



“Do You Understand the Risks to Your ERM Program?”

Ontario Risk and Insurance Management Society Webinar

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Session Objectives

During today's session, you will:

- Receive a better understanding of Eli Lilly and Company
- Receive a high-level overview of Lilly's ERM program
- Learn about potential risks to an effective ERM program... and how to mitigate those risks
- Have an opportunity to ask questions and engage in discussion

Our Foundation

Our Mission

We make medicines that help people live longer, healthier, more active lives.

Our Vision

We will make a significant contribution to humanity by improving global health in the 21st century.

Our Values

Integrity,
Excellence,
Respect for People



Eli Lilly and Company Snapshot



- Founded in 1876
- Headquarters located in Indianapolis, Indiana
- Market Cap: ~\$85 billion
- 2015 Revenue: ~\$20 billion
- ~41,900 employees worldwide
- Products sold in ~120 countries
- Two business segments: human pharmaceutical and animal health products

A Century of Innovation

1920's

Iletin®,
World's First
Insulin

1940's

Penicillin

1950's

Polio
Vaccine,
Vancocin®

1960's

Vinca
alkaloids,
Cephalosporin
antibiotics

1980's

1st Biosynthetic
Human Insulin,
Prozac®

1990's

Zyprexa®
Gemzar®
Evista®

2000's

Cymbalta®
Forteo®
Alimta®

2010's

Cyramza®
Jardiance®
Trulicity®
Taltz®

Six new products introduced in just over two years alone!

Research and Development Focus

Therapeutic Area Focus



Neurodegeneration



Diabetes



Oncology



Immunology



Pain

← **Increased access to external innovation** →



**Getting medicines
to patients faster**



**Greater
value/benefit**

Lilly unites
caring with
discovery to
make life
better
for people
around
the world

Lilly



Session Objectives

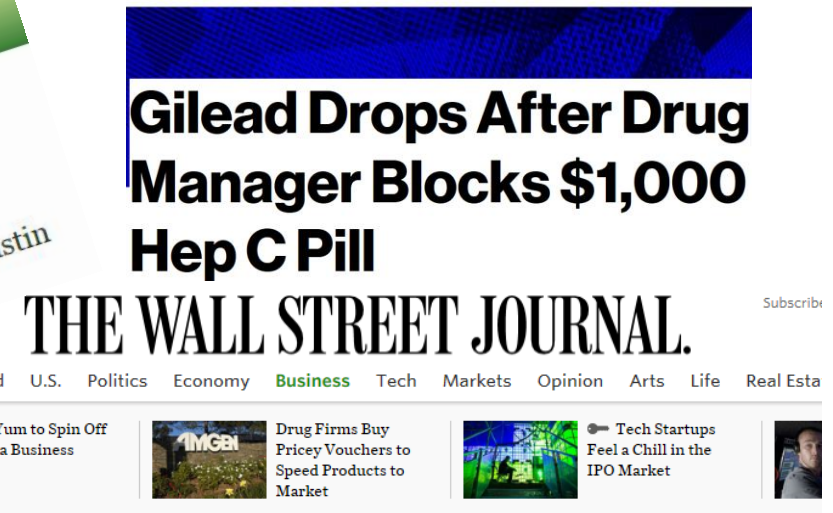
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A Little Bit About Us...

- Ilissa
 - 15+ years with Lilly
 - Corporate Finance/Investment Banking, Controllershship, Corporate Business Development, New Ventures, Investor Relations, Ethics and Compliance...
 - ~3 months in Enterprise Risk Management
- Mike
 - 27+ years with Lilly
 - Corporate Engineering, Safety Engineering, Corporate Finance, Manufacturing Finance, Controllershship, Sales and Marketing, Six Sigma, Ethics and Compliance...
 - ~10 months in Enterprise Risk Management

