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# Emerging Leaders Program

## Toronto

May 27, 2026



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# Emerging Leaders Program: **Risk Appetite**

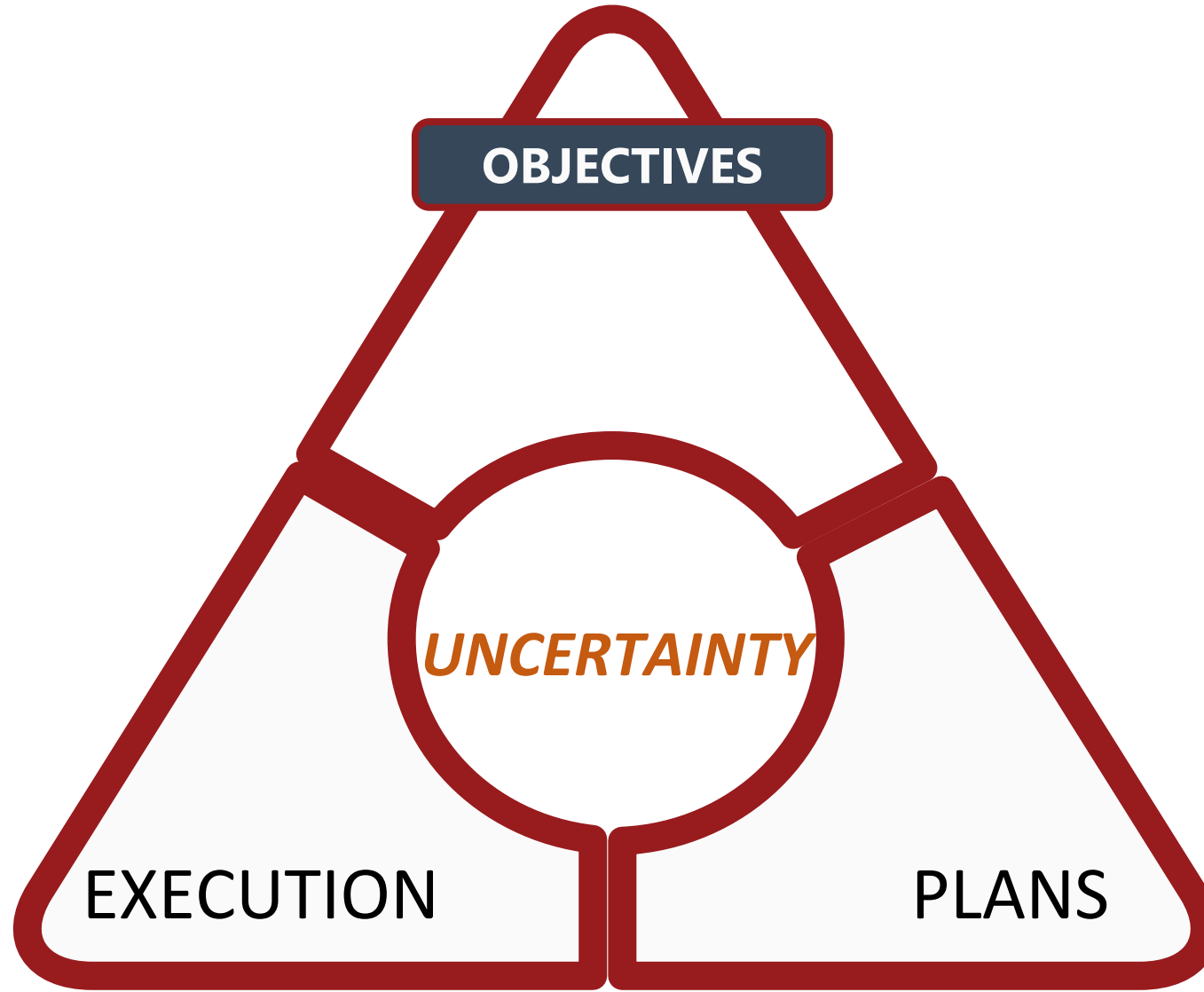
**Michael Stramaglia, Executive in Residence, GRI**

May 27, 2026

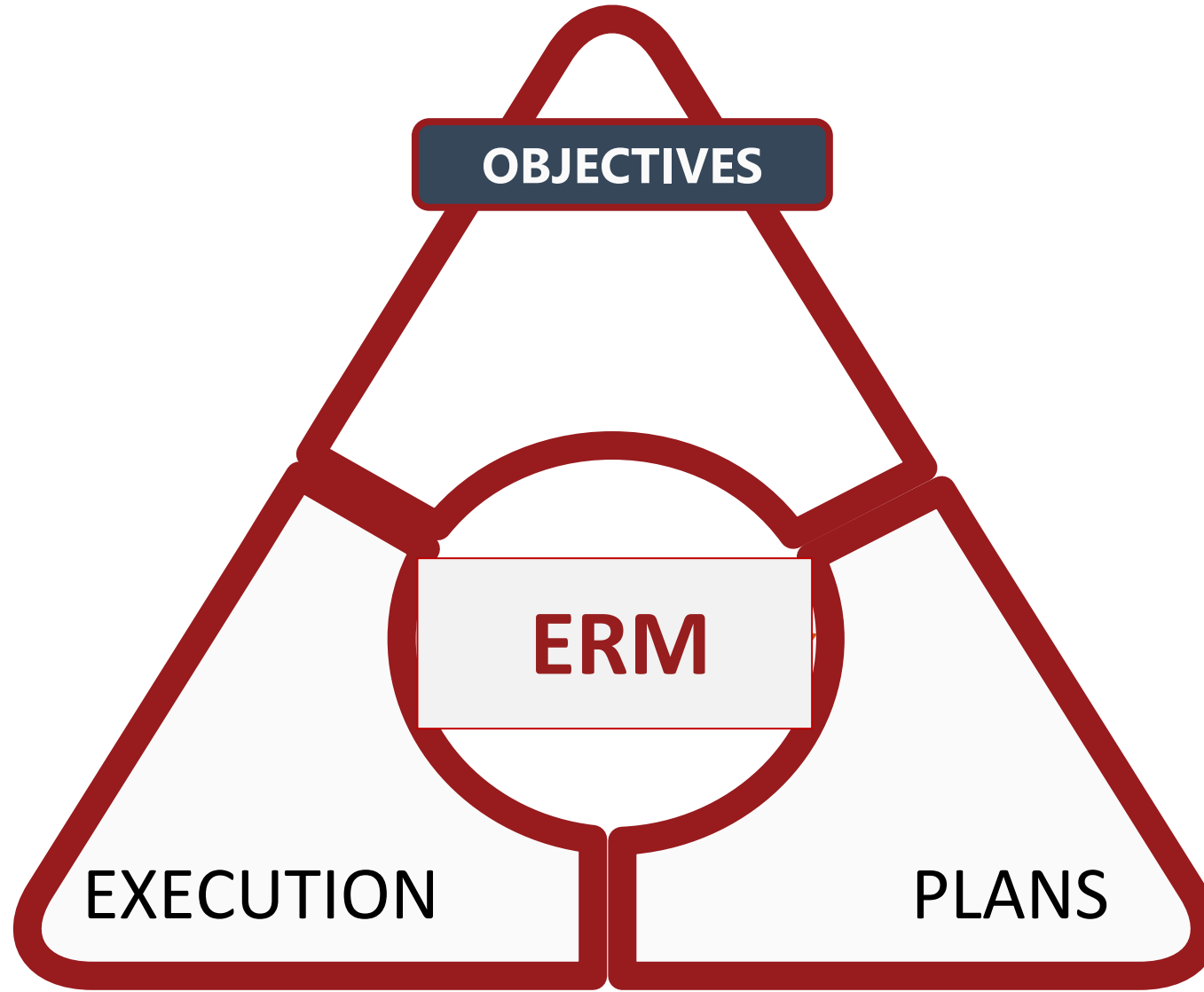
# Learning Objectives

- Gain insights into the relationship between an organization's Strategy and its Risk Appetite.
- Understand the key elements that define an organization's Risk Appetite, with a particular focus on "Guiding Principles".
- Gain understanding of how an organization's Risk Appetite needs to be embedded into management decision-making.

