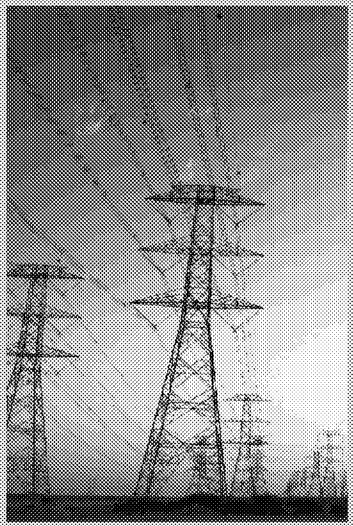


MNP LLP

IESO
Board of Directors Meeting

ieso
Connecting Today.
Powering Tomorrow.

"Enterprise Risk Management – Value Proposition"

Presented by: Richard Arthurs, Partner, National Leader - Governance and Risk Management

Date: October 25th, 2017

Executive Summary:
Optimizing the IESO - ERM Value Proposition

- **Most boards today want and need a high performing ERM program**
  - Continuous ERM & emerging risk education and discussion is common
- **The ERM value proposition is optimized when the framework is customized**
  - Leading practice frameworks are continuously aligned to changing strategy
- **The electric utility industry is facing more risk today than ever in history**
  - High levels of change, technological and renewable energy innovation, and unpredictable government policy decisions are all creating emerging risk

Critical Questions the Board of Directors Should be Asking About ERM

- **Current State:**
  - Are we focused on the right risks?
  - Are we sufficiently prepared to mitigate these risks?
  - If no, are sufficient resources being allocated to improve mitigation?

- **Future Strategic Value:**
  - Are we able to detect and mitigate new emerging risks?
  - Can risk appetite increase with greater confidence in risk mitigation?
  - What efficiencies can be gained through the ERM program?

Role of the Board of Directors with ERM

Risk Leadership	Establish and encourage an organizational culture that views ERM as an enabler. Motivate risk dialogue at all levels.
Risk Appetite & Tolerance	Understand the organization's risk philosophy and agree on risk appetite and tolerance.
Risk Policy & Strategy	Endorse the organization's risk management policy and strategy including the organization's attitude to risk and structure of ownership and management of risk.
People	Ensure clear reporting lines are established. Empower management to effectively manage and be responsible for risk.
Framework & Tools	Lead and guide the application of a customized risk management framework, tools, and a common risk language across the organization.
Risk Management Process	Apply risk management framework to strategic planning processes, ensuring risks that may impede meeting strategic objectives are identified and mitigation plans are adequately implemented and monitored for continuous change.
Risk Monitoring &Reporting	Active oversight of key risks and mitigation strategies as the IESO's organizational environment evolves. Review and respond to reports on formal risk identification and analysis.
Performance & Outcomes	Understand the effectiveness of risk management for meeting strategic objectives and organizational outcomes. Identify areas where sustained improvements are required to fulfill the organization's mandate.

Benefits of Risk Management

No Big Surprises

No Big Mistakes

No Big Missed Opportunities

Early Warning Systems

- Develop process to identify vulnerabilities and challenges
- Systematically identify, assess and prioritize risks
- Develop response strategies to risks

