



Eliminating Surprise from Crisis Management

Tips from the Board Level Down

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What is an *issue*?

- Organizations can recover from an issue, response can strengthen reputation
- Issues don't present any immediate risk to the organization's reputation, and/or bottom line, for the long-term
- Issues can be sudden or smoldering
- Issues can escalate into a crisis when not responded to properly

What is a *crisis*?

- Negative, long-term impact on reputation and/or bottom line
- Requires immediate response, usually in an evolving situation
- Halts business operations
- Effects multiple business lines
- Can be sudden and unexpected, or smoldering

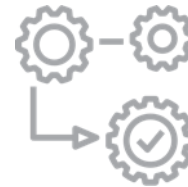
Most crises start as issues or incidents that were not effectively contained or addressed because they were not:



ANTICIPATED



RECOGNIZED



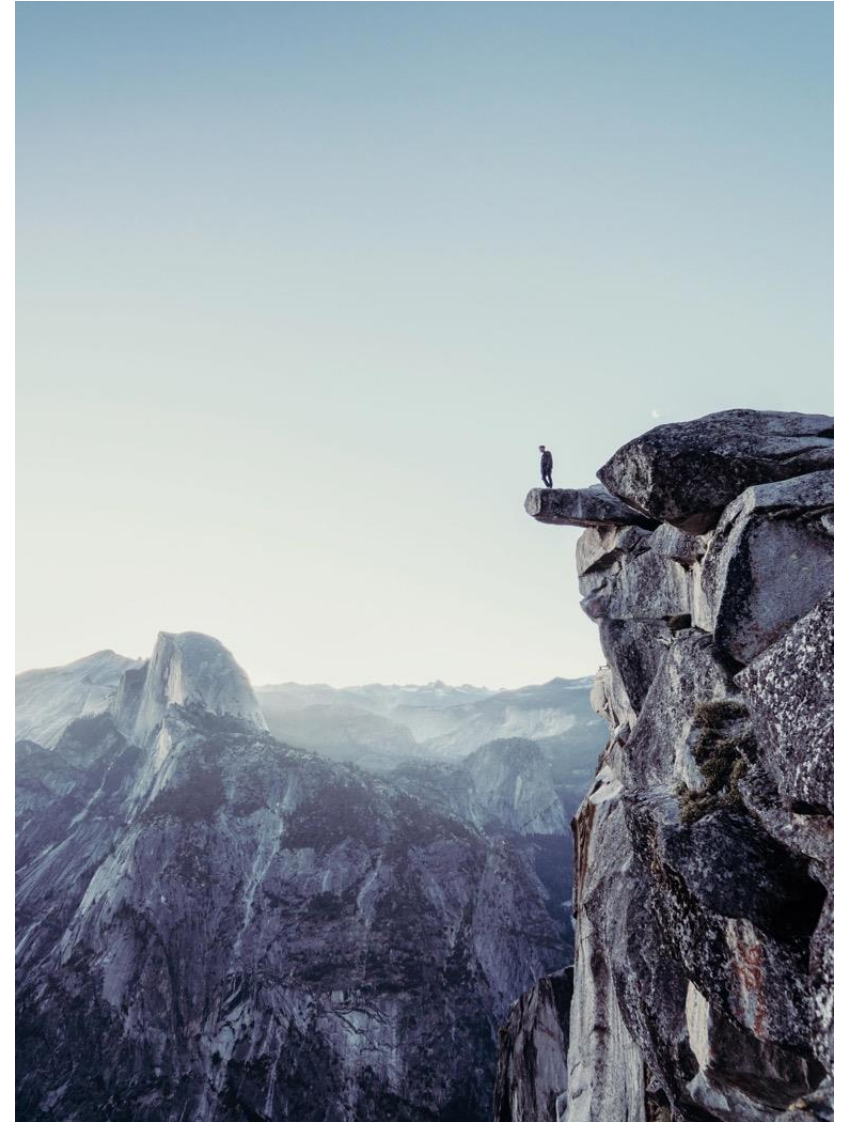
MANAGED



**RESOURCES WERE NOT
DEVOTED TO THEM**

Risk Management

- Gain awareness of legal and reputational risks
- Implement plans to mitigate risk
- Ensure periodic review of plan compliance
- Align communication plan to respond to potential issues in the event risk comes to fruition

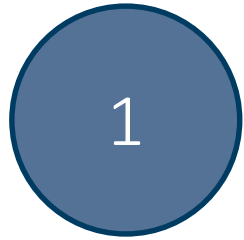


Benefits of Risk Management

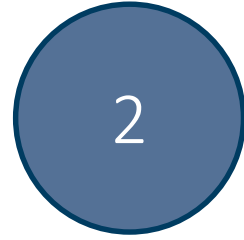
- Reduce likelihood of accidents
- Minimize effects of losses
- Provide a safe environment
- Protects human and financial resources
- Raises public profile as a responsible organization
- Reduce reputational risk
- Limit potential liability as an organization and director
- Control conduct of volunteers and participants



