Board of Trustees Meeting
The University of North Carolina at Greensboro

Enterprise Risk Management Overview
Defining ERM

Enterprise Risk Management

- is a process, effected by an entity’s board of directors, management and other personnel,
- applied in strategy setting and across the enterprise,
- designed to identify potential events that may affect the entity and
- manage risks to be within its risk appetite,
- to provide reasonable assurance regarding the achievement of entity objectives (COSO, 2004).

• Chief Risk Officer-
• Risk Oversight Committee-
An ERM Framework

Risk Focus:
- Systemic Risk
- Institutional Risk
- Unit level

Areas:
- Strategic Risks
- Financial Risks
- Operating Risks
- Compliance Risks
- Hazard Risks
UNCG Enterprise Risk Management (ERM) Process

1. Clearly state the goal (areas of risk: strategic, operational, financial, compliance, reputational)

2. List barriers that could keep you from meeting the goal (the risks)
   - Create the list with input from across the university (enterprise wide)

3. Assess each risk:
   - Choose a likelihood (frequency) rating from 1 to 5 and a threat (severity) rating from -1 to 5
   - Multiply and map

4. Prioritize Risks

5. Treat/ Mitigate
   - Avoid
   - Accept & Monitor
   - Transfer
   - Reduce the likelihood
   - Reduce the impact

6. Create a Risk Register that includes
   - Treatment plan
   - Measures of success

7. Monitor the Plan and Communicate Results
Fictional Goal 14.2- We will develop and apply a unique “welding across the curriculum” program to ensure all graduates will have adequate welding skills for the next century.

<table>
<thead>
<tr>
<th>Type of Risk*</th>
<th>Specific Risk</th>
<th>Severity</th>
<th>Frequency</th>
<th>Overall Score</th>
<th>Risk Plan**</th>
<th>Brief Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic</td>
<td>Deters academically gifted students from enrolling.</td>
<td>-3</td>
<td>3</td>
<td>-9</td>
<td>Acceptance and Monitoring</td>
<td>Monitor freshman SAT score and compare to non-welding peers.</td>
</tr>
<tr>
<td>Strategic</td>
<td>Negative press related to unseen need for better welders.</td>
<td>-4</td>
<td>2</td>
<td>-8</td>
<td>Reduction of Severity</td>
<td>Develop positive marketing plan.</td>
</tr>
<tr>
<td>Financial</td>
<td>Needed equipment purchases diverts resources from core focus.</td>
<td>-4</td>
<td>4</td>
<td>-16</td>
<td>Transference</td>
<td>Seek grant funding through new Federal Cut and Weld Program</td>
</tr>
<tr>
<td>Operating</td>
<td>Requires welding specific classrooms.</td>
<td>-5</td>
<td>4</td>
<td>-20</td>
<td>Reduction of Frequency</td>
<td>Reduce need for as many new classrooms by consolidating sections.</td>
</tr>
<tr>
<td>Operating</td>
<td>Lack of Welding faculty.</td>
<td>-5</td>
<td>3</td>
<td>-15</td>
<td>Reduction of Frequency</td>
<td>Reduce need for as many faculty by consolidating sections.</td>
</tr>
</tbody>
</table>
Find the Priority Risks

<table>
<thead>
<tr>
<th>Threat/Likelihood</th>
<th>5 Almost Always</th>
<th>4 Frequent</th>
<th>3 Often</th>
<th>2 Occasional</th>
<th>1 Almost Nil</th>
</tr>
</thead>
<tbody>
<tr>
<td>-1 Slight</td>
<td>-5</td>
<td>-4</td>
<td>-3</td>
<td>-2</td>
<td>-1</td>
</tr>
<tr>
<td>-2 Minor</td>
<td>-10</td>
<td>-8</td>
<td>-6</td>
<td>-4</td>
<td>-2</td>
</tr>
<tr>
<td>-3 Major</td>
<td>-15</td>
<td>-12</td>
<td>-9</td>
<td>-6</td>
<td>-3</td>
</tr>
<tr>
<td>-4 Severe</td>
<td>-20</td>
<td>-15</td>
<td>-12</td>
<td>-8</td>
<td>-4</td>
</tr>
<tr>
<td>-5 Fatal</td>
<td>-25</td>
<td>-20</td>
<td>-15</td>
<td>-10</td>
<td>-5</td>
</tr>
</tbody>
</table>

- Place the risk score on the map.
- The most severe risks will fall in the 'Red Zone', so focus here.
- Treat/mitigate a priority risk using:
  - Avoidance,
  - Acceptance & Monitoring,
  - Reducing the Frequency,
  - Reducing the Severity, or
  - Transference.
Closing the loop

Monitor Program (CRO/Oversight Committee)
- Acts as technical resource and advisory body
- Facilitate risk appetite – resources
- Measurements-reassess and refine as needed
- Training – the right training and the right people
- Look for emerging risk / speed of onset issues
- Share successes with others (best practices)

Review and Report:
- Chancellor / Executive Staff / Internal Audit Committee / BOT