

Maturity Profiling Suite (MaPS)



The Issue

"Companies should manage in a way that makes financial distress highly unlikely and, in so doing, preserves the financial flexibility necessary to carry out their investment strategies. In this sense, risk management can be viewed as a direct substitute of equity capital. That is, the more the firm [manages its risk] exposures, the less equity it requires to support its business. Or, to put it another way, the use of risk management to reduce exposures effectively increases a company's debt capacity."

Rene Stulz (1997)

Everett D Reese Chair of Banking and Monetary Economics
Director, The Dice Centre for Financial Economics
The Ohio State University

This clearly and succinctly announces that the principal objectives of corporate risk management are:

- ⊙ to protect the capital of the firm, and
- ⊙ reduce the firm's cost of capital

The challenge

Few firms' risk programmes reflect these objectives. In contrast, in firms where these or related objectives are explicit and dominant, their risk programmes have the greater impact and are central to the firm's execution of strategy.

This level of contribution to the firm's strategic decision-making is realistically within the grasp of all listed (and many unlisted) firms; it is essential in modern financial services firms. To achieve it requires commitment to excellence in risk management, a willingness to assess current performance objectively, and a preparedness to embark upon a journey of firm growth and learning.

This together with the overwhelming feedback from our extensive research into the needs of the risk & compliance market place tells us that organisations are struggling to find well-informed technically competent advice about integrating their Governance, Risk, & Assurance initiatives. What is needed is a 'Common Operating Platform'.

Why?

A Common Operating Platform is the elusive key to unlocking the potential of an organisation's Enterprise Risk Management (ERM) initiative. It brings your organisation's Governance Risk & Assurance framework to life. This is vital because it is the framework and structure that drives the strategy.

Our Solution

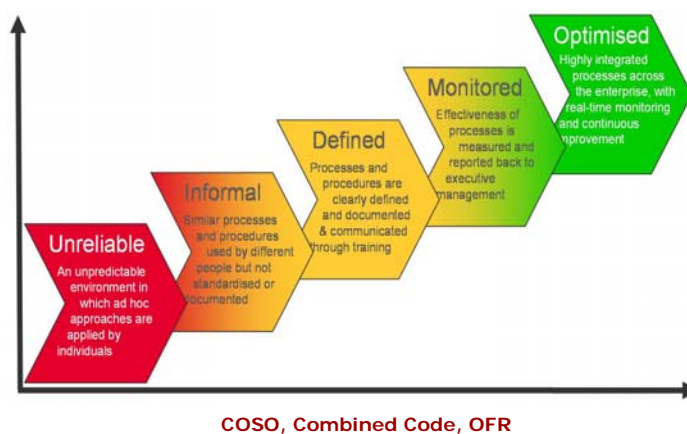
idRisk's Maturity Profiling Suite (MaPS) provides such a 'Common Operating Platform' and enables management to make quick and regular assessments of the

progress and quality of risk management practices across the whole organisation. Previously discreet initiatives and disciplines can be analysed and interrogated on a comparable basis. Relevant data and key performance indicators (KPI's) can reported on, escalated and aggregated to provide the enterprise view of risk—the Enterprise Profile. The output is timely and can be tailored to respond to the varying needs of different end-users in a structured, repeatable and auditable format giving one version of the corporate truth.

This single version of the corporate truth is fundamental to an organisation realistically achieving its risk management objectives and successfully communicating these to external parties through CSR and OFR reporting requirements. Providing this assurance to the investment community can ultimately reduce share price volatility. Organisations that have comparable measures and the correct indicators in place will be able benefit from the portfolio effect in practice i.e. the financial impact of aggregated risk exposures will be less than the sum of the individual risk exposures. Using MaPS, management can demonstrate that they have a robust and continually evolving methodology for improving risk management and compliance practices. MaPS is based on the proven and internationally accepted default standard for assessing process maturity – The Carnegie Mellon Capability Maturity Model (CMM). This purpose equally applies to the implementation of Risk Management and Compliance processes. A capability maturity model is a systematic two dimensional analysis of capability and maturity across various domains (see Figure 1).

CMM: "...places proven approaches into a structure that helps an organisation appraise its organisational maturity or process area capability, establish priorities for improvement, and implement these improvements."

