



# RISK GOVERNANCE

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“RISK”

“GOVERNANCE”



# AGENDA

1. Risk and Governance definitions
2. Your role in Risk Governance
3. Risk Governance Framework
4. Two major issues – “Mitigation” and “Response”
5. Inclusive Governance
6. Bottom Line



## RISK

- ▶ **General** – Probability or threat of a damage, injury, liability, loss, or other negative occurrence, caused by external or internal vulnerabilities, and which may be neutralized through pre-mediated action.
- ▶ **Financial** - Probability that an actual return on an investment will be lower than the expected return, or a cost will be greater than predicted.
- ▶ **Reputational** – Unanticipated disaster, disease, citizen safety, emergency response preparation.



# GOVERNANCE

- ▶ **Governance** is the *activity of governing*. It relates to decisions that define expectations, grant power, or verify performance. It consists either of a separate process or of a specific part of management or leadership processes.
- ▶ In terms of distinguishing the term **governance** from **government** – "governance" is what a "government" does.
- ▶ **Governance** is the kinetic exercise of forming policy and managing power, while government is the *instrument* that does it.

## GOOD GOVERNANCE

**Good Governance** requires five "key" ingredients for organizational capacity:

- ▶ Openness
- ▶ Participation by stakeholders
- ▶ Accountability to stakeholders
- ▶ Effectiveness of governance
- ▶ Coherence of assessment and management

Risk Governance takes place in a *political* context, and must create confidence through these five ingredients to build trust through performance.

# Noses In Fingers Out




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**International Risk Governance Council**

Improving governance of systemic risks.

**Publications**

**Welcome to the IRGC Website**

IRGC is an independent organisation whose purpose is to help the understanding and management of global risks that impact on human health and safety, the environment, the economy and society at large by:


- developing concepts of risk governance that have relevance across different risk types, problem areas, organisations and countries
- anticipating major risk issues and improving the understanding and assessment of them and the

**Emerging Risks Workshop**

On 16 and 17 December 2010, IRGC organised a workshop as part of phase 2 of its Emerging Risks project. The workshop focused on how to provide guidance to organisations that want to improve their own anticipation of and response to emerging risks. One aim was to identify whether organisational theory, behavioural science and decision theory could provide insights into how to overcome some of the well-known roadblocks to emerging risk anticipation. The participants came from diverse backgrounds and represented a wide range of expertise and many different perspectives. Many helpful ideas and suggestions were made that will inform the next phase of IRGC's project on emerging risks.

The workshop was held at and supported by the Swiss Re Centre for Global Dialogue, near Zurich.

