Homes First Society
Risk Management Policy

All enterprises face a variety of risks. Risk is an uncertain event that, if it occurs, can have a positive or negative effect on a project's outcome. The Directors of Homes First Society (the "Society") have a duty to consider the risk factors that may be encountered with each proposed project or transaction (collectively referred to as a "Project") by developing a risk management process to evaluate such risks and setting up procedures that will support the prospect of mitigating such risks. The process should allow the Society to look at the overall risks together with any mitigants and determine whether the benefits outweigh the risks in order to provide sufficient incentive to approve a Project.

Risk management involves a process of:

I. Risk Identification;
II. Analysis and evaluation of risks;
III. Steps to mitigate risks; and
IV. Ongoing review and monitoring of risks.

I. Risk Identification:

This objective is to recognize and describe risks that might affect a project or its outcomes.

The main categories of risk include, but are not necessarily limited to, the following:

1) **Strategic Risk:** Whether the Project is in line with the Society' mission/vision or will it deviate therefrom.
2) **Compliance/Legal/Regulatory Risk**:
    a. Does the proposed Project comply with all the requisite laws and regulations that apply both to the Society and the proposed Project.
    b. Are there any legal impediments to the Project.
    c. Are the terms and conditions legally enforceable.
3) **Operational Risk:**
    a. Does the Society have the core competencies for this particular Project;

b. Does the Society have the necessary technical resources to handle the Project.

c. Does the Society have the necessary processes in place to execute the Project.

d. Does the Society have the manpower, including the required skills, and the resources to achieve the objectives of the Project.

4) **Financial Risk:**

a. Is there sufficient financial benefit to warrant the risks.

b. If the Project requires a loan to be secured, can the Society take on this additional financial burden; what is the effect to the Project if funding is pulled back or delayed; is there an interest rate risk, (i.e. can the Project withstand an increase in interest rate); and, what is the overall impact to the Society's operations if the loan is called (which may cause its properties to foreclosure).

c. Is there enough confirmed funding available for the project and if the funding and or other forms of subsidy are pulled back, what are the consequences to the project and to the Society.

5) **Reputational Risk:** What is the likelihood that a project could result in negative publicity and criticism from the city, community, other funders, partners, donors, or clients.

6) **Counterparty Risk:** All parties, directly or indirectly, including but not limited to signatories to the transaction ("Counterparties") involve risk to the Society when such parties do not comply with their promises, obligations or agreements or if there are reputational questions related to them.

7) **Environmental Risk:** Is there any impact on the environment with regard this Project. Is an environmental review required.

8) **Weather Risk:** Could weather play a significant risk to the completion or operation of the Project (e.g. near water which could overflow).

9) **Political Risk:** Are funding formulas or any other forms of subsidy vulnerable to a change in the political landscape, i.e. change in councillor, mayor, MPP, MP, or Prime Minister and how will it affect the long term viability of the project, especially if the Society has a long-term lease or a mortgage that needs to be paid over 15 to 25 years.

10) **Economic Risk**: Is funding or any other forms of subsidy vulnerable to a change in the economy.

11) **Safety Risk:** Is there risk to employees, clients or the community in the case of an accident or due to the nature of a particular property or due to the specific type of clients being resident in that neighbourhood.

12) **Property Risk:** Is there a risk to any other property when the Project is implemented.

13) **Governance Risk:** Will the Project result in a negative impact on the ability of the Board to perform its oversight responsibility.

14) **Human Resources/Labour Risk:** Will the Project cause issues with the Society's Collective Bargaining Agreement or will the Project affect the morale of the Society's employees or will this cause a possible legal risk.

15) **Information/Privacy:** Will the Project result in a breach of information/privacy laws.

16) **Information Technology:** Will the Project pose a risk to the Society's IT which could cause a system's crash.

II. Risk Analysis and Evaluation

Once the risks have been identified, the Society will then need to evaluate the likelihood and impact of each risk. Not all risks are equal. Some risks have a higher probability of occurrence and the impact to the Society of each risk can vary greatly. Each risk should be evaluated to determine the risk magnitude (a combination of likelihood and consequence). A decision about whether a risk is acceptable or whether it is serious enough to warrant alternative action is required.

Each identified risk falls into one of the following categories:

Probability/Impact	High	Mid	Low
Most Likely	1	4	7
Likely	2	5	8
Unlikely	3	6	9

Any risk categorized in the red or yellow boxes above would need to be addressed by management with a mitigation plan acceptable to the Board of the Society.

