

Operational Risk and Incentives

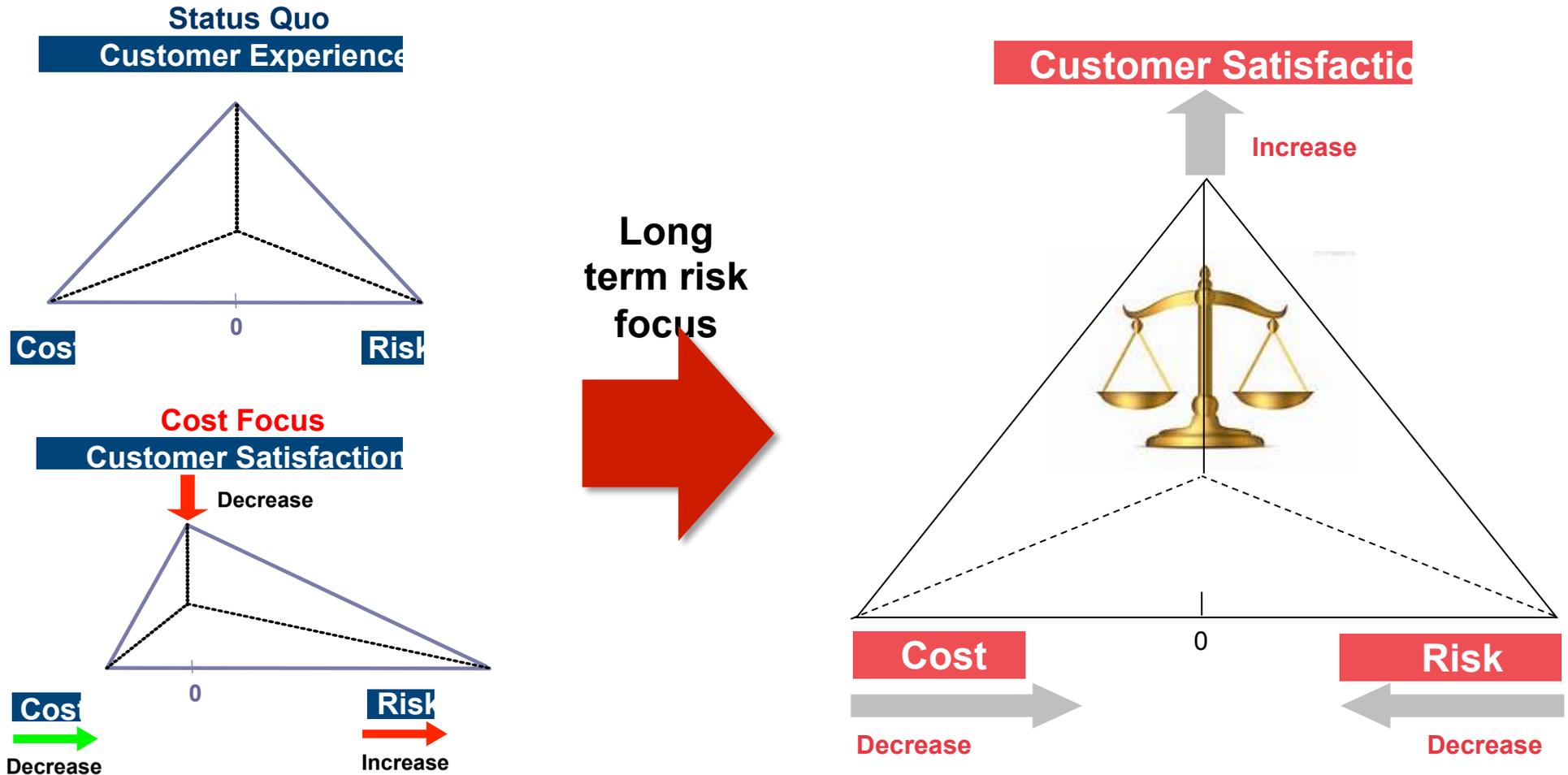
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Presentation to the Institute of Operational Risk