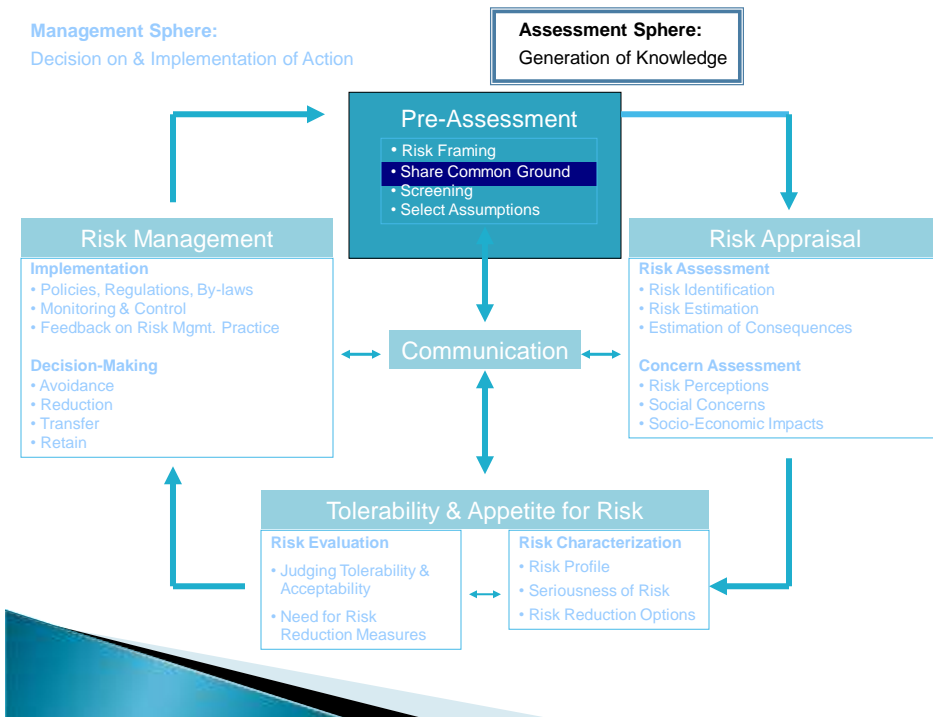
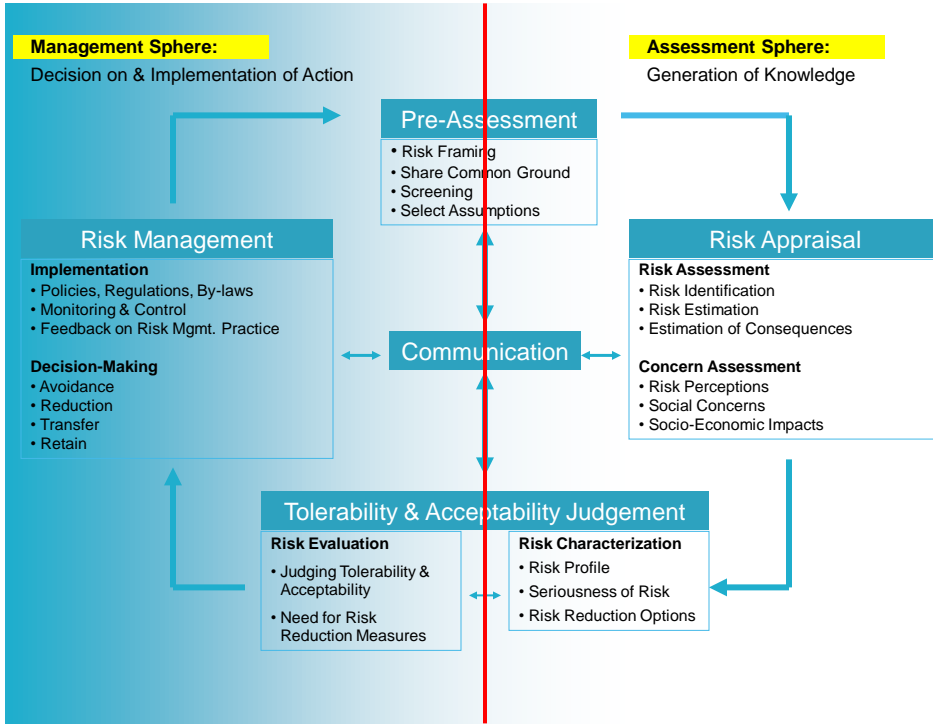
For more information on this project, visit [here](#).

