



Risk Appetite Statement

June 3, 2022



FAMU Risk Appetite Statement

Executive Summary

Florida A&M University (FAMU) is an 1890 land-grant institution dedicated to advancing knowledge, resolving complex issues, and empowering citizens and communities. FAMU is a public, historically Black university located in Tallahassee, Florida, enrolling nearly 10,000 students from across the United States and more than 70 countries worldwide.

The University is ranked #104 in the 2022 U.S. News & World Report Rankings and the highest-ranked public Historically Black College or University. The University offers 54 bachelor's degrees, 29 master's degrees, three professional degrees, and twelve doctoral degrees.

The University's distinction as a doctoral/research institution will continue to provide mechanisms to address emerging issues through local and global partnerships. Expanding upon the University's land-grant status, it will enhance constituents' lives through innovative research, engaging cooperative extension, and public service.

Based on the above statement, FAMU is presented with tremendous opportunities accompanied by obligations, which carry risks. The University has obligations towards its students, faculty, staff, the communities it serves, and regulators.

The Risk Appetite Statement sets out the most significant types of risks to Strategic and Performance goals that the University is exposed to and outlines the level of risk the University is willing to accept for each risk category.

FAMU Risk Appetite Statement

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FAMU Risk Appetite Statement

Introduction

What is Risk Appetite?

Risk appetite applies to the management of existing activities, as well as the University seeking out new opportunities. The Board of Trustees, management, faculty and staff members are responsible to continually review what the University does, to investigate new opportunities, and to take account of individual risks in decision-making.

The Risk Appetite Statement summarizes the University's tolerance for risk in each of a whole range of activities undertaken. For example, the University's tolerance for risk of significant breaches of the FAMU Code of Conduct is low. Therefore, a **RISK AVERSE** appetite has been identified regarding intentional and material breaches of FAMU Values and Code of Conduct. On the other hand, tolerance for risk in attracting additional revenue streams and resources for priority areas is classified as **OPPORTUNITY SEEKING**. All of the activities undertaken by the University can be classified in terms of risk appetite. The statement sets out the most significant types of risks to strategic and performance goals that the University is exposed to and outlines the level of risk the University is willing to accept for each risk category.

Objectives of Risk Appetite

The Risk Appetite Statement is a written articulation of the University's risk appetite to guide management and staff members in their daily roles. It serves to:

- Define the risk profile of the University;
- Establish a consistent view of the risk parameters the University operates in;
- Establish boundaries for risk categories to determine whether further risk responses are required or where the University is willing to take on risk in efforts to achieve certain goals and objectives; and
- Guide decision-making, particularly with respect to the extent to which resources are required to be allocated in response to the level of risk which is considered 'acceptable and justifiable'. In this regard the Risk Appetite Statement is intended to operate as a trigger for decision making, escalation and reporting.

When reading a Risk Appetite Statement, it is important to note:

- It is not a substitute for, but an adjunct to FAMU's risk management framework and is intended to be consistent with the organizations overarching approach to risk management;
- Is intentionally broad to apply across the University 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;
- The Risk Appetite Statement is dynamic and will be reviewed on annually in conjunction with the University's strategic planning cycle.

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Risk Appetite at Florida A&M University

Risk Appetite Roles and Responsibilities

Risk management is integral to all aspects of Florida A&M University's activities and is the responsibility of all University leadership, faculty, and staff members. The following table refers to the individual roles and responsibilities with regards to risk appetite and risk management:

BOARD OF TRUSTEES



- Collaborate and actively engage with management in discussions of risks, especially regarding philosophy, interaction and aggregation of risks, and underlying assumptions.
- Provide oversight to ensure that management has implemented an effective system to identify, assess, manage, respond to, and monitor risks to the university and its strategic objectives.
- Review risk information provided by management and the Audit and Compliance Committee, including the ERM annual report, University risk portfolio, and reports on the status of risk response.
- Understand and assess the risks inherent in the University's strategy, and encourage management to pursue prudent risk to generate sustainable performance and value.
- Understand the key drivers of success for the University, and be knowledgeable about business management, governance, and emerging risks that may affect the University.
- Define the role of the full BOT versus its standing or other committees with regard to risks oversight.

