



FERMA
RISK MANAGEMENT
SEMINAR 2012

Coordination of Risk Management with Internal Control and Internal Audit

Michel DENNERY : Vice-President FERMA

Thijs SMIT : ECIIA Board member

Paul TAYLOR : ARMIC

Panel debate 3

**LIVING AND
WORKING IN A
RISKIER WORLD**

VERSAILLES, FRANCE
22-23 October 2012
Palais des Congrès
de Versailles



FERMA
RISK MANAGEMENT
SEMINAR 2012



FERMA
RISK MANAGEMENT
SEMINAR 2012

Guidance on the 8th EU Company law Directive

- Guidance about 8th EU Dir. : ECIIA & FERMA
- Green paper about the project of 9th Dir. EU





3 lines of defense model

Board / Audit Committee

SENIOR MANAGEMENT

1st Line of
defense

- **Opérational Management**
- **Internal Control**

2nd line of
defense

- **Risk Management**
- **Compliance**
- **Others**

3rd line of
defense

- **Internal Audit**



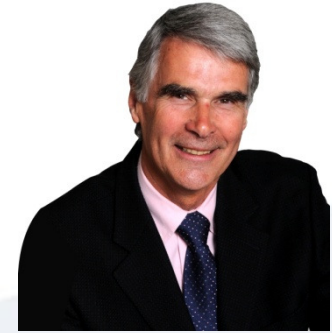
Thijs SMIT : ECIIA Board member

Corporate Internal Auditor, SHV Holdings N.V.

- Ahold, food retailer. Focus monitoring risks at first line. Support from third line.
- SNS Reaal, financial services. Strong risk management departments in second line. Third line limited to review second line.



FERMA
RISK MANAGEMENT
SEMINAR 2012



Paul TAYLOR : ARMIC

- Increasing convergence and co-ordination in the last 10 years, still a long way to go.
- The catalysts:
 - Framework/process includes all disciplines
 - Common language and definitions
 - Clear understanding of roles and responsibilities



Common Process

Risk or Compliance Issue Defined:

- Strategic
- Operational
- External
- Compliance & Ethics

Acceptability
and Tolerance
Defined

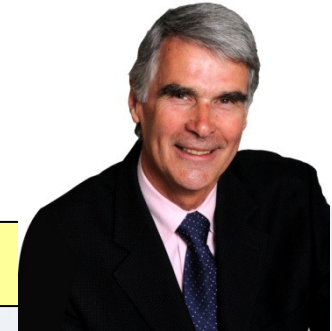
Policy defines
standards or
requirements

Processes
and Controls
implemented

Assurance to
Audit
Committee

Controls
independently
assured

Controls self-
assured



1st line

2nd line

3rd line

Who

Implementers:
Business Units
and Divisional
management

Group Standard Setters:
-Environment, Health &
Safety
-Group Risk
-Finance, Treasury, Tax
-Insurance
-Cosec and Legal
-HR/Pensions
-IT

**Assurance
Providers:**
-Internal Audit
-External EHS audit
-Insurance Engineers
-External
regulators/auditors
-Statutory inspectors

What

-Assess/manage
business risk
-Comply with laws
and regulations
-Implement,
maintain/manage
Internal Controls

-Develop and roll out
GRC strategy, policy,
process and training
-Define minimum internal
controls
-Prepare and analyse
“self assessments”
-Support compliance

-Provide independent
assurance of the
effectiveness of
internal controls



FERMA
RISK MANAGEMENT
SEMINAR 2012



Michel DENNERY : Vice-Prdt FERMA Deputy Chief Risk Officer, GDF SUEZ

- **Audit - ERM**
 - Audit program is prioritized according to major risks
 - Risk knowledge is updated by audit's statements, and mitigation plans by advices
- **Internal control - ERM**
 - Critical processes are defined according major risks
 - Risk knowledge is updated by self-assessment



FERMA
RISK MANAGEMENT
SEMINAR 2012



Michel DENNERY : Vice-Prdt FERMA Deputy Chief Risk Officer, GDF SUEZ

- Convergence of different control systems
 - A lot of regulations : Governance, transparency on financial information, ESR, QHSE certification, ...
 - Reporting on common data
 - Maturity of processes
- But Internal audit, 3rd line of defense, will stay independant