Corporate Risk Profile

National Film Board of Canada

Approved by the Board of Trustees
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1. Introduction

Integrated risk management (IRM) is a fundamental component of sound management. It contributes to the improvement of decision making and resource allocation in addition to ultimately providing optimal results for the organization. In recent years, the Treasury Board (TB) has published a *Framework for the Management of Risk* along with several documents and guides to facilitate IRM implementation in federal organizations. As a result, the National Film Board (NFB) has formalized its IRM practices and established a corporate risk profile. In order to support decision making and priorities as well as the achievement of corporate goals, the profile's objectives are to:

1. determine, mitigate and manage the NFB's key risks;
2. inform those responsible for the organization's strategic and operational planning;
3. be a reference tool for various levels of management at the NFB;
4. contribute to the development of a risk culture that meets the needs of the institution and reflects its area of activities.

1.1 Integrated risk management at the NFB – Background

The NFB is a public producer and distributor of documentary, animation and immersive/interactive works with a mandate to reflect Canada/Canadian perspectives to Canadians and the rest of the world. It was created by an Act of Parliament in 1939, the *National Film Act*, and is a federal agency within the Canadian Heritage portfolio. Over the years, the NFB has also built a solid reputation for its development of innovative, creative forms that it puts forward to fulfill its mandate. Innovation of this nature is predicated on a tolerance for creative and editorial risk that is greater than what is found in the private sector. It is one of the organization's fundamental characteristics from an integrated risk management perspective.

However, risk tolerance does not mean a lack of controls to mitigate the effects of risk. In recent years, the NFB has made remarkable efforts to reduce its exposure to the strategic and operational risks associated with its business environment. Some of its controls are formal and documented; others are derived instead from informal practices that reflect corporate dynamics inherent to producing creative works.

In light of this situation, the NFB developed an initial corporate risk profile (CRP) in 2009 following recommendations by the Treasury Board Secretariat (TBS) during Round V of the Management Accountability Framework (MAF). It revised its CRP in 2012–2013 following Round VIII of the MAF and again after three years, as planned, in 2016–2017. Each time, the exercise made it possible to identify the organization's key risks and more formally document existing mitigation measures or implement new ones.

1.2 IRM governance and resources at the NFB

Preparation of the NFB's CRP is part and parcel of strategic planning: it is the responsibility of the Executive Committee, which acts as "**Integrated Risk Management Committee"**. The Executive Committee is made of all Directors General (DG). Their responsibilities in this matter are to:

- apply the IRM principles of the TB *Framework for the Management of Risk*
- establish the NFB's main IRM directions;
- approve IRM-related documents for the NFB;
- determine the NFB's position in situations where mitigation measures are not unanimously supported.

NFB Deputy Head
Commissioner and Chairperson

The Executive Committee acts as
Integrated Risk Management Committee

IRM Champion
DG, Institutional, Legal and HR Services

Risk owners
DG and middle managers

1.3 Methodology

To revise its last risk profile (2013), the NFB adopted a rigorous methodology for the identification, assessment and mitigation of its key business risks. The consulting firm Richter was mandated to assist the organization and to develop a methodological framework adapted to its context and risk tolerance. It undertook the following:

1. **Planning and understanding the current environment**
   In September 2016, Richter undertook a review of relevant documentation and held preliminary meetings with key stakeholders to understand the NFB's business environment, and risk inductors pertaining to its most common activities.

2. **Risk identification**
   As a second step, key risks were identified using a participative approach. Between October and December 2016, Richter led 15 workshops and meetings with Directors General and their teams, the Commissioner and Chairperson, and the Board of Trustees. These workshops and meetings resulted in an updated list of 18 key risks—see "Summary of Corporate Risks" on page 5.