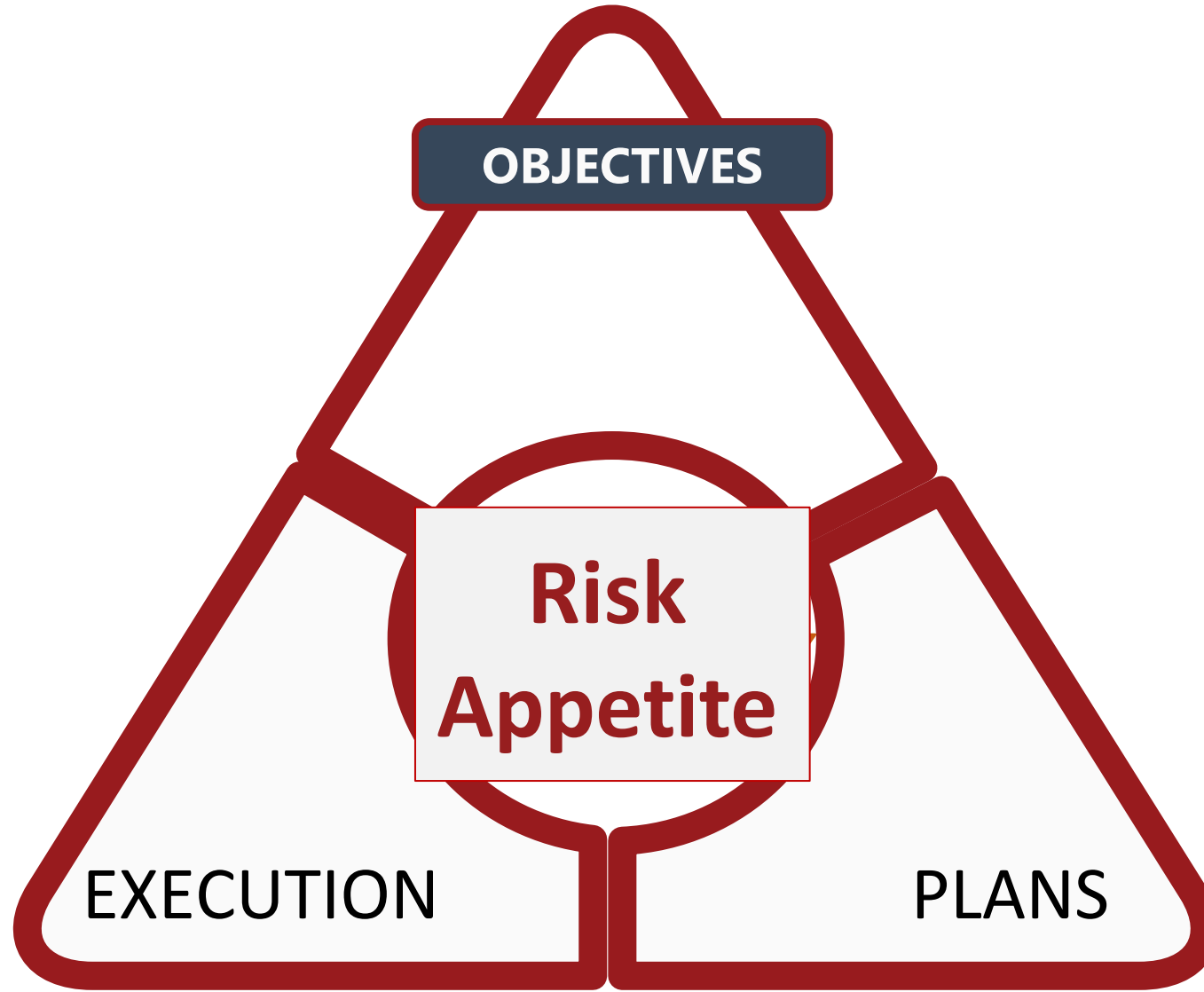
# Strategy



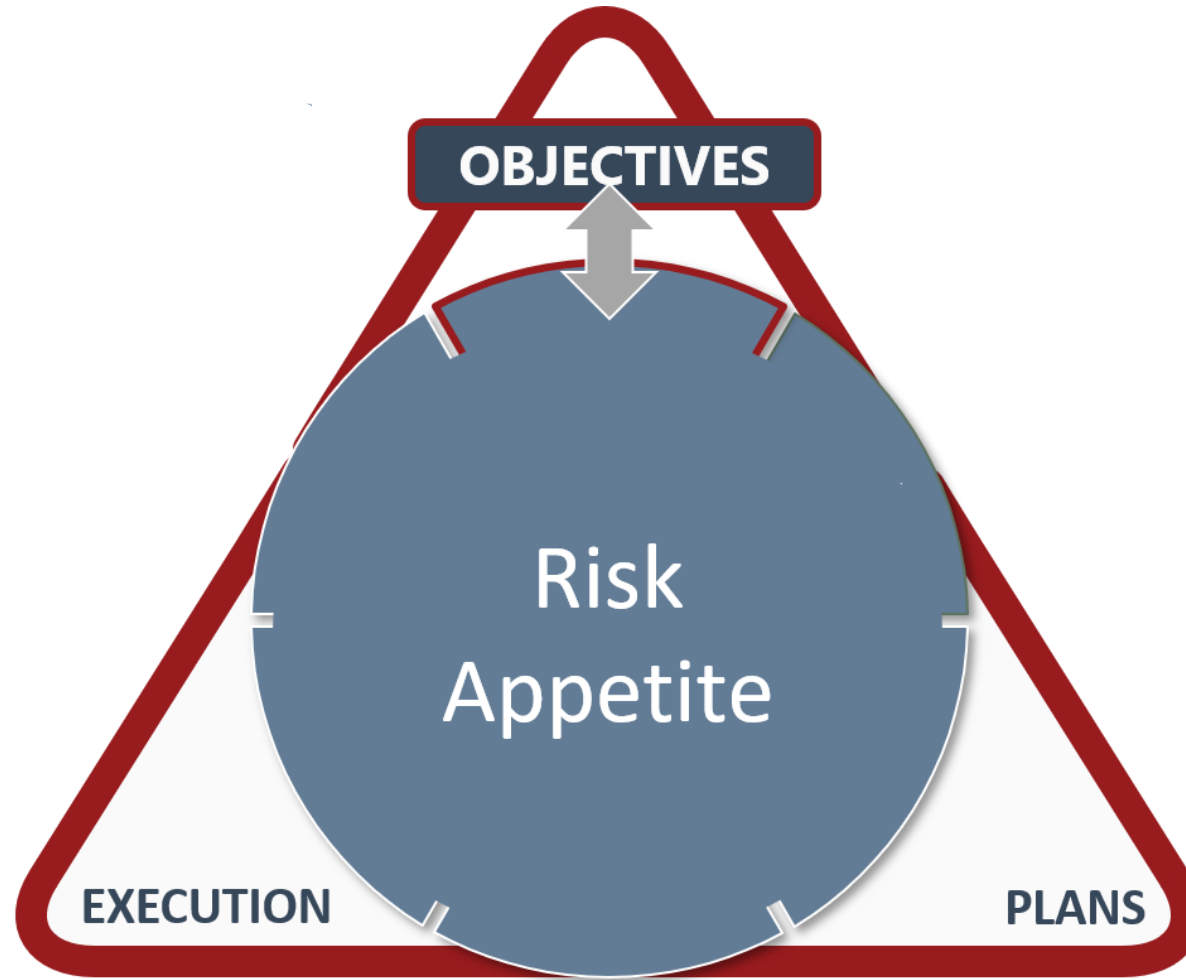
# Strategy



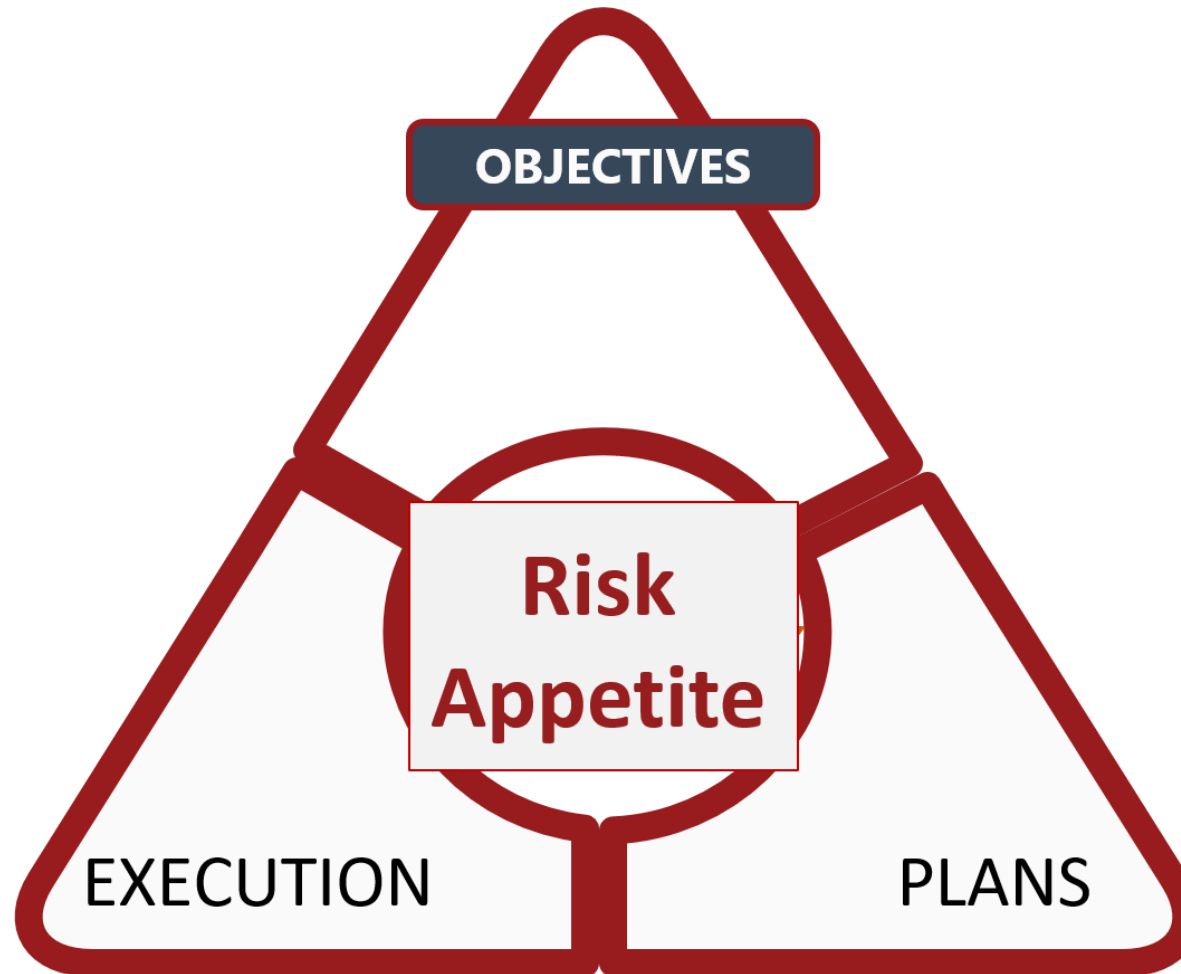
# Strategy



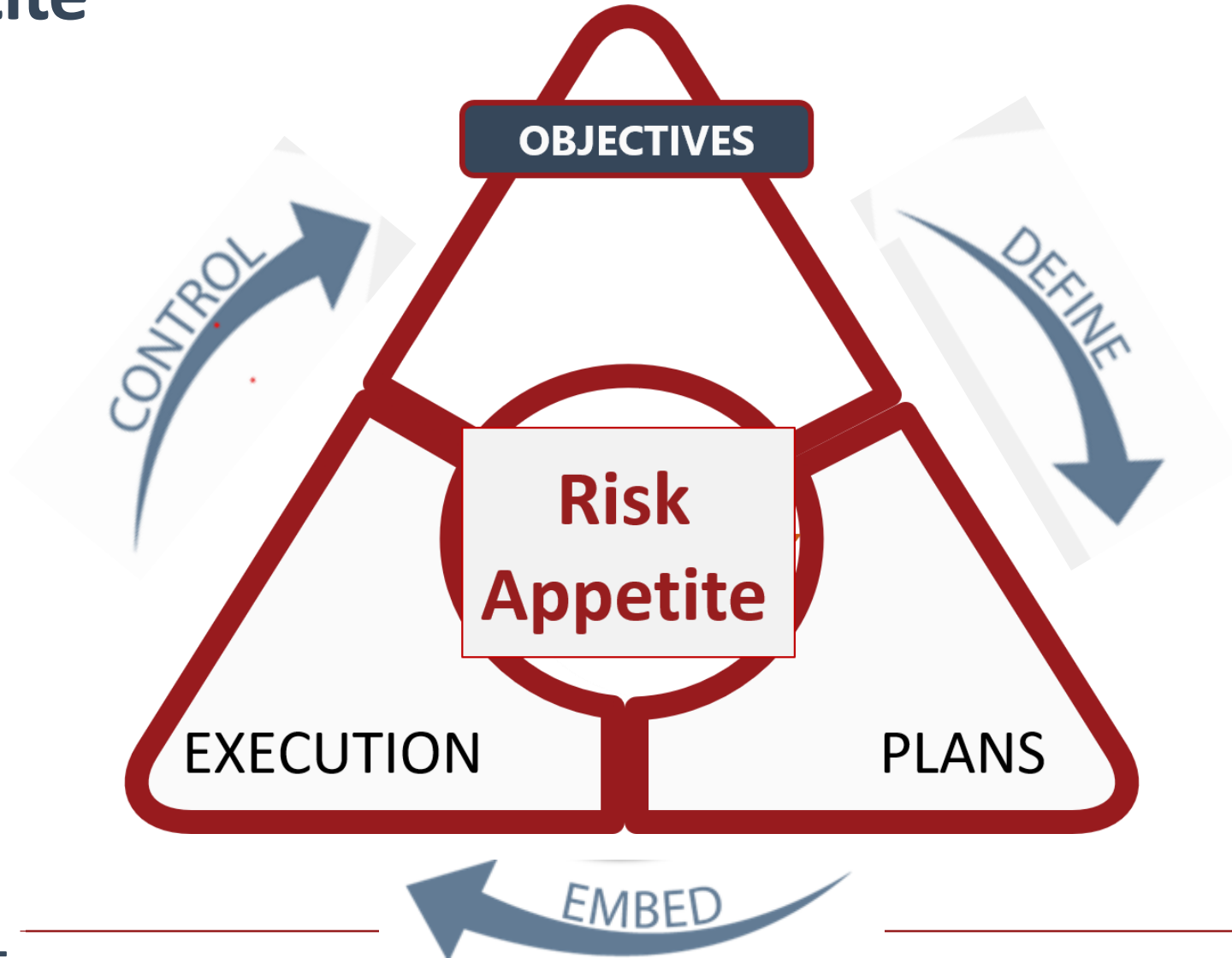
# Risk Appetite

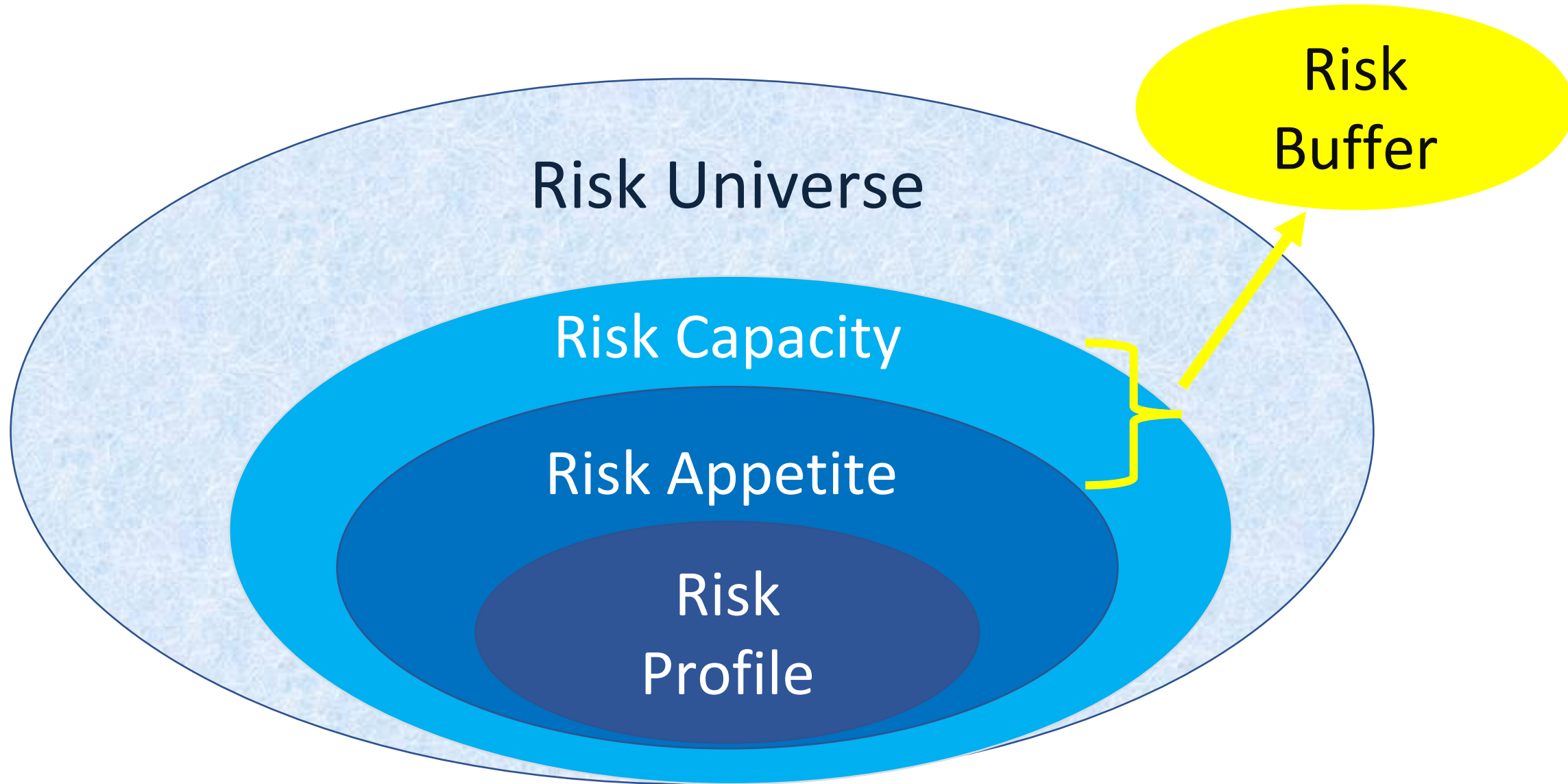


# Risk Appetite



# Risk Appetite





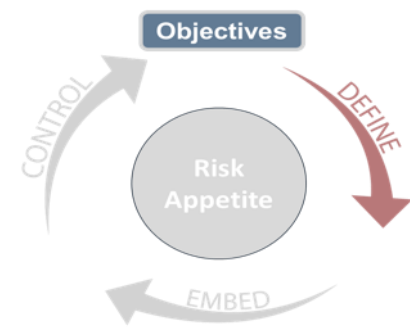
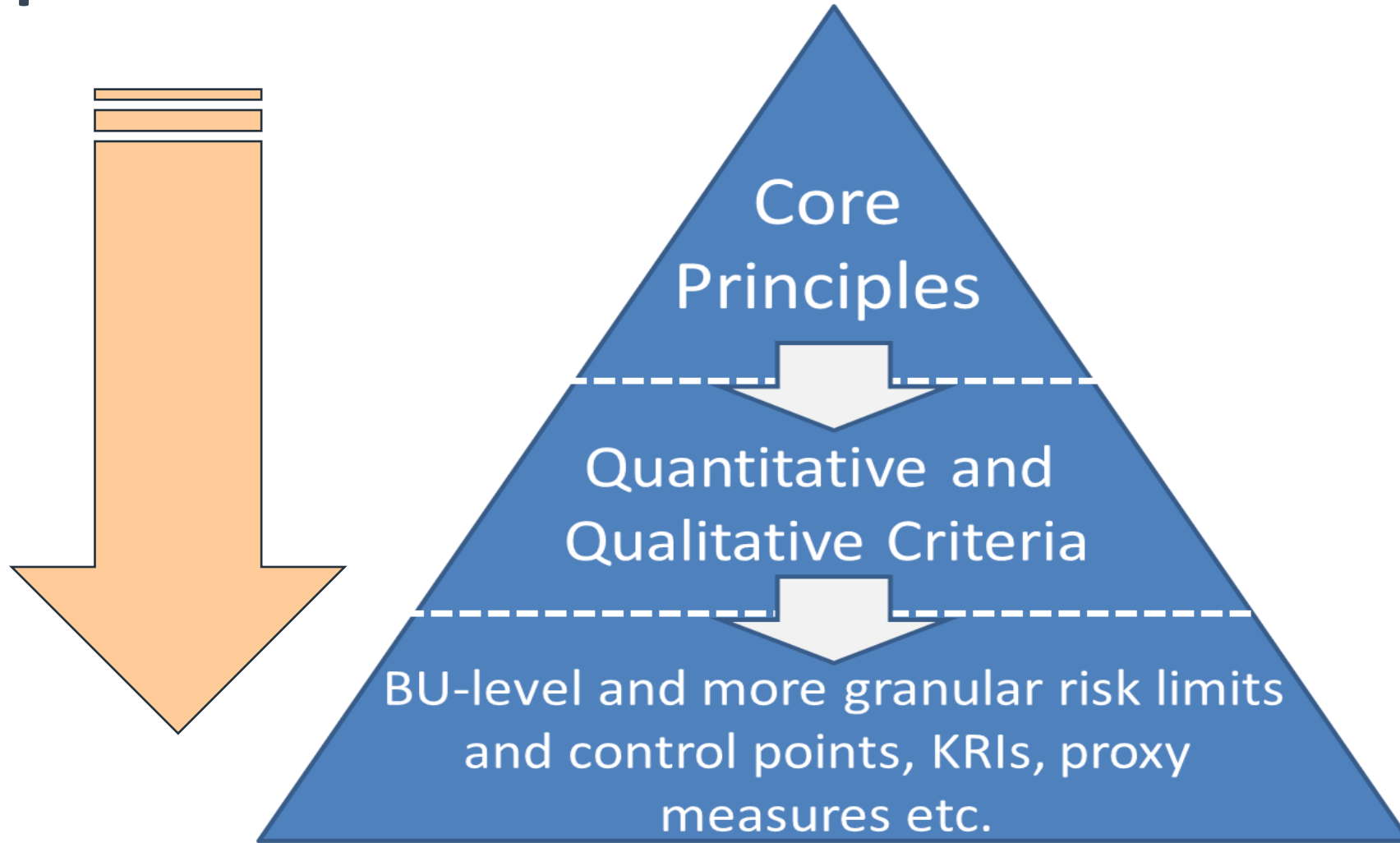
# Risk Appetite Statement

*A formal document, ultimately approved by the board, that articulates the