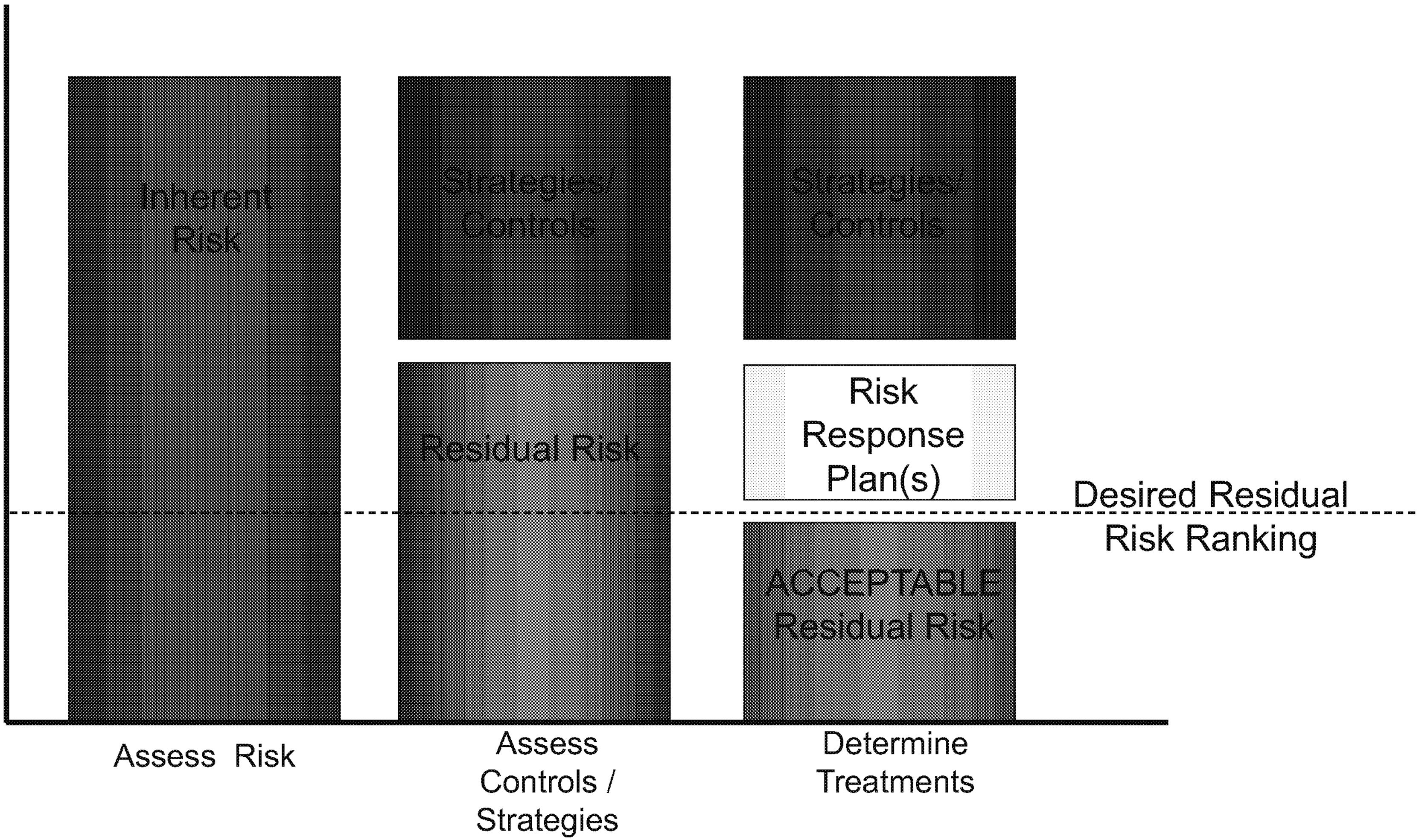
Integrated Infrastructure

- Ensure bad news travels fast internally first – act decisively
- Streamline processes
- Effectively allocate resources to better align with risks and objectives and better decision making
- Improve ability to anticipate and prepare for change
- Ensure internal/external risks are understood and managed

