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National Executive Development Webinar Series

Technology Risk for CFOs

Presented in partnership with:

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IBM

- **Christian Bellavance –** Vice President, Research and Communications, FEI Canada **– Moderator**
- **Peter Gladwish –** Business Continuity Executive, IBM Canada
- **Steven Leo –** Security Executive, IBM Canada
- **Bill Ross –** Business Executive, Vercerta, and Chair of the Board, FEI Canada

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Agenda

- Executive Highlights from FEI Risk Survey
- IT Risk Insights for CFOs
- Discussion and Q & A

April 2014, CFERF Study

- Published by CFERF
- Sponsored by IBM Canada

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IT Security and Business Continuity Insights for CFOs

Methodology and Demographics

- Online survey of senior financial executives across Canada in Nov-Dec, 2013
- Insights gathered from Dec. 3, 2013 roundtable of senior financial executives in Toronto, Montreal and Calgary

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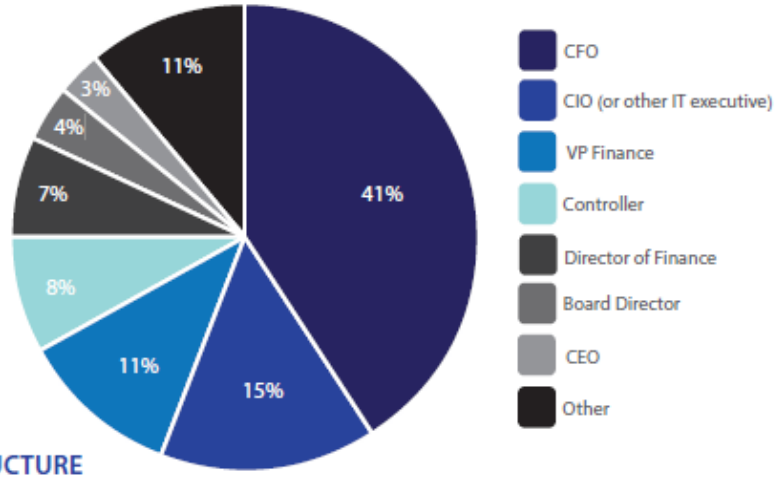
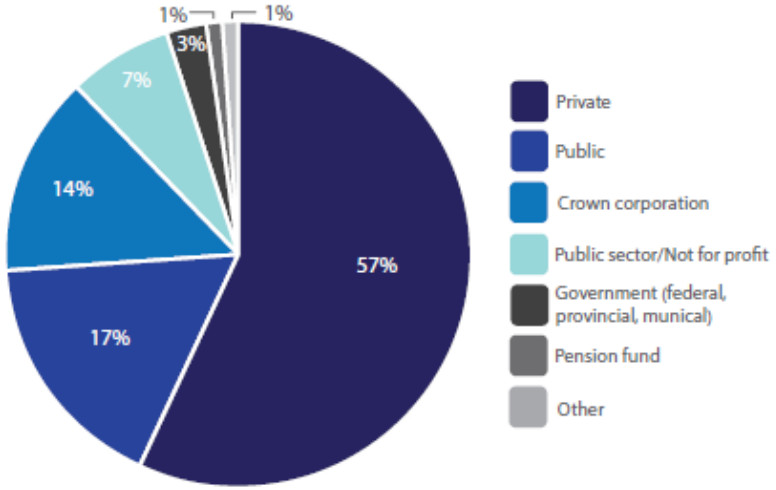
Demographics

POSITION TITLE



CORPORATE STRUCTURE



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CFOs highly involved in IT security & business continuity

- CFOs hold direct responsibility for IT at many organizations.
- According to 68% of respondents, the CFO signs off and approves IT security spending, eclipsed only by the president and CEO

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Study highlights

- The overwhelming majority of survey respondents (93%) rated the importance of IT security as extremely important or important to their organizations.
- Business continuity, defined as the uninterrupted flow of business, was rated higher: 95% of survey respondents rated it as extremely important or important.