risk appetite and key elements of the supporting Risk Appetite Framework*

## Proposed Key Elements

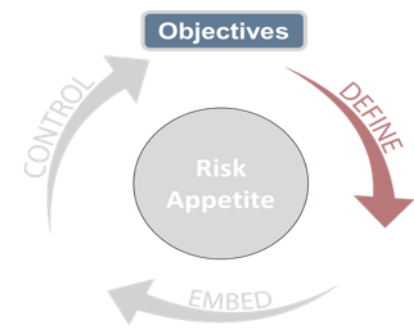
1. Summary of Risk-Taking Philosophy and Core Principles
2. Qualitative and Quantitative Criteria/Limits
3. Expectations Regarding Key Applications/”Use test”
4. Roles and Responsibilities
5. Monitoring, Reporting and Breach Protocols

# “Top Down” Definition

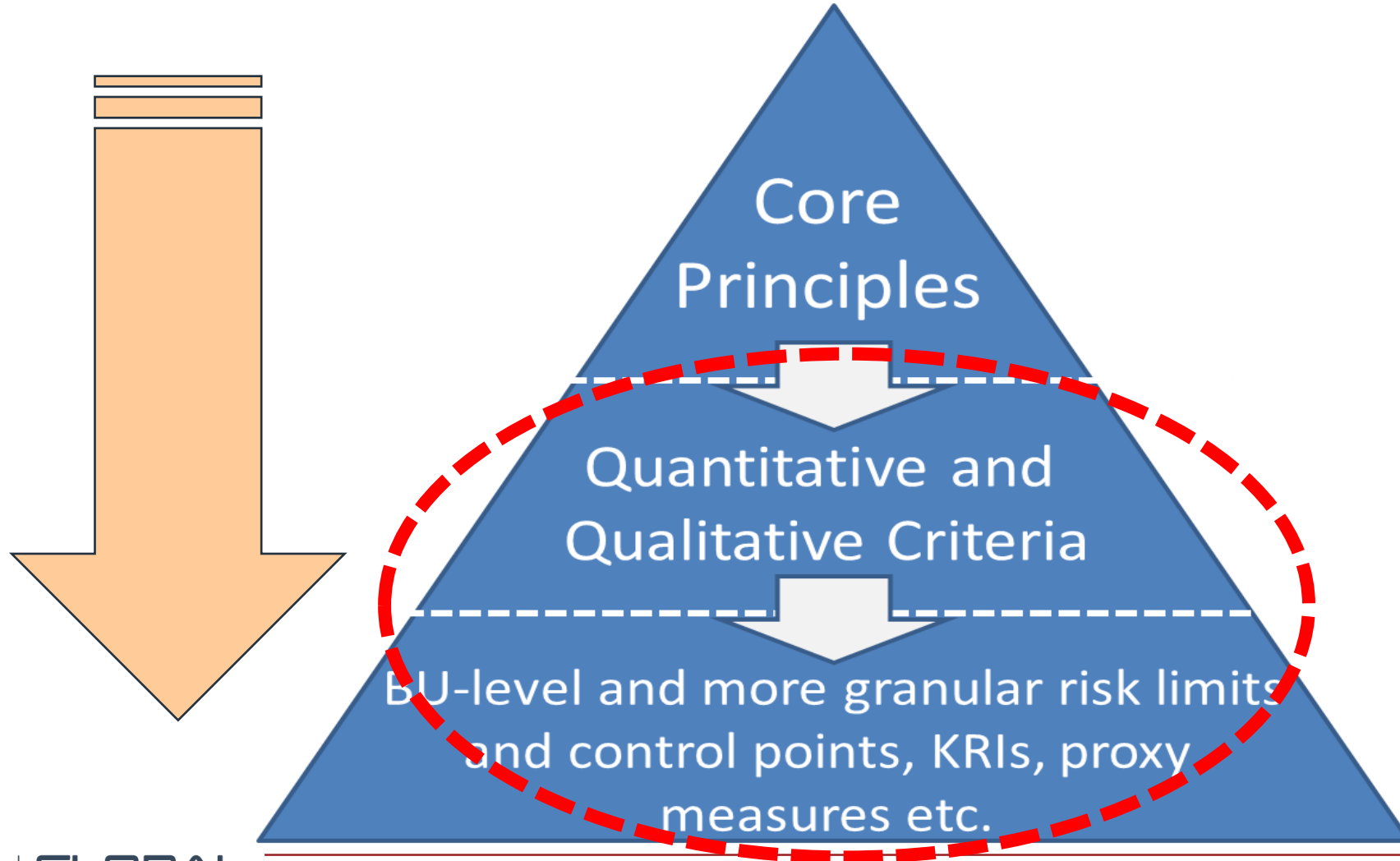
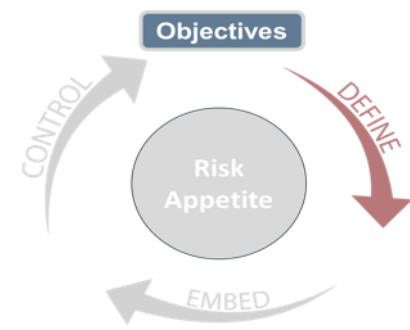


