## ***Exhibit 1. Enterprise Risk Management (ERM) History***

*Enterprise Risk Management (ERM) is a MODERN term that is quickly becoming viewed* ***as the ultimate approach to risk management****.*

*That is not by accident! Consider the drawbacks of the "prehistoric" system of risk management usually found in "Silo" (departmentalized organizations):*

### *Limitations with Traditional Approaches to Risk Management*

1. *There may be risks that "fall between the siloes" that none of the silo leaders can see. Risks don't follow management's organizational chart and, as a result, they can emerge anywhere in the business or organization.*
2. ***Limitation #2****: Some risks affect multiple siloes in different ways. So, while a silo leader might recognize a potential risk, he or she might not realize the significance of that risk to other aspects of the operation/ business*
3. ***Limitation #3****: Third, in a traditional approach to risk management, individual silo owners may not understand how an individual response to a particular risk might impact other aspects of a business. In that situation, a silo owner might rationally make a decision to respond in a particular manner to a certain risk affecting his or her silo, but in doing so that response may trigger a significant risk in another part of the organization/business.*
4. ***Limitation #4****: So often the focus of traditional risk management has an internal lens to identifying and responding to risks. That is, management focuses on risks related to internal operations inside the walls of the organization with minimal focus on risks that might emerge externally from outside the business/organization*
5. ***Limitation #5****: Despite the fact that most business leaders understand the fundamental connection of "risk and return", most businesses/organization are struggling to connect their efforts in risk management to strategic planning. For example, the development and execution of the entity's strategic plan may not give adequate consideration to risks because the leaders of traditional risk management functions within the organization have not been involved in the process.*

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*Consultants are advertising their ability to perform enterprise risk management. Seminars devoted to this topic are being conducted to explain the process, provide examples of applications and discuss advances in the field. Papers on enterprise risk management are appearing in journals and books on the topic are being published. Many universities are not only providing courses titled "****Enterprise Risk Management", but are awarding "Master's Degrees" in the paradigm****. (Please refer to attachments)*

# Why is ERM important?

Events over recent years have pointed to five realities that every CEO and board face:

1. The time may come – sooner than we may expect – when the fundamentals of the business are about to change. Risk management is about securing "early mover" positioning in the marketplace. Management of strategic uncertainties requires an understanding of the key assumptions underlying the strategy and monitoring changes in the business environment to ensure that these assumptions remain valid over time.
2. It is not what we know that matters; it is what we don't know that makes the difference. The question should be: Is our approach to assessing risk identifying emerging risks and telling us something we don't know?
3. Most businesses are boundary-less. A strategic perspective applied to operational risks suggests the need for an end-to-end extended enterprise view of the value chain, requiring consideration of upstream and downstream relationships. What happens if any critical component of this chain were lost for an indeterminate period of time?
4. Sooner or later, there will be a crisis that will test your company. Even the most effective risk management cannot prevent this exposure. Yet companies spend a lot of time guessing at probabilities and ignoring the speed of impact, the persistence of impact over time and the organization's response readiness.
5. Management and directors are struggling with delineating between risk management and risk oversight. The risk oversight playbook is evolving. CEOs fear an overlay and non-value-added activity that is out of sync with the rhythm of the business. It makes sense to start both risk management and risk oversight at the same place – with the formulation of strategy, including an understanding of the key assumptions underlying the strategy.

*It appears that this modern new field of risk management is the "default" risk management; one requiring new and specialized expertise, one that will make other forms of risk management incomplete, archaic and less attractive. (I.E "Treasury Board's" **costly** "invention",*

***Definition of Enterprise Risk Management (ERM)***

***Enterprise risk management (ERM)** is, in essence, the latest name for an overall risk management approach to business risks. Precursors to this term include corporate risk management, business risk management, holistic risk management, and **integrated risk management**. (The latter, "**Treasury's** "version of "**the tail wagging the dog!!**" – For greater certainty, please note that "Treasury's" version is a part of **ERM- not** the other way around!*

*A common thread of enterprise risk management is that the overall risks of the organization are managed in aggregate, rather than independently.*

http://www.erm360.com/erm-process/erm-history/

> *(To be noted here is that ERM has now evolved into a paradigm that is more sophisticated.... but it retains its main features and attributes as will be evident from the examples of modern ERM practices illustrated throughout this submission.)* **Wilfred J Pelletier CPA CMA; FMA**

