

# Group Risk Management Policy



<b>Prepared by</b>	AEMO Finance and Governance
<b>Document ref</b>	RM-01
<b>Version</b>	02
<b>Effective date</b>	12 December 2024
<hr/>	
<b>Approved by</b>	AEMO Board
<b>Title</b>	AEMO Board
<b>Date</b>	12 December 2024

This document is owned and updated by the Group Manager, Risk & Compliance and will be reviewed annually or as needed to reflect changes in the risk environment or AEMO Group's organisational structure or strategic objectives.

Any queries or suggestions for improvement should be addressed to the Group Risk & Compliance team.

## Version History

Version	Effective date	Changes
1.0	28 March 2023	Initial version of the Group Risk Management Policy
2.0	12 December 2024	References refreshed content included within the ERMF, including roles and responsibilities across the 3 lines, risk management process (updated risk matrix and reporting cadence) and definitions.

# Contents

1	Purpose.....	3
2	Application.....	3
3	Description .....	3
4	Roles and Responsibilities .....	3
5	Implementation.....	4
6	Compliance .....	5
7	Definitions .....	5
8	Related Documents .....	5

## 1 Purpose

The Group Risk Policy outlines the Australian Energy Market Operator Limited ('AEMO') and its Subsidiaries' (together, the 'AEMO Group') commitment to effective risk management, by providing a structured and systematic approach for identifying, evaluating and managing risks that could potentially impact AEMO Group's ability to achieve its strategic objectives. This policy reinforces the principles and guidelines outlined in AEMO Group's Enterprise Risk Management Framework (ERMF) and other relevant related policies and procedures.

## 2 Application

This Policy applies to all AEMO Group Personnel as well as external parties involved in AEMO Group's operations. It covers all categories of risks, including but not limited to operational, financial, legal, strategic, reputational and compliance risks.

## 3 Description

Risk management is a critical component of good governance, fundamental to support the achievement of strategic objectives. AEMO Group's operating environments are complex and diverse which creates a higher level of inherent risk. Failure to recognise and manage risk can have widespread implications not only for AEMO Group, but for its consumers, employees, and the wider community. By identifying, understanding, and managing risk within approved risk tolerances, AEMO Group provides greater confidence to its stakeholders in the way it conducts its operations and achieves its organisational objectives.

## 4 Roles and Responsibilities

The Group Risk Management Policy incorporates a "three lines" model for risk governance and management. Each of the Three Lines plays different and important roles in the management and oversight of risk at AEMO Group.

- The first line, comprised of all employees, is responsible for the day-to-day management of risk.
- The second line, including Enterprise Risk, Compliance and Legal, oversees risks/risk control and compliance.
- The third line, including Internal Audit, is responsible for providing independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management.

The Board has overall accountability for risk oversight and has delegated functions to various sub-committees to support its oversight role. Each Board Committee is governed by an approved charter which stipulates its responsibilities concerning risk management. Specific responsibilities within the Board Committee's risk management oversight include:

- Review risk management policy and risk management system.
- Review risk profile, appetite, and tolerance for acceptable risk-taking.
- Review internal controls and report to the Board.
- Review operational effectiveness of risk policies and procedures and internal control environment.
- Review the effectiveness of the company's insurance activities.
- Establishing a positive risk culture and setting the tone at the top.
- Providing monitoring and overall direction and strategy for risk.

As part of the first line, Executive Leadership Team members have primary accountability for the management and oversight of risks within their area of divisional responsibility, including the allocation of appropriate resources to manage risk.

Detailed descriptions of the Three lines model and roles and responsibilities related to risk management are provided within Section 7 of the ERMF. The ERMF elaborates on the specific expectations and responsibilities assigned to each role.

