

Non-Financial Risk Management and Covid 19

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Definition of “Non-Financial Risks” (NFR)



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

→ a.o. market, ALM, liquidity, credit,
or insurance risks

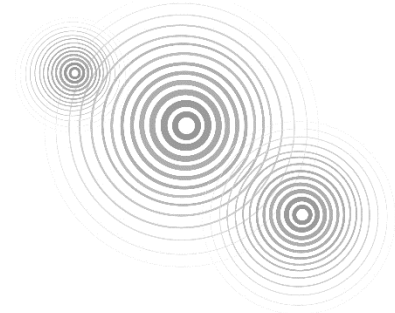
- unbounded scope
- emerging risks can appear



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)

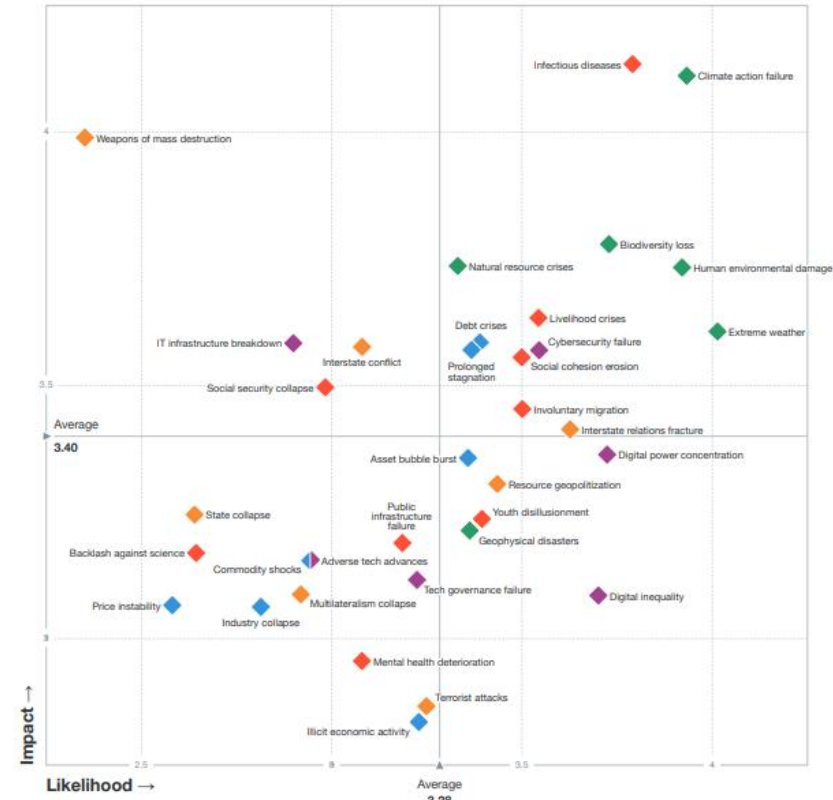
Regulation is more and more **stringent**

Worldwide threat and risk landscapes (2021)

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

*Based on literature (update 2021): Business Continuity Institute, Risk Magazine, PwC, Deloitte, Risk Report EBA and World Economic Forum Global Risk Report

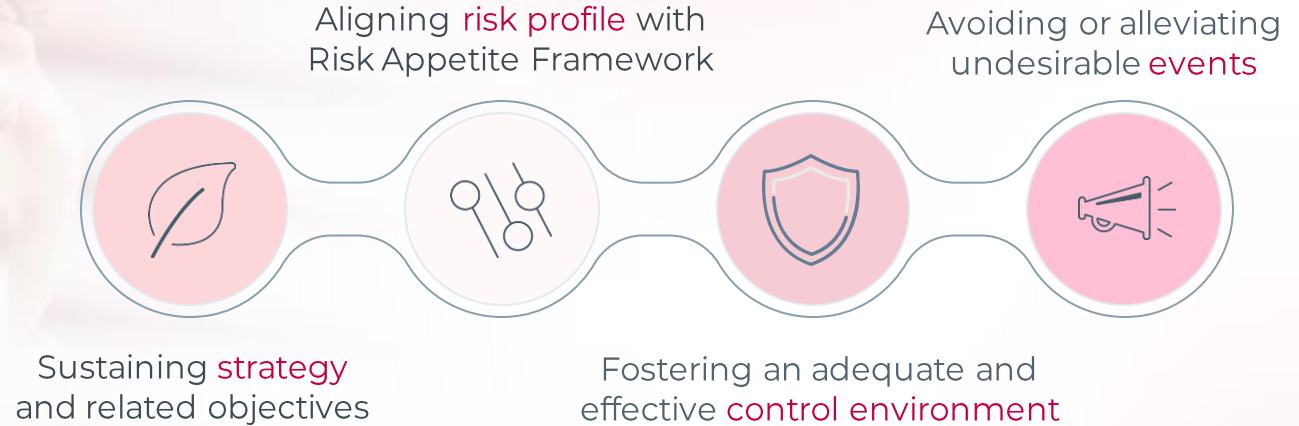
World Economic Forum "Global Risk Report 2021"