***Out of sight, out of mind!***

*There is a tendency by governments to optimize strategies on risks after matters that have just occurred.* ***WRONG way to do it! (Example the financial reactive actions by governments following COVID-19***

***ERM is THE solution because of its "forward looking" feature."***

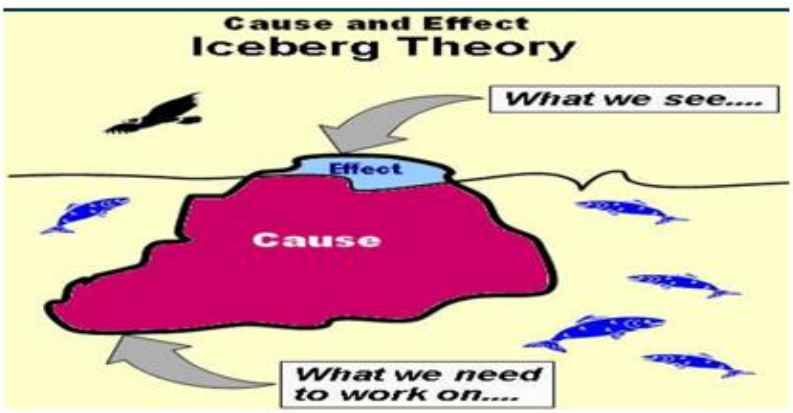
*Extreme event and catastrophe models have evolved in recent decades to provide a sense of loss magnitude when extreme events, such as pandemics and natural or man-made catastrophes, occur. Instead of focusing on whether these events are one in 100, one in 50 or one in five years (we just don't know), govt focus is to devise strategies of* ***how to recover****, whenever they may occur.*
*How much can we afford to lose? How can we split the damage? How much time do we have to recover? What hedging and risk management strategies do we need in place to recover? In other words, the opportunity to make a difference has been to focus on recovery, rather than catastrophe.* ***Wrong way again!***

*Governments tend to place full reliance on models that perform well* ***under normal conditions.*** *But in reality, are situations ever normal? Opportunity is to look beyond the models that assume conditions revert back to the mean, that abnormal events are abnormal, that markets are continuously efficient, and that human behavior follows precise mathematical and well-defined distributional formulas, even as dominoes fall.*

*This aspect is evident in today's financial times.*

*Good advice!*


*A need to "look deeper" in risk management*



***To put ERM in its simplest form it means learning to expect the unexpected*.!**

*A summary and graphic extracted from another source follows*: -WJP

## Key Differences and Solutions

Enterprise risk management is an extension of traditional risk management, and differs in the following ways.

- **Strategic application.** An ERM approach is integrated into an organizations business decisions. Because the effort is enterprise-wide, it supersedes any departmental or functional autonomy to encourage continuous review and support of the organizations most value-based objectives.
- **Risks considered.** ERM involves managing all of the risks affecting an organization's ability to meet its goals, regardless of the types of risks being considered. This carefully reviewed and benchmarked approach allows organizations the ability to stay focused on key areas of prosperity and survival.
- **Performance metrics.** ERM emphasizes results-based performance measurement throughout the organization. Results indicate whether a risk management technique helped to achieve a business goal, such as return on investment or return on assets. All forms of risk management, including ERM, are intended to help minimize the adverse effects of missed opportunities and losses.The specific benefits of ERM include maximizing the possible opportunities for growth, minimizing the expected organizational losses and therefore increasing the expected income and asset value, and reducing the residual uncertainty in all areas of the enterprise.

*The "graphic" difference between common risk management and* ***Enterprise Risk Management:***

*It's important at this point to distinguish between a "risk" and a "hazard" particularly when considering applying the **ERM features** to endangerment tasks as example in lab research/experimentation in a health environment:*

## ***Risk vs Hazard - What is the difference?***

With due respect to the ***Canadian Centre for Occupational Health and Safety*** *department's useful information regarding "**risk** "vs "**hazard**" the concepts illustrated/demonstrated do not constitute* the paradigm of ***"Enterprise Risk Management"*** *in totality, although perhaps critically useful and could form **part** of the **ERM** process.*

*A **hazard** is said to be present when there is an object or a situation present that may have an adverse effect on the surrounding. (The "Centre" has done a very good job in describing this situation.)*

*Overall, for some harm to occur or for the risk to be present, there must be the presence of a hazard and above all the exposure to that hazard. **If they do not exist together, there will be no risk.***

