Enterprise Risk Management and Organizational Resilience

Board of Trustees, University of Oregon
May 20, 2022

Presented by:
André Le Duc, Chief Resilience Officer and
Associate Vice President, Safety and Risk Services
Presentation Overview

- Global Risks and Impacts on Education Sector
- 2022 Risk Exposure Matrix, Quadrant Map and Definitions, Heat Map
- Risk Assessment Coordination with Internal Audit
2022 Education Industry Opportunity for Resilience

April 2022
Marsh USA, Inc.

Provided by:
D Jean Demchak
US Education Leader
Marsh USA, Inc.
# Global Risks Overview

**Global risk categories and surveyed risks**

<table>
<thead>
<tr>
<th>Economic</th>
<th>Environmental</th>
<th>Geopolitical</th>
<th>Societal</th>
<th>Technological</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset bubble burst in large economies</td>
<td>Pollution-driven harms to human health</td>
<td>Collapse of a multilateral institution</td>
<td>Collapse or lack of social security systems</td>
<td>Adverse outcomes of technological advances</td>
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<tr>
<td>Collapse of a systematically important industry</td>
<td>Biodiversity loss and ecosystem collapse</td>
<td>Fracture of interstate relations</td>
<td>Employment and livelihood crises</td>
<td>Breakdown of critical information infrastructure</td>
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<tr>
<td>Debt crises in large economies</td>
<td>Climate action failure</td>
<td>Geopolitization of strategic resources</td>
<td>Erosion of social cohesion</td>
<td>Digital inequality</td>
</tr>
<tr>
<td>Failure to stabilize price trajectories</td>
<td>Extreme weather events</td>
<td>Interstate conflict</td>
<td>Failure of public infrastructure</td>
<td>Digital power concentration</td>
</tr>
<tr>
<td>Proliferation of illicit economic activity</td>
<td>Human-made environmental damage</td>
<td>Geoeconomic confrontation</td>
<td>Infectious diseases</td>
<td>Failure of cybersecurity measures</td>
</tr>
<tr>
<td>Prolonged economic stagnation</td>
<td>Major geophysical disasters</td>
<td>State collapse</td>
<td>Large-scale involuntary migration</td>
<td>Failure of technology governance</td>
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<tr>
<td>Severe commodity shocks</td>
<td>Natural resource crises</td>
<td>Terrorist attacks</td>
<td>Pervasive backlash against science</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Weapons of mass destruction</td>
<td>Severe mental health deterioration</td>
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<td></td>
<td></td>
<td></td>
<td>Widespread youth disillusionment</td>
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**Definition:** "Uncertain events or conditions that could cause significant negative impact for several countries or industries within the next ten years"

What risks have emerged in the Education space?

**Erosion of Social**
Social dynamics and media: Higher education is at the forefront of social awareness and change, with DEI and ESG strategies in place.

**Reshaping Workforce**
Economic distress linked to demographic shifts will disrupt student enrollments as well as the faculty and staff workforce. Furloughs, reduction in force, shift in role expectations created new anxiety with mental health concerns.

**Digitization of Operations**
Immediacy of change to remote workforce and delivery of education brought unprecedented challenges for higher education. Demands on untested IT infrastructure opened up academia to ransomware and hacking, political attacks via digital platform with new consideration of safety.

**Campus Safety Redefined**
Traditional safety programs on campus were sorely tested during the pandemic with new expectations of health care for traditional academic environment. Clinics, covid testing sites, vaccinations, cleaning of facilities – all joined together for a new safety support.
Strategic Enterprise Risk Management and Compliance Committee (SERMC)

The committee is advisory to the President and has the following charge:

1. Develop tools and processes to actively identify, evaluate, and manage university risks

2. Ensure that systems and processes are in place to provide accountability for compliance with the University’s legal and policy obligations

3. Encourage communication, problem-solving, and collaboration across divisions, units, and departments
SERMC Members

• Vice President, Finance and Administration and Chief Financial Officer
• Vice President for Research and Innovation
• Vice President for Student Life
• Vice President for Student Services and Enrollment Management
• Vice President for University Communications
• Vice President for University Advancement
• Vice President and General Counsel to the University
• Vice President for Equity and Inclusion
• Director of Intercollegiate Athletics

• Executive Vice Provost for Operations
• Chief Resilience Officer and Associate Vice President for Safety and Risk Services
• Chief Human Resources Officer and Associate Vice President for Human Resources
• Chief Information Officer
• Chief Internal Auditor
• Associate Vice President for Business Affairs and University Controller
• Associate Vice President, Director of Financial Aid, Enrollment Management
• Assistant Vice President, Chief of Staff, Enrollment Management
Risk Exposure Matrix (REM)
Overview and Definitions
Risk Exposure Matrix: Quadrant Definitions

Conditions or risk exposures that have a Very High / High likelihood of occurring but have the potential for a Moderate / Low impact on the University's ability to achieve its mission and require Continuous Monitoring and actions to reduce exposures.

