



Enterprise Risk Management Discussion

December 16, 2020

Topics for Discussion



2020 Risk Summary



ERM Policy Compliance & Program
Recommendations

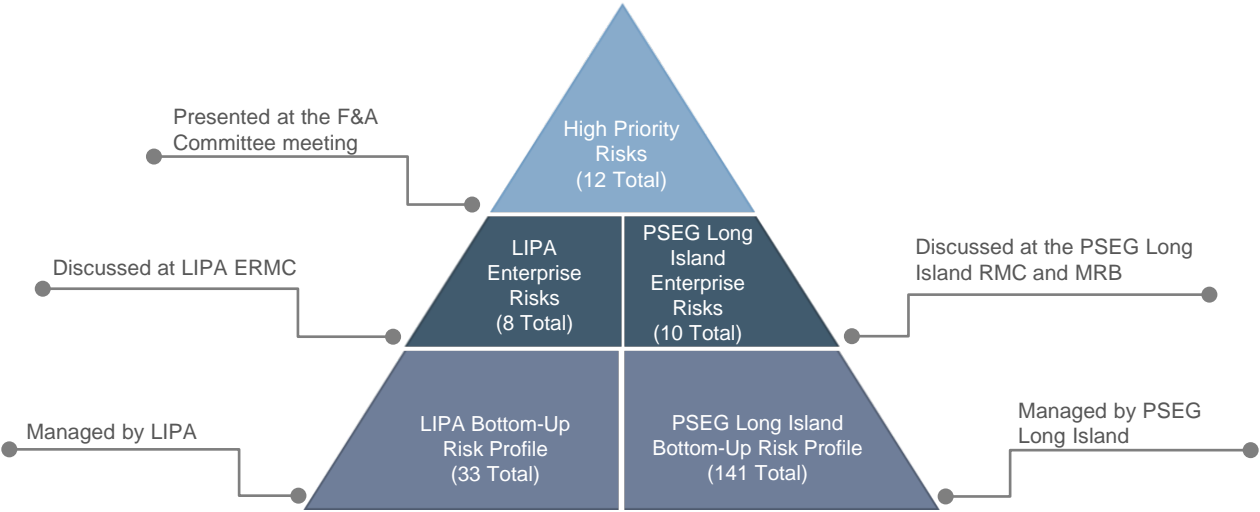


Next Steps

2020 Summary of Risks & Criteria

High-priority risks can significantly impede *both* LIPA and PSEG Long Island’s ability to achieve their respective goals.

- There are 12 risks that have been deemed high-priority and represent the most significant risks to the organization; these risks are reviewed with senior management
- **Risk Trending** is defined as a year-over-year comparison of the state of the risk which is determined by considering new mitigation actions, changes to the environment of the risk, or event(s) that have occurred since the risk was last reviewed. Risks are rated as: **Increasing**, **Decreasing**, or **Stable**



