

STATEMENT OF POLICY AND PROCEDURE			
Chapter:	Corporate Services	SPP No.	PRM1.0
Section:	Property and Risk Management	Issued:	6/21/2019
Subject:	RISK MANAGEMENT	Effective:	6/21/2019
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1. PURPOSE

The risk management program's purpose is to support TRCA's evolving strategic and business objectives as set out in TRCA's Strategic Plan by employing the following goals:

- 1.01. Aligning risk appetite and tolerance with corporate objectives;
- 1.02. Enhancing risk response and decision making;
- 1.03. Reducing operational surprises and losses;
- 1.04. Identifying and managing multiple and organization wide risks;
- 1.05. Seizing opportunities; and
- 1.06. Improving deployment of resources and capital.

2. SCOPE

- 2.01. The Statement of Policy and Procedure applies to all business units, projects, programs and operations of TRCA.

3. POLICY

- 3.01. Risk management will be incorporated into the operations of TRCA;
- 3.02. A framework for managing risk will be adopted by TRCA;
- 3.03. Appropriate resources as well as responsibilities and accountabilities will be assigned to the management of risk;
- 3.04. Risk management practices will be reviewed regularly to ensure continual improvement.

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Risk Tolerance and Appetite

- 3.05. Within a diverse organization the size and scale of TRCA, the types and levels of risk will fluctuate significantly from business unit to business unit. The total level of risk that is acceptable to TRCA at any moment is TRCA's risk tolerance, the level to which TRCA seeks out new risks or opportunities, is TRCA's risk appetite. TRCA may have different levels of tolerance and appetite for different classes of risk in certain sectors of its operations, however at all times, one of the objectives of TRCA's risk management program is to align TRCA's risk tolerance and appetite with corporate objectives.
- 3.06. As a local public sector organization, whose mandate is to operate programs and services to further conservation, including core services focused on the long term preservation of TRCA owned lands; the management of significant quantities of public assets; and the management of watershed risks for jurisdictional residents, the overall appetite for risk at TRCA is conservative.
- 3.07. TRCA will tolerate risks that, based on the best information available at any given time, are manageable without significant unexpected diversion or expenditure of TRCA resources.

Hazards

- 3.08. TRCA's risk appetite for unmanaged hazards is low.
- 3.09. TRCA's tolerance for risks that remain a high consequence and likelihood after management activities is low.
- 3.10. TRCA is conservative on risks related to staff health and safety and requires that a detailed assessment of health and safety risk scenarios be carried out and understood before health and safety risks can be tolerated.
- 3.11. Public programming will undergo risk assessment in the course of implementation. TRCA will not tolerate public programming activities that expose the organization to unmanageable liability or operational risks.

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Operational Risk

- 3.12. TRCA constantly aims for high levels of service quality that meet or exceed stakeholder, client and partner expectations. Efforts to meet this high level of service quality as well as modernizing processes will from time to time require systems and operational risks to be weighed and undertaken by the organization.
- 3.13. TRCA will tolerate managed risks that aim to improve operations if it can be demonstrated that negative impacts of those foreseeable risks will be moderate and rare.
- 3.14. TRCA has a moderate appetite for managed risks associated with entering into non-traditional partnerships as well as providing certain classes of risk management services for third parties.
- 3.15. Organizational appetite for reputation risk is low, however, TRCA does acknowledge that as a local public organization striving for continuous improvement and accountability, may from time to time meet operational and other challenges that could fall short of some external expectations.
- 3.16. TRCA will not tolerate conduct that willfully damages TRCA's reputation.

Financial Risks

- 3.17. TRCA is committed to transparent business practices that include comprehensive performance measurement and management, particularly in the area of financial management. TRCA has also stated that it has a goal of increasing financial sustainability by attaining more stable and diversified sources of funding.
- 3.18. As a steward of public resources, TRCA is conservative on matters of financial risk management, and to this end, will avoid taking intolerable financial risks and will utilize a strong system of financial controls.
- 3.19. Financial risks will be tolerated only after it is demonstrated that there will be an acceptable level of exposure to the financial sustainability of TRCA.
- 3.20. TRCA shall explore business practices and techniques that allow the organization to conduct programs that are in keeping with TRCA's goals, while controlling negative exposures to its core operations.
- 3.21. TRCA will not pursue business models or actions that will threaten its registered charitable status, or that TRCA is precluded from undertaking due to regulatory or legal restrictions.

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- 3.22. TRCA will evaluate partnerships and agreements with third parties to ensure that any associated risk exposures are mitigated to an acceptable level.

