Risk Management Policy

POLICY #FRA-04-03

FINAL

PURPOSE

This Policy sets out the requirements, roles, and responsibilities for an effective and efficient enterprise risk management (ERM) program.

Ontario Lottery and Gaming Corporation (OLG) must manage and report on risk as set out in the ERM Directive issued by the Government of Ontario. Our ERM approach aligns with provincial risk management guidelines and industry leading practices and standards.

APPLICATION AND SCOPE

The Risk Management Policy outlines the standards for setting out a consistent, enterprise-wide approach to risk management in which all risks are identified, assessed, managed, and monitored. It governs all enterprise and operational risk management programs that enable OLG to manage important risks related to third parties, compliance, cyber security, fraud, business resilience, financial reporting, and project delivery, among others.

This policy applies to all OLG employees and Board members.

POLICY STATEMENT (GUIDING PRINCIPLES)

OLG is committed to having an enterprise-wide risk management program that guides employees in making decisions to maximize financial and non-financial performance through responsible risk management in line with risk appetite.

OLG's ERM program applies the following principles to support an integrated and strategic approach to risk management.

PERFORMANCE FOCUSED: ERM should be integrated with OLG's enterprise planning process and focused on achieving OLG's goals and optimizing organizational performance.
- OLG's strategy is set at the enterprise level and goals are cascaded to each division, department, and functional area. If cascaded goals are accomplished at each level, overall enterprise goals should be met.
- OLG needs to take risks to achieve its goals. Teams responsible for achieving the goals are accountable for understanding and managing the risks that could impact that goal.
- Optimal financial and non-financial performance will be achieved by making decisions that align with our risk appetite.

DRIVEN BY CONSISTENT APPROACHES: The ERM framework and process should be simple, practical, and scalable throughout the organization.
- Consistent terms, tools, templates, and technology will be implemented to enable the risk management process.
- Comparable results will support effective mitigation and appropriate action.

TRANSPARENT: There should be open, honest, and timely communication of risks within the organization.
- ERM is forward-looking and dynamic, allowing the organization to be responsive to

changes in the internal and external environment.

- Employee input at every level of the organization is critical. It enables an enterprise-wide view of risks, allowing for effective and efficient management of risks within our risk appetite.

DEFINITIONS

ENTERPRISE RISK MANAGEMENT: A proactive and systematic enterprise-wide process to understand and manage risks as an interrelated portfolio. It supports effective decision-making that contributes to the achievement of the organization's overall goals.

KEY RISK: A risk that requires added focus to ensure success. One or more action plans will be identified and executed to address the risk. Resources and budget will be allocated if required to support the action(s).

MITIGATION: A strategy to prepare for a risk and lessen the effects, should the risk occur; may include one or more action plans.

OPERATIONAL RISK MANAGEMENT: Policies, framework, processes, practices, and systems to identify, assess, and mitigate risks associated with OLG's day-to-day business operations and activities to run the business.

RISK: An event that could impact an organization's goals and priorities.

RISK APPETITE: The amount and type of risk that an organization is willing to accept in pursuit of its strategy. Expressed in qualitative statements.

RISK ASSESSMENT: A structured approach for understanding, evaluating and prioritizing risks based on the potential impact and likelihood to the organization's goals and performance.

RISK INDICATOR: Critical predictor of changing risk levels. They act as early warning signs that enable organizations to report risk trends, adjust mitigations, and prevent risk occurrence in a timely manner.

RISK SPONSOR: Individual accountable for the management of a risk including identifying, developing and implementing any management action plans.

