

MARSH RISK CONSULTING

Mark Aiello
Senior Vice President

161 Bay Street, Suite 1400
Toronto, Ontario M5J 2S4
+1 416 868 2011
Fax +1 416 868 2526
mark.aiello@marsh.com
www.marshriskconsulting.com/canada

Thomas Assimes
Chief Financial Officer, Site C Project
BC Hydro
333 Dunsmuir
Vancouver, B.C.
V6B 5R3

11 August 2014

Subject: Review of Site C Project Enterprise Risk Management Framework

Dear Mr. Assimes:

Marsh Risk Consulting (Marsh) has completed a review of the Enterprise Risk Management framework for the Site C Project (the Framework). Marsh was asked to review and comment on the risk management approach and framework put in place by the Site C Project team. The review was conducted to ensure that the Framework aligned with industry best practice.

Project Scope

The program review was intended to provide an objective, third party to ensure that the Framework meets leading practices and is effectively positioned to effectively support BC Hydro in managing the risks associated with the Site C project.

The scope of our review was to focus solely on the underlying framework and approach, including program communication and governance. The scope did not address the actual risks identified and evaluated within the Framework.

Approach

The program review consisted of two core elements:

1. Developing an Understanding of the Current Program
2. Reviewing the Current Program Against Leading Practice

Developing an Understanding of the Current Program

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To gain the appropriate understanding of the framework and context around its development, the Marsh team reviewed all framework and communication documentation that has been developed for the Site C program. This documentation included:

- Risk Management Plan – March 2014
- Short Form Risk Register – June 2104
- Preliminary Risk Report Main Civil Works Package – June 2014
- Main Civil Works Consolidated Minutes

Along with the document specific to the Site C risk management framework, Marsh reviewed a number of BC Hydro's corporate risk management governance documents and templates.

In addition to the document review, Marsh gained additional context by conducting one-on-one interviews with seven key personnel within the Site C team. These interviews provided details on how the Framework is put to practical use on an ongoing basis.

Reviewing the Current Program Against Leading Practice

The second core element of the review was to evaluate the Framework against recognized leading practice. The framework was evaluated against:

- Marsh's proprietary risk management framework
- ISO 31000 risk management framework
- BC Hydro Corporate risk management framework

The focus of the review was to ensure that the framework adopted by the Site C team was in alignment with recognized leading practice and with BC Hydro's corporate program.

Findings

We evaluated the framework on a number of key elements:

- Framework Foundation
- Stakeholder Engagement and Integration with Operations & Project Management
- Communication and Accountability

Framework Foundation

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The Framework consists of five elements:

- Risk Management Planning
- Risk Identification
- Risk Analysis & Evaluation
- Risk Response Planning
- Risk Monitoring & Control

The Framework is designed to be iterative with a continuous improvement focus. The elements of the Framework align with Marsh's risk management framework as well as the ISO 31000 framework. Further, we are comfortable that the Framework is consistent with the spirit and approach of BC Hydro's corporate risk management framework.

Stakeholder Engagement and Integration

A best practice risk management framework should engage stakeholders at different levels of the organization in the development and execution of the program. Further, adoption and integration into day-to-day processes is an important element to ensuring an effective, sustainable program.

Our analysis has shown:

- Every level of the project team (e.g. Board, Executive Team, Area Planners etc.) has bought into the importance of the risk management program
- A high level of engagement from senior leadership has provided a solid foundation and has established a level of engagement expectation from area planners
- The risk management framework is effectively integrated into the everyday operations at every level of the project
- Partnering organizations (e.g. Ministry of Transportation etc.) are involved in the process and kept informed of relevant risks

In summary, the Site C framework has a high level of engagement from key stakeholders and is well integrated into project operations and decision making.

Communication and Accountability

Regular, clear and effective communication is a critical element of a best practice program. Our review revealed that:

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- Communication between the leadership team, area managers, work package managers etc. is very effective
- Risks are reported and communicated from a top-down and bottom-up approach improving the decision making process as detailed, relevant information is conveyed
- Risks are assigned to their appropriate owners and responsibility is passed down to area planners
- High level of accountability has been established by the work package managers which has driven the high level of communication and integration

The Site C project team has developed an effective communication framework with respect to its risk management program that ensures a regular exchange of relevant information to all necessary parties.

Accountability

An effective risk management program must assign risk management responsibilities to appropriate stakeholders and ensure that those stakeholders are accountable for their identified risk areas. Our analysis has shown that:

- Risks are assigned to their appropriate owners and responsibility is passed down to area planners
- High level of accountability has been established by the work package managers which has driven the high level of communication and integration

Summary

In our view, BC Hydro's Site C Risk Management team has done a very good job developing its project risk plan and is well positioned to implement risk management planning as the project continues to mature.

A strong foundation for risk management has been developed for the Site C project. As the project evolves, the team is in a good position to sustain effective risk management.

Sincerely,



Mark Aiello
Senior Vice President

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