

Risk Management Policy



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This document is owned and updated by Risk Management and will be reviewed for endorsement by the Finance, Risk and Audit Committee.

1 Policy Statement

Australian Energy Market Operator (AEMO) is committed to maintaining a comprehensive and integrated risk management capability that is embedded into every business activity, decision, function, and process aligned to the international Risk Management Standard ISO 31000:2018 Risk Management – Guidelines, to create a culture that is risk aware.

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 Enterprise Risk Management Framework and relevant related policies and procedures.

2 Policy Scope

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

3 What is Risk Management?

Risk management is defined as the process of identifying, monitoring, and managing potential risks to minimise the negative impact they may have on an organisation. At AEMO, risk management is to become an embedded set of processes that ensure decision makers are informed and make the appropriate decisions to manage AEMO through the landscape of risk. Effective risk management delivers fewer unexpected consequences, promotes forward thinking and creates a more aware and decisive organisation.

4 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 for most energy markets within Australia, with the primary responsibility of managing and maintaining market operations and 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.

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.

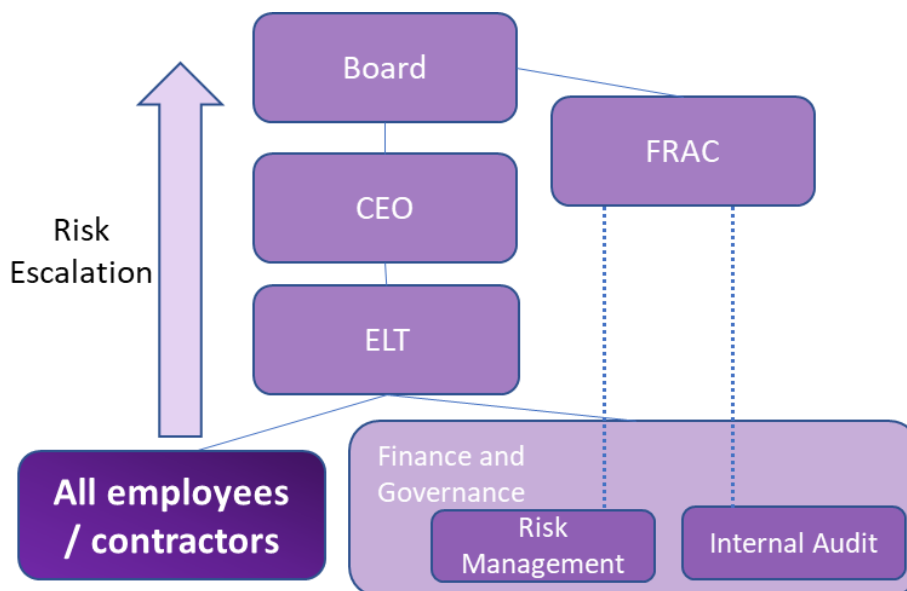
5 Risk Management Objectives

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 (Executive Leadership Team, 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 Enterprise 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
 - maintains currency with the relevant standards.

6 Responsibilities

Figure 1 Risk Management Structure at AEMO



The risk management process starts with all employees and contractors, with escalation through to the Board.

- 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.
- The Risk Management team functionally reports to the EGM Finance and Governance, and is responsible for developing and maintaining the Enterprise Risk Management Framework, supporting the organisation in the identification and management of risks and providing appropriate risk management tools (Risk Framework, Risk Assessment Matrix, Risk Appetite and Tolerance Statements). The Risk Management function provides independent advice and reporting to the Board, Committee and Management. The Group Manager Risk has direct access to the Managing Director & Chief Executive Officer and Committee.
- The AEMO internal 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 effectiveness of the control environment implemented to manage our key risks, compliance obligations and financial reporting processes within AEMO.
- 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 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, emerging, and key operational risks).
- The AEMO Board has overall responsibility for AEMO's risk management systems. It is responsible for reviewing critical, strategic, emerging, 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 Enterprise Risk Management Framework to the Finance, Risk and Audit Committee (the Committee).

7 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 Management team within the Finance and Governance division.