



STAFF REPORT INFORMATION ONLY

TTC's Risk Appetite & Risk Ranking

Date:	February 10, 2016
To:	TTC Audit and Risk Management Committee
From:	Chief Executive Officer

SUMMARY

TTC's Risk Appetite defines the amount, type and balance of risks the organization is willing to take in order to meet its strategic objectives.

The attached presentation summarizes TTC's approach to:

- Establishing the Risk Appetite
- Embedding the Risk Appetite
- Making risk-informed decisions

Next Steps

Financial Summary

This report has no financial impact. Ultimately ERM will be used to prioritize funding requirements. The Business Case process will be used should additional resources be required.

Accessibility/Equity Matters

There are no accessibility or equity issues matters arising from this report.

Decision History

The attached presentation describes TTC's Risk Appetite and how it is used to score and rank risk in order to support risk informed decision making. This presentation is in advance of bringing forward TTC's Risk Appetite Statement to the May 2016 Audit and Risk Management Committee for approval.

Contact

Mohamed Ismail, Principal Risk Advisor
Tel: 416 393-2935 Email: Mohamed.Ismail@ttc.ca

Attachments

Presentation: TTC's Risk Appetite & Risk Ranking



RISK APPETITE AND RISK RANKING





- Establishing the Risk Appetite
- Embedding the Risk Appetite
- Making risk-informed decisions





ESTABLISHING THE RISK APPETITE



WHAT IS AT RISK?



Risk is a combination of Likelihood & Impact

Risk ID	Risk Description	Likelihood	Impact	Initial Risk Estimate	Risk Ranking
001	Deterioration of fleet condition	Occasional	Major	Serious (7)	???
002	Deterioration of station condition	Probable	Moderate	Serious (7)	???



Strategic Objectives

To keep the TTC moving in the right direction, we have defined seven strategic objectives to help realize our vision.

Safety

A transit system that manages its risks, that protects its customers, contractors and employees, and that minimizes its impact on the environment.

Customer

A transit system that values customers and provides services that meet or exceed customer expectations.

People

An empowered, customer-focused workforce that values teamwork, pride in a job well done, and an organization that actively develops its employees.

Assets

Effective, efficient management of assets that delivers reliable services in a state of good repair.

Growth

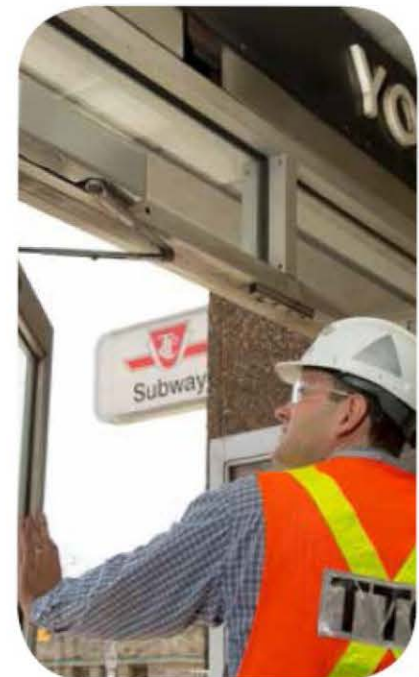
An affordable expansion program that matches capacity to demand.

Financial Sustainability

A well-run, transparent business that delivers value for money in a financially viable way.

Reputation

An organization that is transparent and accountable, well-regarded by stakeholders and peers, in which employees are proud to play a part.



