

## **I. INTRODUCTION**

The Audit and Enterprise Risk Committee (the “Committee”) of the Board of Trustees of The Trustees of Purdue University (the “University”) is vested with authority and responsibility under the Bylaws to maintain oversight of the internal audit and risk management functions of the University. In furtherance of such its oversight responsibilities, and consistent with the maintenance of the “enterprise-wide risk management mechanism” contemplated by the Committee’s own charter, the Committee does hereby:

- (i) adopt and describe in this charter the University’s Enterprise Risk Management (“ERM”) program; and
- (ii) authorize the Chief Audit Executive (“CAE”) of the University, in consultation with the Chief Financial Officer and Treasurer, to form a Business Risk Management Team (the “Team”) to conduct and manage the ERM program.

This charter sets forth expected parameters for the purpose, organization and responsibilities of the Team regarding the identification of strategic risks and the review, assessment, and control processes pertaining to such risks. Once organized under the direction of the CAE, the Team will be considered a management working group having the authority to develop and implement ERM processes and to advise on and make recommendations to the Committee concerning strategic risks, but it shall not be considered a “governing body” with delegated authority of the Committee to take official action on University business.

## **II. AUTHORITY AND PURPOSE**

As it relates to ERM, the Team shall consist of cross-functional leaders tasked with providing input, developing consensus, and making recommendations to the Committee regarding the University’s risk appetite, as well as the identification, prioritization and mitigation of material risks facing the University—all in a manner designed to preserve resources, maintain financial integrity, promote physical safety and information security, and risk transparency.

## **III. RESPONSIBILITIES AND OBJECTIVES**

Without limiting the generality of the foregoing, the Team’s responsibilities and objectives will include identification of high-risk areas that are directly connected to University’s strategy based on strategic higher education industry and University-specific knowledge. Toward this end, the Team will assign risk owners with the accountability for risk areas and will work with such risk owners to establish appropriate risk mitigation strategies. Based on those strategies, the Team will develop and oversee a continuous risk assessment process embedded in University’s daily business operations. In addition, the Team will:

- Further develop, articulate, and communicate an understanding of the university’s risk landscape, risk profile and mitigation activity effectiveness based on the University’s strategy and its external environment.
- Enhance means of identifying, qualifying, quantifying, measuring, monitoring, and mitigating key risks.

- Educate the Board, management, and staff about their responsibilities to identify and manage risks – develop and communicate “risk smart” thinking across the University.
- Maintain an inventory and evaluation of all key risks across the University.
- Assign Risk Owners to each risk with the accountability for the risk mitigation action plans and review effectiveness of the risk mitigation activities on a periodic basis.
- Monitor the external environment including competitive, technological, political, economic, and regulatory developments (including, in the latter case, significant reports from regulatory agencies and any new regulatory guidance related to risk exposures), and assess the potential impact on the University.
- Report periodically (and no less frequently than annually) to the Committee and the Board of Trustees on the effectiveness of ERM program and escalate issues of material significance to the Committee and the Board as soon as practicable.

#### **IV. ORGANIZATION**

##### ***Membership and Meetings***

In consultation with the Chief Financial Officer and Treasurer, the CAE will, in her discretion, select and recruit a number of cross-functional stakeholders to serve on the initial Team and may select additional members from time to time as needed.

The Team shall meet at such times and with such frequency as the CAE shall deem necessary, in consultation with the Chief Financial Officer and Treasurer. Any member of the Committee may request a meeting with the Team at any time, it being recognized that such a meeting, to the extent it involves a quorum of the Committee, will need to comply with the requirements of Indiana’s Open Door Law (“ODL”) for either a public session or executive session, as appropriate.

The CAE will chair Team meetings, and will separately meet with the Committee to provide the reports described in the last bullet of Section III above as well as in Section V below. The objective of the CAE’s meetings with the Committee, which may occur in executive session under the ODL when appropriate, will be to provide an unfiltered path for the communication of risk and foster open dialogue concerning strategic risks with the Committee, which may escalate them to the full Board of Trustees, as needed.