# Sample Core Principles

- Strategic Alignment
- Balance Stakeholder Interests
- Capability/Capacity Alignment
- Total Portfolio Perspective
- Returns Commensurate with Risk
- Culture and Values Alignment

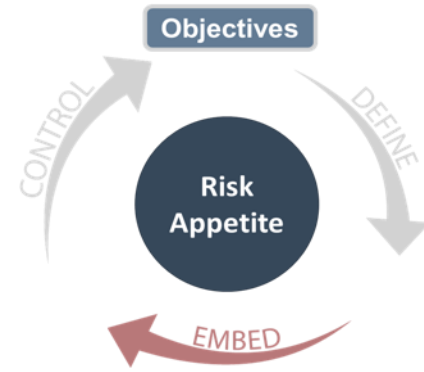


# “Top Down” Definition

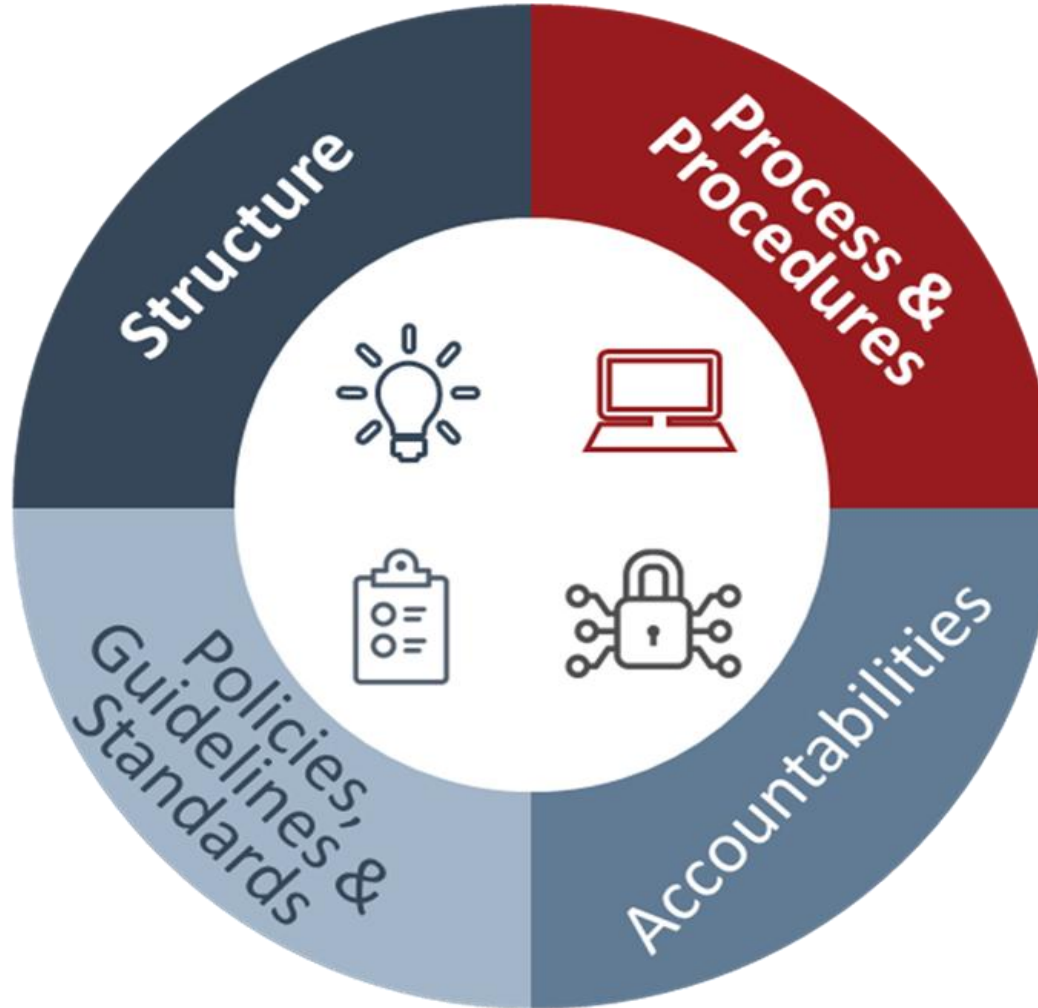
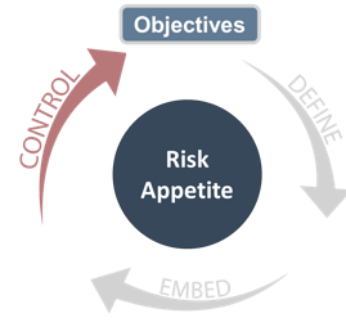


# Some Key Applications

- Strategic Planning Process
- Capital Planning and Budgeting (ICAAP/ORSA)
- Underwriting and Risk Selection
- Business Case Approval Process/ M&A Process
- Product Development and Pricing
- Investment, Treasury and A/L Management
- Performance Management and Incentive Compensation



# Control



# Break-Out Group Exercise:

## Canadian Family Assurance Group

# Case Study – Canadian Family Assurance Group

- Strategic Alignment
- Balance Stakeholder Interests
- Capability/Capacity Alignment
- Total Portfolio Perspective
- Returns Commensurate with Risk
- Culture and Values Alignment

# Case Study – Canadian Family Assurance Group

- TSX listed insurance company offering a broad range of retail and small commercial P&C insurance products through various direct response and broker channels
- Continuous innovation, data driven decision making and high levels of organizational agility are key hallmarks of corporate culture
- Strong capital position
- Considerable pressure to increase profitability and growth
- Third party broker has presented opportunity to participate in a Western Canada commercial property catastrophe risk pool, with very high indicative ROEs
- Management has assessed the opportunity and is seeking approval to bid
- Board is considering this recommendation in context of recently developed RA principles

Principle	Opportunity Alignment	Notes
<b>Return for Risk Assumed</b> <ul style="list-style-type: none"> <li>• Appropriately compensated for level of risk assumed</li> </ul>		
<b>Strategic Alignment</b> <ul style="list-style-type: none"> <li>• Risk enables strategic goals</li> <li>• Risk aligns with vision, mission</li> <li>• Enables delivery of core customer value proposition</li> </ul>		
<b>Total Portfolio Perspective</b> <ul style="list-style-type: none"> <li>• Marginal contribution to existing risk profile</li> <li>• Diversification/concentration effects are favourable</li> </ul>		
<b>Stakeholder Interests</b> <ul style="list-style-type: none"> <li>• Risk appropriately balances stakeholders' reasonable expectations</li> <li>• "No surprises"</li> </ul>		
<b>Culture/Values Alignment</b> <ul style="list-style-type: none"> <li>• Risk aligns with core corporate values</li> <li>• Acceptable reputation/brand risk profile</li> </ul>		
<b>Capability/Capacity</b> <ul style="list-style-type: none"> <li>• Risk taking is appropriately supported by available risk-taking capacity (financial and other)</li> </ul>		

# Plenary Discussion

## **Navigating Risk Appetite and the Social Licence to Operate:**

Rio Tinto's destruction of Aboriginal heritage sites at  
Juukan Gorge

# Iron Ore Prices



Source: International Monetary Fund via FRED®

<https://fred.stlouisfed.org/series/PIORECRUSDM>

# Discussion

# Break



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# Emerging Leaders Program: From Discrete Risks to Systemic Stressors

**Monica Kowal, Executive in Residence, GRI**

May 27, 2026

# Why are so many things going wrong in the world at the same time?

# Everything going wrong at the same time

A “perfect storm” or causal interconnections?





“A global polycrisis occurs when crises in multiple global systems become **causally entangled** in ways that cause major human harm. The interactions between constituent crises are significant enough to produce **emergent harms** that are different from, and usually greater than, the sum of the harms those crises would produce separately.”



# The Stress-Trigger-Crisis Model

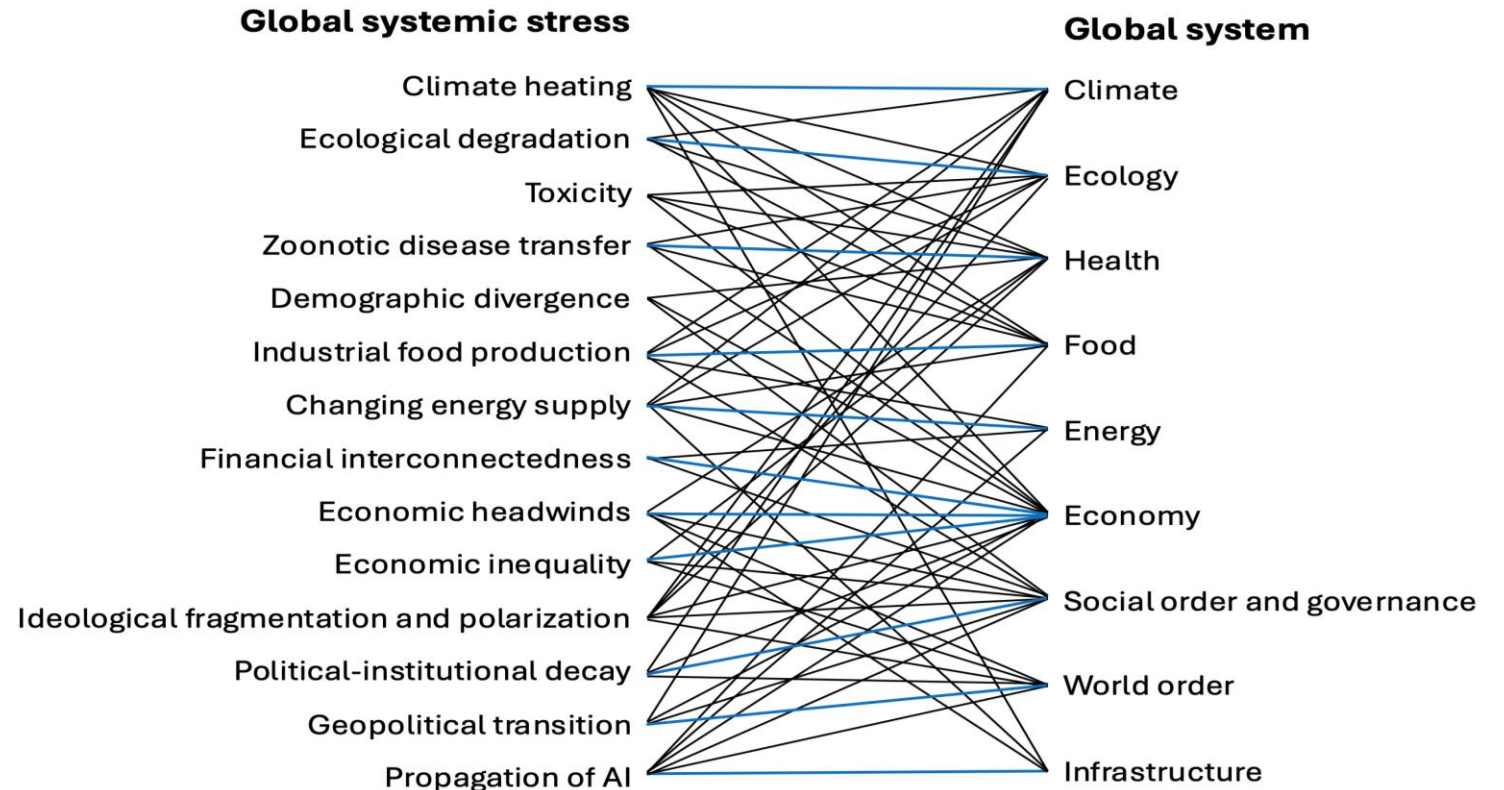
Why crises arrive as surprises — and how to see them coming

- Stressors accumulate over years or decades — slow, trackable, often invisible on dashboards
- Triggers are proximate events — visible and dateable, but largely unpredictable in timing
- Crises occur when a trigger activates an already-stressed system
- The lightning strike ignites the fire. The multi-season drought makes it catastrophic.