Figure 1: Capability Maturity

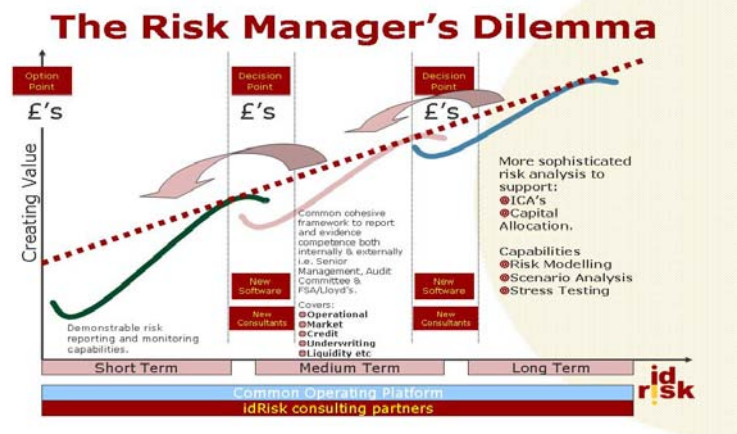


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The risk manager's dilemma

Why, if the objective is to embed risk management processes and activities into the very fabric of the business do organisations select risk management systems that do not interface with existing business performance management systems? Frequently it is a matter of convenience and short term cost. Many organisations have in fact selected risk management software in the very knowledge that it will not support them as their risk management capabilities mature. This generally necessitates another product and vendor review at each step change in the risk management system and is normally accompanied by expensive consulting reviews and costly time consuming implementation and roll-out. Risk managers potential is being limited by off the shelf risk software and systems. That will not support them in the achievement of their future objectives. idRisk propose an alternative—that provides for the future and is backed up by a long term consulting partnership to assist you on your risk management journey. See figure 2.

Figure 2:



Main Benefits

MaPS Benefit	Rationale
Provides picture of completeness of framework	MaPS is scaleable and provides a verifiable picture of completeness across individual governance, risk & assurance components or indeed across an organisation's complete Governance Risk & Assurance framework.
Enables positive communication with external bodies	Continual dialogue with regulators provides them with assurance and meets their prime objective of 'no surprises'. Similarly such communication with the investment community through CSR and OFR reporting can reduce share price volatility. Finally, organisations can demonstrate the robustness of their Governance, Risk & Assurance frameworks and associated processes to external auditors in a verifiable manner.
Provides assurance to senior management	This can be achieved in a number of ways—-independent and objective review by internal audit departments and the ability to produce tailored reports for the board or 'excom' using key performance indicators in a structured, repeatable, and auditable format.
Fully auditable	MaPS is fully auditable by internal and external parties and actual practices can be evidenced and verified.
Lends itself to GAP analysis	Your organisation's 'current state' can be positioned on the CMM against your 'desired state' or aspirational position. Attention is quickly and effectively drawn to those areas that require improvement.
Reduces reliance on 'Big 4' reviews to provide objectivity.	Annual reviews by the industry's leading professional services firms is an expensive way to repeatedly provide assurance. Perversely you do not get a written report, or an opinion. You do get a brief presentation and vague statements on assurance and effectiveness. Their approach and business model is designed to keep you reliant on them to repeat the exercise at an interval with which you are comfortable. But what is in it for you? You ultimately do not have control over providing assurance going forward.
Quicker ROI c.f. annual 'Big 4' reviews and ownership and control going forward	A full MaPS delivery will give you all the MaPS deliverables and an annual review for the following 2 years (see Deliverables section) for approximately the cost of a full annual 'Big4' review. Importantly this includes the MaPS software that gives you control moving forward. So what you get is exemplary quality, senior experienced professionals, access to leading edge IP, full training and a system that gives you ownership at competitive but acceptable market rates.

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Features

idRisk's MaPS provides a useful variety of executive dashboards with drill-down features to enable simple navigation (see Figure 3).

By 'clicking and drilling' the relevant detail and supporting evidence is revealed. Once the information has been collated, a profile can then be created to display the levels of performance across the organisation's business domains. Either the full spectrum can be viewed or a summary for each component. Regular use tracks progress and changes across an organisation's framework while at the same time demonstrating risk & performance due diligence to senior management, internal auditors, external auditors, rating agencies and regulators. With each component you can further 'click and drill' to reveal your 'leading' or 'anchoring' components.

Figure 4

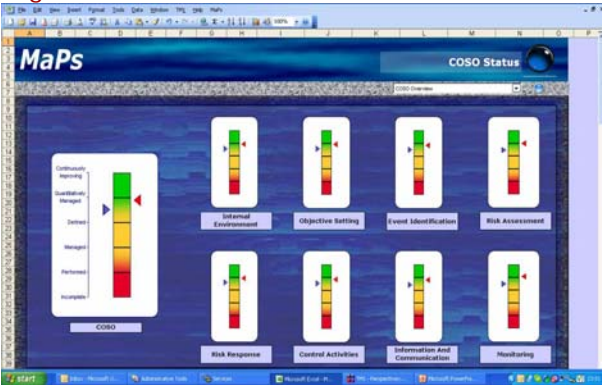
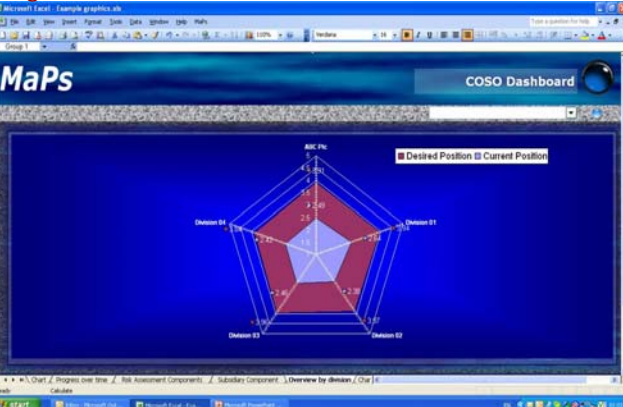


Figure 6



performance and effectiveness of your risk management framework. This view therefore highlights those areas most in need of attention allowing your organisation to direct scarce but necessary resources to those areas that will give you the greatest return for your efforts—the QUICK WINS.

