

Enterprise Risk Management

Presentation to the Board of Trustees

July 22, 2010

Risk

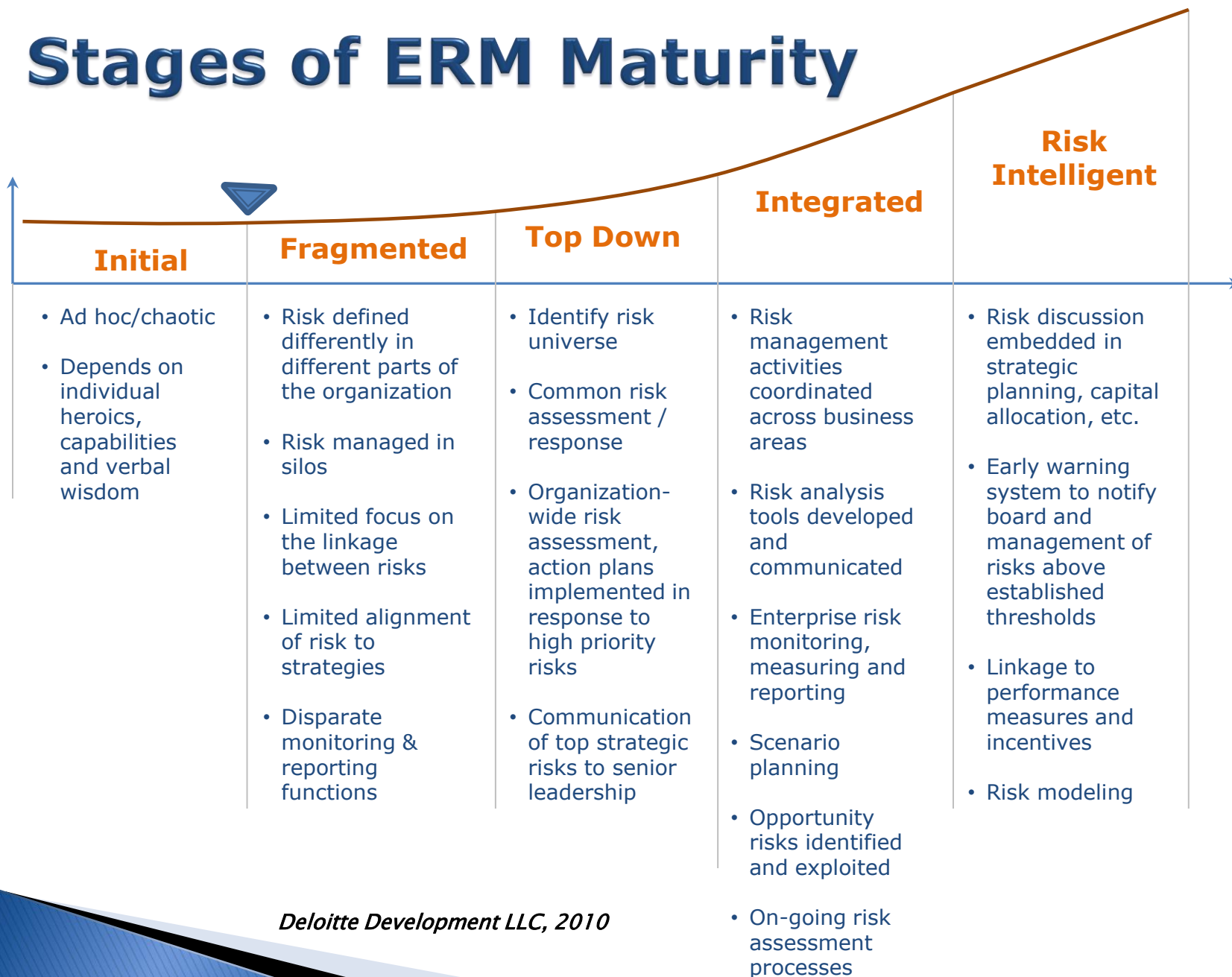
- ▶ **Risk** is any issue that impacts an organization's ability to meet its goals and objectives
- ▶ **Enterprise Risk Management** (ERM) –
 - Establishes a systematic process of understanding, evaluating and fostering action on significant risks
 - Promotes an environment of ownership and accountability of significant risks and the response to those risks
 - Considers internal, external and cross-entity risks
 - Provides a foundation for superior planning and budgeting