BOARD OF TRUSTEES - AUDIT AND COMPLIANCE COMMITTEE



- Represent the BOT in providing oversight of the University's ERM practices.
- Work with management to understand and agree on the types, frequency, and format of risk information that the BOT will review.
- Review risk information prior to its presentation to the full BOT, including the ERM annual report, University risk portfolio, and reports on the status of risk response.
- Receive regular reports on enterprise risks and the status of risk responses.
- On behalf of the full BOT, periodically assess the BOT's Risk oversight process.

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SENIOR LEADERSHIP TEAM



- Lead the setting of strategic objectives for the University.
- Lead management discussions with the BOT regarding the University's strategy and risk philosophy.
- Review and approve recommendations from the Enterprise Risk Management Advisory Committee.
- Review and approve risk information and ERM progress reports before they are submitted to the BOT Audit and Compliance Committee or the full BOT.
- Foster a risk aware culture through promotion of risk management practices, risk-based decision making, and establishing accountability for adherence to the risk appetite process by all management, faculty, and staff.

DIVISION OF AUDIT – ENTERPRISE RISK MANAGEMENT



- Design and implementation of an enterprise risk management function consistent with COSO's Enterprise Risk Management: Integrated with Strategy and Performance.
- Accountable to the President for overseeing the development, implementation, and fostering of a collaborative, campus wide approach to ERM.
- Lead the University's processes for identifying, analyzing, evaluating, responding to and controlling, monitoring, and reporting on key risks.
- Oversee the Enterprise Risk Management Advisory Committee.
- Submit all relevant risk reports, including the ERM Annual Report, University risk portfolio, and status of risk response, to the Senior Leadership Team and the BOT - Audit and Compliance Committee.
- Report regularly to the BOT - Audit and Compliance Committee on enterprise risks and the status of risk response.
- Develop a comprehensive ERM education program for faculty and staff.

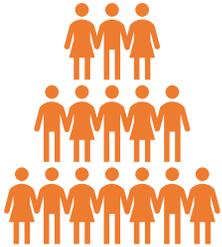
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ENTERPRISE RISK MANAGEMENT ADVISORY COMMITTEE (ERMAC)



- Provide oversight, guidance, and coordination of University-wide efforts to implement the Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM Framework.
- Assist FAMU Senior Leadership Team, who have a primary or shared responsibility in managing risks within their assigned areas, with establishing and monitoring risk mitigation strategies and ensuring sufficient organizational support.
- Provide the President, Senior Leadership Team, and the BOT Audit and Compliance Committee with meaningful, actionable, and timely strategic and performance risk intelligence.

RISK OWNERS



- Identify, assess, manage and monitor risks.
- Insure risks are clearly articulated in risk statements.
- Assign responsibility for each of the sub-risks identified within an enterprise risk to various internal stakeholders.
- Integrate risk management into operational activities.
- Remediate gaps in mitigation and monitoring activities.

GENERAL COUNSEL



- Prepare for the President an independent assessment of ERMAC reports/recommendations from the legal perspective.

