



# Canadian Innovators Forum

CEO Retreat

Corporate & Governance Risk

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# Agenda

- ◆ Introduction & Objectives
- ◆ Background
- ◆ Enterprise Risk Management
- ◆ What are the Trends?
- ◆ Bringing it Together – Resilience Diagnostic
- ◆ Concluding Remarks
- ◆ Questions ?– *throughout the presentation*

# Introduction & Objectives

- ◆ **Raise awareness about Enterprise Risk Management**
- ◆ **Increase understanding of risk issues, ERM & risk management requirements**
- ◆ **Review trends in the business environment**

# Background

## Definition of Risk

***Risk* is the possibility that an event will occur and adversely affect the achievement of objectives –COSO**

### Characteristics:

- ◆ Present due to uncertainties
- ◆ All entities face risks
- ◆ Some risks can be opportunities
- ◆ Risks can erode or enhance value
- ◆ Risks arise from “internal” and “external” environment
- ◆ Risks evolve

# Background

## Real Life Examples

- ◆ We manage risks on a daily basis
- ◆ Two companies – similar crisis – vastly different results due to different risk management practices
- ◆ Reality of the 21<sup>st</sup> century is that you either choose to manage your risks or you could potentially perish

# Background

## A Risk Management Sea Change

*“CEO’s and boards have been awash in a roiling surge of new or emerging risk realities. From them, it is clear that more than ever the risk discipline is converging at the top of the organization, linked inextricably to strategy and stakeholders.”*

*“Risk from the CEO and board perspective”,  
Mary Pat McCarthy & Timothy P Flynn,  
McGraw-Hill, 2004*

# Enterprise Risk Management Definition

*“ Enterprise risk management is a process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives. ”*