III. Risk Mitigation

This step in the evaluation process is to develop a risk mitigation plan to modify or reduce any risks to achieve acceptable risk levels. This should take into consideration a risk mitigation plan for each identified risk and the action steps that management needs to undertake to reduce or eliminate such risk. Risk mitigation strategies should include preventive plans and contingency plans. The following are some of the ways to mitigate such impact:

1) **Avoid Risk:** Develop an alternative plan that will have a lower probability of risk occurrence, a lower impact, or both.
2) **Share Risk:** Involves partnering with another party to share the risk.
3) **Reduce Risk:** Involves:
    a. Hiring of experienced consultants, professionals or personnel to assist in the Project evaluation or the Project, once implemented.
    b. Having systems and controls in place to manage risk.
    c. Having contingency and disaster plans.
    d. The Society needs to follow a meticulous due diligence process. This requires a comprehensive due diligence checklist, which outlines thorough due diligence on all aspects of the Project including, but not limited to:
        i. All available financial and technical data relating to the proposed project including, without limitation, financial statements, building plans, zoning, environmental studies, etc.
        ii. Financial assumptions.
        iii. All other assumptions, including, without limitation, required resources, availability of resources.
        iv. A comprehensive due diligence with respect to any Counterparties (Counterparties include, without limitation, principals, directors, project managers, contractors and service providers) is also integral to the success of a Project, including a character check on Counterparties, – due diligence includes their track record in meeting obligations, credit scores/report; their reputation in the industry including with their customers and trade suppliers; their legal history including prior and pending lawsuits, criminal or civil; how long have they been in the business; and employee feedback. Assess whether they have the financial resources to back up their commitments and future role in the Project, if any.
        v. Use of professionals in the due diligence process.

4) **Transfer of Risk:** This allows the risks (or portion of the risks) to be shifted to another party, (e.g. insurance company for political unrest, labour strikes, weather, etc.).

IV. Risk Monitoring

A record (the "Log") should be kept of all the risks identified in a Project and their resolution as set out in the processes above. This final stage in Risk Management is ongoing, where the risks identified in the Log are monitored, tracked and reviewed to ensure that the steps planned to minimize the risks are being followed and on track.

In addition, a risk assessment should be periodically undertaken as new risks may have arisen in terms of impact and likelihood (e.g. a recession or change in government). An increase in impact or likelihood or both should be assessed for further risk mitigation and may have to brought up to the Board for information/approval.

A Risk Reporting Template for consideration:

Objective	Risk Statement	Risk Category	Existing Controls	Risk Assessment (residual)	Risk Rating	Mitigation/Action Plan	Change in Risk Assessment
State the objective that your risk analysis is intending to support.	Clearly outline the root cause, risk and potential impact	Select the appropriate risk category.	What controls currently exist to minimize or reduce the risk	Risk Likelihood: considering existing controls, what is the estimated likelihood of the risk occurring? Risk Impact: what is the estimated impact that an occurrence of the risk will have towards the objective given the control activities currently in place? Consider: Are there other factors that could affect the assessment? (i.e., timing?)	Use risk rating formula	What mitigation plans are you going to implement to minimize or reduce the risk?	If yes, what are the additional mitigating/acti on plans?

For any Project that requires Board approval, the template in "Schedule A" should be completed by management in order to incorporate the risk management process into the approval process.

Schedule A

Project Memo

I. Request for approval
II. Project/Transaction Description
III. Purpose
IV. Benefits
V. Cost
VI. Funding Source
VII. Risk Management
   a. Risk Identification
      i. Strategic
      ii. Compliance
      iii. Operation
      iv. Financial
      v. Reputation
      vi. Counterparty
      vii. Environment
      viii. Weather
      ix. Political
      x. Economic
      xi. Safety
      xii. Property
      xiii. Governance
      xiv. Human Resource/Labour
      xv. Information/Privacy
      xvi. Information Technology
      xvii. Others
   b. Risk Analysis and Evaluation
   c. Risk Mitigation
   d. Risk Monitoring
VIII. Justification
IX. Recommendation

- Created September 2019.
- Revised on January 15, 2020.
- Approved by the HFS Board of Directors on April 14, 2020.
- This Policy applies to all of Homes First Society.

To: Homes First Society Board of Directors
From: Executive Committee
Subject: Risk Management Policy Addendum
Date: August 25, 2020

Recommendation:

That the Addendum to the Risk Management Policy be approved.

Background:

The Risk Management Policy when approved did not have the process of when a board approval is required for a project or initiative depending on its risk assessment. This addendum would provide that process of when board approval will be required.

