Section III – Items for the Information of the Board

TO: Chair and Members of the Executive Committee
           Meeting #4/20, Friday, June 12, 2020

FROM: Michael Tolensky, Chief Financial and Operating Officer

RE: **2020 RISK MANAGEMENT PROGRAM UPDATE**

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KEY ISSUE
Update on Toronto and Region Conservation Authority's (TRCA) Risk Management Program.

RECOMMENDATION

IT IS RECOMMENDED THAT this report on TRCA's Risk Management Program be received.

BACKGROUND
At Board of Directors Meeting #6/19, held on June 21, 2019, Resolution #A124/19 was approved as follows:

> *THAT TRCA's Risk Management Policy (the Policy) be approved and take effect upon approval by the Board of Directors;*

The Policy provides the following guidance on the issue of risk:
- The mandate to manage the issue of risk;
- A common language around the issue of risk;
- Roles and responsibilities on the management of risk;
- A process for the management of risk;
- Principles on how the organization should address risk;
- Guidance on what level of risk is acceptable to the organization and how it should be managed; and
- A requirement to report annually on the status of TRCA's Risk Program.

RATIONALE
TRCA's Risk Program (the Program) includes traditional aspects of loss, incident and insurance management activities, health and safety assessments, contract management activities, business planning components and flood and erosion risk service programs. TRCA's adoption of the Policy introduced additional enterprise risk management concepts into TRCA's risk management practice and is being guided broadly by ISO 31000:2009 Risk Management Principles and Guidelines.

More specific risk management guidance is offered by TRCA's Risk Committee (the "Committee") which consists of:
- Chief Financial and Operating Officer (Chair);
- Associate Director, Property and Risk Management;
- Legal Counsel;
- Advisor, Risk Management;
- Controller; and
- Other subject matter experts as necessary to support the work of the Committee.

The Committee's work is focused primarily on providing direction to the Risk Management Program, prioritizing action to manage risk and acts as a formal risk assessment group for the organization. The day to day management of various risk issues is, however, an enterprise-wide effort supported by the diligent contribution of staff across the entire organization, which is facilitated by a variety of systems including TRCA's incident reporting, procurement and claims management databases. The Centralized Planning and Reporting Database, safety checks, hazard assessments, incident plans, claims processes, incident response teams and many other operations are part of the enterprise wide risk management system.

The endorsement of the Policy by the Board in 2019 was a significant milestone in moving TRCA towards adopting a formal position on risk. Upon the approval of the Policy in 2019, the TRCA took significant steps to improve its risk resiliency, including but not limited to:
- Adopting and implementing a new Incident Planning Policy;
- Undertaking comprehensive updates to each of TRCA's Facility Emergency Action Plans;
- Implementing new Incident Reporting and Incident Investigation Policies;
- Development of insurance, risk management and risk assessment training material for TRCA staff.
- Standardizing TRCA's insurance and contract security requirements through the adoption of an Insurance and Surety Policy;
- Development of Business Interruption and Contingency Plans for each TRCA Facility as well as defining and developing plans for essential services; and
- The establishment of a Corporate Risk Register to track and prioritize enterprise wide risk exposures.

While TRCA has been faced with challenges and unexpected losses in the past, perhaps no event has highlighted the need for both risk forecasting and corporate resilience planning like the current COVID-19 global pandemic. Through the leadership and guidance of TRCA's Senior Leadership Team Pandemic Response Committee, TRCA established an unprecedented enterprise-wide incident response to COVID-19. Early successes of TRCA's response, combined with investments in IT systems from 2019 onwards, are highlighted by TRCA's ability to mobilize remote work immediately, ensuring that the essential work provided by TRCA was able to continue with minimal or no disruption. It should be noted that TRCA did experience a reduction of service in non-essential work, largely due to senior government directives, and staff are continuing to review all options to recoup any monetary losses including through TRCA's Business Interruption insurance policy, grants and other government programs.

TRCA will be using the lessons learned and the experience gained from its COVID-19 response efforts as a learning opportunity to improve its enterprise-wide contingency plans in the coming months.

RISK OUTLOOK AND PRIORITIES
In 2019, TRCA undertook a review of its risk exposures including vulnerabilities in select corporate services. This review was based on available information including incident reports, loss data, staff interviews, industry data and global risk reports. The review highlighted specific priority areas for action as well as aspects of TRCA's operations where it could improve its preparedness to certain exposures. Specific priority areas for action include:

- Asset Management

TRCA is the owner or manager of over 700 buildings on 16,000 hectares of land, with 7 TRCA managed conservation areas, multiple municipally managed and TRCA owned conservation areas, 2 campgrounds, 1 golf course, 4 education centres and hundreds of kilometres of trail. This sizeable portfolio of assets is subject to wear and tear, continuous maintenance, and without management and investment eventual deterioration and degradation due to high levels of increasing use by our region's rapidly growing and intensifying population.

As part of strategic corporate planning, TRCA has undertaken to create a comprehensive asset management plan to ensure that TRCA adequately evaluates asset conditions and needs on a proactive basis. To this end, TRCA has established a Tangible Capital Asset Management Policy, a framework for asset management, and is currently in the process of undertaking comprehensive conditions assessments of its current asset holdings. The outcome of this work will not only help plan for asset renewal but will also ensure that TRCA's other asset risk exposures are adequately planned for.