ERM at the University of Illinois

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

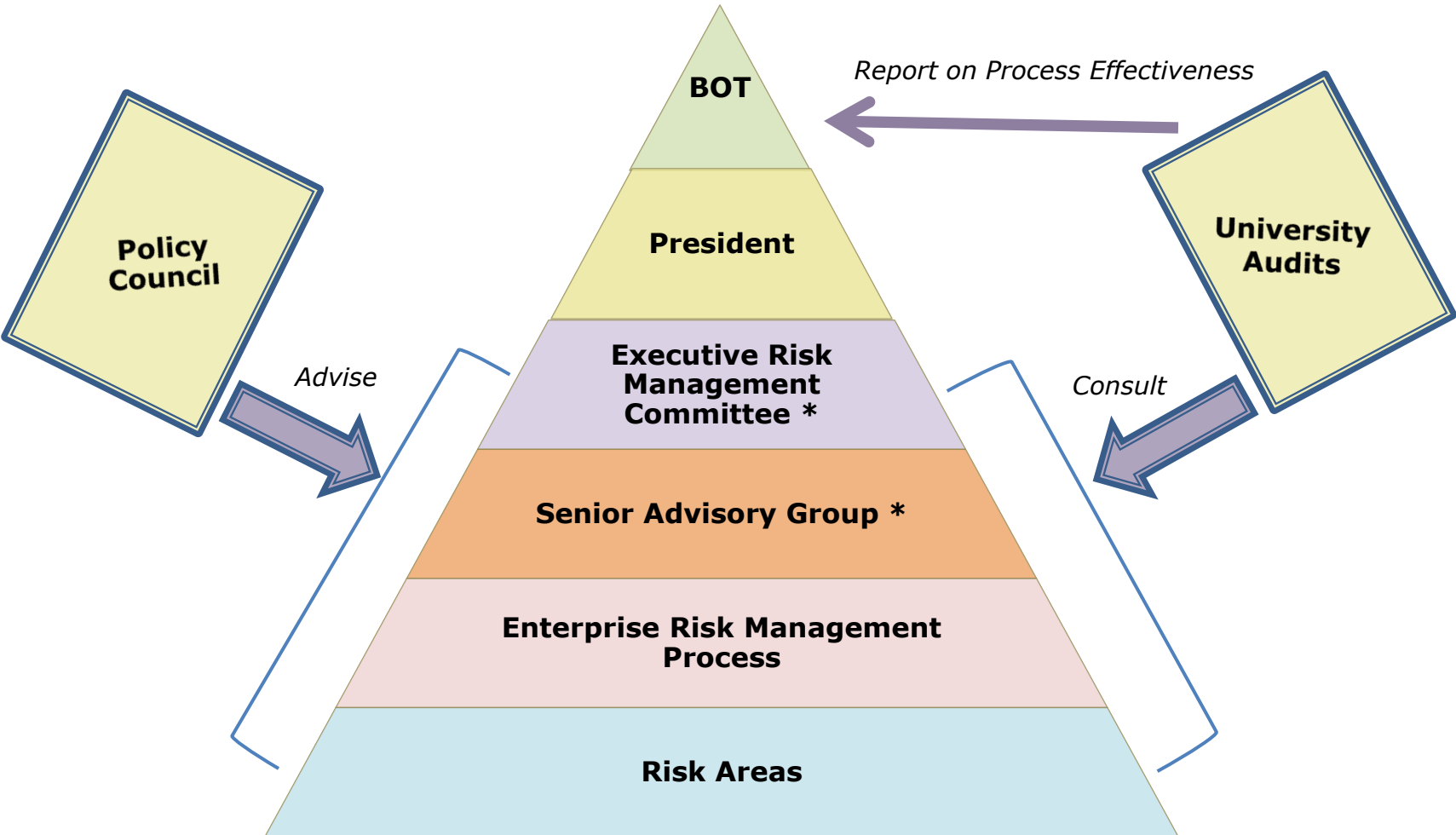
- A portfolio approach to managing risks that may span multiple University units
- Strategic risk support & oversight
- Aligns strategy and appetite for risk
- Structures identification of risk mitigation options