RISK TOLERANCE: The variation in performance that an organization is willing to accept, in alignment with our risk appetite. Tolerances translate risk appetite into quantifiable measures that set an acceptable range of risk taking to achieve the strategy. The measures include upper and lower limits that act as the guardrails within which Management should operate.
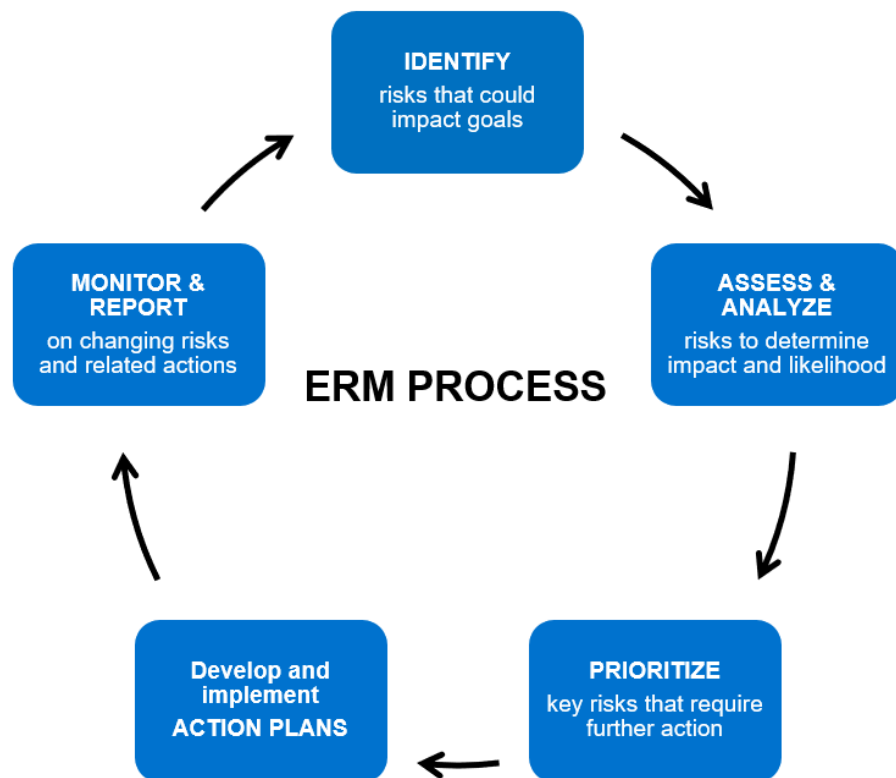
REQUIREMENTS

1. **ERM Process**
   1.1. OLG's business, corporate functions, and project areas should manage risk following the ERM Process. The process defines the approach for identifying and addressing risks when making strategic decisions and managing day-to-day processes and operations. Specifically, risk assessments must be completed for:

      - OLG's enterprise strategy
      - Each division, and
      - Material investment decisions such as projects, procurements, contract changes, etc.

1.2. When applying and participating in the risk management process, employees must follow these steps:

ERM PROCESS

- **IDENTIFY** risks that could impact goals
- **ASSESS & ANALYZE** risks to determine impact and likelihood
- **PRIORITIZE** key risks that require further action
- Develop and implement **ACTION PLANS**
- **MONITOR & REPORT** on changing risks and related actions

1.3. Teams should report on and discuss risks regularly, using risk reports, risk and performance indicators, and risk tolerance measures as appropriate.

1.4. All risks should be monitored for changes and re-assessed as necessary.

2. Risk Appetite, Risk Tolerance and Risk Indicators

2.1. OLG defines and uses risk appetite statements, risk tolerance, and risk indicators to guide decision-making and monitor if risks are taken and managed to levels needed to achieve our goals. OLG policies, processes, and practices should align with OLG's risk appetite.

2.2. Risks should be taken and managed within the defined risk tolerance range.

2.3. Risks outside of tolerance should be monitored. Action should be taken to operate within tolerance, whenever possible and reasonable. At times, we will operate outside of appetite with awareness of Management and Board.

3. Escalating Risks

3.1. Employees should escalate risks promptly to drive the right level of visibility and focus. Employees should escalate risks to their manager if:

- The risk extends beyond the employee's area of responsibility.
- The risk is increasing, and others need awareness of this trend.
- The risk is new, and others need awareness of it.

- The risk level is outside of the acceptable tolerance range.
- The risk event occurs.

3.2. Once risks are escalated to the appropriate level they may be re-assessed, and adjustments made to risk action plans and organizational strategies as needed.