# 14 Global Systemic Stresses

## Stresses affecting global systems:

Source: Lawrence, Shipman & Collins (2025). *Global Systemic Stresses: Understanding the Drivers of Polycrisis*. Cascade Institute / Global Risk Institute.



**Blue lines** denote the system most directly related to a stress (as its source or system of primary impact). **Black lines** denote other systems affected by the stress.

# Geopolitical Fragmentation and Trade Stress

The structural erosion of the global order and its direct consequences for Canada

- “We are in the midst of a rupture, not a transition.” — Prime Minister Carney, Davos 2026
- The US, powerful enough but unwilling to lead, has stepped back from its post-war role as architect of the global order
- No other power willing or capable of filling the vacuum — Bremmer’s G-Zero

# Climate Stress

Directional, cumulative, and reshaping what is insurable and financeable

- Climate stress does not reset between events — each year arrives on top of the last
- Cascade Institute: post-2010 warming rate is 50% above the 1970–2010 average
- 2024: \$320 billion in global catastrophe losses — less than half insured

# Social, Political and Institutional Trust Erosion

Trust is a financial variable — its absence changes how loss events are resolved

- When trust is present: large loss events are absorbed within established frameworks
- When trust has eroded: the same events produce unpredictable, politically charged responses
- The COVID-19 business interruption disputes demonstrated this principle

# Demographic Shift

The first population contraction since Confederation — already reshaping the economy

- Cascade Institute: aging populations in wealthy countries reversing decades of growth dynamics
- Canada's population declined by 103,504 in Q4 2025 — first quarterly contraction since 1867
- More deaths than births in Q4 2025: permanent immigration is the sole buffer
- Median age is rising

# Artificial Intelligence as a Systemic Stressor

AI is reshaping the external environment — the clients, industries, and systems you serve

- Cascade Institute: AI propagation is one of 14 active global systemic stresses
- AI capabilities are outpacing governance across labour markets, cybersecurity, information systems, and infrastructure

## Table Exercise: 20 Minutes

Each table analyses one stressor. Your brief is on your table.

Three questions for your table:

1. What is the transmission channel or migration pathway from this stressor to your organization?
2. Which lines of business are impacted, and how — revenue compression, loss provisioning, capital pressure, client retention, operational cost, or through opportunity such as new products or competitive differentiation?
3. What early warning signals would be worth monitoring before the impact is visible in your financial results?

# From Awareness to Action

## Three commitments to carry from this session

- Identify one stressor not currently in your organization's monitoring framework and propose one indicator to begin tracking it
- Map one transmission pathway from a systemic stressor that crosses at least two business line boundaries — and identify who currently owns each segment
- Bring one structural question to your next risk committee or board conversation — about conditions accumulating in your operating environment, not just events on your dashboard

# Lunch



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# Emerging Leaders Program: ROS Overview and Macro Landscape

**Jorge Cruz Lopez**, Senior Research Fellow, GRI

May 27, 2026

# Agenda

- **GRI Risk Outlook Survey 2026**
- **Global Macroeconomic Risks and Opportunities**
- **Interconnected Risks & Polycrisis**

# Risk Outlook Survey 2026

*“We’re dealing with more uncertainty than we’ve seen in a long time, and it’s coming from multiple directions at once.”*

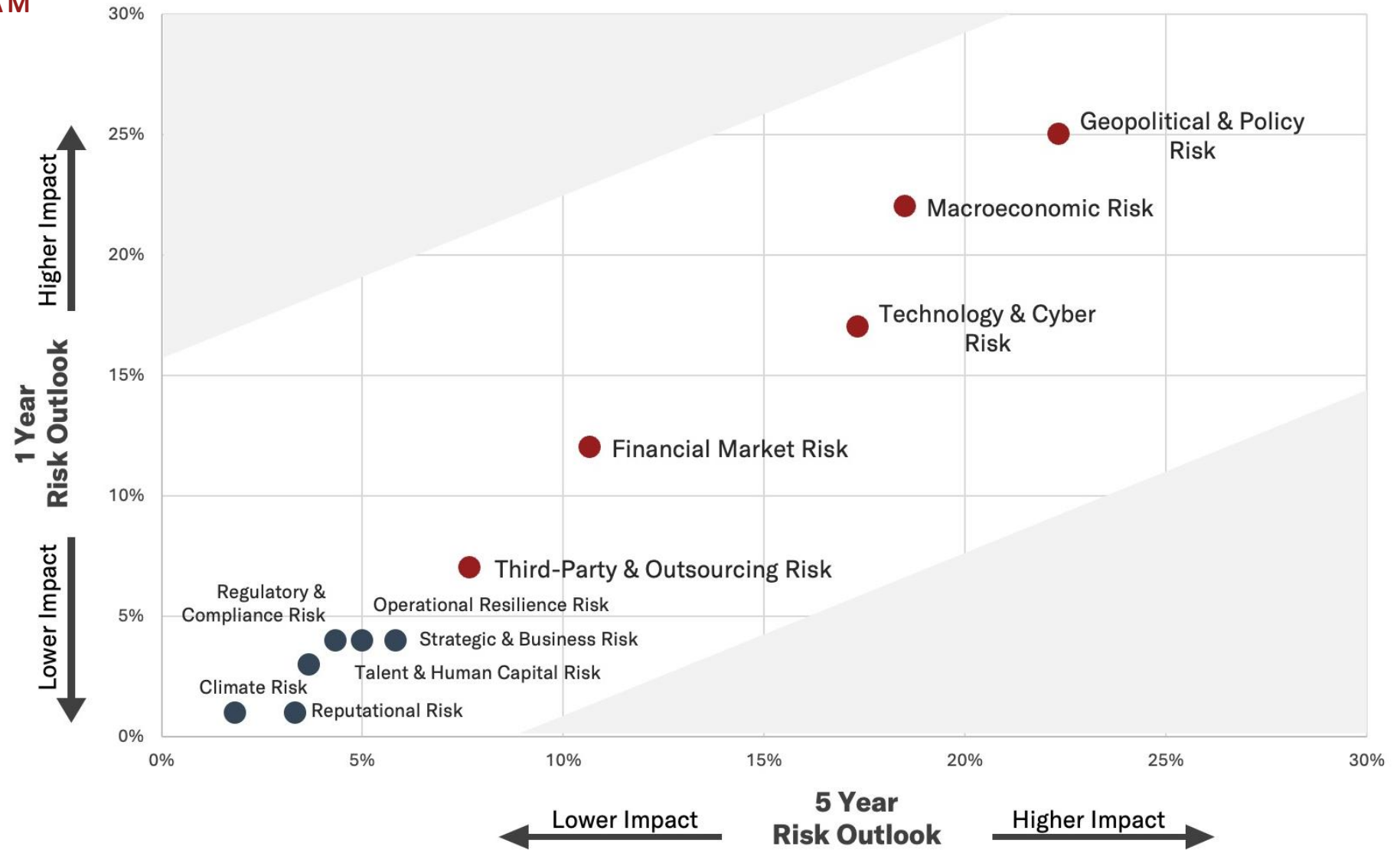
# CRO Ranking of Short-term Risks

Rank	2026	2025	2024	2023	2022
#1	Geopolitical & Policy	Technology & Cyber	Technology & Cyber	Technology & Cyber	Technology & Cyber
#2	Macroeconomic	Geopolitical & Policy	Financial Market	Macroeconomic	Macroeconomic
#3	Technology & Cyber	Macroeconomic	Macroeconomic	Financial Market	Financial Market
#4	Financial Market	Financial Market	Geopolitical & Policy	Geopolitical & Policy	Climate
#5	Third-Party & Outsourcing	Third-Party & Outsourcing	Climate	Talent & Human Capital	Strategic & Business

# Ranking of Short and Medium-term Risks

## Medium-term Shift: From Immediate Exposure to Strategic Sustainability

Over the five-year outlook, respondents place relatively greater emphasis on risks that shape business model resilience and long-term competitiveness.



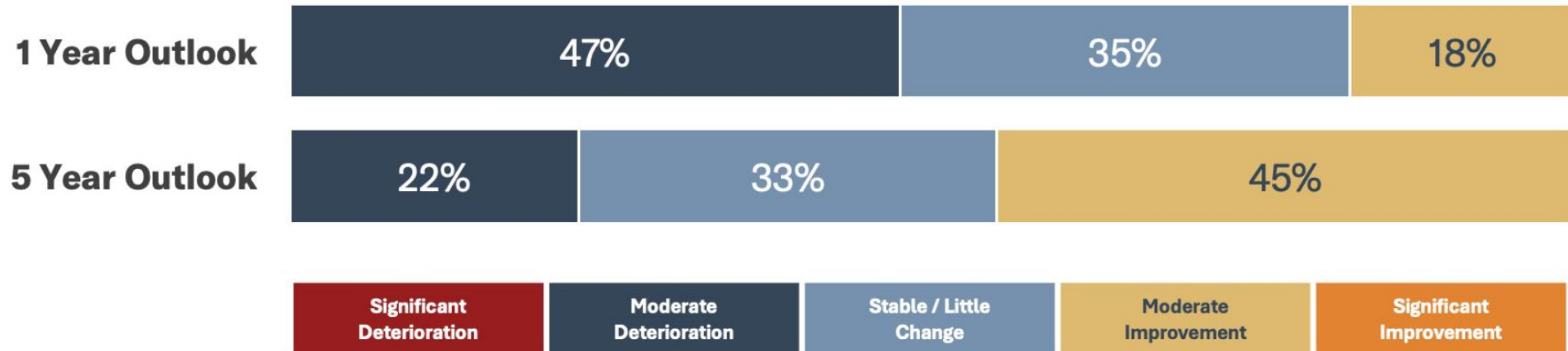
# Ranking of Short-term Risks by Segment



# Outlook for the Canadian Financial Sector

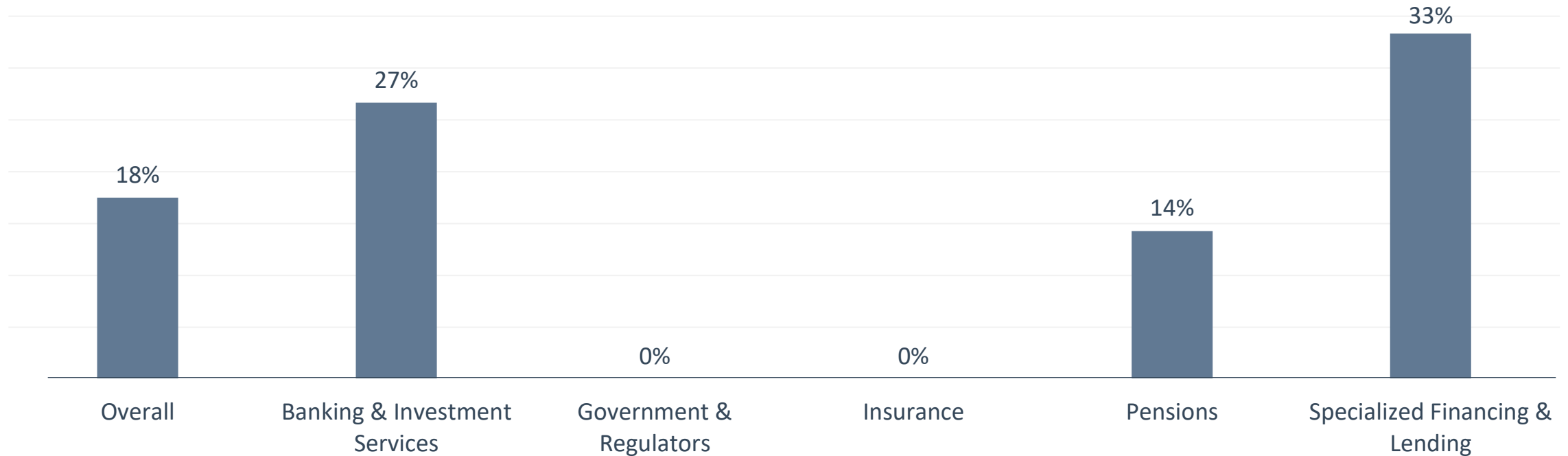
Respondents distinguish between immediate pressures and longer-term sector resilience, suggesting that uncertainty is viewed as persistent but manageable.

