

Risk Appetite Statement Toolkit

Board-grade toolkit for defining, documenting, approving and monitoring a risk appetite statement (RAS). Includes a sample RAS, tolerance matrix, and monitoring guidance for Nigerian boards and executive teams.

1. Purpose and scope

A risk appetite statement is the board's articulation of the amount and type of risk the organisation is willing to accept in pursuit of its strategy. This toolkit helps boards, risk committees and executive teams produce a RAS that is decision-useful, monitored, and defensible to regulators and auditors.

Scope: enterprise-wide. The statement covers strategic, financial, operational, compliance and reputational risk categories. It applies to the parent company and to material subsidiaries unless the board approves variation.

2. Definitions

- Risk appetite - the aggregate level and type of risk the board is willing to accept.
- Risk tolerance - the acceptable variation around objectives at the category level, usually quantified.
- Risk limit - a hard quantitative ceiling that should not be breached without escalation.
- Key risk indicator (KRI) - a forward-looking metric that signals movement toward or beyond a limit.

3. Board and management responsibilities

Body	Responsibility
Board	Approves the RAS; reviews at least annually; approves material breaches and recalibrations.
Risk committee	Recommends the RAS to the board; monitors tolerance utilisation; receives breach reports.
CEO / executive	Operationalises the RAS within strategy and budget; recommends adjustments.
CRO	Owns the RAS framework; calibrates KRIs and limits; produces the monitoring dashboard.
Internal audit	Provides independent assurance that the RAS is implemented and breach reporting is reliable.

4. Risk categories

- Strategic - growth, capital allocation, M&A, market positioning.
- Financial - capital adequacy, liquidity, FX exposure, credit, interest rate.
- Operational - process failure, technology, fraud, people, supply chain.

- Compliance - statutory, sector regulatory, tax, data protection.
- Reputational - brand, conduct, ESG, customer trust, media.

5. Qualitative appetite statements

Qualitative statements express the board's stance in plain language. Each statement must be specific enough to drive decisions.

- Strategic: we accept measured risk in pursuit of profitable growth in our core markets; we will not pursue ventures outside our stated strategy without board approval.
- Financial: we maintain capital and liquidity buffers above regulatory minimums at all times; we hedge material FX exposures to within approved limits.
- Operational: we have low tolerance for control failures that result in customer harm, material loss or regulatory action.
- Compliance: we have zero tolerance for wilful regulatory breach, fraud or unethical conduct.
- Reputational: we will not engage in activity that, if disclosed, would damage the trust of our customers, regulators or communities.

6. Quantitative tolerance metrics

Risk category	KRI	Green (within appetite)	Amber (warning)	Red (breach)
Liquidity	Liquidity coverage ratio	$\geq 130\%$	115 - 130%	$< 115\%$
Capital	Capital adequacy buffer	≥ 200 bps	100 - 200 bps	< 100 bps
FX	Unhedged FX exposure / equity	$< 5\%$	5 - 10%	$> 10\%$
Credit	Non-performing loan ratio	$< 3\%$	3 - 5%	$> 5\%$
Operational	Material incidents / quarter	0	1	≥ 2
Compliance	Regulatory breach count YTD	0	1	≥ 2
Reputational	Adverse media events / qtr	0	1	≥ 2

These thresholds are illustrative. Calibrate them to your sector, capital base, regulator expectations and prior loss experience.

7. Escalation thresholds and breach reporting

1. Green - within appetite. Reported in the quarterly risk dashboard; no escalation required.
2. Amber - early warning. Reported to the risk committee at its next meeting; CRO produces a movement note and proposed action.

3. Red - breach. Reported to the risk committee chair within 5 business days and to the board at its next meeting; CRO and the relevant executive present remediation plan; breach is logged in the breach register and tracked to closure.
4. Persistent amber - if a KRI remains amber for two consecutive quarters, it is escalated as if it were red.

8. Board approval workflow

5. CRO drafts the RAS in consultation with the executive committee.
6. Risk committee reviews, calibrates KRIs and limits, recommends to the board.
7. Board approves, with minutes recording the rationale for any departure from the recommendation.
8. Approved RAS is circulated to executive committee, internal audit and external auditor.
9. Material change requires board re-approval; minor recalibration may be delegated to the risk committee.

9. Review frequency

- Comprehensive review - at least annually, aligned to strategy and budget.
- Event-driven review - within 60 days of a material change in strategy, capital position, regulatory environment, or major incident.
- Monitoring - dashboard reviewed monthly by management, quarterly by the risk committee.

10. Sample risk appetite statement (extract)

The Board of [Company] has approved the following Risk Appetite Statement for the financial year ending [date]. This statement defines the aggregate amount of risk the Board is willing to accept in pursuit of the Company's strategic objectives.

The Company maintains a moderate overall risk appetite, characterised by a willingness to accept measured strategic and financial risk in pursuit of growth in its core markets, balanced by a low tolerance for operational, compliance and reputational risk.

The Board has zero tolerance for: wilful regulatory breach, fraud, conduct contrary to the Company's code of ethics, or any action that would compromise the safety of customers, employees or the public.

11. Sample tolerance matrix

See section 6 above. A working version of the tolerance matrix - editable per category, with monthly KRI input cells - is provided as the Risk Appetite Dashboard workbook.

12. Monitoring dashboard guidance

- One dashboard page per risk category, with current KRI value, trend, threshold band, and management commentary.
- Executive summary page showing category-level status (green / amber / red) and top three risks for board attention.

- Breach register page listing all amber and red events YTD with owner, action and target close date.
- Use the Outliers Risk Appetite Dashboard workbook as the technical implementation.

13. Document control

Version	Date	Author	Approved by	Summary of change
1.0	TBC	CRO	Board	Initial version

14. Limitations

This toolkit is practitioner guidance. It supports the board in producing a RAS that is aligned to NCCG, FRC and prudential expectations, but it does not replace sector-specific regulatory requirements. Calibrate thresholds with your CRO, external auditor and (where relevant) your prudential regulator.