2020 High-Priority Risks – Reliability

Risk Category	Risk	Trend	Risk Mitigation	Board Communications
Reliability	Major Storm - Damage to infrastructure, delayed restoration, and ineffective communication with customers results in negative public perception Managed by - PSEG Long Island	↑	<ul style="list-style-type: none"> Recommendations included as part of the root cause analysis and comprehensive 30 and 90-Day Tropical Storm Isaias Reports adopted by the Board Initiated the Power On program to continue strengthening distribution lines, specifically focusing on mainline circuits which is the backbone of the distribution system; revising plans for 2022 going forward for improvements Continued replacement and installation of switches to help minimize customer outages 	<ul style="list-style-type: none"> 30 and 90-Day Reports May Summer Prep & Emergency Restoration Plan June Storm Hardening & Resilience Strategy September update on Tropical Storm Isaias Response
	Transmission System Vulnerabilities - Congested load pockets, aging infrastructure, and multiple circuits on a single pole could result in decreased reliability Managed by - PSEG Long Island	↑	<ul style="list-style-type: none"> Capital programs are underway to convert the 23kv system to 33kv and 33kv to 69kv, modernize the transmission system, and build more transmission lines as a result of offshore wind projects Contingency plans related to operation of the T&D system are in place, and additional multi-station operators are scheduled to be available to respond to system events and disturbances Employed more aggressive response to system disturbances that affect the reliability of six load pockets. (i.e. personnel call outs, activation of survey crews in preparation of adverse system conditions, etc.) 	<ul style="list-style-type: none"> May Summer Prep July T&D System Reliability and Capital Program & FEMA Update
	Outdated Primary Transmission Control Center - Current control center creates increased system vulnerabilities, especially during high activity events Managed by - PSEG Long Island	↑	<ul style="list-style-type: none"> Continue implementing improvements identified in the consultant's study that was completed in 2019 Continue multi-purpose drills to acclimate users with new tools Continue evaluating and developing plan for approval/relocation of the new Primary Transmission Control Center Made improvements to the Alternate Control Center to extend operations in the event of an outage with the PTCC 	<ul style="list-style-type: none"> No specific presentation to the BoT, however, there is line item in 5-year budget
	Substation Failure - Catastrophic failure of major substation assets with long lead time for repair results in decreased reliability Managed by - PSEG Long Island	↑	<ul style="list-style-type: none"> Improvements made at 12 substations impacted by Superstorm Sandy (i.e., elevated equipment, flood walls, sand bags) Nearing completion of the oil circuit breaker replacement program and plans underway to replace six older SF6 breakers that will improve reliability 	<ul style="list-style-type: none"> May Summer Prep July T&D System Reliability and Capital Program & FEMA Update
	Safety - Employees/contractors not following procedures resulting in injury/death Managed by - PSEG Long Island	↔	<ul style="list-style-type: none"> Continuously improve and integrate current safety and training programs Completed consultant's review of the safety program to highlight areas of improvement; very few recommendations were provided Implement the Authorization for Commencement of Contract Work procedure which will further document site review with on-site contractors 	<ul style="list-style-type: none"> Annual Safety Policy Review at December Board Meeting

2020 High-Priority Risks – Regulatory & Rates

Risk Category	Risk	Trend	Risk Mitigation	Board Communications
Regulatory Environment	<p>Regulatory/Legislative - Regulations and/or legislations are modified and result in potential changes to the business model, operational changes, and/or an increased cost of service</p> <p>Managed by - LIPA & PSEG Long Island</p>	↑	<ul style="list-style-type: none"> • Translate subject matter expertise into synchronized and persuasive policy positions • Identify high value opportunities to influence State and Federal policy to align with customer needs • Proactively engaging with media to increase awareness to stakeholders • Develop cost-effective implementation plans if/when new regulations are passed 	<ul style="list-style-type: none"> • CLCPA Briefing 2019 • Siting Act Briefing • VDER Presentations
Rates	<p>Insufficient Rates/Untimely Rate Relief - Inadequate system investment could compromise our ability to achieve priorities</p> <p>Managed by - LIPA & PSEG Long Island</p>	↑	<ul style="list-style-type: none"> • Balance system requirements with financial obligations and customer impacts • Analyze costs and identify ways to offset expenses to minimize rate impacts to our customers • Maintain strong relationships with, and actively educate stakeholders 	<ul style="list-style-type: none"> • June 2020 - Customer Value and Affordability Presentation & Policy Review • November 2020 - PFM Financial Policy Review

