

Risk Management Policy



Prepared by	AEMO Finance and Governance
Document ref	RM-01
Version	03
Effective date	12 December 2025
<hr/>	
Approved by	AEMO Board
Title	AEMO Board
Date	12 December 2025

This document is owned and updated by the Group Manager, Risk & Compliance and will be reviewed at least biennially or as needed to reflect changes in the risk environment or the AEMO Group's organisational structure or strategic objectives.

Any queries or suggestions for improvement should be addressed to the Group Risk & Compliance team.

Version History

Version	Effective date	Changes
1.0	28 March 2023	Initial version of the Group Risk Management Policy.
2.0	12 December 2024	References refreshed content included within the ERMF, including roles and responsibilities across the 3 lines, risk management process (updated risk matrix and reporting cadence) and definitions.
3.0	12 December 2025	Clarified roles and responsibilities across the three lines model and updated to align with the recently refreshed ERMF.

Contents

1	Purpose.....	3
2	Application	3
3	Description	3
4	Roles and Responsibilities.....	3
5	Implementation	4
6	Compliance	6
7	Definitions	6
8	Related Documents	6

1 Purpose

The Risk Management Policy (Policy) outlines the position, approach and commitment of Australian Energy Market Operator Limited (AEMO) and its Subsidiaries (together, the AEMO Group) to effective risk management, by providing a structured and systematic approach for identifying, evaluating and managing risks that could potentially impact the AEMO Group’s ability to achieve its strategic objectives. This policy reinforces the principles and guidelines outlined in the AEMO Group’s Enterprise Risk Management Framework (ERMF) and other relevant related policies and procedures. The ERMF operationalises these requirements through defined processes, practices and supporting tools and controls to ensure consistent management of all material risk classes.

2 Application

This Policy applies to all AEMO Group Personnel as well as external parties involved in the AEMO Group’s operations and is guided by the principles and requirements set out in ISO 31000:2018 Risk Management - Guidelines. It covers all categories of risks, including but not limited to operational, financial, legal, strategic, reputational and compliance risks and establishes the governing requirements and minimum standards for risk management across the AEMO Group.

AEMO Group requires that all material risks are identified, assessed, managed, monitored and escalated within approved appetite, with defined accountabilities for risk ownership and control effectiveness.

3 Description

Risk management is a critical component of good governance, fundamental to supporting the achievement of strategic objectives. AEMO Group’s operating environments are complex and diverse which creates a higher level of inherent risk. Failure to recognise and manage risk can have widespread implications not only for the AEMO Group, but for consumers, personnel, and the wider community. By identifying, understanding, and managing risk within approved risk tolerances, the AEMO Group provides greater confidence to its stakeholders in the way it conducts its operations and achieves its organisational objectives.

4 Roles and Responsibilities

Roles	Responsibilities
The Board	<p>The Board has overall accountability for risk oversight and has delegated functions to various committees and Management to support its oversight role. General responsibilities of the Board include, but are not limited to:</p> <ul style="list-style-type: none"> • Approving AEMO Group’s risk appetite • Monitoring the effectiveness of AEMO Group’s governance systems and practices • Overseeing the adequacy of governance, controls, and reporting.

Roles	Responsibilities
Board Committees	<p>Each Board Committee is governed by an approved charter which stipulates its responsibilities concerning risk management. General responsibilities within the Board Committee’s risk management oversight role include:</p> <ul style="list-style-type: none"> • Reviewing the operational effectiveness of risk policies and procedures and internal control environment. • Reviewing risk management systems, including the risk management function and resourcing. • Monitoring of AEMO Group’s risk profile and risk culture.
Third Line	<p>The third line, Internal Audit, is responsible for providing independent and objective assurance to Management and the Board on the design and operating effectiveness of the governance, risk management and internal control processes.</p>
Second Line	<p>The second line, including Enterprise Risk, Compliance, General Counsel (legal advisory and regulatory engagement) and Enterprise Portfolio Office (portfolio, program and project risk), provides oversight, challenge and specialist advice over first-line risk and compliance activities to ensure effectiveness. It delivers guidance, tools, and subject matter expertise to support adherence to policies and frameworks.</p>
First Line	<p>The first line, comprised of all Personnel, is responsible for the day-to-day management of risk.</p> <p>As part of the first line, Executive Management have primary accountability for the management and oversight of risks within their area of divisional responsibility, including the allocation of appropriate resources to manage risk.</p>

Detailed descriptions of the Three Lines Model and roles and responsibilities related to risk management are provided within Section 6 of the ERMF. The ERMF elaborates on the specific expectations and responsibilities assigned to each role.

