

## **Kelly Barrett**

### **Bonnie Hancock:**

Hi, I am Bonnie Hancock from North Carolina State University Enterprise Risk Management Initiative. I have here with me today Kelly Barret from Home Depot, and the topic we want to address today is risk management committees; not the board level committees that some organizations have, but more the committees that are within the management levels of the corporation.

Thank you, Kelly for joining me today, and thank you for your support of the ERM initiative over the years; we really appreciate that. Maybe we can start by you just describing the Enterprise Risk Management committee you have at Home Depot.

### **Kelly:**

We actually call our Enterprise Risk Council, and it's made up of all of the individuals that are not direct reports to our CEO. We felt pretty adamant that it needed to be the folks that actually manage the risk, so not at the EVP level, but down more to the vice-president, and senior vice-president level; and we felt like it was important that were the people managing the risk day to day, the way that we view our ownership of risk management, and how we do ERM, is that we provide the governance over risk management, these individuals are the individuals that manage risk on behalf of the company, they own the risks, and we want them to come together as a group to talk about all the risks at Home Depot. We provide a common framework in common language around how we are defining the risk, but they own the risk, so the individuals that own the risk are on our enterprise risk council.

### **Bonnie:**

OK. So maybe that's a good lead into a little bit more about the compositions, so who are all these risk owners, which functions do they comprise?

### **Kelly:**

So, for instance, our treasurer will be a part of this committee because they are responsible for managing our financial risk, as well as our credit services risk, because we do have credit cards, we have in-house credit cards, so he would be responsible for those risks, we have our senior Vice-President over stores ops, he would own all the operational risks that reside in our stores, we have the president of our services team, our services is where we may come put a bathroom in for you, or a kitchen, she has her own set of risks that she is managing because we manage third party installations companies that do the work on behalf of Home Depot; she would manage those risks. Those are just some examples of people that would be on this Enterprise Risk Committee. Today there are probably around 15 or so individuals on the committee. We also, and it includes myself, and I run the committee, it also includes several of our lawyers, as well as because they have a view, again, counseling the business with the risks, and they have a big input into the overall business committee because again, they are helping these individuals manage their risks as well.

### **Bonnie:**

How often does your council meet? What would be a typical agenda that they may have?

### **Kelly:**

We meet quarterly, and part of the reason we meet quarterly is to make sure that we are validating the risks that my team actually puts together, so my team, internal audit, and corporate compliance working together, we will do risk assessments, we do an enterprise risk assessment every year, annually, that goes very deep, and then we update that, quarterly, but it's just a very esoteric update. We present what we believe are the top risks based on that risk assessment to the Enterprise Risk Council, and they are responsible for validating, or in some cases saying no,

we don't agree with these risks. They also evaluate our risk mitigation plan, so we lay that out for our board of directors as well to say "this is how we are working on mitigating the plans", so they are very useful to say "that plan, I don't know if it's addressing the whole problem, or the whole issue, or the potential risks", and so we will discuss perhaps changing the mitigation plan, or adding to it if we need resources, this group is validating both the risk that that's identified, as well as the risk mitigation plans. We also talk about our merging risks, and that's really important too because we know today what we know, but we are scared of what we don't know, and so we talking a lot about merging risks, things that are bothering people, things you know, fortunately we have Walmart who's bigger than us, we don't wish any ill on Walmart, but typically things happen to them first because they are larger, so we study, you know, our industry, our environment, we are always looking for what's next, we talk a lot about merging risks.

**Bonnie:**

OK. When you talk a lot about the risk mitigation plan, is the risk owner kind of leading that discussion or is that led by the ERM, by your group?

**Kelly:**

So, it can vary. We do bring in from time to time people in the business that are managing more significant risks for us, so for instance, cyber security, it's a risk that that came true, unfortunate, for Home Depot, we will have our CISO that comes in, our Chief Information Security will come to update the group once a year on our cyber securities efforts and all the things we are doing to make sure we don't another breach. That's a good example. It really depends on the risk. There are certain risks that we don't have specific owners because there are multiples parties involved in managing the risk, and so we stay away from identifying a risk owner per say, because sometimes it may be a collective group of folks that own a particular risk.

**Bonnie:**

So if you were going to give some advice to a company that doesn't have a risk committee, and they are just thinking about forming a risk committee or risk council, what would you say to them or some keys for it function effectively?

**Kelly:**

I think that to it function effectively it has to be the person that day to day is managing that risk, and as a ERM professional, I don't think you could ever assume you are going to know as much as the person that's managing the risk itself. The other advice I would give is that there is a lot of strength in the diversity of that group, in terms of, people think differently based on their experiences, and their work history, and where they may have gone to school, and so, it's a great way to bring diverse thought together, diverse backgrounds, and you can really get a lot of synergies, because Bonnie may say "well, I thought this way", and that may trigger Kelly to think about it in a different way, but collectively together, I always feel like when we have those conversations, it's a much richer conversation because of the diversity in thought. So bringing people together is actually a really powerful thing, so I would say, try it, bringing people together, I think they will see the power in bringing the diverse thought together to think about the company holistically.

**Bonnie:**

Great, that's a great message to leave with. Thank you again Kelly for sharing these insights with us.

**Kelly:**

You are welcome. Happy to be here.

