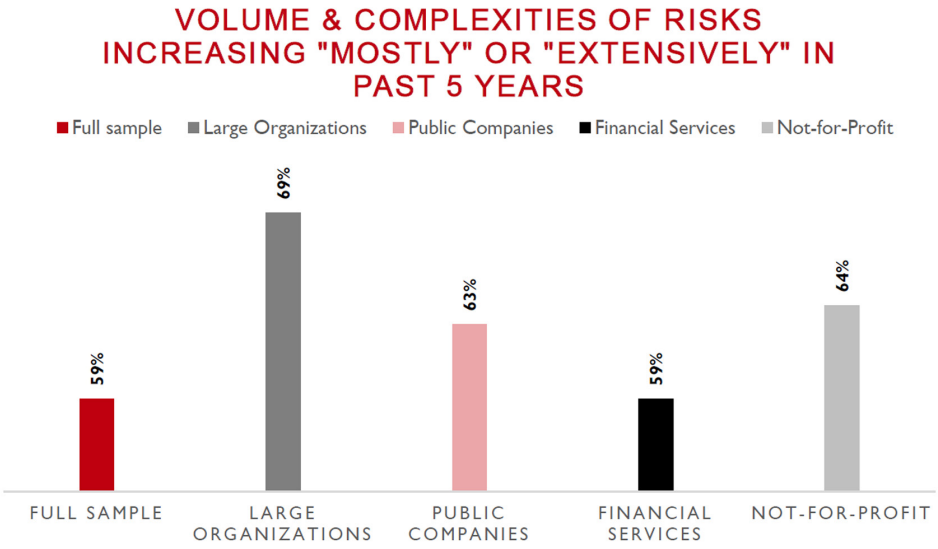
The majority of respondents believe the volume and complexity of risks have increased "mostly" or "extensively" in the past five years, and that finding is consistent across various types of organizations.

Percentage of Respondents					
QUESTION	NOT AT ALL	MINIMALLY	SOMEWHAT	MOSTLY	EXTENSIVELY
To what extent has the volume and complexity of risks increased over the past five years?	2%	7%	32%	38%	21%

We have asked this question in all eleven years that we have conducted this study. The chart below shows the percentages responding "mostly" or "extensively" to this question for each of the past eleven years. Interestingly, while the percentages for 2019 aren't as high as they were in 2009 during the "Great Recession," they are not far off from levels during that tumultuous time. While the nature of risk concerns may not be same now as they were eleven years ago, respondents perceive them to be of high volume and complexity, suggesting a continued need for robust risk management processes. If we were to survey them again today, this percentage would most certainly be higher in light of the COVID-19 pandemic. The key point to take away from this is the reality that the world of uncertainties organizations face is only growing in speed and complexity. Is your organization recognizing that reality?



We separately analyzed responses to this question for various subgroups of respondents. As shown below, the percentage of respondents indicating an increase in the volume and complexity of risks is even higher for large organizations, not-for-profit organizations, and public companies. Smaller sized organizations apparently perceive a lower volume and complexity of risks, which results in a lower overall average for the full sample. But, they may feel differently now. Overall, the results in the chart below suggests the overall business environment is perceived as relatively risky across most types of entities at an increasing level despite some moderate shifts from the prior year to the current year of study. The percentages shown in the chart below increased over the prior year from 66% for large organizations to 69% in 2019. Interestingly, percentages fell most notably for financial services organizations from 68% to 59% from 2018 to 2019 while falling from 67% to 63% for public companies from 2018 to 2019. Perhaps the strong economy and financial and capital markets provided some stability in the past year for these organizations. The percentage was unchanged for non-profit organizations from last year to the current year. That situation has now changed in light of COVID-19, with risk volumes and complexities most likely significantly higher.



In the past two years of our survey, we asked respondents to provide some indication about their level of concern about a number of potential risk issues. The table on the next page summarizes the percentage of respondents indicating what they were "mostly" or "extensively" concerned about each of the noted potential risk issues prior to the emergence of the novel coronavirus.

Respondents are concerned particularly about their organization's ability to manage talent needs, and they are concerned about how economic conditions, emerging innovations, and shifts in consumer and social demographics might impact their business model.

One of the top concerns across all categories of organizations in late 2019 relates to the organization's ability to manage leadership and talent needs. Organizations have been struggling to remain competitive as they seek to attract and retain their leadership and workforce. This has especially been a concern for not-for-profit organizations. Financial services organizations continue to be concerned about a weakening economy and the impact of the already low interest rate environment. While large organizations and public companies expessed concerns about the overall economy, all organizations, are now concerned about the economy. Of course, risks are unfolding daily.

The data in the table on the next page reflects the percentage of respondents perceiving each of these risks "mostly" or "extensively" impacting the organization. The fact that the percentages for several of the risks are between one-third to more than one-half of the respondents within each category of organization suggests that there are a number of complex risk issues that management and the board of directors need to proactively navigate to ensure they are prepared to manage a given risk. That suggests a need for effective risk management practices.

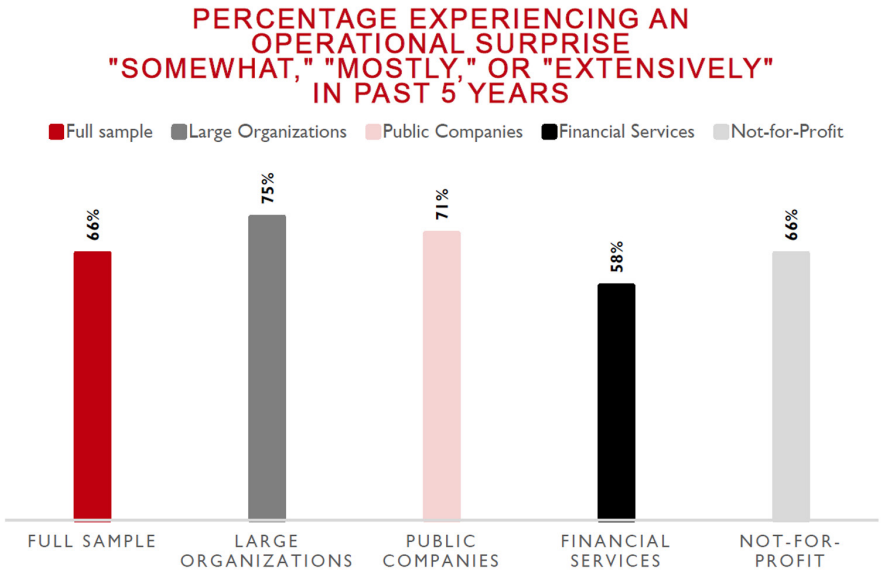
Percentage of Respondents					
PERCENTAGE OF RESPONDENTS WHO ARE "MOSTLY" TO "EXTENSIVELY" CONCERNED ABOUT...	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
The organization's ability to manage leadership and talent needs of the organization	49%	51%	44%	46%	57%
The impact of the economy, interest rates, currencies, etc.	44%	49%	52%	66%	31%
Innovations that might disrupt the organization's core business model	39%	56%	55%	54%	32%
Shifts in consumer and social demographics	30%	40%	30%	33%	37%
Social media harming the organization's reputation and brand	28%	33%	28%	27%	34%
Geo-political instability affecting the organization's core business	25%	35%	33%	18%	25%
The impact of the environment on the core business model	16%	20%	18%	12%	17%

The presence of increased operational surprises suggest that risk management processes need to be improved.

Some risks have actually translated into significant operational surprises for the organizations represented in our survey. About 11% noted that they have been affected by an operational surprise "extensively" within the last five years and an additional 25% of respondents noted that they have been affected "mostly" in that same time period ending in late 2019. An additional 30% responded "somewhat" to this question. Collectively, this data indicates that two-thirds (66%) of organizations in our sample are being affected by real risk events (e.g., a competitor disruption, an IT systems breach, loss of key talent, among numerous others possible events) in their organizations that have affected how they do business, consistent with what we found in prior years. The unfolding COVID-19 crisis has escalated massively the volume and complexity of operational surprises for virtually everyone. Once the pandemic crisis is behind us, organizational leaders should evaluate how their approaches to enterprise-wide risk management need to be strengthened so they are better prepared for the next big crisis event.

Percentage of Respondents					
QUESTION	NOT AT ALL	MINIMALLY	SOMEWHAT	MOSTLY	EXTENSIVELY
To what extent has your organization faced an operational surprise in the last five years?	5%	29%	30%	25%	11%

The rate of operational surprises is highest for large organizations followed by public companies. The reality is that all organizations are dealing with unexpected risks.



While there are small differences in the percentages reported above from those reported in the prior year, the general findings of two-thirds and three-fourths of organizations having faced significant operational surprises in the past five years continue to reveal that an overwhelming majority of respondents across different types of organizations have experienced unexpected and significant risk events. That suggests there may be room for improvements in their overall risk management processes.

The responses to these questions about the nature and extent of risks organizations face indicate that executives are experiencing a noticeably high volume of risks that are also growing in complexity, which ultimately results in significant unanticipated operational issues. The reality that unexpected risks and uncertainties occur and continue to "surprise" organizational leaders suggests that opportunities to improve risk management techniques still exist for most organizations. This suggest that effective risk management remains an important imperative for most organizations as a technique to hopefully better anticipate events that may lead to unexpected operational surprises.

CALLS FOR IMPROVED ENTERPRISE-WIDE RISK OVERSIGHT

Key Theme: External stakeholders are placing greater expectations on senior executives for more engagement in risk management.

We asked respondents to describe to what extent external factors (e.g., investors, ratings agencies, emerging best practices) are creating pressures on senior executives to provide more information about risks affecting their organizations. As illustrated in the table below, while a small percentage (9%) of respondents described external pressures as "extensive," an additional 19% indicated that external pressures were "mostly" and another 30% described that pressure as "somewhat." Thus, on a combined basis 58% of our respondents believe the external pressure to be more transparent about risk exposures is "somewhat" to "extensive." That result is almost the same as what was reported last year (59%), indicating continued strong pressure from external parties for more information from management about risks affecting the organization that is of greater relevance for decision making.

Percentage of Respondents					
EXTENT THAT EXTERNAL PARTIES ARE APPLYING PRESSURE ON SENIOR EXECUTIVES TO PROVIDE MORE INFORMATION ABOUT RISKS AFFECTING THE ORGANIZATION	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
"Extensively"	9%	13%	14%	12%	4%
"Mostly"	19%	23%	23%	23%	15%
"Somewhat"	30%	32%	37%	32%	32%
Combined	58%	68%	74%	67%	51%

A majority of executives note there is "somewhat" to "extensive" external pressure to provide more information about risks relevant for decision making.

Pressures from external parties such as investors, rating agencies, and regulators apparently exists for all types of organizations, especially larger organizations, public companies, and financial services organizations. While for the full sample, the percentage responding "somewhat," "mostly," or "extensively" to our question about external pressures for more information about risks remained mostly unchanged at 58% from last year to this year, the percentage decreased from 75% last year to 68% this year for large organizations and from 73% to 67% for financial services organizations (the percentages for public companies only changed from 75% to 74% from the prior year). While there is an observed decrease in perceived pressure in the current year relative to the prior year for those organizations, it is important to note that large organizations, public companies, and financial services organizations perceive the pressure as higher than the full sample. Interestingly, the 51% reported for not-for-profit organizations is down from the 57% reported last year, suggesting that not-for-profit organizations may feel somewhat less pressure to strengthen senior management's engagement in risk management in the current year, although the percentage is still over 50% in the current year. It will be interesting to observe the extent to which external parties will be calling on executives to rethink their organization's approach to the management of enterprise-wide risks once the dust settles from the pandemic crisis that is ongoing now.