3. **Risk analysis (inherent and residual risks)**
   The next step was to assess the inherent risk for each key risk identified. The inherent risk is the risk without taking into consideration any mitigation measures put in place by management. Management then identified and assessed the mitigation measures in place for each key risk identified: this resulted in the residual risks. A detailed summary was prepared, outlining the risk owner, mitigation measures and action plans to reduce the residual risk, if required. Impact, probability and controls in place were assessed on a scale of one to five, defined in reference guides and matrix. This approach helped ensure analysis consistency among participants and the development of a common vision of corporate risks.

4. **Monitoring risks and action plans**
   Senior management ensures on-going monitoring of priority corporate risks by reporting on their status semi-annually. Risk owners are responsible to define performance indicators for risk mitigation measures, including action plans, and collect relevant information on how effective they are and make necessary adjustments.

5. **Updating the CRP, planning and communication**
   The purpose of the NFB's CRP is to serve as a basis for the organization's strategic and operational planning, which occurs simultaneously with budget planning each fall. The NFB publishes its CRP on its intranet and Internet sites, and will make the updated CRP available to its managers and planners during fall. Senior management performs annual reviews of the CRP, and conducts a full update every three years. Reviews and updates comply with the NFB's planning schedule.

2. Summary of Corporate Risks

2.1 NFB priority risks

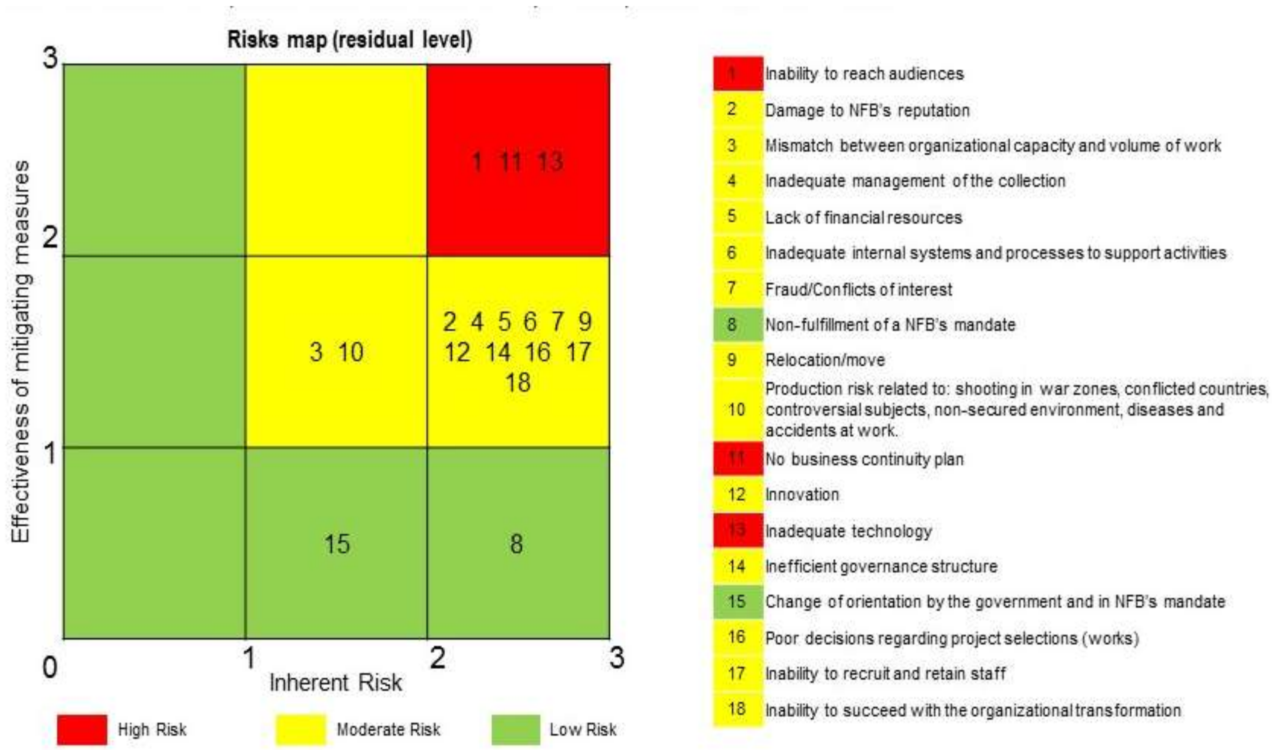
The NFB's 18 priority strategic and operational risks are outlined below. Special attention is given to them due to their higher residual risk.