## A Cautious Short-Term Outlook, Paired with Greater Medium-Term Optimism



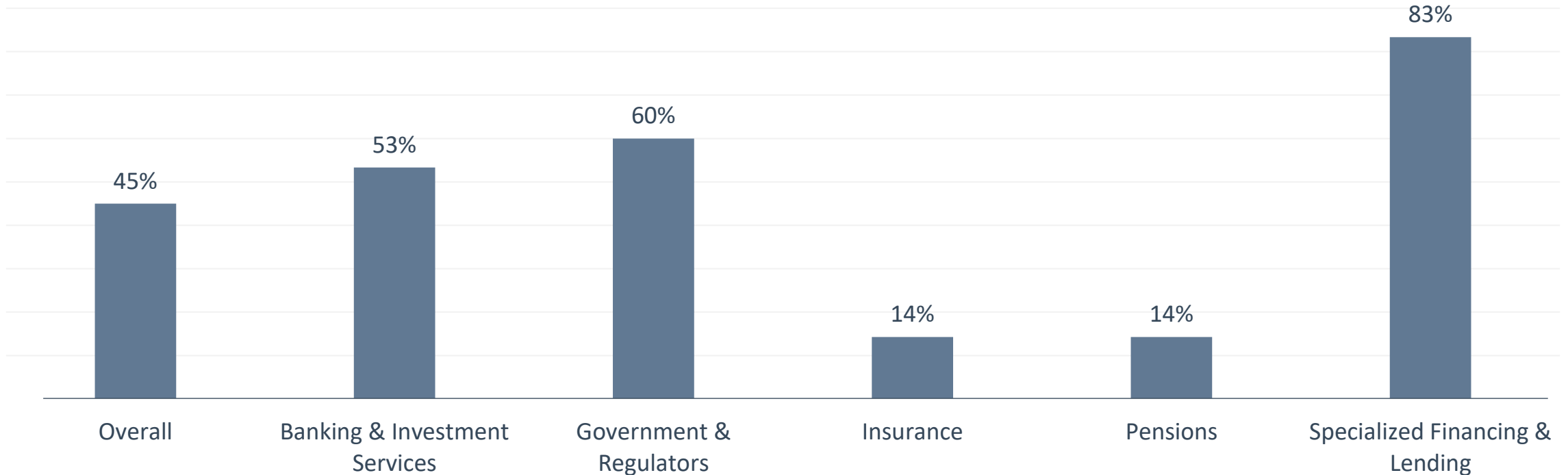
# Outlook for the Canadian Financial Sector

*0% of Government & Regulators respondents* see moderate to significant improvement for the sector in the short term



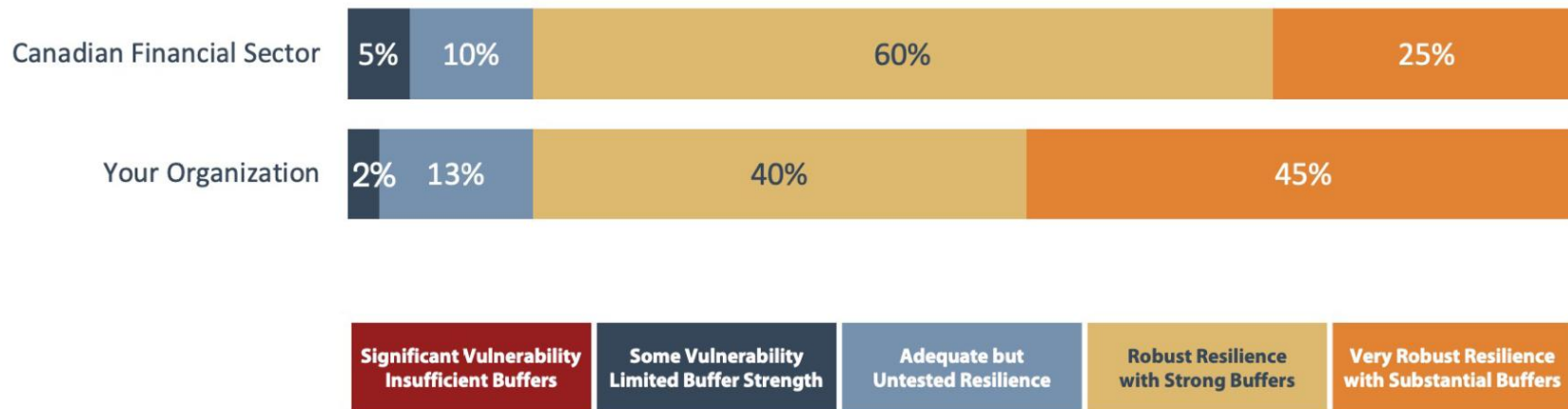
# Outlook for the Canadian Financial Sector

*This improves to 60% in the medium term for the segment –  
% respondents see moderate to significant improvement for the sector*



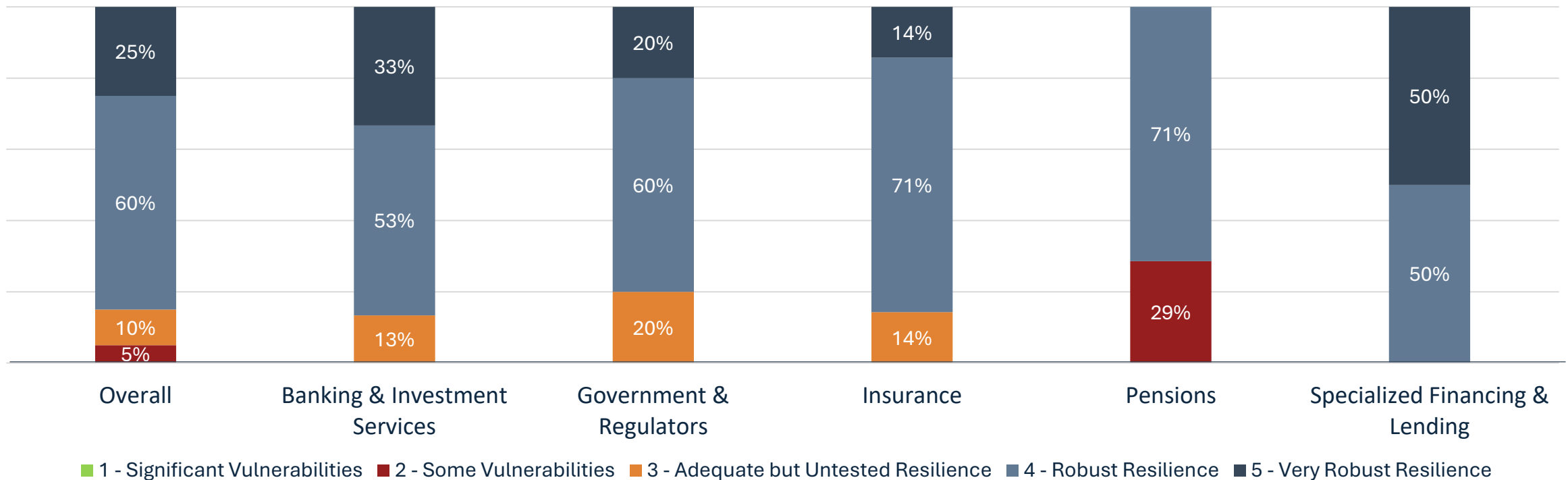
# Ability to Withstand a Severe Shock Over the Next Year

Confidence in organizational resilience exceeds confidence in sector-wide resilience, highlighting the limits of organizational-level control in an externally driven risk environment.