Several other factors are prompting senior executives to consider changes in how they identify, assess, and manage risks. For the overall sample, respondents noted that a desire to better predict unanticipated risk events affecting the organization and emerging best practice expectations are the two most frequently cited factors for increasing senior executive involvement. Unanticipated risk events and board of director pressure are especially having a significant impact on senior executive focus on risk management activities for large organizations, whereas board of director pressure is having the greatest effect on public companies. Financial services organizations perceive greater demand from regulators compared to other types of organizations. Not-for-

profits are sensing that concerns about unanticipated risk events and emerging best practice expectations are placing greater demands on senior executives to be more involved in risk management activities.

Corporate governance trends, regulatory demands, and board of directors are all placing pressure on executives to engage more in risk oversight.

Percentage of Respondents Selecting "Mostly" or Extensively"

FACTORS "MOSTLY" OR "EXTENSIVELY" LEADING TO INCREASED SENIOR EXECUTIVE FOCUS ON RISK MANAGEMENT ACTIVITIES	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
Regulator Demands	26%	27%	32%	46%	17%
Unanticipated risk events affecting organization	32%	37%	32%	24%	39%
Emerging best practice expectations	28%	35%	23%	33%	38%
Emerging corporate governance requirements	21%	28%	27%	29%	18%
Board of Director requests	25%	36%	34%	27%	28%
Unanticipated risk events affecting competitors	17%	20%	22%	15%	17%

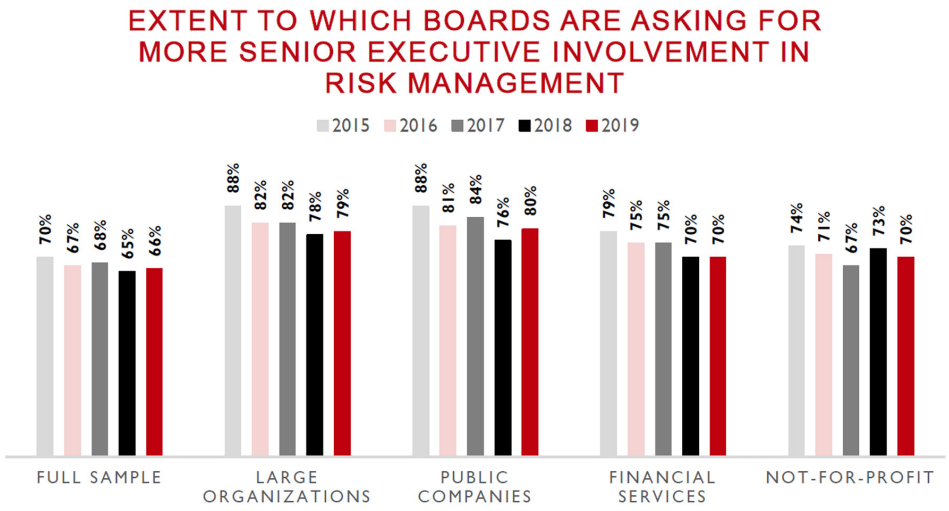
We did note, however, a decrease in some of these percentages for the current year. For example, for the full sample emerging best practices expectations fell from 38% in the prior year to 28% in the current year. A similar decrease related to board of director requests occurred for public companies, as indicated by 34% in the current year as compared to 44% in the prior year. And, regulatory demands for financial services of 46% in the current year is lower than the 55% reported last year. These decreases suggest that expectations for increased executive focus on risk management may not be as strong in the current yer as compared to the prior year.

Despite these findings, our survey results indicate that board of director expectations for improving risk oversight in organizations is strong, especially for the largest organizations and public companies. That is only likely to increase. Respondents for the full sample noted that for 9% of the organizations surveyed, the board of directors is asking senior executives to increase their involvement in risk oversight "extensively," another 31% of the organizations report "mostly," and an additional 26% have boards that are asking for increased oversight "somewhat." Thus, on a combined basis, boards are asking "somewhat" to "extensively" for more senior executive involvement in risk oversight in 66% of the organizations, which is consistent with the 65% noted in the prior year.

Percentage of Respondents

EXTENT TO WHICH THE BOARD OF DIRECTORS IS ASKING FOR INCREASED SENIOR EXECUTIVE INVOLVEMENT IN RISK OVERSIGHT	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
"Extensively"	9%	12%	10%	10%	11%
"Mostly"	31%	41%	39%	32%	30%
"Somewhat"	26%	26%	31%	28%	29%
Combined	66%	79%	80%	70%	70%

Board expectations for increased senior executive involvement in risk oversight is strong across all types of organizations but appears to be most dramatic for the largest organizations and public companies. The desire for more engagement by management in identifying, assessing, managing, and monitoring risks on the horizon continues to be on the minds of boards of directors as they seek to fulfill their risk governance responsibilities. These expectations are possibly being prompted by increasing external pressures that continue to be placed on boards. In response to these expectations, boards and audit committees may be challenging senior executives about existing approaches to risk oversight and demanding more information about the organization's top risk exposures.



Boards of directors continue to call for increased engagement of senior executive involvement in risk management.

And, as illustrated by the chart above, the board's level of interest in more senior executive engagement in risk management has been holding strong for the past five years. This suggests that effective risk management is a priority among boards for management to consider.

The board's interest in strengthened risk oversight may explain why the chief executive officer (CEO) is also calling for increased senior executive involvement in risk oversight. Under half (39%) of the respondents indicated that the CEO has asked "mostly" or "extensively" for increased management involvement in risk oversight, which is a slight decrease from the 44% we saw in 2018. An additional 31% of our respondents indicated that the CEO has expressed "somewhat" of a request for increased senior management oversight of risks.

MATURITY OF RISK MANAGEMENT PROCESSES

Key Theme: The approach to risk management is not mature or robust for most organizations, despite a perception that the volume and complexity of risks are increasing.

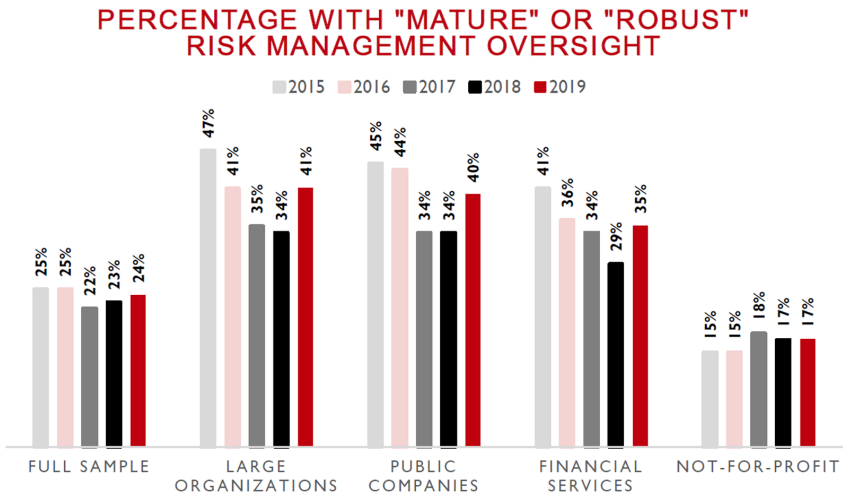
To get a sense for the overall sophistication of risk management practices, we asked a series of questions to tease out the state of risk management practices in organizations today. In particular, we asked respondents to provide their assessment of the overall level of their organization's risk management maturity using a scale that ranges from "very immature" to "robust." We found that the level of sophistication of underlying risk management processes still remains fairly immature for just over one-third of those responding to our survey. When asked to describe the level of maturity of their organization's approach to risk oversight, we found that 16% described their organization's level of functioning ERM processes as "very immature" and an additional 24% described their risk oversight as "developing." So, on a combined basis, 40% self-describe the sophistication of their risk oversight as immature to developing (this is mostly unchanged from the 38% reported in our prior year study). Only 3% responded that their organization's risk oversight was "robust," consistent with responses noted in prior reports.

Percentage of Respondents

WHAT IS THE LEVEL OF MATURITY OF YOUR ORGANIZATION'S RISK MANAGEMENT OVERSIGHT?	VERY IMMATURE	DEVELOPING	EVOLVING	MATURE	ROBUST
Full Sample	16%	24%	36%	21%	3%
Largest Organizations	6%	15%	38%	34%	7%
Public Companies	7%	15%	38%	32%	8%
Financial Services	10%	18%	37%	30%	5%
Not-for-Profit Organizations	12%	28%	43%	15%	2%

Most organizations describe the level of ERM maturity as very immature to evolving. Few describe their processes as robust.

In general, the largest organizations, public companies, and financial services entities believe their approach to ERM is more mature relative to the full sample. As shown in the table above and the bar graph below, respondents in larger organizations, public companies, and financial services organizations are more likely to describe their organization's approach to ERM as either "mature" or "robust" relative to the full sample and to not-for-profit organizations. That has been the case for the past few years. But, it is important to point out that the highest percentage for any type of organization having a "mature" or "robust" risk management process is 41%. That means risk management is not mature or robust for 59% of organizations, in a time period when respondents believe the risks are increasing in volume and complexity. Is there a disconnect in how executives are thinking about their risk management needs? The ongoing coronavirus crisis is likely revealing first-hand the actual level of the organization's risk management maturity.



While the level of risk oversight maturity is higher for subsets of organizations than the full sample, it is important to note that a significant percentage of large organizations, public companies, financial services organizations, and not-for-profits organizations still do not describe their approaches to ERM as being "mature" or "robust." However, the level of oversight maturity did increase somewhat for those organizations (except not-for-profit organizations) from the prior year. Perhaps, the publicity of recent high-profile risk events affecting other organizations related to leadership scandals, cyber breaches, bankruptcies, and now COVID-19 are causing some executives to conclude that their organization's approach to risk management may not be as strong as they once perceived it to be. When you consider the results concerning the changing complexity and volume of risks facing most organizations, along with growing expectations for improved risk oversight, opportunities remain for all types of organizations to increase the level of their enterprise-wide risk management maturity.

The perceived level of risk management maturity is not increasing noticeably over time.

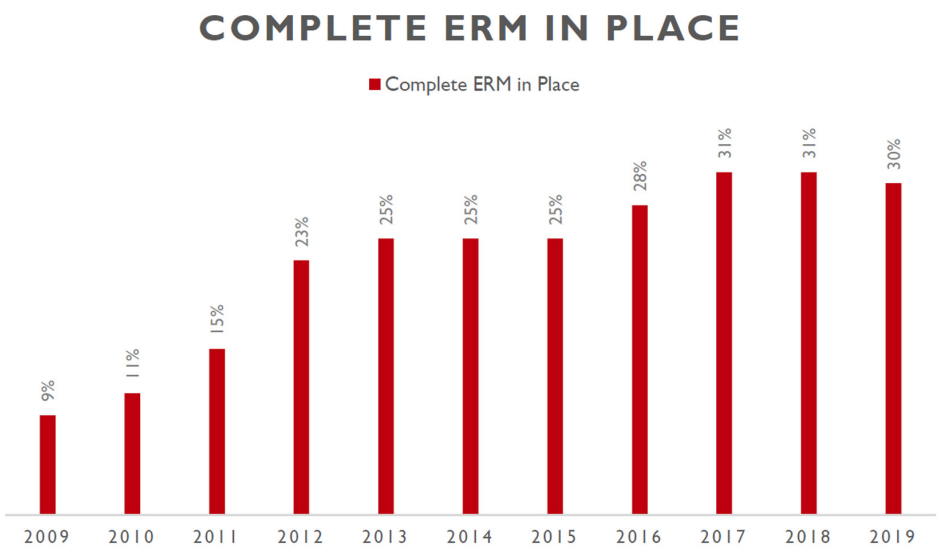
This is especially intriguing given a majority of the respondents in the full sample indicated that their organization's risk culture is one that is either "strongly risk averse" (9%) or "risk averse" (45%). Similarly, about one-half of the largest organizations, public companies, and financial services companies and almost two-thirds of not-for-profit organizations indicated their risk culture is "strongly risk averse" or "risk averse." The overall lack of ERM maturity for the full sample is somewhat surprising, when the majority of organizations are in organizations with notable aversion to significant risk-taking. The level of risk management maturity may not clearly reconcile to the organization's risk-averse culture.