Strategic Risk

- 3.23. Strategic risks emerge from outside the organization or business unit that is undertaking risk management activities and are outside of their control. As a result, TRCA's primary approach to managing the risks will be to monitor trends that present themselves as risks to the organization with the intent of managing their effects on operations.

Risk Assessment

- 3.24. Risk will be assessed as a product of consequence and likelihood. Tables 1 and 2 shall be used as a guide to quantify both the consequence and likelihood respectively of each risk being analyzed

Table 1: Risk Consequence						
		Consequence Type				
Rating	Desc.	Reputation	Injury	Human Resources	Business Interruption	Financial
1	Incidental	No Reputational Damage	No Injury	Isolated if any staff dissatisfaction.	No organizational effect	\$0-\$5K
2	Minor	Some local media coverage	Minor injury requiring first aid only	Team level dissatisfaction as reported anonymously.	Minimal organizational effect, that can be managed with minimal diversion of resources.	\$5K-\$20K
3	Moderate	Recurring regional media coverage	Moderate injury requiring outpatient visit.	Business Unit dissatisfaction resulting in increased staff turnover, as determined through correspondence or exit interviews.	Moderate organizational effect, including shutdown or partial shutdown that effects a single facility or business unit and requires moderate resources to resolve.	\$20K-\$200K

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Table 1: Risk Consequence						
		Consequence Type				
Rating	Desc.	Reputation	Injury	Human Resources	Business Interruption	Financial
4	Major	Recurring and evolving national media coverage	Major injury requiring inpatient care;	Division level dissatisfaction resulting in resignation of senior management as, determined through correspondence or exit interviews.	Major destabilizing effect that effects or causes shutdown of operations to more than one business unit but less than a division that requires major resources to resolve.	\$200K-\$2M
5	Extreme	Recurring and evolving national to international media coverage	Major Injury requiring prolonged inpatient care causing death or major disability.	Corporate level dissatisfaction resulting in major turnover in executives and Board members or resignation with public announcement, as determined through exit interviews.	Extreme destabilizing effect that causes cross divisional shutdown of operations that requires major resources to resolve.	\$2M+

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Table 2: Risk Likelihood				
	Annual Frequency		Probability	
Rating	Desc.	Definitions	Description	Definition
1	Rare	Once in 50 years or more	Rare	<10% Chance of occurrence over the life of the asset, project or in a single program year.
2	Unlikely	Once in 25 to 50 Years	Unlikely	10% to 35% chance of occurrence over the life of the asset, project or in a single program year.
3	Possible	Once in 10 to 25 years	Possible	35% to 65% chance of occurrence over the life of the asset, project or in a single program year.
4	Likely	Once in 1 to 10 Years	Likely	65% to 90% chance of occurrence over the life of the asset, project or in a single program year.
5	Frequent	Once every year or more	Almost Certain	>90% chance of occurrence over the life of the asset, project or in a single program year.

Note: Frequency and probability are two different measures of the likelihood of an event or occurrence. The ranges in frequency and probability identified on the chart express the same likelihood in different ways.

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Risk Classification Map

- 3.25. Likelihood and consequence figures in Table 1 and 2 are used in the risk map shown in Table 3 to classify risks and prioritize risks for action.

Table 3: Risk Classification Map						
Consequence	5: Extreme	5	10	15	20	25
	4: Major	4	8	12	16	20
	3: Moderate	3	6	9	12	15
	2: Minor	2	4	6	8	10
	1: Incidental	1	2	3	4	5
		1: Rare	2: Unlikely	3: Possible	4: Likely	5: Frequent
Likelihood						

4. RESPONSIBILITY

- 4.01. On motion from TRCA's Board of Directors, TRCA may accept, revise or rescind this policy.
- 4.02. The Chief Executive Officer (CEO) approves specific risk appetite and tolerance statements within the parameters approved by the Board of Directors.

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- 4.03. The Chief Financial and Operating Officer (CFOO) will oversee management of financial risk.
- 4.04. The Chief Risk Officer (CRO) will ensure this Statement of Policy and Procedure as well as any underlying program elements up to date; document internal risk management policies structures and processes; co-ordinate risk management activities; compile risk information and report annually to the Board of Directors on TRCA's risk management program; assist in the establishment of program specific risk policy; support investigations; and build a risk aware corporate culture within the organization.
- 4.05. Management will ensure implementation of risk management recommendations; identify and report changed circumstances; participate in incident investigation and resolution; and work with risk management staff to establish specialist risk policies.
- 4.06. Employees will work to understand, accept and implement risk management processes; report inefficient unworkable controls or risk management processes; report loss events and near misses; and cooperate with management and risk management staff in incident investigation and resolution.

