

## Risk Management

Note: Revision # should be listed in descending order starting with most recent version at the top.

Revision Date(For BCG Use Only)	Revision #	Description/Modification	Revision Section (s)	Author
[Revision Date]	2	Annual Review process and conversion to new template format. This consisted of performing an annual review as well as re-aligning and combining sections to meet the new standard format.		Thomas Araneo (Senior Credit Analyst)
		Section 4 “Objectives” from the previous version (V1) has been converted and is now Section 1 Purpose and Scope of this policy.	1	
		Section 3 “Implementation” from the (V1) has been converted and is now Section 2 “Applicability” of this policy.	2	
		Risk Appetite has been added as an additional responsibility to Section 4 Responsibilities 4.2 Audit Committee of the Board of Trustees.	4.2	
		Risk Management Framework has been added as a function under section 5 Policy Implementation	5	
		Risk Event has been added to section 5 Policy Implementation as an additional Risk Management Framework function	5.2	

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## 1 PURPOSE AND SCOPE

The New York Power Authority (The Authority) considers the management of risk to be an integral part of its business practice. The purpose of this policy is to ensure Risk Management is embedded into existing business practices and processes.

## 2 APPLICABILITY

This Policy shall be adhered to by all Authority employees. Implementing procedures shall be prepared by individual business units to define the necessary management controls. All Risk Management activities shall be conducted in accordance with this Policy.

## 3 INITIALISMS (ACRONYMS) AND DEFINITIONS

**CEO** – Chief Executive Officer

**CRO** – Chief Risk Officer

**ERMC** – Executive Risk Management Committee

**Risk** – Any triggering event, action or inaction which is likely to prevent the Authority from, directly or indirectly, achieving its goals and objectives.

**Risk Appetite** – The amount of risk the Authority is willing to accept in pursuit of our mission. Strategic risk-taking can help achieve business objectives while maintaining adherence to organizational values and purpose.

**Risk Event** – Any negative triggering event through action, inaction or both, which is likely to prevent the Authority from achieving its goals and objectives. A risk event could be turned into a positive opportunity.

**Risk Management** – An integrated approach to identifying, assessing and addressing areas of uncertainty that could materially impair or enhance the achievement of the Authority's mission and objectives.

**Risk Management Framework** – A structured process that provides the foundation and organizational resources for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization.

**Risk Profile** – The portfolio of risks across the enterprise.

**Risk Response** – Action or measure taken in advance of, or after, a risk occurs aimed at achieving the Authority's mission and objectives.

**The Authority** – New York Power Authority

## 4 RESPONSIBILITY

**4.1** Board of Trustees - In accordance with leading industry practice, the Board of Trustees shall affirm the philosophy, framework and delegation of authority for the Authority's Risk Management activities.

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- 4.2** Audit Committee of the Board of Trustees - The Audit Committee seeks to enhance the Authority's Risk Management infrastructure and ensure timely and effective identification and mitigation of critical business risks. The Audit Committee shall provide guidance to the Authority's Chief Risk Officer on Risk Management philosophy; mission and vision assumptions; and critical business objectives including risk appetite and risk response prioritization in accordance with CP 5.1 Internal Audit Charter.
- 4.3** President and CEO - This Company Policy is established under the authority of the President and CEO.
- 4.4** CRO - The CRO is responsible for providing overall leadership, vision, and direction for Risk Management. The CRO shall work with the ERMC to ensure this Policy and related implementing procedures are maintained to direct Risk Management processes. The CRO will present updates to the President & CEO, Board of Trustees and the Audit Committee.
- 4.5** ERMC - The ERMC is a committee established by the Board of Trustees in accordance with the requirements of this Policy and shall act as management's controlling authority with respect to Risk Management activities. The ERMC shall be governed by the provisions outlined in the ERMC Charter.
- 4.6** Risk Management Business Unit - Under the CRO's direction, the Risk Management Business Unit facilitates the activities of Enterprise Risk Management, Energy Commodity and Credit Risk and Insurance Risk Management.
- 4.7** All Authority personnel, contractors, business units and departments are responsible for the management of relevant risk. Authority personnel, contractors, business units and departments shall make and support risk-informed decisions and remain vigilant in identifying and communicating emerging risk issues that could impact the Authority's success.
- 4.8** Internal Audit - In accordance with its independent role (CP 5.1 Internal Audit Charter), Internal Audit shall conduct periodic independent evaluations of the adequacy and effectiveness of the Authority's Risk Management processes.

## **5 POLICY IMPLEMENTATION**

This Policy establishes the following Risk Management Framework:

- 5.1** A structured process for consolidating the inventory of risk assessments around risk categories.
- 5.2** Informs executive management and stakeholders of the causes and consequences of potential Risk Events.
- 5.3** Establishes a Risk Profile to enable the Authority to fulfill its mission with an informed forward-looking risk view to optimally allocate resources.
- 5.4** Includes business processes, procedures, evaluation tools and methodologies for risk and control identification, assessment and communication.

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- 5.5** Evaluates the appropriateness and effectiveness of Risk Response plans. The primary mandate of Risk Response shall be the containment of exposures within the established Risk Appetite.

## **6 VIOLATIONS**

Any willful act leading to the violation of this Policy and related policies and procedures by employees may result in disciplinary action up to and including termination. Violations of this Policy by contractors and other authorized third parties may result in the revocation of such party's access to the Authority's premises and/or electronic access to its systems and the termination of such party's contract for services. In addition, where the conduct engaged in is illegal, violators may be subject to prosecution under applicable federal, state or local laws.

## **7 REFERENCES**

- 7.1** CP 1-1 Company Policy Program Administration
- 7.2** Executive Risk Management Committee Charter
- 7.3** CP 5-1 Internal Audit Committee Charter

## **8 POLICY REVIEW AND EXPIRATION**

This document will be reviewed and updated as business needs require. However, a mandatory review will be required on the anniversary date of the approved document.

**Revision cycle: Every Year**

## **9 ATTACHMENTS**

N/A