5 Implementation

The implementation of the policy is a dynamic and ongoing process. It is the responsibility of the Board Committees (specifically, the Finance Risk and Audit Committee and the Risk, Compliance and Audit Committee) to review and oversee the implementation of the ERMF in their areas of responsibility including risk appetite, risk profile, risk management policy, risk management processes and risk reporting. To ensure effective implementation of this policy, Management are required to:

- Actively communicate this policy to all Personnel and stakeholders.
- Integrate the policy into business processes.
- Regularly monitor and evaluate its application to ensure continuous improvement and compliance.

- Provide comprehensive training to enhance awareness and understanding of risk management principles, tools and responsibilities, based on guidelines detailed within the ERMF, built on the below principles.

Risk Management Principles

Effective risk management within the AEMO Group is based on the following principles:

- **Strategic alignment:** Risk management practices support and align with the AEMO Group's Enterprise Risk Management Framework, strategic objectives and long-term goals.
- **Integration:** Risk management is integrated into the AEMO Group's processes, decision-making and strategic planning and considered from an organisation-wide perspective to ensure comprehensive management.
- **Accountability:** Accountability and responsibility for risk management is clear and shared across all levels of the AEMO Group, with timely and accurate monitoring, review, communication, and reporting of risk to Management, the Board, and Board Committees.
- **Proactiveness:** Risks are identified and assessed before they materialise, with proactive measures taken to mitigate their impact.
- **Risk awareness and capability:** A high level of risk awareness is prioritised by providing education programs, advice and regular updates as required.
- **Transparency:** Risk information is clear and accessible, with communication regarding risk management processes and outcomes consistently reported to stakeholders, the Board and Board Committees.
- **Continual improvement and forward looking:** Risk management activities and processes are regularly reviewed and improved based on lessons learned and evolving best practices, anticipating emerging risks.

The AEMO Group will maintain an ERMF to implement this policy including guidance on the above principles. It is a dynamic and iterative process, customised to the AEMO Group's requirements, culture and values.

Risk Management Process

The ERMF provides a detailed description of the risk management process including processes for risk identification, assessment, mitigation, and monitoring. This process is supported by recently developed risk management tools and systems, including the Governance, Risk and Compliance (GRC) platform to enable consistent and effective end-to-end risk management (refer to the GRC site for more information). It is essential in assisting the AEMO Group to effectively anticipate, manage and respond to risks, ultimately supporting strategic goals and operational stability.

Monitoring

Since risks evolve over time, it is important to regularly review risk management processes and risk profiles, monitor risk exposure and evaluate the effectiveness of risk management strategies, using key risk indicators (KRIs), dashboards and performance metrics.

Reporting

Risk reporting is a critical component of the risk management process, providing transparency over key risks that could impact the reliability, security and efficiency of Australia's energy systems. Regular reports on risk

management activities, incidents, emerging risks and performance must be provided to the Board to ensure adequate oversight and enable Directors to discharge their obligations. Minor refinements to the risk reporting process are detailed within the ERMF to enhance clarity, consistency and alignment with AEMO Group's strategic objectives.

6 Compliance

All Personnel and relevant external parties are expected to adhere to this policy and actively contribute to effective risk management across the AEMO Group. Non-compliance by Personnel may result in disciplinary action in accordance with relevant AEMO Group's policies, including the Code of Conduct.

7 Definitions

The following words have the below meaning when used in this Policy:

Term	AEMO	AusEnergy Services Ltd (ASL)
AEMO Group	Australian Energy Market Operator and its Subsidiaries.	
The Board	AEMO Board.	ASL Board.
Board Committee	Finance, Risk and Audit Committee.	Risk, Compliance and Audit Committee.
Personnel	All AEMO Group Personnel (Directors, employees, contractors, secondees and/ or consultants working for or on behalf of AEMO).	All ASL Personnel (Directors, employees, contractors, secondees and/ or consultants working for or on behalf of ASL).
Executive Management	AEMO Executive Leadership team	ASL Executive Team
GRC System	The single governance, risk and compliance system through which the AEMO Group manages all enterprise, division, business unit and subsidiary risks and compliance obligations	
Risk Governance	Refers to the roles and responsibilities that facilitate and support the efficient and effective operation of the ERMF and the timely identification, communication, monitoring, measurement, and treatment of the key enterprise risks that could prevent the business from delivering their objectives.	

8 Related Documents

The Policy must be read in conjunction with these related internal documents

Control Document	Document Ref	Description
Group Enterprise Risk Management Framework	RCA-R01	Outlines the AEMO Group's approach to managing risks in a consistent and structured manner as we deliver our purpose of ensuring safe, reliable, and affordable energy and enable the energy transition.