Conditions or risk exposures that have the a Low / Moderate likelihood and potential to have a Low / Moderate impact on the University's ability to achieve its mission and require Periodic Review and actions to reduce exposures.

Conditions or risk exposures that have a High / Very High likelihood of occurring and also have potential High / Very High impact on the University's ability to achieve its mission and require Continuous Review and actions in reduce exposures.

Conditions or risk exposures that have a Low / Moderate likelihood of occurring but the potential for a High / Very High impact on the University's ability to achieve its mission and require Continuous Monitoring and actions to reduce exposures.
Risk Exposure Matrix: Quadrant Actions

Continuous Monitoring
- Risks are mitigated by a position(s) responsible for monitoring risk exposure.
- Annual risk review and recommendations, including industry trends and proven practices for mitigation.
- Subject to in-depth review by Internal Audit

Periodic Review
- Annual risk review and recommendations, including industry trends and proven practices for mitigation.
- Risks are monitored periodically by management and Internal Audit based on implemented controls, ability to control or mitigate the risk, and changes in exposure regulatory requirements.

Continuous Review
- Risks are considered in all strategic institutional decision-making including risk tolerance to balance risk with opportunities.
- Annual risk review of current operational mitigation efforts and landscape of risk. Changes in the exposure are documented and strategies documented to mitigate or control changes.

Continuous Monitoring
- Risks are mitigated by a position(s) responsible for monitoring risk exposure.
- Annual risk review and recommendations, including industry trends and proven practices for mitigation.
- Subject to in-depth review by Internal Audit
REM

Total Exposures by Risk Rating
As of April 2022

RISK QUADRANT 2.
CONTINUOUS MONITORING
Total of 45 exposures, conditions or events in RQ2.

RISK QUADRANT 1
CONTINUOUS REVIEW
Total of 10 exposures, conditions or events in RQ1

RISK QUADRANT 3
PERIODIC REVIEW
Total of 22 exposures, conditions or events in RQ3

RISK QUADRANT 2.
CONTINUOUS MONITORING
Total of 42 exposures, conditions or events in RQ2.
<table>
<thead>
<tr>
<th>Risk Quadrant 3</th>
<th>Risk Quadrant 2-L</th>
<th>Risk Quadrant 2-I</th>
<th>Risk Quadrant 1</th>
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<tbody>
<tr>
<td>Provost</td>
<td></td>
<td>3</td>
<td>10</td>
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<tr>
<td>Research and Innovation</td>
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<td>2</td>
<td>7</td>
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<tr>
<td>Information Services</td>
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<td>2</td>
<td>11</td>
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<tr>
<td>Safety and Risk Services</td>
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<td>4</td>
<td>3</td>
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<tr>
<td>Human Resources</td>
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<td>6</td>
<td>2</td>
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<tr>
<td>Finance and Administration</td>
<td></td>
<td>2</td>
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<tr>
<td>University Advancement</td>
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<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Student Life</td>
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<td>2</td>
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<tr>
<td>Student Services and Enrollment Management</td>
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<td>2</td>
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<tr>
<td>Intercollegiate Athletics</td>
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<td>3</td>
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<td>University Communications</td>
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<tr>
<td>Equity and Inclusion</td>
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<tr>
<td>General Counsel</td>
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<tr>
<td>University President</td>
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<tr>
<td>Board of Trustees</td>
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<td>1</td>
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</tbody>
</table>
The goal is to reduce risk exposures through:

- Internal management controls, (e.g., policies and procedures),
- Mitigation,
- Insurance,
- Review / Monitoring, and
- Adaption / Innovation

While seeking opportunities to advance the strategic mission of the university.
2022 REM
Examples of Exposures, Conditions or Events

**RISK QUADRANT 2**

**CONTINUOUS MONITORING**

Examples include:
- Prevention and Response – Sexual Assault Staff
- Recruitment and Retention – Faculty and Staff
- Facilities and infrastructure

**RISK QUADRANT 1**

**CONTINUOUS REVIEW**

Examples include:
- Tuition Dependency
- Cyber Security
- State Appropriations

**RISK QUADRANT 3**

**PERIODIC REVIEW**

Examples include:
- Athletics Regulatory Compliance
- Building Safety and Security
- External Relations – Community, State, and Donor Relations
- Study Abroad Programs

**RISK QUADRANT 2**

**CONTINUOUS MONITORING**

Examples include:
- Academic Quality
- Earthquake – Response and Recovery
- Employee Salary Competitiveness
- Research Lab Safety
UO Risk Review Process
Three Standards of Review

- **First**: Annual review by senior leadership, or management review
- **Second**: SERMC review, including updates to the risk register
- **Third**: Independent and objective review by the Office of Internal Audit.

The IIA's Three Lines Model
Risk Management Strategy

Management Team

Internal Audit

SERMC

Risk-Based Internal Audit Annual Plan (coming soon)
Questions