



# Corporate Risk Appetite and Tolerance Update

AC2024-0972  
2024 October 17

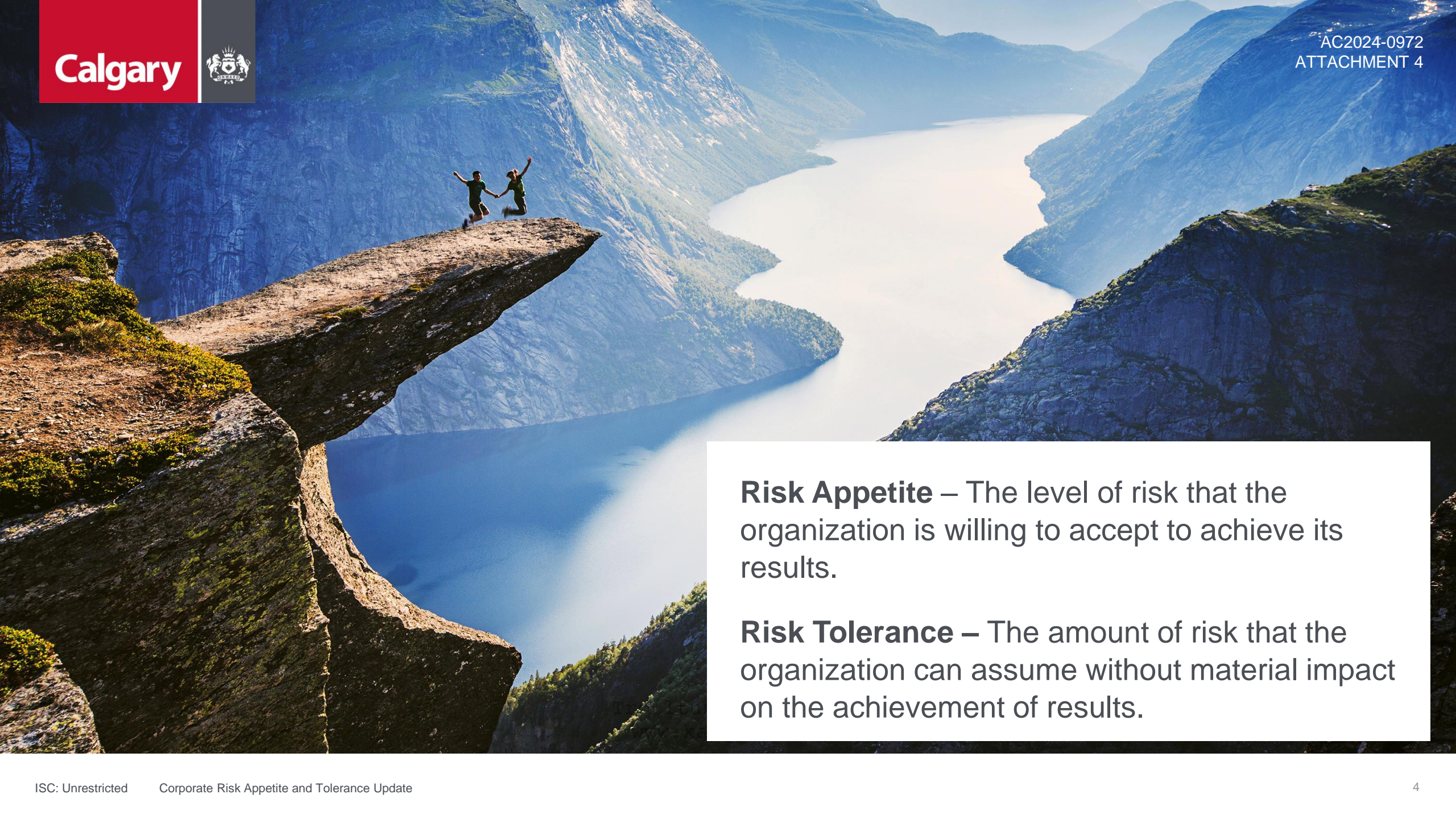
# Recommendation

## That the Audit Committee recommend that Council:

- 1 Receive this report and presentation for information and the Corporate Record  
  
Direct that Attachment 3 remain confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed by 2029 October 17
- 2

# Highlights

- 1 Risk appetite and tolerance are critical for The City's ability to manage risks effectively while aligning with strategic goals.
- 2 They ensure consistent and appropriate risk-taking across the organization and help decision-makers evaluate the trade-offs between risks and opportunities.
- 3 Progress has been made in key areas such as strategic alignment, risk analytics, and risk governance to better support risk-based decision making.
- 4 While progress has been made, further work is needed including engagement with the Executive Leadership Team (ELT), the Audit Committee, and Council to define organizational risk appetite and tolerance levels.



**Risk Appetite** – The level of risk that the organization is willing to accept to achieve its results.

**Risk Tolerance** – The amount of risk that the organization can assume without material impact on the achievement of results.

