

Non-Financial Risk

Current organizational structure and potential development

1

A



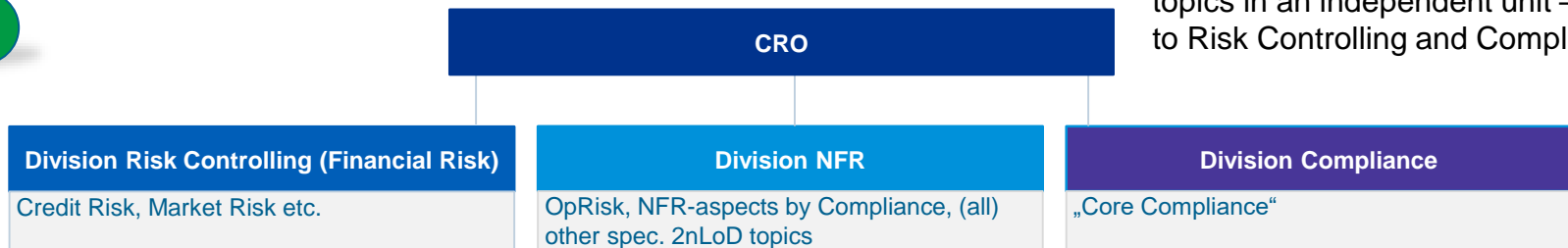
- Type A is frequently found with further NFR (Legal department, Outsourcing, CISO...) being situated in other divisions (e.g. at the COO)

B



- Type B with the bundling at the CRO level is established within several institutions; NFR is partly integrated though some NFR like legal risks, Outsourcing and CISO are still outside of the realm of the CRO

C



- Type C with the bundling of NFR-topics in an independent unit – next to Risk Controlling and Compliance



Non-Financial Risk

Example for the interplay of the three lines of defence

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First line of defense – Operational Management

1a Operational Management of NFR in the individual divisions

Analysis of the risk profile covering all NFR-topics

Deduction and execution of management measures

Location of MaRisk control cycle: Identification, assessment, reporting and control

1b Management of individual topics throughout the bank

Analysis of the risk profile regarding **individual topics** throughout the bank

Deduction and implementation of management measures throughout the bank

or

Consultation of line 1a regarding appropriate management measures

Second line of defense – Monitoring

2a Monitoring of individual topics throughout the bank

Bank-wide, independent plausibility checks/ monitoring throughout the bank regarding the identification and assessment of the risk under responsibility

Monitoring of compliance with separate directives for **individual topics**

Quality assurance of dedicated tools for **individual topics**

Location of MaRisk control cycle: Assessment and reporting

2b Monitoring of NFR throughout the bank (overall)

Definition of minimum standards covering **all** NFR-topics

Standardized quality assurance of NFR-tools in portfolio representation (throughout the bank) covering all topics

Assurance of channeling all NFR-topics towards the management board. Analysis of the risk profile throughout the bank covering **all** NFR-topics