2020 High-Priority Risks – Reputation, Cyber & Physical Security

Risk Category	Risk	Trend	Risk Mitigation	Board Communications
Reputation	Reputation - Negative media coverage could alter customer perception, system operations, and access to affordable capital Managed by - LIPA & PSEG Long Island	↑	<ul style="list-style-type: none"> Recommendations included as part of the root cause analysis and comprehensive 30 and 90-Day Tropical Storm Isaias Reports adopted by the Board Employ clear and timely communication through all channels with customers, stakeholders, public officials and media on issues to ensure information is disseminated early and accurately Increase customer awareness, through the facilitation of public presentations, stakeholder meetings, quarterly advisory meetings, board meetings and hearings. Informational outreach materials are provided, as needed 	<ul style="list-style-type: none"> 30 and 90-Day Reports Frequent communication on stakeholder relations and provide continuous feedback
	Changing Customer/Stakeholder Expectations - Perceived lack of responsiveness and/or misinterpretation of customer needs results in negative public perception Managed by - LIPA & PSEG Long Island	↑	<ul style="list-style-type: none"> Recommendations included as part of the root cause analysis and comprehensive 30 and 90-Day Tropical Storm Isaias Reports adopted by the Board Conduct focus-groups and customer outreach panels to gauge attitude, interest and sentiment in our products, services and service delivery Continually monitor and measure perception using media analysis and strategic media intelligence to see changes over time to understand and assess reputation 	<ul style="list-style-type: none"> 30 and 90-Day Reports Monthly communications on customer satisfaction and JD Power Survey Results
Cyber & Physical Security	Cyber Event - Unauthorized access to IT and/or T&D systems results in decreased operational abilities Managed by - LIPA & PSEG Long Island	↑	<ul style="list-style-type: none"> Continue to integrate security awareness and education into management culture Perform annual drills that concentrate on cyber attack Starting in 2021 will conduct an annual comprehensive review of cyber security, communication infrastructure, and the AMI system Facilitate annual third-party vulnerability and penetration assessment on IT/OT systems 	<ul style="list-style-type: none"> Annual Cyber Policy Review at December Board Meeting
	Breach of Personal Identifiable Information - Internal or 3rd party mass breach of PII results in loss of sensitive data and potential fraud Managed by - PSEG Long Island	↔	<ul style="list-style-type: none"> All employees and contractors are trained on the importance of protecting PII, receive Red Flag training and data is only shared on an "as needed" basis Develop and implement plan to comply with NY Shield Act Project completed in 2019 to shift PII to third party for masking and protection 	<ul style="list-style-type: none"> Annual Cyber Policy Review at December Board Meeting
	Physical Security Attack - Substation security and/or the control centers are compromised resulting reduced reliability Managed by - PSEG Long Island	↑	<ul style="list-style-type: none"> Conduct security vulnerability inspections and penetration tests at all critical sites Substations security upgrades are either in design phase, planned or underway for all 10 critical substations (<i>recommend expediting</i>) <i>Recommendation - Consider third-party vulnerability assessment</i> 	<ul style="list-style-type: none"> Annual Physical Security Policy Review at December Board Meeting

ERM Board Policy Compliance

- Since 2015 LIPA and PSEG Long Island have been working collaboratively to develop an ERM Program to identify the most significant risks facing our organizations
- Over the past two years, the ERM program has seen a notable decline in the level of transparency and collaboration in the ERM assessment process
- In consideration of the Isaias Task Force work and recommendations coming from the 30 and 90 day reports we're proposing significant changes to the ERM process, as seen on the following slide

ERM Recommendations for PSEG Long Island – for Board approval and adoption

- Provide for LIPA SMEs and ERM team participation in all risk discussions;
- Create a culture of accountability by designating management-level owners for each risk mitigation strategy and related management action plan;
- Establish a joint SharePoint site so that risk information, can be accessed in real-time by LIPA SMEs;
- Produce a comprehensive annual risk report by June 1st;
- Perform deep dive analysis on high-priority risks including what mitigation actions have been implemented, those underway, planned, and areas of deficiency;
- Develop a risk correlation matrix to better understand end-to-end impacts and the risks that are interrelated (especially for major storm) to better inform needed mitigation strategies;
- Provide risk training to all SMEs participating in the annual risk assessment process to better understand expectations and value of the process; and
- Develop a process so that if a high-risk event or condition is identified it will trigger a risk review that will be elevated to LIPA and PSEG Long Island senior management.