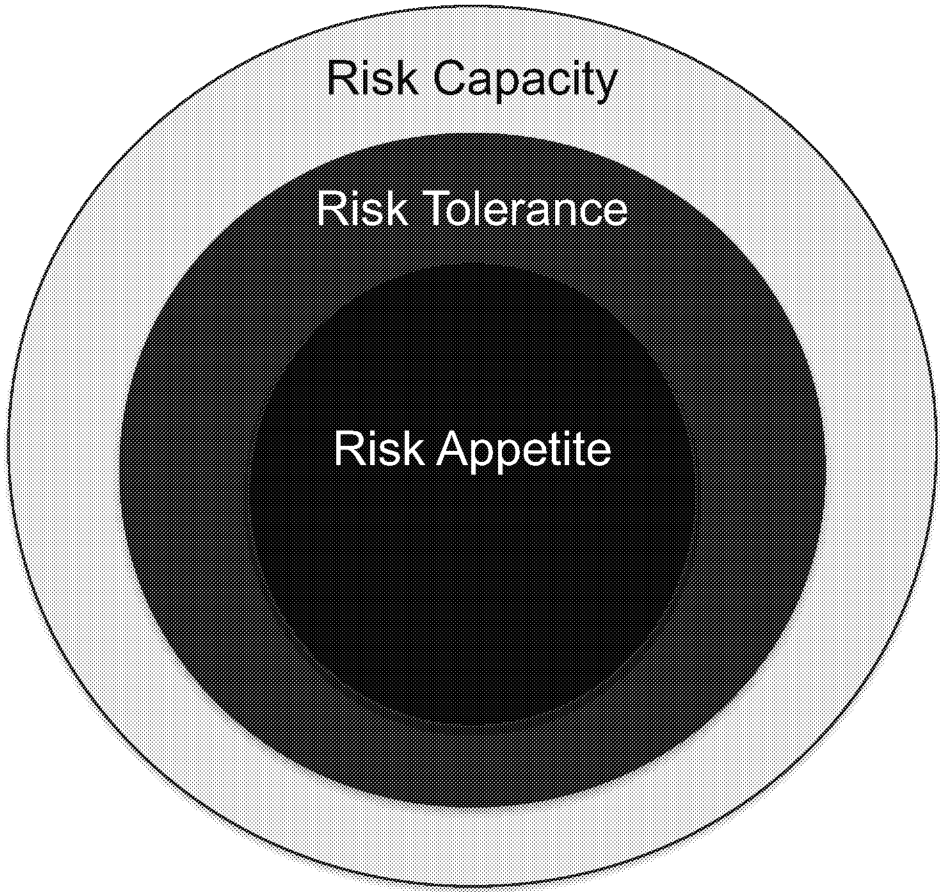
Effective ERM Program

- Seek growth but ensure strategic and operational risks are mitigated
- Maximize chances of success of achieving the strategic plan
- Accelerate ability to respond to change and opportunities
- Install an appropriate control infrastructure