Stages of ERM Maturity



Deloitte Development LLC, 2010

Multi-Tiered Risk Governance



* To be formed.

Stakeholder Roles

Board of Trustees

- Set tone / environment for risk management
- Approve risk process, risk policies and risk appetite levels

Senior Management

- Provide risk direction
- Ensure strategic, operational, financial and compliance risks are effectively managed

Executive Risk Management Committee (ERMC)

- Maintain oversight of the risk management process
- Approve risk strategies

Senior Advisory Group (SAG)

- Act collectively, but as subject matter experts
- Advise Executive Risk Management Committee

Office of Enterprise Risk Management

- Coordinate risk assessment, development of mitigation strategies and risk reporting
- Coordinate activities of ERMC and SAG

University Audits

- Provide independent advice and consulting
- Evaluate effectiveness and contribute to improvement of risk management processes

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.

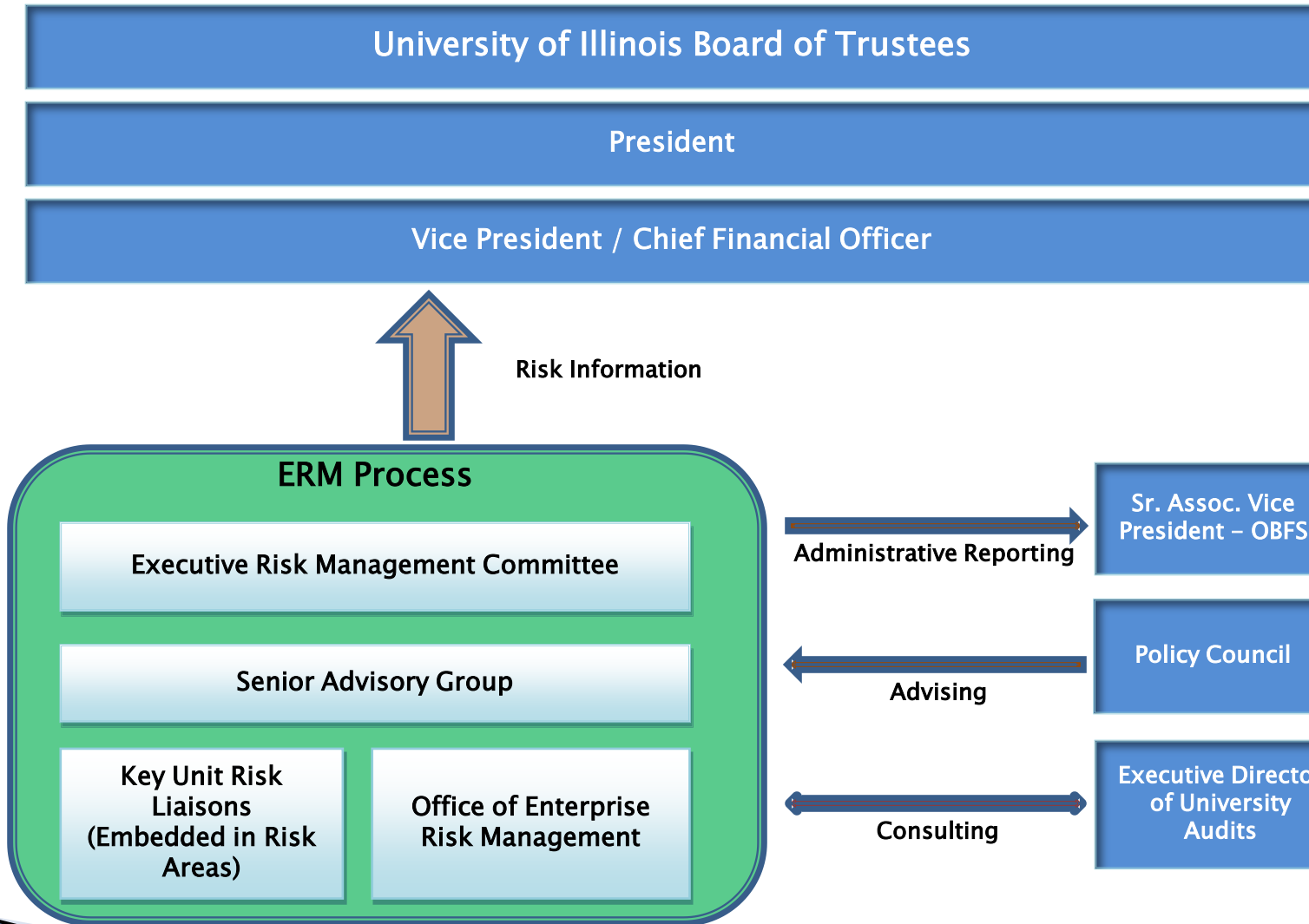
UIC
Medical Center:

