Review of Enterprise Risk Management (ERM) Policy

Ingmar Sterzing, VP Power Supply and Energy Services
Heather Baca, Strategy Execution Architect

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What is ERM?

Risk

An uncertain event or condition that, if it occurs, presents a threat or an opportunity to the project, process, or organization's objectives.

Risk Management

The process of systematically identifying, quantifying, treating, monitoring and reporting on critical risks.
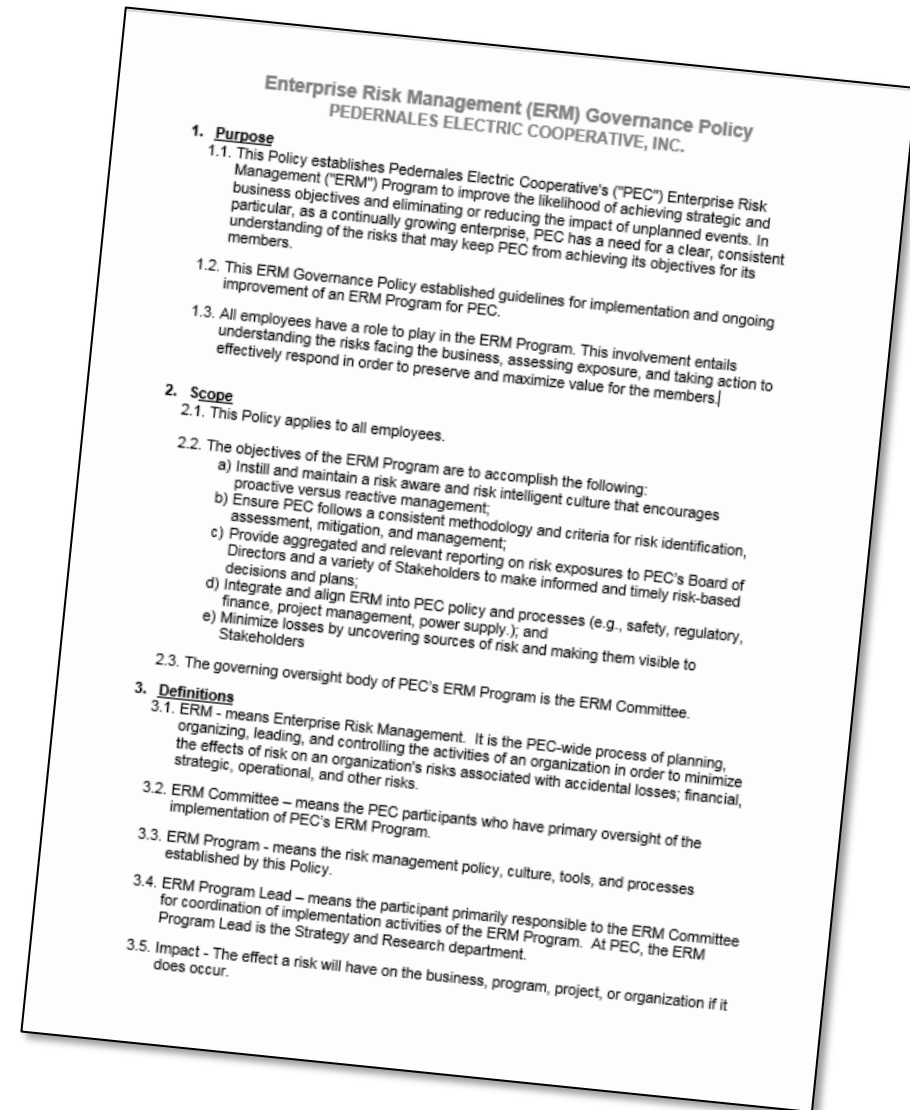
ERM - Enterprise Risk Management

The PEC-wide process of planning, organizing, leading, and controlling the activities of an organization in order to minimize the effects of risk on an organization's risks associated with accidental losses; operations, safety, financial, strategic, and other areas important to PEC and its Members.

- Risk Management helps Drive Desired Results

  - Increases the likelihood of the organization to achieve success

  - Decreases the impact of unplanned events and conditions

  - Improves PEC's responsiveness and resiliency

  - Improves efficiency and reduces unplanned expenses

- Strategic Plan

  - Implementation of the strategic initiatives require transformation of the organization to meet the challenges faced in implementation of new technologies, new service offerings and earning high member satisfaction. This initiative will focus on the creation of a business plan that will consider **risk management to ensure that risks remain neutral or reduced**.

