

Enterprise Risk Management Policy at CMHC (cont'd)

- Senior Management
 - Annual completion of ERM letter of representation
 - Identify, assess, monitor, manage and mitigate risks that will put CMHC offside in relation to risk appetite tolerance levels
- Chief Risk Officer
 - Providing the semi-annual ERM report to ALCO and the Audit Committee
 - Communicating the organization's risk management objectives, risk appetite and risk management processes

Enterprise Risk Management Policy at CMHC (cont'd)

- Director, ERM
 - Providing assistance and training to all areas of the organization to ensure a thorough understanding of the ERM framework and policy and of their respective responsibilities in relation to this policy
 - Ensures that the ERM policy, framework and ERM approaches remain current with best practices and are implemented appropriately
- ERM Committee and Resource Group
 - Assists with the process of identifying and assessing risks
- Senior and Middle Level Managers
 - Identify, assess , monitor and manage risks
 - Where appropriate, mitigate risks within area of responsibility

Enterprise Risk Management Policy at CMHC (cont'd)

Risk **Categories**

Strategic Risks

- Mandate
- Business Environment
- Reputational & Relational
- Organizational

Operational Risks

- People
- Process
- Technology
- Security & Catastrophic
- Legal & Regulatory

Financial Risks

- Credit
- Market
- Liquidity
- Capital Adequacy
- Pricing

Implementing a Risk Appetite Statement as part of an ERM Program

- Include in ERM policy
- Educate/advise senior managers on Risk Appetite Statement
- Regular reporting against Risk Appetite Statement
- Regular reporting of risks by risk categories
- Regular reporting of new and emerging risks
- Board and senior management engagement in reviewing risks and mitigation strategies
- Consider Strategic Plan as part of long-term

Ongoing Risk Conversation with the Board at CMHC



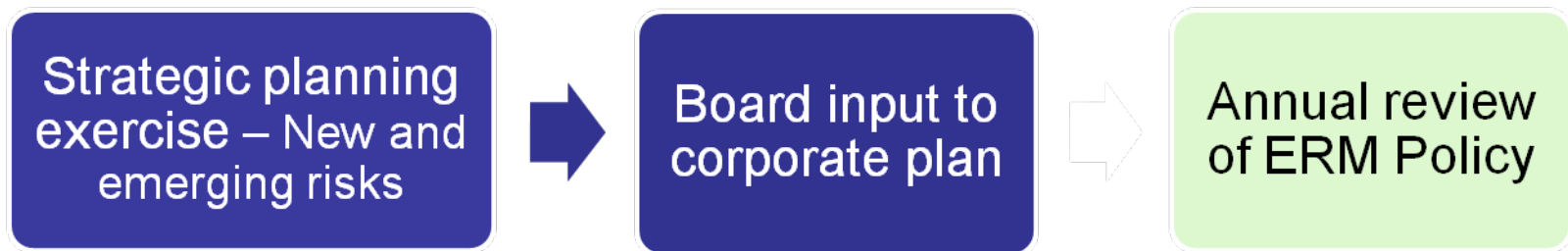
- Risk appetite key to guiding the risk conversation with the Board
- ERM policy requires semi-annual reporting
- ERM reports:
 - Risk Register – key risks in 14 risk categories
 - Risk appetite report – assessments against each tolerance level in Risk appetite statement
 - New & emerging risks – recent issues with large degree of uncertainty such that impact &/or likelihood cannot be assessed
- Quarterly financial risk reports

Long Term Strategic Planning & Risk - CMHC

- Five year corporate plan is updated annually
- Begins with proposed key objectives – 1 year & 5 year
- Senior management team identify:
 - General risks in environment
 - Risks to accomplishment of key objectives
- Draft strategic plan including environmental scan & key risks discussed with Board
- Detailed strategic plan completed based upon Board input
- Risk Appetite Statement considered throughout the Strategic Planning Process

Proactive Risk Oversight Cycle

Annual Cycle



Semi-annual Cycle



Assessing the Impact of Risk Profile on your Strategic Direction

- With risk appetite in place, there is an ongoing process where:
 - Long term decisions are made based upon risk profile & risk appetite
 - Short term/ daily decisions also made considering risk appetite



Techniques for Practicing Proactive Risk Oversight

- Risk oversight can be performed both by senior management & the Board
- Regular reporting of risks can assist this process:
 - Quarterly financial risks
 - Semi-annual ERM reports
 - Annually as part of strategic plan & annual business plan
- Include risk considerations in business cases
- Board should request detailed follow-ups reporting on risks of interest

Lessons Learned

- Developing a Risk Appetite Statement is not easy, requires involvement of Senior Management and Board
- Powerful tool for focusing discussions, actions and decision making for both short term and long term (Strategic Plan) issues
- Board approved policy important to get acceptance throughout the organization
- Once approved, Risk Appetite Statement will generate significant discussions on precise meanings of the tolerance levels

QUESTIONS



Thank you for attending the
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