DEFINING RISK APPETITE



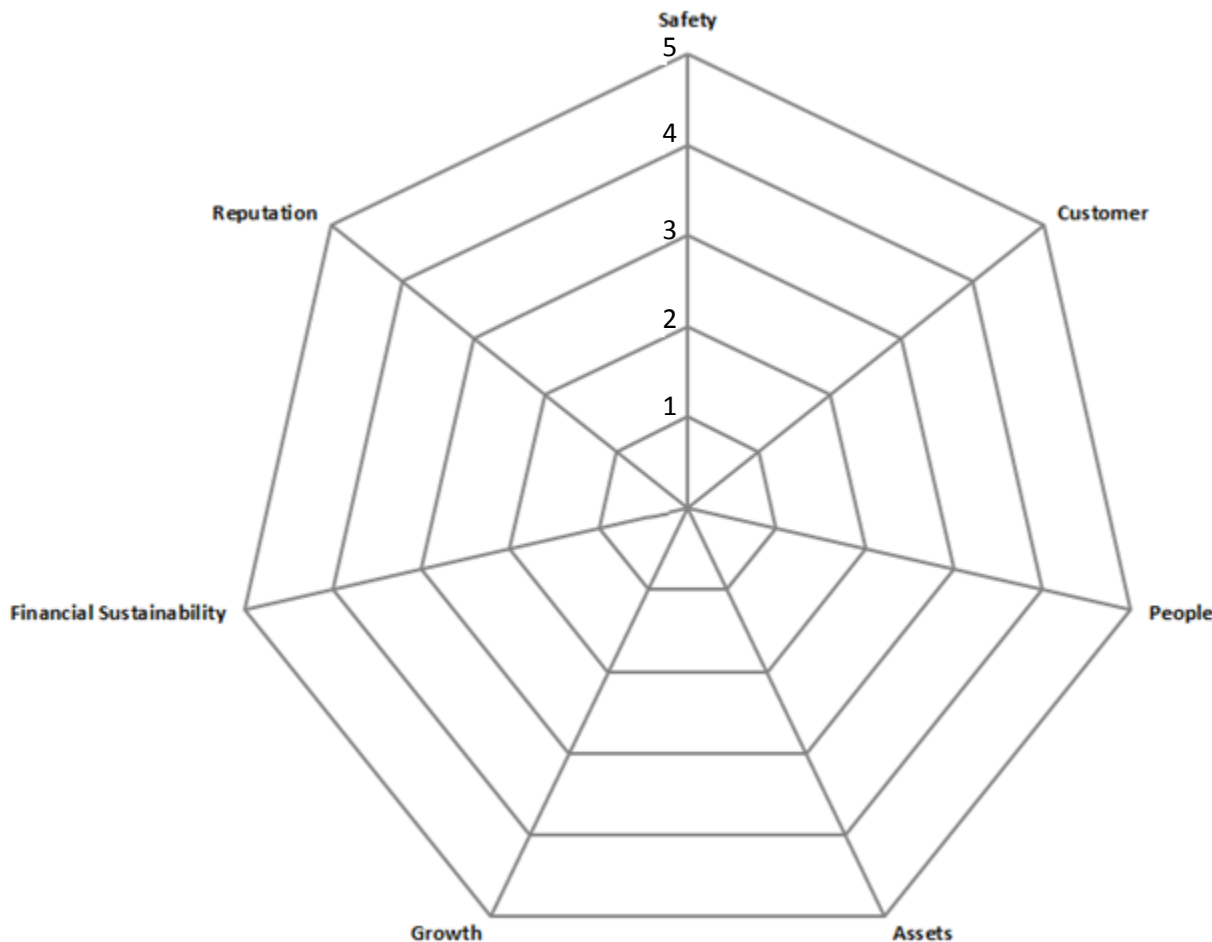
In consideration of the TTC's mission and vision, how should decision-makers balance strategic risks & opportunities?

Our Vision

A transit system that makes Toronto proud.

Our Mission

To provide reliable efficient and integrated bus, streetcar and subway network that draws its high standards of customer care from our rich traditions of safety, service and courtesy.



