Non-Financial Risk Management and Covid 19

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Definition of “Non-Financial Risks” (NFR)

Cyber risk
Cloud risk
Compliance risk
Damage to assets & public safety

Information security
Conduct risk

ESG risk
Legal risk

Business continuity
Strategic, execution and business risk

Tax risk
Workplace safety

Data protection
(and even more)

Reputation risk
Fraud risk

Non-Financial Risks have to be understood as a broad umbrella covering all risks except “Financial Risks”

→ unbounded scope
→ emerging risks can appear

a.o. market, ALM, liquidity, credit, or insurance risks
Non-Financial Risks are growing in importance given evolutions of risks and threats (VUCA world) combined with an ambitious business strategy.

External landscape is more and more threatening

Emerging threats & related risks

Boundaries are disappearing between financial crime (e.g. AML), fraud (e.g. social engineering), physical attack (e.g. theft) and cyber attacks (e.g. system intrusion)

Belfius’ exposure is changing

New paradigms, diversification of activities & services and transformation program (including digitization) involves new (types of) risks and control environment changes (and opportunities)

Regulation is more and more stringent
## Worldwide threat and risk landscapes (2021)

<table>
<thead>
<tr>
<th>Top threats *</th>
<th>(\Delta Y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Non-occupational disease (pandemic)</td>
<td>↑</td>
</tr>
<tr>
<td>2. Cyber attack</td>
<td>→</td>
</tr>
<tr>
<td>3. Data breach / compromise</td>
<td>→</td>
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<tr>
<td>4. Unplanned outage IT and/or Telecom services</td>
<td>→</td>
</tr>
<tr>
<td>5. ESG risk</td>
<td>↑</td>
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<tr>
<td>6. Hazardous introduction of new technologies</td>
<td>→</td>
</tr>
<tr>
<td>7. Talent risk - Lack of people / talent / skills</td>
<td>↑</td>
</tr>
<tr>
<td>8. Misconduct: AML, MiFID, competition law</td>
<td>→</td>
</tr>
<tr>
<td>9. Digital acceleration - unforeseen impact on processes</td>
<td>↑</td>
</tr>
<tr>
<td>10. Third-party risk / outsourcing / supply chain disruption</td>
<td>→</td>
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</tbody>
</table>

Risk management is intrinsic to any operation, project or initiative.

- **Aligning risk profile with Risk Appetite Framework**
- **Avoiding or alleviating undesirable events**
- **Sustaining strategy and related objectives**
- **Fostering an adequate and effective control environment**

*(Including compliance with regulations)*
The NFR framework is based on 4 pillars and determines the principles that ensure an effective management of the non-financial risks in the broader sense of operational risks.

The principles are further elaborated in specific risk policies and guidelines adapted to specific risk types or risk management activities.

These general principles are in compliance with the applicable legal and regulatory requirements.
Sound NFR risk management
Clear roles & responsibilities with segregation of duties

Belfius’ 3-Lines-of-Defense (LoD) model

1st LoD

Own, manage and control operations and related risks in its domain of activities

1

- Management / "Direct Report" → primarily responsible for safeguarding the non-financial risks, and therefore bear full accountability
- CORM’s → perform execution and act as point of contact for application of NFR management framework

1,5

Corporate office / Permanent control function →
- Monitor the adequacy and effectiveness of the control environment
- Cartography key processes & top projects and address their related risks

2nd LoD

Provide risk management framework and oversight

2

- NFR dpt → Ensures overall risk management framework, risk oversight and global coordination of risk transversal processes
- Further identify, monitor, report, and challenge risks and controls from 2nd LoD perspective and provide guidance and governance of specialized non-financial risks:
  - by NFR dpt (DPO, CISO, etc.) or
  - by other risk experts and / or domain specialists (via delegation)
- Branch audit

3rd LoD

Provide independent assurance of risk management

3

Internal Audit

(External Audit & Regulators)
Sound NFR risk management
Risk mapping & taxonomy

Risk types are listed and defined in a common document, called risk taxonomy.

In addition to the global framework:
- some risk types are further elaborated regarding their risk management, which are defined in specific policies and guidelines.
- dedicated functions can also be appointed, such as the Data Privacy Officer (DPO) or the Chief Information Security Officer (CISO).

<table>
<thead>
<tr>
<th>Operational Risk</th>
<th>The risk of loss resulting from inadequate or failed processes, people and systems or from external events</th>
</tr>
</thead>
<tbody>
<tr>
<td>E.a</td>
<td>Internal Fraud</td>
</tr>
<tr>
<td>E.b</td>
<td>Internal Theft and Fraud (General)</td>
</tr>
<tr>
<td>E.c</td>
<td>Internal Systems Security (for profit)</td>
</tr>
<tr>
<td>E.d</td>
<td>Syst. Security Internal – Wilful Damage</td>
</tr>
<tr>
<td>E.b.a</td>
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<td>E.b.b</td>
<td>External Systems Security (for loss)</td>
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</tbody>
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**Sound NFR risk management**

**NFR committee structure**

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**Management Board Belfius Bank**

| Information security | Anti-fraud | Privacy | Physical security | NPAP |

**Management Board Belfius Insurance**

| Organized by Risk - NFR |

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**Organized by ICM – SP&PF**

| OMC (outsourcing) |

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Dedicated steering committees are operating at tactical / technical level.