- 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

Governance & Reporting



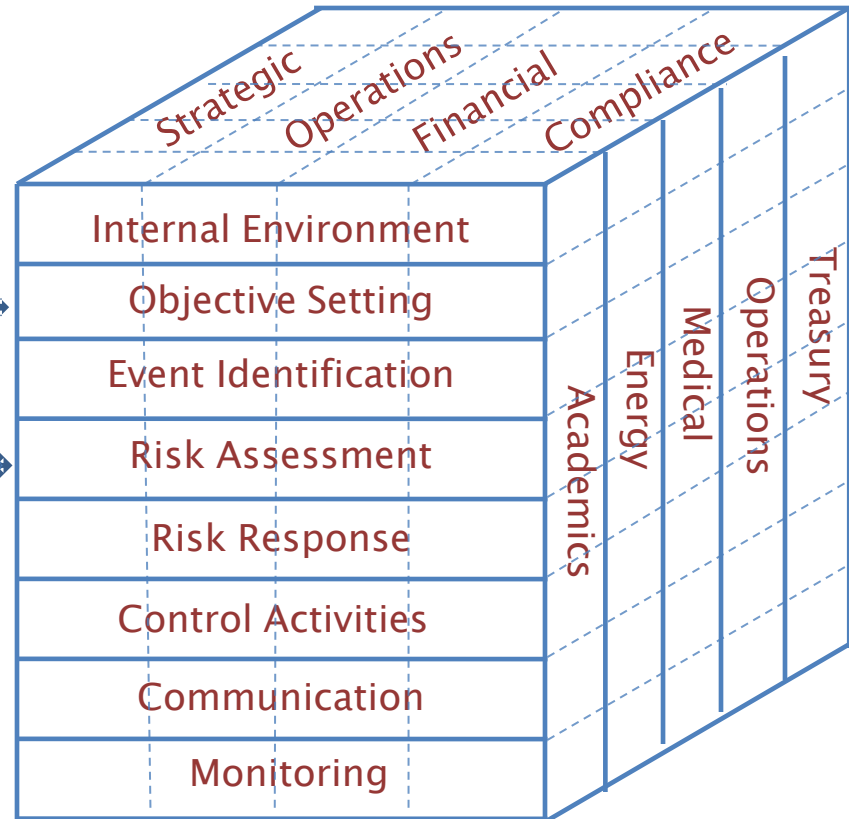
A Portfolio View of Risk

- 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

