

Status **Active** PolicyStat ID **16333353**

## Enterprise Risk Management Policy

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### Introduction

Every organization faces a challenge to maximize value to stakeholders while avoiding detrimental events that erode the company's potential. Identifying and managing the impact and occurrence of these events is the mission of the [Enterprise Risk Management \(ERM\) program](#). The Board of Directors (Board) oversees the execution of the ERM program and establishes the organization's risk appetite.

### COSO Enterprise Risk Management Framework

The ERM program is based on the framework outlined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The underlying philosophy of this framework is that:

Value is maximized when management sets strategy and objectives to strike an optimal balance between growth and return goals and related risks, and efficiently and effectively deploys resources in pursuit of the entity's objectives.<sup>1</sup>

In addition, the COSO framework defines enterprise risk management as follows:

Enterprise risk management is a process, effected by an entity's board of directors, management, and other personnel, applied in a strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.<sup>2</sup>

### Risk Appetite

Risk appetite is "the amount of risk, on a broad level, an organization is willing to accept in pursuit of value."<sup>3</sup>

There is risk associated with every decision and activity that an organization undertakes. Enterprise risk management does not eliminate these risks. Instead, enterprise risk management ensures that the decisions an organization makes are defensible and done in a systematic way that values the intent of its mission. As such, each organization has a different risk appetite.

WECC has a low appetite for reputational risks and risks resulting from regulatory oversight. Staff will work in financially reasonable ways to decrease these risks. Recognizing the importance of innovation to our mission, management may accept a higher level of financial or operational risk in pursuit of emerging activities and discoveries.

## Electricity Industry Risk Management

There are many risk assessment activities that staff performs. Employees across the organization assess risks to the operations of electricity providers, electricity equipment, and the bulk power system. The ERM program does not address these activities.

Instead, ERM focuses on the risks that would prevent WECC from achieving its mission and delivering on its Delegation Agreement and operating plan.

## Conclusion

Enterprise risk management is a critical process that requires close coordination with the Board and management. We are committed to continually improving our ERM program to ensure the near- and long-term viability of the organization. The ERM program and risk appetite will be reviewed every two years by the Board, and management will routinely discuss ERM activities, actions, and status with the Board during Board meeting closed sessions.

*This policy supersedes and revokes all past policies and practices, oral and written representations, or statements regarding terms and conditions of employment concerning the subject matter covered herein. WECC reserves the right to add to, delete, change, or revoke this policy at any time, with or without notice. This policy does not create a contract between WECC and any employee or contractor, nor does it create any entitlement to employment or any benefit provided by WECC to its employees or contractors.*

*Caution!—This document may be out of date if printed.*

<sup>1</sup> Enterprise Risk Management-Integrated Framework, Executive Summary, COSO (2004).

<sup>2</sup> Ibid.

<sup>3</sup> Enterprise Risk Management—Understanding and Communicating Risk Appetite, COSO (2012).