Entergy’s Risk Management Strategy

Entergy has a formal process for identifying, assessing, mitigating, reporting, and monitoring its top enterprise risks. These risks are multidimensional, complex, interrelated, and affect multiple key stakeholders.

Our Current Enterprise Risks

Our Customers: We seek to meet or exceed the expectations of our customers by managing the risks to Customer Experience regarding 1) their interactions with us, 2) our offerings to them including meeting their sustainability desires, the cost of their service, and 3) the foundational level of Service Reliability they expect.

Our Employees: Consistent with our safety objective to live safe all day, every day, Employee and Contractor Safety is one of our top enterprise risks, as well as protecting our workforce from disruptive events like Pandemics. We continue to focus on Talent Management by acquiring, developing, and retaining a diverse workforce with the knowledge, skills, and capabilities required for our operations.

Our Operations: Protecting our assets and systems from Cyber and Physical Security risks is essential to our operation. Our nuclear plants provide low cost and carbon free power to our customers, and we focus on mitigating risks to their operation, particularly those that may lead to an Extended Shutdown. We prepare for and respond to Weather Events that may disrupt our ability to sustain our operations and provide essential services to our customers, and we require a robust and sustainable Supply Chain to meet our business objectives.

Our Owners: We require solid Liquidity to fund our operations, particularly during stressful events like a large-scale tropical storm that may simultaneously drive increased spend and reduced revenue. We must manage our O&M spend to meet our commitments to our owners and customers, and we rely on investment grade Credit Ratings to attract capital at a reasonable cost.

Other Stakeholders: We engage with our Regulatory bodies to timely recover our prudently incurred costs and to realize the expected returns on our investments. We continue to focus on ESG issues by measuring and tracking ESG Performance.
**Execution risk**

To manage the challenges to executing major initiatives and large projects intended to further our strategy, Entergy has a **Major Initiative Execution Risk** process that tracks the risks to achieving the objectives of those initiatives, including delivering on scope, schedule, and cost commitments.

**Our ERM Process**

*Risk Identification*

The ERM function continually engages with leaders across the company to identify enterprise risks.

*Risk Assessment Criteria*

We assess the Inherent level of each risk prior to adjusting for management actions in place to alter its severity, and we also assess the effectiveness of our existing management actions based on defined Key Performance Indicators. The assessment of Inherent risk combines Likelihood, Impact, and Velocity to derive an Inherent risk score. We prioritize our risks based on Residual risk score, the difference between the Inherent risk score and the amount of risk controlled derived from the assessment of risk management effectiveness. The risk assessment process also involves rating the interdependencies among the risks. This reveals the risks that are highly active (affecting many other risks) which is also useful for optimizing risk response.

*Risk Ownership*

Each Enterprise risk is formally owned by a member of the OCE and managed by a Risk Manager. Entergy has an ERM Subcommittee comprised of Risk Managers and other subject matter experts. The committee is a venue for sharing risk information, validating risk assessments, and collaborating on risk treatment.
**Integration with Audit Plan**

Entergy’s Audit team is currently using enterprise risk to influence the audit plan, and to gain insight into what areas to consider. The integration of ERM has allowed Audit to better prioritize their work. Audit findings are also mapped to and reported by enterprise risk factors.
Integration of risk information and decision making

We began identifying risk interdependencies to facilitate optimization of risk responses and link the capital plan to individual risk factors. Including ERM factors when making these capital choices allows for a more informed decision making.

Risk Reporting

The ERM function formally reports Enterprise Risks to the Office of the Chief Executive and to the Audit committee of the Board in January, May, July, and October of each year. Each update summarizes the risk landscape and reports the overall risk score trend, changes in the risk assessments and risk themes.

Maturity Assessment

Entergy tracks ERM progress through periodic assessments of maturity. These assessments provide a gauge of the evolution of Entergy’s risk management practices and suggests areas for enhancement.
ERM Maturity Assessment

March 2021

Overall Maturity

November 2021

Overall Maturity

Low Maturity

High Maturity