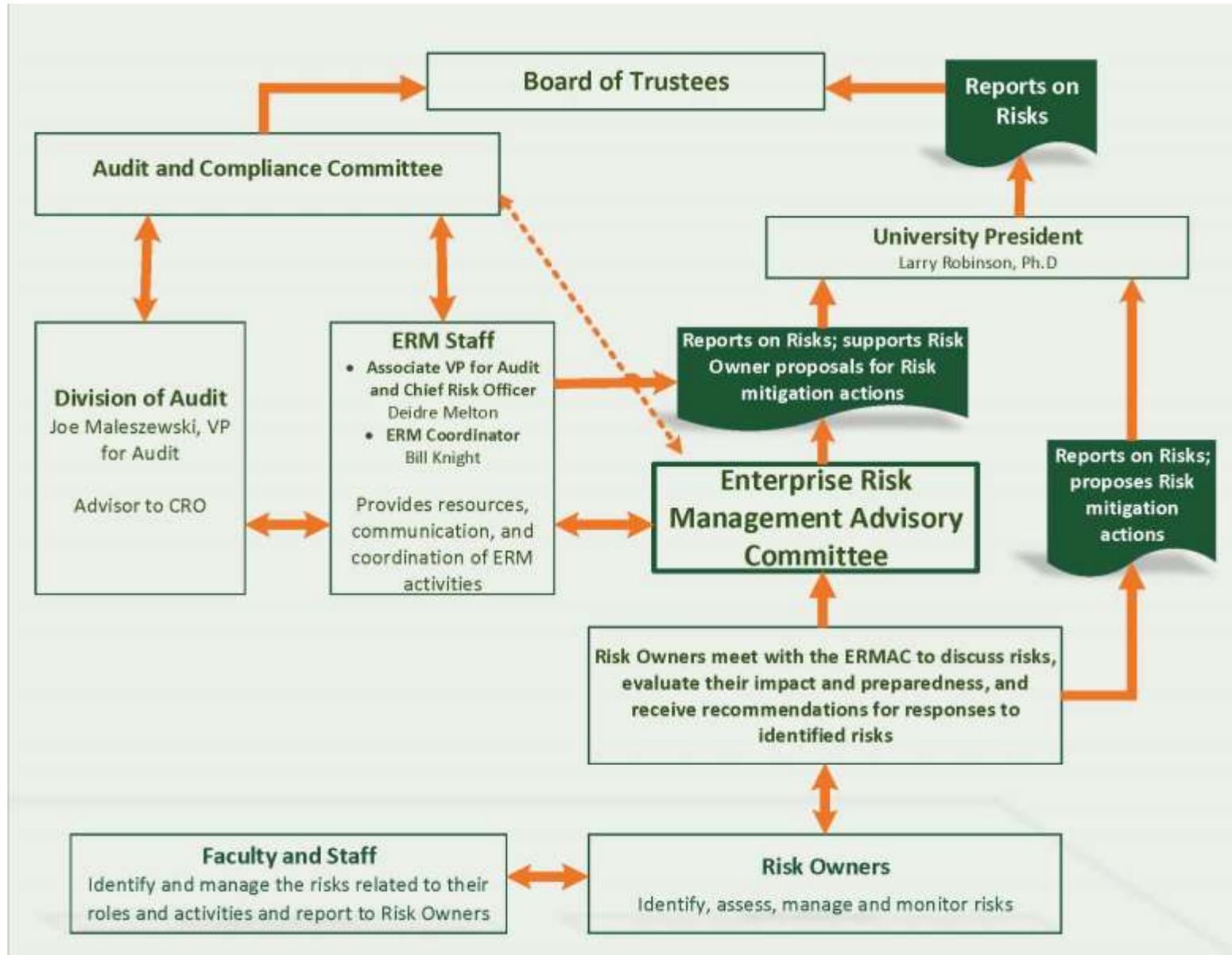
CHIEF COMPLIANCE AND ETHICS OFFICER



- Prepare for the President an independent assessment of ERMAC reports/recommendations from the compliance and privacy perspectives.