ROLES AND RESPONSIBILITIES

ROLE	RESPONSIBILITIES
Board of Directors	- Consider enterprise risks and risk appetite in board deliberations, specifically during strategic planning, budget review, and approval of material transactions or projects - Understand and help identify key enterprise risks that could impact OLG's performance and ensure Management is taking appropriate action - Approve OLG's risk appetite - Assign responsibilities to sub-committees for "deep dives" into specific risks
Audit & Risk Management Committee of the Board	- Provide oversight, direction, and support for the ERM program by: - Approving the risk management policy - Reviewing the mandate, organizational structure, resources, goals, and performance measures of the Risk Management function. - Assessing the effectiveness of OLG's ERM program. - Reviewing reports on the adequacy of and compliance with risk management policies and Government directives. - Review risk reports, considering the impact of risks on the short and long-term goals and the adequacy of plans to mitigate those risks - Approve OLG's risk tolerances and monitor adherence to risk appetite
President & Chief Executive Officer (CEO)	- Ensure the ERM strategy and framework are established and applied - Ensure adherence to the principles and requirements set out in government directives and guidelines for risk management - Assign a senior leader the responsibility for risk management
Executive Leadership Team (ELT)	- Foster an organizational culture and capability that supports: - Integration of risk management within strategy and operational processes throughout OLG - Open and transparent communication about risks - Risk taking in line with risk appetite - Ongoing learning and training related to risk management and organizational risks - Consider enterprise risks and risk appetite in strategic planning, budgeting, and all material transactions

	▪ Identify, understand, and ensure appropriate management of key enterprise risks that could impact OLG's performance ▪ Develop and implement operational risk management policies, practices, systems, and controls within operational functions with support from the ERM Function ▪ Define risk appetite and tolerances ▪ Regularly review and discuss new and changing enterprise risk information
Executive Risk Management Committee (RMC)	▪ Champion the required risk culture for OLG and promote risk management programs and processes ▪ Oversee OLG's enterprise-wide risk management practices ▪ Review and approve (as necessary) risk management and internal control program strategies, frameworks, and policies ▪ Oversee development, management, and monitoring of OLG's enterprise risks, risk appetite framework (statements and tolerances) ▪ Challenge Management's risk assessment and targets, approve management action plans to address key risk exposures and monitor progress on the action plans ▪ Support coordination of risk action plans across divisions. ▪ Support the identification of emerging or changing risks, and internal control gaps ▪ Regularly review and discuss new and changing enterprise risk information, escalating matters to ELT for their information and further actioning
Chief Risk Officer	▪ Ensure appropriate risk governance structures and processes are in place ▪ Oversee the design of an enterprise-wide risk strategy and framework including policies, processes and tools ▪ Collaborate in the development of a risk culture that is aligned with OLG's risk appetite and supports the achievement of divisional and organizational priorities ▪ Collaborate in the alignment of risk, audit and compliance approaches across OLG to ensure integrated, efficient and effective assurance functions and outcomes
VP Risk Management	▪ Design and facilitate an integrated enterprise-wide risk management program (including policies, framework, processes, practices, and systems) ▪ Lead the development and maintenance of risk appetite and tolerance ranges, and support Management in operating within the Board approved appetite ▪ Develop and deliver a risk management plan to build organizational capability and understanding of OLG's risk culture, risk appetite, risk framework and inform risk taking, identification and mitigation ▪ Develop and communicate risk reports to management, the Board, and the Ministry of Finance regularly

	▪ Own specific operational risk management programs (e.g., Business Continuity Management, Fraud Risk Management) and support the design and operation of others
Risk Sponsors	▪ Set target risk levels and establish appropriate risk action plans for assigned risks ▪ Monitor assigned risks and report to Executive and other relevant leaders as appropriate ▪ Alert Management when risks approach or exceed tolerances
All Employees	▪ Participate in the ERM process ▪ Identify, assess, prioritize, manage, and monitor business risks in line with risk appetite and in compliance with policies ▪ Communicate honestly and quickly on potential or realized risks ▪ Support the execution of risk action plans

RELATED POLICY INSTRUMENTS & REFERENCES
- Enterprise Risk Management Directive (issued by the Ontario Management Board of Cabinet)
- Ontario Public Service (OPS) Enterprise Risk Management Framework
- Fraud Risk Management Policy
- Business Resilience Management Policy
- OLG's Enterprise Compliance Management Policy
- OLG's Risk Appetite Framework

POLICY OWNER
VP Risk Management

POLICY APPROVAL

Approver	Date
Malissa Petch, SVP Risk and Audit	December 1, 2021
OLG Audit and Risk Management Committee of the Board	December 8, 2021
Pinder Basi, Chief Financial and Risk Officer	November 16, 2023

REVISION / REVIEW HISTORY

Revision / Review Date	Updated By	Summary of Revision / Review
December 2021	Risk Management	▪ Supersedes Risk Management Policy #CP-11-01-001
November 2023	Risk Management	▪ Edits made to reflect organizational changes that happened Fall 2022 i.e., adjusted responsibilities to reflect CRO and VP Risk