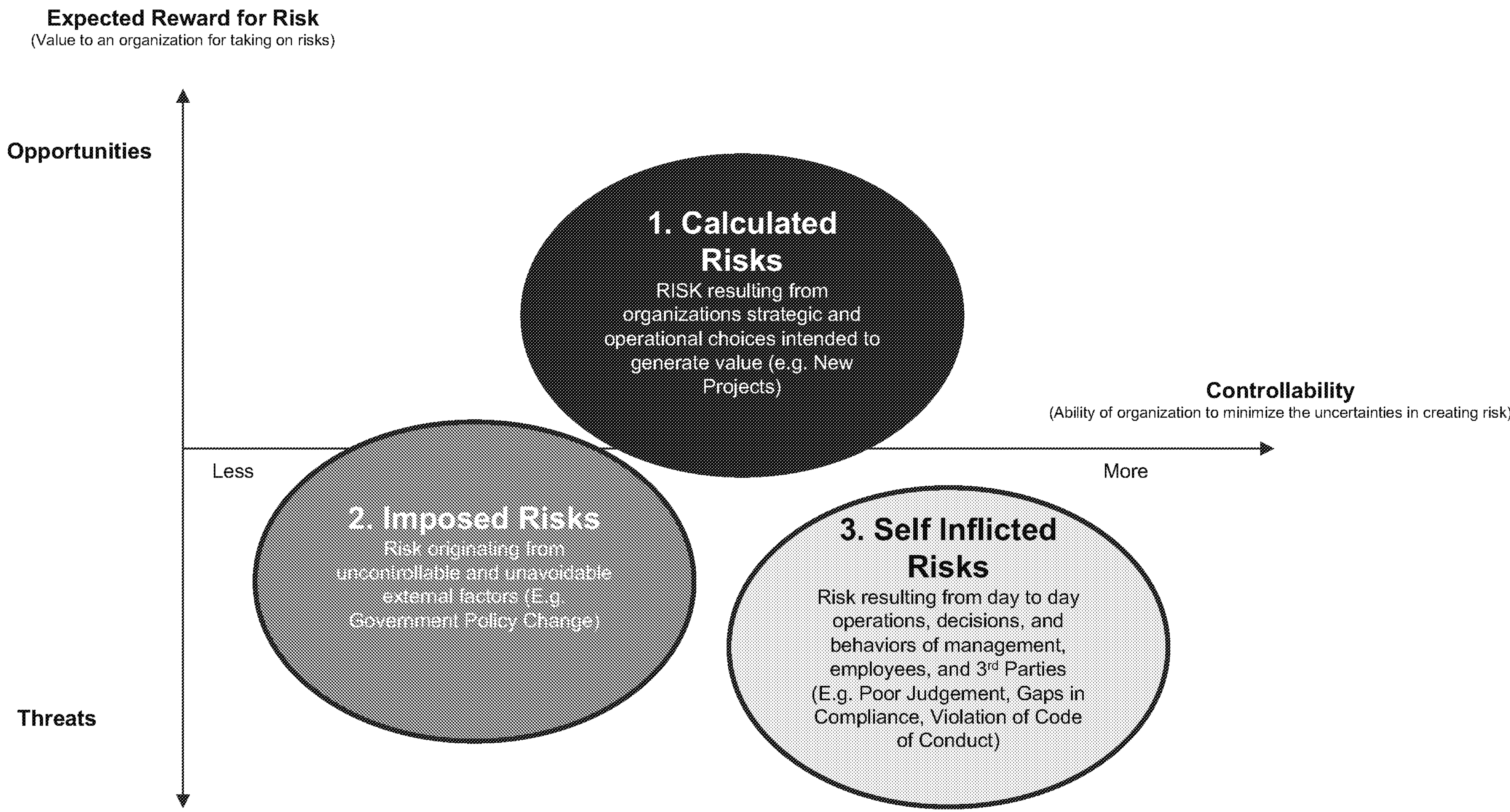
Risk and Controls



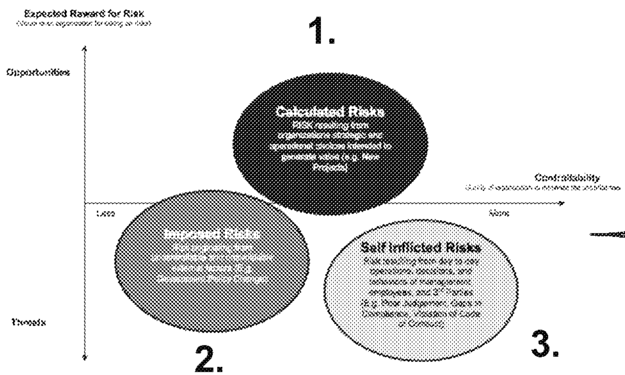
Risk Appetite & Tolerance



Focus on “Intelligent” Calculated Risk



Prioritize “Intelligent” Calculated Risk



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	1. Calculated Risk	2. Imposed Risk	3. Self Inflicted Risk
Risk Drivers	• New Purchases • Multiple Projects • New Partners • New Vendors • Accelerated Growth	• New Government Legislation • Cyber Security Attack - Data Breach • New NERC Regulation	• Code of Conduct Violation - Fraud • Legal Issue • Environmental Issue
Risk Events	• Insufficient Consultation Causes Protest	• Unable to gain public approval for change causing Negative Media • Data breach requiring disclosure to Privacy Commission	• Material Fraud Case Involving Employee or Vendor • Conflict of Interest Issue with a Vendor • Material Environmental Fine

Examples of Current Strategic Risks Facing the IESO

- Reliability issue impacting grid
- Stakeholder (rate payer) perception
- Workforce capacity and allocation
- Not meeting conservation targets
- Influence over policy making, directives
- Contract compliance and liability exposure

Examples of Emerging Future Strategic Risks Facing the IESO

- Market Renewal
- Potential government change, unanticipated policy decisions

Examples of Common ISO Risk Mitigation Strategies

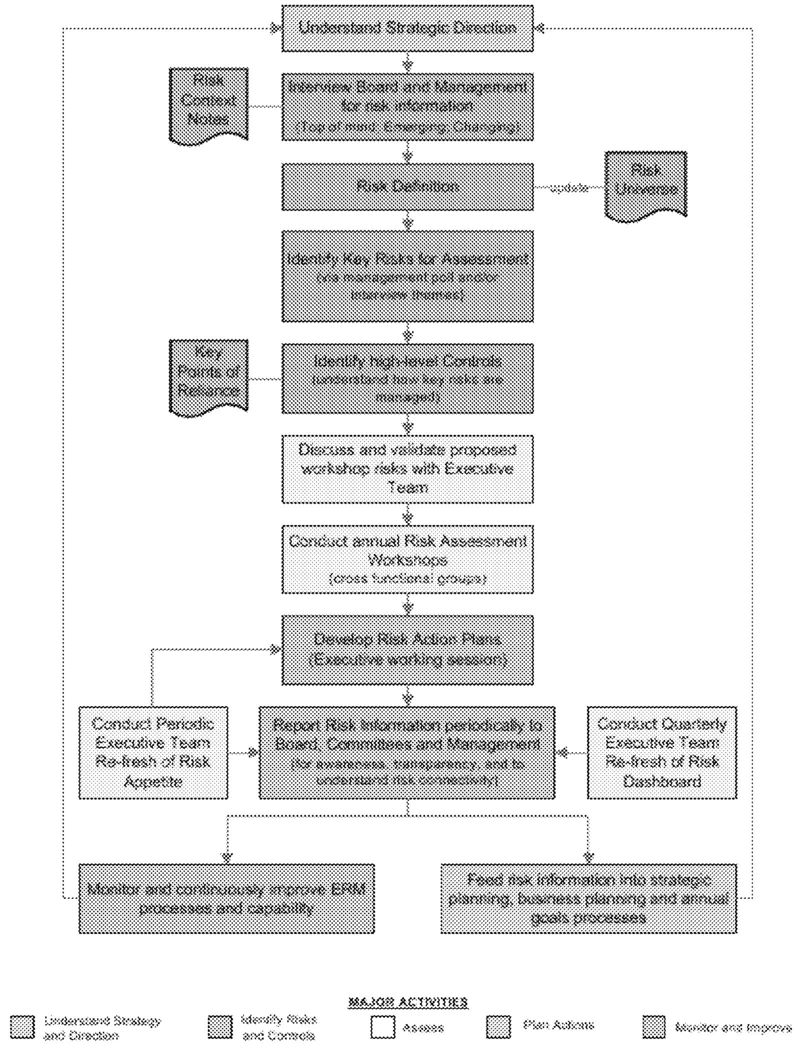
- Identify key risk indicators
- Regular communication with Executive and Board of Directors
- Measuring, monitoring, and reporting of risks with real-time dashboards
- Link between strategic objectives and key risks
- Align exhibited and targeted risk appetite with needs of strategic objectives
- Engage all levels of the organization in ERM
- Integrate ERM into all business process and job descriptions as applicable

