

## Enterprise Risk Management Program Update

This attachment provides an update on current key initiatives and focus areas for the Enterprise Risk Management (ERM) program in 2023-2026.

### Risk Maturity

To enhance decision-making, improve resilience, and proactively manage uncertainties, The City is committed to achieving Advanced (Tier 4) risk maturity as defined by the Risk and Insurance Management Society (RIMS) Risk Maturity Model. This goal, approved by the Executive Leadership Team and communicated to the Audit Committee (AC2023-0011), guides our Enterprise Risk Management (ERM) strategy. For descriptions of each of the risk maturity levels within the RIMS risk maturity model, please refer to Appendix 1.

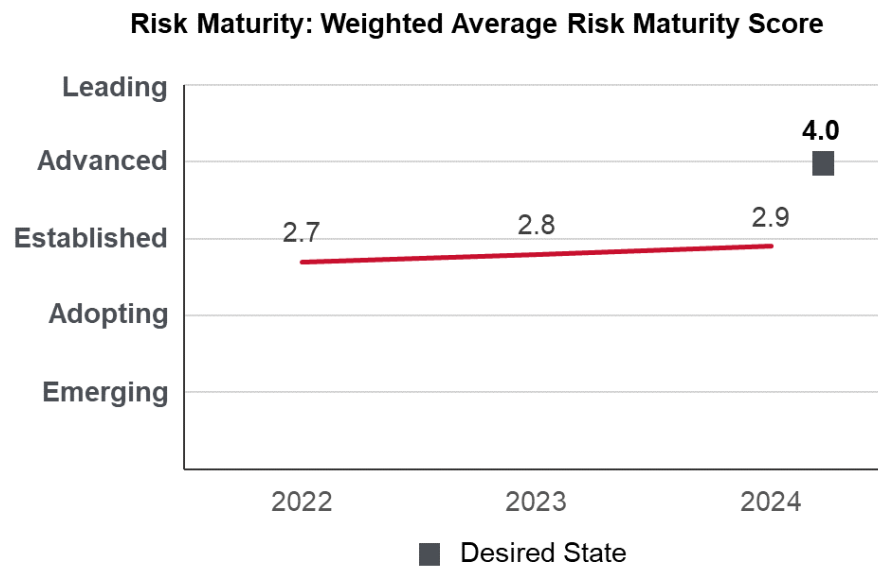
In 2024, the ERM team made significant strides towards this goal. Our journey included:

- **Enhancing Risk Assessment:** We improved consistency in risk assessment by collaborating with experts to update Health & Safety and Environmental Risk impact guidelines. A pilot project with Waste and Recycling Services provided valuable insights into their risk maturity and governance processes, which will inform broader improvements.
- **Improving Risk Reporting:** To provide a more holistic view of the organization's risk profile, we integrated risk information into corporate reporting processes, including the Progress Report and Environmental, Social and Governance (ESG) report. We also established Principal Corporate Risk (PCR) Key Risk Metrics, reported to the ELT and the Audit Committee through the 2024 Mid-Year Principal Corporate Risk Report.
- **Developing a Robust Risk Culture:** We initiated crucial discussions with the ELT and the Audit Committee on advancing risk appetite and tolerance, laying the foundation for a more mature and proactive approach to risk management.

### 2024 Risk Maturity Survey Results

The 2024 Risk Maturity Survey, as shown in the 'Risk Maturity: Weighted Average Risk Maturity Score' chart, indicates an average risk maturity rating of 2.9, reflecting our ongoing progress towards the desired maturity state of 4.0 (Advanced). This annual survey is a critical tool for measuring the effectiveness of the organization's efforts to increase risk knowledge, awareness, application, and culture.

The following chart illustrates a steady, albeit gradual, increase in the average risk maturity rating over the past three years, rising from 2.7 in 2022 to 2.9 in 2024.



The figure above displays the weighted average risk maturity rating based on all the responses received for the corresponding year. Note that the risk maturity model was updated in 2022 to align with the RIMS Risk Maturity Model.

## ERM Focus Areas

Four focus areas were identified for 2023-2026 to further our progress towards the desired level of risk maturity. These areas are Risk Governance, Improved Reporting, Risk Appetite/Tolerance and ERM Integration. In addition, updates on the progress of the Fraud Risk Management framework are shared below:

### Risk Governance

#### *Organizational Risk Governance*

Effective risk governance is essential for informed decision-making, clear accountability, and consistent risk management practices across the organization. To strengthen risk governance within The City, we are taking steps in developing a Risk Governance framework and expanding and refining the existing framework.

