

# THE AGENCY FOR CO-OPERATIVE HOUSING

## POLICY MANUAL

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Risk Management

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### 1. Preamble

Risk, defined as the possibility of loss, injury, or other adverse or unwelcome circumstance, exists in all human activities and cannot be avoided. Managing risk is an integral part of good organizational governance.

Effective risk management is fundamentally a matter of following good practices and procedures, maintaining strong internal controls, paying constant attention to the internal and external environment, and responding appropriately when these change. Enterprise risk management is a structured approach to identifying, assessing, managing, monitoring and reporting on the real and potential risks an organization faces as it seeks to fulfil its mission and achieve its goals.

The purpose of this policy is to formalize the Agency's commitment and approach to managing the risks it faces as it seeks to meet its commitments to its legal clients, address the needs of clients under the programs it administers, and serve the broader public good.

### 2. Principles of the Agency's Risk Management Program

#### 2.1 **Definition of Risk**

For purposes of the Agency's risk management program, "risk" and "risk event" are defined as a specific, potential threat to the Agency's ability to maintain its reputation, to satisfy its mission or to meet its strategic objectives.

## **2.2 Managing Risks at the Enterprise Level**

The Agency is committed to managing risk at all levels of the organization through an enterprise risk management (ERM) approach.

## **2.3 Categories of Risk**

The Agency will group its identified risks in the following six categories: governance risk, strategic risk, operational risk (financial), operational risk (non-financial), reputational risk and external risk.

## **2.3 Determination of Risk Tolerance**

The Agency's overall risk tolerance is determined by its service agreement with CMHC and its established operating objectives and performance standards. The Board of Directors, on the advice of the Chief Executive Officer, will determine whether to establish any more specific risk-tolerance thresholds.

## **2.3 ERM Framework**

The Agency will adopt an Enterprise Risk Management Framework within which to manage its risks. Upon completion of an initial risk-assessment exercise and after each subsequent exercise, the process itself will be evaluated and modified as necessary to ensure that the Framework is appropriately robust for an organization of the size and complexity of the Agency.

## **2.5 Monitoring Risk**

The Agency will compile a Risk Universe of all known risks that could compromise the Agency's realization of its mission and objectives. Management will conduct a formal review of the Agency's Risk Universe once a year, identifying risks and ranking them according to their severity of impact and likelihood of occurrence. The identified risks as assessed and ranked will be recorded in a Risk Register to be monitored and managed on a continuing basis.

## **2.6 Reporting on Risks and Mitigation Strategies**

Management will prepare an annual report to the Board on the universe of risks facing the Agency and the mitigating strategies in place for each. The CEO's management report to each meeting of the Board will include a discussion of the status of the Agency's top risks.

## **2.7 Risk Awareness**

The Agency is committed to developing, as part of its corporate culture, an attentiveness to risk at all levels of the organization. Management will integrate risk management into its strategic and operational planning, resource planning and significant decision-making. Staff members will be alerted and trained to discharge their departmental and individual responsibilities for risk identification and mitigation.

## **3. Responsibilities for Risk Management**

### **3.1 The Board of Directors**

The Board is responsible for

- (a) approving and periodically reviewing this policy;
- (b) approving the terms of the Agency's agreements with CMHC and any other government clients;
- (c) overseeing the Agency's risk management program by
  - reviewing annual reports from management that identify known risks to the Agency and the strategies in place to mitigate them, and
  - reviewing the CEO's regular status reports on the Agency's top risks.

### **3.2 The CEO**

The CEO is responsible for

- (a) approving, enhancing and overseeing the Agency's Enterprise Risk Management Framework and process;
- (b) identifying risks faced by the Agency and ensuring that effective mitigation strategies and monitoring activities are in place;
- (c) developing a corporate culture that is alert to the risks the Agency faces;
- (d) reporting to the Board at least annually on the Agency's Risk Universe; and
- (e) reporting regularly in the management report on the status of major risks to the realization of the Agency's mission and objectives ("top risks").

### **3.3 The Management Team**

Members of the Management Team are responsible for

- (a) actively participating in the identification, assessment and management of the Agency's Risk Universe;
- (b) supporting the CEO in promoting a corporate culture alert to the risks facing the Agency;
- (c) overseeing the management and monitoring of risks specific to their area of responsibility and ensuring that their staff are trained to do their part in the process;
- (d) reporting on progress in managing risk and bringing any new risks to the attention of the CEO and Management Team; and
- (e) participating each year in a formal review of the Agency's Risk Universe.

### **3.4 Staff**

All members of staff are responsible for

- (a) being aware of the ways that their activities might put the Agency at risk;
- (b) bringing to the attention of their supervisor any training that would help them manage and monitor the risks relevant to their position;
- (c) doing their part to manage risk and maintain good internal controls; and
- (d) bringing any new risks to the attention of their supervisor.