

# MACQUARIE UNIVERSITY

## RISK APPETITE STATEMENT

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### Definition and Purpose of Risk Appetite Statement (RAS)

The COSO (2017) *Enterprise Risk Management—Integrating with Strategy and Performance*<sup>1</sup> defines risk appetite as:

“The types and amount of risk, on a broad level, an organization is willing to accept in pursuit of value.

Inherent in this definition are several key points. Risk appetite:

- Is intentionally broad to apply across an organization, recognizing that it may differ within various parts of the organization while remaining relevant in changing business conditions.
- Focuses on risk that needs to be taken to pursue strategies that enhance long-term success.
- Recognizes that risk is more than individual decisions.
- Links to value—it is tied to the choices the organization makes on how it creates and preserves value.”

### Macquarie University Risk Appetite Statement (RAS)

At Macquarie University, the Risk Appetite Statement defines the type and degree of risk it is willing to accept to achieve its strategic and operational ambitions.

Its purpose is to support the governance bodies, executive and staff in aligning their decision making to the University’s risk appetite.

It does so by establishing the boundaries for risk-taking. These boundaries detail the principles and, where possible, quantitative and/or qualitative metrics, that when reviewed as a collective, assist in decision making.

The Risk Appetite Statement is to be used to review new initiatives and the ongoing performance of the University and its controlled entities. It is set and monitored by the University Council to assure that decisions and ongoing delivery of services are within the organisation’s risk appetite.

### Approach to Risk Appetite

Macquarie University Group supports a positive risk culture, where individuals are empowered to take measured risks to achieve strategic goals and to act within the core values of scholarship, integrity and empowerment. Conversely, activities that threaten the viability of the University Group and its controlled entities, and their strategies, will not be supported.

To guide and assist decision makers in aligning with its risk appetite, the adoption of the risk appetite parameters is required for any new strategic initiative and for the ongoing monitoring of operational performance.

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<sup>1</sup> Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2017. *Enterprise Risk Management— Integrating with Strategy and Performance* (the ‘Framework’).

Referenced in the COSO research paper: COSO 2020. Risk Appetite – Critical to Success: Using Risk Appetite to Thrive in a Changing World (<https://www.coso.org/Documents/COSO-Guidance-Risk-Appetite-Critical-to-Success.pdf>)

## **Unacceptable Outcomes**

The Executive and Council do not support any activities that inhibit the achievement of our strategy and are contrary to our core values. These include:

- Situations where serious and avoidable harm or adverse outcomes occur to people resulting from direct engagement with the University or controlled entities.
- Activities that compromise academic, research, patient safety, or professional quality and integrity of the University or controlled entities.
- Adverse impacts on the reputation of the University or controlled entities.
- Actions that adversely impact the capital resilience of the University or controlled entities.
- Activity that compromises the legal and regulatory obligations of the University or controlled entities.
- Activity that adversely impacts or contributes to the ethical, environmental, sustainable, and philanthropic concerns in the business operations or interactions with the stakeholders of the University or controlled entities.

## **Risk Appetite Statement**

The Risk Appetite Statement for each of the agreed Risk Categories is provided in following section.

## Risk Appetite Statement (approved by the University Council on 22 June 2023, minor revision in Nov 2023)

‘Risk Appetite’ means the types and amount of risk, on a broad level, the University is willing to accept in pursuit of its objectives.

It is a guide for assisting strategic and tactical decision-making, and those decisions must be informed by consideration of the combination of individual risks (threats and opportunities) of those decisions, and the associated controls in place to manage them.

