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Statement of Policy

It is the policy of NorthWestern Energy to maintain an Enterprise Risk Management (ERM) program to identify, assess, and manage risks to the business in a disciplined, formal manner that is designed to be an integral part of the ongoing strategic and operational activities of the company.

Objective

The Enterprise Risk Management (ERM) Policy will provide the authority:

- To assist management in the identification, assessment and response to short-, medium- and long-term Risk Events across the enterprise, and
- To define the responsibilities of the Enterprise Risk Management Committee, management, and the ERM Consultant in regards to organizational roles, ERM program responsibilities and day-to-day risk management functions.

Scope

This policy applies to all company business processes and systems.

Definitions

- A. Business Continuity – corporate level planning, oversight, coordination and management of emergency response and recovery operations.
- B. Disaster Recovery – department level planning to address local and or specific business process needs during response and recovery operations.
- C. Enterprise Risk Management – The culture, capabilities, and practices, integrated with strategy setting and its execution, that organizations rely on to manage risk in creating, preserving, and realizing value.
- D. Enterprise Risk Management Framework – A conceptual tool to align business objectives, risks, and controls for purpose of achieving the organization’s mission and executing its business plans.
- E. Risk Event – An incident or occurrence emanating from internal or external sources that could affect implementation of strategy or achievement of objectives. Events may have positive or negative impacts, or both.



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Policy Provisions

- A. An ERM program is maintained as a formal business process to meet the following business objectives:
 1. Maintain an Enterprise Risk Management Committee (ERMC) to provide senior management sponsorship and guidance for ERM Program objectives and to consider, review and define the organization's risk profile and action steps to address risk. A separate committee charter and mission statement will delineate the specific organizational role, membership composition, and functional responsibilities of the committee.
 2. Integrate department level risk management and Disaster Recovery planning into the ERM process to mitigate risks associated with business continuity such as, cyber attacks, global pandemics, and/or natural disasters, including physical and transitional climate-related risks.
 3. Facilitate the annual review and approval of the Corporate Risk Appetite Statement, and incorporate risk planning into the annual Strategic Planning Process.
 4. Incorporate risk planning into the Internal Audit plan to ensure risk priorities are defined for all business processes.
 5. Minimize the impacts of risk management activities on daily operations and company resources.
 6. Provide technical guidance and assistance to managers by:
 - a. Providing risk assessment tools,
 - b. Providing risk monitoring and reporting tools,
 - c. Providing assistance with the creation of risk mitigation plans,
 - d. Evaluating risk management solutions,
 - e. Coordinating training for employees who have risk assessment and risk resolution responsibilities,
 - f. Capitalizing on business and technology solutions, to assist business process owners to facilitate risk collection, assessment, response, monitoring and communications roles.
 7. Coordinate responsibilities within the company regarding regulatory/governmental local/state/federal/industry entities that contribute to risk mitigation,



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8. Inform Officers and the Audit Committee of the Board of Directors of the objectives of the ERM Program, and
 9. Develop a pool of internal expertise to ensure program continuity.
- B. All members of management are responsible to:
1. Ensure that risk management tenants and processes are incorporated into their daily business activities,
 2. Ensure that appropriate members of their staff participate in training for risk management concepts and techniques,
 3. Ensure that risk management activities are incorporated into an enterprise assessment that supports a holistic evaluation of risk issues across the company,
 4. Prepare and participate in a review of departmental risks,
 5. Initiate, monitor, assess, and report on risk management activities throughout the year,
 6. Enforce compliance with risk mitigation procedures and action plans, and
 7. Budget appropriate annual expenditures for risk management priorities and adequate resources to ensure ERM program continuity.
- C. The ERM Consultant has responsibility to:
1. Coordinate the maintenance of the Risk Management Program, policies and plans,
 2. Implement and ensure the maintenance of technical systems which support the information, communications and monitoring components of the ERM program,
 3. Develop and maintain internal risk management capabilities to assist management with departmental planning activities,
 4. Ensure that Business Continuity issues are identified as part of the ERM Program.
- D. The structure of the ERM Program will generally be consistent with the Treadway Commission's Committee of Sponsoring Organization's Enterprise Risk Management - Integrating with Strategy and Performance Framework.
- E. This policy will be reviewed by the Enterprise Risk Management Committee annually.



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Corporate Policy Provisions

- A. Nothing in this policy is intended to limit an employee's rights under the National Labor Relations Act (NLRA).
- B. If any of the provisions of this policy conflict with federal or state law, the provisions of the federal or state law prevail.
- C. If any of the provisions of this policy conflict with those of a collective bargaining agreement (CBA) for covered employees, the provisions of the CBA will prevail.
- D. All employees are expected to comply with this policy. Failure to do so may result in disciplinary action up to and including termination of employment.
- E. The existence of this policy does not create a contract or vested right of employment implied or otherwise. NorthWestern Energy is an at will employer in South Dakota, Nebraska, and Wyoming.
- F. NorthWestern Energy reserves the right to amend, terminate, or otherwise modify this Policy at any time. The effect of any amendment or modification, however, will be prospective, not retroactive.