MNP Next Steps:

- Complete maturity assessment with leading practices
- Advise on ERM continuous improvement plan
- Provide final report: November 2017

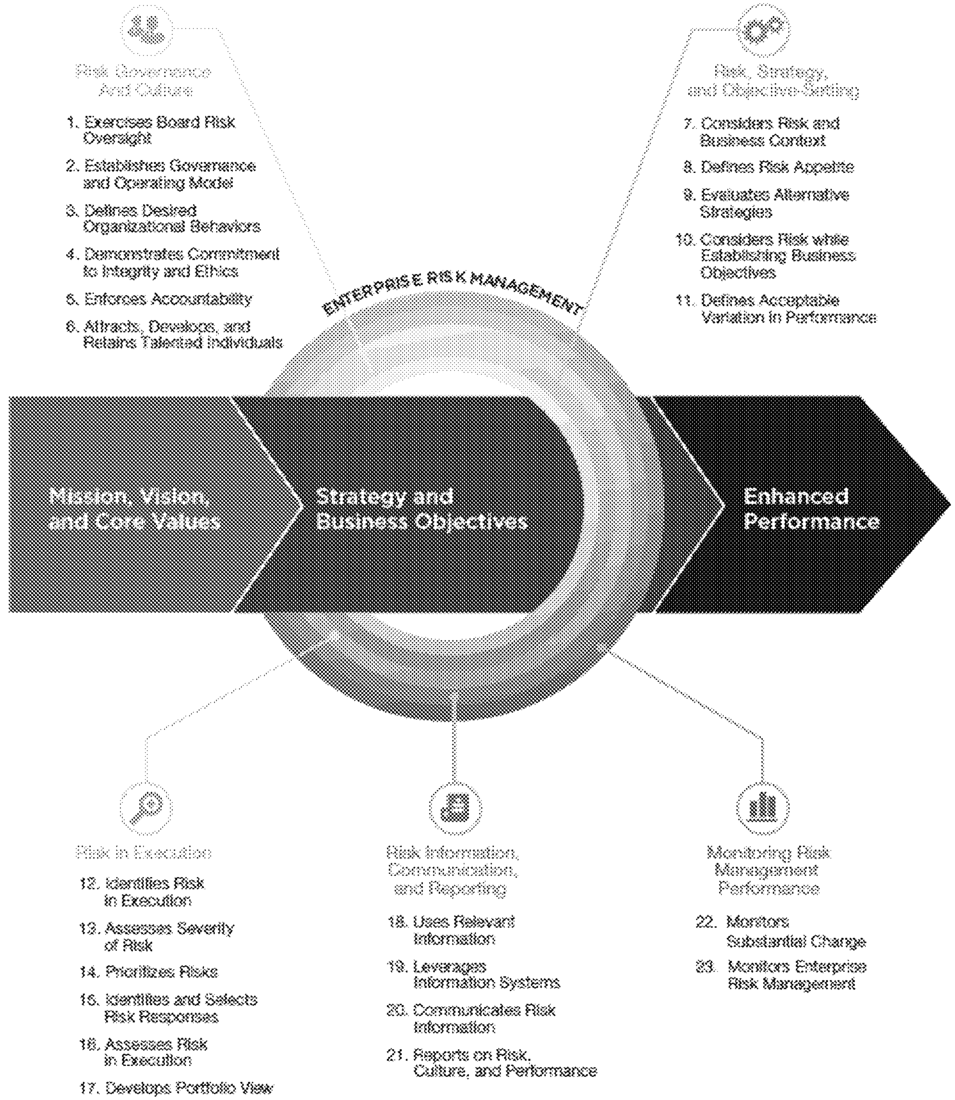
Appendix

Example of an ERM Process



Source: AESO

COSO ERM Model



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