

RISK MANAGEMENT POLICY

Policy Statement

AEMO is committed to maintaining a comprehensive and integrated risk management capability that is embedded into every business activity, decision, function and process that is aligned to the International Risk Management Standard *ISO 31000:2018 Risk Management – Principles & Guidelines*, to create a culture that is risk aware, rather than risk averse.

A strong risk management culture is key to enabling AEMO to achieve its strategic and operational objectives.

The purpose of this Risk Management Policy (Policy) is to set out AEMO's objectives for risk management and to clearly articulate the responsibilities for AEMO's personnel in relation to managing risk.

This Policy is supported by AEMO's Risk Management Framework and relevant procedures and aligns with the principles and requirements set out in *ISO 31000:2018 Risk Management – Principles and Guidelines*.

Policy Scope

This policy applies to all AEMO, its directors, employees and contractors. It provides direction to all on the effective management of risk to support the achievement of AEMO's strategic and operational objectives.

AEMO's Risk Context

AEMO is a not-for-profit public company limited by guarantee incorporated under the *Corporations Act 2001*. AEMO is the independent system and market operator, with the primary responsibility of managing and maintaining energy system security for all Australians whilst keeping costs as low as reasonably practicable. AEMO's operating environments are complex and diverse which creates a higher level of inherent risk. By identifying, understanding and managing risk within our approved risk tolerances, AEMO provides greater confidence to its stakeholders in the way it conducts its operations and achieves our organisational objectives. Effective risk management delivers fewer unintended consequences, promotes forward thinking and creates a more aware and decisive organisation.

The energy ecosystem is rapidly changing through disruption, innovation and the increasing change in the generation mix. This has resulted in considerable change to AEMO's internal operations, including our risk profile. To continue to strengthen our position as the operator of energy and market systems, we need to understand the risks, opportunities and challenges AEMO faces today and into the future.

As our internal and external environment continues to transform, embedding risk management principles and practices into strategy development and operational business processes is crucial to achieving positive outcomes for AEMO, the energy and market systems and our stakeholders. The intention is to continuously uplift our risk maturity and culture to enable more risk informed decision making

Risk Management Objectives

Effective risk management within AEMO is defined by the following objectives:

- Integration of enterprise-wide risk management process into all organisational processes, including strategic planning, operational functions, governance functions and projects.
- Contribution to the achievement of strategic and operational objectives, risk informed decision making by Management (ELT, Group Managers and Managers) and improved operational performance (e.g. in markets and systems, compliance, reputation, workplace, health and safety).
-) Consistency and transparency in the risk assessment and management processes.
-) Clear ownership and accountability for risk management.
-) Effectively designed and implemented controls, including planned mitigations, that aid in achievement of objectives.
-) A high level of awareness of risk management by providing education programs, advice and regular updates as required.
-) Timely and accurate monitoring, review, communication and reporting of risk to Management, the Board and its Committees.
-) Continuous review and improvements to the Risk Management Framework, ensuring:
 - the framework is relevant, fit for purpose and responsive to change with a strong alignment with AEMO's Corporate Strategy and objectives;
 - provides the right opportunities and tools to effectively manage risks, including more considered risk taking in line with Board approved tolerances to leverage opportunities and grow the business; and
 - currency with the relevant standards.

Responsibilities

- The AEMO Board has overall responsibility for AEMO's risk management systems. It is responsible for reviewing critical, strategic and key organisational risks, and monitors AEMO's culture, skills and practices with a view to delivering outstanding risk management outcomes. The Board has delegated the responsibility of maintaining a sound Risk Management Framework to the Risk and Audit Committee (Committee).
 - The Managing Director & Chief Executive Officer is responsible for the implementation of this Policy and is accountable to the Board for fostering a positive, transparent risk management culture and for monitoring and reporting on AEMO's performance including key enterprise risks (strategic and key operational risks).
 - Members of the Executive Leadership Team (ELT) are owners of the enterprise risks related to their department/function. The ELT is responsible for the implementation and maintenance of detailed risk management strategies/mitigations, policies, processes and controls to facilitate the achievement of business plans and goals.
 - The ELT is responsible for maintaining a risk aware culture, ensuring integration of risk management into key decision-making and processes, quality of risk information and escalation reporting of risks to the Board/Committee as required.
 - The Risk, Compliance and Audit team is responsible for developing and maintaining the Risk Management Framework, supporting the organisation in the identification and management of risks and providing appropriate risk management tools (Risk Framework, Risk Matrix, Risk Tolerance Statements) to the business and regular reporting to the Board, Committee and management.
 - The AEMO Audit function assists the Board in performing reviews and internal control advisory activities which are aligned to the key risks in AEMO's business. This is to provide assurance to Management and the Board/Committee on the adequacy and
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effectiveness of the control environment implemented to manage our key risks, compliance obligations and financial reporting processes within AEMO.

- All employees (including contractors) are required to understand, promote and be responsible for ensuring that appropriate internal controls are in place to effectively manage risks that apply to activities within their day-to-day responsibility, including risks associated with business decisions, processes, systems or people, and external events.

Review

- This Policy will be reviewed by the Committee every two years at a minimum or in response to an event or change of circumstances requiring a review of policy. The updated policy will be presented to the Board for approval.
- This Policy is managed by the Risk, Compliance and Audit team within the Governance, Finance, Risk and Legal division.

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Approved by the Board

Date approved: December 2019