The CAE will lead the ERM program and facilitate ERM processes and oversight, and the Team will review the status of the ERM process at each meeting. In connection with its deliberations, the Team may request that any officer or employee of the University, or any special counsel, consultant or advisor, attend a meeting of the Team to discuss particular aspects of the ERM process. In addition, the Team may appoint working groups to address specific aspects of the ERM process, as needed.

##### ***Roles and Responsibilities***

The following describes key roles and responsibilities with respect to the ERM program:

- *Board of Trustees.* Has ultimate responsibility for the management and conduct of the University, including the ERM program and the risk appetite established through it.

- *Committee.* Oversees, on behalf of the full Board, the internal audit and risk management functions of the University, including the ERM program contemplated by the Committee's own charter.
- *Team.* Provides input and develops consensus regarding the University's risk appetite, material risk identification, prioritization, and mitigation and fulfills the responsibilities and objectives described in Section III above regarding the ERM process.
- *CAE.* Facilitates the ERM process throughout its lifecycle, facilitates risk discussions with Team, provides support, framework, and tools to those involved in ERM.
- *Risk Owners or Risk Action Groups.* Provide additional insight for high risks, build out action plans, identify monitoring metrics and provide updates to the Team on the status of risk mitigation activities.

The foregoing roles and responsibilities are also summarized in *Appendix A* to this charter.

### ***Charter***

This ERM charter may be reviewed and amended from time to time by the Team to reflect changes to the University's strategy and to ensure it effectively meets regulatory requirements. Any findings, modifications, or changes to the charter shall be disclosed and presented to the Committee for review and awareness.

## **V. REPORTING**

The CAE shall report on ERM at least annually to the Committee and, upon request, to the full Board of Trustees. The CAE will communicate with and report directly to the chair of the Committee, as the CAE or the chair deems necessary or appropriate. In connection with reports to the Committee and the Board, the CAE may designate additional Team representatives and invite them or other key stakeholders to provide input or make recommendations to the Committee and/or the Board on certain ERM activities.

**APPENDIX A**

	<b>BoT</b>	<b>Audit and Ent Risk Committee</b>	<b>Risk Management Team</b>	<b>Chief Audit Executive</b>	<b>Risk Owners</b>
<b>Establish ERM governance structure and oversight</b>	<b>A</b>	<b>A</b>	<b>R</b>	<b>R</b>	<b>I</b>
<b>Establish the ERM process and framework/foundational documents</b>	<b>I</b>	<b>I</b>	<b>C/I</b>	<b>R</b>	<b>I</b>
<b>Risk identification</b>		<b>I</b>	<b>A</b>	<b>A</b>	<b>R</b>
<b>Risk Analysis</b>		<b>I</b>	<b>A/R</b>	<b>A/R</b>	<b>R</b>
<b>Risk Evaluation</b>		<b>I</b>	<b>A/R</b>	<b>A/R</b>	<b>R</b>
<b>Risk mitigation plans</b>	<b>I</b>	<b>I</b>	<b>C/I</b>	<b>C/I</b>	<b>A/R</b>
<b>KPI development</b>		<b>I</b>	<b>C/I</b>	<b>C/R</b>	<b>A/R</b>
<b>Monitor risk landscape and mitigation plan effectiveness</b>	<b>I</b>	<b>I</b>	<b>C/I</b>	<b>C/R</b>	<b>A/R</b>
<b>Risk register/ Program maintenance</b>		<b>I</b>	<b>C/I</b>	<b>A/R</b>	<b>C/I</b>
<b>Continuous risk assessment</b>	<b>I</b>	<b>I</b>	<b>C/I</b>	<b>C/I</b>	<b>R</b>
<b>Reporting and oversight</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A/R</b>	<b>A/R</b>
<b>Develop a process to identify emerging risks (Establish KRI's)</b>	<b>I</b>	<b>I</b>	<b>A/R</b>	<b>A/R</b>	<b>A/R</b>
<b>Monitor KRI's and emerging risks and update risk assessment accordingly</b>	<b>I</b>	<b>I</b>	<b>A</b>	<b>A/R</b>	<b>A/R</b>

**R** – Responsible

**A** – Accountable

**C** – Consulted

**I** – Informed