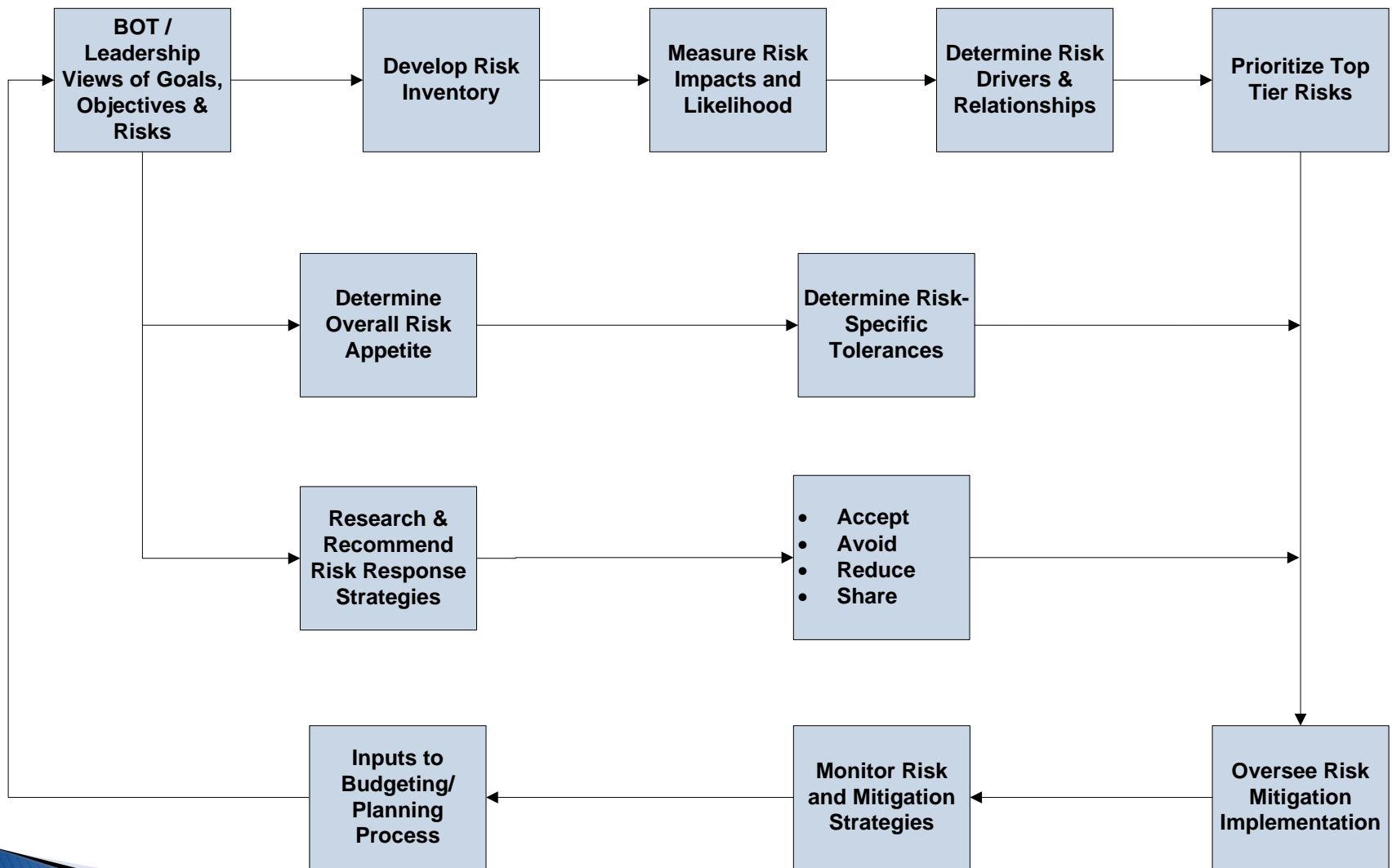
A key element is articulating the University's goals & objectives



Individual risks may be interrelated



ERM Process Flow



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