*As such, identifying a hazard is just the first step in a series of steps to assess the danger a substance or activity might pose under a particular circumstance.*

*For example, as rational beings, we are always assessing the level of risk either consciously and unconsciously. While we are thinking to cross a highway, how to do family care and whether to eat healthy food or not we are basically making assessment about the possible hazards involved and at the same time assess the risk associated with each action we may take.*

***To provide a "health" flavor to the discussion, Potassium Dichromate falls in the category of the toxic chemicals and as I understand, is used to analyze the presence of alcohol in the breath. The chemical is properly covered and sealed. Thus, the chemical is highly hazardous; however, the proper usage of this substance does not make it risky.***

***In summary, A hazard is considered to be anything that can cause harm. Risk can be taken as chance or probability that harm may occur.***

*One can easily measure the risk of something in degrees, high or low. However, to measure a hazard in degrees is not at all possible.*


***.....!! --WJP***

***About International Risk Standard ISO 31000 (2018)***

*(This is the standard adopted by ANY country, organization, entity, profit or none-profit, governments, charities and other organizations **as the default process for managing organizational risks***

***ISO 31000** (the **2018** update) involved the participation of members from more than 70 countries, hence its universal attributes.*

***ISO 31000** is concise and easy to follow.*

***ISO 31000** doesn't focus on audit perspective, but rather **value creation and protection**, hence adding to its flexibility.*

***ISO 31000** clearly articulates risk management as a **cyclical process**, with ample room for **customization** and **improvement***

***ISO 31000** makes the organization aware that the "flip side" of risk is "**opportunity**", hence it's creativity and flexibility*

***ISO 31000** embraces entirely "**Enterprise Risk Management- ERM**" methodology and has only a few but consistent "steps" to establish its operation and management.*

> *To be noted that in all bonafide applications of "**ERM**" by entities including governments, the following standard steps are followed (albeit some slight expressions of the steps are sometimes used by different entities.*
>
> ***Wilfred J Pelletier CPA CMA; FMA***

*Here is a "graphic" of the **ERM** steps envisaged and practiced internationally. (From examples used in this presentation you will note the adherence or consistency followed to the ERM paradigm "steps". –**WJP***


*(To be noted is that it is **imperative** that **ALL** "stakeholders" be identified in the process, as they can create more "risks" or could be inversely affected by actions taken*

*by the enterprise attempting to mitigate its own risks! The "**Identify risks**" step is completed only after establishing the "context" which normally includes ALL stakeholders involved with the entity practicing "risk mitigation". -**WJP**)*

***NOTE:*** *Of the 7 steps (Condensed above) 6 of the steps are **proactive** with "**Monitor and review**" being the only (and required) **reactive** step.*