There have been growing calls for more effective enterprise risk oversight at the board and senior management levels in recent years. Many corporate governance reform experts have called for the adoption of a holistic approach to risk management widely known as "enterprise risk management" or "ERM." ERM is different from traditional approaches that focus on risk oversight by managing silos or distinct pockets of risks. ERM emphasizes a top-down, enterprise-wide view of the inventory of key risk exposures potentially affecting an entity's ability to achieve its objectives.

To obtain a sense for the current state of ERM maturity, we asked survey participants to respond to a number of questions to help us get a sense for the current level of risk oversight in organizations surveyed. One of the questions asked them to select from the following the best description of the state of their ERM currently in place:

- No enterprise-wide process in place
- Currently investigating concept of enterprise-wide risk management, but have made no decisions yet
- No formal enterprise-wide risk management process in place, but have plans to implement one
- Partial enterprise-wide risk management process in place (i.e., some, but not all, risk areas addressed)
- Complete formal enterprise-wide risk management process in place

Over the past three years, the percentages of organizations in the full sample that believe they have a *"complete formal enterprise-wide risk management process in place"* has remained relatively flat. As illustrated by the chart on the next page, while progress has been made in implementing complete ERM in the past decade, there is still relatively slow progress in continuing to move towards a more robust, complete enterprise-wide approach to risk management across the full sample of organizations.



The percentage of entities with complete "ERM" processes has stagnated in recent years.

In 2009, only 9% of organizations claimed to have complete ERM processes in place; however, in 2019 the percentage increased to 30% for the full sample. So, greater adoption of ERM has occurred. However, the percentage of entities with complete ERM processes has stagnated in recent years. There continues to be significant opportunity for improvement in most organizations, given that more than two-thirds of organizations surveyed in 2019 still cannot yet claim they have "complete ERM in place."

For the full sample, we found that 18% of the respondents have no enterprise-wide risk management process in place. An additional 7% of respondents without ERM processes in place indicated that they are currently investigating the concept, but have made no decisions to implement an ERM approach to risk oversight at this time. Thus, on a combined basis, one-fourth of respondents have no formal enterprise-wide approach to risk oversight and are currently making no plans to consider this form of risk oversight. That is a bit surprising as you consider the growing level of uncertainty in today's marketplace.

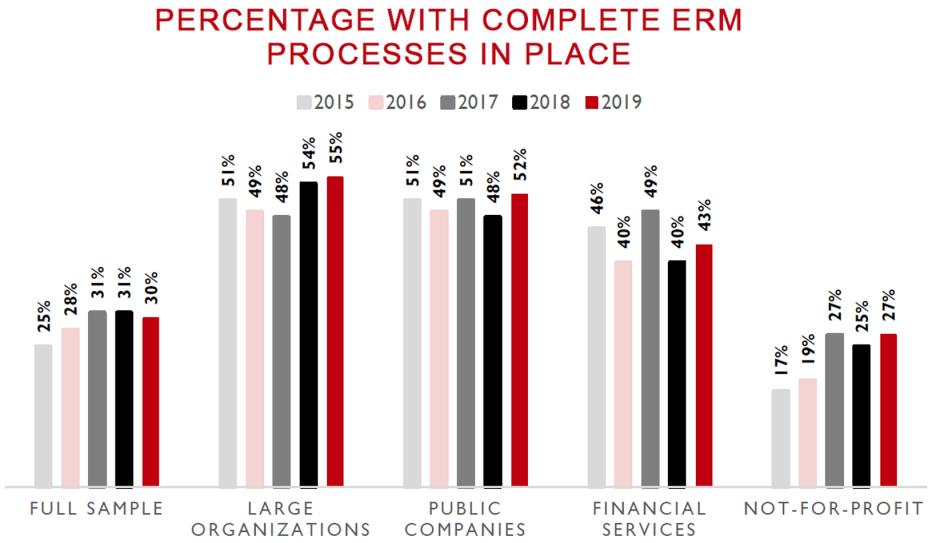
The adoption of ERM is greatest for larger companies, public companies, and financial services as summarized in the table on the next page.

Percentage of Respondents

DESCRIPTION OF THE STATE OF ERM CURRENTLY IN PLACE	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
No enterprise-wide management process in place	18%	1%	1%	8%	15%
Currently investigating concept of enterprise-wide risk management, but have made no decisions yet	7%	2%	3%	3%	10%
No formal enterprise-wide risk management process in place, but have plans to implement one	8%	4%	2%	5%	9%
Partial enterprise-wide risk management process in place (i.e., some, but not all, risk areas addressed)	37%	38%	42%	41%	39%
Complete formal enterprise-wide risk management process in place	30%	55%	52%	43%	27%

The adoption of ERM is much further along for large organizations, public companies, and financial institutions.

The table above and the bar graph below show that larger organizations, public companies, and financial services organizations are more likely to have complete ERM processes in place and that has been the case for the past few years. The variation in results highlights that the level of ERM maturity can differ greatly across organizations of various sizes and types. While variations exist, the results also reveal that there are a substantial number of firms in all categories that have no ERM processes or are just beginning to investigate the need for those processes.

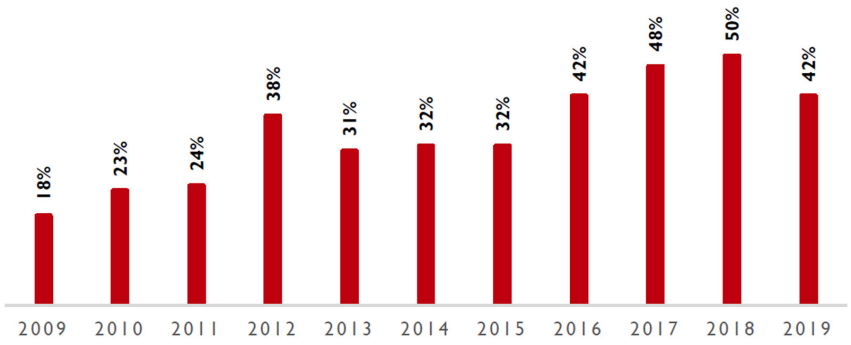


RISK MANAGEMENT LEADERSHIP

Key Theme: Pinpointing an executive to lead the risk management process is becoming more common, and organizations are increasingly creating management level risk committees to help oversee enterprise risks.

The percentage of organizations formally designating an individual to serve as the Chief Risk Officer (CRO) or equivalent senior risk executive is somewhat lower at 42% for the current year as compared to the 50% in the prior year. So, just under one-half of respondents in the full sample have designated an individual to serve in a CRO equivalent role, as illustrated by the bar chart below. But that is noticeably higher than where it was a decade ago.

PERCENTAGE DESIGNATING INDIVIDUAL TO SERVE AS CRO OR EQUIVALENT



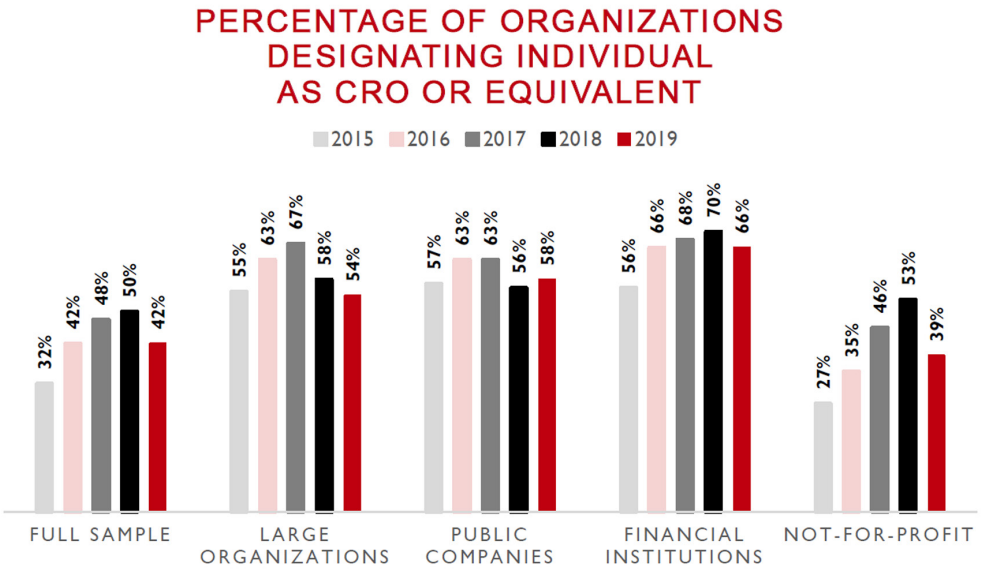
Financial services organizations are the most likely to designate an individual to serve as CRO or equivalent, with two-thirds of them doing so as shown in the table below. But, designation of a CRO or equivalent is also fairly common for large organizations and public companies. What is especially interesting is to see that even not-for-profit organizations are appointing someone to serve as CRO.

Percentage of Respondents

	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
Percentage designating individual to serve as CRO or equivalent	42%	54%	58%	66%	39%

Large organizations, public companies, and financial services entities are likely to appoint individuals to serve as Chief Risk Officer (CRO) or equivalent than other organizations.

The five-year trends in the percentage of organizations designating an individual to serve as CRO or equivalent occurred across all types of organizations are shown in the bar graph on the next page. The percentage of organizations appointing a CRO or equivalent increased from the prior year only for public companies. The drop in the percentages of large organizations and financial services entities, and not-for-profit organizations that have appointed senior executive risk leader in the current year is surprising, especially in the light growing demands for more senior executive engagement in risk oversight from external parties, and the board of directors.



The CRO most often reports to the CEO or president of the organization.

For firms with a chief risk officer position, the individual within the management team to whom the CRO most often reports is the CEO or President (46% of the instances for the full sample) while 15% directly report to the CFO (see table below). In the prior year, 48% reported to the CEO or President while 18% reported to the CFO. For 23% of the organizations with a CRO position, the individual reports formally to the board of directors or its audit committee. Last year 20% reported to the board or one of its committees.

When you examine the largest organizations, public companies, financial services entities, and not-for-profit organizations direct reporting to the CEO or President is most common. But, the CRO is also more likely to report to the board of directors or one of its committees if in a financial services organization. CROs are more likely to report to the CFO within the largest organizations as compared to other organizations.