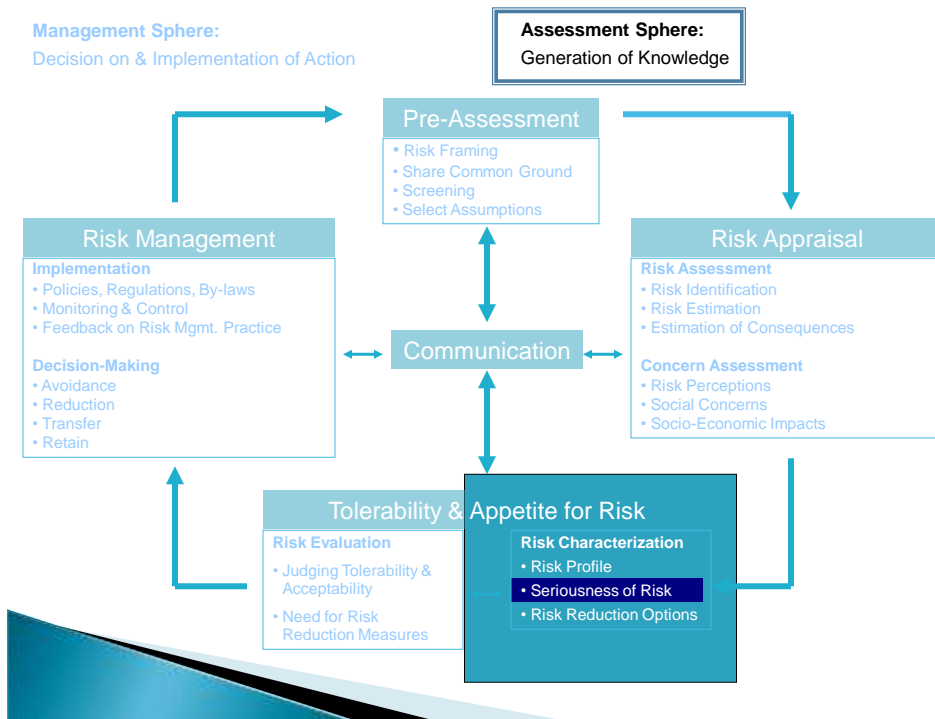
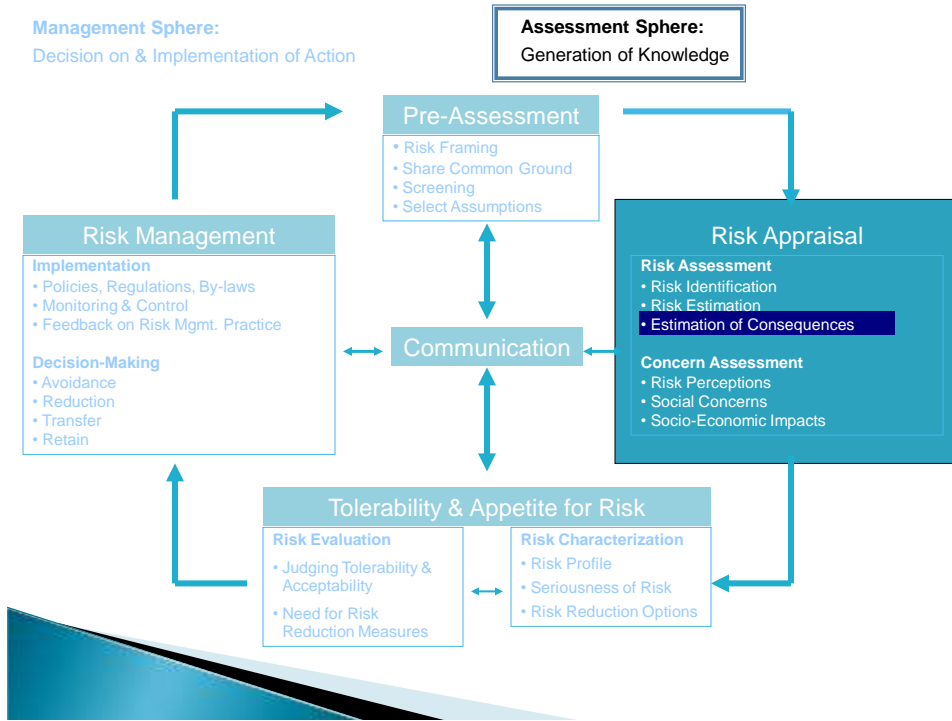