MQ RISK APPETITE LEVELS	AVERSE Avoidance of all risk	MINIMALIST Preference for very low risk	CAUTIOUS Preference for lower risk options	OPEN Willing to consider all options	HUNGRY Eager to innovate
RISK CATEGORY & APPETITE STATEMENT	EXAMPLE BEHAVIOURS				
<b>EDUCATION - ACADEMIC MATTERS</b> Development of market-orientated innovative courses with the potential to provide the University with a competitive differentiation and contribute to ongoing commercial success.	The University is unwilling to invest in the development of new courses.	Consideration restricted to very low risk market orientated course options in contiguous markets with limited commercial benefits. Would be unlikely to provide competitive differentiation.	Preference for developing market-orientated courses and consider discipline areas that are associated with low risk and have some potential to provide the University with a competitive differentiation.	Appetite to consider all options to develop market-orientated innovative courses and new discipline areas. Likely to peruse options that result in successful delivery, providing an acceptable level of reward, value for money and provide the University with a competitive differentiation.	Appetite to aggressively develop market-orientated innovative course options and new discipline areas for competitive differentiation and commercial success.
<b>EDUCATION - STUDENT EXPERIENCE</b> Driving excellent student experiences and outcomes and putting our students’ engagement and success at the forefront of everything we do.	Unwilling to explore and take any measures to further strengthen and improve the student experience. Focus on meeting base expectations.	Risk taking limited to pursuit of very low-risk options to improve adaptive and engaging learning and campus experience. Would be unlikely to provide competitive differentiation.	Prepared to investigate options with a low degree of risk to strengthen and improve adaptive and engaging learning and campus experience, supportive of wellbeing, equity, and social impact.	Willing to explore and consider taking options with a medium degree of risk striving to provide a person-centred, adaptive and engaging learning and campus experience, supportive of wellbeing, equity, and social impact.	Eager to explore and take options with a higher degree of inherent risk to provide a person-centred, adaptive learning experience, meaningful and engaging campus experience, supportive of wellbeing, equity, and social impact.
<b>RESEARCH</b> Pursuit of innovation, research and development opportunities to accelerate growth and diversification in sources of external income to support our research mission.	Resistant to pursue research and development opportunities.	Risk taking limited to pursuit of very low-risk research and development opportunities. Unlikely to accelerate growth or to diversify sources of external income.	Preference for low risk innovation, research and development opportunities that provide limited potential to accelerate growth and diversification in sources of external income or to attract leading talent.	Supports the pursuit of all potential options in innovation, research and development opportunities. Choosing options that are likely to accelerate growth and diversification in sources of external income to support our research mission.	Prepared to pursue innovation, research and development opportunities in selected areas with higher inherent risk to aggressively accelerate growth and diversification in sources of external income to support our research mission.
<b>REPUTATION</b> Maintain and enhance a reputation of providing industry leading, high quality education, academic and research opportunities; staff and student experience, conduct, ethics and professionalism are highly regarded.	Avoids risk that is uncontrolled or could lead to a negative impact on our reputation or any of our key stakeholders (Governments, funding bodies, or TEQSA). Avoidance of any negative social or professional media attention or reporting.	Risk taking limited to those activities or events where there is no significant repercussion with key stakeholders. Tolerance of risks that might lead to very limited adverse social or professional media attention.	Preference for risk taking limited to those activities or events where there is little chance of any significant repercussions with stakeholders should there be failure. Tolerance of risks that might lead to some adverse social or professional media attention.	Appetite to take decisions with potential to expose the University to additional public or political scrutiny but only where appropriate steps have been taken to minimise any exposure. This includes chance of short-term adverse social or professional media attention or repercussions with stakeholders.	Appetite to take decisions that are likely to bring extensive public or political scrutiny or from stakeholders and/or the media but where potential benefits outweigh risks.
<b>WORKER / EMPLOYEE RELATIONS</b> To attract and retain high performing academic, clinical and professional staff across a range of fields aligned to our MQ core values, culture and strategy.	Unwilling to take any measures to attract and/or retain high performing staff. No appetite for significant shifts in terms and conditions or for actions which might incur industrial action.	Consideration restricted to low risk ultra-safe options with limited benefits or change to worker/employee relations.	Prepared to investigate options with a low degree of risk that limit the impact on the Universities core values and culture. Limited potential for change to employee relations with similar restriction to improvements to University strategy.	Willing to consider all potential options in employee relations, open to opportunities to ensure attraction and retention of high performing staff, aligned to core values and culture, where reputational benefits and rankings reward are considered against increased associated costs.	Eager to be innovative in employee relations, the attraction and retention of high performing staff without firm guarantee of potential gains to the University’s strategy and where some appointments may not be aligned with the University’s culture and core values.

