

# Formal Risk Appetite Statement: Sample

## Risk Elements

## Our Assertions

**Risks that are acceptable or On-Strategy**

**Market Growth**

We will aggressively pursue regional strategies to meet our market growth objectives (increase of 4 percent in market share) and invest in and develop key markets.

**Risks that are undesirable or Off-strategy**

**Reputation and brand image**

We will avoid any situation and action resulting in a negative impact on our reputation, if and when an undesirable situation arises, manage it aggressively to protect our reputation and brand image.

**Financial Derivatives**

We will limit our use of derivative instruments to "plain vanilla" swaps and options entered into with counterparties rated "AA" or better.

**Strategic risk parameters**

**Investment Limits**

We will limit capital expenditures and investments in mergers and acquisitions to an amount that allows the company to achieve its annual free cash flow target of \$330 million.

**Financial risk parameters**

**Target debt rating**

We will seek to maintain an enterprise-level debt rating of "A" or better.

**Self sustaining growth**

In seeking new business, we will maintain our working capital ratio between 1 and 1.5 percent.

**Financial Strength**

We will maintain an EBIT/Interest ratio between 4 and 5 percent.

**Operational risk parameters**

**Loss Exposure**

We will manage our operational activities and exposures to avoid an event resulting in a loss to pre-tax operating margin of more than \$25 million.

**Geographical Independence**

A single geographical location will not account for more than 20 percent of our total loans.