

Integrated Risk Management Policy

Overseeing application of the Policy : Direction des finances

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TABLE OF CONTENTS

1. SCOPE -----	1
2. PURPOSE OF DOCUMENT -----	1
3. DEFINITIONS-----	1
3.1 Risk -----	1
3.2 Integrated Risk Management-----	2
3.3 Inherent level of risk -----	2
3.4 Residual risk level -----	2
3.5 Mitigation measures (controls) -----	2
3.6 Risk tolerance threshold -----	2
3.7 Risk Management Committee -----	2
4. ROLES AND RESPONSIBILITIES -----	3
4.1 In terms of supervision of risk management activities -----	3
4.2 In terms of risk management -----	3
4.3 In terms of risk vigilance -----	4
5. ACCOUNTABILITY-----	5
6. ENTRY INTO FORCE AND REVISION -----	5

1. SCOPE

- 1.1 The systematic application of an integrated risk management framework is part of a process of continuous improvement of governance and the implementation of best management practices at HEC Montréal.
- 1.2 This Policy aims to facilitate the implementation of integrated risk management where activities and projects are identified, analyzed, evaluated and dealt with in an optimal manner.

2. PURPOSE OF DOCUMENT

- 2.1 The purpose of this Policy is to promote the integration of risk management into all of HEC Montréal's activities and projects.
- 2.2 Integrated Risk Management:
 - 2.2.1 supports management in governance by ensuring that business risks are identified, assessed, managed and monitored;
 - 2.2.2 increases the degree of accountability of managers, both academic and administrative, in the pursuit of HEC Montréal's mission;
 - 2.2.3 allows the continuous assessment of risks and ensures that risks are reduced to a level compatible with the level of tolerance desired by the Board of Directors

3. DEFINITIONS

3.1 Risk

Risk is defined as an event, action or circumstance inherent in an activity, function or project and likely to have an impact on the achievement of HEC Montréal's mission and objectives. The impacts can be negative (threats) or positive (opportunities) on any of HEC Montréal's assets (reputation, image, personnel, material and physical assets, financial assets, intellectual property, etc.).

Risk is made up of four fundamental elements:

- 1) the likelihood of an event, action or inaction actually occurring;
- 2) the positive or negative consequence related to the occurrence of such event, action, or potential circumstance or inaction;

- 3) the velocity, i.e. the time required for the consequences to materialize in the event of the occurrence of a risk;
- 4) uncertainty and perception regarding the above.

3.2 Integrated Risk Management

Integrated risk management is a process implemented within an organization to identify, analyze, assess and manage the probability of occurrence and the impact of certain events on the organization.

3.3 Inherent level of risk

Is an integral part of all the activities carried out by the organization and results from the evaluation of the probability of materialization and the impact of the risks, without considering the evaluation of the controls.

3.4 Residual risk level

Risk that results from the assessment of the adequacy and effectiveness of control measures. This level should be within the acceptable tolerance zone for HEC Montréal.

3.5 Mitigation measures (controls)

Any action taken to manage risk and increase the likelihood that the organization's stated goals and objectives will be achieved.

3.6 Risk tolerance threshold

Maximum level of risk that the organization is prepared to accept in order to achieve the objectives set.

3.7 Risk Management Committee

The Risk Management Committee is made up of the director of the following departments:

- Finance
- Communications and Government Relations
- Information Technology
- Infrastructure
- Faculty Affairs
- Studies
- Human Resources
- Research

The following people are also part of the committee:

- Director – Special Projects

- Director – Legal Affairs and Secretariat of the Governance Bodies
- Coordinator – Financing and Institutional Risk Management

4. ROLES AND RESPONSIBILITIES

4.1 In terms of supervision of risk management activities

4.1.1 Board of Directors

- 4.1.1.1. It ensures that appropriate systems are in place to identify and examine risks to the conduct of HEC Montréal's business and adopts the policies or regulations necessary for this purpose.
- 4.1.1.2. It determines the acceptable tolerance threshold for the most critical risks to the achievement of HEC Montréal's mission.

4.1.2 Audit Committee

- 4.1.2.1. It has received from the Board of Directors a mandate to oversee risk management at HEC Montréal under article 2.2. of the Audit Committee Regulations.
- 4.1.2.2. It monitors the application of the integrated risk management policy based on the policies and regulations in effect.
- 4.1.2.3. It approves the integrated risk management process and all the tools necessary for its implementation, as well as any changes thereto.
- 4.1.2.4. It recommends the adoption of risk management policies.
- 4.1.2.5. It reports annually to the Board of Directors.

4.1.3 Internal Audit

- 4.1.3.1. The internal audit manager prepares the annual plan and the three-year internal audit plan, which are based on the internal risk assessment process.

4.2 In terms of risk management

4.2.1 Director of HEC Montréal

- 4.2.1.1. He or she supports the risk management process and ensures that the main risks related to HEC Montréal's activities are identified and that plans to manage these risks are put in place.

4.2.2 Finance Director

- 4.2.2.1. He or she is responsible for setting up and applying the risk management approach.

- 4.2.2.2. He or she regularly reports to the Audit Committee and HEC Montréal management team on integrated risk management activities at HEC Montréal; he or she can use a risk matrix for this purpose.

4.2.3 Risk Management Committee

- 4.2.3.1. It develops and maintains an effective risk management framework.
- 4.2.3.2. It coordinates the production of risk mitigation action plans and ensures their integration and consistency.
- 4.2.3.3. It identifies a risk sponsor for each of the identified risks.
- 4.2.3.4. It assists the finance department in establishing the risk management framework, acceptable tolerance thresholds and the communication of risk management objectives.

4.2.4 Institutional Risk Management Coordinator

- 4.2.4.1. He or she plays an awareness, training and advisory role with managers and risk sponsors in the application of the risk management framework.
- 4.2.4.2. He or she is responsible to:
 - a) carry out an inventory of the risks of greatest concern for the establishment;
 - b) assist risk managers and sponsors in the identification, analysis, evaluation and treatment of risks;
 - c) develop management tools and a risk analysis framework, and train risk managers and sponsors in their use;
 - d) implement a risk communication process by risk managers and sponsors.

4.2.5 Sponsors of risk

- 4.2.5.1. They regularly prepare and revise the risk sheet for which they are responsible, with the assistance of the person who coordinates institutional risks.
- 4.2.5.2. They are responsible for the activity or project for which they must ensure that the risk does not exceed the established acceptable tolerance thresholds.
- 4.2.5.3. They establish an action plan for each of these risks and follow up on these mitigation measures plans, in accordance with the risk management process.

4.3 In terms of risk vigilance

4.3.1 Members of the management committee

- 4.3.1.1. They identify the risks related to the activities of their respective sector.

- 4.3.1.2. They receive recommendations from the Risk Management Committee and do the necessary follow-up.

4.3.2 HEC Montréal managers

- 4.3.2.1. They identify and assess the risks related to the activities of the unit they lead.
- 4.3.2.2. They report without delay to the finance department, the major risks that materialize in their sector of activity.

4.3.3 HEC Montréal employees

- 4.3.3.1. They have an obligation to communicate without delay to their immediate superior any risk likely to have an impact on the activities, projects, achievement of objectives and accomplishment of the mission of HEC Montréal.

5. ACCOUNTABILITY

- 5.1 This policy is the responsibility of the Finance Department.
- 5.2 Integrated risk management is placed on the agenda of each of the regular meetings of the Audit Committee.

6. ENTRY INTO FORCE AND REVISION

- 6.1 This policy comes into effect upon its adoption by the Board of Directors on November 11, 2021; it must be reviewed every five years.