

## Enterprise Risk Management (ERM) Program Update

The ERM team has been working on several key initiatives throughout 2022 to evolve the ERM program and further integrate risk into decision making. This attachment provides an update on current key initiatives and focus areas for the ERM program in 2023-2026.

**Integration with Service Plans and Budgets (2023-2026)** Risk information is an integral part of strategic planning because it provides transparency and insight, which contributes to more informed decision making. Since risks can impact the achievement of results, they are a key input into the 2023-2026 Service Plans and Budgets. The ERM team has been supporting and helping to integrate risk management into this process to help services plan for uncertainty in the future.

### Strategic Risk Analysis to inform the 2023-2026 Service Plans and Budgets

A strategic risk analysis was conducted to identify the key risks to Calgary and to The City. The strategic risk analysis highlighted some key residual risk areas to service delivery throughout 2023-2026 that require ongoing attention. The risks are influenced by global challenges which can have local impacts. The service plans and budgets incorporate strategic responses to these risks. The City will continue proactively managing residual risks with our enterprise risk management approach, which includes regular monitoring and managing of the risks to the organization.

### Results of Risk Maturity Survey 2022

#### Risk Maturity Model

As previously discussed in the mid-year “Integrated Risk Management Program Update” (AC2022-800 - Attachment 4), in 2022 the ERM team selected the Risk and Insurance Management Society (RIMS) risk maturity model to assess risk maturity at The City. This model incorporates the collective wisdom and experience about successful risk practices from leading risk professionals, and it aligns with the International Organization for Standardization (ISO) 31000, which is the basis of The City’s ERM program.

The model has five risk maturity tiers which indicate the organization's overall risk maturity level. It is based on five pillars and 35 attributes, considered most important for maturing risk management, and has been incorporated in The City’s 2022 Risk Maturity Survey. The characteristics for risk maturity Tiers 1 - 5 are tabulated below for reference:

Risk Maturity Tier	Characteristics
Tier 1	No formal capability in place. Risk management is individually driven. Decision making is subject to inconsistent risk-related principles and results.
Tier 2	Capability exists on paper. Organization does not have clear engagement from stakeholders. Decision making is primarily driven by qualitative risk considerations.

Tier 3	Capability exists in repeatable processes; senior level understanding of objectives for managing risk and key program elements exist. Decision making is informed by risk data.
Tier 4	Capability exists in repeatable processes informed by external context; senior level understanding flows to middle management; business and corporate alignment to risk management framework exists. Decision making is influenced by risk analytics.
Tier 5	Capability exists in a continuous improving cycle, informed by internal and external inputs. Decision making is future oriented, proactive, and guided by risk analytics, insights, and risk-related principles.

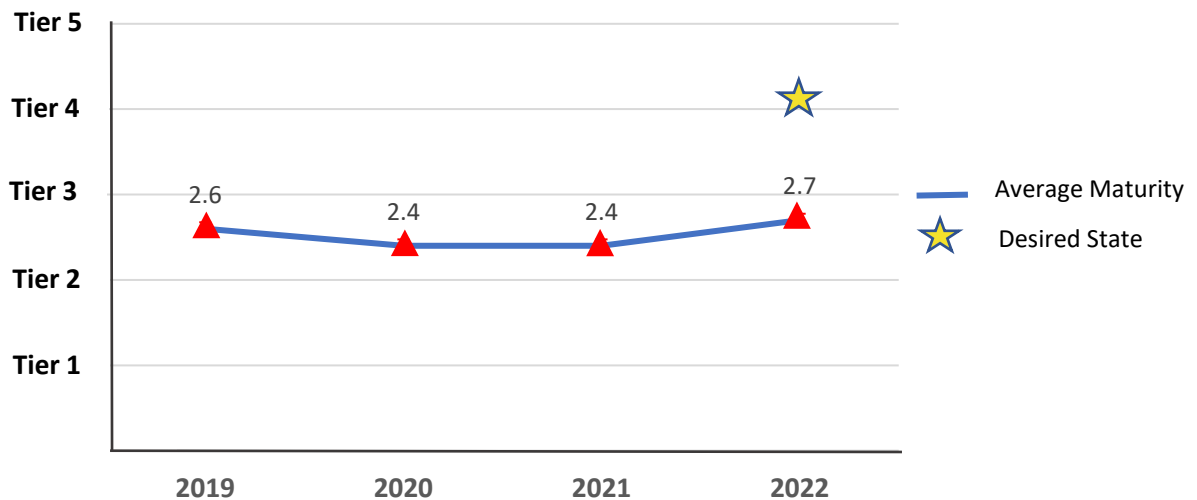
Source: Risk and Insurance Management Society (RIMS)

### Risk Maturity Rating

The ERM team obtained feedback on the current and desired state of risk maturity for the organization using the annual Risk Maturity Survey. The survey was distributed to the Senior Management Team (SMT) and a broader group of respondents. The average risk maturity rating based on all the responses received is 2.7 and the desired state is between Tier 4 and 5, but at least at Tier 4. On 2022 December 12, The Executive Leadership Team (ELT) approved Tier 4 as the desired level of maturity for the organization. As a result, the ERM team will develop by end of Q1 2024 a detailed plan for achieving a Tier 4 maturity.