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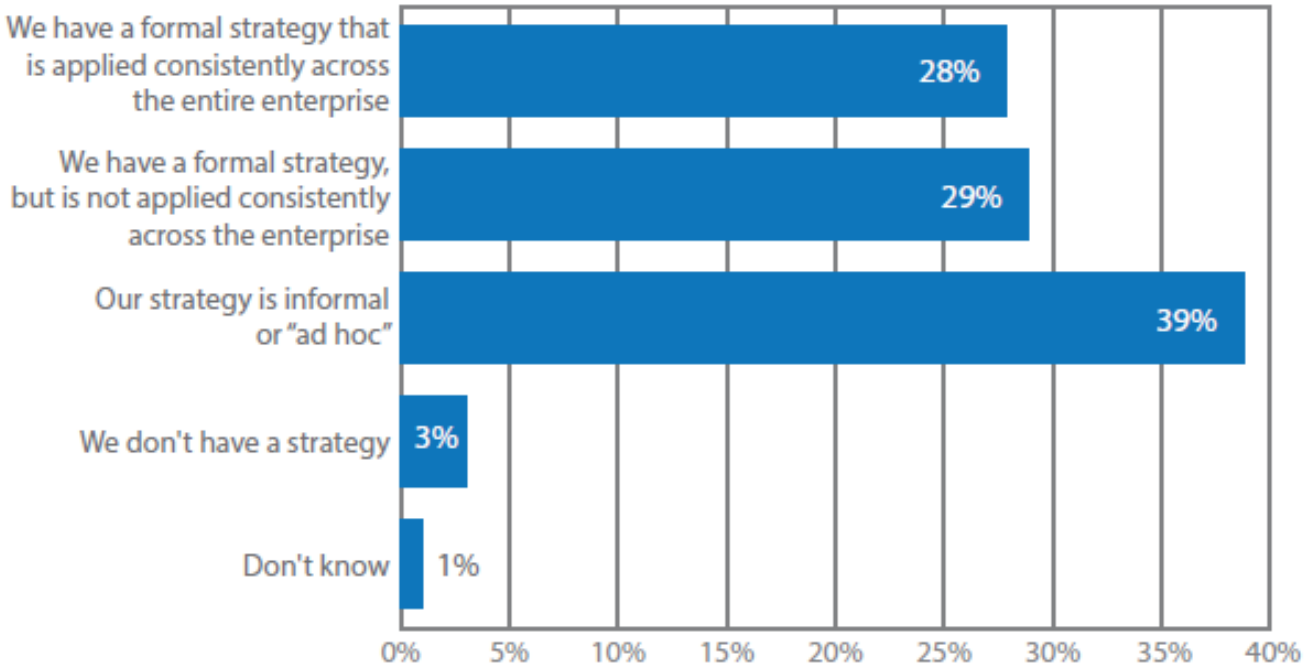
Study highlights: System disruptions

- 60% said they had experienced an IT system failure in the past 24 months, and 6% had experienced damages to brand or reputation
- 52% had experienced system disruption due to human error
- 37% had experienced system disruption due to natural or manmade disasters

Study highlights: System disruptions, Continued

- 29% had experienced system disruption due to data loss (backup/restore issues)
- 23% had experienced system disruption due to third-party partner security breach or system failure
- 23% had experienced system disruption due to a cyber-security breach

Inconsistent Processes & Policies



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Conclusion

- To improve security, participants observed that it was necessary to obtain buy-in by the rest of the C-Suite, including the CEO, board.
- Avoid apocalyptic scenarios; present a reasoned business plan: potential impacts to revenue generation, growth, bottom line, brand and reputation, and potential operational downtime.

Polling question

Why do you think that only less than 1/3 of respondents had a formal IT risk management policy and applied it consistently?

1) Lack of knowledge
2) Lack of resources
3) No support from CEO and board of directors
4) Don’t really believe in IT threats

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IT Risk Insights for CFOs

- Steven Leo, Security Executive, IBM Canada

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Increased risk

40%

of Fortune 500 and popular web sites contain a vulnerability[2]

Budgetary constraints

71%

of the average IT budget is dedicated to ongoing operations[4]

Mobile in the enterprise

90%

of organizations will support corporate apps on personal devices by 2014[6]

Social business

74%

of enterprises use social media today to communicate with clients[7]

Innovation in the cloud

60%

of chief information officers view cloud computing as critical to their plans[5]

Aging Infrastructure

71%

of data centers are over 7 years old[1]

Exploding data growth

2.7ZB

of digital content in 2012, a 50% increase from 2011[3]