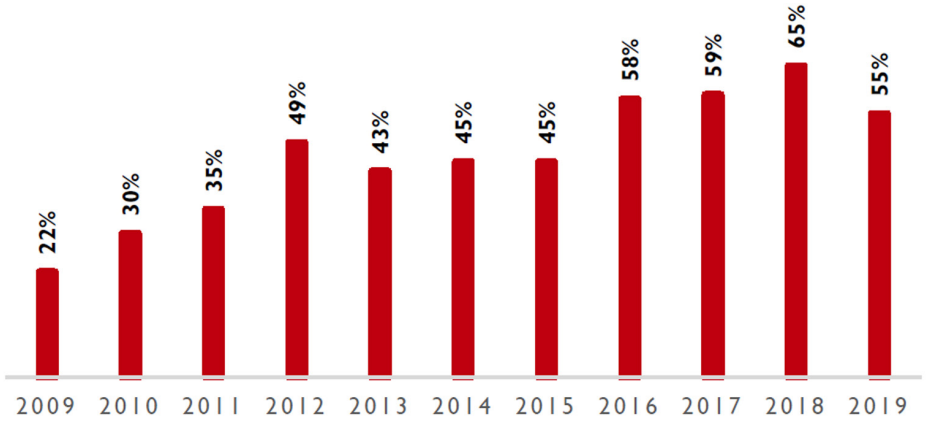
Percentage of Respondents

TO WHOM DOES THE CRO FORMALLY REPORT?	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
Board of Directors or Committee of the Board	23%	19%	20%	29%	15%
Chief Executive Officer or President	46%	35%	49%	50%	47%
Chief Financial Officer	15%	26%	20%	7%	16%

Organizations are more likely to have a management level risk committee than they are likely to appoint a CRO or equivalent.

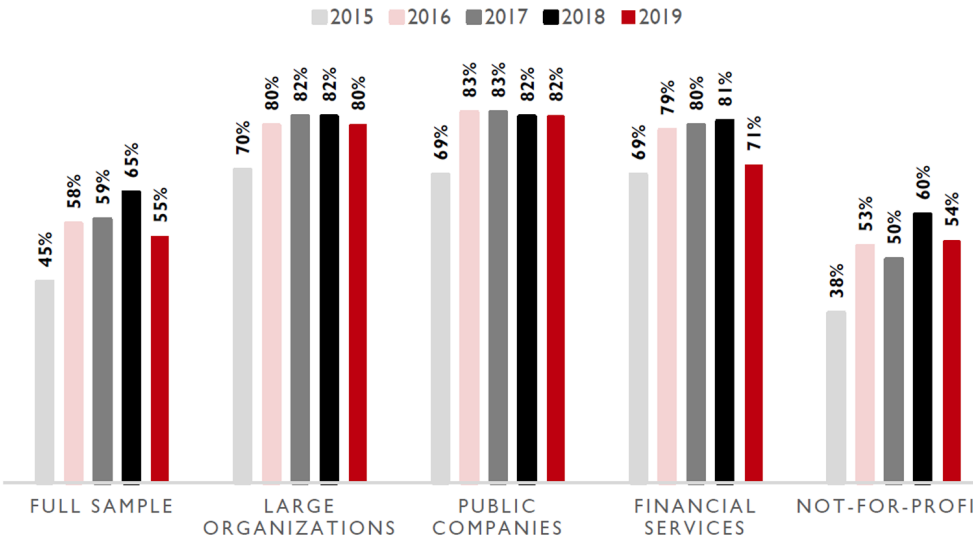
Similar to our observation that a majority of the largest organizations, public companies, and financial services organizations are designating an executive to lead the risk oversight function (either as CRO or equivalent) in 2019, we also observe that a number of organizations have a management level risk committee or equivalent. In fact, the likelihood that an organization has a management level risk committees is higher than the likelihood they have appointed a CRO or equivalent. For 2019, 55% of the full sample has a management level risk committee as compared to 42% that have appointed a CRO or equivalent. The percentage of organizations creating a management level risk committee is somewhat lower than the 65% having a risk committee in 2018 (and 59% two years ago). But, this is definitely higher than the percentage with risk committees a decade ago.

HAVE A MANAGEMENT LEVEL RISK COMMITTEE



The presence of an internal management level risk committee is noticeably more likely to be present in the largest organizations, public companies, and financial services entities where 80%, 82%, and 71% respectively, of those organizations have an internal risk committee. It is important to highlight that risk committees are also common for not-for-profit organizations.

PERCENTAGE OF ORGANIZATIONS WITH MANAGEMENT-LEVEL RISK COMMITTEES



Management level risk committees most often meet quarterly, followed by those that meet monthly.

For the organizations with a formal executive risk oversight committee, those committees meet most often (51% of the time) on a quarterly basis, with an additional 27% of the risk committees meeting monthly. Management risk committees are more likely to meet quarterly for the largest organizations and public companies. Management risk committees for financial services are more likely to meet monthly than other organizations.

Percentage of Respondents					
HOW FREQUENTLY DOES THE MANAGEMENT LEVEL RISK COMMITTEE MEET?	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
Semi-Annually	10%	9%	5%	5%	5%
Quarterly	51%	61%	64%	49%	49%
Monthly	27%	23%	24%	40%	40%

The officer most likely to serve on the executive risk committee is the chief financial officer (CFO) who serves on 81% of the risk committees that exist among organizations represented in our survey. The CEO/President serves on 59% of the risk committees while the chief operating officer serves on 50% of the risk committees. In 59% of the organizations surveyed, the general counsel sits on the risk committee while 46% include the internal auditor. These percentages are generally the same for all other organizations, except about 66% of large organizations and 63% of public companies include the internal auditor on the risk committee.

RISK MANAGEMENT TECHNIQUES

Key Theme: Organizations that engage in processes to formally identify risks typically do so annually.

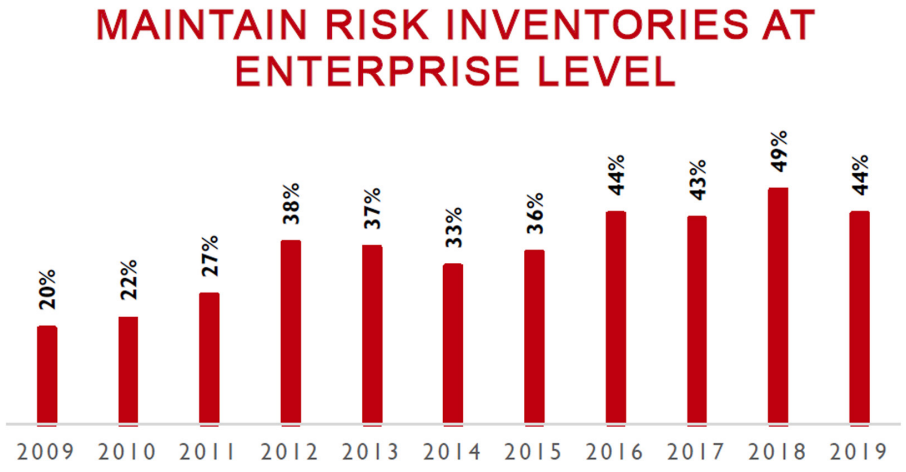
Just under half of the organizations in the full sample (40%) have a formal policy statement regarding its enterprise-wide approach to risk management. The presence of a formal policy is more common in the largest organizations (56%), public companies (63%), and financial services entities (63%), where regulatory and best practice expectations have a greater influence. Not-for-profit organizations are least likely to have a formal policy in place (only 34% do), which may be partially attributable to the lack of external influences related to risk management.

Percentage of Respondents					
	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
Organization has a formal policy statement regarding enterprise-wide approach to risk management	40%	56%	63%	63%	34%

Fewer than half of organizations surveyed maintain risk inventories.

The majority of the large organizations (80%) and public companies (79%) have a standardized process or template for identifying and assessing risks, while 70% of the financial services organizations have those kinds of procedures in place. In contrast, only 53% of not-for-profit organizations structure their risk identification and assessment processes in that manner. For the full sample, 55% have a standardized process or template.

In 2019, 44% of the organizations now maintain enterprise-level risk inventories compared to 49% in the prior year. When compared to 2009, we definitely see more awareness of the importance of maintaining an understanding of the universe of risks facing the organization.



A greater percentage of large organizations, public companies, and financial services firms maintain risk inventories at the enterprise level, as shown by the table on the next page.

Percentage of Respondents					
	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
Percentage that maintain risk inventories at enterprise level	44%	66%	69%	59%	36%

We also asked whether organizations go through a dedicated process to update their key risk inventories. As shown in the table below, there is substantial variation as to whether they go through an update process. But, when they do update their risk inventories, it is generally done annually, although a noticeable percentage of organizations update their risk inventories semi-annually or quarterly.

Most organizations update risk inventories on an annual basis.

Percentage of Respondents					
FREQUENCY OF GOING THROUGH PROCESS TO UPDATE KEY RISK INVENTORIES	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
Not at all	26%	5%	7%	13%	29%
Annually	45%	62%	57%	53%	50%
Semi-Annually	9%	9%	9%	7%	6%
Quarterly	15%	19%	22%	24%	13%
Monthly, Weekly, or Daily	5%	5%	5%	3%	2%

Just under half (45%) of the full sample has formally defined the meaning of the term "risk" for employees to use as they identify and assess key risks. Defining "risk" occurs more often for large organizations, public companies, and financial services organizations (about two-thirds of those organizations). When they do so, 31% focus their definition on "downside" risks (threats to the organization) and 31% focus on both the "upside" (opportunities for the organization) and "downside" of risk.

Less than half of the full sample provides explicit guidelines or measures to business unit leaders on how to assess the probability and impact of a risk event (40% and 39%, respectively). We found slightly lower results for not-for-profit organizations. However, consistent with the past few years about 60% of the largest organizations and public companies, and over half of financial services organizations provide explicit guidelines or measures to business unit leaders for them to use when assessing risk probabilities and impact. The largest companies and public companies are the most likely to provide this guidance.

Percentage of Respondents					
PERCENTAGE THAT PROVIDE GUIDELINES TO ASSESS RISK	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
- Probability	40%	65%	64%	52%	34%
- Impact	39%	63%	65%	54%	31%

INTEGRATION OF RISK MANAGEMENT AND STRATEGY

Key Theme: Despite the realization that entities must take risks to generate returns, organizations struggle to integrate their risk management activities with their strategic planning activities.

The increasingly competitive business landscape highlights the importance of having a more explicit focus on the interrelationship of risk-taking and strategy development and execution. We asked several questions to obtain information about the intersection of risk management and strategy in the organizations we surveyed.

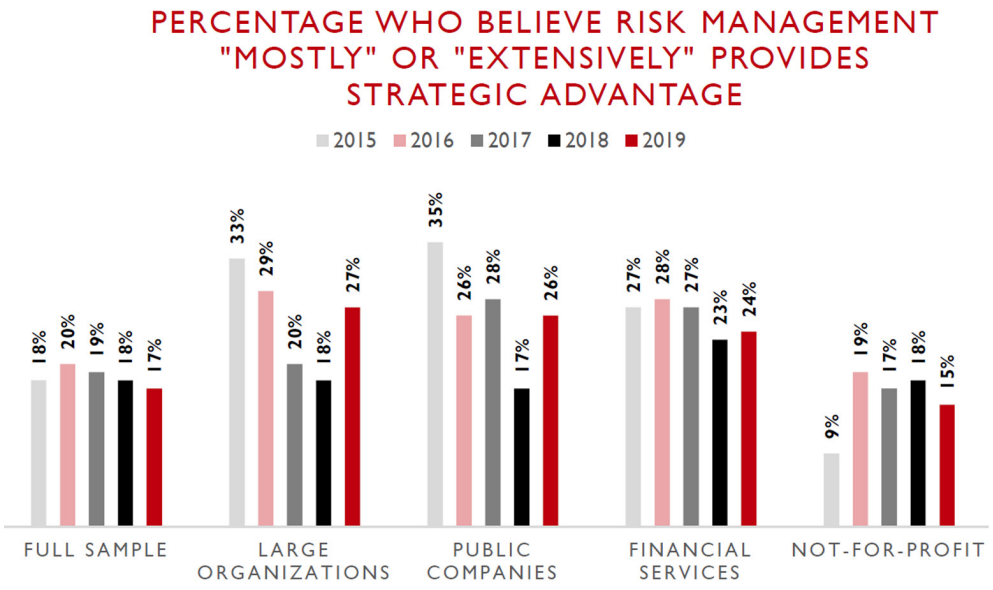
A better understanding of risks facing the organization should provide rich input to the strategic planning process so that management and the board can design strategic goals and initiatives with the risks in mind. If functioning effectively, a robust ERM process should be an important strategic tool for management.