Risks Inherent to the Pharma Industry



Potential Program Derailer #1

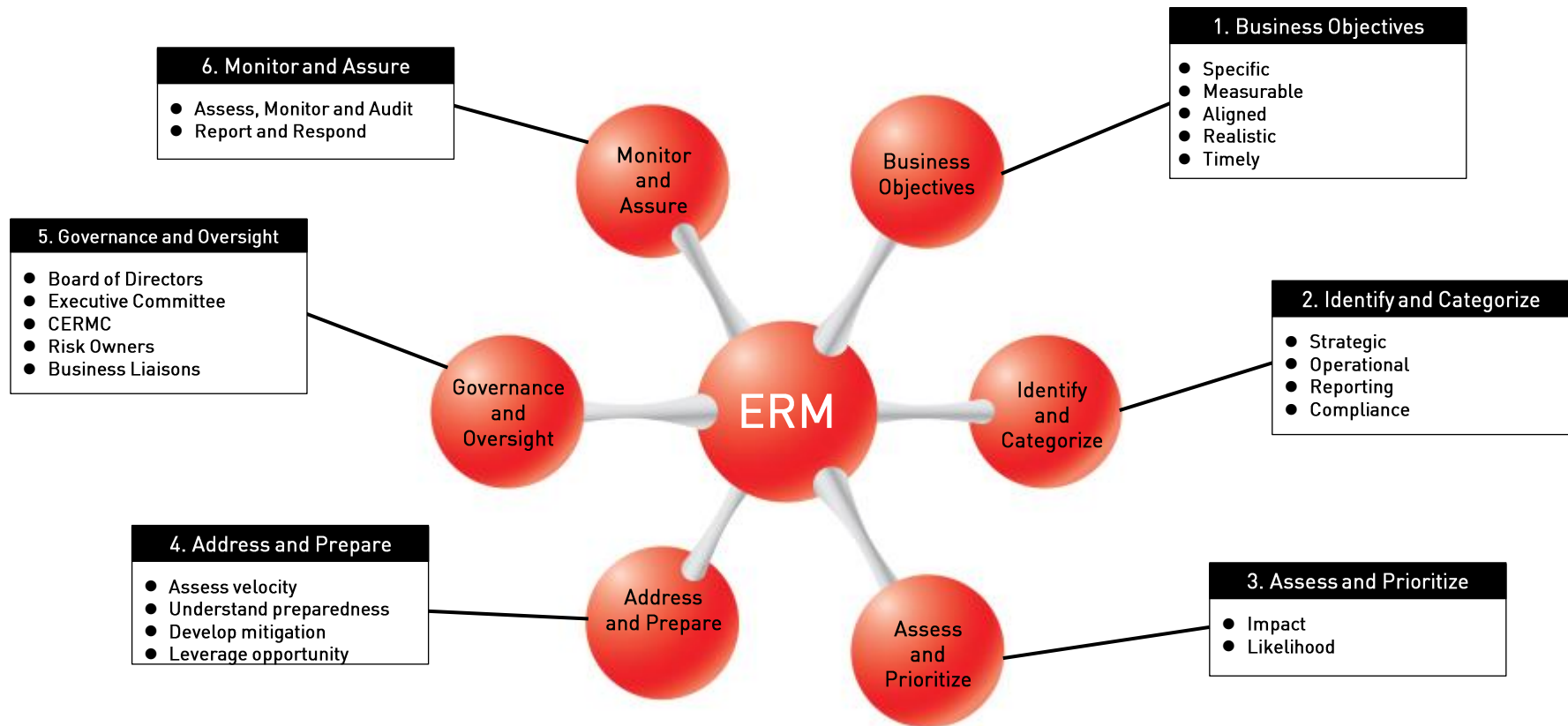
There is a risk that...

Our ERM program is too complex, resulting in a lack of engagement by the business and ineffective risk mitigation

Potential Mitigation

**Keep it simple, stupid!
Maintain easy to understand, consistent and transparent processes**

Lilly's ERM Framework Supports A Business-focused Risk Management Process



Annual risk identification and prioritization process drives alignment between risk mitigation efforts and the company's key business objectives

Potential Program Derailer #2

There is a risk that...

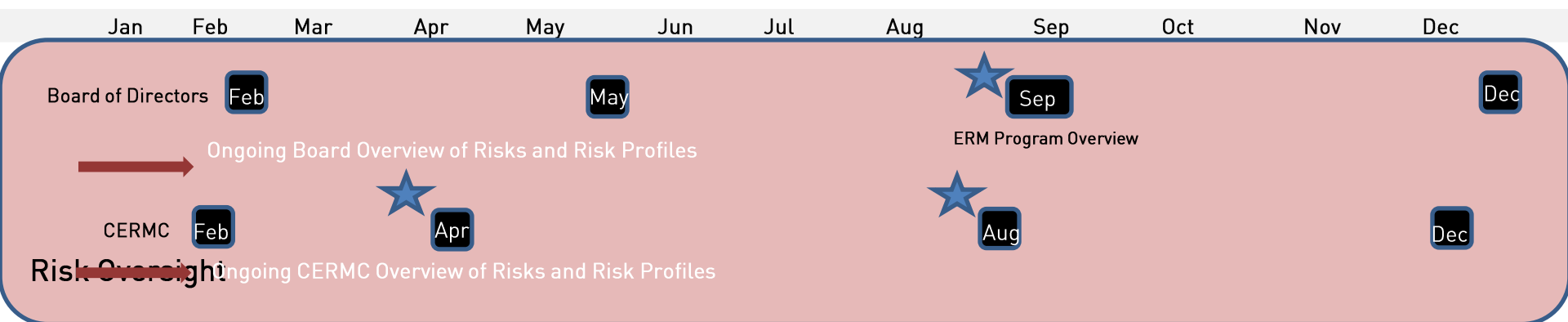
Management and/or the Board is confused by the ERM process, and is either not engaged when risks are discussed or raise issues “off-cycle”