# Risk appetite and risk tolerance are critical aspects of a robust risk management program

- Risk appetite and tolerance enables more consistent risk taking throughout the organization.
- A way to address the many pressures on the organization right now. Risk appetite is a useful tool to support resilience.
- An important aspect to weighing risk trade-offs between options or alternate courses of action by providing more structure when making those decisions.
- A method for decision makers to know the risk capacity of the organization. Risk tolerance helps leaders recognize and agree upon how much risk The City can absorb.



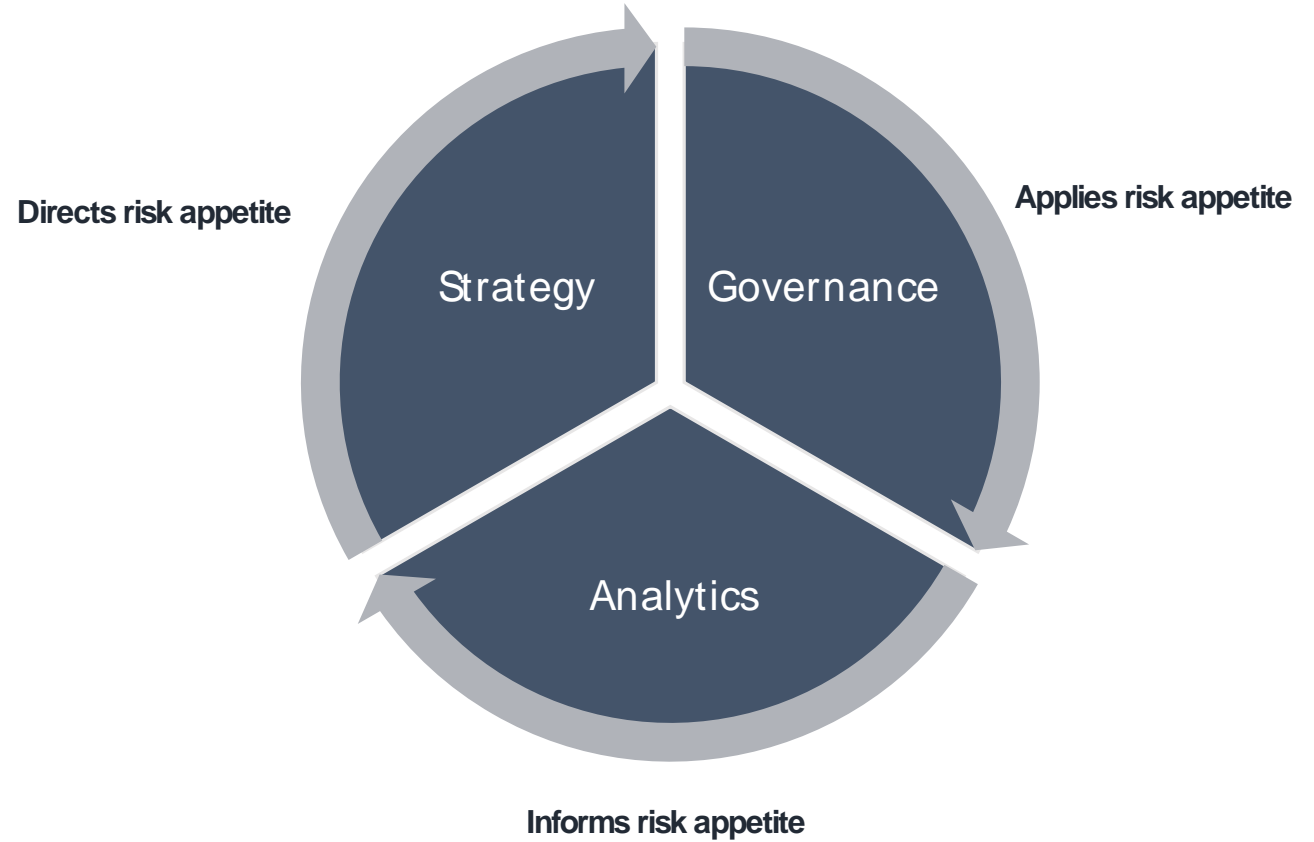
# The City's Risk Appetite Framework

<p><b>Level 1</b> <b>Averse</b></p>	<p><b>Level 2</b> <b>Minimalist</b></p>	<p><b>Level 3</b> <b>Cautious</b></p>	<p><b>Level 4</b> <b>Open</b></p>	<p><b>Level 5</b> <b>Motivated</b></p>
<p>The City is not willing to accept risk under any circumstances</p>	<p>The City is not willing to accept risk in most circumstances</p>	<p>The City is willing to accept risk in certain circumstances</p>	<p>The City is willing to accept risks</p>	<p>The City accepts opportunities that are inherently high risk</p>



# ERM Program – Maturing our Risk Program

Risk appetite and Tolerance requires a blend of risk quantitative and qualitative assessment which is present in the three pillars the ERM team is focusing on for advancing The City’s risk maturity.



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