*Source: COSO ERM model*

# Enterprise Risk Management

## The COSO – ERM model

Source: *Enterprise Risk Management – Integrated Framework 2004*

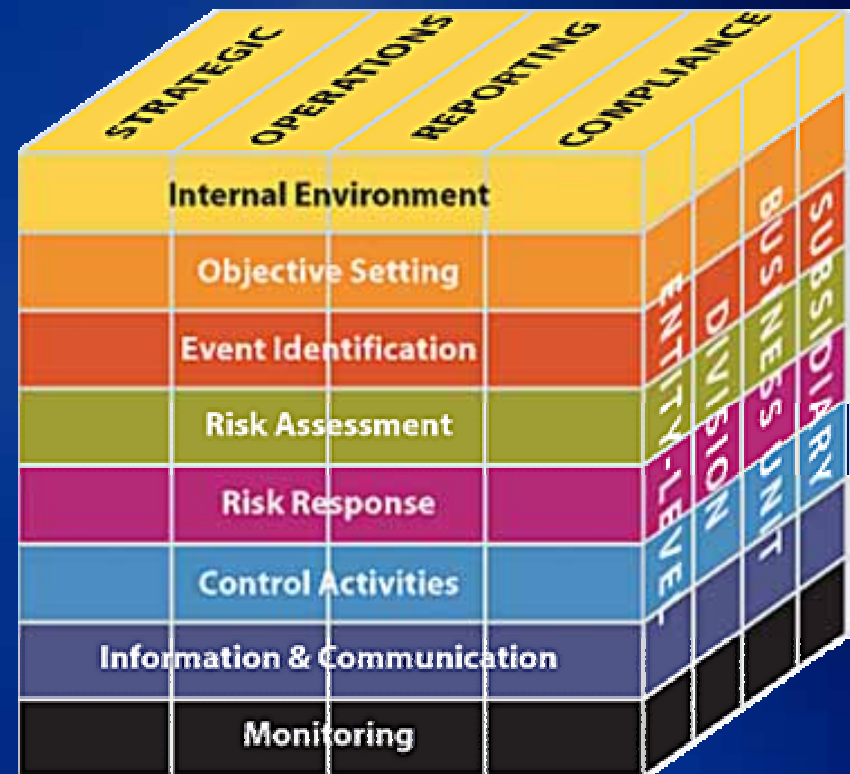
- Eight components of the framework

*integrated with*

- Entity objectives in four categories

*and*

- Activities at all levels of the organization



# Enterprise Risk Management

## What is and is not

### *It's not...*

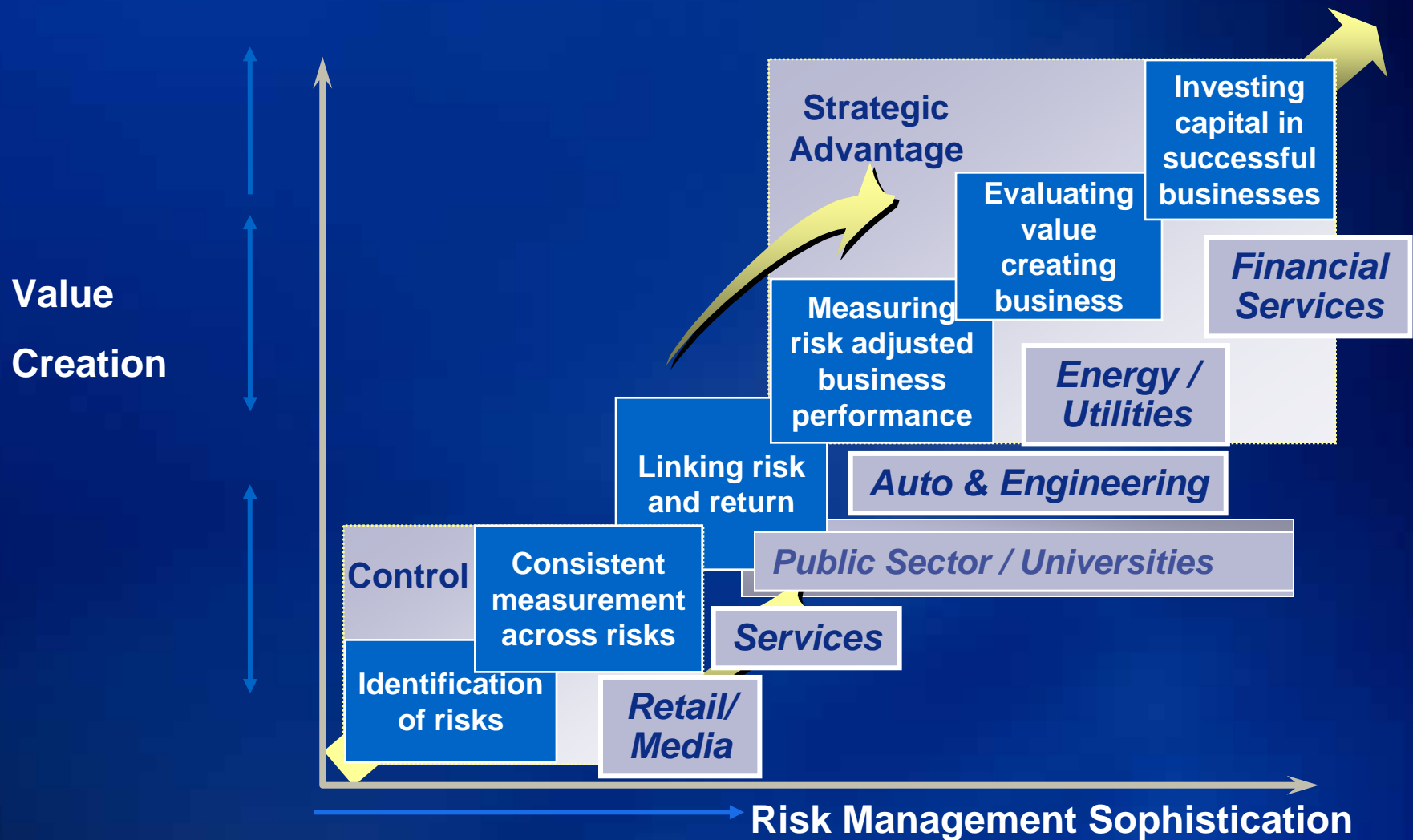
- ...one event or circumstance (COSO)
- ...an end in itself (COSO)
- ...something that operates in isolation (COSO)
- ...one size fits all (COSO)
- ...just about being compliant
- ...the only answer to improving business performance

### *It is...*

- ...a series of actions that permeates an entity's activities (COSO)
- ...a journey the entity takes to improving business performance (COSO)
- ...subject to the integrity of those accountable
- ...creating not destroying value
- ...understanding your business objectives (strategic and operational) and how risks will stop you from achieving them

# What Are The Trends?

## Learning from Other Organizations



# ERM - Benefits

## ERM Deliverables/Outcomes

## Benefits

**Embedded process for risk assessment**



A dynamic process, not an annual set piece

**Increased management buy-in**



Transformation in the appetite of managers to understand risk and make better decisions

**Risk profile**



Risk assessment ensures that the top management know the key risks and are confident they are being managed

# ERM - Benefits

## ERM Deliverables/Outcomes

## Benefits

**Improved ability to respond to stakeholder requirements**



**Managing risk effectively is essential to deliver growth goal in an increasingly competitive and complex environment**

**Improved ability to allocate resources**



**Making risk profile explicit allows to understand how risks impact the areas of the business and the KPIs set**

**Defined risk management strategy**



**Learning that risk is fundamental to the organization**

# Bringing It Together

## Resilience Diagnostic

### Diagnose Your Enterprise Resilience: Eight Fundamental Questions

- 1 Are the complexity of the extended enterprise and major earnings drivers across it transparent?
- 2 Are interdependencies understood and interdependence risks identified?
- 3 What programs are in place to ensure the viability of earnings drivers?
- 4 Are these programs fully aligned with corporate strategy and objectives, and do we understand the trade-offs within these programs?
- 5 Do we know what we spend on resilience?
- 6 How good is our situational awareness — that is, do we have enough business intelligence, internal and external, and is it directed to the appropriate parties?
- 7 Do we distill such intelligence properly and in a timely enough fashion to react to it?
- 8 Who is accountable for resilience, and how do we make decisions and measure progress?

**Thank you for your time**

**Questions ?**

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