CEOs are under increasing pressure to deliver transformative business value—with fewer resources

Sources: [1]The Essential CIO: Insights from the Global Chief Information Officer Study,, [2]IBM X-Force® Mid-year 2013 Trend and Risk Report, September 2011, [3]IDC, "IDC Predictions 2012: Competing for 2020" by Frank Gens December 2011, IDC #231720, Volume:1, [4]Based on IBM Research, [5]McKinsey How IT is managing new demands 2011, [6]Gartner predicts that by 2014, "90% of organizations will support corporate applications on a personal devices.", [7]Forrsights Business Decision-Makers Survey, Q4 2011

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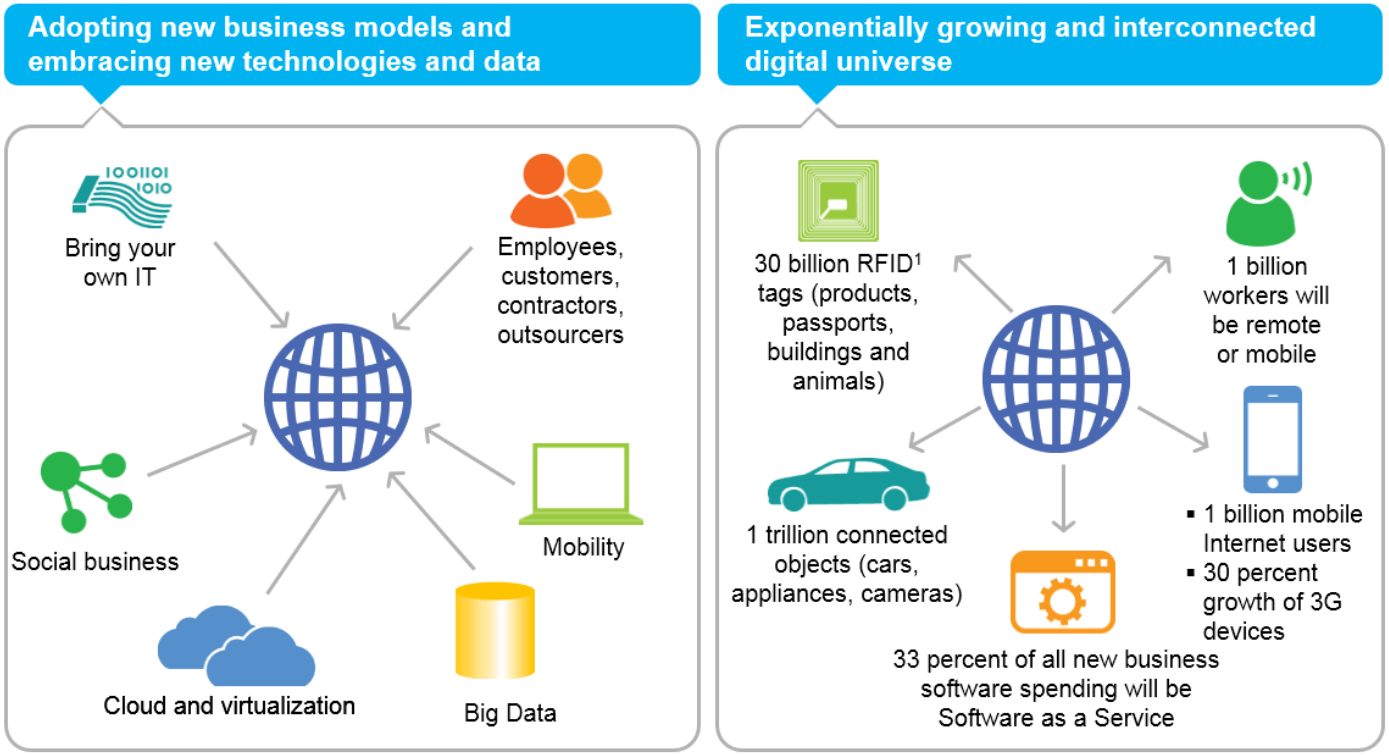

Source: IBM X-Force® Trend and Risk Report, 2013

Threats increase with emergence of new business models, new technologies and Big Data

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Criminals

Theft of client records / IP

Regulators

Hactivists

Strategies for:

- *IT Security*
- *Business Resiliency*

State Sponsored Espionage

Insider Fraud/ User Error

Physical Takeover of Critical Infrastructure

Operational Disruptions

Transformation involves IT Risk Management to address many types of business threats

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IT Security

- Steven Leo, Security Executive, IBM Canada

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A historical look at security incidents by attack type, time and impact, 2011 to 2013

conjecture of relative breach impact is based on publicly disclosed information regarding leaked records and financial losses

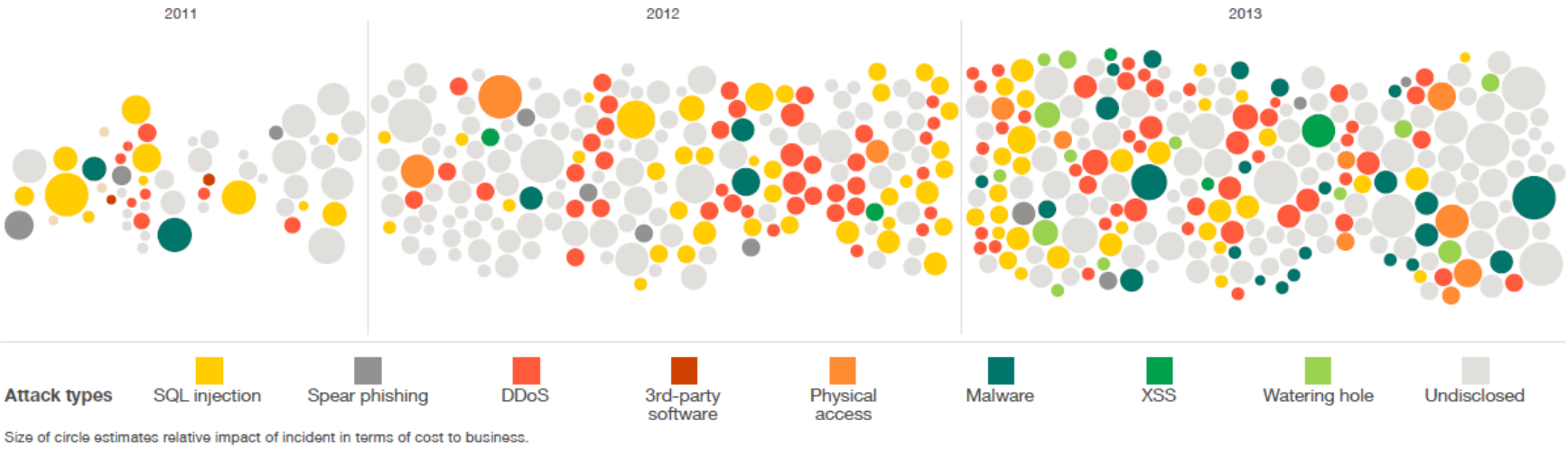

Figure 1. A historical look at security incidents by attack type, time and impact, 2011 to 2013

1. Number of Attacks have increased Significantly
2. Sophistication of attacks have become more complex
3. Lack of Security skills in the industry contributing to security gaps

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IT Security insights

- IT security is now a Boardroom discussion
- Hackers are more sophisticated, and fewer access points are corporately-controlled
- Compliance demands on staff and systems are escalating
- Significant damage to the brand (reputation, $$) if security breaches occur…driving more industry/govt regulations
- A secure perimeter is not good enough; need security intelligence to prevent/detect across the enterprise
- Impacts to business productivity and new product development if security controls are not well designed