Four Basic Steps to Risk Management



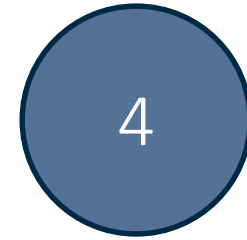
**Identify risks
connected with
activity**



**Assess relative
significance of all
identified risks**



**Eliminate or
minimize
identified risks**



**Provide protection
against unavoidable
risks**

Implement Risk Management Programs

- Review programs and policies
- Review documentation and forms
- Remember the process is continuous. Reviews necessary to ensure:
 - Plan or program remains responsive to likely risk
 - Compliance with the plan



Directors and Officers

DIRECTORS:

- Decisions that govern the actions of the organization
- Oversee the actions of the organization's officers and employees

OFFICERS:

- Day to day operations of the organization

Both have duties and standards that arise from common law and statutes

- Duty of loyalty
- Duty to act in the best interest of the organization
 - Cannot be fulfilled without gathering necessary information



Directors and Officers - Duties

Duties and standards arise from common law and statutes

Duty of loyalty

- Duty to act in the best interests of the organization; not use their position for personal profit, and avoid conflicts of interests

Duty of care

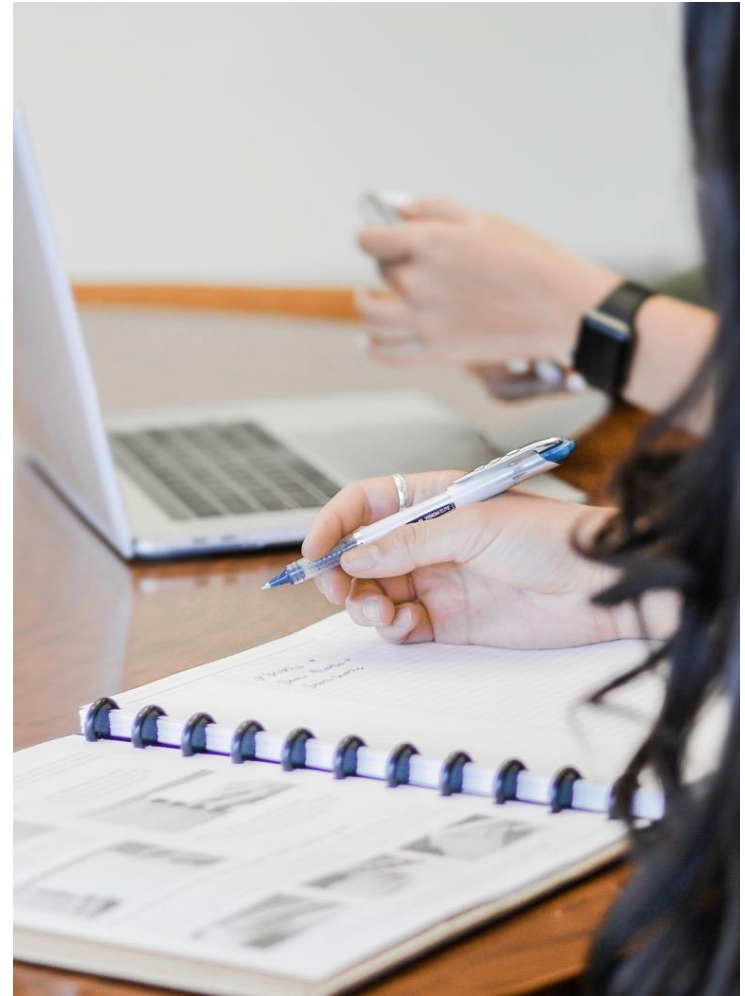
- Directors must act with requisite care and skill
- The standard of care is no less rigorous for not-for-profit entities

Personal liability may arise for failure to meet duties of loyalty and care or regulatory regimes:

- Environmental legislation
- Employment and pension legislation
- Tax legislation
- Health and safety legislation
- Privacy legislation

Board Best Practices in Risk Management

- Establish procedures and implement measures to review and monitor compliance
- Routine informational updates
- Seek regular advice from experts
- Accurate record keeping
 - Ensure protocols in place for record-keeping and retention
- Review and understand documents presented to you
- Consider Enterprise Risk Assessment
- Ask questions:
 - Risk management starts with identifying gaps in knowledge and planning
 - Diversity among board members is crucial to ensure the right questions are asked