Next Steps

- Implement eight ERM recommendations to improve the efficacy of the ERM Program
- Commence 2021 ERM Assessment Cycle with added focus on identifying and assessing the effectiveness of mitigation actions for high-priority risks
- Plan for 2021 ERM Board of Trustees ERM Workshop

FOR CONSIDERATION

December 16, 2020

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of the Annual Report and Amendments on the Board's Policy on Enterprise Risk Management

Requested Action

The Board of Trustees of the Long Island Power Authority (the "Board") is requested to adopt a resolution attached hereto as **Exhibit "A"**: (i) finding that the Long Island Power Authority ("LIPA") has complied with the Board Policy on Enterprise Risk Management (the "ERM Policy" or "Policy"); (ii) approving the annual report for the Policy; (iii) approving certain amendments to the Policy, as detailed herein; and (iv) adopting recommendations for the Enterprise Risk Management ("ERM") program in light of the failures identified by the Isaias Task Force in the 30 and 90-day Reports.

Background - Board Policy on Enterprise Risk Management

By Resolution No. 1351, dated March 29, 2017, the Board adopted the ERM Policy, focusing on the identification, assessment, management, and mitigation of risks. The Policy was last reviewed and amended by the Board by Resolution No. 1492, dated September 25, 2019.

The Finance and Audit Committee ("F&A Committee"), in its Charter, was delegated the responsibility for reviewing LIPA's practices relating to ERM. LIPA's Service Provider, PSEG Long Island, also participates in the implementation of LIPA's ERM Program.

Specifically, the Policy provides that "the Chief Executive Officer or his or her designee will report annually to the F&A Committee of the Board on the Policy, including: a review of the significant risks to LIPA's mission; and compliance with the key provisions of the Policy."

Compliance with the Policy

Performance for 2020 has been overshadowed by poor storm performance by our service provider. This performance was compounded by the failure of telephone access to report outages and the failure of the outage management system used to identify and report on outages. These matters are more fully discussed in LIPA's 30 and 90-Day reports on Tropical Storm Isaias.

Nevertheless, consistent with the Policy, LIPA and PSEG Long Island have maintained ERM programs designed to evaluate significant risks and corresponding mitigation activities facing the business. This Report covers ERM activities since the Board's September 2019 review to the present. While PSEG Long Island's performance with respect to matters identified by the Isaias Task Force remains unacceptable, LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has substantially complied with the objectives of the Policy for the period since the last

annual report.

The Policy states: “Under the direction of LIPA’s Chief Executive Officer, LIPA and its Service Provider shall maintain an Enterprise Risk Management Program with the following key provisions”:

“An Enterprise Risk Management Committee consisting of at least three LIPA staff appointed by the Chief Executive Officer, two of whom must be drawn from LIPA’s senior management, to oversee the processes and procedures of the Program.”

- LIPA has an active Executive Risk Management Committee (“ERMC”) that reviews the implementation of the ERM Program and the findings of the Program, including discussions of the most significant risks facing LIPA and its Service Provider. Over the last twelve months, the ERMC has met seven times to discuss the progress of the Program and review the risk assessments, associated mitigation activities, and deep-dive analysis of the most significant risks. In addition, the ERMC was briefed on the completion of actions relating to the ERM Recommendations of the DPS Management Audit.
- Currently, there are ten members on the Committee, including the CEO, CFO, CAO, CIO, General Counsel, and other LIPA staff at the Vice President and Director levels.
- The ERMC maintains an ERM procedures manual which was recently updated by ERM staff to reflect certain enhancements including: integration of risk information into decision-making within Strategic Planning, Internal Audit and other areas of the business. The ERM procedures also now call for maintaining a list of emerging risks and recognize PSEG Long Island’s Risk Management Committee governance responsible for reviewing their identified risks.

“An evaluation of the most significant risks facing the LIPA and its Service Provider, and corresponding mitigation activities, reported to senior management of LIPA and its Service Provider for review and evaluation on an annual basis, with ongoing monitoring activity between reviews”

- Since the last Board report, the ERM team has worked with the Subject-Matter Experts (“SMEs”) for the most significant risks of LIPA and PSEG Long Island to further analyze these risks through a deep-dive review process to understand the specific causes and consequences of each risk and the mitigation actions planned or deployed. Deep-dive risk reports were presented to LIPA’s ERMC while other significant risks were presented to both LIPA and PSEG Long Island senior management at their Management Review Board meetings. LIPA risk analyses included Reputation, Cyber Event and Workforce Challenges, and PSEG Long Island risks focused on the Primary Transmission Control Center, LIRR Access, and a Major Storm Event.
- Annually, the F&A Committee receives an ERM Program Update highlighting the significant risks facing LIPA and PSEG Long Island and mitigation strategies concurrent with this annual report. In October, the Board participated in an ERM Workshop that included an overview of the ERM process and a deep-dive analysis discussion of two significant risks, Reputation and Long Island Railroad Access. In addition, this year paragraphs have been included in Board Policy updates specifically related to the risks associated with those policies.