Below is a summary of the “Average Risk Maturity Rating from 2019-2022” and the desired state.

**Average Maturity Rating 2019 - 2022**



The above figure shows the weighted average risk maturity rating based on all the responses received for the corresponding year. Please note that the 2022 results are based on the RIMS risk maturity model, which is different from the Archer model used in prior years. In addition, these results include responses from the ELT, directors and managers, all of whom were not included in the distribution list prior to 2022.

The risk maturity survey results will guide continuous efforts and next steps for the ERM program in 2023-2026. Please refer to the “ERM Focus Areas for 2023-2026” section below for more details.

### Risk Appetite and Tolerance: Overview of The City’s approach

Advancing the Risk Appetite and Tolerance at The City is a key, ongoing initiative. Significant progress has been made since introducing this concept in 2019. Below is a summary of key milestones achieved in this area to date.



Results	Description
Risk appetite framework	<ul style="list-style-type: none"> <li>• Standard definition of risk appetite and risk tolerance.</li> <li>• Risk appetite scale.</li> <li>• Guideline on how to apply risk appetite and tolerance.</li> <li>• Presented results from ERM team interviews with Audit Committee and Council members on risk appetite.</li> <li>• Updates to Council policy include definitions of risk appetite and tolerance.</li> </ul>
Principal Corporate Risk (PCR) alignment and senior leadership engagement	<ul style="list-style-type: none"> <li>• Determined risk appetite for each PCR.</li> </ul>
Risk appetite aligned to strategy, employee engagement and risk reporting enhanced	<ul style="list-style-type: none"> <li>• Asked Calgarians what areas we should take more or less risk.</li> <li>• Applied strategic direction from Council and Administration to risk appetite.</li> <li>• Updated PCR risk appetite alignment to new PCRs.</li> <li>• Worked with Service Risk Owners, project managers, Law, and on service pages to apply risk appetite.</li> <li>• Ongoing updates on risk status in relation to its appetite.</li> </ul>

### Performance Measures for the ERM Program

Work is currently underway to develop new performance measures for the ERM program that will be aligned with the 2023-2026 program goals. Several of our new measures will be supported by data captured as part of the updated annual Risk Maturity Survey. As this is our

first year using new survey questions, we can only provide baseline values. However, we will continue to include these questions and provide progress metrics annually.

The proposed measures are tabulated below for reference:

Performance Measure	Baseline value (Based on 2022 Risk Maturity Survey)	Details
Risk Maturity	2022: <b>2.7</b>	This metric allows us to measure how well our risk management efforts align with best practices (like RIMS)
Qualitative Service Risk Register (SRR) Ratings	Fall 2022: <b>86 per cent*</b> Spring 2022: <b>79 per cent*</b> Fall 2021: <b>77 per cent*</b> Spring 2021: <b>73 per cent*</b> *per cent of services that score 3 or above out of 5.	This metric indicates the quality of the risk registers and related risk management information submitted by services.  Note: We assess each SRR using several factors and provide them with an average score out of five. We consider SRRs that receive a score of three or higher to be satisfactory, while services scoring below three are provided additional feedback in individual meetings and support for future risk management activities
Risk Management in Service Planning and Budgeting	34 per cent of respondents say that risks are considered and analyzed in The City to revise actions or transform strategies.	This metric indicates the level to which risk is considered by the organization when making business planning decisions and how successfully we have communicated the intent and value of formal risk management to the organization.
Risk Appetite & Tolerance	26 per cent of respondents say that risk appetite and tolerance are formally expressed and considered.	This metric indicates the effectiveness of our work to establish risk appetite and tolerance in risk management practices.
Role Clarity	74 per cent of respondents say they understand their role either “Somewhat clearly” or “Very clearly”.	This metric indicates our progress towards increased contributor comprehension of their role as it pertains to risk management activities.

Even in this first year, these measures provide valuable insights that will guide our focus areas for the year ahead. They shed light on some important differences between the risk understanding and risk practices at different levels in the organization.

### ERM Focus Areas for 2023-2026

The primary focus of the ERM team will be to advance the risk maturity of the organization. In 2023-2026, we aim to focus on four areas to further our progress towards a tier four level of maturity. Below are some initiatives we will work on this cycle to support these results.

Next steps on our journey to maturing The City's risk management

