



# RISK MANAGEMENT APPETITE STATEMENT

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## 1. INTRODUCTION

This Risk Management Appetite Statement considers the significant risks to which Australian Wool Innovation Limited (AWI) is exposed in the pursuit of its goals and mandate for innovation and provides an outline of the approach to managing these risks. The Statement is aligned with the strategic and operational plans that AWI has in place.

AWI is the research, development (R&D) and marketing organisation for the Australian wool industry. The company invests along the global supply chain for Australian wool – from woolgrowers through to retailers – to create value for Australian woolgrowers.

AWI is committed to ensuring that all its activities are conducted legally, ethically and with integrity. It has developed policies and procedures to help its employees and consultants meet these high standards of ethics and conduct. In all its work, AWI seeks to protect its stakeholders, its staff and the resources entrusted to it.

## 2. RISK APPETITE STATEMENT

AWI's risk appetite statement reflects its risk management philosophy and sets out a vision on how risks are to be viewed.

AWI's risk appetite provides the basis for setting acceptable levels of risk tolerance and thresholds and contributes to the identification and implementation of mitigation actions.

The AWI Board has responsibility for the organisation, the security and safety of its staff, for the setting and implementation of strategic goals and for the managing of risk associated with its activities. AWI has many stakeholders including the Australian woolgrowers, the Government, supply chain/marketing partners and suppliers.

The risks arising from AWI's RD & M activities and mission to be a highly valued contributor to a vibrant, profitable, and sustainable Australian wool industry can be significant. To remain a stable organisation with the capacity to work in the best interests of Australian woolgrowers, government and industry stakeholders long into the future, these risks must be managed through processes that enhance AWI's brand and reputation, drive innovation, research and strengthen Australian wool fibre's position in the global consumer purchasing intent.

Learning from past experience, continually improving processes and depending on the current strategic challenges the wool industry is facing from year to year, AWI may choose to increase or decrease its risk appetite in favour of higher or lower risk activities, specifically in relation to the research, development and marketing activities.

## 3. RISK MANAGEMENT FRAMEWORK

AWI seeks to have a risk management framework in place that will effectively identify and manage risk across the organisation. The framework sets the requirements and responsibilities for staff and emphasises that the management of risk and risk reporting is everyone's responsibility to have appropriate controls in place and ensure the effectiveness of these controls.

Risks are identified, analysed, evaluated and monitored at both an organisational (top-down) and operational (bottom up) level, as well as at an individual project level.

The AWI Board has ultimate accountability for this process. It may choose to delegate part or all the oversight of this process to its Audit and Risk Committee (ARC) to manage the process on behalf of the Board. The AWI Board may at its discretion, have a formal annual review of the risk appetite process.

## 4. COVERAGE

### 4.1 Strategic Risks

AWI recognises that the actual or perceived inability to deliver strategic initiatives could have a significant impact on its ability to achieve its objectives as well as reputation. AWI acknowledges that there are inherent risks in research and development particularly in 'blue sky' projects. There can never be a guarantee that research investments will result in commercial outcomes. A framework is in place to ensure these initiatives are prioritised appropriately and are managed and reported on a consistent basis.

AWI has to keep abreast of domestic and international issues relating to the wool industry and strategic risks, eg. Changes in consumer demand, legislative impacts, and international trade relations. AWI has processes in place to mitigate these risks which are prioritised through a well-defined framework that involves regular Board and Senior Management communication and reporting.

AWI has a **high risk appetite** for those strategic risks that will realise its strategic goals and objectives.

### 4.2 Financial Risks

AWI assesses its financial risks both from a strategic and operational perspective. AWI always requires a balance between adequate reserves and expenditure on R&D and marketing, and understands that, with currency and commodity price fluctuations it is not always possible to eliminate all risks. AWI will manage associated balance sheet risks to an acceptable level through a framework of policies and financial controls.

AWI has a **low risk appetite** for financial risk.

### 4.3 Reputational Risks

AWI works for the Australian woolgrowers and will manage its reputational risks by upholding the mission, vision and values across all aspects of how the company operates. AWI will seek to ensure transparent and clear communication in order to mitigate reputational risks.

AWI has a **low risk appetite** for activities that will compromise the ethics, values, brand or credibility of the organisation.

#### 4.4 Compliance Risks

AWI is committed to a high level of compliance with relevant legislation, regulation, industry codes and standards as well as internal policies and sound corporate governance principles. AWI will seek to mitigate compliance risks through adherence to internal policies and good corporate governance.

AWI has a **low risk appetite** for non-compliance.

#### 4.5 Fraud & Corruption Risks

Fraud and corruption, as well as the misappropriation of resources, are in direct contravention to AWI's values. AWI will mitigate such actions as deemed necessary in line with our Fraud Risk Management Policy & Guidelines. AWI's reputation for integrity and competence should not be compromised including in relation to key stakeholders and Government.

AWI has a **no tolerance** for fraud and corruption.

#### 4.6 Safety Risks

AWI are committed to creating a safe working environment for staff where people are protected from physical or psychological harm. AWI has introduced processes and invested to reduce the risks associated with activities where practicable.

AWI has **no tolerance** for non-compliance with WHS legislation, regulations and for practices or behaviours that may lead to staff being harmed while at work.

#### 4.7 Human Resource Risks

AWI's employees are critical to the delivery of quality AWI programs and the achievement of its vision. It is critical that AWI have suitable people with the right skills, competence, and behaviours. In order to attract and retain key talent, the AWI People & Culture team will promote evaluation, adaptation, and professional development of its core resources.

AWI has a **no tolerance** for non-compliance with AWI People & Culture stated policies and procedures.

#### 4.8 Information Technology Risks

AWI requires its information management systems and procedures to be adequate and relevant for its intended purpose. AWI's internal control processes need to ensure the development of robust technology systems to potentially mitigate significant and malicious threats to AWI assets.

AWI has a **low risk appetite** to the non-availability of systems and **no tolerance** for misuse of information.

#### 4.9 Operational Risks

AWI carefully analyses risks in all its operational activities, including ensuring that the benefit of the risk control measures exceeds the costs of these measures. AWI has processes in place and can make resources available to manage operational risks to acceptable levels.

AWI has a **low appetite** for operational risk.

#### 5. REVIEW

The AWI Board may determine at its discretion to have a formal review of the risk appetite statement and risk management policy framework process undertaken. This review will be coordinated by the Audit & Risk Committee and proposed changes to the Risk Appetite Statement would be endorsed by the Board.



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