AI for Enterprise Risk Management: Advancing ERM Maturity

Context

Much of today's enterprise risk management (ERM) was shaped in response to several factors:

- Highly publicized internal control and business scandals.
- The global financial crisis in 2008.
- Industry recognition during that time of the need for stronger board governance over financial operations.

All of this led to the expansion of ERM programs beyond their initial focus on credit and market risk and into the domains of operational risk, process and IT controls. Early eras of 'tick-the-box' ERM have given way to a more dynamic, integrated and continuous risk and control intelligence function that can anticipate and adapt to changes to a risk environment in which data and analytics, innovation and governance intersect to provide a holistic view of enterprise-wide risk.

Once considered a peripheral function relegated to a single individual or operational function in business, ERM is now considered a centerpiece of an organization's overall digital transformation strategy and a key ingredient of profitable growth. Moving forward, the business landscape will demand even more agile and effective ERM practices (underpinned by AI and other automations) that help organizations understand:

- The inherent risks in their business.
- The actions required to either leverage risk or remediate its potential impact on performance and growth.

AI in Action

Chartis' *AI in Action* reports:

- Demonstrate how artificial intelligence (AI) and machine learning (ML) are being used to bring a new level of maturity to various enterprise risk management functions.
- Examine firms' AI and ML capabilities in enterprise risk management, outline client experiences, and consider the benefits delivered.

Issues and implications

Chartis believes that many mid-size organizations are still in the early stages of an ERM program that can operate with the agility required by the business demands of today and in the future. These less mature ERM programs are typically limited to fundamental and more reactive compliance and auditing activities, characterized by ad hoc processes, little automation and a limited view of the operational, market and credit risks embodied in business.

Today's unpredictable business environment demands an agile approach to advancing ERM maturity at an accelerated pace. Ideally, ERM maturity should lead to a program end-state that recognizes the broadest set of risks and their interrelationships, and is supported by people, processes and technologies that can deliver the analytics, intelligent automation, reporting and workflows necessary to run a successful business. In this context, advanced ERM programs must do more than merely protect value; rather, they must help create a resilient organization that in turn empowers growth and fuels organizational performance.

Chartis sees several important implications for organizations at the early stages of ERM maturity, specifically:

- **The digital age rewards business agility**. Businesses now face a disruption premium, or the amplified risk of an immediate and cascading risk management failure following an incident. Organizations must be ready to respond in real time. Maturity in ERM improves the ability of a business to anticipate disruption, protect value and respond to a crisis in a more systematic way.

- **The modern enterprise's digital footprint is vast and expanding**, encompassing cloud platforms, Internet of Things (IoT) devices, remote workforces, and complex vendor and third-party ecosystems. This interconnectedness, while essential for staying competitive, exponentially magnifies the risk universe and attack surface for disruptive forces. Cyber risk, for example, again ranks as the top operational risk faced by executives today, according to a 2025 Op Risk Benchmark survey by Risk.net. In addition, a study[1] shows that 60% of board members are now involved in cyber risk oversight, up from 35% just three years ago.

- **Risk and growth are inseparable**. As organizations grow into new markets, expand their teams and operations, or launch new products, the risk profile becomes harder to manage. Less mature legacy ERM processes, with their manual touchpoints and information silos, struggle to scale at the pace of ambitious and innovative initiatives.

- **Rapid technological advances – AI/machine learning (ML), cloud computing, digital assets and other innovations – are fundamentally reshaping how risk is manifested and managed in every sector**. The board must keep pace. For example, a large percentage of board directors now look for a routine review of technology risks as part of their core agenda – a dramatic shift from previous decades, according to the same Risk.net 2025 Op Risk Benchmark Survey.

Accelerating your journey to ERM

The initial stage of ERM maturity typically begins with ad-hoc, siloed efforts to capture risks and control techniques for audit or compliance purposes. In almost all cases, spreadsheets, emails and file sharing make up the technical infrastructure supporting this process. These processes can be prone to error, time consuming, and difficult to maintain with proper change controls, leaving an organization with an incomplete view of the universe of risks inherent in its business.

Today, however, innovations that leverage AI/ML can scan a broad horizon of risk content sources (including company 10-K filings, standard risk and control frameworks, regulatory filings, news and media feeds) to quicky capture, curate and categorize risks for the user. As the universe of risks and regulations

[1] Diligent Institute's research shows that organizations that lead in ERM maturity outperform their peers. High-maturity ERM programs are 35% more likely to detect risks before they escalate, 50% faster at implementing mitigations, and repeatedly demonstrate superior financial performance during market shocks.

expands and contracts, it's increasingly important that the scanning and risk discovery processes are informed by a specific business profile, which might include industry, geographic presence, product/service portfolio, and risk domain of primary interest. This will improve the ability of the AI/ML to curate and categorize the content in a way that is consistent with the profile of the business. Having identified the risk universe specific to the business, users can further refine the content and use it as a springboard for conducting risk and control assessments, developing and executing testing techniques, visualizing and communicating these assessments across the organization, and identifying and prioritizing follow-up management actions.

The use of AI/ML in this early stage of ERM maturity is particularly relevant and helpful in creating a strong, reliable and persistent ERM program base in an accelerated time frame and in environments where resources are at a premium.