Summary of the Addendum:

There are 2 ways that a proposal for a new project or management initiative will require board approval:

1) A project will require prior board approval regardless of the risk category score if any one of the following conditions are met:
    a. If the project requires financing/borrowing/debt in any form, clean or with collateral.
    b. If the project only has verbal approval from any of the party to the project (e.g. City officials, politician, etc.).
    c. If the project will deviate from HFS' clientele (hardest to house), mission and vision.

2) If the risk scores* meet the following criteria:

	Risk Category	**Action Required**		
Risk**	**Score**	**Board/Exec Approval Required**	**Board to be Informed**	**Exec to be Informed**
Strategic Risk		<=5	=6	>=7
Compliance/Legal/Regulatory Risk		<=5	=6	>=7
Operational Risk		<=5	=6	>=7
Financial Risk		<=6	=7	>=8
Reputational Risk		<=5	=6	>=7
Counterparty Risk		<=5	=6	>=7
Environmental Risk		<=4	=5	>=6
Weather Risk		<=4	=5	>=6
Political Risk		<=4	=5	>=6
Economic Risk		<=5	=6	>=7
Safety Risk		<=4	=5	>=6
Property Risk		<=5	=6	>=7
Governance Risk		<=5	=6	>=7
Human Resources/Labour Risk		<=4	=5	>=6

	Risk Category	Action Required		
Risk**	**Score**	**Board/Exec Approval Required**	**Board to be Informed**	**Exec to be Informed**
Information/Privacy Risk		<=4	=5	>=6
Information Technology Risk		<=4	=5	>=6
Risk Average	0.00	<=5	=6	>=7

***Risk Category**

Probability/Impact	High	Mid	Low
Most likely	1	4	7
Likely	2	5	8
Unlikely	3	6	9

****Types of Risk and Definition as per Risk Management Policy:**

Risk	Definition
Strategic	Whether the project is in line with the Society's mission/vision or will it deviate therefrom
Compliance/Legal/ Regulatory	a) Does the proposed project comply with all the requisite laws and regulations that apply both to the Society and the proposed project?
	b) Are there any legal impediments to the project?
	c) Are the terms and conditions legally enforceable?
Operational	a) Does the Society have the core competencies for this particular project?
	b) Does the Society have the necessary technical resources to handle the project?
	c) Are the terms and conditions legally enforceable?
	d) Does this make sure that the quality and service assurance
	e) Does the Society have the manpower, including the required skills, and the resources to achieve the objectives of the project?
Financial	a) Is there sufficient financial benefit to warrant the risks?
	b) If the project requires a loan to be secured, can the Society take on this additional financial burden; what is the effect to the project if funding is pulled back or delayed; is there an interest rate risk (i.e. can the project withstand an increase in interest rate); and what is the overall impact to the Society's operations if the loan is called?
	c) Is there enough confirmed funding available for the project and if the funding and or other forms of subsidy are pulled back, what are the consequences to the project and to the society?

Risk	Definition
Reputational	What is the likelihood that a project could result in negative publicity and criticism from the city, community, other funders, partners, donors, or clients?
Counterparty	All parties, directly or indirectly, including but not limited to signatories to the transaction ("Counterparties") involve risk to the Society when such parties do not comply with their promises, obligations or agreements or if there are reputational questions related to them.
Environmental	Is there any impact on the environment with regard this project? Is an environmental review required?
Weather	Could weather play a significant risk to the completion or operation of the project (e.g. near water which could overflow)?
Political	Are funding formulas or any other forms of subsidy vulnerable to a change in the political landscape, i.e. change in councillor, mayor, MPP, MP, or Prime Minister and how will it affect the long term viability of the project, especially if the Society has a long-term lease or a mortgage that needs to be paid over 15 to 25 years?
Economic	Is funding or any other forms of subsidy vulnerable to a change in the economy?
Safety	Is there risk to employees, clients or the community in the case of an accident or due to the specific type of clients being resident in that neighbourhood?
Property	Is there a risk to any other property when the project is implemented?
Governance	Will the project result in a negative impact on the ability of the board to perform its oversight responsibility?
Human Resource/ Labour	Will the project cause issues with the Society's Collective Bargaining Agreement or will the project affect the morale of the Society's employees or will this cause a possible legal risk?
Information/ Privacy	Will the project result in a breach of information/privacy laws?
Information Technology	Will the project pose a risk to the Society's IT which could cause a system's crash?