By embedding these risk governance practices throughout the organization, we aim to create a more proactive and resilient City.

#### *Risk Governance – Wholly Owned Subsidiaries*

In line with our commitment to proactive risk management, we have enhanced our risk identification and assessment process. We now incorporate risk information from our Wholly Owned Subsidiaries (WOS) into our year-end reporting, providing a more holistic view of the City's risk landscape. This new process, implemented following a 2021 recommendation by Ernst & Young, involves annual risk submissions from each WOS. Please refer to the confidential Attachment 5 for more information.

### Improved Reporting

#### *5x5 Risk Matrix - Impact Guidelines*

Accurate and consistent risk assessment is fundamental to effective risk management. To achieve this, the ERM team is actively working to improve the risk impact guidelines embedded within the 5x5 Risk Rating matrix.

### *PCR – Descriptions and Key Risk Metrics*

Clear and insightful risk reporting is crucial for effective risk management and informed decision-making. In 2024, we made significant strides in enhancing our risk reporting processes through improving our PCR definitions, data-driven risk assessments, and integrated corporate reporting.

### **Future Enhancements**

To ensure you have the most relevant risk information, the ERM team is developing a new reporting format. This streamlined approach will provide key insights in a concise, one-page summary. See Appendix 2 for a prototype using the Financial Sustainability risk update. We'll be gathering feedback from PCR owners next year to finalize this improved reporting process.

### *Enhanced reporting through the integration of Risk*

To provide a more holistic and informed view of service performance, we successfully integrated service risks into the 2024 Mid-Year Progress Report. This enhancement supports our strategic objective of improving decision-making, enhancing accountability, and promoting transparency by providing a comprehensive understanding of how risks impact service performance.

Working collaboratively with the Performance Measurement and Reporting team, we strategically aligned both reporting processes, eliminating duplication of effort. This integration allows decision-makers to allocate resources more effectively, ultimately driving continuous improvement across the organization.

Going forward, risk information will continue to be included in the Progress Report, ensuring a comprehensive and risk-informed view of service performance.

### *Other*

The Green Line project's recent reintegration into The City as a Business Unit presents both opportunities and challenges. It is essential to proactively identify and manage the associated risks to ensure the project's success and minimize potential negative impacts on the organization.

ERM will be working closely with the Chief Operating Officer's Office and Green Line Corporate Liaison team to integrate these risks into the Enterprise Risk Management framework. This will provide the necessary information to make strategic decisions to protect the City's interests.

### **Risk Appetite/ Tolerance**

The ERM team consistently seeks proactive opportunities to engage with the ELT and Audit Committee on advancing Risk Appetite and Tolerance in the organization:

#### *Audit Committee Engagement*

On 2024 October 17, the ERM team provided a Corporate Risk Tolerance update to the Audit Committee, outlining the importance of risk appetite and tolerance and how these concepts help decision-makers weigh risk trade-offs and support consistent management of risks throughout the organization. This information was well received at Audit Committee and promoted active discussion on how to better manage risk at The City considering recent events. Following this meeting, the ERM also hosted a lunch and learn with Audit Committee on Risk Appetite and Tolerance that included an activity highlighting how biases may influence one's perception of risk.

### **ERM Integration**

Integrating the ERM framework across the organization is essential for building a strong risk culture, promoting consistent risk management practices, and enhancing organizational resilience. Our team actively pursues opportunities to embed risk considerations into various processes and initiatives.

## Supporting Risk Management

We provide comprehensive support to the organization in developing risk guidance, customized tools, risk workshops, and risk consulting services. This support enables services to effectively manage risks in their projects, programs, and day-to-day operations.

### Key Achievements

Our proactive efforts have led to significant achievements in integrating ERM across the organization. Notably, we successfully integrated risk as a key criterion in the new Capital Prioritization Framework, as well as other reports as mentioned above. This ensures that risk considerations are central to capital allocation decisions, leading to a more strategic and risk-informed approach to investments.

### Collaborative Partnerships

Furthermore, our team actively looks for opportunities to engage and foster connections with our partners through consistent meetings and sharing of insights and resources. We also identify areas where alignment is possible. Among our partners are the Calgary Police Services, The City Auditor’s Office, Corporate Issues Management, and The Strategic Foresight and Corporate Resilience team.

### Fraud Risk Management Framework

Fraud poses a significant threat to any organization, potentially leading to financial losses, reputational damage, and disruption of operations. Recognizing the importance of mitigating fraud risk, we initiated the development of a Fraud Risk Management Framework by bringing together subject-matter experts (SMEs) from various business units. Due to the comprehensive scope of this project, we are dedicated to continuing this important work into 2025 to ensure a robust and effective framework for managing fraud risk.