Responses to the question about the extent to which respondents believe the organization's risk management process is a proprietary strategic tool shed insight about how risk management is viewed in those organizations. Just over half (62%) responded to that question by indicating "not at all" or "minimally," consistent with what we observed in prior years. Organizations continue to struggle to integrate their risk management and strategic planning efforts.

Percentage of Respondents					
	NOT AT ALL	MINIMALLY	SOMEWHAT	MOSTLY	EXTENSIVELY
To what extent do you believe the organization's risk management process is a proprietary strategic tool that provides unique competitive advantage?	35%	27%	21%	14%	3%

A strong understanding of potential risks on the horizon identified by an ERM process should be an important input to strategic planning.

Furthermore, as shown by the bar graph on the next page, the assessment of the strategic value of the organization's risk management process was relatively low for all organizations. Less than 30% of any type of organization perceives risk management as having "mostly" or "extensive" strategic value. That suggests there is tremendous opportunity to connect the understanding of risks in light of the strategy. Connecting ERM and strategy seems like an important next step for most organizations. A robust ERM process should provide valuable input to management as they execute their strategic plan. It should be an important proprietary strategic tool.



Over one-third of organizations in our survey do no or only minimal formal assessments of strategic, market, or industry risks.

Similar to last year, we found that 39% of organizations in our full sample currently do only minimal or no formal assessments of emerging strategic, market, or industry risks. The lack of these emerging risk assessments is greatest for not-for-profit organizations where we found that 42% of those organizations have no formal assessments of those types of risks. The largest organizations, public companies, and financial services organizations are much more likely to consider emerging strategic, market, and industry risks, where only 20%, 17%, and 24% of those organizations, respectively, signaled that they have no or only minimal formal assessments of these kinds of emerging risks.

Percentage of Respondents

EXTENT TO WHICH THE ORGANIZATION'S ERM PROCESS FORMALLY IDENTIFIES, ASSESSES AND RESPONDS TO EMERGING STRATEGIC, MARKET, OR INDUSTRY RISKS:	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
"Extensively"	10%	21%	17%	14%	9%
"Mostly"	22%	32%	34%	28%	22%
"Somewhat"	29%	27%	32%	34%	27%
"Minimally"	23%	14%	12%	17%	24%
"Not at All"	16%	6%	5%	7%	18%

When organizations formally assess risks, most do so in a predominantly qualitative (19%) manner or by using a blend of qualitative and quantitative assessment tools (36%). This dominance (55%) of a qualitative approach holds true for the subgroups (largest organizations (67%), public companies (68%), and financial services firms (57%) as well. Thus, the use of robust quantitative risk assessment techniques is not that common across most organizations. While quantitative techniques might be used for certain types of risks (e.g., risks related to investment portfolio management), quantitative techniques are not used on a widespread basis across all types of risks.

Even though the majority of organizations appear to be fairly unstructured, casual, and somewhat *ad hoc* in how they identify, assess, and monitor key risk exposures, responses to several questions indicate a high level of confidence that risks are being strategically managed in an effective manner. We asked several questions to gain a sense for how risk exposures are integrated into an organization's strategy execution. Less than half (41%) of our respondents believe that existing risk exposures are considered "mostly" or "extensively" when evaluating possible new strategic initiatives.

But, a much smaller percentage of organizations believe that their organization has articulated its appetite for or tolerance of risks in the context of strategic planning. Only 31% of the respondents believe their organization has "mostly" or "extensively" articulated its appetite or tolerance of risks in the context of strategic planning. That percentage is consistent across all types of organizations, except for financial services organizations where 46% responded that their organization has done so. In addition, 29% of the respondents indicate that risk exposures are considered "mostly" or "extensively" when making capital allocations to functional units. That percentage is 38% for financial services organizations.

Percentage of Respondents Saying "Mostly" or "Extensively"

EXTENT THAT	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
Existing risk exposures are considered when evaluating possible new strategic initiatives	41%	45%	40%	51%	41%
Organization has articulated its appetite for or tolerance of risks in the context of strategic planning	31%	36%	33%	46%	27%
Risk exposures are considered when making capital allocations to functional units	29%	33%	30%	38%	26%

Most organizations have not formally articulated the entity's appetites for taking different types of risks.

These results suggest that there is still opportunity for improvement in better integrating risk oversight with strategic planning. Given the importance of considering the relationship of risk and return, it would seem that all organizations should "extensively" consider existing risk exposures in the context of strategic planning. Similarly, just over a third (34%) of organizations in our full sample have "not-at-all" or only "minimally" articulated an appetite for risk-taking in the context of strategic planning (not tabulated above). Without doing so, how do boards and senior executives know whether the extent of risk-taking in the pursuit of strategic objectives is within the bounds of acceptability for key stakeholders?

In a separate question, we asked about the extent that the board formally discusses the top risk exposures facing the organization when the board discusses the organization's strategic plan. As reported in the table on the next page, we found that just under a quarter (24%) indicated the board engages "mostly" or "extensively" in those discussions about top risk exposures in the context of strategic planning. When we separately analyzed this for the largest organizations, public companies, and financial services firms, we did find that those boards were somewhat more likely to integrate their discussions of the top risk exposures as part of their discussion of the organization's strategic plan. However, it is important to highlight that the majority of organizations (around three-fourths of organizations) do not perceive that their boards are engaging in extensive discussions about top risk exposures as they consider the organization's strategic plan. That seems to suggest a significant opportunity for boards to rethink the effectiveness of their risk governance and oversight.

Percentage of Respondents					
EXTENT TO WHICH TOP RISK EXPOSURES ARE FORMALLY DISCUSSED BY THE BOARD OF DIRECTORS WHEN THEY DISCUSS THE ORGANIZATION'S STRATEGIC PLAN	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
"Extensively"	7%	11%	11%	11%	4%
"Mostly"	17%	27%	26%	23%	17%
Combined	24%	38%	37%	34%	21%

Despite the higher percentages of boards that discuss risk exposures in the context of strategic planning for the largest organizations and public companies, the fact that just over one-third of those organizations are having these kinds of discussions suggests that there is still room for marked improvement in how risk oversight efforts and strategic planning are integrated. Given the fundamental relationship between risk and return, it would seem that these kinds of discussions should occur in all organizations. Thus, there appears to be a continued disconnect between the oversight of risks and the design and execution of the organization's strategic plan.

Most boards are not formally discussing the entity's top risk exposures when they discuss the organization's strategic plan.

Because of the explosive growth in social media platforms and the increasing ability for risk events impacting an organization to rapidly go viral over social media, we asked two questions to better understand how more effective risk management might help the organization be better prepared for risk events that might strategically affect reputation and brand. Our first question asked about the extent that the organization's risk identification and assessment processes consider risks that might be triggered by social media attention focused on the organization. Less than 20% of respondents responded to that question with "mostly" or "extensively" (not-for-profit organizations responded slightly higher at 21%). That suggests risks triggered by social media are not a significant focus for most organizations at this point in time. However, a much higher percentage of respondents believe their organization's ERM process will help them be better prepared to manage a significant reputation or brand event.

Percentage of Respondents					
EXTENT TO WHICH RESPONDENTS ANSWERED "MOSTLY" TO "EXTENSIVELY" TO THESE TWO QUESTIONS:	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
To what extent does your organization's risk identification and assessment process consider risks that might be triggered by social media attention focused on your organization?	15%	17%	18%	15%	21%
To what extent do you believe your organization's ERM process will help management identify and manage a significant risk event impacting your organization's reputation and brand?	33%	41%	37%	37%	39%

BOARD RISK OVERSIGHT

Key Theme: Most boards delegate risk oversight to the audit committee, except when a risk committee exists.

Regulators and other corporate governance proponents have placed a number of expectations on boards for effective risk oversight. The New York Stock Exchange (NYSE) Governance Rules place responsibility for risk oversight on the audit committee, while credit rating agencies, such as Standard & Poor's, evaluate the engagement of the board in risk oversight as part of their credit rating assessments. The SEC requires boards of public companies to disclose in proxy statements to shareholders the board's role in risk oversight, and the Dodd-Frank legislation imposes requirements for boards of the largest financial institutions to create board-level risk committees. While many of these are targeted explicitly to public companies, expectations are gradually being recognized as best practices for board governance causing a trickle-down effect on all types of organizations, including not-for-profits.

To shed some insight into current practices, we asked respondents to provide information about how their organization's board of directors has delegated risk oversight to board level committees. We found that 54% of the respondents in the full sample and 55% of not-for-profit organizations indicated that their boards have formally assigned risk oversight responsibility to a board committee. This is noticeably different from the largest organizations, public companies, and financial services organizations where 75%, 83%, and 67% respectively, of those organizations' boards have assigned to a board committee formal responsibility for overseeing management's risk assessment and risk management processes.

For over 50% of the organizations, the board has delegated risk oversight to a committee. Most delegate to the audit committee, except for financial services organizations that are more likely to have a risk committee.

For those boards that have assigned formal risk oversight to a committee, just under half (49%) are assigning that task to the audit committee, while 27% assign oversight to a risk committee. The largest organizations, public companies, and not-for-profit organizations are most likely to assign formal risk oversight to the audit committee. Financial services organizations are more likely to assign risk oversight to a risk committee than the audit committee.

Percentage of Respondents

IF BOARD DELEGATES FORMAL RESPONSIBILITY OF RISK OVERSIGHT TO A SUBCOMMITTEE, WHICH COMMITTEE IS RESPONSIBLE?	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
Audit committee	49%	57%	52%	38%	58%
Risk committee	27%	25%	33%	47%	15%
Executive committee	11%	3%	2%	7%	13%

COMMUNICATING RISK INFORMATION TO MANAGEMENT AND THE BOARD

Key Theme: Regular reporting of aggregate risk exposures to the board is occurring, but the underlying process used to generate that information is informal and unstructured for some organizations.

We asked respondents about their current stage of risk management processes and reporting procedures. More than one-third (38%) either have no structured process for identifying and reporting top risk exposures to the board or they track risks by silos with minimal reporting of aggregate risk exposures to the board. An additional 26% describe their risk management processes as informal and unstructured with *ad hoc* reporting of aggregate risk exposures to the board.

Just under two-thirds of large organizations and public companies believe their ERM process is systematic, robust, and repeatable.

Interestingly, however, just over one-third (36%) of the full sample believe their enterprise risk oversight processes are systematic, robust, and repeatable with regular reporting of top risk exposures to the board. This percentage for the full sample is relatively consistent with the results reported in our 2018 report (35%) and our 2017 report (38%), but the percentages increased from last year for largest organizations, public companies, financial services, and not-for-profit organizations, suggesting some gradual strengthening in the underlying risk management processes. Reporting top risk exposures to the board occurs to another 26%, but such reporting is more informal and *ad hoc*. The final third (38%) do minimal, if any, reporting of top risk exposures to the board. These same findings are mirrored for not-for-profit organizations. These findings are in line with what we observed in the prior year.