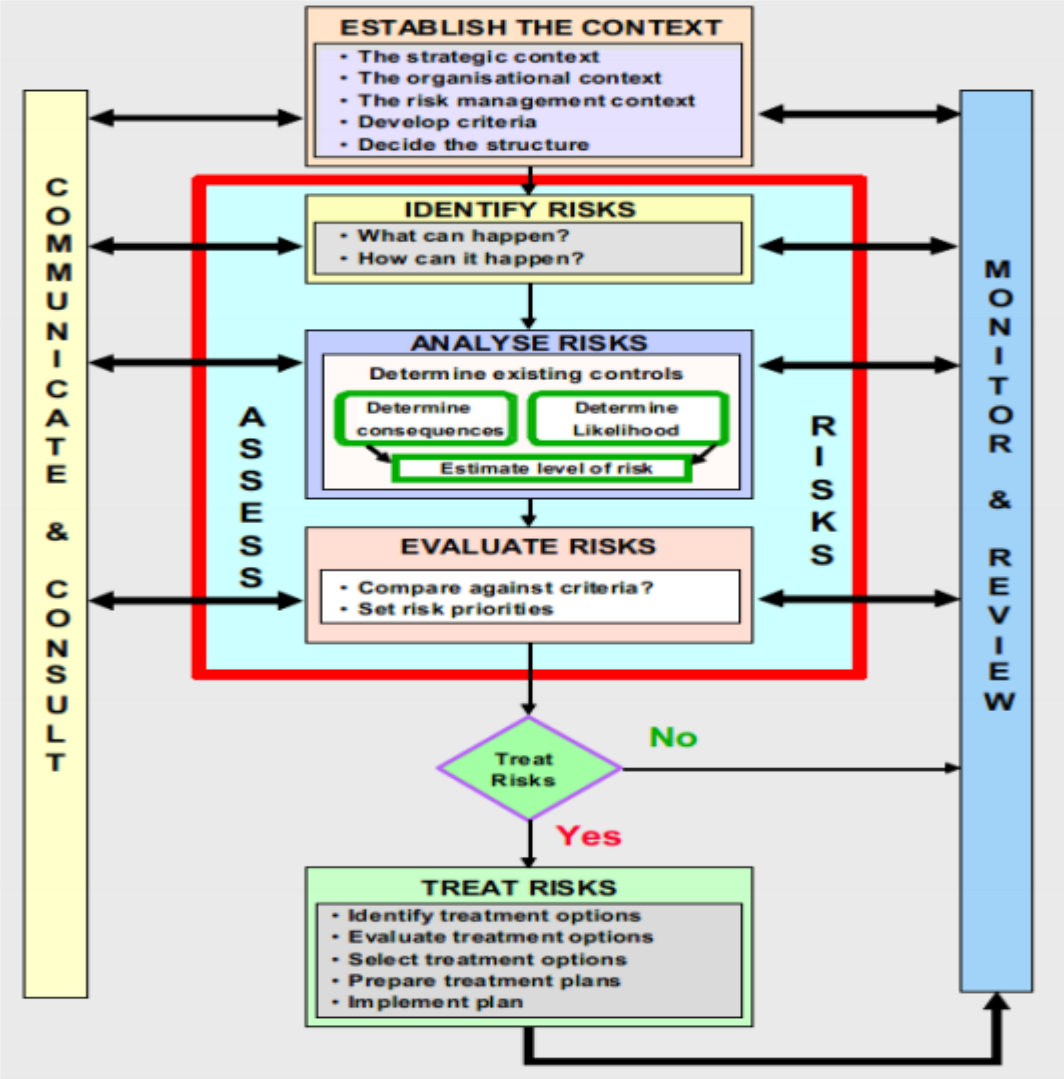
*The Federal Government in dealing with COVID-19 negative results, applied only a (reactive) step (results) **AFTER THE FACT**.*

> ***Merely "treating" the "results" and ignoring proactive action is NOT Risk management.***
>
> ***Wilfred J Pelletier CPA CMA; FMA***

*Below is a more detailed graphic of the "steps" in the ERM process- minus the unnecessary volume of "instructions"* ***required of the TBS Figure 1****. (below)*

"***Visual Map of TBS Guides and Tools on Risk management***".

A Graphic Overview of Enterprise Risk Management (ERM) -Steps:




*Continuing on with this topic it is critical that the "**history**" of **risk management** practiced by the **Federal Government** be scrutinized at this time in light of the disastrous results attained by the so-called risk "stewardship" practiced by the **Treasury Board of Canada Secretariat,** (hereafter referred to as **TBS**).*

***While TBS provides advice and makes recommendations to the Treasury Board committee of ministers, on how the government spends money on programs and services, how it regulates and how it is managed to ensure tax dollars are spent wisely and effectively for Canadians, it should NOT be the "steward" of "risk management" in the government! Its "track record" (history) of "risk management" is, to be kind, "inadequate". Some "history" and discussion of its "risk stewardship" follows:)***

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## ***Historic TBS Risk Management in the Federal Government***

https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=19422&section=html

https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=19422

***Guide to integrated Risk Management***

https://www.canada.ca/en/treasury-board-secretariat/corporate/risk-management/guide-integrated-risk-management.html