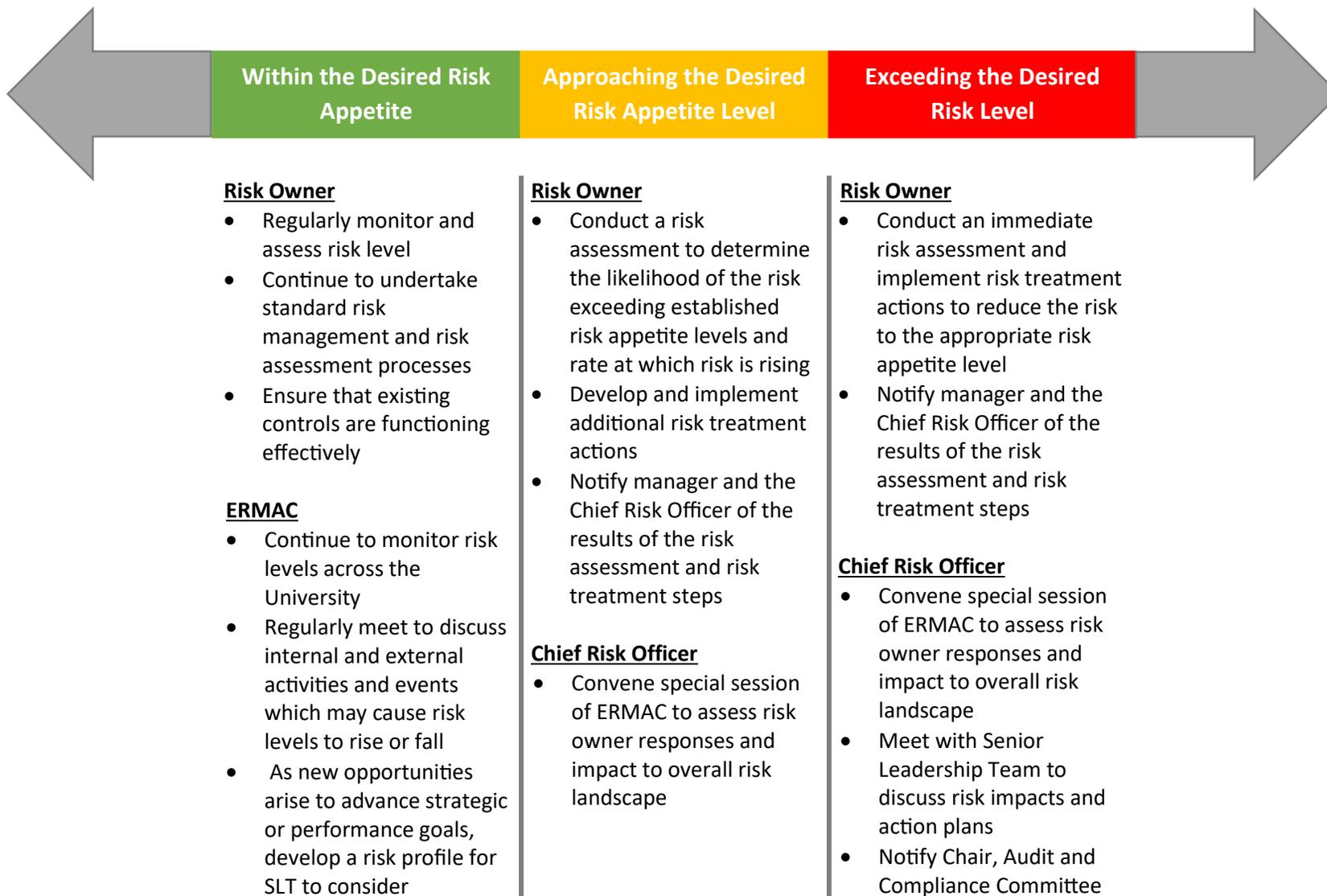
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Risk Reporting Structure



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Risk Appetite in Practice



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Overall, in order to achieve its objectives, Florida Agricultural and Mechanical University recognizes that it is not possible, or necessarily desirable, to eliminate all of the risks which arise throughout the University's inherent operations and the actions it implements to achieve its strategic goals and objectives. Acceptance of some risk is often necessary to foster growth, innovation, competitiveness and efficient business practices. Florida Agricultural and Mechanical University established Risk Levels, Risk Categories and associated Risk Appetites are listed below:

Risk Level Definitions

The definitions for interpreting Risk Appetite Statement in perspective of Leadership Core Positions, Strategic Plan Themes, and Strategic Enablers are detailed below.

<u>RISK LEVEL</u>	<u>Risk Definition</u>
RISK AVERSE	Accepts as little risk as possible. Not willing to accept any negative impact beyond Core Position to pursue objectives.
RISK CONCERNED	Cautious approach to risk taking. Willing to accept a small negative impact to pursue objectives.
RISK NEUTRAL	Potential negative impacts and accomplishment of objectives are given equal consideration.
RISK TOLERANT	Greater than normal risks are tolerated. Willing to accept some negative impact to pursue objectives.
OPPORTUNITY SEEKING	Willing for risks to be taken even if there is high uncertainty in order to gain highly valued reward. Focus is on achieving the reward but with due consideration of Core Positions. The expectation is still to make decisions that comply with all laws, rules, regulations, policies and procedures that govern the University.

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Risk Appetite Statement

Leadership Core Positions

University leadership has taken a position on the amount of risk it is willing to accept in relation to identified principles. Management decisions causing out-of-tolerance conditions must be referred to the Senior Leadership Team for consideration and action.