#	Risks	Definitions
1	Inability to reach audiences	Unreached or inadequately defined target audiences, inadequate productions and marketing, mismatch between production and marketing, inaccessibility of work, misuse of collection, lack of a programming strategy, provincial vs. national focus
2	Damage to NFB's reputation	Inadequate behaviours, loss of trust, non-compliance with laws, controversy stemming from relations with our partners (e.g., production subjects)
3	Mismatch between organizational capacity and volume of work	Dispersal of efforts, lack of planning, contradictory objectives
4	Inadequate management of the collection	Accident, partial or total loss of physical collection (works, artefacts, etc.), equipment, electronic data or databases
5	Lack of financial resources	Decreasing income, poor fund use, cost overrun, inability to find new funding sources or financial partners, reduction of budgets, mismatch between organizational objectives and financial resources
6	Inadequate internal systems and processes to support activities	Non-integrated, obsolete, inefficient systems that do not respond to the needs, decisions made based on inadequate or partial information, complexity and cumbersomeness of processes, shared services not customized for NFB
7	Fraud/Conflicts of interest	Inadequate internal controls, policies not followed, biased procurement, inadequate segregation of duties, dependent relationship with partners or providers, decentralized environment
8	Non-fulfillment of a NFB's mandate	No long-term vision, misunderstanding and poor execution of strategies, inconsistency, inability to adapt to the evolving marketplace
9	Relocation/Move	Poor execution, loss of key resources-retention, equipment functioning issues, inadequate change management
10	Production risks	Shooting in war zones, conflicted countries, controversial subjects, non-secured environment, diseases and accidents at work
11	No business continuity plan	No business continuity plan (incapacity to operate, loss of information, inefficiency, non-efficient crisis management)
12	Risks related to innovation	No vision, inadequate directions, inadequate platform selection, deficient

#	Risks	Definitions
		resources
13	Inadequate technology	Obsolete technology, inadequate selections and implementation, multiple platforms
14	Inefficient governance structure	Confrontational roles, loss of trust by Board members, no internal audit function
15	Change in NFB's mandate	Change of orientation by the government, change of the *National Film Act*
16	Poor decisions regarding project selections (works)	No criteria, poor analysis, non-compliance with guidelines
17	Inability to recruit and retain staff	Loss of knowledge and expertise, reliance on single positions, inability to attract employees, de-motivation of staff, no succession plan
18	Inability to succeed with the organizational transformation	Lack of collaboration and synergy, inability to transform the NFB into a flexible and dynamic creative organization, to manage change and to innovate

2.2 NFB priority risks map (residual level)

The risks map of the NFB's priority risks below provides a profile of the institution's residual risks. It is important to mention the presence of informal controls in the NFB's corporate culture. A variety of existing business practices reduces the level of risk of activities, however they are not consistently documented. The organization has decided to fully consider these types of controls.



3. The NFB's Departmental Results Framework and Risks

The IRM must support the achievement of the organization's strategic objectives in the most efficient manner possible. As per the NFB's "Departmental Results Framework" (DRF), the NFB fulfills its mandate through two core responsibilities: 1) Audiovisual Programming and Production and 2) Content Accessibility and Audience Engagement. The latter responsibility is divided into three programs: the Distribution of Works and Audience Engagement, Promotion of Works and NFB Outreach, and Preservation, Conservation and Digitization of Works.

3.1 Core responsibilities and desired outcomes

The NFB's priority risks directly or indirectly affect the institution's core responsibilities: Audiovisual Programming and Production, and Content Accessibility and Audience Engagement. Certain risks are more closely associated with one or the other of our activities to varying degrees.