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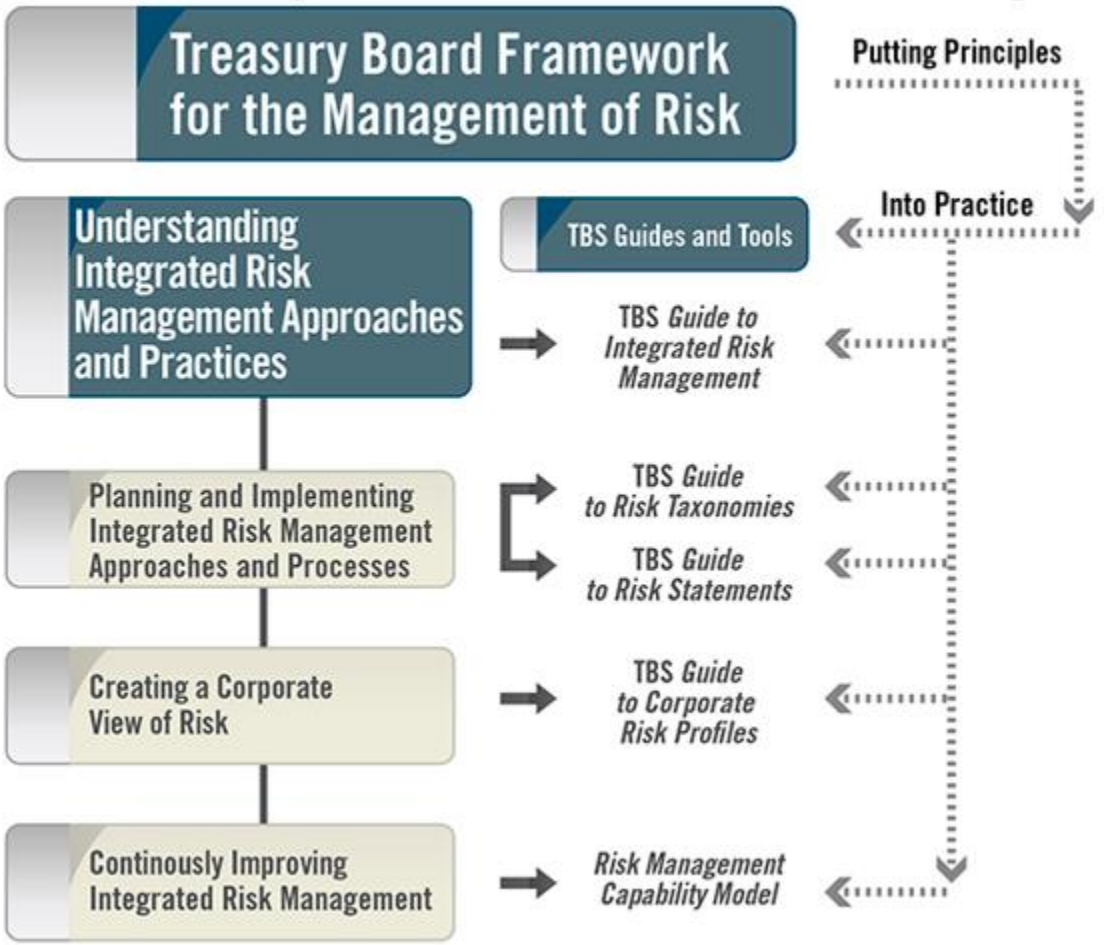
Figure 1: Visual Map of TBS Guides and Tools on Risk Management




*"……. A good risk statement should be concise and readily understood across an organization, as its precision can influence the development of effective risk responses, choices of action plans and the quality of decision-making pertaining to the risk……."* ***TBS****.*

*"…. In conjunction with other risk management guides and tools provided by the Treasury Board of Canada Secretariat (TBS), this guide is meant to help strengthen risk management practices by elaborating on how to develop risk statements…"* ***TBS***

***Question:** How concise do the following additional TBS instructions?!!..... make the task simpler ???!!.....WJP*

## *Here is a comprehensive listing of other "guides and tools"!!*

- Guide to Integrated Risk Management

  Explains the principles outlined in the Framework and provides guidance on designing, implementing, practicing and continuously improving an integrated risk management approach and process.
- Guide to Corporate Risk Profiles

  Provides guidance on developing corporate risk profiles, including the type and scope of information that helps to make a corporate risk profile a useful tool to manage corporate risks and inform decision-making.
- Guide to Risk Statements

  Helps strengthen risk management practices by providing guidance on how to develop clear, concise and well-defined risk statements to assist organizations to better utilize risk information to support decision making throughout the organization.
- Guide to Risk Taxonomies

  Outlines broad categories of risk that may assist departments and agencies in articulating and aggregating risks within their organization.
- Risk Management Capability Model

  Assists organizations in analyzing their risk management capacity as it compares to key attributes of an integrated risk management approach and encourages a discussion on current capacity versus optimal capacity in these areas.