## 5 Implementation

The implementation of the group risk management policy is a dynamic and ongoing process. It is the responsibility of Board Committees to review and oversee the implementation of the ERMF in their areas of responsibility including risk appetite, risk profile, risk management policy, risk management processes and risk reporting. To ensure effective implementation of this policy, management are required to:

- Actively communicate this policy to all employees and stakeholders.
- Integrate the policy into business processes.
- Regularly monitor and evaluate its application to ensure continuous improvement and compliance.
- Provide comprehensive training to enhance awareness and understanding of risk management principles, tools and responsibilities, based on guidelines detailed within the ERMF, built on the below principles.

### Risk Management Principles

Effective risk management within AEMO Group is based on the following principles:

- **Strategic alignment:** Risk management practices support and align with AEMO Group's risk management framework, strategic objectives and long-term goals.
- **Integration:** Risk management is integrated into AEMO Group's processes, decision-making and strategic planning and considered from an organisation-wide perspective to ensure comprehensive management.
- **Accountability:** Accountability and responsibility for risk management is clear and shared across all levels of AEMO Group, with timely and accurate monitoring, review, communication, and reporting of risk to Management, the Board, and its committees.
- **Proactiveness:** Risks are identified and assessed before they materialise, with proactive measures taken to mitigate their impact.
- **Risk awareness and capability:** High level of risk awareness is prioritised by providing education programs, advice and regular updates as required.
- **Transparency:** Clear and open communication regarding risk management processes and outcomes.
- **Continual improvement:** Risk management activities and processes are regularly reviewed and improved based on lessons learned and evolving best practices.

AEMO Group will maintain an ERMF to implement this policy including guidance on the above principles. It is a dynamic and iterative process, customised to AEMO Group's requirements and culture and values.

### Risk Management process

The Risk Management process, detailed within the ERMF, provides a detailed description of the risk management process including processes for risk identification, assessment, mitigation, and monitoring. It is essential in assisting AEMO Group effectively anticipate, manage and respond to risks, ultimately supporting strategic goals and operational stability.

## Monitoring

Since risks evolve over time, it is important to regularly review AEMO Group's risk management processes and risk profiles, monitor risk exposure and evaluate the effectiveness of risk management strategies, using key risk indicators (KRIs), dashboards and performance metrics.

## Reporting

Risk reporting is a critical component of the risk management process. Regular reports on risk management activities, incidents, emerging risks and performance are required to be provided to the Board to ensure adequate oversight and enable Directors to discharge their obligations.

## 6 Compliance

All employees and relevant external parties are expected to adhere to this policy and actively contribute to effective risk management across AEMO Group. Non-compliance by employees may result in disciplinary action in accordance with relevant AEMO Group's policies, including the Code of Conduct.

## 7 Definitions

The following words have the below meaning when used in this Policy:

Term	AEMO	AEMO Services Ltd	Transmission Company Victoria Pty Ltd
AEMO Group	Australian Energy Market Operator and its Subsidiaries.		
The Board	AEMO Board.	AEMO Services Board.	Transmission Company Victoria (TCV) Board.
Committee	Finance, Risk and Audit Committee.	Risk Compliance and Audit Committee.	N/A.
Personnel	p AEMO Group Personnel (Directors, employees, contractors, secondees and/ or consultants working on behalf of AEMO Group).	All AEMO Services Personnel (Directors, employees, contractors, secondees and/ or consultants working on behalf of AEMO Services).	All TCV Personnel (Directors, employees, contractors, secondees and/ or consultants working on behalf of TCV).
Risk Governance	Refers to the roles and responsibilities that facilitate and support the efficient and effective operation of the ERMF and the timely identification, communication, monitoring, measurement, and treatment of the key enterprise risks that could prevent the business from delivering their objectives.		

## 8 Related Documents

Control Document	Document Ref	Description
Group Enterprise Risk Management Framework	RCA-R01	Outlines AEMO Group's approach to managing risks in a consistent and structured manner as we deliver our purpose of ensuring safe, reliable, and affordable energy and enable the energy transition.