What is Risk?

- An uncertain event
- It exists in the future
- Has a cause and effect
- Impacts objectives
- Its effect may be positive and/or negative

What is Enterprise Risk Management?

Enterprise risk management is a process designed to identify potential events that may affect an institution, and manage risk to be within an acceptable level, to provide reasonable assurance regarding the achievement of institutional objectives.

- A tool to enhance management decision-making, corporate governance, and accountability
- Facilitates effective management of the uncertainty and associated risks and opportunities facing an organization
- Helps an organization “get to where it wants to go, and avoid pitfalls and surprises along the way”
- A systematic approach to a historically intuitive exercise
Benefits of ERM

• Supports the achievement of strategic objectives

• Enhances institutional decision-making

• Creates a “risk-aware” culture across the organization

• Reduces operational surprises and losses

• Bridges departmental silos; develops a center of excellence for managing risk; and draws on the expertise of highly skilled managers
Key ERM responsibilities include:

- Foster and promote a “risk culture”
- Provide training and awareness on ERM concepts and key risks
- Work closely with risk owners and risk champions across the University to continually identify and assess risks and to select and implement strategies in response to risks
- Maintain a comprehensive Risk Register (incl. Mitigation Plans)
- Centrally monitor and coordinate the risk management process and progress of mitigation plans
- Provide advice and assurance on effectiveness with which risk is managed
- Report on state of risk from department and institutional level
Risk = The Effect of Uncertainty on Objectives

YOUR “PLANS”

THE UNIVERSE’S PLANS FOR YOU
How ERM Differs from “Traditional” Risk Management

- ERM takes an enterprise-wide approach – considers the potential impact of all types of risks on all processes, activities, stakeholders, products and services
- ERM looks at both upside risk (opportunities) and downside risk (potential losses or damage)
- ERM assesses risk and opportunity in the context of strategic objectives
- ERM enhances existing strategic planning and budgeting processes – it’s not a standalone process
- ERM engages “risk owners” or subject matter experts to address and manage risks, with consulting and support
Relationship between Strategy and Risk

1) Where do you want to go?
2) How do we get there?
3) What uncertainties could help or hinder us?

Strategic Objectives

Strategic Initiatives

Risks & Opportunities
Coordination Among Risk Groups at NYU

Enterprise Risk Management

- The objective of ERM is to add value to NYU by performing the following:
  - Develops a risk aware culture
  - Facilitates the systematic identification and mitigation of University strategic/operational risks

Internal Audit

- Provides independent and objective assurance and consulting services
- Evaluates NYU’s governance, risk management and compliance practices
- Identifies and evaluates risk and assesses mitigation
- Assesses the effectiveness of internal controls

Compliance

- Advises the University’s academic and administrative units on compliance matters
- Promotes communication and coordination of compliance activities throughout the University
- Identifies compliance risks and mitigation with stakeholders
- Conducts compliance investigations and monitoring

Coordinated Efforts

- Knowledge sharing and training
- Common risk language and data repository
- Assessing effectiveness of mitigation plans
- Monitoring & testing (i.e. Joint Audits)
- Facilitate collaboration between administrative and academic units
- Manage Compliance & Risk Reporting Hotline
- Informs the Board of Trustees of the risk profile of the University

The three risk management functions report to the Audit & Compliance Committee of the Board of Trustees.
The Risk Universe

RISK ASSESSMENT CYCLE

- Identify
- Mitigate
- Assess
- Monitor

Objectives

Levels

Categories

Environments

- IT
- Operational
- Institutional

Communicate and Consult

- Environment
- Objectives
- Financial
- Human Resources

Monitor and Review

- Strategic
- Unit
- Public Perception
- Laws & Regulations
- Legal & Compliance
- Cost
- Health & Safety
The Risk Management Process

Objective Setting
- Set objectives that align with mission, goals, and values.

Risk Identification
- Internal and external events affecting achievement of objectives must be identified, distinguishing between risks and opportunities.

Risk Assessment
- Risks are analyzed, considering likelihood and impact, as a basis for determining how they should be managed. Risks are assessed on an inherent and a residual basis.

Risk Response
- Management selects risk responses – avoiding, accepting, reducing, or sharing risk – developing a set of actions to align risks with desired outcomes.

Mitigation Activities
- Policies and procedures are established and implemented to help ensure the risk responses are effectively carried out.

Monitoring
- Monitoring is accomplished through ongoing management activities, separate evaluations, or both.
Risk Identification

Questions to Consider

- What keeps you up at night?
- What can hinder your goals?
- What are the key risks that your unit is exposed to?
- What are the root causes of the risks?
Risk Identification

Financial
- Foreign exchange risk
- Currency inflation
- Repatriation of funds
- Cash management
- Economic decline
- Financial statements

Market
- Rise of online degrees
- Student loans

Strategic
- Campuses Abroad
- New degree programs
- Attraction of top talent
- Leadership succession plans

Environmental
- Asbestos
- Pollution/Waste handling
- Hazardous material storage
- Climate conditions
- Natural disaster

Operations
- No use of NYU Traveler
- Global research exposure
- Cyber risk
- Business continuity
- Lack of student housing
- Security on campus
- Lack of resources
- Theft of university property

Health & Safety
- Infectious illnesses/disease
- Missing students
- Employee injury
- Emergency evacuation plans
- Student suicide

Compliance
- Data breaches
- Changes in governmental regulations
- Research compliance
- OFAC laws
- Export/Import laws

Political
- Partnerships at NYU international sites
Enterprise Risk Management

Risk Assessment

Following risk identification, stakeholders have to assess the risk using predetermined metrics. The Enterprise Risk Management function created criteria and a scoring system to prioritize the risks. The criteria established are:

**Likelihood** – How likely is the risk to occur?
**Impact** – If the risk were to occur, how much impact would it have on the organization?
**Velocity** – If the risk were to occur, how long would it be before the organization was impacted?
**Management Preparedness** – How prepared or aware is management of the risk?