***Observations:** (**WJP**)*

- *Guides far too many, too cumbersome, and terms like "Taxonomies" (which deal with science?) become confusing for departments that are NOT SCIENCE, oriented. The universally accepted ERM is straightforward, understood by any organization utilizing ERM as its "risk" methodology- definitions are consistent regardless of the nature of the enterprise- etc. Please refer to ALL the examples in this submission; ALL refer to **ERM and its accepted process** and none use the description "invented" by TBS**!!***
- *The TBS main focus on "branding" its risk direction as "**Integrated Risk Management**" while referenced in ISO 31000 standard, IS NOT "Enterprise Risk Management (ERM) in substance; the TBS term used **is a SUBSET of ERM only;***
- ***ERM** encompasses other important "subsets" in addition to the TBS misleading "variety": precursors to the term "ERM" include corporate risk management, business risk management, holistic risk management, and the TBS emphasis, "integrated risk management".*
- *The interpretation of "risk management" introduced by TBS is narrow by comparison, but at the same time it adds more complexity and is "reinventing the wheel" or to put it bluntly- **"the tail wagging the dog".***

- *Other collateral damage with the TBS variety –the accepted interpretation of ISO 31000 emphasises **ERM;** any organization researching the topic, concentrates on "ERM" and NOT the TBS variety.*
- *ALL examples in this submission utilize the process of ERM, and not termed with the TBS description. This provides the ease of reference utilized internationally when researching the subject of risk.*
- *Processes used are consistent and virtually the same regardless of industry, government usage, or other organizations. This is impossible to achieve if the **TBS** methodology was used- very little history for comparisons and reference source topically chosen as "Integrated Risk Management"*
- *This submission has demonstrated the wide usage of ERM and disclosed its consistency of application.*

*(By comparison the BC Government (Exhibit 9.) provides risk management as practiced universally under ISO Standard 31000- 2018. While the BC version is also extensive, there is one big difference between it and the **TBS** "risk management" version:*

*It's the large magnitude of public **reference sources** available from other organizations that can be utilized or accessed in either forming a new risk policy and/or updating the current government risk planning in place – at NO or very little $cost.*

*In other words, there is no need to "**re-invent the wheel"** such as TBS has done and/or are doing. **WJP.***

***Demonstrated result of the TBS "risk" administration follows:***
*Mr. Trudeau be forewarned: the result is not in accordance with expected outcome. (Apart from the fact that the TBS risk regulations are "dated"-not revised recently! **2016** the most common/recent release?)*

*(Please refer to **Canada Revenue Agency and ERM? Exhibit 10** for an example of a "dysfunctional" TBS so-called "directive" or "guideline" followed / describing **what should be termed "Enterprise Risk Management"** but "recharacterized" or "invented" by **TBS** as "**Integrated Risk Management**".)*

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*All the above history of the **TBS** addressing risk, needs to be updated. It appears that a panel of representatives from various government departments did a review sometimes in early 2016 (?) dealing with of the TBS "risk" instructions.*

*The review was labelled:*

## *"**Putting it in Place – Implementing Integrated Risk Management- "Doing it – Practising Integrated Risk Management***

Contributors to the working group included:

- Charlene Budnisky, Public Works and Government Services Canada
- Wes Darou, Canadian International Development Agency
- Alain Goudreau, Defence Research and Development Canada
- Emily Graves, Canadian Food Inspection Agency
- Paule Labbé, Health Canada
- Awad Loubani, Public Works and Government Services Canada
- Wendy Matheson, Veterans Affairs Canada
- Colin Nicholson, Natural Resources Canada
- Liane Sauer, Canada Revenue Agency
- Ron Sisk, Fisheries and Oceans Canada
- Mario Venditoli, Health Canada

*Please note that the "names" of the participants is unimportant.*

***What is very important to note, however is the federal government departments that they represented. - WJP***

*Only 1 Federal Government Department (**CRA**), has since implemented the TBS version of "risk management"; (as discussed, the CRA application of the TBS risk management **is not** a successful application of **ERM.)***

*"**Health Canada**" (2 members from "**Health Canada**" and 1 member from **Canadian Food Agency**) had 3 representatives in the working group- NONE of the departments that they represented (have understandably) adopted the **TBS** version of "risk management". **WJP***

> ***Health Canada with its various portfolios, extensive responsibilities and costs to administer, represents an extraordinary susceptibility to risks of many descriptions. Accordingly, it should be the first aspiration and urgency for the implementation of Enterprise Risk Management in Federal Government operations.***
>
> ***Wilfred J Pelletier CPA CMA; FMA***