5. REFERENCES AND RELATED STATEMENTS OF POLICY AND PROCEDURE

- 5.01. ISO 31000:2009 Risk Management – Principles and Guidelines

6. PROCEDURE

- 6.01. Figure 1 represents TRCA's framework for managing risk ("The Framework"). The Framework is adopted and modified from the ISO 31000:2009 Risk Management Principles and Guidelines. It shows the relationships between the principles that will guide risk management decisions, the cyclical framework through which risk will be managed and finally the TRCA's process for managing risks itself.

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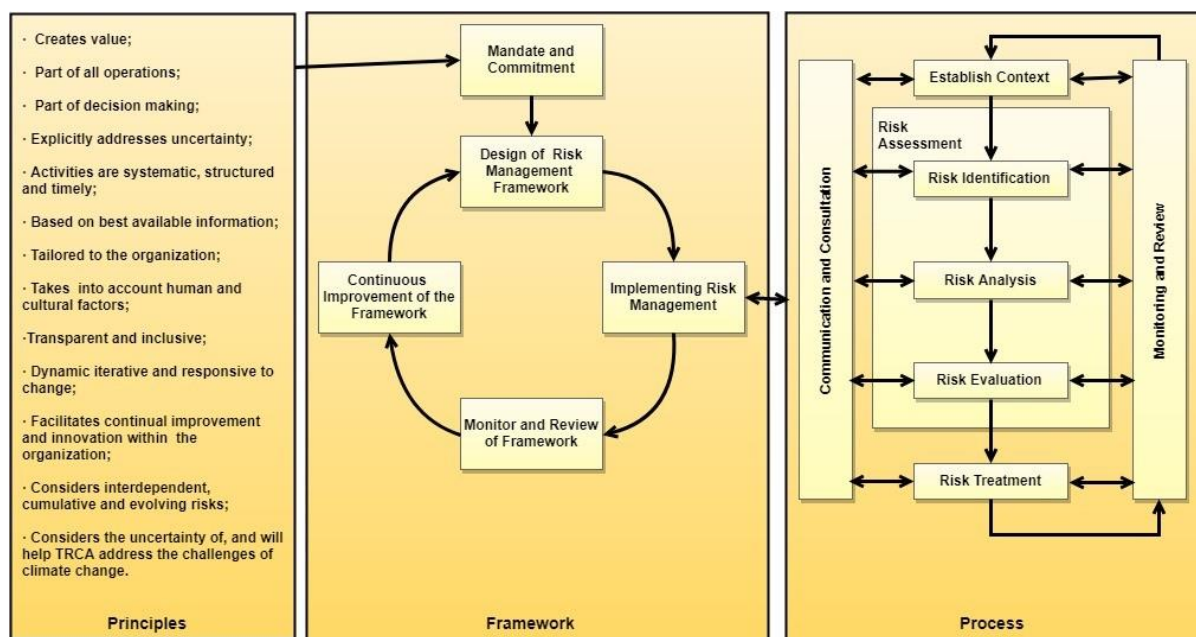


Figure 1: TRCA Risk Management Framework (adopted and modified from ISO 31000:2009)

7. DEFINITIONS

- 7.01. **“Hazard risk”** is the risk that arises from exposure to accidental loss with no exposure to gain. Hazard risks typically arise from property, liability, or personnel loss exposures and are often mitigated by insurance.
- 7.02. **“Operational risk”** is risk arising from people, processes, systems or external events, may include possibility of loss, no loss, or positive returns.
- 7.03. **“Financial risk”** is risk arising from financial operations, may include possibility of loss, no loss or positive returns.
- 7.04. **“Liability”** refers to a legal responsibility for the consequences of an act or omission.
- 7.05. **“Managed risk”** a risk or a group of risks for which a management strategy or plan has been developed.
- 7.06. **“Risk”** is the effect of uncertainty on objectives or outcomes.
- 7.07. **“Risk Appetite”** is the level to which the organization seeks out new risks or opportunities.

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- 7.08. **“Risk Management”** is the process of making and implementing decisions that enable an organization to optimize its level of risk.
- 7.09. **“Risk Tolerance”** is the total level of risk that is acceptable to the organization at any moment.
- 7.10. **“Strategic risk”** is external and often systemic risk outside the control of the organization, or the project or program being managed.