“A review of the LIPA’s insurance and other forms of coverage against insurable risks, including the

availability and economics of such coverage, performed each year.”; and

“Business continuity plans for LIPA and its Service Provider that are reviewed each year.”

Insurance:

- The Amended & Restated Operations Services Agreement (“OSA”) requires LIPA to provide written notification to PSEG Long Island regarding the renewal of required policies, desired changes in coverages, and any requests to investigate other types of coverages. The LIPA notification is sent each December.
- During 2020, LIPA risk management and LIPA’s Insurance Advisor provided oversight of the coverages placed by PSEG Long Island as required by the OSA to assure prudent and economic coverage placed to protect the interest of LIPA’s bondholders and customer-owners. The policies included:
 - Excess 3rd Party General Liability
 - Property Insurance (all risks, excludes wires and poles) includes U.S. Property Terrorism
 - Cyber Insurance - LIPA named insured on PSEG Long Island’s Cyber Insurance
 - Nuclear Electric Replacement for Nine Mile Point, Unit 2
- LIPA maintains its own insurance policies including Director and Officer liability, premises general liability and property insurance, as well as cyber event insurance and employee practices liability insurance.

Business Continuity:

- LIPA’s Chief Information Officer maintains departmental and corporate level business continuity plans (“BCPs”) for LIPA operations. PSEG Long Island maintains BCPs for each operational area within each business unit.
- LIPA and PSEG Long Island’s staff annually review their respective BCPs. In addition, LIPA receives an annual report describing the status of PSEG Long Island’s testing of, and compliance with, their BCPs. In response to the Covid-19 pandemic, LIPA and PSEG Long Island activated their BCPs on March 17, 2020 and a majority of LIPA’s and PSEG Long Island’s staff successfully transitioned to performing their responsibilities from remote work locations.
- In August 2020, LIPA formed the Tropical Storm Isaias Task Force (the “Task Force”) to investigate the root causes of PSEG Long Island’s poor storm response. That investigation revealed that in several areas, including for key information technology systems, PSEG Long Island did not have adequate BCPs. Specifically, with respect to the failure of the outage management system, the Task Force’s 90-Day report noted, “With inadequate BCPs and no manual workarounds, PSEG Long Island leadership was simply unable to override standard operating procedures and take corrective actions.” One of the Task Force recommendations adopted by the Board on November 18 is to “create BCPs for all mission critical systems and processes.” LIPA staff will be overseeing creation of those BCPs to ensure they address the inadequacies identified by the Task Force investigation.

“An annual review of the maturity of the Program compared to industry best practices, will

be provided to senior management and the Authority’s Internal Audit staff.”

- The updated 2020 ERM maturity model results were provided to LIPA’s ERMC and senior management and discussed at the ERMC’s July 2020 meeting.
- LIPA’s Internal Audit department received a copy of the 2020 ERM maturity assessment and diagnostic report prepared by a third-party vendor, which measures the current maturity of the LIPA ERM Program and comparison to industry benchmark.

Annual Review of the Policy

LIPA Staff has reviewed the Policy and recommends the following changes:

- edits to the Program’s key provisions to focus the objective of the Program for LIPA and PSEG Long Island to strategically manage their respective risks to reduce the probability of significant outages, financial loss, health and safety events, and reputational harm, and to recognize PSEG Long Island’s governance of the Program by its Risk Management Committee;
- transfer responsibility for LIPA’s BCPs and oversight of PSEG Long Island’s BCPs to LIPA’s Department of Innovation and Information Technology;
- change the ERM maturity model assessment review from annual to biennial as the ERM Program matures; and
- certain other non-material wording changes.