Third line of defence – Audit

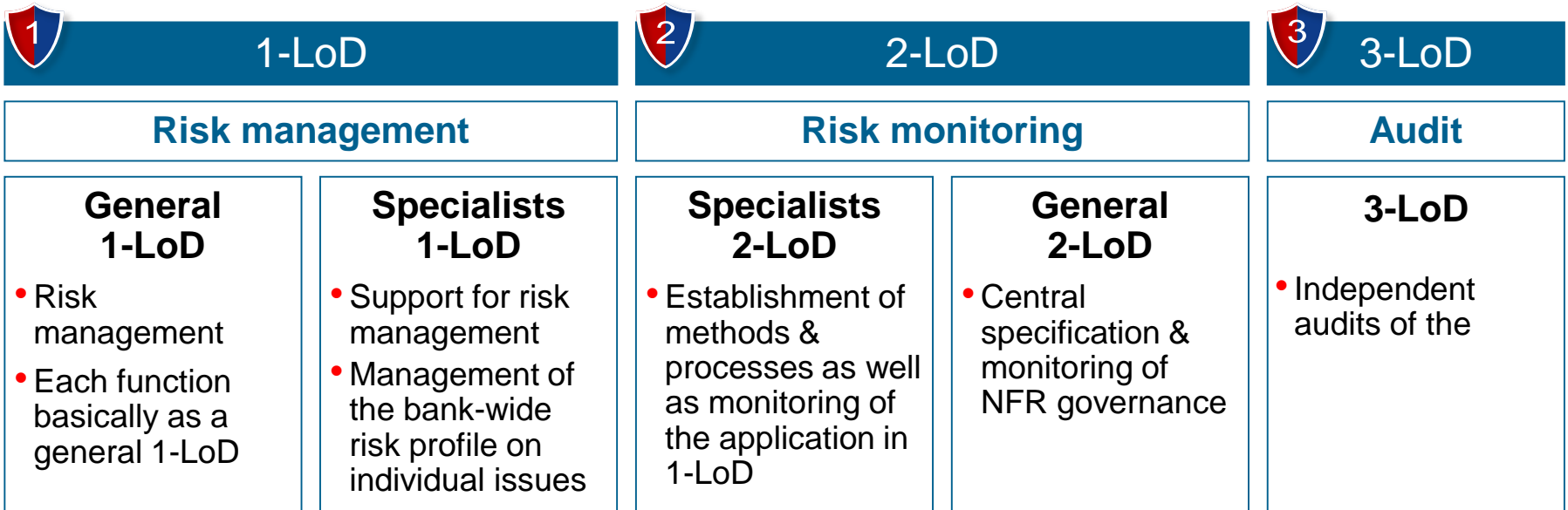
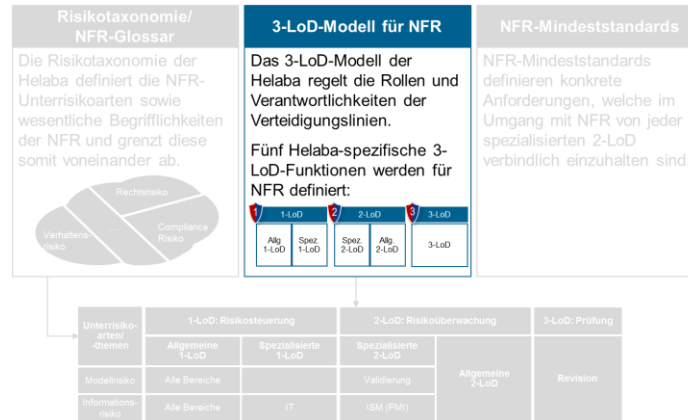
Internal Audit

- Central supervisory audit
- Objective and independent audit and assessment of the appropriateness and effectiveness of the 1st and 2nd LoD process
- No responsibility for design or implementation of controls
- Independent control, including compliance with the MaRisk control cycle



Summary of the results

Governance

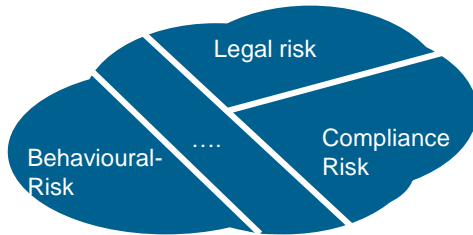


Summary of the results

Overview

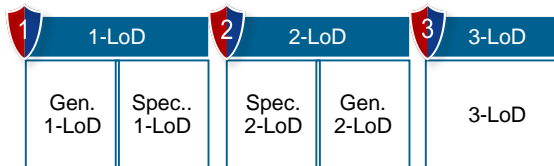
Risk Taxonomy/ NFR-Glossary

The risk taxonomy of Helaba defines the NFR sub-riks types as well as key terms of NFR and thus differentiates between them



3-LoD model for NFR

The 3-LoD-model of Helaba regulates the roles and responsibilities. Five specific 3-LoD functions are defined for NFR:



NFR minimum standards

NFR minimum standards define concrete requirements which must be met by every specialized 2-LoD when dealing with NFR.

Sub-risk types	1-LoD: Risk management		2-LoD: Risk monitoring		3-LoD: Testing
	General 1-LoD	Specialists 1-LoD	Specialists 2-LoD	Allgemeine 2-LoD	Revision
Model risk	All areas		Validation		
ISMS	All areas	IT	CISO		



NFR minimum standards

NFR minimum standards define concrete requirements which must be met by every specialized 2-LoD when dealing with NFR

NFR minimum standards

The minimum standards define guidelines for specific subjects (e.g. methods, committees) to promote

- one approach to NFR across all 3 lines
- consistent and efficient handling of NFR to ensure effective risk management



Improvement of risk management

Improving of risk management through clear allocation of responsibilities

Independent monitoring

Ensuring an independent monitoring function of all (sub-) risks

Clear rights & responsibilities

Definition of the rights and responsibilities associated with the respective line of defense in compliance with regulatory requirements



Uniform reporting

Ensuring complete, consistent & action-oriented reporting of all NFR



Sustainable Finance affects the bank along the entire value chain both from a strategic and an operational perspective

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