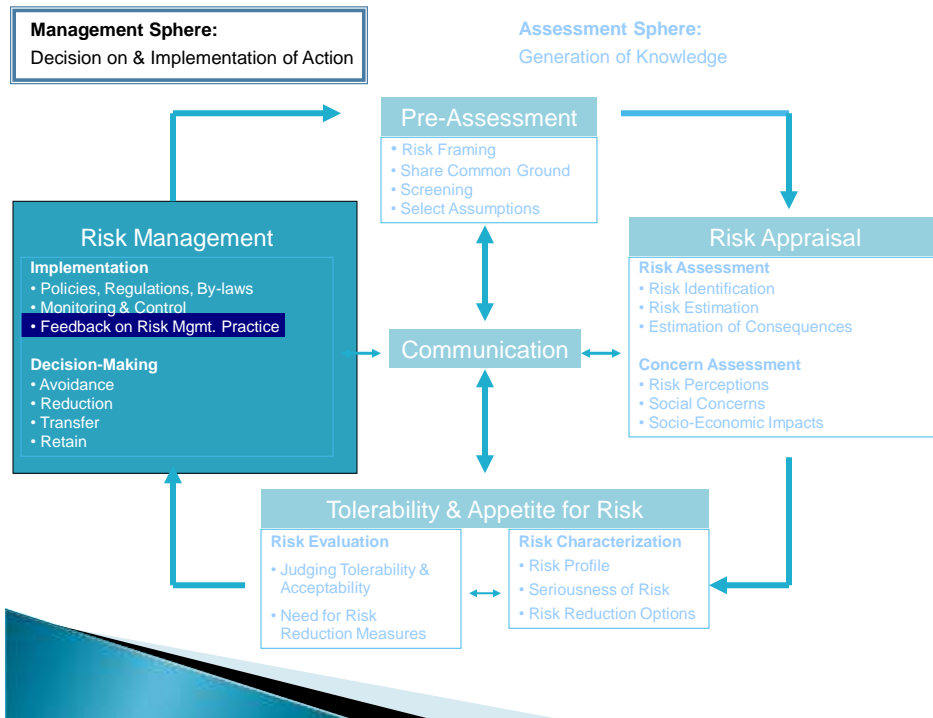
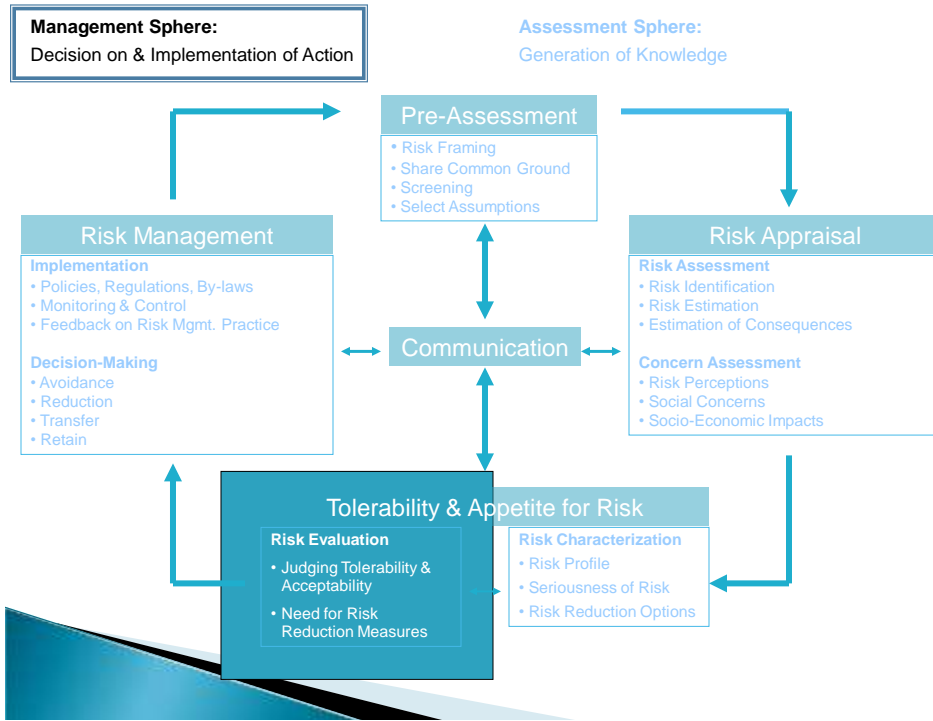
In October 2010 IRGC published "Cooling the Earth Through Solar Radiation Management: The need for research and an approach to its governance". An OpenView Press for IRGC by George Morgan and Kuba Polow.

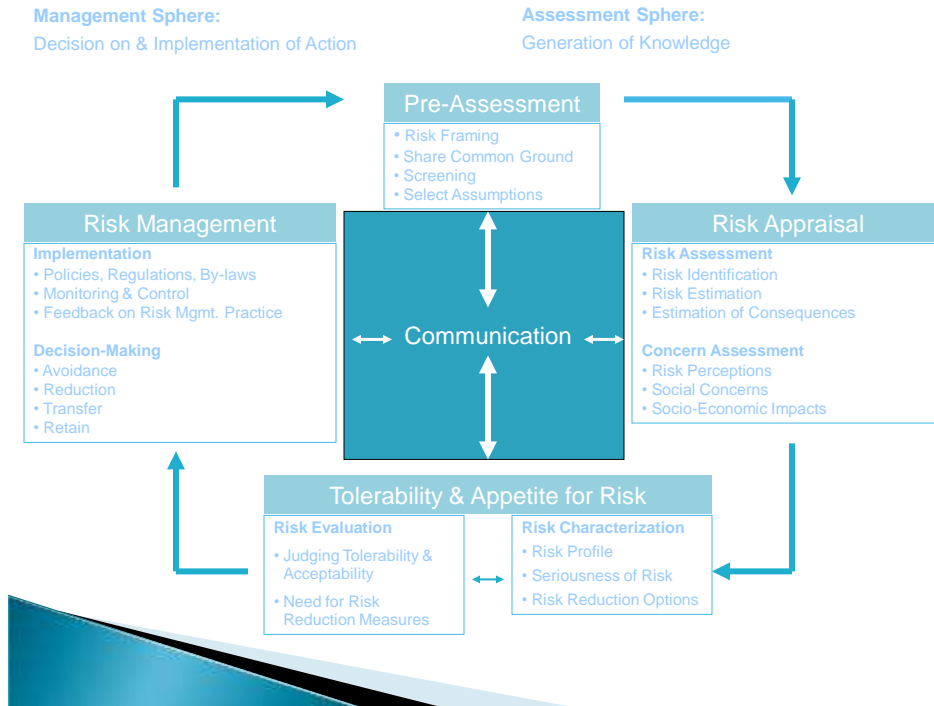
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## TWO MAJOR ISSUES