Sound NFR risk management

   **Build your business,
manage your risk**

Risk management is
intrinsic to any operation,
project or initiative



(Including compliance with regulations)

Sound NFR risk management

NFR Risk Management Framework

1

Delineation of **roles and responsibilities** based on **the three lines of defense**

2

Establishment of a **risk mapping and taxonomy** that ensures consistency within the organization

3

Establishment of a **strong governance/ committee structure** involving the appropriate level of management

4

Organization of **transversal risk processes** and related **policies** that takes into account risk-based considerations

NFR Risk Appetite Framework

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

1,5

- 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

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**

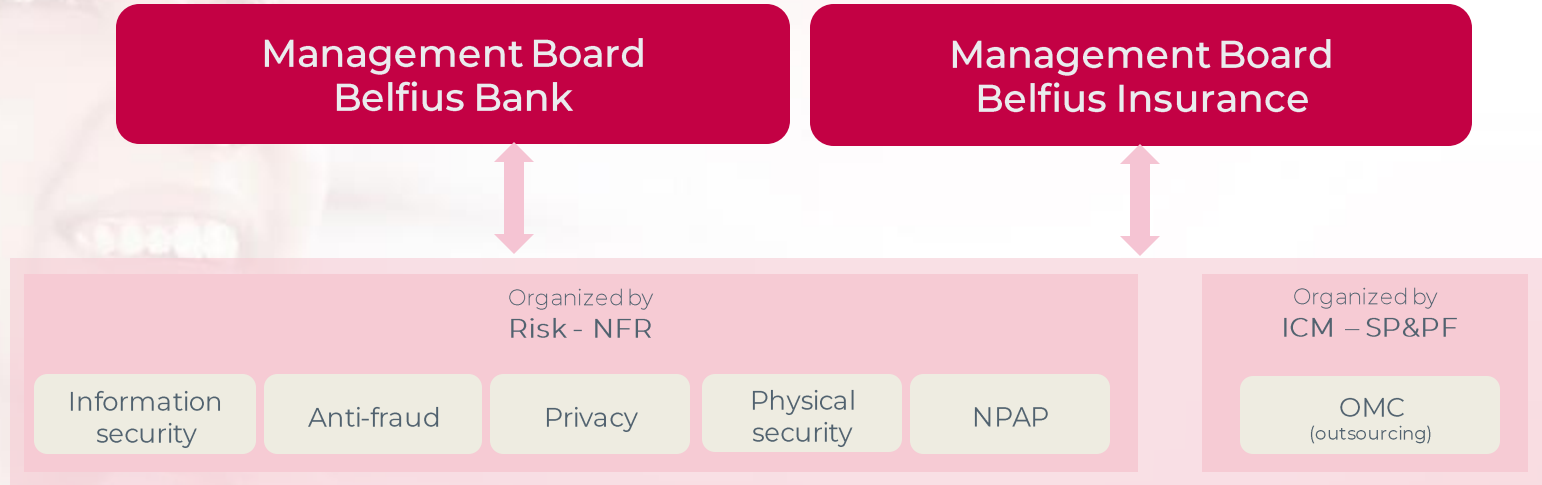
In **addition to the global framework**:

- 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)

Operational Risk				The risk of loss resulting from inadequate or failed processes, people and systems or from external events
E.a	Internal Fraud	E.a.a	Unauthorized Activity	The company's employees (or others) use its physical and financial assets for unauthorized or unethical purposes
		E.a.b	Internal Theft and Fraud (General)	<ul style="list-style-type: none"> • Fraud / credit fraud / worthless deposits • Theft / extortion / embezzlement / robbery • Misappropriation of assets • Malicious destruction of assets • Forgery • Check kiting • Smuggling • Account take-over / impersonation / etc. • Tax non-compliance / evasion (wilful) • Bribes / kickbacks • Insider trading (not on firm's account)
		E.a.c	Internal Systems Security (for profit)	• Unauthorized access into electronic data files for personal benefit by or with the assistance of employees
		E.a.d	Syst. Security Internal – Wilful Damage	• Internal systems security events of a wilful nature (e.g. Spreading viruses) which involves at least one internal party
E.b	External Fraud	E.b.a	External Theft and Fraud (General)	<ul style="list-style-type: none"> • Risk due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party • Theft / Robbery • Forgery • Check kiting
		E.b.b	External Systems Security (for ...)	<ul style="list-style-type: none"> • Theft of information (w/monetary loss) • Hacking damage

