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Risk Oversight: A Full Board and Enterprise-Wide Responsibility

**Q&A with Maggie Wilderotter, Executive
Chairman of Frontier Communications**



ACI: Given the heavy workloads many audit committees have today, is it time for boards to take a step back and reassess risk oversight responsibilities generally, and specifically with regard to operational risks?

Maggie Wilderotter: I would say yes. All of the public boards I'm involved with look at risk as a dynamic category, not as a static category – because risk is situational to what a company is going through at any particular period of time. And while the audit committee tends to have what I would call the deep dive responsibility on risk, the board has the overall responsibility for overseeing the company's risk mitigation strategies. To help alleviate some of the audit committee's workload, I think you're seeing more boards looking at how risk oversight responsibilities are allocated, or they're setting up specific committees – for example, an IT committee, to look at the IT side of what an audit committee would have looked at in the past.

ACI: Many boards and audit committees today are struggling with oversight of cyber security. What are your thoughts on how the board can get a better handle on their oversight of cyber risk?

Wilderotter: At Frontier, we have hundreds of thousands of denial-of-service attacks every week – so, at the board level, we're very focused on the macro picture.

But the audit committee is also looking at where the vulnerabilities are and understanding at a more technical level what's being done to shore those up. There's still a big educational component – what systems we have, how we strengthen them, what kind of access-management is in place, how we're dealing with employees' personal devices, how we respond to breaches. The audit committee tends to do the deeper dive on cyber risk, but ultimately it's a full board discussion.

Another good practice – which we do at Frontier, P&G, and Xerox – is to have the CISO come in and do a full presentation for the audit committee on cyber security. What's being done not only to maintain security but to continually upgrade for detection and prevention? How is the company collaborating across its industry to benefit from what other companies have learned? At Frontier the CISO comes in twice a year – and for all of these presentations, we invite the entire board to attend on an optional basis.

ACI: How do you help ensure effective communication and coordination among the board and its standing committees regarding oversight activities around the company's key strategic and operational risks?

Wilderotter: Cyber security is a good example. As I mentioned, the audit committee does the deep dive on cyber, but on all the boards I sit on, we give all members of the board the option to participate or sit in on that discussion. We also bring in outside experts to talk about cyber, so the entire board can hear that as well. It helps everyone stay up to speed.

Solid committee reports to the board are also important. They're more detailed than they have been in the past – particularly the audit committee's report-out on risk – and they can provide context and opportunity for a quality discussion at the full board level on specific risks.

On all the boards I sit on, we set aside time each year to do a deep dive on enterprise risk management at the board level, and several times a year at the audit committee level.

ACI: What is the nature of your board's interaction with the chief risk officer – and is that relationship evolving to meet new challenges posed by the risk environment?

Wilderotter: It's interesting – none of the companies whose boards I sit on have a chief risk officer. The CFO, CEO, CIO, and typically the head of internal audit and the chief accounting officer collectively share that role and responsibility – which gives us a great enterprise-wide view. I think it's healthier to have dispersed capability looking at risk constantly because it provides different perspectives and checks and balances on risk. When you delegate the risk role to one person – or to one board committee – I think you actually increase the chance of there being an issue. "Oh, that's the risk department's issue, not mine." Or "the risk committee has risk, so the other committees don't have to worry about it." That's why risk oversight needs to be a full board and an enterprise-wide responsibility.

ACI: A strong risk culture is fundamental for effective risk management. What are some of the determining factors that can "make or break" a strong risk culture?

Wilderotter: When you run companies, you're taking risk every single day. Every decision you make has risk associated with it. What you want is a culture within the company of taking calculated risk and taking risk where you try to identify up front, as best you can, the outcomes of taking those risks. You look at the best and worst case scenarios and try to anticipate what could go wrong and what could go right.

As a board member, I try to make sure the culture is healthy and that there's diligence around the risks that could have significant downside for the company. And it's not about the board saying "Don't take the risk." It's about the board saying "Have you thought through all of the issues associated with the risk posed by that decision?" You also want to make sure the culture itself brings in voices that serve as a check and balance within the senior leadership. If somebody says "stage left" and everybody just turns left without asking why, you probably don't have a healthy risk culture.

The right culture has an openness and transparency in terms of how the leadership works with each other and the wider organization – where employees are comfortable providing feedback in an open and honest discussion, where there are checks and balances and different views are heard.

ACI: How can the board help ensure that the company is not too risk averse?

Wilderotter: I think it's a challenge for a lot of boards. You can't just stick your head in the sand and take no risks. You have to have courage to be on a board because part of it is being able to assess the risks and enable the company's leadership to go take those risks.

I do see boards spending much more time debating risk. But you want to make sure it's being done in the context of making good decisions, not making no decisions. One of the things we emphasized in the NACD (Blue Ribbon Commission) white paper on Strategy Development is that strategy and risk go hand in hand. There's risk in the direction that the company chooses to take. There's risk in the implementation of the strategy. There's risk in the unknowns and the outside factors that you can't control. Risk has to be part of that strategic discussion. You try to identify what the risks could be and whether they're surmountable or not, how much risk you're willing to take, and how far you'll go in pursuing those strategic decisions.

It's important to spend time on risk and strategy at the corporate level and the operating level. At every meeting, we're touching at some point on an operating strategy of the company, whether it's the business model, a new market, partnerships, M&A, industry and competitive strategies, or pricing strategy. And then two or three times a year – rather than a one-time offsite – the board focuses on the macro strategy for the company. Are you a leader in your market? Are you an acquirer? Are you dressing up to sell? Are you splitting parts to the business out to create value in a different way? Are you rethinking how you manage cash on the balance sheet? This macro-level discussion is really where you get into whether the company is taking the right risks.



Maggie
Wilderotter

Maggie Wilderotter was named executive chairman of Frontier Communications in April 2015, where she served as chairman and CEO since January 2006 and before that, was president, CEO and a member of the Board. She also serves on the boards of Xerox, Procter & Gamble, Juno Therapeutics, and other organizations. Mrs. Wilderotter is a member of the Board of Advisors of BoardRoom IQ, WomenCorporateDirectors, and The Committee of 200. In 2011, she was named to the Directorship 100, and frequently appears in the FORTUNE magazine ranking of the "50 Most Powerful Women in Business."

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