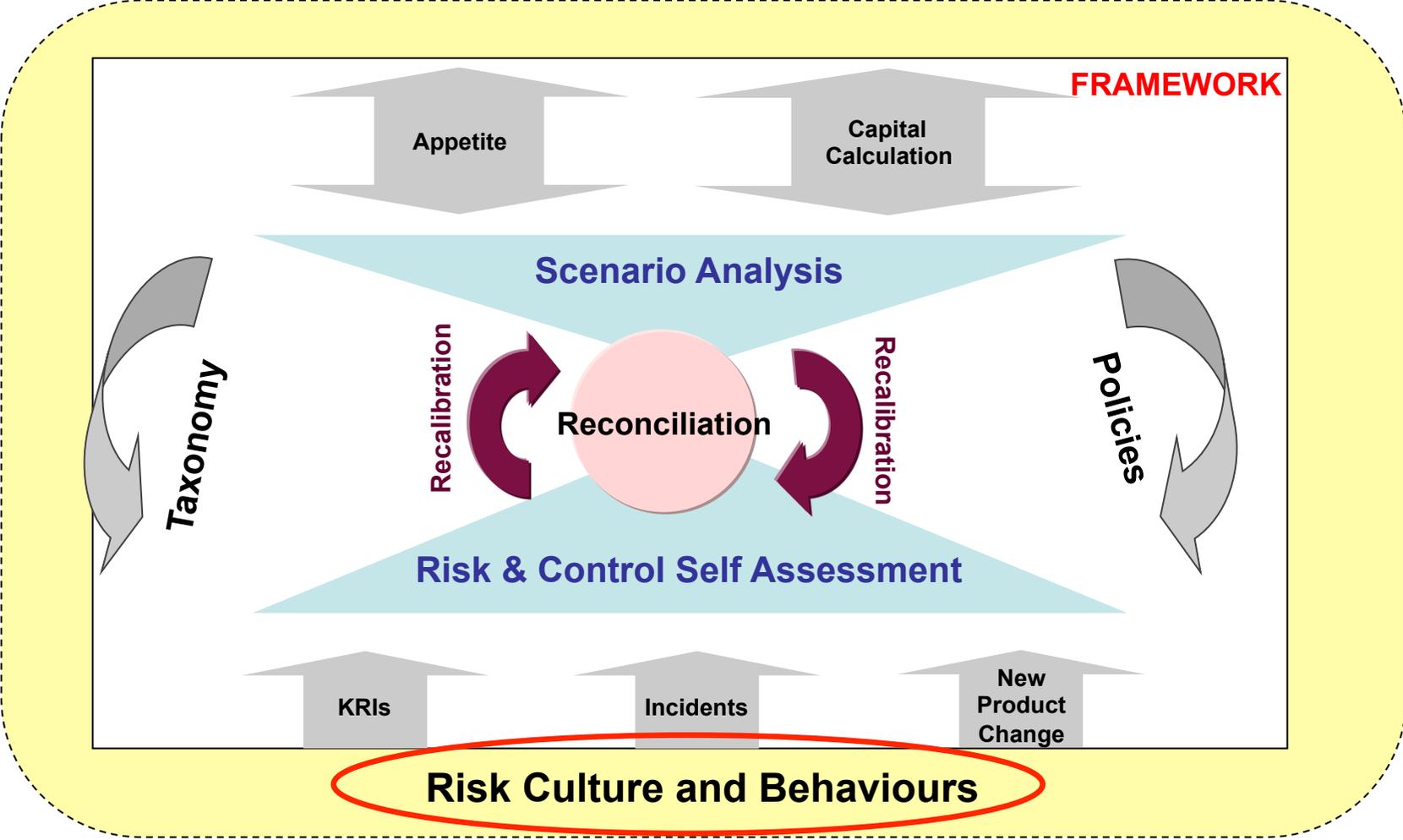
- To understand how incentives can be used to benefit Operational Risk Management
- Provide an overview of Santander UK's approach to use incentives to improve Operational Risk management
- To understand how a “Positive Risk Culture” can be a driver and an enabler for organisations
- To provide an overview of I AM RISK and other San UK campaigns to encourage staff to embrace a “Positive Risk Culture”

Long term risk focus is beneficial for organisations



How should we incentivise people to focus on a long term risk perspective?

OR Management does not work if people do not speak up



How can we incentivise people to speak up?

Operational Risk Management impacts all stakeholders

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OUR PEOPLE
from job losses and prosecution

THE BANK
from fines, poor profits
and possible closure

OUR CUSTOMERS
from mis-selling and
poor service

I AM RISK

OUR SHAREHOLDERS
investment and faith in our
business

San UK - I AM RISK Campaign

- To encourage **all employees to act as risk managers** and take an active role in identifying, accessing, managing and reporting risk
- The aim is to **empower everyone to take personal responsibility** to identify, assess, manage and report (i.e. Share and escalate) risks
- An I AM RISK mailbox and helpline have been set up to **encourage all employees to speak up**, and improve what we deliver to stakeholders
- The mail box should act as a 'catch all' for those wishing to raise issues



■ IDENTIFY

■ ASSESS

■ MANAGE

■ REPORT

Positive risk culture and tangible incentives

Education on what a positive risk culture means...

- Training courses on why we should care about “doing the right thing” from an Operational Risk Management perspective
- Integration of risk management into personal development objectives and annual appraisals

Making it as easy as possible to “do the right thing”

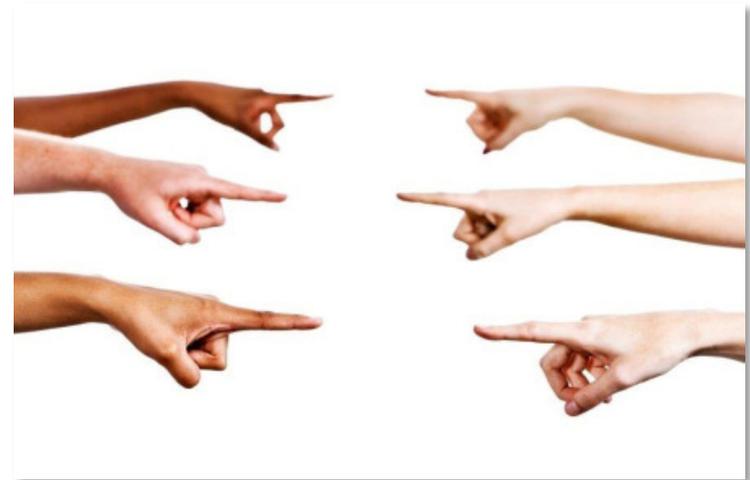
- Availability of multiple communication avenues to raise issues and concerns
- Simple Code of Conduct to provide guidance on good behaviour



Positive risk culture and tangible incentives

What are the tools for incentivisation?

- Incentivisation of “Good Behaviour” through prizes and recognition awards
- Actioning of good ideas to demonstrate people can make a difference by speaking up
- Annual appraisals affected not just by results but by our behaviour
- Communication of the repercussions of not speaking up – shifting away from a blame culture to one that encourages speaking up



San UK is committed to encouraging a positive risk culture which drives best Operational Risk Management practice



- IDENTIFY
- ASSESS
- MANAGE
- REPORT



**What else should we do to
incentivise good OR Management?**