The proposed changes to the Policy are more particularly set forth in **Exhibit “B”**.

Recommended Changes to the ERM Program in Light of Isaias Task Force Reports

The Isaias Task Force’s 90-Day Report found numerous examples where PSEG Long Island lacked transparency in its dealings with LIPA. This lack of transparency has impacted the effectiveness of LIPA’s ERM Program, including inaccurate and, at times, overly confident rankings by PSEG Long Island of certain key risks and poor implementation of mitigation strategies. To address these issues, LIPA Staff recommends the following changes to the ERM program:

- Include LIPA SMEs and ERM team members in all risk discussions;
- Designate management-level owners for each risk mitigation strategy and related management action plan;
- Establish a joint SharePoint site so that risk information, including risk assessment, deep dive analysis, mitigation strategies, and current status of implementation plans, can be accessed in real-time by LIPA SMEs;
- Produce an annual ERM report, providing a complete aggregation of all risks, effectiveness of mitigation actions for high-priority risks, areas of weakness/need improvement, and general observations, by June 1 of each year;
- Perform deep dive analysis on high-priority risks including what mitigation actions have been implemented, those underway, planned, and areas of deficiency;
- Develop a risk correlation matrix to better understand end-to-end impacts and the risks that are interrelated (especially for major storm) to better inform needed mitigation strategies;

- Provide risk training to all SMEs participating in the annual risk assessment process so that the expectations and value of the process are better understood by the participants; and
- Develop a process so that if a high-risk event or condition is identified by LIPA, PSEG Long Island, or PSEG personnel (e.g. when OMS was failing days before the storm) such event or condition (i) immediately triggers a risk review by the LIPA and PSEG Long Island ERM teams and (ii) is elevated to both LIPA and PSEG Long Island management.

The Board has requested implementation plans for each of these recommendations and quarterly reporting to the F&A Committee on the status of their implementation.

Recommendation

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

Attachments

- Exhibit “A”** Resolution
- Exhibit “B”** Policy (redline)
- Exhibit “C”** Policy (clean)

Exhibit A

RESOLUTION APPROVING THE ANNUAL REPORT AND AMENDMENTS ON THE BOARD POLICY ON ENTERPRISE RISK MANAGEMENT AND REQUIRING CHANGES TO THE ERM PROGRAM IN RESPONSE TO THE ISAIAS TASK FORCE REPORTS

WHEREAS, the Enterprise Risk Management Policy (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1351, dated March 29, 2017; and

WHEREAS, the Policy was last reviewed and amended by Resolution No. 1492, dated September 25, 2019; and

WHEREAS, the Finance and Audit Committee (the “Committee”) of the Board of Trustees of the Long Island Power Authority (the “Board”) has conducted an annual review of the Policy and recommended that the Board find that the Policy has been complied with and that the changes to the Policy are due and proper.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has substantially complied with the Policy for the period since the last annual review and approves the annual report; and

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the Committee recommends that the Board adopt the changes to the Policy that are reflected in **Exhibit “B;”**

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the Board adopts the recommendations to improve the ERM Program and asks for LIPA and PSEG Long Island to file implementation plans no later than the Board’s January Board meeting for review by the Committee; and

BE IT FURTHER RESOLVED, that the Board asks for quarterly reporting to the Committee on the status of the implementation plans until such time as the plans are fully implemented.

Dated: December 16, 2020



Board Policy: **Enterprise Risk Management**

Policy Type: **Operating Policies**

Monitored by: **Finance and Audit**

Board Resolution: **#1351, approved March 29, 2017**
#1428, amended September 27, 2018
#1492, amended September 25, 2019
#xxxx, amended December 16, 2020

Board Policy on Enterprise Risk Management

It is the policy of the Board of Trustees for the Long Island Power Authority (“LIPA”) to maintain an Enterprise Risk Management Program (the “Program”) to identify, assess, monitor, ~~to~~ and report on LIPA’s ~~and its Service Provider’s~~ most significant risks to achieving ~~its LIPA’s~~ their mission and delivering value to its customer-owners, ~~including those risks managed by its Service Provider.~~

