

Internal Use Only		
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Title:	ENTERPRISE RISK MANAGEMENT POLICY
Policy Statements:	<p>The mandate of Enterprise Risk Management (ERM) is to promote risk-informed decision making and support the effective execution of OPG’s strategic and business plans by implementing a company-wide risk management framework. This includes assisting management in the identification, assessment and treatment of risks, as well as the periodic reporting of risks and risk treatments to the Executive Risk Committee (ERC) and the Audit and Risk Committee of the Board (ARC).</p> <p>OPG is committed to managing risks and pursuing opportunities to achieve its strategic objectives and business imperatives.</p> <p>The purpose of this policy is to ensure a consistent, scalable approach to risk management throughout Ontario Power Generation (OPG) and its subsidiaries to support decision making and governance responsibilities.</p> <p>This policy applies to all plans, activities, business processes, policies, procedures, individuals and property that comprise OPG and its subsidiaries. Risk management is the responsibility of all employees as part of their duties at OPG.</p>
Requirements:	<p>OPG shall identify, assess, prioritize, treat, monitor and report risks, as an integral part of its management and governance of its resources. OPG shall implement risk management processes and periodically provide management, the Board and external stakeholders with an assessment of the effectiveness of these processes.</p> <p>Risk management activities will comply with all applicable legal and regulatory requirements and take into consideration industry leading practices. OPG will regularly reassess its risk profile and the effectiveness of risk treatments in the context of OPG’s strategic objectives.</p> <p>Risk management shall be integrated into strategic planning and resource allocation decisions.</p> <p>Risk Appetite:</p> <p>Risk appetite is the amount of risk an entity is willing to accept or retain in order to achieve its strategic objectives and business imperatives.</p> <p>Risk appetite statements define an organization’s philosophy towards risk-taking. The Board of Directors of OPG, through ARC, will approve risk appetite statements defined by management (ERC). Approved risk appetite statements will set the tone for policies governing the appropriate risk areas.</p> <p>OPG recognizes that the assumption of risks is required in pursuing the reliable operation of its generating facilities and the achievement of its strategic objectives. OPG’s appetite for risk considers the following principles:</p> <ul style="list-style-type: none"> • Understanding and managing risks in a cost-effective manner; • Maintaining the priority of safety for its employees and the public; and • Consideration of potential impacts to its reputation and social licence. <p>Risk Tolerance:</p> <p>Risk tolerance represents the practical application of risk appetite and sets an acceptable range of risk taking, including limits and triggers, in order to achieve a specific objective or manage a category of risk. Where possible, OPG shall maintain risks within the defined acceptable tolerance range.</p>

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	<p>Key Risk Indicators:</p> <p>KRIs are metrics that serve as early warning signals that a risk may occur impacting an organization's ability to achieve one or more of its objectives.</p> <p>KRIs have defined risk tolerance thresholds that are set by management. If a KRI exceeds the acceptable tolerance threshold, then the risk is considered out of tolerance and additional mitigating actions may be required.</p> <p>KRIs provide benefits by supporting risk assessments, assessing risk treatment effectiveness, and allow for trending of risks and opportunities at OPG. Key Risk Indicators (KRI) will be defined for specific enterprise risks at the discretion of the ERC.</p> <p>Risk Reporting:</p> <p>The Chief Risk and Audit Executive (CRAE) shall ensure the following items are reported to the ERC and the ARC as part of quarterly risk reporting:</p> <ol style="list-style-type: none"> Enterprise risks; KRIs; Risk treatment plans; and Significant risk events that have occurred and the impact. <p>Market and Trading Risks:</p> <p>Market and Trading activities are governed by OPG-PROG-0016, Credit and Market Risk Program. Exceptions or changes to the limits set out in that program will be reported to the ERC and ARC.</p>
<p>Accountabilities:</p>	<p>Board of Directors (through the Audit and Risk Committee):</p> <ul style="list-style-type: none"> Oversees ERM such that the identification and management of OPG's principal risks to the business are in place and are effective; Approves the ERM Policy; and Approves risk appetite statements. <p>The President & Chief Executive Officer (CEO):</p> <ul style="list-style-type: none"> Ensures management and oversight systems are in place to manage risks within the corporation; Approves the membership and mandate of the ERC; Ensures that an effective ERM program is in place at OPG; Has overall accountability of the management of risks in the organization, including the initiation; and Endorses and supports a risk-aware culture (tone from the top). <p>Executive Risk Committee:</p> <ul style="list-style-type: none"> Provides oversight and direction to risk management activities and processes; Considers and approves risk management strategies related to the top risks of the organization; Develops risk appetite statements for Board approval, and establishes risk tolerance levels on KRIs at its discretion; Establishes and approves exceptions to trading risk limits in the Credit & Market Risk Program (if required); and Reviews the consolidated quarterly risk report, including validating risks, risk updates, risk treatment plans and risk prioritization. <p>Chief Risk and Audit Executive:</p> <ul style="list-style-type: none"> Oversees the ERM program within OPG; Develops and implements an ERM framework and processes to identify, measure, monitor, treat and report on enterprise risks;

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	<ul style="list-style-type: none"> Ensures regular communication with management with regards to risk, including coordinating the ERC; Participates in risk-related Board Committee meetings, including acting as the Subject Matter Expert (SME) on risk management and providing risk guidance and support as part of the development of the strategic plan; Verifies and validates that appropriate risk appetite statements, tolerances and limits have been established, consistent with the ERM framework; Routinely reports the corporation's risk profile to the ARC of the Board; and On a periodic basis, reviews compensation policies to ensure that structures do not provide incentives for excessive risk taking by management. <p>Vice President - Treasurer:</p> <ul style="list-style-type: none"> Independently oversees and assesses risk management within OPG as it relates to Energy Markets and Treasury, and routinely reporting to the CRAE on material changes in the limits and any significant exceptions; and Verifies and validates that appropriate risk tolerances and limits have been established consistent with the credit and market risk management framework. <p>Business Unit Leaders and Management (including Risk Owners):</p> <ul style="list-style-type: none"> Identifies, assesses, prioritizes, manages and monitors risks on a day-to-day basis in their span of control within their established risk tolerances and in compliance with approved risk management policies, procedures and limits; Regularly assesses and reports significant risks and any exceptions to risk management policies, procedures and limits to senior management and to the ERM team; Engages employees in the management of risk and ensures staff are aware of their accountabilities with regards to risk management; and Ensures that appropriate financial controls are in place to manage financial risks. <p>Employees:</p> <ul style="list-style-type: none"> Shall report risks they become aware of to their supervisor and manage risks within their scope of accountability. 		
Sponsoring Unit:	Finance	Approval:	Board of Directors
		Effective Date:	May 11, 2023

Document requires CNSC Notification