Potential Mitigation

Maintain a consistent cadence with leadership committees, including selective deep dives when appropriate

ERM Governance

- The Compliance and Enterprise Risk Management Committee (CERMC) has internal responsibility for overseeing ERM
- The Public Policy and Compliance Committee (PPCC) has board level accountability for the program, and participates at least annually in a full program review



Potential Program Derailer #3

There is a risk that...

My team is not staffed (resources, expertise, etc.) sufficiently to develop and maintain a comprehensive, effective program

Potential Mitigation

Engage with leaders embedded across the business to broaden your reach and improve your perspective

ERM Management

- The ERM Core Team is responsible for leading the program
- ERM Liaisons from within the business embed ERM activities

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
ERM Core Team											
Risk Mitigation Plan Monitoring and Reporting											
Identify Emerging Risks Via Risk Interviews January	Business Area Risk Prioritization Workshops Feb/March	Enterprise-level Consolidation and Prioritization April	Review Risk Mitigation Plans January - December				Support Business Planning, Environmental Assessment and Identification of Emerging Risks				

Potential Program Derailer #4

There is a risk that...

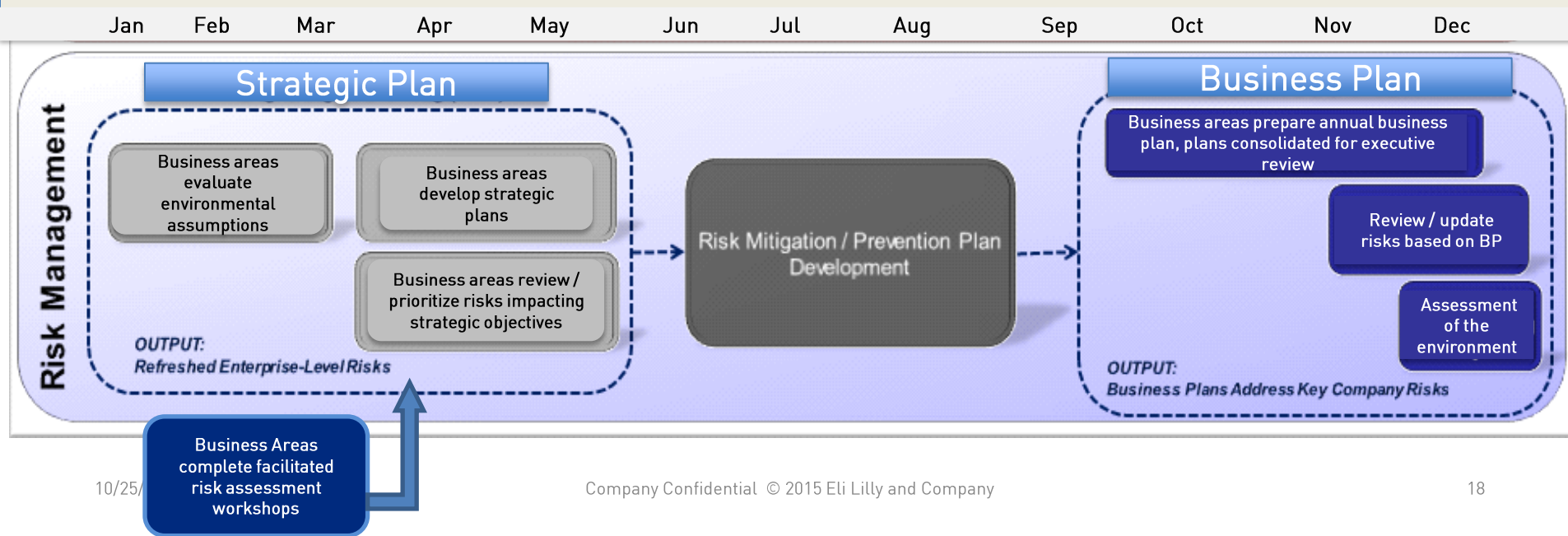
ERM is viewed as a corporate mandate added onto the plates of people that are already too busy