Departmental outcomes sought by the NFB are the following for **Audiovisual Programming and Production**:

i. NFB works reflect pan-Canadian perspectives;

ii. The NFB is a global centre of excellence for audiovisual production;
iii. The NFB supports Canadian industry talent and cultural diversity.

Desired departmental outcomes for **Content Accessibility and Audience Engagement** are as follows:

i. NFB works are accessible on digital platforms;
ii. NFB works are viewed around the world;
iii. The NFB forges relationships with its online audiences;
iv. NFB works are conserved and their longevity assured for future generations.

4. Mitigation Measures and Risk Owners

The NFB's priority risks are those that require mitigation measures (action plans) due to their comparatively higher degree of residual risk. A list of these risks is provided below along with measures to be implemented for each and the division responsible. Each risk owner is responsible for the effectiveness of mitigation measures and associated performance indicators. Risk owners must collect relevant information on indicators and make necessary adjustments according to the results obtained.

#	Risques	Additional Mitigation Measures (Action Plans)	Owner
1	Inability to reach audiences	Implement the digital and web platforms strategy. For 2017–2018 projects, implement a new marketing process that will let us quickly determine the profile of each work and optimize the distribution windows.	DG, Distribution, Communications & Marketing
2	Damage to NFB's reputation	Make sure that the process for analyzing the risks of projects and partnerships is followed systematically from the very start of every project (the reputation risk must be examined throughout the analysis process).	DG, Corporate, Legal & HR Services
3	Mismatch between organizational capacity and volume of work	Conduct an exercise to prioritize the initiatives and retain those that fit with the five major priorities in the NFB's Institutional Action Plan. Develop a dashboard for tracking projects (number of employees, hours required, etc.). Implement a process whereby Creation and Innovation's senior management makes decisions about production projects in the development phase, and a mechanism for tracking projects (for example, tracking cost overruns, conformity to project mandate).	DG, Corporate, Legal & HR Services DG, Creation & Innovation
4	Inadequate management of the collection	Implement the strategy for including interactive works in the *Digitization Plan.* Develop and implement a policy.	DG, Finance, Operations &Technology (FOT)
5	Lack of financial resources	Obtain funding for the unfunded projects included in the NFB's *2017–2022 Investment Plan*. Self-finance projects with partnerships. Review the cost structure for each division and pay particular attention to the cost structure allowed for marketing.	DG, FOT

#	Risques	Additional Mitigation Measures (Action Plans)	Owner
6	Inadequate internal systems and processes to support activities	Deploy the *2016–2020 Technological Plan,* which sets out the guidelines for use of internal systems and processes. Program the dashboards in the corporate systems. Develop special systems for production-related requirements (production tracking tools).	DG, FOT
7	Fraud/Conflicts of interest	Implement the strategy and centralize the decision-making process in which the DG, Creation and Innovation, approves each project and cost overruns. Conduct a fraud risk assessment in 2018-2019.	DG, FOT
8	Non-fulfillment of a NFB's mandate	Prepare the *2019–2024 Strategic Plan*.	Commissioner and Chairperson
9	Relocation/move	Obtain funding for moving the office in Winnipeg and the conservation room (vault) in Montreal.	DG, FOT
10	Production risks	Develop a checklist (points to check, risk analysis, go/no go) to show that each of the steps has been done. Develop a crisis-management protocol to specify the actions to be taken if an incident (death, accident, etc.) occurs in the context of a production.	DG, Creation & Innovation
11	No business continuity plan	Prepare a business continuity plan and a crisis management plan.	DG, FOT
12	Innovation	Corporate component: Update the digital strategies and distribution approach. Creation component: Better organize the experimental work done by the studios (laboratories) in collaboration with the Technologies unit.	DG, Distribution, Communications & Marketing DG, Creation & Innovation

