

Bruce Branson:

- Hello I'm Bruce Branson I serve as the Associate Director of the Enterprise Risk Management initiative at North Carolina State University. I'm here today with Lynne Peck. Lynne is the Chief Audit Executive and facilitates the Enterprise Risk Management program at Reynolds American. Lynne agreed to talk to us today about board reporting. I want to ask you a little bit about your board reporting practices. How frequently do you report key risks to your board?

Lynne:

- At RAI risk oversight is appointed to the audit committee, we report to the audit committee two times a year and to the full board once a year.

Bruce:

- So I was wondering, you mentioned reporting to the audit committee, are some materials focused exclusively to them or does everything you prepare go to the full board?

Lynne:

- The materials for the audit committee are more detailed than the materials that go to the full board. The general content is the same but we have materials that are a little more detailed around a dashboard and priority risk areas where we talk, not just about the risk, but about the mitigations.

Bruce:

- I see, can you tell us a little bit about the format of those materials. What do they look like?

Lynne:

- Okay the narrative is an executive summary, it's in word and that document gives a high level overview of the priority risk areas and if the risk has increased or decreased, and it kind of tells the story of what's going on with that risk. The scorecard is a one pager summary, a heat map summary, that lists the strategic risk and it will give a feel for if the risk is increasing or decreasing. So it's just a good way to present and focus a conversation in the meeting.

Bruce:

- Do all the board members have access to those more detailed materials as well?

Lynne:

- All of the board members have access to more detailed materials, yes.

Bruce:

- Who participates in the presentation to the board?

Lynne:

- During the board meeting, the full board meeting, it's all board members, as well as the owners of the key strategic risk areas. So the conversation is between the

board, the ERM, director or myself, if it's the full board, and the management, the person that's responsible, that owns that risk area.

Bruce:

- About how many of those key risks are reviewed typically in a given meeting?

Lynne:

- There's, the dashboard, I'm sorry, the scorecard has about ten risks that we really focus on. If you get past ten risks it seems like it's really hard to focus the conversation.

Bruce:

- That's fantastic. Well thanks for joining us today, Lynne, I really appreciate it.

Lynne:

- Sure, thank you.