

## COMPLIANCE, RISK & RESILIENCE:

# ENTERPRISE RISK MANAGEMENT (ERM)

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All risk-managed organizations have a process for identifying, assessing and managing the risks they face in a format and language that enables leadership to understand, prioritize and make decisions. Enterprise risk management (ERM) goes beyond the traditional role of the risk manager or the chief risk officer. ERM enables companies to communicate, compare and decide on a preferred strategy to prioritize and address risks based on the company's objectives and risk tolerance. ERM provides a deliberate, strategy-based method for companies to accept, avoid, mitigate, transfer or exploit the risks inherent in their business models and operations strategy.

The B. Riley Compliance, Risk and Resilience team helps our clients recognize, consider and articulate the risks that threaten their success. We help them re-evaluate their approach to risk management and develop or improve the process, infrastructure, discipline and communications necessary to go beyond compliance and actually create enterprise value from their ERM efforts.

Whether risks are financial challenges from a changing international market, the global war on talent, cybersecurity vulnerabilities or struggles with strategy execution, these forces impact organizations' ability to achieve their strategic goals and objectives. Leaders wrestle with integrating risk information at the planning level while dealing with the day-to-day issues of running the business. Companies may have institutional expertise around risk management and control, but fewer understand how to leverage ERM as a strategic tool for competitive advantage.

Our perspective is that ERM should create value for the organization by enabling it to optimize its risk and return strategy to achieve its business objectives in the short, medium and long-term.



## SERVICES

We help clients understand risks and implement an ERM that:

- Generates enterprise value
- Reduces operating and earnings volatility
- Considers both “downside” risks and “upside” opportunities
- Enhances the business planning process
- Creates a risk-aware culture
- Supports the strategic plan

Our proprietary ERM Roadmap is an effective, four-step process for independently assessing the current risk environment and processes, and providing a facilitated structure for making practical improvements. We help clients drive value by weaving best-in-class actions into their routine along with strategic decision-making processes.

Step 1	Review Current ERM Environment	What are you doing today?
Step 2	Conduct Gap Analysis and Develop Recommendations	What else do you need to do?
Step 3	Conduct Management-Level Workshop to Assess Risks	What are the risks that could impact our strategy?
Step 4	Develop ERM Road Map with Priorities for Implementation	What are the next steps?

We begin with an accelerated assessment of the current risk management activities followed by executive interviews to capture organizations' "risk DNA". We identify and document inevitable gaps between the current and aspirational risk states, and facilitate a senior management workshop to assess the picture holistically. We help clients develop their ERM Roadmap that sets priorities and tangible action plans for optimal risk management organizational structure, processes, controls and tools to deploy. The goal is to turn ERM from a misunderstood cost exercise to an element of competitive value-creation.

#### SOME COMPANIES HAVE DEPLOYED ERM BY:

- Coordinating risk management around acquisition due diligence and business unit integration
- Implementing a priority escalation process to alert senior management to the risks that present the greatest strategic threats or opportunities
- Aligning risk considerations with strategic decisions about new markets, product development or outsourcing
- Anticipating the asset-destroying implications of "cyber epidemics" like the WannaCry and NotPetya contagious malware attacks
- Supporting resilience initiatives and obligations with an overall risk strategy

#### B. RILEY'S CAPABILITIES ENABLE CLIENTS TO:

- Identify and quantify the key risks that are most likely to drive or threaten the organization's ability to achieve its strategic plan
- Develop and implement a framework for managing risks, including setting ERM objectives, formulating a risk appetite and developing organizational processes and tools
- Enhance decision-making by including both risk/reward and cost/benefit perspectives

## REPRESENTATIVE ENGAGEMENTS

### ERM Framework for a Real Estate Investment Trust

We helped develop and create the client's ERM Charter, risk appetite statement and risk management policy document. In addition, we formulated the Enterprise Risk Oversight Committee, completed its annual group and functional risk assessments, and evolved the ERM report to its Board of Directors.

### Best-in-Class ERM Strategy for a Regional Electric Power Authority

We are developing its ERM charter and framework documents, creating a risk appetite statement, developing a roadmap for implementing the initial risk management strategy, completing risk assessments mitigation plans across the organization, and formalizing the ERM Committee.

### ERM Assessment for a Leading Insurance Broker

We formulated the client's ERM strategy (reviewing current and aspirational states), created its ERM Charter, risk appetite statement, initial risk register—a methodology for risk analysis and evaluation—and the template for on-going risk reporting & continuous improvement. We are currently facilitating a Gap Analysis, evaluating the risk processes and controls that are in place for the key risks and gaps. In addition, we are developing recommendations for the implementation of the client's ERM process.

### National Oil & Gas Company

We were appointed to support a large state-owned oil and gas company headquartered in Kazakhstan to understand its risks and implement an effective risk management framework. We completed a review of the company's current risk profile, its risk management capabilities and infrastructure, and assisted in the implementation of an improved risk management framework. The results were communicated back to senior management and then the top risks were modelled, using extensive financial and industry knowledge, to determine the optimum mitigation and risk financing strategies. Training of corporate staff and development of effective ERM policies and procedures was provided to sustain the ERM program.

### ERM for EU Commercial Real Estate Fund

We were engaged by a European-based real estate company that holds interests in 40 shopping centers and manages two real estate funds to conduct an analysis to ensure alignment of its ERM program with its existing risk exposures and current market practices. We provided external risk management benchmarks against other organizations that have similar exposures, and gave recommendations for improvement to the risk management program.

## THE B. RILEY DIFFERENCE

Our ERM experts come from backgrounds in risk management, insurance and brokerage, business continuity and disaster recovery, crisis management and cybersecurity. They regularly work on ERM programs and initiatives across sectors as diverse as power utilities and critical infrastructure, real estate, technology, manufacturing, insurance and energy. We help our clients' chief risk officers, senior management, and board risk committees to de-mystify ERM and help them think through how to integrate ERM as a natural element of planning, growth and operations. We encourage clients to think about risk in unique ways that can distinguish their organizations by embracing and exploiting risks as competitive advantages.

PRACTICE LEADER

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# ABOUT THE FIRM

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## ABOUT B. RILEY ADVISORY SERVICES

B. Riley Advisory Services provides specialty advisory services and solutions to complex business problems and board-level agenda items. Our team applies a unique mix of skill sets to address top-level, non-typical business challenges, such as developing compliance and risk systems for organizations, planning and executing a major acquisition or divestiture, pursuing a fraud investigation or corporate litigation, or managing through a business crisis or bankruptcy. In addition, we are a leading provider of valuation and appraisal services for asset-based lending applications.

Our team works with lenders, law firms, government entities, private equity sponsors and companies of all types. Our Advisory Services are a unique mix of Compliance, Risk & Resilience Services, Valuation and Appraisal Services, Restructuring and Turnaround Management, Operations Management Services, Forensic Accounting and Litigation Support and Transaction Support Services including Due Diligence and Quality of Earnings Reviews. B. Riley Advisory Services is a combination of the firms formerly known as GlassRatner Advisory & Capital Group and Great American Group.

## ABOUT B. RILEY FINANCIAL (“B. RILEY”)

B. Riley Financial, Inc. (NASDAQ: RILY) companies provide tailored financial solutions to meet the strategic, operational, financial advisory and capital needs of its clients through a diverse range of collaborative and complementary business capabilities.

B. Riley's diverse suite of business capabilities goes beyond traditional financial service offerings. By leveraging cross-platform expertise and assets, our business units are uniquely positioned to provide full service, collaborative solutions at every stage of the business life cycle and in all market conditions.