#	Risques	Additional Mitigation Measures (Action Plans)	Owner
13	Inadequate technology	Fund the *2016–2020 Technological Plan*.	DG, FOT
14	Inefficient governance structure	Implement a program for orientation and integration of new members. Implement the NFB's new Performance Measurement Framework (PMF), in accordance with Treasury Board *Policy on Results*. Align the PMF indicators with those of the corporate dashboards for tracking business activities and the strategic plan.	Commissioner and Chairperson DG, Corporate, Legal & HR Services DG, FOT
15	Change of orientation by the government and in NFB's mandate	Measures in place are deemed sufficient.	Commissioner and Chairperson
16	Poor decisions regarding project selections (works)	Develop the 2018–2028 vision statement (in progress). Implement a process whereby Creation and Innovation's senior management makes decisions about production projects in the development phase. Track projects (for example, track cost overruns, conformity to project mandate)	DG, Creation & Innovation
17	Inability to recruit and retain staff	Develop the employer brand (for example, update the Careers website, use our employees as ambassadors, etc.) Implement the 2016–2019 *Human Resources Management Plan* and a succession plan. Study the feasibility of a pilot project for a job-rotation program.	DG, Corporate, Legal & HR Services
18	Inability to succeed with the organizational transformation	Develop an action plan in response to the 2016 NFB's employee-engagement survey. To this end, continue implementing the organizational transformation initiative, *In It Together*, which addresses the issues identified through the survey. Repeat the NFB's employee-engagement survey in 2019.	DG, Corporate, Legal & HR Services

5. Appendix — Definitions[1]

Integrated risk management is a continuous, proactive and systematic process to understand, manage and communicate risk from an organization-wide perspective. It is about supporting strategic decision-making that contributes to the achievement of an organization's overall objectives.

Opportunity is a time, condition, event, or set of circumstances permitting, or favourable, to a particular action or purpose.

Residual risk is the remaining level of risk after taking into consideration risk mitigation measures and controls in place.

Risk refers to the effect of uncertainty on objectives. It is the expression of the likelihood and impact of an event with the potential to affect the achievement of an organization's objectives. It is important to note that risk can be characterized as a negative uncertainty, commonly referred to as a threat, as well as a positive uncertainty, commonly referred to as an opportunity.

Risk-informed approach to management builds risk management into existing governance and organizational structures, including business planning, decision-making and operational processes. It also ensures that the workplace has the capacity and tools to be innovative while protecting the public interest and maintaining public trust.

Risk management is a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, making decisions on and communicating risk issues.

Risk response refers to the continuum of measures of risk mitigation or control that are developed and implemented to address an identified risk.

Risk tolerance is the willingness of an organization to accept or reject a given level of residual risk (exposure). Risk tolerance may differ across the organization, but must be clearly understood by the individuals making risk-related decisions on a given issue. Clarity on risk tolerance at all levels of the organization is necessary to support risk-informed decision-making and foster risk-informed approaches.

Uncertainty is the state, even partial, of deficiency of information related to understanding or knowledge of an event, its consequence, or likelihood.

A risk category is a type of risk that is sufficiently generic that it can be used to identify and aggregate risks from various parts of the organization. See section 2 for examples.

A risk event is a situation with the potential to affect the achievement of an organization's objectives. A risk event may be positive or negative – in other words, it may be a threat or an opportunity.

A risk impact is the potential effect of a risk event. As with a risk event, a risk impact may be positive or negative.

A driver[2] is an internal or external circumstance that is contributing to (or "driving") a risk. Drivers are often identified through environmental scans.

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[1] Definitions are taken from TB Framework for the Management of Risk and Guide to Risk Taxonomies.

[2] It is common for organizations to confuse drivers and risks. In particular, organizations sometimes refer to certain external circumstances (e.g., social, economic, etc.) as "external risks", when in fact they are drivers. To distinguish the two concepts, it is helpful for an organization to consider why the external circumstance challenges the organization, or why it presents an opportunity for the organization. As an example, an organization might determine that the aging Canadian population is a *driver* that is contributing to an increase in the number of applications and persons eligible for a particular program and therefore contributing to the *risk* that the organization may not be able to meet the anticipated increase in program delivery demands.