



Enterprise Risk Management

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Outline

1. Governance Context
2. What is Risk Management?
3. YMCA ERM Process

Governance Context

Purpose of Governance

- To improve the manner by which assets (time, money, skill, etc.) are utilized and opportunities exploited with a view to increasing the attractiveness of the entity to its stakeholders and potential stakeholders and furthering the success of the entity

Governance Context

Purpose of Governance (cont'd)

- A corporate process and structure to:
 - ◆ Direct and manage the business affairs of the organization
 - ◆ Define divisions of power
 - ◆ Establish mechanisms for achieving accountability among shareholders/stakeholders, board of directors and management

Governance Context

Purpose of Governance (cont'd)

- Governance is more than just compliance
 - ◆ Compliance means complying with applicable legislation
 - ◆ Governance is promoting effective management and accountability, not just compliance
- Governance includes risk identification, assessment, risk/return analysis and risk management

Governance Context

Role of Board

- Manage, or supervise the management of, the business and affairs of the organization
 - ◆ Develop and oversee implementation of strategic direction
 - ◆ Supervise performance of management
 - ◆ Monitor results of operations
 - ◆ Evaluate risks and control mechanisms

What is Risk Management

“Risk” refers to the uncertainty surrounding future events, initiatives and outcomes

- Risk avoidance – likelihood and impact of an event that can interfere with the ability to achieve objectives
- Also a “value creation” aspect – can achieve reward by assuming risk successfully¹

¹(James Waddell, TSX Group Inc., ICD Seminar on Risk Management, as reported in Director, Issue 130, February 2007)



“Risk Management” a decision-making process

- ◆ Identifying risks
- ◆ Assessing risks
- ◆ Minimizing risks
- ◆ Acting on risks
- ◆ Monitoring risks



- ◆ “Enterprise Risk Management” a proactive process across the whole organization for identifying, assessing, responding to and reporting on threats and opportunities
- ◆ Based on a shared accountability system, ERM focuses not only on minimizing risks, but also supports opportunities for responsible risk taking for greater mission-driven returns within acceptable risk levels

The 10 things that stop directors from doing risk management well ²

1. Insufficient education/understanding of risk concepts
2. No regulation that compels a focus on risk (ie NP58-201 “Corporate Governance Guidelines”)
3. Lack of clarity on how risk fits into governance
4. Little accepted vocabulary around risks
5. Few outside experts who are catalysts for discussion on risk issues
6. Often not a separate risk committee that focuses on risk issues (audit committee tends to focus on financial risk)



The 10 things that stop directors from doing risk management well ² (Cont'd)

7. Typically not a single member of management who takes lead on risk issues
8. Not a regular board agenda item
9. Often not a deliverable that gives rise to board attention
10. Not much leadership to develop process and best practices

²(Carol Hansell, Davis Ward Philips & Vineberg LLP, ICD Seminar on Risk Management, as reported in Director, Issue 130, February 2007)

YMCA Overview

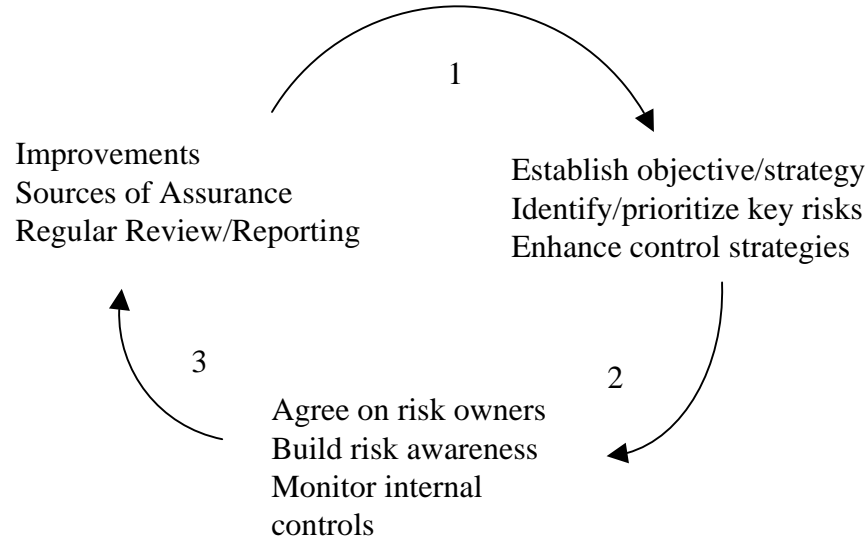
Non-Profit Charitable Organization

Key Business Units

- Health, Fitness & Recreation
- Childcare / After-four Programs
- Day and Resident Camps
- Employment Training
- Second Stage / Emergency Housing

YMCA ERM Process

Ongoing Process





YMCA ERM Process

Structured Approach

- Assess
- identify, assess, prioritize significant risks
 - assess risk management capabilities

Response – agree on strategies to address RM gaps; integrate into planning process



YMCA ERM Process

Structured Approach

Monitor - regularly report and monitor for improvement

Prove - validate that strategies are working



YMCA ERM Process

Risk Identification – the Big 20

- Risk categories:
 - ◆ Compliance Risks
 - ◆ Operational Risks
 - ◆ Strategic Risks



YMCA ERM Process

Risk Assessment

- Identify existing policy, procedure, control
- Quantify risks through self-assessment
- Establish priorities
- Focus resources



Impact of risk

High impact Low likelihood B <i>Consider action / contingency plan</i>	High impact High likelihood A <i>Immediate action</i>
Low impact Low likelihood D <i>Periodic review</i>	Low impact High likelihood C <i>Consider action</i>

Likelihood of risk occurring



YMCA ERM Process

Prioritizing Risk Criteria

Inherent Risk	Low	Medium	High
Quality of Risk Management	Weak	Acceptable	Strong
Residual Risk	Low	Medium	High
Change in Risk Level	Increasing	Stable	Decreasing
Risk Management Priority	Low	Medium	High



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Thank You!