RISK SCORE = Likelihood Rating × Impact Rating

Please note: It is very important that you are honest and open when scoring the risks. History has shown that organizations tend to falter when risks were not identified or addressed properly.

### Likelihood Rating

<table>
<thead>
<tr>
<th>Rating</th>
<th>Descriptor</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Almost Certain</td>
<td>Very High Likelihood: 90-100% chance of occurring</td>
</tr>
<tr>
<td>4</td>
<td>Likely</td>
<td>High Likelihood: 70-90% chance of occurring</td>
</tr>
<tr>
<td>3</td>
<td>Possible</td>
<td>Moderate Likelihood: 30-70% chance of occurring</td>
</tr>
<tr>
<td>2</td>
<td>Unlikely</td>
<td>Low Likelihood: 10-30% chance of occurring</td>
</tr>
<tr>
<td>1</td>
<td>Rare</td>
<td>Very Low Likelihood: 0-10% chance of occurring</td>
</tr>
</tbody>
</table>

### Impact Rating

<table>
<thead>
<tr>
<th>Rating</th>
<th>Descriptor</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Catastrophic</td>
<td>Financial / non-financial loss level is considered very high; it will negatively alter the strategic plan of the University.</td>
</tr>
<tr>
<td>4</td>
<td>Major</td>
<td>Financial / non-financial loss level is considered high; it may impede on our ability to achieve strategic objective.</td>
</tr>
<tr>
<td>3</td>
<td>Moderate</td>
<td>Financial / non-financial loss level is considered moderate or typical; these losses have little to no effect on the strategic objective.</td>
</tr>
<tr>
<td>2</td>
<td>Minor</td>
<td>Financial / non-financial loss level is considered low; these losses have very little to no effect on the strategic objective.</td>
</tr>
<tr>
<td>1</td>
<td>Insignificant</td>
<td>Financial / non-financial loss level is considered very low; these losses have no effect on the strategic objective.</td>
</tr>
</tbody>
</table>

### VELOCITY (Speed to Onset)

- **Very Slow**: The effect of this risk on operations occurs only after 12 months.
- **Slow**: The effect of this risk on operations occurs within 6-12 months.
- **Moderate**: The effect of this risk on operations occurs within 3-6 months.
- **Fast**: The effect of this risk on operations occurs within 1-3 months.
- **Immediate**: The effect of this risk on operations occurs within 30 days.

### MANAGEMENT PREPAREDNESS

- **None**
- **Weak**
- **Moderate**
- **Strong**
- **Very Strong**
Effective mitigation strategies can reduce negative risks or increase opportunities.
Monitoring and Review

This process involves ongoing review to ensure that all aspects of the risk management program remain relevant and effective.

- **Ensure ongoing risk management**
- **Monitor the progress and effectiveness of mitigation plans**
- **Revise mitigation plans as needed**
- **Continuously improve risk management activities**
Communicate and Consult

This process involves improving our understanding of risk management and the risks NYU faces.

- Ensure all participants are aware of their roles and responsibilities
- Ensure varied viewpoints are considered
- Communicate and Consult
- Emphasize and enhance organizational transparency within the risk management context
Risk Register

Risks identified and assessed should be documented in a risk register for the organization.

<table>
<thead>
<tr>
<th>Executive Owner</th>
<th>Risk Owner</th>
<th>Departments</th>
<th>Risk Name</th>
<th>Risk Description</th>
<th>Likelihood</th>
<th>Impact</th>
<th>Risk Velocity</th>
<th>Management Preparedness</th>
<th>Comments</th>
</tr>
</thead>
</table>

We use Microsoft Excel to build out the University’s risks registers (e.g., risk maps). We provide a risk register template to all risk owners who have participated in ERM training.

**Executive Owner** – Leader of function or school (e.g., V.P., E.V.P, Dean, or Director)
**Risk Owner** – Person who is responsible for managing mitigation of the risk. The risk owner’s responsibilities are directly related to or impacted by the risk. That being said, risks may have multiple risk owners.
**Risk Owner Department** – Department that risk and risk owner are assigned to.
**Risk Name** – Two to four word description of risk.
**Risk Description** – A sentence or two describing the risk event.
**Likelihood**
**Impact**
**Risk Velocity**
**Management Preparedness**
**Comments** – Further details or background information regarding the risk. How did the risk come to be? Are there any previous instances of the risk occurring?

Please see “Risk Assessment” slide for definitions.
Contact Information

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