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Business Continuity

- Peter Gladwish, Business Continuity Executive, IBM Canada

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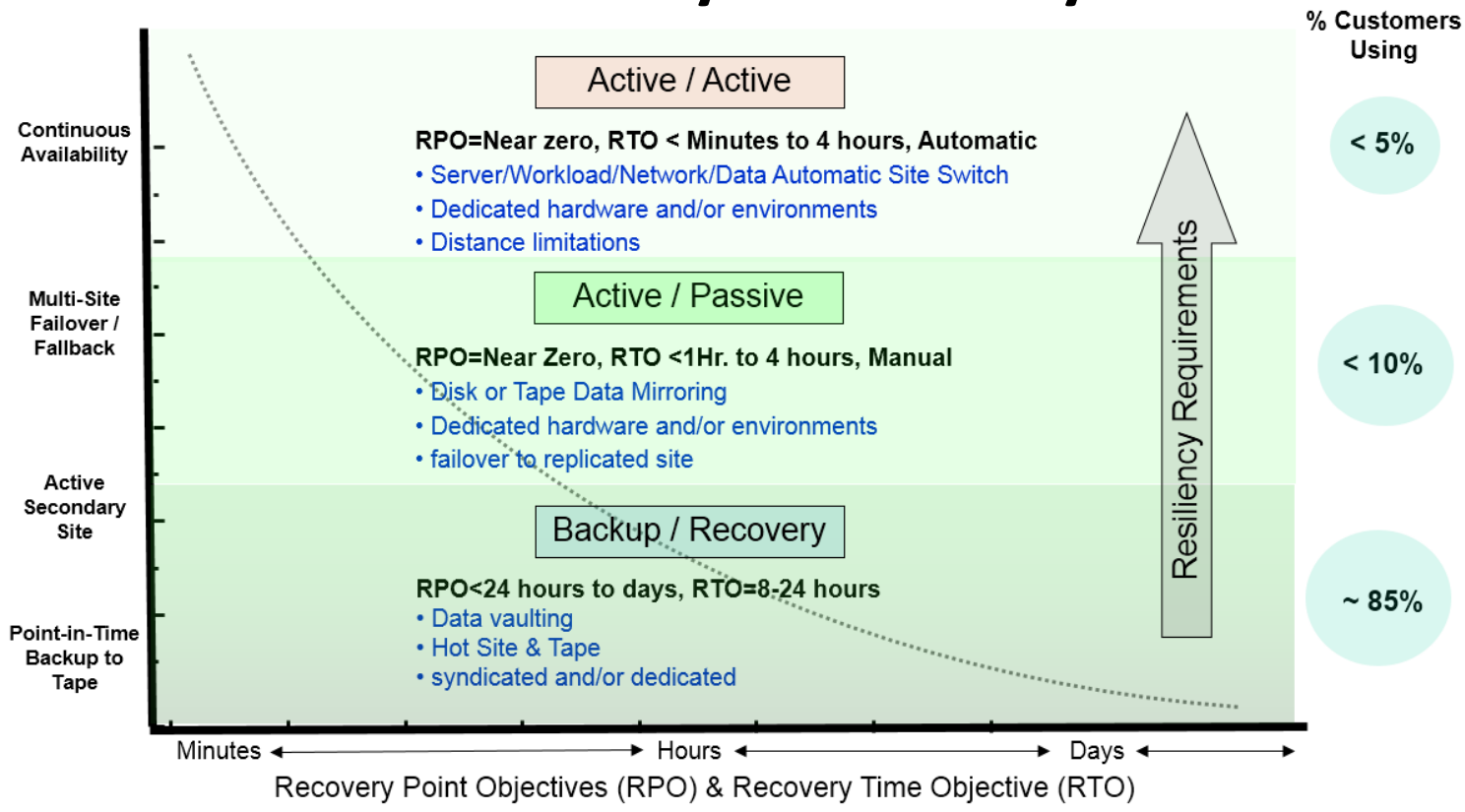
Business Continuity & Recovery



Mitigating availability risk is not a one size fits all approach

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Business Continuity insights

- Majority of organizations still have outdated DR plans/processes
- DR is not necessarily a Boardroom agenda item
- Increased demand for availability can be different by Business Unit and/or Application
- DR planning needs to encompass more that IT
- Many Organizations are looking at new Business Continuity approaches that improves resiliency and recovery options, saves costs and reduces risk
- Leverage new technologies to enable the enterprise

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Overall Reputational Risk – a point of view from IBM

- As **cybercrime** escalates, so will reputational risk and potential harm
- **Resiliency** is an important factor that will be far broader than RPO and RTO when reputational issues are at stake
- Reputational risk will become a **major justification for IT investment**
- Your **partners' compliance** with your security and continuity standards should be a priority

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How CFOs can make a difference…

- Work with your IT and Risk leaders to establish a proactive approach and roadmap… considering business and regulatory needs

- Understand and prioritize the top Security and Business Resiliency initiatives for <u>your</u> organization, and assess their effectiveness

- Invest in protection and leverage your IT partners for needed skills and capabilities

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Discussion and Q & A

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Thank you