

Figure 18. SVBFG internal risk management gap assessment

### Risk Management Gap Assessment: Executive Summary (1/2)

LFI Components	Summary of Gaps	Related RTP Workstreams (WS #) / Other Programs
<b>Risk Appetite Statement</b> I	<ul style="list-style-type: none"> <li>Given the lack of a formal <b>Risk Appetite Standard</b>, evaluation of the risk appetite statement ("RAS") and risk tolerance is not formalized for <b>annual review or ad hoc changes</b> due to emerging risks or strategic changes (e.g., acquisitions). [Gap 1]</li> <li><b>Enterprise-level risk tolerances</b> are not cascaded down to the line of business for all key applicable risks. [Gaps 2, 3]</li> </ul>	<ul style="list-style-type: none"> <li>Risk Appetite and Limits Framework (WS 4)</li> </ul>
<b>Strategic Plan</b> II	<ul style="list-style-type: none"> <li>The <b>strategic planning framework</b> does not have a defined process to review the impact of the business lines' strategic plans on SVB's risk profile, nor is there a mechanism to track the firm's progress against its strategic objectives. [Gap 4]</li> <li><b>Effective challenge by the 2nd LOD</b>, while present, does not demonstrate the outcome of its exercise. [Gap 4]</li> <li><b>Business unit strategic planning</b> is not supported by a documented process to demonstrate responsibilities, criteria and guidelines for approval. [Gap 5]</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Strategic Planning Process (WS 10)</li> </ul>
<b>Risk Identification and Assessment</b> III	<ul style="list-style-type: none"> <li>The <b>Issues Management</b> process currently lacks mechanisms to track, escalate, report, determine root causes, ensure effective change management, and manage data quality on issues throughout the enterprise. [Gaps 6, 7]</li> <li>The <b>Risk ID and Risk Acceptance</b> governing standards have not been implemented, and there is inconsistent application of the <b>Risk Taxonomy</b> across financial and non-financial risks. <b>Risk and Control Inventories ("RCI")</b> are at varying levels of maturity and data does not always map back to the Risk Identification Framework/Standard. [Gaps 8, 9, 11]</li> <li>The scope of the <b>Compliance Monitoring and Testing program's risk assessments</b> do not consider the non-banking entities of SVBFG. [Gap 9]</li> <li>SVB does not currently utilize a <b>centralized GRC tool</b> to manage and report on risk assessments across the enterprise. [Gap 10]</li> <li>The governing risk management process for <b>New &amp; Modified Products &amp; Services</b> has not yet been finalized, leading to an inconsistent approach throughout the enterprise. [Gaps 12, 13]</li> </ul>	<ul style="list-style-type: none"> <li>Issue Management (WS 9)</li> <li>Risk Identification (WS 5)</li> <li>Risk Acceptance (WS 6)</li> <li>GRC Platform (WS 8)</li> <li>New &amp; Modified Products &amp; Services (WS 11)</li> <li>Compliance-specific remediation will take place under regulatory remediation activities underway</li> </ul>
<b>Roles and Responsibilities</b> IV	<ul style="list-style-type: none"> <li>Many <b>foundational standards of 2nd LOD</b> (e.g., issues management, risk ID, risk acceptance etc.) are not fully developed, and the execution and documentation of <b>2nd LOD's effective challenge</b> responsibilities are conducted inconsistently across 2nd LOD functional areas. [Gap 14]</li> <li>The business units currently do not maintain clearly defined <b>roles and responsibilities</b> for key risk programs related to <b>1st LOD risk management</b>. [Gap 15]</li> <li>There is <b>no framework or methodology</b> for assessing compliance risk culture. [Gap 15]</li> </ul>	<ul style="list-style-type: none"> <li>Governance, Accountability &amp; Culture (WS 1)</li> </ul>

SVB Confidential

### Risk Management Gap Assessment: Executive Summary (2/2)

LFI Components	Summary of Gaps	Related RTP Workstreams (WS #) / Other Programs
<b>Governance and Escalation</b> V	<ul style="list-style-type: none"> <li>There is a lack of governance process around <b>enterprise policies and procedures</b>, and no central repository to ensure awareness as to the existence of policies. [Gap 16]</li> <li>The <b>Management-level Risk Committees</b> program governance, while established, does not clearly define a standard structure for hierarchy, information flow, and charter requirements. [Gap 17]</li> <li>ERM has not implemented a <b>Risk Reporting Governance Program</b> and oversight framework, leading to disparate reporting practices across the enterprise. [Gap 18]</li> <li><b>Business Unit Quarterly Risk Reporting (QRR) and Monthly Reporting</b> lacks a structured risk framework around establishment of thresholds, limits and tolerances to conform with the Risk Appetite Standard. [Gap 19]</li> </ul>	<ul style="list-style-type: none"> <li>Governance, Accountability &amp; Culture (WS 1)</li> <li>Management Committee Governance (WS 3)</li> <li>Risk Reporting (WS 7)</li> </ul>
<b>Resources and Infrastructure</b> VI	<ul style="list-style-type: none"> <li>While the 2nd LOD is currently actively hiring to meet its identified resource needs, it does not have a defined framework for identifying and assessing its resource needs. [Gap 20]</li> <li>While the 1st LOD is currently actively hiring to meet its identified resource needs, it does not have a defined framework for identifying and assessing its resource needs. [Gap 21]</li> </ul>	<ul style="list-style-type: none"> <li>Workforce Planning (WS 2)</li> </ul>
<b>Internal Control Framework</b> VII	<ul style="list-style-type: none"> <li>There is no enterprise-wide <b>Internal Control Framework</b>, including no enterprise-wide standard for the various control testing programs, leading to limited standardized control data across the enterprise. [Gap 22]</li> <li>The <b>Risk and Control Self-Assessment (RCSA) Program</b> and related <b>internal control testing</b> of key controls is inconsistent given the disparate scope of testing programs, and not at a state of maturity appropriate for a firm of SVB's size. [Gap 22]</li> <li>Risk assessments for the Compliance Monitoring and Testing program considered a limited set of factors and conduct testing on inherent rather than residual risk. [Gap 23]</li> </ul>	<ul style="list-style-type: none"> <li>ERM Controls Monitoring (WS 12)</li> <li>Technology Risk Management (WS 13)</li> <li>Compliance-specific remediation will take place under regulatory remediation activities underway</li> </ul>
<b>Talent and Incentive Management</b> VIII	<ul style="list-style-type: none"> <li>HR has not established an enterprise-level <b>Talent Management framework</b> to govern the end-to-end employee lifecycle for Covered Employees, including <b>performance reviews</b> to monitor and enforce prudent risk-taking behavior. [Gaps 24, 25]</li> <li>The <b>Incentive Compensation plan design</b> does not include a process to ensure risk management and compliance objectives and practices are taken into consideration for Covered Employees. [Gap 26]</li> <li>There are no documented processes to evidence standardized practices across the enterprise for <b>Succession Planning</b> and <b>maintaining job descriptions</b> for key employees. [Gaps 27-30]</li> </ul>	<ul style="list-style-type: none"> <li>MRIA 1</li> <li>Workforce Planning (WS 2)</li> </ul>



SVB Confidential

Source: SVBFG internal material, August 29, 2022.