Diligent AI Risk Essentials

About Diligent

In Chartis' **Governance, Resilience and Compliance Solutions, 2025: Quadrant Update** report, Diligent is recognized as a leader in enterprise GRC, GRC analytics, third-party risk management, regulatory intelligence and audit risk management solutions. The company has a distinctive position in the market with a strong presence at the boardroom level and, via the Diligent Institute, an active role in risk management education and professional development. **AI Risk Essentials** is the company's latest risk management software solution designed for General Counsels kickstarting an ERM program or for Risk Managers looking to accelerate ERM maturity. The out-of-the-box solution uses large language models (LLMs) and AI techniques referred to as retrieval-augmented generation [RAG] to expand and deepen clients' understanding of the risk universe that surrounds their business.

Diligent AI Risk Essentials provides the ability for organizations to move beyond spreadsheets and manual risk management with an AI-powered solution that streamlines every stage of the risk lifecycle. Leveraging LLM and RAG techniques, AI Risk Essentials accelerates the identification and classification of risks from a global universe of 185,000+ real-world risks across 2,500+ organizations through external data sources, including SEC 10-K filings.

With AI Risk Discovery, clients can filter and tailor risks by company, industry or category – ensuring insights are relevant to their unique business profile. This foundation enables teams to identify risks, assign risk owners, conduct group risk assessments, benchmark against their peers or competitors, and design simplified mitigation plans that are practical and actionable.

A built-in workflow and interactive risk heatmap bring structure to the process, helping risk teams plan, automate and monitor risk activities within a single source of truth. Additionally, clients receive access to Diligent's new ERM Certification, along with onboarding training and support to ensure knowledge sharing and long-term success.

Case study: CBCL

Chartis Research interviewed Melanie McGrath, General Counsel of CBCL, an employee-owned, multidisciplinary engineering and professional services firm headquartered in Halifax, Canada, to understand the value propositions of Diligent AI Risk Essentials. Founded in 1950, CBCL has experience in over 100 countries around the world, delivering more than 2000 engineering and consulting projects each year in multiple areas, including the geotechnical and materials, ports and marines, transportation, water, industrial and municipal sectors.

CBCL recently deployed Diligent AI Risk Essentials to modernize and mature its ERM program. Table 1 on page 4 captures Melanie McGrath's experience of the project.

Table 1: AI in Action – Diligent AI Risk Essentials

Company profile	CBCL is an employee-owned multidisciplinary engineering and environmental consulting services firm in Canada, with 14 offices in 5 provinces and more than 500 employees. • CBCL has been a Diligent client since 2020, streamlining and improving its Board and Audit Committee reporting. • CBCL was in the early stages of ERM maturity, using manually prepared corporate risk registers and internal workshops to meet its Board and Audit Committee requirements. The corporate risk register was maintained on Excel and other shared workplace applications. Limitations of the system included an incomplete view of risk, time-consuming development and cumbersome maintenance, no benchmarking, and a lack of continuous involvement by important stakeholders. Different risks (and the mitigation of those risks) had different maturity levels.
Why AI Risk Essentials?	CBCL recognized the need to advance the maturity of its ERM program with: • A broader view of the financial, operational, technical and reputational risks unique to its business. • The ability to benchmark and pressure-test the CBCL risk profile against organizations in multiple peer groups. • A single platform to manage and maintain the risk profile, internal control environment, compliance obligations and accountabilities of a more mature ERM program. • A platform with workflow, reporting and visualizations that enabled users to gain buy-in with a broader set of stakeholders across the organization, from the Board to field operation, human resources, finance and others.
Early benefits gained	After activating and training on AI Risk Essentials, CBCL was able to: • Expand its view of the risk across various domains, including business development, customer service, brand/reputation and finance and safety. Its view of cybersecurity risks was also expanded and clarified. • Establish trusted conversations with corporate departments and operational teams that had previously been difficult to reach and establish working relationships with. • Create a more cooperative environment which allows ERM tasks to be easily assigned, informed, resolved and audited.

Source: Chartis Research/CBCL

> With Diligent AI Risk Essentials, we've been able to expand our view of risk far beyond operations to include business development, customer service, brand, finance and more. The platform has sparked meaningful conversations across teams that previously had limited engagement in risk management, creating stronger ownership and alignment at both the operational and executive level. It's a solution that was properly priced, quick to deploy, and simple to learn – enhancing our enterprise risk management program and delivering immediate value to all stakeholders.

Melanie McGrath | General Counsel, CBCL

Considerations and opportunities

CBCL's experience highlights the following important considerations:

- **Engagement and accountability**. As a broader set of stakeholders becomes engaged and accountable for risk management, organizations must commit to advancing from simplistic, static risk registers and point-in-time assessments to more mature ERM practices. Engagement with internal stakeholders should include the executive suite, line of business owners, operations, compliance, legal counsel, audit, procurement, information security, sales and customer service representatives. External stakeholders should include regulatory parties, external auditors and, in some cases, critical third-party providers.

- **Risk culture**. Risk and regulatory discovery is an effective use of AI/ML, with a strong value proposition. In addition, a new level of ERM maturity using AI and other automations should have a positive impact on an organization's risk culture, requiring a clear message on ERM priorities from the top and throughout the organization.

- **Business process change management**. The insights and efficiencies gained by automating ERM must be supported by changes to business processes, policies and practices to realize the full value of a maturing ERM program.

Michael Versace is a Research Director at Chartis Research[2] and a recognized thought leader in risk technology, innovation and governance.

[2] *Note that Chartis does not endorse any vendors or their capabilities in its research and publications.*