RISK EVALUATION GRID

PROJECT _____ date _____

Objective:

The risk evaluation grid has been developed to facilitate a schematic graphical presentation of information on the risks inherent in a project. It is intended to present to board members the major risks (specific risk and interrelationships among risks causing major risk).

Those in charge of projects are responsible for the inherent risks. It is their duty to identify, evaluate, mitigate or control and monitor these risks.

Targeted projects:

While the grid is intended as a discretionary tool for decision making, it would interesting to use it for project transactions, acquisitions, partnerships - including renewal agreements - or introduction of new products envisaged by any of the components in the institution and could have a significant impact on risk within the institution.

The grid may also be used for periodic evaluation of major functions at risk within an organization such as operations, liquidity.

Section 1: Identification of risks

The risks identified can be classified into the following 7 categories. Assign each risk an acronym and a pattern (plain, hatched or cross-hatched) depending on its evaluation in relation to the probability and impact axes.

Types of risk	Definitions
Credit	Risk of losses due to default by the counterpart to acquit contractual obligations appearing either on or off the balance sheet obligations including concentration risk
Market	Risk of variation in the market value of the financial instrument resulting from a fluctuation affecting the security
Liquidity	Risk related to the capacity of an institution to find the funds needed to meet a financial obligation either on or off balance sheet upon or before maturity
Operational	Risk of inadequacy or default attributable to a process, an individual, internal systems or external events resulting in losses, in not achieving objectives or in negative impact on reputation
Strategic	Risk resulting from business plans and strategies, decision processes, assignment or utilization of institutional resources or an inability to adapt to the environment
Insurance	1. Risk that the initial premiums are inadequate or become inadequate 2. Results from the selection of risks, settlement of claims and management of contractual clauses
Reputation	Risk resulting from a diminished reputation among stakeholders such as members and clients, the general public, employees, the media, rating agencies and regulatory authorities

RISK EVALUATION GRID

PROJECT _____ date _____

To assist in identifying risks, the following table offers a non-exhaustive list of elements to be monitored:

Types of risk	Elements requiring monitoring	
Credit	• quality of borrowers • quality of other counterparts	• concentration • organizational portrait
market	• interest rate • rate of exchange • market index	• dividends or cash flow projections • rate of inflation
Liquidity	• capital requirements • massive withdrawals of deposits	• liquidity of securities held • stability and utilization of sources of funds
	• alternate supplies of funds	• gaps between cash inflows and outflows
	• linked to processes:	• linked to persons:
	o Quality of infrastructure	o skills, rarity and turnover
Operational	organizational, o business continuity, o legal regulatory compliance • linked to external events:	o lawsuits o scope of change • linked to internal systems: o quality of information
	o natural catastrophe	o data security
	o terrorism	o technological complexity
	• market share	• arrival of new players
Strategic	• growth expectations • strategic plan	• evolution of the situation • financial margin squeezed
	• strategies of competitors	• related to cooperative values
Insurance	• quality or hypotheses and forecasts • management of contractual clauses	• claims larger than expected
Reputation	Potential impact on perception of: • members, clients • directors, employees • business partners	• suppliers • rating agencies • regulatory authorities • medias, public

Section 2: Positioning risk on the grid

The risk evaluation grid has two axes: the probability of a risk and the potential impact of the risk. The cross-hatched zone represents maximum risk and the plain zone, minimal risk. Please note that a risk in the maximum zone does not lead to automatic refusal of a project. Each risk identified must be positioned on the grid based on these two criteria, after the controls and mitigation measures have been accounted for (residual risk).

Section 3: Mitigation and control

This section is intended to summarize the actions taken to mitigate risk and the control measures proposed to board members and the type of monitoring proposed.

Section 4: Overall evaluation of risks:

The overall evaluation of risk represents the overall residual risk for the project. The overall positioning is affected by the relative importance of each risk component.