- Business Plan Initiative Charter

  - To create and implement an enterprise risk management strategy and mitigation framework throughout the organization.

Purpose and Need

ERM Program Objectives

- Instill and maintain a risk aware and risk intelligent culture that encourages proactive versus reactive management

- Ensure PEC follows a consistent methodology and criteria for risk identification, assessment, mitigation, and management

- Provide aggregated and relevant reporting on risk exposures to PEC's Board of Directors and a variety of Stakeholders to make informed and timely risk-based decisions and plans

- Integrate and align ERM into PEC policy and processes (e.g., safety, regulatory, finance, project management, power supply.)

- Minimize losses by uncovering sources of risk and making them visible to Stakeholders

Enterprise Risk Management (ERM) Governance Policy
PEDERNALES ELECTRIC COOPERATIVE, INC.

1. Purpose

1.1. This Policy establishes Pedernales Electric Cooperative's ("PEC") Enterprise Risk Management ("ERM") Program to improve the likelihood of achieving strategic and business objectives and eliminating or reducing the impact of unplanned events. In particular, as a continually growing enterprise, PEC has a need for a clear, consistent understanding of the risks that may keep PEC from achieving its objectives for its members.

1.2. This ERM Governance Policy established guidelines for implementation and ongoing improvement of an ERM Program for PEC.

1.3. All employees have a role to play in the ERM Program. This involvement entails understanding the risks facing the business, assessing exposure, and taking action to effectively respond in order to preserve and maximize value for the members.

2. Scope

2.1. This Policy applies to all employees.

2.2. The objectives of the ERM Program are to accomplish the following:
a) Instill and maintain a risk aware and risk intelligent culture that encourages proactive versus reactive management;
b) Ensure PEC follows a consistent methodology and criteria for risk identification, assessment, mitigation, and management;
c) Provide aggregated and relevant reporting on risk exposures to PEC's Board of Directors and a variety of Stakeholders to make informed and timely risk-based decisions and plans;
d) Integrate and align ERM into PEC policy and processes (e.g., safety, regulatory, finance, project management, power supply.); and
e) Minimize losses by uncovering sources of risk and making them visible to Stakeholders

2.3. The governing oversight body of PEC's ERM Program is the ERM Committee.

3. Definitions

3.1. ERM - means Enterprise Risk Management. It is the PEC-wide process of planning, organizing, leading, and controlling the activities of an organization in order to minimize the effects of risk on an organization's risks associated with accidental losses; financial, strategic, operational, and other risks.

3.2. ERM Committee – means the PEC participants who have primary oversight of the implementation of PEC's ERM Program.

3.3. ERM Program - means the risk management policy, culture, tools, and processes established by this Policy.

3.4. ERM Program Lead – means the participant primarily responsible to the ERM Committee for coordination of implementation activities of the ERM Program. At PEC, the ERM Program Lead is the Strategy and Research department.

3.5. Impact - The effect a risk will have on the business, program, project, or organization if it does occur.

ERM Governance Policy Framework

PEC Board	• Creates, approves, and maintains the ERM Governance Policy • Reviews Risk Register and responds to recommendations from ERM Committee
ERM Committee	• Oversees the implementation of PEC's ERM Program • Reports quarterly to the PEC Board of Directors or as needed according to the PEC Risk Tolerance
ERM Program Lead	• Coordinates the ongoing implementation of PEC's ERM Program • Maintains and reports the PEC Risk Register to the ERM Committee • Works with Risk Owners to process risks
Risk Owners	• Manages the assigned risks and associated risk processes • Collects, consolidates, and analyzes threat and opportunity related data from various inputs for their assigned Risks and Risk Subtypes
All Employees	• All employees shall seek to understand the sources of risk and improve the likelihood of desired outcomes and to reduce of the occurrence and impact of negative outcomes or unplanned events

ERM Implementation Plan | Fall 2017

- ERM Committee begins monthly meetings

- Risk Register developed in alignment with 2017-2018 Key Performance Indicators and Business Plan

- Refine and establish ERM Program processes and tools

- Internal ERM site developed

- Risk reporting email created

- Employee training and communication plans developed

ERM Implementation Plan | January 2018

- Formal launch of ERM Program

- Begin recording risks in Risk Register

- Launch internal ERM site

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