Percentage of Respondents

PERCENTAGE WHO DESCRIBE THEIR ERM IMPLEMENTATION AS	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
Our process is systematic, robust, and repeatable with regular reporting of top risk exposures to the board.	36%	62%	63%	51%	30%
Our process is mostly informal and unstructured, with *ad hoc* reporting of aggregate risk exposures to the board.	26%	23%	23%	21%	28%
We mostly track risks by individual categories/silos of risks, with minimal reporting of aggregate risk exposures to the board.	20%	11%	13%	20%	27%
There is no structured process for identifying and reporting top risk exposures to the board.	18%	4%	1%	8%	15%

We do see higher percentages (just under two-thirds) of large organizations and public companies that have systematic, robust, and repeatable reporting of top risk exposures to the board. That means, however, that just over one-third of the largest organizations and public companies do not have systematic, robust, and repeatable risk reporting to the board. These results beg the question of how boards are effectively fulfilling their governance oversight responsibilities if the nature of the reporting of top risk exposures to them is non-existent or *ad hoc*, informal, and silo-based.

There is notable variation across organizations of different sizes and types in how key risks are communicated by business unit leaders to senior executives. According to the data in the table below, just over one-half (56%) of the full sample of organizations and 60% of the not-for-profit organizations communicate key risks merely on an *ad hoc* basis at management meetings. While 45% of the full sample prepares written reports monthly, quarterly, or annually, only 29% of the organizations surveyed schedule agenda time to discuss key risks at management meetings. The percentage of organizations scheduling agenda discussions about risks at management meetings has been relatively flat over the last ten years we have tracked this data point (it has ranged between 27% and 34% over the prior ten years). Written reports from business unit leaders to senior management are much more common for large organizations, public companies, and financial services entities. But, they are not that much more likely (relative to the full sample) to schedule agenda discussions at management meetings to communicate risk information to senior executives. Most appear to rely on written reports to communicate information about top risk exposures.

Less than half of most organizations schedule agenda time to discuss risks at management meetings.

Percentage of Respondents

HOW ARE RISKS COMMUNICATED FROM BUSINESS UNIT LEADERS TO SENIOR EXECUTIVES?	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
Ad hoc discussions at management meetings	56%	33%	31%	46%	60%
Scheduled agenda discussion at management meetings	29%	41%	37%	40%	31%
Written reports prepared either monthly, quarterly, or annually	45%	75%	72%	66%	34%

Note: Respondents could select more than one choice. Thus, the sum of the percentages exceeds 100%.

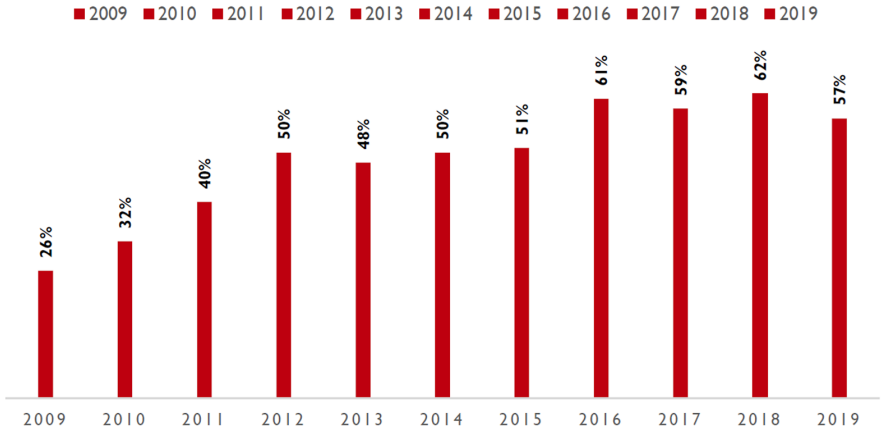
Surprisingly, just over half (56%) of those in the full sample indicate that the full board formally reviews and discusses the top risk exposures in a specific meeting of the board. This is much more likely for boards of the largest organizations, public companies and financial services organizations.

Percentage of Respondents

PERCENTAGE OF ORGANIZATIONS WHERE THE	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
Board of Directors reviews and discusses in a specific meeting the top risk exposures facing the organization	56%	73%	82%	66%	48%

As illustrated by the graph on the next page, 57% of the organizations provide a formal report at least annually to the board of directors or one of its committees describing the entity's top risk exposures. This is noticeably higher than the percentages doing so in 2009 when we found that only 26% of organizations provided that kind of information to the board at least annually. The percentage of organizations providing a formal report to the board at least annually is slowly climbing over time, although this suggests that 43% of organizations still do not do so.

PROVIDE FORMAL REPORT OF TOP RISK EXPOSURES TO BOARD AT LEAST ANNUALLY



Formal reporting to the board or one of its committees about top risk exposures is definitely more common for large organizations (84%), public companies (91%), and financial services (74%). Formal reporting is less likely for not-for-profit organizations with 55% doing so.

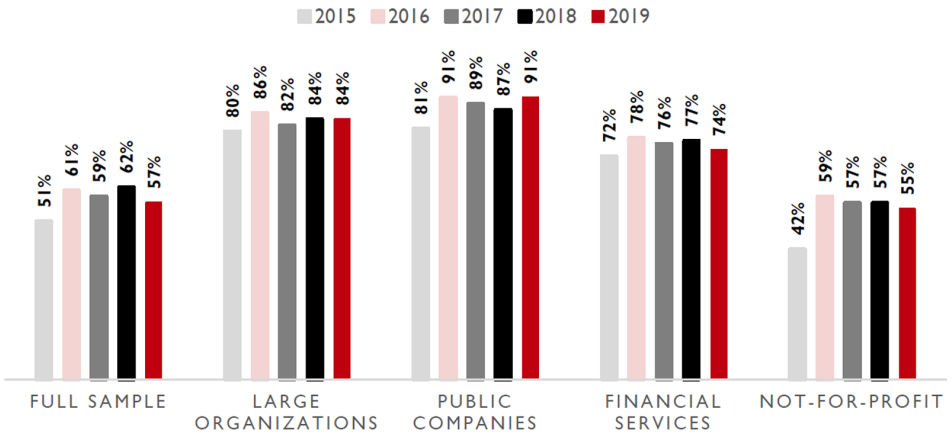
Percentage of Respondents

	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
Percentage that formally report top risk exposures to the board at least annually	57%	84%	91%	74%	55%

Most large organizations, public companies, and financial services organizations formally report top risks exposures to the board at least annually.

Formal reporting of top risks to the board at least annually has been relatively the same across the past four years for the full sample of organizations. In light of this, boards and management teams may benefit from evaluating the robustness of the underlying risk management processes that management is using to identify and assess risks for reporting to the board.

PERCENTAGE OF ORGANIZATIONS FORMALLY REPORTING TOP RISK EXPOSURES TO BOARD AT LEAST ANNUALLY



We also asked about the number of risk exposures that are typically presented to the board or one of its committees. As illustrated in the table below, about one-half of the full sample and not-for-profit organizations report between 5 and 19 risk exposures to the board whereas three-fourths of the large organizations and public companies report that many risks to the board (64% of financial services organizations formally report between 5 and 19 risks to the board). That seems to be the most common range of numbers of risks reported.

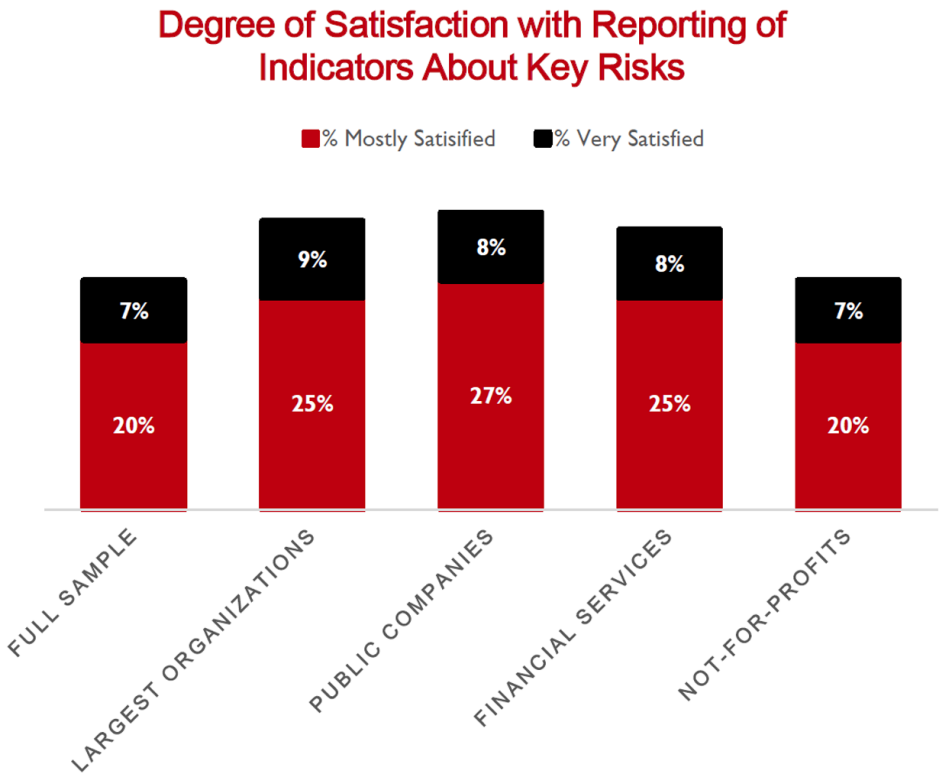
Percentage of Respondents

PERCENTAGE OF ORGANIZATIONS REPORTING THE FOLLOWING NUMBER OF RISK EXPOSURES TO THE BOARD OF DIRECTORS OR ONE OF ITS COMMITTEES:	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
Less than 5 risks	39%	11%	8%	24%	44%
Between 5 and 9 risks	27%	34%	37%	35%	22%
Between 10 and 19 risks	26%	42%	40%	29%	28%
More than 20 risks	8%	13%	15%	12%	6%

Most organizations report betwen 5 and 19 risks to the board.

Overall, there seems to be room for improvement in the nature of risk information being reported to senior executives. Given the lack of available data, finding good metrics to monitor emerging risks can be challenging, and entities appear to be struggling to find effective measures that they can use to help them monitor top risk exposures.

Almost half (44%) of our respondents admitted that they were "not at all" or were "minimally" satisfied with the nature and extent of the internal reporting of key risk indicators (known as KRIs) to senior executives. Similar levels of dissatisfaction were reported in prior years; 41% were "not at all" or "minimally" satisfied in both 2018 and 2017. In contrast, only 27% are "mostly satisfied" or "very satisfied" with the nature and extent of internal reporting of key risk indicators to senior executives as shown in the bar graph on the next page. The lack of overwhelming satisfaction with reporting of key risk indicators seems to be across the board. That is, even respondents from large organizations, public companies, and financial services entities are not that satisfied. While respondents for public companies and financial services organizations signal a greater level of satisfaction about the nature and extent of reporting of key risk indicators, that level of satisfaction is still only around one-third of those surveyed, which suggests that the majority of all types of organizations see room for improvement in their key risk indicators. The growing use of data analytics may provide opportunities for management to strengthen their management "dashboards" to include more information that helps track potential risks on the horizon.