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RISK CATEGORY & APPETITE STATEMENT	EXAMPLE BEHAVIOURS				
<b>WORKPLACE HEALTH AND SAFETY</b> Positive behaviour or decisions, operations, activities or processes that promote strong safety culture and reduce or illuminate safety or security risks within the MQ community.	Avoids behaviour, decisions, operations, activities or processes that present any risk to people at all. Zero tolerance for fatalities or permanent serious injury incidents.	Risk taking limited to behaviour, decisions, operations, activities or processes that are very low or no risk to people. Zero tolerance for fatalities or permanent serious injury incidents.	Risk taking limited to behaviour, decisions, operations, activities or processes that are medium inherent risk (e.g. use of hazardous materials) to people if mitigated to low risk. Zero tolerance for fatalities or permanent serious injury incidents.	Considers operations, activities or processes that are medium-high inherent risk to people (e.g. field work in remote or higher risk locations) if mitigated to low or medium risk. Zero tolerance for fatalities or permanent serious injury incidents.	Prepared to undertake operations, activities or processes that are high inherent risk to people even if there is limited ability to mitigate to low or medium risk levels. Zero tolerance for fatalities or permanent serious injury incidents.
	Avoids implementation of any changes that may temporarily impact safety culture and reduce or eliminate safety or security risks within the MQ community.	Limited consideration of options that provide insubstantial improvements to safety and reduction or elimination of safety or security risks to the University.	Preference for low-risk options that provide limited potential for improvements to the Universities safety culture to reduce or eliminate safety, wellbeing or security risks within the MQ community.	Considers implementation of initiatives aimed to improve and promote strong safety culture and reduce or eliminate safety, wellbeing or security risks within the University community.	Prepared to implement initiatives that have higher associated inherent risk to aggressively promote strong safety culture and have increased ability to reduce or eliminate safety, wellbeing or security risks within the MQ community.
<b>ENVIRONMENTAL</b> Activities that will improve the environment, support sustainable environmental practices or mitigation or adaptation to climate change.	Only willing to accept low-cost options. New environmental initiatives not perused.	Limited activities considered with restricted resources. Insubstantial improvements to the environmental impact of the University.	Preference for low-risk activity options that offer limited potential to improve the environment, sustainable environmental practices, and climate change.	Prepared to consider all activities to improve the environment and support sustainable environmental practices. Implementation likely to result in successful delivery leading towards mitigation or adaptation to climate change.	Appetite to aggressively peruse innovative higher-risk activities to improve the environment, support sustainable environmental practices or mitigation or adaptation to climate change.
<b>LEGAL AND COMPLIANCE</b> Integrate regulatory and legislative obligations into operational procedures that enhance and align with our culture of quality education, research, professional services and operations.	Avoids anything that could be challenged, even unsuccessfully. No appetite for any breaches of external regulations eg. privacy and consumer law.	Risk taking limited to matters that the University has strong confidence of successfully defending or winning any challenge. Avoidance of any action that could result in a regulatory breach.	Preference for matters that the University has reasonable confidence of successfully defending or winning any challenge. Limited consideration for any action that could result in a regulatory challenge.	Challenge is likely and will be problematic, but the University has confidence of successfully defending or winning and the gain is expected to outweigh the adverse consequences. Regulatory challenge problematic, but gains outweigh the adverse consequences.	Chances of an adverse regulatory finding are likely, and the adverse consequences are serious, but the gains are significant in the long term.
<b>FINANCIAL</b> The University has a cautious approach to anything that may adversely impact its 'AA' credit rating or its long-term sustainable EBITDA target of \$175m by 2026.	Avoids anything that reduces EBITDA or may adversely impact credit rating, even temporarily. No appetite for new initiatives unless results are known with certainty.	Willing to accept a very low level of risk to EBITDA or credit rating for activities/initiatives with a strong business case with clear strategic alignment.	Willing to accept a moderate level of risk to EBITDA or credit rating in pursuit of activities/initiatives of strategic value which are supported by a strong business case.	Willing to accept a moderate to high level of risk to EBITDA or credit rating in pursuit of activities that may significantly improve the University's long-term financial position.	Willing to accept a high level of risk to EBITDA or credit rating in pursuit of initiatives/activities that may improve the University's long term financial position.
<b>INFRASTRUCTURE</b> The University has a cautious approach to investment in physical and digital infrastructure in pursuit of its strategic objectives.	The University will maintain existing infrastructure and capability but will not invest in new infrastructure unless the returns are guaranteed.	The University will maintain existing infrastructure and will consider modest investments in new infrastructure where there is a strong business case and clear strategic alignment.	The University recognises the importance of its physical and digital infrastructure as points of comparative advantage and is willing to invest in projects with a low to medium level of risk where there is a strong business case and clear strategic alignment.	The University sees its physical and digital infrastructure as a key differentiator and will invest in projects with a medium to high level of risk that may significantly improve the University's competitive advantage,	The University aspires to be at the cutting edge and will invest in projects with a high level of risk that may significantly improve the University's competitive advantage.