- Cyber and Information and Technology (IT) Exposures

Cyber security and IT are systemic risks present in almost any modern corporation. Few other areas of risk can cause enterprise wide disruptions the way that a breakdown in a corporation's IT system can. Recognizing this exposure, TRCA's Information Technology and Records Management (ITRM) business unit is in the process of reviewing TRCA's Cyber and Information Technology systems to address priority areas of vulnerability and risk within TRCA's systems. To cover for many exposures associated with ITRM operations, TRCA has consistently maintained a cyber risk insurance policy since 2017. TRCA has not incurred any claims against that insurance since it was put in place.

- Operational Risks

Operational risks are often associated with the way a company undertakes its business and usually arise from processes or systems employed by an organization. Sometimes called 'business risks', they are often uninsurable exposures that are difficult to quantify and are therefore absorbed as losses by an organization. To address these exposures, TRCA is undertaking a complete review of its internal policy structure to ensure that the best processes are put into place for its operations. TRCA's Senior Leadership also launched a Policy Committee in 2019 which has advanced over 50 new or updated policies and procedures to reduce risk. As part of that review, TRCA launched its Strategic Business Planning Policy and Procedure to review new projects and programs as well as modifications to existing programs for financial feasibility as well as other risks. As improvements are made to other systems such as TRCA's Centralized Planning and Reporting Database, risk management concepts will be further integrated to ensure that operational risks are continually addressed.

- First Party and Third-Party Auto Exposures

TRCA maintains a large and varied fleet of vehicles and equipment, hence fleet risks remain a consistent area of concern for TRCA. Recognizing the need to make improvements to our fleet operations, TRCA's Fleet program is continually reviewing its Fleet Safety and Driver Certification program. Highlights of that program include the standardization of training, integration of driver abstract requirements, operator risk

reviews, trip planning guidance and numerous other critical elements of a fleet program. TRCA has also introduced the use of geomatics software which has enabled the organization to track the use and performance of its growing fleet. TRCA expects that these developments to the program will result in a corresponding improvement in TRCA's fleet performance.

- Contractual Liability

In 2019, TRCA entered into over 1,600 contracts to facilitate its work (not including purchase orders, permits and other routine transactions). In each agreement, there is a certain element of contractual liability exposure undertaken by the organization. To ensure that TRCA is well prepared for these risks, TRCA's Legal Counsel, in cooperation with TRCA's Procurement team has begun the process of reviewing TRCA's library of standard legal templates to ensure that TRCA's interests are protected when entering into these contracts. To support this work, TRCA has also strengthened its review of non-standard forms, implemented uniform certificates of insurance, and made improvements to its signing practices to reinforce control over the contractual obligations TRCA is committing to. Contract management training modules have also been developed and will be made available to all project management staff to promote compliance with TRCA's contractual requirements.

- Corporate Level Disruptions

While TRCA has responded well to the COVID-19 pandemic, the crisis has highlighted the need for a formal enterprise-wide incident management framework. In early 2020, TRCA adopted a new Incident Planning Policy and has since that time undertaken an update to the emergency action plans for each of its facilities. In response to the COVID-19 crisis, TRCA has also put into place business contingency plans for each facility as well as several essential services. Building on the COVID-19 response, TRCA will be reviewing each of these elements in combination with the pandemic response plan to build an improved enterprise wide incident response framework.

- Employment Practices

Employment related risks are characterized by complaints or claims against the organization related to a current or former employment relationship with TRCA. While claims are not frequent and may not be meritorious, TRCA, like any organization of a similar size, has had some exposure to employment related legal claims. To manage this risk, TRCA's Human Resources team has undertaken several proactive initiatives in the last nine (9) months to minimize the likelihood and liability of claims being made against TRCA. Key actions that have been taken include enhanced recruitment processes and the development and implementation of a robust suite of human resources policies that comply with relevant legislation, are aligned to best practices, and meet the organization's unique needs. TRCA has also recently undertaken a complete review of TRCA's offer letter templates and employment related documentation to ensure they are legislatively compliant.

Furthermore, TRCA is developing fundamental management training to increase the organization's capability to manage employment related risks on a broader and more consistent basis. TRCA has also brought online a new Performance Development

Program to ensure that where there are challenges in employee performance, that their superiors take timely corrective action to mitigate future employment related issues. Where sensitive issues arise, legal counsel is consulted to ensure alignment with relevant legislation and case law. In response to claims, when they are made, each claim is reviewed on its own merits and a claim management strategy is developed that balances the need to protect the organization with the need to efficiently manage each matter, recognizing confidentiality concerns.

In addition to these priority areas, TRCA is actively addressing exposures to other risks by regularly reviewing its business practices and making improvements to the way TRCA does its business. Some of these initiatives include Health and Safety and Human Resources work in pursuing Certificate of Recognition (COR) health and safety certification, greater inter-divisional coordination on property inspections and hazard assessments, post incident reviews, and numerous other initiatives.

Relationship to Building the Living City, the TRCA 2013-2022 Strategic Plan
This report supports the following strategies set forth in the TRCA 2013-2022 Strategic Plan:
Strategy 7 – Build partnerships and new business models

DETAILS OF WORK TO BE DONE
In addition to the items previously described in the report, the following items represent key action to be completed to further TRCA's Risk Management Program:
- Development of a corporate business continuity strategy;
- Establishment of a corporate Incident Management System Framework;
- Development of an Enterprise Risk Management implementation plan;
- Development of performance metrics for the Risk Management program; and
- Integration of risk management principles into corporate work planning and business planning activities including the Centralized Performance and Reporting Database;

In addition to the above action items the Risk team will continue to work with service area leads to ensure integration of risk management elements with current operational practices.

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