## ERM Program Performance Measures


We developed performance measures for the ERM program which align with our 2023-2026 program goals. These are measured annually and are tabulated below for reference.

No	Performance Measure	Results			Description
		2024	2023	2022	
1	Risk Maturity	2.9	2.8	2.7	Weighted average risk maturity score.
2	Risk Management in Service Planning and Budgeting	25%	22%	34%	Per cent of respondents indicated that risks are considered and analyzed to revise assumptions, strategies or actions.
3	Risk Appetite & Tolerance	27%	22%	26%	Per cent of respondents indicating that risk appetite and tolerance are formally expressed and considered as part of the planning process.
4	Role Clarity	84%	89%	74%	Per cent of respondents indicate that they understand their role either “Somewhat clearly” or “Very clearly”.

## Appendix 1: RIMS Risk Maturity Model

Risk Maturity Level	Characteristics
Emerging - Tier 1	No formal capability in place. Risk management is individually driven. Decision making is subject to inconsistent risk-related principles and results.
Adopting - Tier 2	Capability exists on paper. Organization does not have clear engagement from stakeholders. Decision making is primarily driven by qualitative risk considerations.
Established - 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.
Advanced - 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.
Leading - Tier 5	Capability exists in a continuous improvement cycle, informed by internal and external inputs. Decision making is future oriented, proactive, and guided by risk analytics, insights, and risk-related principles.

## Appendix 2: Mock-Up of Financial Sustainability Risk Update

Principal Corporate Risk and Risk Owner	Residual Risk Rating (June 2024)	Current Residual Risk Rating (December 2024)	Progress of Risk Response	Risk Trend	Risk Tolerance /Appetite	Target Residual Risk Rating (3 year)																				
<b>Financial Sustainability Risk</b> GM, Corporate Planning & Financial Services	■	■	On Track	→	Maintain 	■																				
<b>Risk Update</b> The risk rating (Medium) and risk trend (Stable) and remains unchanged from 2024 June. <ul style="list-style-type: none"> <li><b>Green Line Challenges:</b> Provincial funding instability and project revisions create cost and timeline uncertainty for the Green Line LRT.</li> <li><b>Funding Dependence:</b> Reliance on provincial funding, exacerbated by Bill 18, increases the City's financial vulnerability.</li> <li><b>Debt &amp; Inflation:</b> Rising debt, coupled with high municipal inflation, puts pressure on City budgets and service delivery.</li> <li><b>Economic Headwinds:</b> Economic volatility, supply chain issues, and a softening real estate market contribute to financial risks.</li> <li><b>Investor Confidence:</b> Maintaining investor confidence is crucial in the face of increasing costs and potential revenue shortfalls.</li> </ul>																										
<b>Key Risk Metrics Summary</b> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Key Risk Metric</th> <th>Expected Performance</th> <th>Current Performance</th> <th>Current Risk Tolerance Level</th> <th>Risk Trend</th> </tr> </thead> <tbody> <tr> <td>Calgary's Inflation rate</td> <td style="text-align: center;">TBD</td> <td style="text-align: center;">3.3%</td> <td style="text-align: center;">TBD</td> <td style="text-align: center;">TBD</td> </tr> <tr> <td>Debt Limits (Percentage of current debt to The City's debt limit)</td> <td style="text-align: center;">TBD</td> <td style="text-align: center;">40%-50%</td> <td style="text-align: center;">TBD</td> <td style="text-align: center;">TBD</td> </tr> <tr> <td>Change in taxable residential property accounts</td> <td style="text-align: center;">TBD</td> <td style="text-align: center;">2.2%</td> <td style="text-align: center;">TBD</td> <td style="text-align: center;">TBD</td> </tr> </tbody> </table>							Key Risk Metric	Expected Performance	Current Performance	Current Risk Tolerance Level	Risk Trend	Calgary's Inflation rate	TBD	3.3%	TBD	TBD	Debt Limits (Percentage of current debt to The City's debt limit)	TBD	40%-50%	TBD	TBD	Change in taxable residential property accounts	TBD	2.2%	TBD	TBD
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<b>Key Risk Management Strategies</b> <b>Current</b> <b>Long-Range Planning:</b> The City utilizes a Long Range Financial Plan (LRFP) to guide financial decision-making and ensure sustainability. The LRFP will be updated in 2027 to address emerging challenges and inform the next service plan and budget cycle, <b>Upcoming</b> Optimize resource allocation by adjusting service levels, pursuing efficiencies, exploring new revenue streams, and utilizing reserves strategically.																										