1. **Mitigation** = Prevention = Limiting Liability
  - ▶ Altruistic Goals = Citizen Safety, Reputation
  - ▶ Pragmatic Goals = limiting liability in a lawsuit
2. **Response** = “Crap Happens”
  - ▶ Interaction with Stakeholders / Public Right to Know
  - ▶ Risk Communications Strategy


## MITIGATION MECHANISMS

Are Controls and Processes generating outcomes?

### 1. **Reputational / Health & Safety**

- ▶ Zoning bylaws
- ▶ Building codes
- ▶ Safety standards
- ▶ Emergency response preparation

### 2. **Financial**

- ▶ Clearly defined levels of investment risk
  - ▶ Segmentation of duties
  - ▶ Auditor General as 3rd party assessor of risk effectiveness
- 


## RISK MANAGEMENT

“~~WHAT IF~~ ...?”

“*WHEN THIS ...!*”

You cannot predict risk.

You can only be prepared for it and attempt to  
mitigate damages











## INCLUSIVE GOVERNANCE

### Stakeholder Engagement

- ▶ political
- ▶ business
- ▶ scientific
- ▶ civil society
- ▶ opposition

### • Public right to know

- ▶ Who's involved? All stakeholders?
- ▶ Who determines?
- ▶ How much should be revealed?


Especially important in management/response phase.

## RISK COMMUNICATIONS PLAN

### Media plan

- ▶ Who speaks to the media?
- ▶ Mayor, deputy mayor, councilors, subject matter expert?
- ▶ Frequency, scheduled press conferences, media hijacking?

### Fire Drills?


- ▶ You practice emergency responsiveness;
  - ▶ Have you ever practiced **communicating** a response to an unanticipated disaster or emergency?
- 

## REAL CONSIDERATIONS

### Health & Safety – Insurance

- ▶ What's your appetite for risk?
- ▶ Coverage – Deductions
- ▶ Expected losses/liabilities
- ▶ What's your break point?

### Financial – Tax Base

- ▶ What is your sustainability of funding?
  - ▶ Reserves stress tested?
  - ▶ Reliance on other orders of government?
- 

## BOTTOM LINE

- ▶ Your role is oversight (Noses In, Fingers Out)
- ▶ Overall responsibility for risk assessment and management is senior administration.
- ▶ Your role is to ask administration 4 questions on risk:
  1. Have the risks been adequately identified?
  2. Do we have the policies, controls and processes in place to mitigate risk?
  3. Are we doing it? Is it working?
  4. When “this happens”, are we ready?



## Could This Be You?

### Rage, tears as small-town Alberta pleads its case

By Edmonton Journal June 23, 2008

TOMAHAWK – With tears and sniffles and ripples of rage, Tomahawk-area residents poured out their hearts Monday to a regulatory panel that will decide whether to allow an oil company to drill six toxic oil wells near their community.

Parents are incensed the school board dropped its objections to the wells and hasn't used its opportunity to cross-examine company officials about its plans.

*Parkland County Mayor Rob Wiedeman and county councillor Tracey Melnyk urged the board to reconsider its decision to refuse the county standing. "If we're denied standing I would suggest the rules of natural justice are not being followed," the mayor told the panel. "We're the ones responsible for safety under the Municipal Government Act."*