~~and the Service Provider’s most Senior Officer,~~ LIPA and its Service Provider shall maintain ~~thean Enterprise Risk Management~~ Program with the following key provisions:

- LIPA and its Service Provider will strategically manage their respective risks to reduce the probability of significant outages, financial loss, ~~and~~ health and safety events, and reputational harm;
- LIPA will maintain an Enterprise Risk Management Committee (“ERMC”) consisting of at least three ~~LIPA~~ staff appointed by the ~~Chief Executive Officer~~ CEO, two of whom must be drawn from ~~sLIPA’s~~ senior management, to oversee LIPA’s Program and the activities of its Service Provider;
- LIPA’s Service Provider will maintain a Risk Management Committee to oversee their Enterprise Risk Management (“ERM”) ~~Program, approve a portfolio of risks, to identify, assess, monitor, and manage~~ their most significant risks, and report them on those risks to ~~LIPA’s~~ ERMC;
- ~~faci~~ng LIPA and its Service Provider will perform an evaluation of their most significant risks ~~and~~, and corresponding ~~management activities mitigation strategies and actions and report them, reported~~ to the senior management of LIPA and its Service Provider for review and evaluation on an annual basis, with ongoing monitoring between reviews;
- LIPA and its Service Provider will review LIPA’s insurance and other forms of coverage against insurable risks, including the availability and economics of such coverage, each year; ~~and~~ and
- ~~LIPA will conduct Business continuity plans for LIPA and its Service Provider that are reviewed each year; and~~
- a ~~biennial~~ annual review of the maturity of the Program compared to industry best practices, which will be provided to the Board of Trustees, senior management, and ~~the Authority’s~~ LIPA’s Internal Audit staff.;

LIPA’s ~~The~~ Chief Executive Officer or his or her designee will report annually to the Finance & Audit ~~F&A~~ Committee of the Board on the Policy, including:

- A review of the significant risks to LIPA's mission; ~~and~~
- Compliance with the key provisions of the Policy. ~~and~~

Board Policy: **Enterprise Risk Management**

Policy Type: **Operating Policies**

Monitored by: **Finance and Audit**



Board Resolution: **#1351, approved March 29, 2017**
#1428, amended September 27, 2018
#1492, amended September 25, 2019
[#xxxx], amended December 16, 2020

Board Policy on Enterprise Risk Management

It is the policy of the Board of Trustees for the Long Island Power Authority (“LIPA”) to maintain an Enterprise Risk Management Program (the “Program”) to identify, assess, monitor, and report on LIPA’s most significant risks to achieving its mission and delivering value to its customer-owners, including those risks managed by its Service Provider.

LIPA and its Service Provider shall maintain the Program with the following key provisions:

- LIPA and its Service Provider will strategically manage their respective risks to reduce the probability of significant outages, financial loss, health and safety events, and reputational harm;
- LIPA will maintain an Enterprise Risk Management Committee (“ERMC”) consisting of at least three staff appointed by the CEO, two of whom must be drawn from senior management, to oversee LIPA’s Program and the activities of its Service Provider;
- LIPA’s Service Provider will maintain a Risk Management Committee to oversee their ERM Program, to identify, assess, monitor, and manage their most significant risks, and report on those risks to LIPA’s ERMC;
- LIPA and its Service Provider will perform an evaluation of their most significant risks and corresponding management activities and report them to the senior management of LIPA and its Service Provider for review and evaluation on an annual basis, with ongoing monitoring between reviews;
- LIPA and its Service Provider will review LIPA’s insurance and other forms of coverage against insurable risks, including the availability and economics of such coverage, each year; and
- LIPA will conduct a biennial review of the maturity of the Program compared to industry best practices, which will be provided to the Board of Trustees, senior management, and LIPA’s Internal Audit staff.

LIPA’s Chief Executive Officer or his or her designee will report annually to the Finance & Audit Committee of the Board on the Policy, including:

- A review of the significant risks to LIPA’s mission; and
- Compliance with the key provisions of the Policy.