

# THE AGENCY FOR CO-OPERATIVE HOUSING

## POLICY MANUAL

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Board of Directors

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Risk Management

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### 1. Preamble

Risk, defined as the possibility of loss, injury or other adverse or unwelcome circumstance, exists in all human activities and cannot be avoided. Managing risk is an integral part of good organizational governance.

Effective risk management is fundamentally a matter of following good practices and procedures, maintaining strong internal controls, paying constant attention to the internal and external environment, and responding appropriately when these change. Enterprise risk management is a structured approach to identifying, assessing, managing, monitoring and reporting on the real and potential risks an organization faces as it seeks to fulfil its mission and achieve its goals.

The purpose of this policy is to formalize the Agency's commitment and approach to managing the risks it faces as it seeks to meet its commitments to its legal clients, address the needs of client co-operatives under the programs it administers, and serve the broader public good.

## **2. Definitions**

### **2.1. Risk and Risk Event**

For purposes of the Agency's risk-management program, "risk" is defined as a specific, potential threat to the Agency's ability to maintain its reputation, to achieve its mission or to meet its strategic objectives, and "risk event" is the realization of any such threat.

### **2.2. Risk Appetite**

Risk appetite is the amount and type of risk an organization is willing and able to take responsibly in order to meet its strategic objectives. It also refers to the degree of uncertainty an organization is willing to accept in anticipation of a reward, such as further growth. Risk appetite is a measure of the risk-reward trade-offs involved in the pursuit of an organization's objectives.

### **2.3. Risk Tolerance**

Risk tolerance is the degree, type or volume of risk that an organization is able to withstand. Risk tolerance may vary as it applies to the organization as a whole, to a particular business unit, a risk category or a specific initiative. Risk tolerance is often expressed in terms of acceptable or unacceptable outcomes or levels of risk.

## **3. Principles of the Agency's Risk Management Program**

### **3.1. Managing Risks at the Enterprise Level**

The Agency is committed to managing risk at all levels of the organization through an Enterprise Risk Management (ERM) approach.

### **3.2. Categories of Risk**

The Agency will group its identified risks in the following six categories: governance risk, strategic risk, operational risk (financial), operational risk (non-financial), reputational risk and external risk.

### **3.3. Risk Tolerance**

The Agency's overall risk tolerance is determined with reference to its service agreement with CMHC and its established operating objectives and performance standards.

### **3.4. Monitoring Risk**

The Agency will compile a Risk Universe of all known risks that could compromise the Agency's realization of its mission and objectives. Management will conduct a formal review of the Agency's Risk Universe once a year, identifying risks and ranking them according to their severity of impact and likelihood of occurrence. The identified risks as assessed and ranked will be recorded in a Risk Register to be monitored and managed on a continuing basis. The Risk Register will record risk-mitigation measures taken and planned.

### **3.5. ERM Framework**

Upon completion of each annual risk-assessment exercise, the process will be evaluated and modified as necessary to ensure that the Agency's Enterprise Risk Management Framework remains appropriately robust for an organization of the size and complexity of the Agency.

### **3.6. Reporting on Risks and Mitigation Strategies**

Management will prepare an annual report to the Board on the universe of risks facing the Agency and the mitigating strategies, risk rating and trend in place for each. The CEO's management report to each meeting of the Board will include a discussion of the status of major risks to the realization of the Agency's mission and objectives ("top risks").

### **3.7. Risk Awareness**

The Agency is committed to developing, as part of its corporate culture, an attentiveness to risk at all levels of the organization. Management will integrate risk management into its strategic and operational planning, resource planning and significant decision-making. Staff members will be alerted to and trained to discharge their departmental and individual responsibilities for risk identification and mitigation.

## **4. Risk Appetite**

### **4.1. Introduction**

The Agency exists to administer co-operative housing programs by deploying risk-based strategies, superior information management and client-centred service to safeguard the public's investment and help its government and co-operative partners attain their goals.

Our purpose in setting out the Agency's risk appetite is to define how much risk we may responsibly accept in pursuit of this mission. The statements that follow identify, at a broad level, the risks we will avoid, the risks we are prepared to assume and the limits we will place on those risks.

#### **4.2. Principles**

Our risk appetite is informed by these considerations:

- We cannot be in business without taking risks.
- The risks we take must further our mission and be consonant with our vision and values.
- We have limited access to revenues beyond the fees we earn as the administrator of legacy co-operative housing programs. Our capacity to absorb financial losses is accordingly limited.
- We must keep enough capital on hand to allow us to fulfil our undertakings to our legal client through changing circumstances.