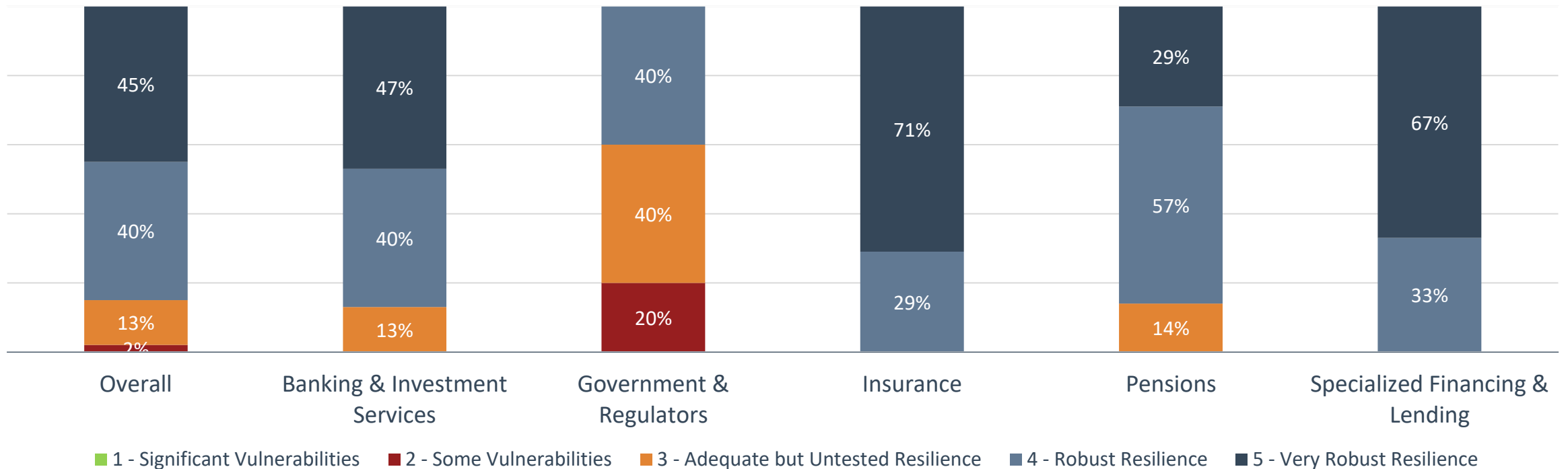


**“We are navigating uncertainty rather than responding to clearly defined shocks.”**

# Canadian Financial Sector: Ability to Withstand Severe Shock

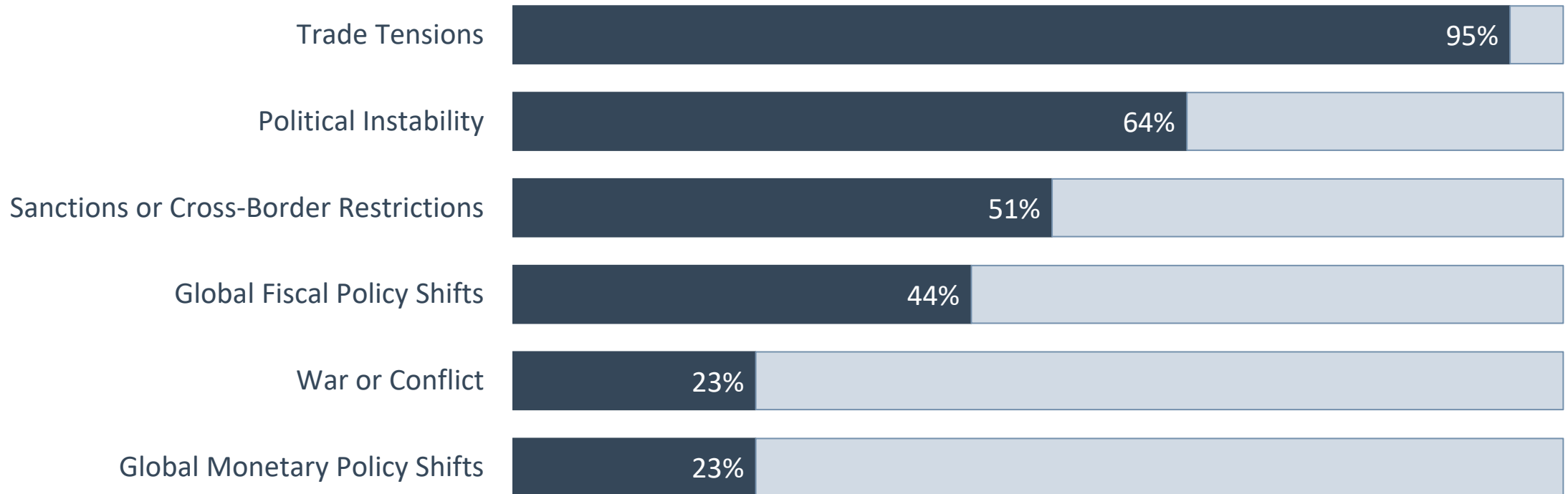


# Your Organization's Ability to Withstand Severe Shock



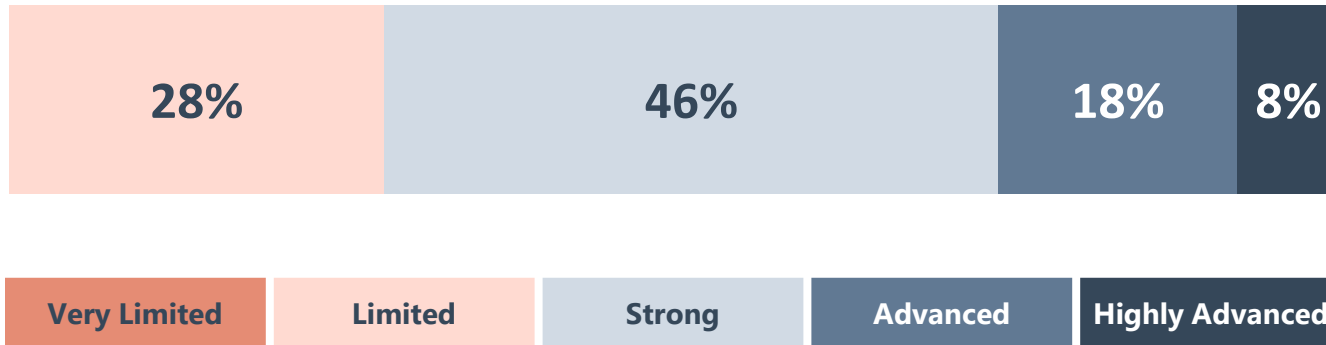
# Geopolitical & Policy Risk

When asked for their top three concerns, respondents identified trade tensions, political instability, sanctions and global policy shifts as the most significant contributors to geopolitical and policy risk.



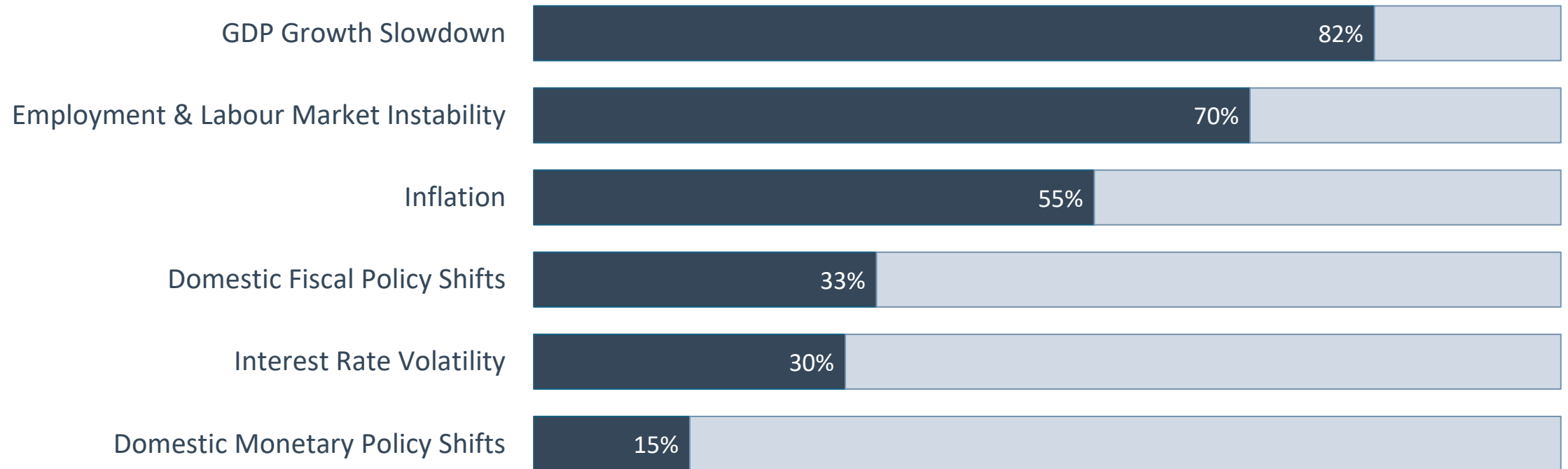
# Geopolitical & Policy Risk

How would you rate your organization's ability to detect, prevent, and respond to geopolitical and policy risks?



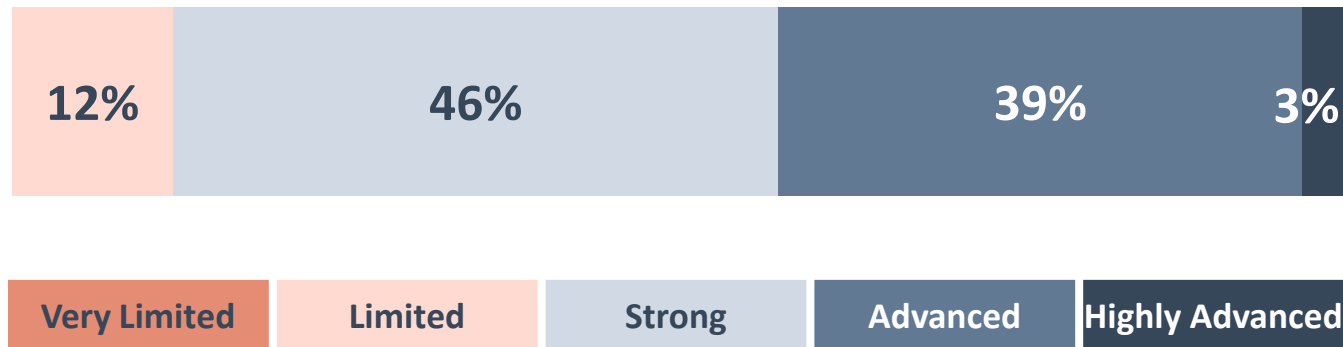
# Macroeconomic Risk

When asked for their top three concerns, respondents identified GDP slowdown, labour market instability, and inflation as the most significant contributors to macroeconomic risk.



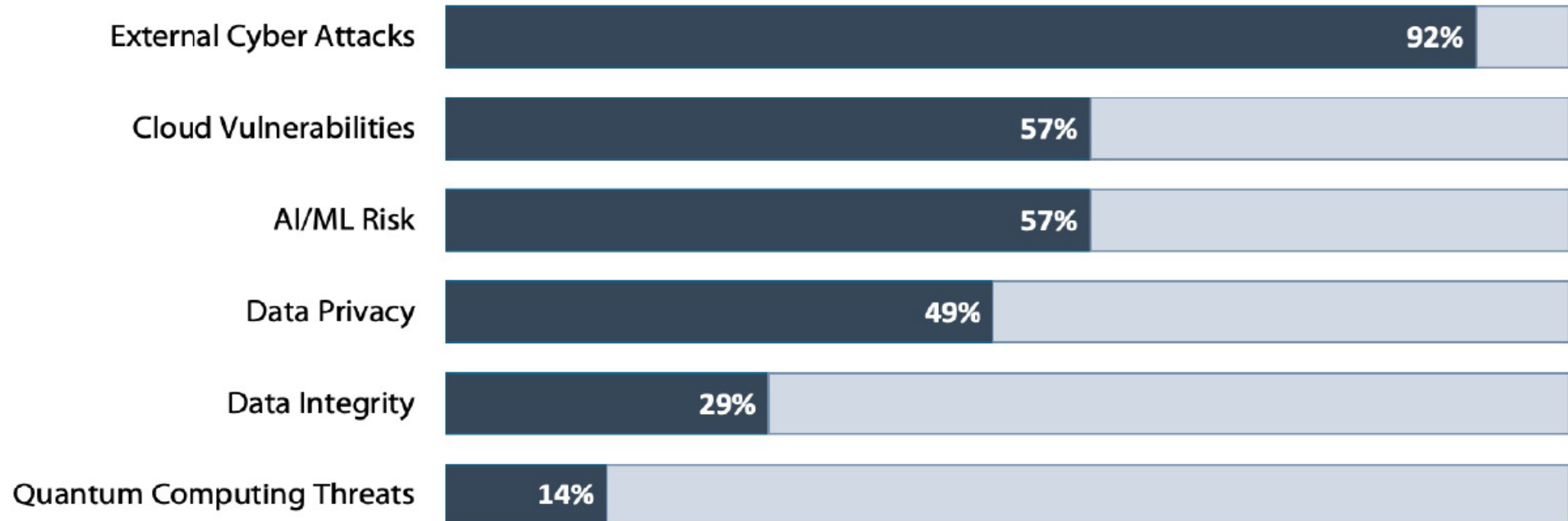
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How would you rate your organization's ability to detect, prevent, and respond to macroeconomic risks?



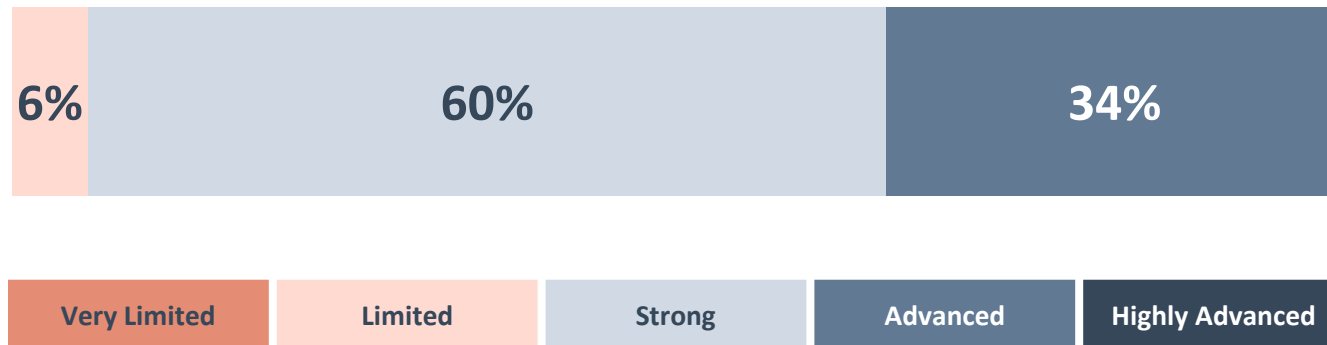
# Technology and Cyber Risk

When asked for their top three concerns, respondents identified external cyber attacks, cloud vulnerabilities and AI-related risks dominate respondents' technology and cyber risk concerns.