Verifiable and auditable:

For verifiable and auditable evidence of the specific process concerns in these areas simply 'click-on' to establish the current position in practice.

Figure 3: Consolidated View



This view gives an overview of the corporate position with regard to the Risk Framework component that has been profiled. By simply 'pointing and clicking' you can move to either a summary by component view (Figure 5) or a full spectrum view (Figure 6). Each view permits simple navigation back to the consolidated view.

'Leading' and 'Anchoring' activities and practices:

This simple 'point & click' system permits you to drill down further where you require to see more verifiable detail and supporting evidence. This can be achieved from any of the overview screens e.g. the full spectrum view (Figure 3) can be used to navigate and 'drill-down' to the same views.

By clicking on the 'Business' component in either view this will take you directly to the details surrounding this component together with a visual representation of the 'leading' and 'anchoring' components in the business component.

Quick Wins:

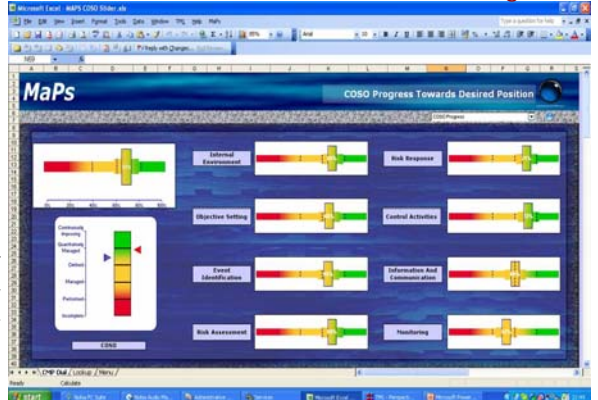
You can quickly see which components(s) in which business area(s) are 'anchoring' the overall

performance and effectiveness of your risk management framework. This view therefore highlights those areas most in need of attention allowing your organisation to direct scarce but necessary resources to those areas that will give you the greatest return for your efforts—the QUICK WINS.

Figure 5



Figure 7



MaPS (continued)

Benefits of Integrating your Governance, Risk & Assurance activities

- ⊙ Improved shareholder value and confidence
- ⊙ Better measures of true business performance
- ⊙ Improved decision support and market intelligence
- ⊙ Reduction in operational losses
- ⊙ Improved efficiency of business processes
- ⊙ Competitive advantage
- ⊙ Cost reduction
- ⊙ Improved risk management
- ⊙ Supporting better corporate governance
- ⊙ Transparency and disclosure builds trust – especially in times of crisis
- ⊙ Risk adjusted profitability calculations and pricing
- ⊙ Capital requirements reduction
- ⊙ Economic and regulatory capital
- ⊙ More accurate forecasting for new business plans, and
- ⊙ Improved relationship with the regulator's

Deliverables—What do you get?

Completeness statement		Clear progression plan	
Framework Positioning		Training	
GAP Analysis		MaPS Software	
Annual review			

Future additions to idRisk's Maturity Profiling Suite (MaPS) include:

- ⊙ Combined Code,
- ⊙ OFR,
- ⊙ AS/NZ 4360,
- ⊙ AIRMIC Standard,
- ⊙ Basel II/CRD/Op Risk,
- ⊙ PRU & SYSC
- ⊙ Solvency II, and
- ⊙ Sarbanes-Oxley.

Why idRisk?

Our team of seasoned Governance, Risk, Assurance professionals has developed a cost effective, robust and cohesive methodology based on a 'Common Operating Platform' that enables you to efficiently determine the maturity of your Governance Risk & Assurance framework and processes. Our solution delivers to you a clear progression plan and leaves you with a tool set that will give your on-going control. This control will greatly reduce reliance on expensive 'Big 4' annual reviews, enable a positive dialogue with external auditors, rating agencies and regulators, while delivering demonstrable assurance to senior management and internal audit.

Our independence enables us to work as an objective and impartial partner to provide solutions focused solely on your needs.

Traditional professional services business model

- ⊙ Excessive cost factor—very high margins
- ⊙ Juniors deliver work
- ⊙ No written report
- ⊙ No opinion
- ⊙ Only see partners when there is a problem
- ⊙ Left to implement on your own

idRisk business model

- ⊙ Passionate about quality
- ⊙ Reasonable rates—lower margins
- ⊙ Only senior professionals deliver client work
- ⊙ "Cradle to grave concept" - these are the people you see from the outset.
- ⊙ Full assistance with an implementation requirements
- ⊙ Access to IP
- ⊙ Ownership and control going forward.

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