Potential Mitigation

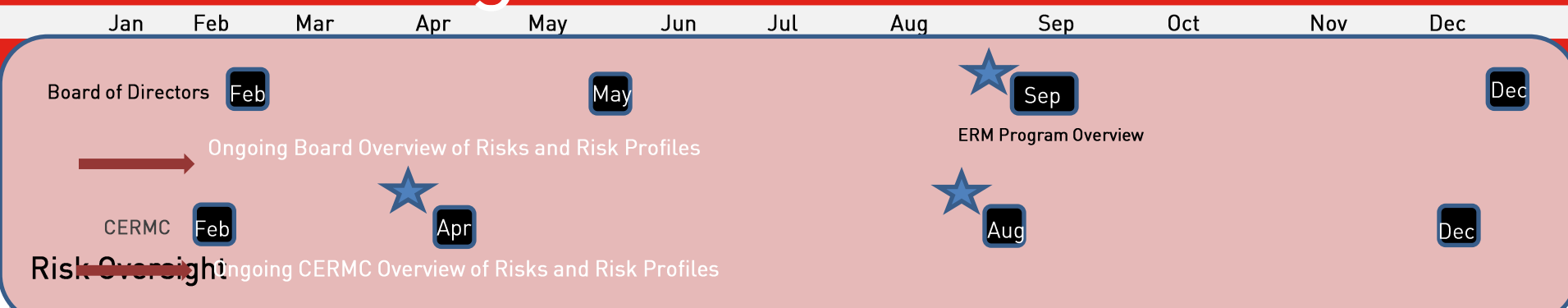
Embed ERM's processes into those already existing in your company; make it part of how the business is run

ERM Management

- ERM is strategically aligned and fully connected with the company's planning processes

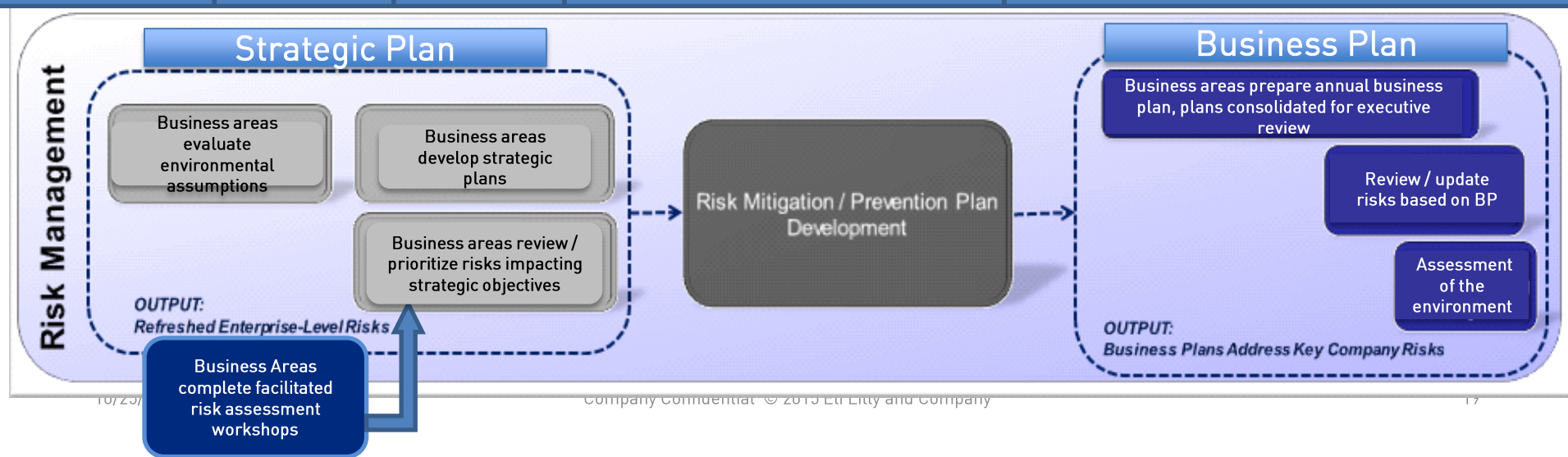


ERM Program Governance



ERM Core Team

Risk Mitigation Plan Monitoring and Reporting



Potential Program Derailer #5

There is a risk that...