For the subset of publicly traded companies, we asked about the extent to which the organization's public disclosures of risks in their Form 10-K filing had increased in the past five years. We found that just 30% believed their disclosures had changed "mostly" while an additional 8% believed their disclosures had changed "extensively." We find these rates of change in disclosure noteworthy given that those same public company organizations indicated that the extent to which the volume and complexity of risks had increased over the past five years was "mostly" for 39% and "extensively" for 24%. When taken together, these findings are interesting in that 63% of respondents perceive that the volume and complexity of risks has changed mostly or extensively in the past five years, but only 38% have seen changes in the nature of their risk disclosures to investors. That may cause some to wonder whether the required Form 10-K Item 1.A risk factor disclosures that describe key risks affecting the company provide a realistic view of the risk profiles of the organizations.

BUILDING IN RISK MANAGEMENT ACCOUNTABILITIES

Key Theme: Few organizations are explicitly incorporating risk management activities into compensation plans.

The linkage between executive compensation and risk oversight is also receiving more attention. In fact, the SEC's proxy disclosure rules require public companies to provide information about the relation between compensation policies, risk management, and risk-taking incentives that can affect the company's risks, if those compensation policies and practices create risks that are reasonably likely to have a material adverse effect on the company. Shareholder activism and negative media attention are also creating more pressure for boards of directors to consider how existing compensation arrangements might contribute to excessive risk-taking on the part of management.

Most organizations do not include risk management activities as an explicit component in determining management compensation.

Emerging best practices are identifying ways in which boards can more explicitly embed risk oversight into management compensation structures. Ultimately, the goal is to link risk management capabilities to individual performance assessments so that the relationship between risk and return is more explicit. For enterprise-wide risk oversight to be sustainable for the long term, members of the management team must be incentivized to embrace this holistic approach to risk oversight. These incentives should be designed to encourage proactive management of risks under their areas of responsibility as well as to enhance timely and transparent sharing of risk knowledge.

We asked respondents about the extent to which risk management activities are an explicit component of determining management performance compensation. We found that in 34% of the organizations surveyed, risk management is "not at all" a component of the performance compensation and for another 36% the component is only "minimally" considered. Thus, in over two-thirds of the organizations surveyed (70%), the extent that risk management activities are an explicit component in determining management compensation is non-existent or minimal. These findings are similar to what we observed last year.

Percentage of Respondents

TO WHAT EXTENT ARE RISK MANAGEMENT ACTIVITIES AN EXPLICIT COMPONENT IN DETERMINING MANAGEMENT PERFORMANCE COMPENSATION?	FULL SAMPLE	LARGEST ORGANIZATIONS (REVENUES >$1B)	PUBLIC COMPANIES	FINANCIAL SERVICES	NOT-FOR-PROFIT ORGANIZATIONS
Not at All	34%	27%	23%	27%	42%
Minimally	36%	35%	36%	31%	39%
Combined	70%	62%	59%	58%	81%

Even large organizations, public companies, and financial services are unlikely to factor risk management activities into performance compensation, over one-half of those subsets in our sample are "not at all" or only "minimally" doing so as illustrated by the table above. The increasing focus on compensation and risk-taking should lead more organizations over time to consider modifications to their compensation policies and procedures.

ADDRESSING BARRIERS TO ENHANCED RISK OVERSIGHT

Key Theme: Strategies are needed to circumvent barriers that inhibit progress towards enhancing the organization's risk management processes.

While our analysis suggests that organizations have made significant progress in how they identify, assess, and manage key risks, there is still plenty of room for improvement. In some ways it is encouraging to see the progress; however, given the significant global financial, economic, and political challenges that have been in play in recent years and especially in light of COVID-19, it is discouraging not to see more organizations making rapid advances in developing robust, systematic processes to oversee an entity's most significant risk exposures. Several perceived impediments appear to prevent management from taking the necessary actions to strengthen their approach to risk oversight.

We asked respondents whose organizations have not yet implemented an enterprise-wide risk management process to provide some perspective on that decision. While respondents could indicate more than one impediment, the most common response (in 54% of the cases) was that they believe "risks are monitored in other ways besides ERM." This strikes us as interesting and paradoxical, given the lack of risk oversight infrastructure highlighted by the data discussed in the prior pages of this report. It begs the question, *"so what processes are in place to help management and the board keep its eyes on emerging, strategic risks?"*

Other responses were "no requests to change our risk management approach" and "do not see benefits exceeding costs," noted by 32% and 27%, respectively, of respondents in the full sample. Thirty-three percent of those same respondents also noted that there are "too many pressing needs" while 25% reported a belief that they had "no one to lead the effort."

These findings are similar to those reported in our earlier reports. So, there has been little change in the nature of barriers to embracing an ERM approach to risk oversight. Instead, there appears to be a strong confidence that existing risk management processes are adequate to address the risks that may arise. This is somewhat surprising given that 40% of the full sample describe their risk oversight processes as very immature or just developing, and a large proportion of our respondents indicated an overall dissatisfaction with their current approach to the reporting of information to senior executives about top risk exposures.

There are a number of perceived barriers which limit an organization's ability to enahance its risk management capabilities.

Respondents provided more depth about some of the primary barriers. The table on the next page contains a summary of those that the respondents described as a "barrier" or "significant barrier." Competing priorities and a lack of sufficient resources appear to be the most common barriers to adopting an ERM approach to risk oversight. A lack of perceived value and a view that ERM adds unnecessary bureaucracy also affect ERM implementation decisions. The ordering of these most common barriers is consistent with the ordering of results provided in all our prior years' reports. The results are also very similar for each of the subsets we examined (largest organizations, public companies only, and financial services firms). A higher percentage of not-for-profits (55%) relative to the full sample noted that competing priorities are the primary barrier to their embrace of ERM and 53% of not-for-profits believe that the lack of sufficient resources inhibits their progress.

Percentage of Respondents			
DESCRIPTION OF BARRIER	"BARRIER"	"SIGNIFICANT BARRIER:	"COMBINED PERCENTAGES"
Competing priorities	28%	19%	47%
Insufficient resources	25%	19%	44%
Lack of perceived value	19%	14%	33%
Perception ERM adds bureaucracy	17%	10%	27%
Lack of board or senior executive ERM leadership	14%	12%	26%
Legal or regulatory barriers	4%	2%	6%

Most organizations (63%) have not provided or only minimally provided training and guidance on risk management in the past two years for senior executives or key business unit leaders. This is slightly lower for the largest organizations (51%), public companies (47%), and financial services (51%). Thus, while improvements have been made in the manner in which organizations oversee their enterprise-wide risks, the lack of robustness in general may be due to a lack of understanding of the key components of an effective enterprise-wide approach to risk oversight that some basic training and education might provide.

NEXT STEPS: QUESTIONS TO CONSIDER

While the findings in this study indicate some progress in how organizations are proactively managing risks on the horizon, many of the findings suggest boards of directors and senior executives may still need to engage in robust and honest assessments regarding their organization's current capabilities for managing the ever-changing landscape of risks on the horizon. Here are a few questions that executives and boards may want to ask themselves and others in the organization to help pinpoint tactical next steps for strengthening their risk management processes:

1. **How would each senior executive describe the organization's current approach to risk management?** If an organization opens its doors to do business today, then in some ways the organization is managing risks. So many business leaders quickly conclude that they are effectively engaged in risk management. However, many may now conclude that there are a number of opportunities to strengthen their organization's risk management processes based on lessons learned from COVID-19. Here are some questions to consider to evaluate the effectiveness of that process:

   - What kinds of risk management gaps has the experience surrounding COVID-19 revealed for our organization?
   - Does the organization's risk management process mostly focus on pockets or silos of risks impacting particular business functions or operations, or is that process leading to a top-down, holistic view of the entity's most critical risks impacting its strategic objectives?
   - Is the coordination and implementation of risk management activities across the organization mostly *ad hoc* or informal?
   - To what extent does that process help executives and boards see related risks emerging across different silos of the business that might snowball into bigger, enterprise-wide issues?
   - Does the existing risk management process tend to focus on already known risks mostly linked to internal operations and compliance issues?
   - Would most employees describe the organization's risk management process as bureaucratic and non-value adding?
   - How effective is that process in prompting management to think outside the status quo to pinpoint unknown, but knowable risks?

2. **Is there consensus among senior executives and boards about the top enterprise level risks?** Many executives believe the uncertainties associated with the rapid pace of change in the global business environment is triggering an ever-evolving and expanding portfolio of risks on the horizon for most organizations. COVID-19 has only increased that belief. If executives fail to stay in constant dialogue about emerging risk issues, they may find themselves chasing after the wrong risks or they may actually be creating risks for other parts of the organization as they manage risks in their area of responsibility. Think about the following:

   - To what extent is the senior executive team engaging in dialogue about the top enterprise-level risks and reaching consensus about those most critical to the organization?
   - Is ownership and accountability for managing enterprise level risks clear to those involved?
   - Does the senior executive team understand how the organization is responding to top risk exposures and are they confident those responses are actually implemented and effective?

- How often is the board engaging in robust discussion with the board of directors about the top risks and is there agreement between management and the board about the most critical risks to the organization?
- Has your organization's experience with COVID-19 revealed any additional key players who should be involved in the ERM process?

3. **How is output from the risk management process used to inform strategic planning?** Most executives understand the reality that the organization must be willing to take risks in order to generate higher returns. But unfortunately, our survey results find that small percentages of organizations view their risk management activities as providing important strategic value. In light of the recent pandemic crisis, more executives should now realize the incredible value of having a more robust risk management process in place that would allow them to be in a more proactive versus reactive posture when the next crisis unfolds. Less than half of the organizations formally consider existing risk exposures when evaluating new possible strategic opportunities and less than one-fourth of the organizations have their boards of directors formally discuss risk exposures when they discuss the strategic plan. Consider answers to these questions:

   - Why is the organizations' risk management process failing to provide important strategic information about risks on the horizon?
   - Is the current risk management process focused too heavily on operational or compliance issues?
   - Are the top risks identified by the risk management process mapped to the most important strategic initiatives?
   - To what extent is the risk management process prompting management to look outside the entity for external events that might trigger risks for the enterprise?
   - Does the existing risk management process frame the task of identifying risks from the organization's core value drivers and new strategic initiatives in the strategic plan?
   - How frequently do risk management leaders and those leading the strategic planning process interact?

4. **Does management have access to a robust set of key risk indicators to monitor its top risks?** Our survey results find that a relatively small percentage of organizations have a robust set of metrics included in their management dashboards to help them keep an eye on shifting risk conditions. Most organizations have a tremendous amount of key performance indicators (KPIs) to help them monitor the performance of the business. However, it is important to remember that KPIs are historical in nature and they only focus on things internal to the enterprise.

   - To what extent does management have metrics that are forward looking and that are based on monitoring both internal and external trends?
   - How would management know that one of its top risk concerns is escalating?
   - What would the warning signs be?
   - Who among the management team is monitoring those signals?
   - Are there clear "trigger points" that signal when action must be taken?
   - How easy would it be for executives to override pre-established trigger points?

5. **Is the entity sufficiently prepared to manage a significant risk event?** The worst time for an organization to discover a lack of risk management preparedness is during the risk event itself. Unfortunately, there are a number of events, particularly COVID-19, impacting large, well-known organizations that seem to suggest that management was ill-prepared to navigate the risk event, causing tremendous brand and reputational harm. While a robust enterprise-wide risk management process can't be expected to prevent and manage all types of risks that might emerge, organizations that invest time and resources in engaging senior executives and boards in more robust risk management discussions and dialogue on an ongoing basis find that they are in a better position to deal with a significant risk event should one emerge.