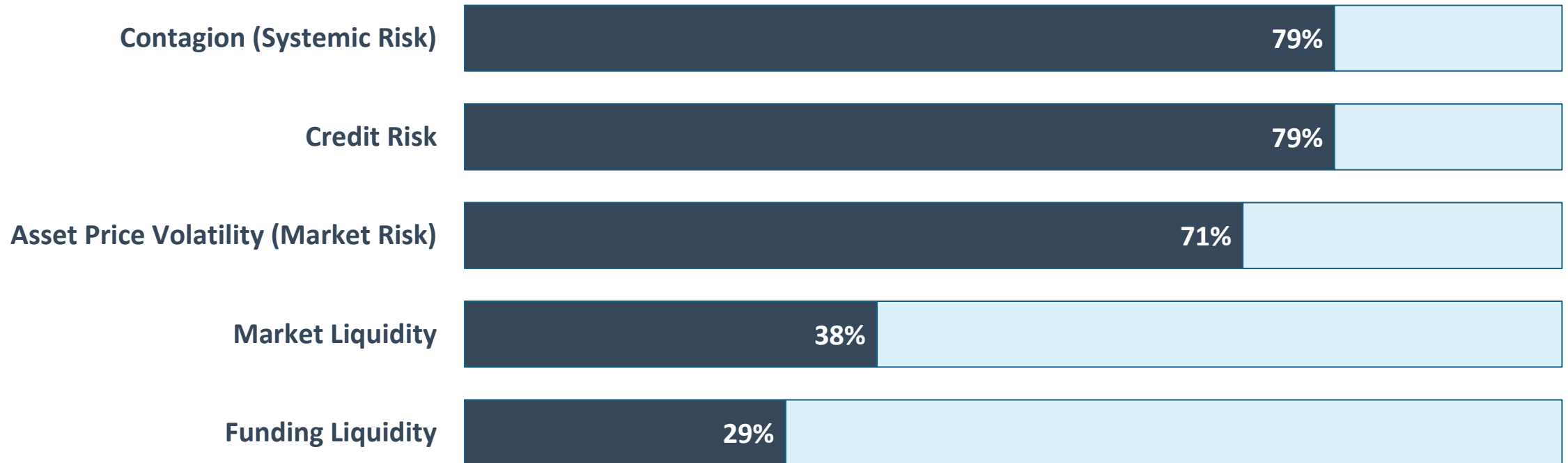
# Technology and Cyber Risk

How would you rate your organization's ability to detect, prevent, and respond to cyber and technology-related risks?



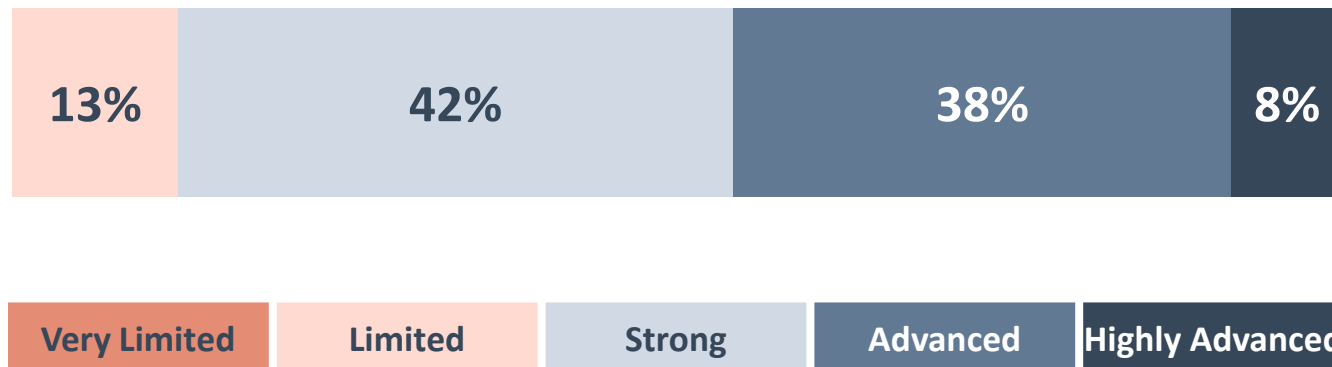
# Financial Market Risk

When asked for their top three concerns, respondents identified contagion (systemic), credit, and asset price volatility (market) as the most significant contributors to financial market risk.



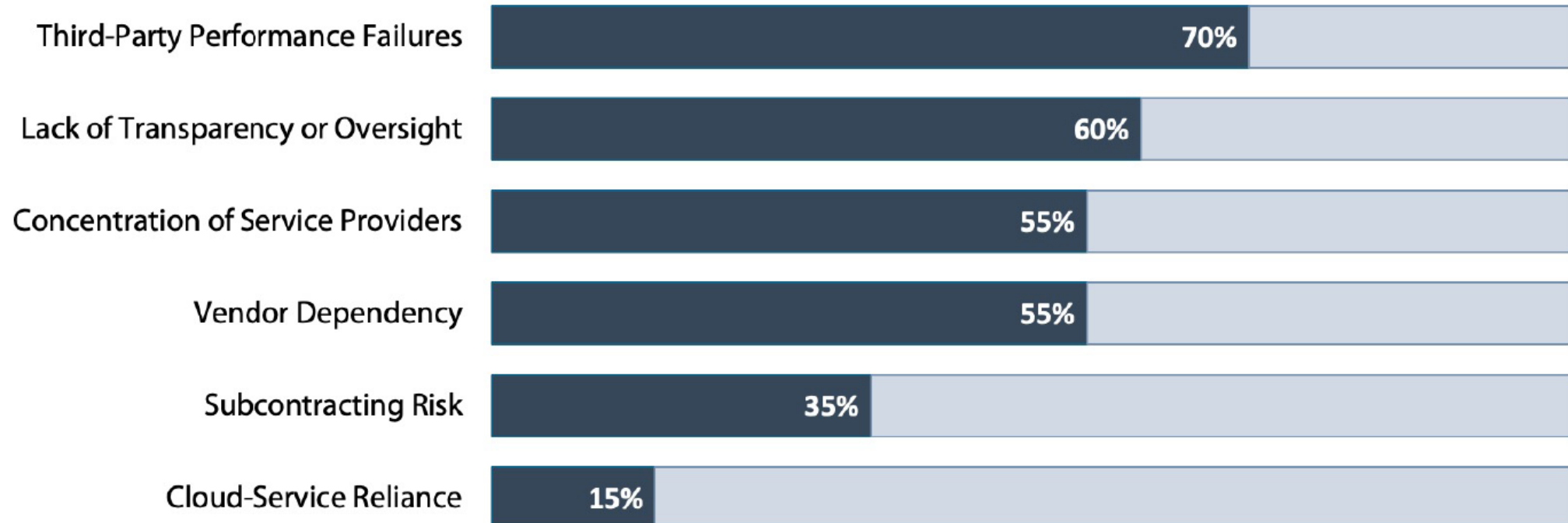
# Financial Market Risk

How would you rate your organization's capacity to measure and monitor financial market risks in real time?



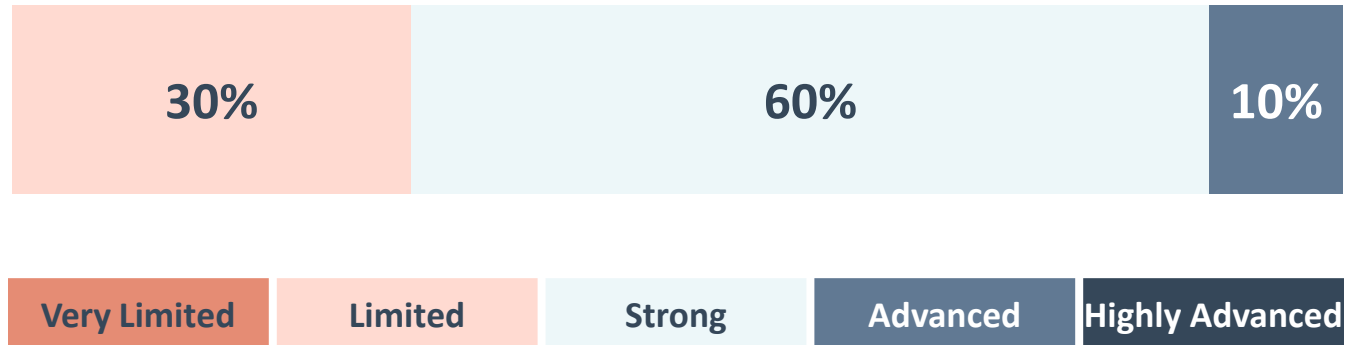
# Third-party and Outsourcing Risk

When asked for their top three concerns, respondents identified third-party failures, lack of transparency/oversight, concentration risk, and vendor dependency are the most frequently cited third-party risk concerns.



# Third-party and Outsourcing Risk

How would you rate your organization's ability to monitor, assess, and govern third-party risks?



# Global Macroeconomic Risks & Opportunities



# Global Macroeconomic Landscape: Fragile Stability

*We are operating in a “fragile equilibrium” macro environment*

- Inflation is coming down globally, but trends are uneven and fragile
- Central banks facing **higher-for-longer uncertainty**
- U.S. growth remains relatively strong → delays easing
- Europe weaker → more pressure to cut rates
- China structurally slowing → deflationary impulse
- Currency and capital flow volatility
- **Result:** policy uncertainty → volatility in rates and asset prices

# Global Macroeconomic Landscape: Fragile Stability

- Trade reconfiguration, sanctions, supply chain realignment → inflation
- Shift from efficiency → resilience in global supply chains
- Rise of “friend-shoring” and strategic blocs
- Elevated sovereign debt limiting policy flexibility
- Conflict-driven supply risks (Middle East focus)
- Persistent inflationary tail risks

# Spillovers: Iran War and Global Macro Transmission

*The Iran conflict matters not just geopolitically, but macroeconomically through **spillover channels***

- Oil supply disruption (Hormuz chokepoint)
- Shipping & insurance costs rising
- Energy markets as a transmission channel of systemic risk
- Energy → transportation → broad price pressures
- Delays central bank easing cycles.
- Risk of **stagflation** and damaging central bank credibility

# Spillovers: Iran War and Global Macro Transmission

- Flight to safety (USD, U.S. Treasuries)
- Equity and credit repricing
- Central banks: inflation vs. recession trade-off
- Governments: fiscal strain + defence spending
- Regional escalation → global growth shock
- Cyber and hybrid warfare spillovers
- Energy + financial system shock simultaneously
- This is a **classic polycrisis trigger**

# Canadian Macro Outlook

*Canada is exposed to global forces, while facing domestic constraints*

- Slowing growth, high household debt
- Interest rate sensitivity remains elevated
- Housing remains a **core macro channel for systemic risk**
- Mortgage renewals at higher rates
- Risk to consumption and financial stability

# Canadian Macro Outlook

- Inflation moderating but not fully anchored (above target risks persist)
- Policy easing contingent on global conditions
- External shocks (particularly energy) matter significantly
  - Canada may benefit from exports
  - But inflation could delay rate cuts
- Energy exports → upside from global shocks
- Trade dependence on U.S. cycle

# The Macro Outlook: Risks and Opportunities

The current macro environment creates a **mixed outlook** with risks and opportunities, where **liquidity and diversification** have become more important

- Increased volatility across asset classes
- Correlated drawdowns (equities + bonds under stress)
- Liquidity stress in private markets
- Counterparty and credit risk
- Higher long-term yields → improved fixed income return outlook
- Dislocations → opportunities in private markets and infrastructure
- Illiquidity premium remains attractive
- Real assets (energy, infrastructure) can benefit from macro/geopolitical shifts

# An Executive Perspective – Fireside Chat

**Gareth Witten**  
Vice President, IMCO



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# Networking Reception

*Don't forget to complete the survey*