Category	Principle Statement The University....	Application of Principle Statements Having regard to....
REPUTATION	<ul style="list-style-type: none"> Recognizes that reputation is critical to our brand and market positioning and is RISK AVERSE regarding any of its activities that puts our reputation and ‘social license to operate’ in jeopardy; or could lead to loss of confidence by key stakeholders. 	<ul style="list-style-type: none"> Improving our rankings is critical in attracting high-performing students, academic talent, and business professionals; funding; and industry partnerships. A reputation to be assessed in terms of our aspirations as a state and national leader in student success outcomes, research, and innovative teaching.
GOVERNANCE, LEGAL & COMPLIANCE	<ul style="list-style-type: none"> Is RISK AVERSE regarding intentional and material breaches of laws, regulation, statutes, policies, and professional standards. Is RISK AVERSE regarding criminal breaches, fraud and corruption, misuse of office, or similar related activities Is RISK AVERSE regarding risks relating to actions that may put accreditations and/or standards of operations in jeopardy. 	<ul style="list-style-type: none"> A RISK AVERSE tolerance for breach of our privacy obligations to students, staff and other stakeholders. An OPPORTUNITY Seeking appetite for pursuing opportunities to efficiently and effectively meet the requirements of internal policies, procedures, and regulations. A RISK AVERSE tolerance toward conditions which would inhibit transparency and accountability.
FAMU VALUES	<ul style="list-style-type: none"> Is RISK AVERSE regarding intentional and material breaches of FAMU Values and Code of Conduct. Is RISK AVERSE regarding unlawful discrimination based on protected classes. Is RISK AVERSE regarding violence, sexual misconduct, harassment, bullying, hazing, and any other inappropriate behavior and activities that puts our culture of “Excellence with Caring” in jeopardy. 	<ul style="list-style-type: none"> Cultivating a cohesive and positive culture and an operating environment that is performance-based, customer-focused, entails ethical decision-making, and helps direct organizational effort, energy, and resources towards the promotion, protection and overall success of FAMU. Is RISK CONCERNED regarding any action that discriminates against members of the FAMU community.

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Category	Principle Statement The University....	Application of Principle Statements Having regard to....
HEALTH AND SAFETY	<ul style="list-style-type: none"> Is RISK AVERSE regarding safety management standards or practices that put the health and safety of our employees, students and visitors at risk. 	<ul style="list-style-type: none"> Management supporting and leading a strong safety culture. Expectation for employees and students to take personal responsibility for helping to protect their own wellbeing by following health and safety protocols. Innovative and prudent investment in strategies to protect the health and wellbeing of our employees, students and visitors with a focus on the elimination or minimization of high-risk safety hazards and activities.
FINANCIAL STABILITY	<ul style="list-style-type: none"> Is RISK AVERSE regarding pursuing any strategy that puts at risk the financial sustainability of the University over the medium to long term. Is RISK AVERSE regarding any strategy or activity that would negatively impact the University's Performance-Based Funding metrics. Is Risk Concerned regarding allocating existing resources to support activities that do not align with strategic priorities and goals. Is RISK CONCERNED regarding application of capital that is not planned and executed in a sustainable and prudent manner. 	<ul style="list-style-type: none"> An OPPORTUNITY SEEKING appetite for attracting additional revenue streams and resources for priority areas. An OPPORTUNITY SEEKING appetite for supporting and sustain a robust university advancement enterprise. An OPPORTUNITY SEEKING appetite for securing new research -related awards. Management fostering a strong internal controls environment to prevent actions that would result in financial harm to the university.
CRITICAL OPERATIONS	<ul style="list-style-type: none"> Is RISK AVERSE for significant operational disruptions to critical student support and administrative operational and functions. Is RISK AVERSE for irrecoverable delays in teaching & learning activities resulting in semester deliverables not being achieved and/or widespread student dissatisfaction due to unfavorable changes as a result of the disruption. Is RISK CONCERNED for significant loss to research including research resources, outcomes (actual or potential) and time. 	<ul style="list-style-type: none"> An OPPORTUNITY SEEKING appetite toward activities for a comprehensive, coordinated and focused approach to effectively respond to and efficiently recover from disruptive incidents.

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Strategic Plan Themes & Strategic Enablers

University leadership has taken a position on the amount of risk it is willing to accept in relation to its strategic plan themes and strategic enablers that support the overall strategic plan. The following statements serve as guidance for making risk-based decisions.