APPETITE RATING

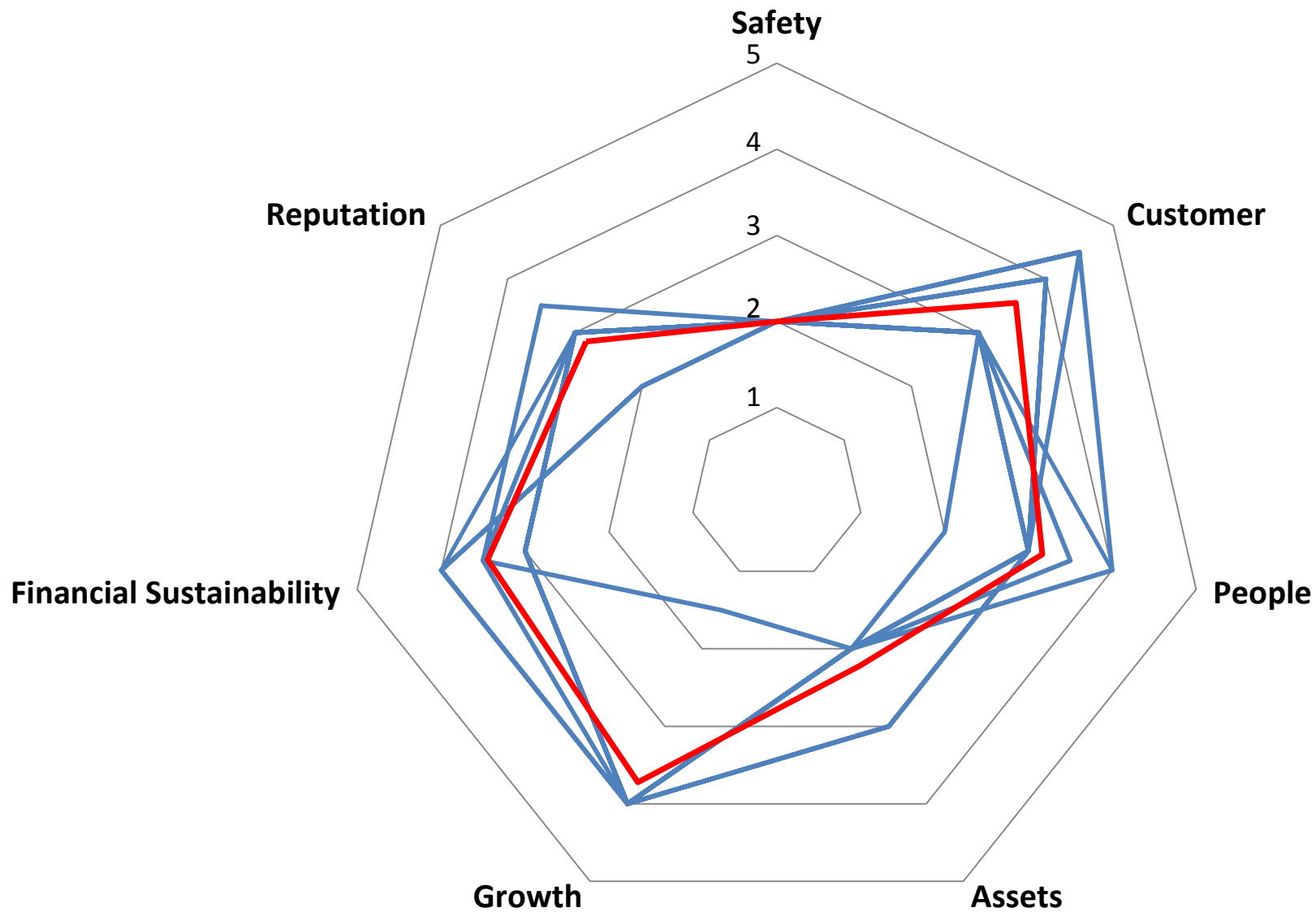


Rating	Philosophy	Tolerance for Uncertainty	Choice	Trade off	
	Overall risk taking philosophy	Willingness to accept uncertain outcomes or period to period variation	When faced with multiple options, willingness to select an option that puts objectives at risk	Willingness to trade off against achievement of other objectives	
5	Open	Will take justified risks	Fully anticipated	Will choose option with highest return; accept possibility of failure	Willing
4	Flexible	Will take strongly justified risks	Expect some	Will choose to put at risk, but will manage impact	Willing under right conditions
3	Cautious	Preference for safe delivery	Limited	Will accept if limited, and heavily out-weighed by benefits	Prefer to avoid
2	Minimalist	Extremely conservative	Low	Will accept only if essential, and limited possibility/extent of failure	With extreme reluctance and where not reasonably practicable
1	Averse	"Sacred" – Avoidance of risk is a core objective	Extremely low	Will select the lowest risk option, always	Never

Courtesy of Hydro One. With modifications



INDIVIDUAL RISK APPETITE





EMBEDDING THE RISK APPETITE



RISK RANKING



Likelihood

LIKELIHOOD			NEGATIVE IMPACT					
QUALITATIVE	QUANTITATIVE		Minimal (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)	Disastrous (6)
FREQUENT Has or is likely to occur often at various locations	>10 times per year	5	6	7	8	9	10	11
PROBABLE Has or is likely to occur often at TTC	2 to 10 times per year	4	5	6	7	8	9	10
OCCASIONAL Has occurred once or twice at TTC	Once every 1 to 10 years	3	4	5	6	7	8	9
REMOTE Occurred once or twice in industry	Once every 10 to 100 years	2	3	4	5	6	7	8
IMPROBABLE Can be assumed it may not occur	Once every 100 to 1,000 years	1	2	3	4	5	6	7

Impact



MULTI-OBJECTIVE RISK EVALUATION

RISK TITLE: Deterioration of fleet condition

ASSOCIATED RISK TO TTC STRATEGIC OBJECTIVES	LIKELIHOOD	IMPACT	RISK	WEIGHT
SAFETY	Occasional	Catastrophic	HIGH	5
CUSTOMER	Occasional	Major	SERIOUS	3
PEOPLE	Occasional	Minor	MEDIUM	3
ASSETS	Occasional	Major	SERIOUS	4
GROWTH	Occasional	Moderate	MEDIUM	2
FINANCIAL SUSTAINABILITY	Occasional	Moderate	MEDIUM	3.5
REPUTATION	Occasional	Catastrophic	HIGH	4

SCORE 169

Weights have been adjusted for demonstration purposes





MAKING RISK-INFORMED DECISIONS





- Communicate and provide visibility to significant risks
- Ability to direct resources to risks of greatest significance
- Inform strategic decision making including the prioritization of capital
- Informs Internal Audit and City Auditor General Plans



NEXT MEETING



- Risk Appetite Statement
- 5 Top Risks Update



THANK YOU



Questions?