Sound NFR risk management

NFR committee structure



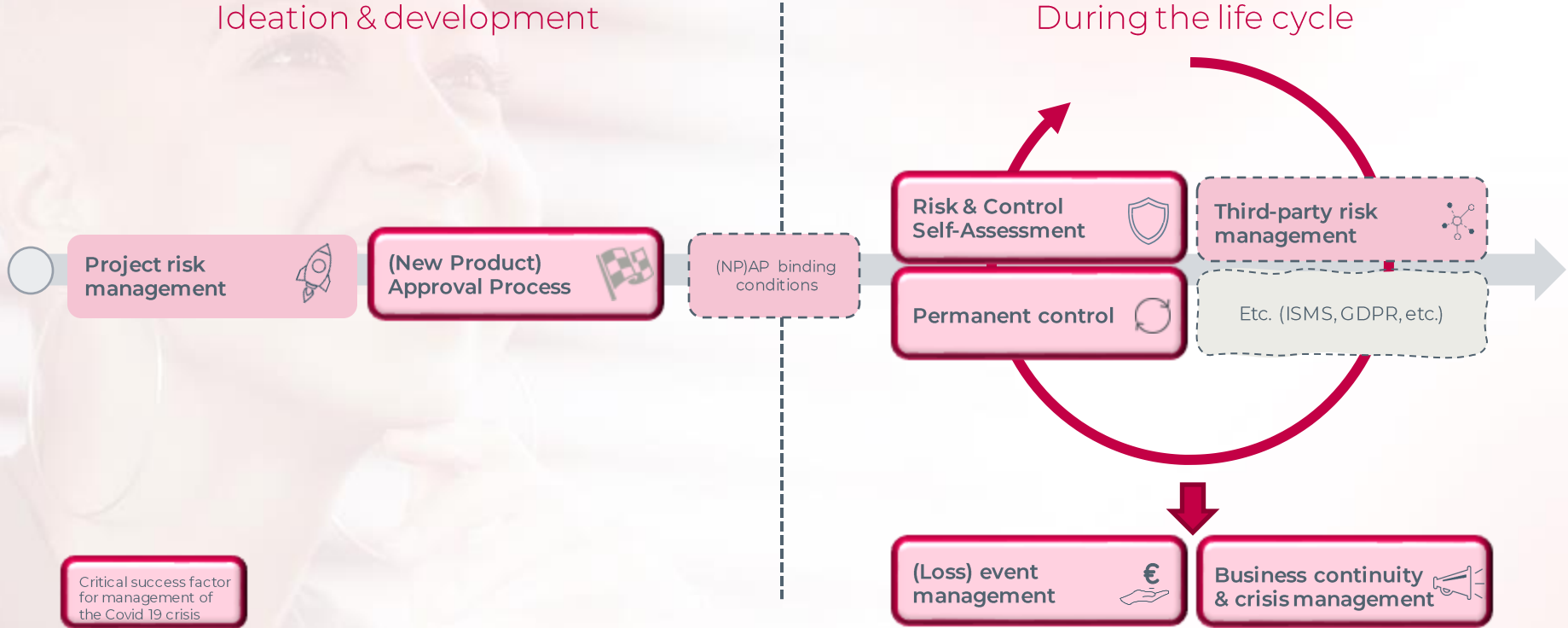
Dedicated steering committees are operating at tactical / technical level

Internal reporting (e.g. quarterly risk report) and external reporting

Sound NFR risk management Transversal risk processes

Ideation & development

During the life cycle



Critical success factor for management of the Covid 19 crisis



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 Covid 19 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 Covid 19 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

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?

Traditional way of working

- Predefined
- At the office
- Controlled
- No choice
- Enforced

BeWoW

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

Be=Teams

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

Why?

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

Introducing a new
**meaningful
& inspiring**
hybrid collaboration
strategy



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