Internal reporting (e.g. quarterly risk report) and external reporting.
Sound NFR risk management
Transversal risk processes

Ideation & development

Project risk management
(New Product) Approval Process
(NP)AP binding conditions

Critical success factor for management of the Covid-19 crisis

During the life cycle

Risk & Control Self-Assessment
Permanent control

Third-party risk management
Etc. (ISMS, GDPR, etc.)

(Loss) event management
Business continuity & crisis management

Setting the scene
Non-financial risk management & Covid-19
Some post-Covid 19 impacts
Sound NFR risk management
Covid 19 challenge

Belfius’ operational resilience and successful crisis management during the Covid 19 situation

Since March 2020, Belgium was severely affected by Covid19, which has led to national confinements and massive long-term use of teleworking. Moreover, Belfius has committed itself to providing financial support to individuals and companies for getting through the crisis.

All these measures have led to adapted working methods and processes, but also to a changed environment in which Belfius operates and to which Belfius reacts in line with the following key objectives:

1. Protecting the health of its collaborators and clients
2. Guaranteeing the continuity of its activities and services to the clients
3. Communicating constantly and in a timely manner
4. Assuming the responsibilities to be meaningful and inspiring for Belgian society

Some key measures related to operational risk management

- Close follow-up and strict implementation of all governments’ safety measures, additional measures were also taken beyond the official directives
- Roll out of a telework strategy, with more than 95% of all collaborators worked exclusively from home during the confinements
- HR initiatives to support staff & maintain cohesion in the new way of (home)working
- Close monitoring of critical activities in order to identify and resolve potential (staff) issues well in advance
- Development of business continuity plans in the case of a major failure of telework
- Close monitoring and additional mitigation measures regarding certain exposures which are increased by Covid19 situation, such as information security (e.g. awareness program against phishing), outsourcing (e.g. scrutiny of business continuity and financial stability) and fraud risk (e.g. changing client behavior)
- Monitoring & mitigation where required of the control environment in a Covid19 and massive telework context, with attention points (e.g. limited social control due to homeworking, measures against more intensive fraud attempts and new fraud schemes)
NFR risk management after 2 years of Covid 19

Increased resilience of the Financial Markets room

Improved business continuity & crisis management

Evolving Belfius HR strategy
What employees expect from today’s workplace has changed fundamentally over the last couple of years
Belfius HR strategy
Be=Teams: a new meaningful & inspiring hybrid collaboration strategy

**Bricks**
- Masterplan Belfius buildings
- Review existing work floors
- New hybrid collaboration workspaces
- Virtual assistant
- Impact & modifications on HQ & RQ

**Bytes**
- Microsoft 365 (Teams based)
- New devices utilization
- Soft phone solution
- New digital spaces equipment

**Behaviour**
- Develop hybrid work & well-being
- Help managers manage teams remotely
- Adopt to full Microsoft 365 usage
- Develop people & new tech skills
- Ergonomic awareness & good habits @ home
Belfius HR strategy
Where do we come from & where are we going?

BeWoW
- Intro telework
- New office environment
- Digital meeting rooms
- Improved tooling
- Mobile devices
- Adjusted mindset
- BYOD

Be=Teams

Why?
- Be inspired
- Collaborate
- Enabled
- Anytime
- Anywhere
- Anyhow
- Digital & secure
- New technology
- New tooling
- New devices

Traditional way of working
- Predefined
- At the office
- Controlled
- No choice
- Enforced

Introducing a new meaningful & inspiring hybrid collaboration strategy

Future proof employer
Future proof work organisation
Cost containment
Happy and productive people

Setting the scene
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Some post-Covid 19 impacts
Belfius HR strategy
What about Financial Markets?

FM telework?
New Product Approval Process (NPAP)

FM Risk Control Framework
In-depth screening of all aspects

FM MAR & MiFID II
Risk Control Framework
Impact telework

FM Fraud
Risk Control Framework
Review & update (incl. impact telework)
Belfius HR strategy

Well-balanced work / life-ratio
Having the flexibility to get things done in your professional life while still having time and energy to enjoy your personal life

Seamless teamwork
Productive & aligned teams engaging in empowered, self-service collaboration
In a stimulating environment

Work together... also from home
Work anytime, anywhere, with whom you want / need to

Modern support
Seamless & intuitive support experience with content supported by unified tooling & analytics

Digital workplace
Intelligent facilities, equipped workplace services & powerful tools

Experience trust
Work in an “enabled” vs. “enforced” model

Frictionless devices
The right device with dependable, seamless access and disruption-free updates

“Own” your work & tools
Be productive on your own terms, using a set of skills & tools that are suited to what makes you tick

Digitally assisted workday
Integrated search & task completion
Thank you