ERM is a “check the box” exercise, where the previous period’s risk list is reviewed for accuracy, making it easy to miss emerging risks

Potential Mitigation

Maintain the discipline of conducting a thorough risk identification process at least annually, leveraging a diverse set of resources

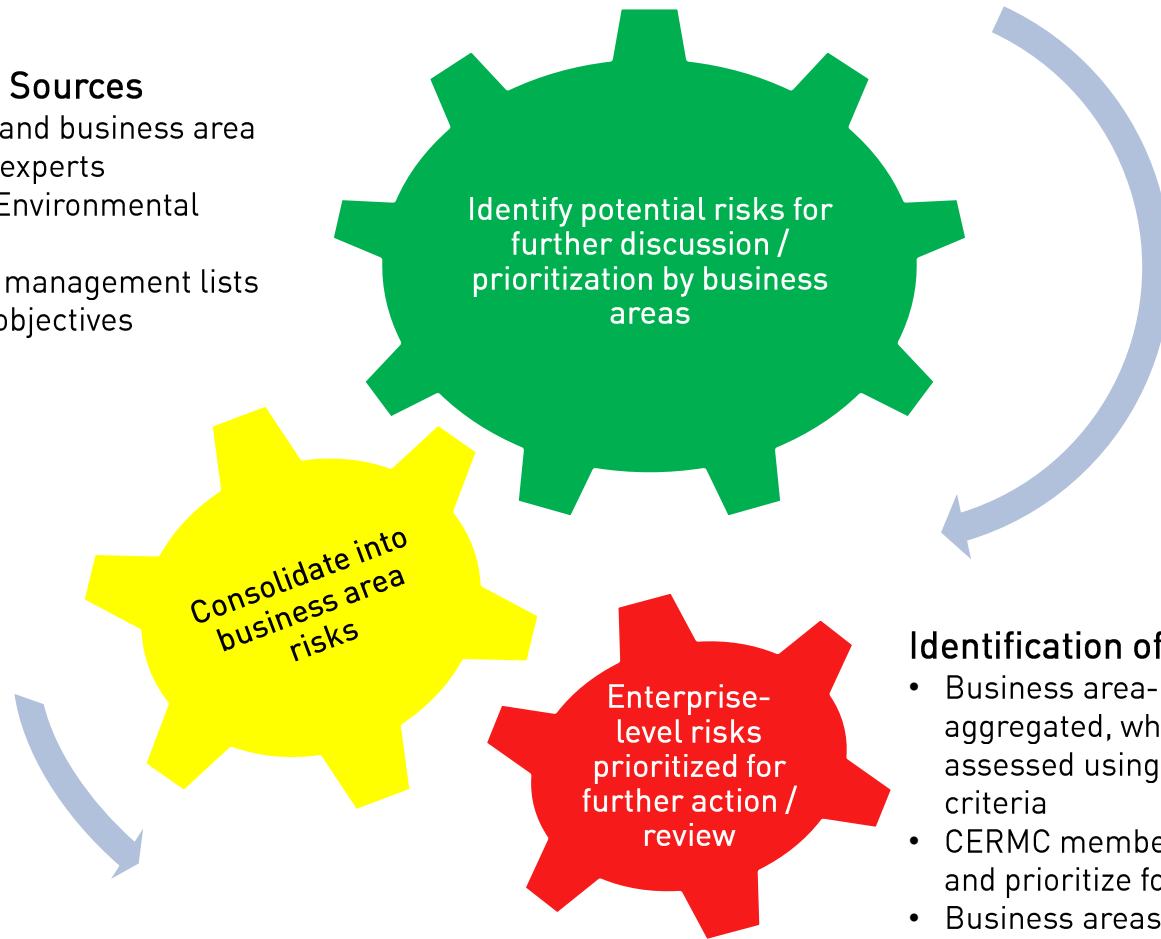
Identification of ERM Risks

Risk Intelligence Sources

- Senior leaders and business area subject matter experts
- Strategic Plan Environmental Assessment
- Existing issues management lists
- Area business objectives

Risk Consolidation Process

- Identified risks consolidated via business area-specific discussions held in workshop format



Identification of Enterprise-Level Risks

- Business area-identified risks are aggregated, where appropriate, and assessed using likelihood and impact criteria
- CERMC members debate proposed risks and prioritize for further action / review
- Business areas continue to own risks specific to their business

Potential Program Derailer #6

There is a risk that...