   - How confident are senior executives in their ability to navigate a significant risk event? What is the basis for that confidence?
   - To what extent has management been "blindsided" by the pandemic crisis? How vulnerable is the organization to blind-spots similar to those that led to other organizations' risk management failures?
   - What lessons can management learn from this recent crisis event?
   - Does management and the board have a detailed "playbook" of how they will respond should one of the organization's top risk exposures emerge in a significant way?
   - To what extent is the entity prepared to navigate a risk event that has gone viral overnight over social medial platforms?

These questions are just a sampling of the kinds of issues senior executives and boards of directors should consider as they evaluate the robustness of their entity's approach to managing the rapidly evolving portfolio of risks. Honest answers to the above will hopefully prompt objective assessment and discussion about the effectiveness of those processes. The time to strengthen an organization's risk management processes is before a significant event occurs. You may want to ask others in your organization to individually consider responses to these questions. To facilitate that, we have compiled the above into a short questionnaire that is in Appendix B of this report.

There are a number of barriers that inhibit progress in risk management improvements in organizations. Perceptions that investing in risk management is a competing priority relative to other organizational initiatives or perceptions that managing risks lacks value may signal a lack of understanding about how effective risk oversight may actually improve the organization's ability to proactively and resiliently navigate emerging risks.

There are a number of resources available to executives and boards to help them understand their responsibilities for risk oversight and effective tools and techniques to help them in those activities (see for example, the NC State ERM Initiative's web site and the AICPA's ERM web site). As expectations for more effective enterprise-wide risk oversight continue to unfold, it will be interesting to continue to track changes in risk oversight procedures over time.

Results are based on responses from 563 executives, mostly serving in financial leadership roles, representing a variety of industries and firm sizes.

APPENDIX A: OVERVIEW OF RESPONDENT DEMOGRAPHICS

This is the eleventh year we have conducted this study to identify trends across a number of organizations related to their enterprise risk management (ERM) processes. This study was conducted by research faculty who lead the Enterprise Risk Management Initiative (the ERM Initiative) in the Poole College of Management at North Carolina State University (for more information about the ERM Initiative please see http://www.erm.ncsu.edu). The research was conducted in conjunction with the American Institute of Certified Public Accountants' (AICPA) Management Accounting - Business, Industry, and Government Team. Data was collected during the fall of 2019 through an online survey instrument electronically sent to members of the AICPA's Business and Industry group who serve in chief financial officer or equivalent senior executive positions. In total, we received 563 fully completed surveys. This report summarizes our findings.

DESCRIPTION OF RESPONDENTS

Respondents completed an online survey consisting of over 40 questions that sought information about various aspects of risk oversight within their organizations. Most of those questions are the same across all eleven editions of the surveys that we have conducted each year from 2009 - 2019. This approach provides us an opportunity to observe any shifts in trends in light of more recent developments surrounding board and senior executive's roles in risk oversight.

Because the completion of the survey was voluntary, there is some potential for bias if those choosing to respond differ significantly from those who did not respond. Our study's results may be limited to the extent that such bias exists. Furthermore, there is a high concentration of respondents representing financial reporting roles. Possibly, there are others leading the risk management effort within their organizations whose views are not captured in the responses we received. Despite these limitations, we believe the results reported herein provide useful insights about the current level of risk oversight maturity and sophistication and highlight many challenges associated with strengthening risk oversight in many different types of organizations.

A variety of executives participated in our survey, with 27%[1] of respondents having the title of chief financial officer (CFO), 11% serving as chief risk officer (CRO), 15% as controller, and 9% leading internal audit, with the remainder representing numerous other executive positions.

The respondents represent a broad range of industries. Consistent with our prior year survey, the four most common industries responding to this year's survey were finance, insurance, and real estate (29%), followed by not-for-profit (28%), manufacturing (13%), and services (12%).The mix of industries is generally consistent with the mix in our previous reports.

Industry (SIC Codes)	Percentage of Respondents
FOR-PROFIT ENTITIES:	
Finance, Insurance, Real Estate (SIC 60-67)	29%
Manufacturing (SIC 20-39)	13%
Services (SIC 70-89)	12%
Wholesale/Distribution (SIC 50-51)	4%
Retail (SIC 52-59)	4%
Construction (SIC 15-17)	3%
Mining (SIC 10-14)	3%
Transportation (SIC 40-49)	3%
Agriculture, Forestry, Fishing (SIC 01-09)	1%
NOT-FOR PROFIT (SIC N/A)	
Government Agencies, Universities, Non-Profits	28%

[1]Throughout this report we have rounded the reported percentages to the nearest full percent for ease of discussion.

The respondents represent a variety of sizes of organizations. As shown in the table below, just under two-thirds (62%) of organizations that provided data about their financial performance generated revenues up to $500 million in their most recent fiscal year. An additional 9% generated revenues between $500 million and $1 billion while 29% of organizations providing revenue data earned revenues in excess of $1 billion. Almost all (86%) of the organizations are based in the United States.

Range of Revenues in Most Recent Fiscal Year	Percentage of Respondents[2]
$0 <x < $10 million	14%
$10 million < x < $100 million	31%
$100 million < x < $500 million	17%
$500 million < x < $1 billion	9%
$1 billion < x < $2 billion	7%
$2 billion < x < $10 billion	10%
x > $10 billion	12%

Throughout this report, we highlight selected findings that are notably different for the 150 largest organizations in our sample, which represent those with revenues greater than $1 billion. Additionally, we also provide selected findings for the 132 publicly-traded companies, 164 financial services entities, and 157 not-for-profit organizations included in our sample.

[2]Forty-one of the 563 respondents did not provide information about revenues. The data reported in this table reflects the percentages based on the 522 that provided revenue information.

APPENDIX B: TEMPLATE OF QUESTIONS TO CONSIDER

Consider having several members of management or the board of directors individually answer the following questions. Ask them to think about the organization's enterprise-wide approach to risk management as they answer each question. Then, have them meet to discuss differences in answers to facilitate a conversation about the effectiveness of the organization's approach to risk oversight.

	YES	NO
Have risk management gaps been revealed by the experience surrounding COVID-19?		
Does the organization's risk management process mostly focus on pockets or silos of risks impacting particular business functions or operations without leading to a top-down, holistic view of the entity's most critical risks impacting its strategic objectives?		
Is the coordination and implementation of risk management activities across the organization mostly *ad hoc* or informal?		
Does the organization's risk management process help executives and boards see related risks emerging across different silos of the business that might snowball into bigger, enterprise-wide issues?		
Does the existing risk management process tend to focus on already known risks mostly linked to internal operations and compliance issues?		
Would most employees describe the organization's risk management process as bureaucratic and non-value adding?		
Is that process effective in prompting management to think outside the status quo to pinpoint unknown, but knowable risks?		
Does the risk management process encourage executives to think not only about short-term emerging risks but also longer-term horizon risks that may emerge several years out?		
Does the senior executive team engage in dialogue about the top enterprise-level risks and reaching consensus about those most critical to the organization?		
Does the risk management process consider how a given root cause event (e.g., emerging pandemics or climate change) might trigger multiple interrelated risks affecting multiple aspects of the enterprise?		
Is ownership and accountability for managing enterprise level risks clear to those involved?		
Does the senior executive team understand how the organization is responding to top risk exposures and are they confident those responses are actually implemented and effective?		
Does the board of directors engage in robust discussion about the top risks and is there agreement between management and the board about the most critical risks to the organization?		
Is the organizations' risk management process providing important strategic information about risks on the horizon?		
Has COVID-19 revealed that there may be some key players lacking from the organization's ERM process?		
Is the current risk management process focused too heavily on operational or compliance issues?		

	YES	NO
Are the top risks identified by the risk management process mapped to the most important strategic initiatives?		
Does the risk management process prompt management to look outside the entity for external events, including disruptive innovation, that might trigger risks for the enterprise?		
Does the existing risk management process frame the task of identifying risks from the organization's core value drivers and new strategic initiatives in the strategic plan?		
Do risk management leaders and those leading the strategic planning process interact frequently?		
Does management have metrics that provide forward looking insights about emerging risks that are based on both internal and external trends?		
Does management's dashboard include data to help them know that one of the entity's top risk concerns is escalating?		
Are key members of management assigned responsibility for monitoring those emerging risk signals?		
Are there clear emerging risk "trigger points" that signal when action must be taken?		
Can pre-established risk limits or risk trigger points be easily overridden by executives?		
Are senior executives adequately prepared to navigate a significant risk event?		
Are there lessons that management can learn from the recent COVID-19 crisis?		
Does management have "blindspots" that are keeping them from recognizing vulnerabilities that would lead to significant risk events for the organization?		
Does management and the board have a detailed "playbook" of how they will respond should one of the organization's top risk exposures emerge in a significant way?		
Is the organization adequately prepared to navigate a risk event that has gone viral overnight over social media platforms?		

2020
THE STATE OF RISK OVERSIGHT
AN OVERVIEW OF ENTERPRISE RISK MANAGEMENT PRACTICES
11TH EDITION | APRIL 2020

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All three authors serve in leadership positions within the Enterprise Risk Management (ERM) Initiative at NC State University (www.erm.ncsu.edu) The ERM Initiative provides thought leadership about ERM practices and their integration with strategy and corporate governance. Faculty in the ERM Initiative frequently work with boards of directors and senior management teams helping them link ERM to strategy and governance.

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KPMG Professor and
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Mark S. Beasley, CPA, Ph.D., KPMG Professor of Enterprise Risk Management, is the founding director of the Enterprise Risk Management (ERM) Initiative at NC State's Poole College of Management. From 2004-2011, Mark served on the board for the Committee of Sponsoring Organizations of the Treadway Commission (widely known at COSO) and has participated in a number of other national level risk management initiatives. He served on the Advisory Council that helped develop COSO's 2004 Enterprise Risk Management – Integrated Framework and its 2017 revision. He also is serving on the United Nations Internal Control Advisory Group and has conducted ERM trainings for the UN. Mark has authored over 100 articles, monographs, thought papers, and books, and he frequently works with organizations helping them advance the maturity of their ERM processes. He earned his Bachelor of Science degree at Auburn University and his Ph.D. at Michigan State University.

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Bruce C. Branson, Ph.D., is Professor of Accounting and Associate Director of the ERM Initiative in the Poole College of Management at NC State University. Bruce's teaching and research is focused on factors that affect enterprise risk management maturity and its integration with strategy, in addition to his research related to financial reporting and the use of derivative securities and other hedging strategies for risk reduction/risk sharing. Bruce is one of the faculty who regularly teaches as part of the Initiative's Executive Education workshops and he is the Editor-in-Chief of the ERM Initiative's "ERM in the News" newsletter. Bruce has developed ERM thought papers on risk reporting to boards of directors and he is one of the co-authors of the Initiative's annual survey report on the Current State of ERM done in partnership with the AICPA. He earned his Ph.D. at Florida State University.

BONNIE V. HANCOCK, M.S.

Professor of Practice and
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Bonnie V. Hancock, M.S., is the Executive Director of the ERM Initiative at NC State University where she also teaches graduate courses in the Poole College of Management. Her background includes various executive positions at Progress Energy where she has served as president of Progress Fuels (a Progress Energy subsidiary with more than $1 billion in assets), senior vice president of finance and information technology, vice president of strategy and vice president of accounting and controller. She currently serves on the board of AgFirst where she chairs the risk policy committee. She previously served on the board of Powell Industries, a publicly traded company based in Houston Texas, where she served on both the compensation committee and the audit committee. In addition, She currently chairs the board of Girl Scouts-North Carolina Coastal Pines, and serves on the board of the Research Triangle Chapter of the National Association of Corporate Directors.

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