

ABC Risk Appetite Statement

Background

What is a Risk Appetite Statement?

A statement on the amount of risk we are willing to take in the pursuit of our goals. No element of risk management says we cannot or should not take risk.

What are the benefits of having a Risk Appetite Statement?

To guide staff in their decision-making and their reporting of abnormal events or abnormal exposures. Risk Criteria in conjunction with a risk matrix go part of the way to articulating risk appetite. A Risk Appetite Statement provides more clarity by providing additional perspectives on different categories of risk.

What should our Risk Appetite Statement Cover?

A risk appetite statement should cover:

1. The key organisational objectives
2. Other key fundamentals of the business such as financial resilience and safety if these are not already articulated via organisational objectives.

ABC Risk Appetite Statement

ABC are custodians of our shareholder' investment in their future prosperity and the supporting funds provided by Government. Therefore we seek to balance our risk position between:

- Investing in risky activities that may drive substantial growth in the demand for ///, and
- The need to remain a stable organisation with the capacity to continue to work for our members long into the future.

Therefore our risk appetite is necessarily towards the middle of the risk taking spectrum. Depending on our results from year to year, we may choose to increase or decrease our appetite for higher risk activities.

The table below provides further explanation of our risk appetite with respect to our strategic objectives and other fundamentals of our business:

Table: Risk Appetite Descriptors

Key Performance Area	Risk Appetite Descriptor
Operational R&D – Build and maintain a sustainable and profitable industry	We seek a balance between aggressive targeted research and development of matters with the potential for short to medium term commercial gain and the need to continually pursue sustainability of the industry. We do not actively seek high risk, high return projects.
Product R&D – Innovation in product R&D and marketing to support Trade Partners	Where projects arise that will address future threats to the industry, we will pursue these aggressively. Otherwise we seek matters with the potential for short to medium term commercial gain. Where these projects require large investments, they will be considered on a case by case basis. We will always be circumspect in choosing our Trade Partners.
Marketing – Increase demand for /// through informing and motivating target consumers, retailers and the supply chain	We desire /// to be at the pinnacle of the //// industry. We will pursue aggressive, higher risk strategies on a case by case basis. However, our marketing should always be well within ethical boundaries established under accepted Australian industry standards and those of other regions in which we operate.
Brand – Revitalisation and building of our brand	Our promotion and defence of our Brand will always be aggressive. We will defend the /// Trademark in all territories and take on legal actions even if the likelihood of success is low to send clear messages we are serious about protecting our brand.
Market Access – Extend access through proactive management of regulatory and trade environment	In our key manufacturing and emerging markets we will aggressively seek market access. At all times, our initiatives must remain ethical and must be appropriately considered in terms of the feasibility of success and the investment required.

Reputation	<p>Our reputation for integrity and competence should not be compromised with our key stakeholders, /// and Government. There should be no incidences of major breaches of our integrity and no major recommendations for improvement should occur at the tri-annual review.</p> <p>Staff and our partners should be frequently reminded that we have a zero tolerance for fraud, corruption, facilitation payments or any other related activity.</p>
Regulatory compliance	<p>We have a very low tolerance for compliance breaches. While minor breaches may occur from time to time due to the complexity of business, there should be no excuse for substantive breaches at any time.</p>
Performance Measurement	<p>As we have so many Members relying on us and we are entrusted with government funds, we must have a strong focus on performance measurement and management. We aim to score highly at our triennial reviews across all elements of our review.</p>
Operational efficiency	<p>Efficiency is a very high priority to maximise our ability to pursue our corporate goals. Furthermore, efficiency is within our control and hence should be a strong focus for all staff.</p>
Knowledge Management & IP	<p>We treat our know-how and other IP as highly valuable assets that should be protected. We place a strong emphasis on ensuring we know and understand the value of our IP. Wherever practical our IP should be protected under contract and we will defend breaches of our IP on a case by case basis.</p>
Workplace health and safety	<p>There is no reason for anyone associated with our business to take safety risks other than those normally associated with travel. When travelling long distances or to remote locations, staff should review our WHS policies and be well aware of their responsibilities.</p>
Financial	<p>Over and above our willingness or otherwise to invest in R&D, marketing and efficiency drives, we also require a stable financial position to be conserved as outlined in our Financial Reserves Policy.</p> <ol style="list-style-type: none"> 1) Forward Contracts Reserve sufficient to cover commitments to end of financial year. 2) Operating Reserves of 9 months of operating revenue 3) Emergency Reserve of \$//M to cover our obligations under the ///.