#### **4.3. Unavoidable Risks**

In conducting our activities, we are exposed to risks that we do not actively seek but that are an inescapable part of doing business. We will adopt cost-effective ways to reduce these risks to an acceptable level. For example, we will reduce the risk of loss of assets to a tolerable level by purchasing insurance with appropriate limits and deductibles.

#### **4.4. Maintaining the Confidence of Our Key Stakeholder**

Maintaining the confidence of our legal client, Canada Mortgage and Housing Corporation, is essential to our success and continued existence. To mitigate the risk of losing that confidence, we will take all reasonable steps to ensure that

- we meet the performance standards set out in our agreement with CMHC on a continuing basis;
- the information systems upon which we depend to measure our performance under our agreement with CMHC are reliable and data integrity is safeguarded;
- we comply at all times in all material respects with our financial and other obligations under the agreement;
- we meet our reporting obligations to CMHC on a timely basis;

- we counsel our client housing co-operatives to comply with their agreements with CMHC, including their mortgage-payment obligations.

Employee behaviour that willfully contravenes the above or compromises our ability to provide CMHC with honest reporting will not be tolerated.

#### **4.5. Maintaining Our Standard of Client Service**

Outstanding client service lies at the heart of the Agency's mission and strategy. To achieve it, we adopt and regularly review standards of client service and satisfaction and continuously test our performance against them. We seek to achieve our published service standards, in the aggregate, 95 per cent of the time. To that end, we

- recruit staff who support the Agency's mission and values and who, with appropriate training, will be capable of delivering exceptional service;
- orient all new employees to the Agency's client-service program;
- measure the performance of our frontline staff against our published client-service standards;
- provide support and coaching in client service to our frontline staff;
- set and regularly review internal service standards applicable to all Agency employees.

#### **4.6. Staff Engagement**

The Agency cannot realize its mission without a talented and highly engaged and motivated staff. To that end, we will not let our staff engagement score fall below 75 per cent.

#### **4.7. Relations with Our Movement Partners**

Our work with our client housing co-operatives is facilitated through the collaborative relationships we maintain with regional and national federations of housing co-operatives. While honest differences of opinion will arise in the normal course of doing business together, more fundamental disagreements over our respective missions or business strategies threaten to compromise the productive relationships we seek. We will mitigate this risk by

- avoiding directly competing with the federations without a very compelling reason;
- maintaining regular contact with federation staff at all levels;

- keeping federations informed about the progress of our work, the collective performance of their members and any new initiatives;
- addressing federations' concerns and complaints in a timely and respectful way.

#### **4.8. Business Continuity**

The Agency is subject to natural and manmade disasters that could interfere with our ability to deliver our services. However, through our Business Continuity and Disaster Recovery Plans, we have taken measures to limit any outages to as short a period of time as reasonably possible. These plans are periodically reviewed and tested and staff are regularly trained in their requirements.

#### **4.9. Risk of Financial Loss**

The Agency will mitigate the risk of financial loss by maintaining an operating reserve that does not fall below one per cent of our annual fee from CMHC.

#### **4.10. Other Risk Limits**

The Board of Directors, on the advice of the Chief Executive Officer, will determine whether to establish any more specific risk limits as the Agency explores business opportunities aligned with the Agency's strategic plan.

### **5. Responsibilities for Risk Management**

#### **5.1. The Board of Directors**

The Board is responsible for

- approving and periodically reviewing this policy;
- approving the terms of the Agency's agreements with CMHC and any other government clients;
- overseeing the Agency's risk-management program by
  - examining annual reports from management that identify known risks to the Agency and the strategies in place to mitigate them, and
  - reviewing the CEO's regular status reports on the Agency's top risks.

#### **5.2. The CEO**

The CEO is responsible for

- approving, enhancing and overseeing the Agency's Enterprise Risk Management Framework and process;
- identifying risks faced by the Agency and ensuring that effective mitigation strategies and monitoring activities are in place;
- developing a corporate culture that is alert to the risks the Agency faces;
- reporting on the Agency's risk-management program to the Board of Directors.

### **5.3. The Management Team**

Members of the Management Team are responsible for

- actively participating in the identification, assessment and management of the Agency's Risk Universe;
- supporting the CEO in promoting a corporate culture alert to the risks facing the Agency;
- overseeing the management and monitoring of risks specific to their area of responsibility and ensuring that their staff are trained to do their part in the process;
- reporting on progress in managing risk and bringing any new risks to the attention of the CEO and Management Team; and
- participating each year in a formal review of the Agency's Risk Universe.

### **5.4. Staff**

All members of staff are responsible for

- being aware of the ways that their activities might put the Agency at risk;
- bringing to the attention of their supervisor any training that would help them manage and monitor the risks relevant to their position;
- doing their part to manage risk and maintain good internal controls; and
- bringing any new risks to the attention of their supervisor.