Managers attempt to “game” the process, either by minimizing risks in their organizations or maximizing them to attract resources

Potential Mitigation

Develop a consistent set of logical criteria to evaluate and prioritize risks; have a broad set of individuals participate in prioritization

Lilly Uses Consistent Likelihood and Impact Criteria to Prioritize its ERM Portfolio

Likelihood

7-9	High	>50% likely to occur; event has occurred in the last 24 months, or likely to happen in the time period associated with the company's strategic plans
4-6	Medium	10-50% likely to occur; has occurred in the distant past, or is moderately likely to occur in the time period associated with the company's strategic plans
1-3	Low	<10% likely to occur; not likely to occur in the time period associated with the company's strategic plan

Impact

	Impacts Business Objectives	OR Financial	OR Operations / Resiliency	
7-9	High	Significantly impacts our ability to achieve Lilly's bus objectives / pipeline	Results in a single year financial impact >\$X, with ongoing impact	Significantly disrupts enterprise-wide customer service or operations reliability; or impacts brand long term
4-6	Medium	Moderately impacts our ability to achieve Lilly's bus objectives / pipeline	Results in a single year financial impact greater than \$X and less than \$X, with some ongoing impact	Moderate impact on enterprise-wide customer service or operations reliability; or impacts the brand for a limited period of time
1-3	Low	Limited impact on our ability to achieve Lilly's bus objectives / pipeline	Results in a single year financial impact <\$X, and little ongoing impact	Limited disruption of customer service or operations reliability, no impact on brand

Potential Program Derailer #7

There is a risk that...

Leadership gets lost in the reams of information produced for ERM, and cannot see the forest for the trees

Potential Mitigation

Leverage visuals, such as a heat map, to simplify your key messages and drive home what is really important

A Simple Heat Map is Used to Facilitate Management Oversight of Enterprise Level Risks



Potential Program Derailer #8

There is a risk that...

Mitigations are paper documents only; they lack details, ownership, and commitment and are therefore not effective at mitigating the ERM risks

Potential Mitigation

Conduct annual monitoring of mitigation plans to ensure oversight and effectiveness

Risks Are Monitored Based Upon Their Placement on the Heat Map



Potential Program Derailer #9

There is a risk that...

Leadership lacks a clear understanding of who owns what risks and what is being done about them

Potential Mitigation

Condense summary information on risks into a single page for leadership reviews

Risk Profile: Risk #1

Risk Owner:	Vice President	2015 Risk Status	Likelihood	Impact	
CERMC Sponsor:	Executive Vice President	Current Ratings	H	H	
Risk SMEs:	Senior Directors, other staff	Risk Statement: There is a risk that...			
Risk Descriptors: <ul style="list-style-type: none">Additional description					
Risk Mitigations / Controls	Actions	Sign Posts / Key Risk Indicators	Owner	Oversight	Frequency
Mitigation #1	What is happening currently or what we plan to do	If this happens, we will either expedite our mitigation plan(s) or change it to address the situation	Mitigation #1 Owner	XYZ Committee	Quarterly
Mitigation #2	What is happening currently or what we plan to do	If this happens, we will either expedite our mitigation plan(s) or change it to address the situation	Mitigation #2 Owner	123 Committee	Annually
Mitigation #3	What is happening currently or what we plan to do	If this happens, we will either expedite our mitigation plan(s) or change it to address the situation	Mitigation #3 Owner	Overseer #3	Ongoing

Potential Program Derailer #10

There is a risk that...

The ERM group is expected to identify, understand, prioritize, AND mitigate all risks, leading to difficult leadership interactions and poor risk mitigation

Potential Mitigation

Identify appropriate owners for each risk to ensure optimal risk mitigation

Important Disclaimers

- Lilly's program would likely not be effective at your company
 - An effective program needs to be designed to fit the processes, culture, and norms of an organization as well as the regulations and challenges unique to your industry
- Do not rely solely upon me, yourself, your boss, or anyone in isolation
 - Create an ERM community for yourself, inside and outside of your company; learn what people are doing, and try things out
- Developing an ERM program is a journey, not a project
 - You will stumble along the way; the important thing is to keep learning and keep improving your program

Questions?

