Risk is any issue that impacts an organization’s ability to meet its goals and objectives.

Enterprise Risk Management (ERM) –

- Establishes a systematic process of understanding, evaluating and fostering action on significant risks
- Promotes an environment of ownership and accountability of significant risks and the response to those risks
- Considers internal, external and cross-entity risks
- Provides a foundation for superior planning and budgeting
Vision: Create a risk-aware culture that educates its members on risk management, allowing the University to identify risks and make plans to avoid material impact on finances and operations while encouraging the acceptance of manageable risks.

- A portfolio approach to managing risks that may span multiple University units
- Strategic risk support & oversight
- Aligns strategy and appetite for risk
- Structures identification of risk mitigation options
### Stages of ERM Maturity

<table>
<thead>
<tr>
<th>Initial</th>
<th>Fragmented</th>
<th>Top Down</th>
<th>Integrated</th>
<th>Risk Intelligent</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Ad hoc/chaotic</td>
<td>• Risk defined differently in different parts of the organization</td>
<td>• Identify risk universe</td>
<td>• Risk management activities coordinated across business areas</td>
<td>• Risk discussion embedded in strategic planning, capital allocation, etc.</td>
</tr>
<tr>
<td>• Depends on individual heroics, capabilities and verbal wisdom</td>
<td>• Risk managed in silos</td>
<td>• Common risk assessment / response</td>
<td>• Organization-wide risk assessment, action plans implemented in response to high priority risks</td>
<td>• Early warning system to notify board and management of risks above established thresholds</td>
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<tr>
<td></td>
<td>• Limited focus on the linkage between risks</td>
<td>• Organization-wide risk assessment, action plans implemented in response to high priority risks</td>
<td>• Enterprise risk monitoring, measuring and reporting</td>
<td>• Linkage to performance measures and incentives</td>
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<tr>
<td></td>
<td>• Limited alignment of risk to strategies</td>
<td>• Communication of top strategic risks to senior leadership</td>
<td>• Scenario planning</td>
<td>• Risk modeling</td>
</tr>
<tr>
<td></td>
<td>• Disparate monitoring &amp; reporting functions</td>
<td>• Opportunity risks identified and exploited</td>
<td>• On-going risk assessment processes</td>
<td></td>
</tr>
</tbody>
</table>

*Deloitte Development LLC, 2010*
Multi-Tiered Risk Governance

- BOT
- President
- Executive Risk Management Committee *
- Senior Advisory Group *
- Enterprise Risk Management Process
- Risk Areas

* To be formed.

Report on Process Effectiveness

Policy Council

University Audits

Advise

Consult
## Stakeholder Roles

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board of Trustees</strong></td>
<td>• Set tone / environment for risk management</td>
</tr>
<tr>
<td></td>
<td>• Approve risk process, risk policies and risk appetite levels</td>
</tr>
<tr>
<td><strong>Senior Management</strong></td>
<td>• Provide risk direction</td>
</tr>
<tr>
<td></td>
<td>• Ensure strategic, operational, financial and compliance risks are effectively managed</td>
</tr>
<tr>
<td><strong>Executive Risk Management Committee (ERMC)</strong></td>
<td>• Maintain oversight of the risk management process</td>
</tr>
<tr>
<td></td>
<td>• Approve risk strategies</td>
</tr>
<tr>
<td><strong>Senior Advisory Group (SAG)</strong></td>
<td>• Act collectively, but as subject matter experts</td>
</tr>
<tr>
<td></td>
<td>• Advise Executive Risk Management Committee</td>
</tr>
<tr>
<td><strong>Office of Enterprise Risk Management</strong></td>
<td>• Coordinate risk assessment, development of mitigation strategies and risk reporting</td>
</tr>
<tr>
<td></td>
<td>• Coordinate activities of ERMC and SAG</td>
</tr>
<tr>
<td><strong>University Audits</strong></td>
<td>• Provide independent advice and consulting</td>
</tr>
<tr>
<td></td>
<td>• Evaluate effectiveness and contribute to improvement of risk management processes</td>
</tr>
</tbody>
</table>
# Proposed Committee Membership

## Executive Risk Management Committee

* Risk Policy & Strategy  * Voting Responsibility

- CFO – Chair
- Provost – UIUC
- Provost – UIC
- Provost – UIS
- University Counsel

## Senior Advisory Group

* Advises Executive Committee  * Non-voting responsibility  * May be expanded as necessary to reflect specific risk areas

**Campus:**

- UIUC Campus Team
- UIC Campus Team
- UIS Campus Team

Each campus determines its appropriate mix of academic, administrative and other stakeholders as team members.

**UIC Medical Center:**

- Hospital Chief Medical Officer
- CFO – College of Medicine

**University-Wide:**

- Sr. Assoc. VP Bus & Finance
- Associate VP Capital Programs and Real Estate Services
- Assoc VP Planning & Budgeting
- Assist VP Treasury Operations
- Chair University Technology Management Team
ERM at the University is based on the widely employed framework developed by the Committee Of Sponsoring Organizations of the Treadway Commission (COSO).

This COSO ERM framework defines essential components, suggests a common language, and provides clear direction and guidance for enterprise risk management.

A key element is articulating the University’s goals & objectives.

Individual risks may be interrelated.
ERM Process Flow

1. BOT / Leadership Views of Goals, Objectives & Risks
2. Develop Risk Inventory
3. Measure Risk Impacts and Likelihood
4. Determine Risk Drivers & Relationships
5. Prioritize Top Tier Risks
6. Determine Overall Risk Appetite
7. Research & Recommend Risk Response Strategies
8. Determine Risk-Specific Tolerances
   - Accept
   - Avoid
   - Reduce
   - Share
9. Inputs to Budgeting/Planning Process
10. Monitor Risk and Mitigation Strategies
11. Oversee Risk Mitigation Implementation
Status of ERM Implementation

**Completed:**
- Office of Enterprise Risk Management formed November 2009
- Process design and implementation well underway
- 20 one-on-one interviews with the President Ikenberry and Policy Council conducted April – July 2010 / preliminary report to Policy Council in August
- Championed Derivatives Use Policy

**Next Steps:**
- Conduct interviews with members of the Board of Trustees to determine views on key risks and risk appetite
- Implement Executive Risk Management Committee and Senior Advisory Group
- Finalize summary of highest risk issues (in terms of impact and likelihood) based on the collective view of the Board and senior leadership
- Assign ownership of top risks