20 Questions Directors Should Ask about Risk

The Canadian Institute of Chartered Accountants

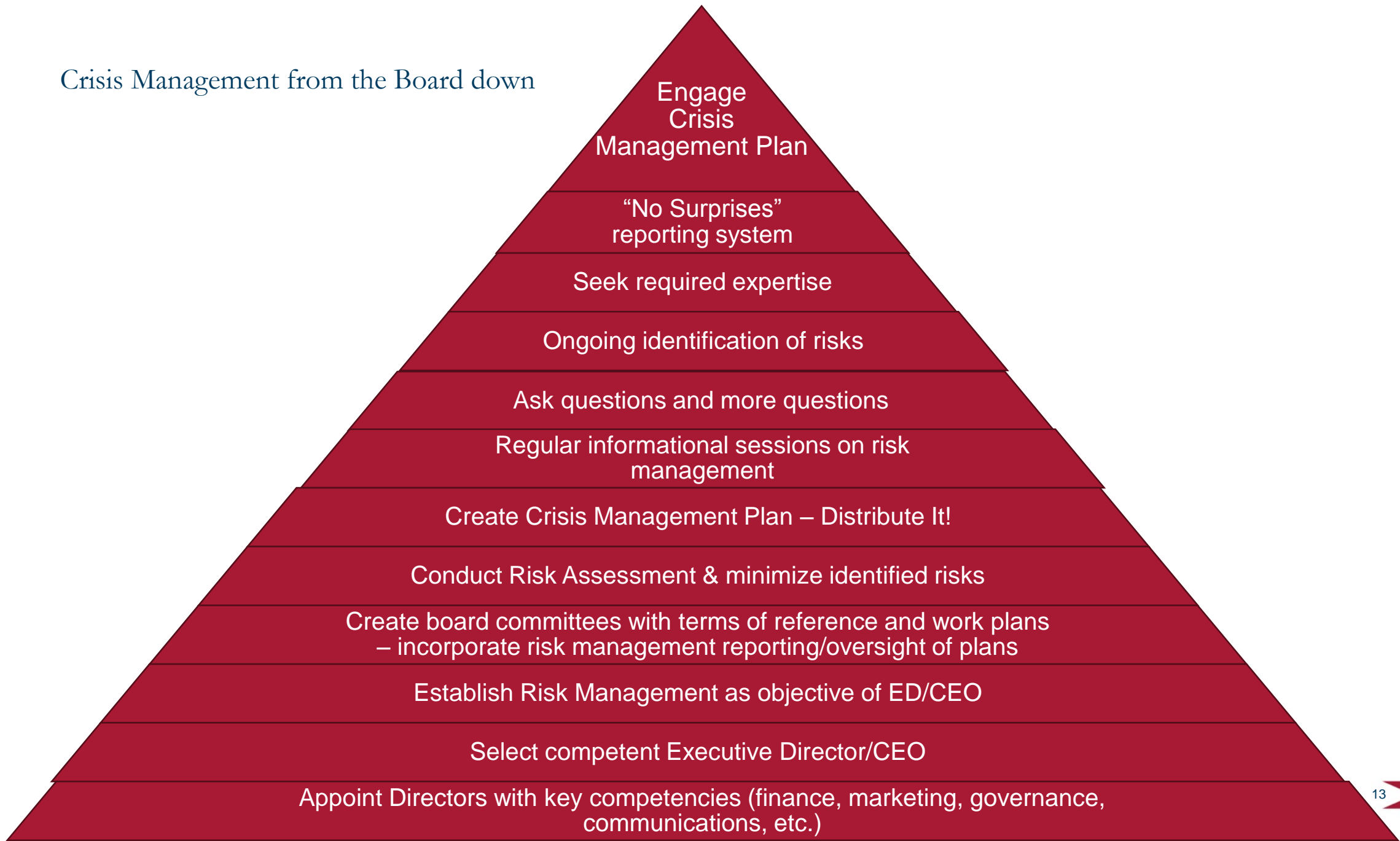
1. How do we integrate risk management with the corporation's strategic direction and plan?
2. What are our principal business risks?
3. Are we taking the right amount of risk?
4. How effective is our process for identifying, assessing and managing business risks?
5. Do people in this organization have a common understanding of the term "risk"?
6. How do we ensure that risk management is an integral part of the planning and day-to-day operations of individual business units?
7. How do we ensure that the board's expectations for risk management are communicated to and followed by the employees in the company?
8. How do we ensure that our executive and employees act in the best interests of this organization?
9. How is risk management coordinated across the organization?
10. How do we ensure that the organization is performing according to the business plan and within appropriate risk tolerance limits?

20 Questions Directors Should Ask about Risk

The Canadian Institute of Chartered Accountants

11. How do we monitor and evaluate changes in the external environment and their impact on the organization's strategy and risk management practices?
12. What information about the risks facing the organization does the board get to help it fulfill its stewardship and governance responsibilities?
13. How do we know that the information the board gets on risk management is accurate and reliable?
14. How do we decide what information on risks we should publish?
15. How do we take advantage of the organizational learning that results from the risk management program and activities?
16. What are our priorities as a board in the oversight of risk management?
17. How does the board handle its responsibility for the oversight of opportunities and risks?
18. How does the board that at least some of its members have the requisite knowledge and experience in risk?
19. How do we, as a board, help establish the "tone at the top" that reinforces the organization's values and promotes a "risk aware culture"?
20. How satisfied are we that the board is doing what it should in overseeing risk?

Crisis Management from the Board down





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The materials should not be relied upon as a substitute for consultation with a lawyer with respect to the reader's specific circumstances. Each legal or regulatory situation is different and requires review of the relevant facts and applicable law.

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