Category	Principle Statement The University....
STUDENT SUCCESS	<ul style="list-style-type: none"> • Is OPPORTUNITY SEEKING toward activities and processes that elevate student success outcomes to the high excellence range among state and national scales. • Is RISK CONCERNED for activities that would negatively impact FAMU's drive to become the 1st Choice Destination among scholars. • Is OPPORTUNITY SEEKING towards reimagining and aligning academic offerings to address emerging workforce demands and increased degree production in programs of strategic emphasis.
ACADEMIC SUCCESS	<ul style="list-style-type: none"> • Is OPPORTUNITY SEEKING with regards to pursuing pathways that position FAMU on a trajectory to become a Carnegie R1 institution. • Is RISK TOLERANT to implementing activities and processes which nurture the professional development of faculty and staff across the career span and across disciplines to create a culture of sustainable excellence. • Is OPPORTUNITY SEEKING towards positioning FAMU as a world-class leader in healthcare education, research, and service.
LEVERAGE THE BRAND	<ul style="list-style-type: none"> • Is Risk Concerned toward fostering a university-wide customer-centric culture to support academic and operational excellence. • Is Opportunity Seeking towards activities that would increase the University's standing as an internationally recognized leader in academic, research, and cultural institution. • Is Opportunity Seeking towards activities that cultivate and diversify the network of advocates and supporters to advance the university's mission and strategic priorities.
LONG-TERM FISCAL HEALTH AND SUSTAINABILITY	<ul style="list-style-type: none"> • Is Risk Averse toward implementing a planning and budgeting process that does not identify and secure new E&G, C&G, and Auxiliary funding to allocate toward strategic, business, and performance-based funding priorities. • Is Risk Neutral towards implementing infrastructure enhancements in academics, research, administration, technology, and facilities to increase student success outcomes. • Is Risk Averse toward activities that negatively impact alumni, friend, and corporate giving.

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Category	Principle Statement The University....
ORGANIZATIONAL EFFECTIVENESS AND TRANSFORMATION	<ul style="list-style-type: none"> • Is OPPORTUNITY SEEKING toward activities which foster a culture that builds and engages a high-performing workforce. • Is OPPORTUNITY SEEKING toward activities to enhance and innovate processes to optimize the effectiveness of operations. • Is OPPORTUNITY SEEKING toward activities which foster a culture of strategic decision making through promotion and enhancement of compliance, internal controls, and enterprise risk management practices with an emphasis on engagement, education, reporting, and accountability.
ORGANIZATIONAL CULTURE	<ul style="list-style-type: none"> • Is OPPORTUNITY SEEKING towards establishing a collaborative, collegiate, performance-focused, agile and flexible culture that will enable organizational change to happen more readily and productively. • Is OPPORTUNITY SEEKING towards activities that build a highly diverse, equitable and inclusive culture of belonging for our students, faculty, and staff. • Is OPPORTUNITY SEEKING toward activities that foster and enhance data-driven decision making that furthers progress towards strategic, business and performance-based funding goals. • Is OPPORTUNITY SEEKING toward activities that enable the free flow of information up and down the University hierarchy. • Is OPPORTUNITY SEEKING toward activities that enable consistent delivery of customer service that meet or exceed expectations and optimizes the interactions between the University, our students, and other stakeholders.
SYSTEMS AND INFORMATION MANAGEMENT	<ul style="list-style-type: none"> • Recognizes the critical need to protect and has a RISK CONCERNED tolerance for activities, events, or behaviors that adversely impact the confidentiality, integrity, and availability of all critical business information. • Has a RISK CONCERNED appetite for the loss or breach of its business and customer data in pursuit of its goals. Information assets will be protected in alignment with the University's data governance framework. • Has an OPPORTUNITY SEEKING appetite to invest in innovative solutions that increase efficiency in systems and processes across both academic and enabling activities.

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Appendix 1. Document Administration

Authority

The Board of Trustees is the only authority that may approve this document and any recommended updates to this document and any other policies relating to Risk management. (Refer to the Board of Trustees: [Operating Procedures - #10.4: Regulation Development, Rulemaking, and Policy](#) and [Policy 2019-01 – Internal Controls and Enterprise Risk Management](#))

Review

This document is to be reviewed annually to ensure that all detail is accurate and reflective of Florida A&M University's current risk profile.

Status and Details

Status	Version 1
Effective Date	June 2, 2022
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Approval Date	June 2, 2022

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6/2/2022

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6/2/2022

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Chair, Board of Trustees

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Date