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ISTITUTO MARANGONI LONDON
RISK MANAGEMENT POLICY

Version Control Statement

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1. <u>Purpose</u>

1.1 This Risk Management Policy sets out the London School's approach to risk management, roles and responsibilities within the management and governance structures and main reporting procedures. This Policy also sets out the School's systems of internal control with regard to the management of risk and describes the process used by the Audit and Risk Committee to evaluate and make recommendations to the Board of Directors on the effectiveness of the School's internal control procedures.

1.2 The London School's approach to risk is based upon the following principles:

- the London School's risk appetite
- the level of risk that the School will tolerate
- that the School identifies and maintains a sound understanding of the range of risk that it faces and how to mitigate them
- all mitigation measures and action plans are monitored throughout the year
- all risk action plans and Risk Registers are maintained throughout the year
- reporting procedures are scrupulously followed to ensure effective governance, management and reporting of risk.

2. <u>Scope</u>

2.1 This policy applies to all members of staff, faculty and members of governance committees.

3. <u>Types of Risk</u>

3.1 The London School has three categories of risk:

- Strategic risk

  Strategic risk is that which relates to the organisational and corporate strategy and strategic goals that are managed by the School Director and Senior Management Team.

- Operational risk

  Operational risk is that which relates to the day-to-day risks encountered by departments, managers and their operational teams that could have a wider impact on the organisation including the ability to achieve the School's strategic goals.

- Project risk

  Project risk is that which relates to risk faced by project managers or those with lead responsibility for a specific project that could have an impact on the specific project and/or the School's overall strategy and business plans.

4. <u>Risk Appetite Statement</u>

4.1 The London School recognises that individual organisations have different approaches to risk and the level of risk that they are prepared to take to fulfil their objectives and/or are appropriate to their institutional context. In accordance with good governance and risk management practice, the London School has developed a Risk Appetite Statement (Appendix 1). The Statement assigns different levels of risk that the School is prepared to accept depending on the specific risk category.

5. <u>Roles and Responsibilities</u>

5.1. The Risk Management Policy sets out the following roles and responsibilities within the London School's management and governance structures:

5.2. **Board of Directors**
The Board of Directors, advised by the Audit and Risk Committee, setting the overall tone and approach to risk including:

● determining the London School's overall approach to risk, including its risk appetite and what levels of risk it is prepared to tolerate;

● upon the recommendation of the Audit and Risk Committee, approve any major strategic and financial decisions taking due account of the School's overall risk profile.

5.3. **Audit and Risk Committee**
The Audit and Risk Committee has delegated authority from the Board of Directors for the following:

● monitoring the effectiveness of the management of the Strategic Risk Register and assessing whether risks are being actively managed, controlled and mitigated;

• reviewing the quarterly risk register reporting updates at each meeting;

● annually reviewing the London School's approach to risk management and approving any changes to this Policy and supporting processes through its annual report to the Board of Directors.

5.4 **School Director**
The School Director is accountable for risk management of the following:

● identifying any fundamental risks for the London School and ensuring these risks are effectively managed, assigning and/or confirming Risk Owners for both strategic and operational risks;

● reporting to the Audit and Risk Committee on the management of the London School's Strategic Risk Register and any other fundamental or emerging fundamental risks[1];

● ensuring the London School's Strategic and operational Risk Registers are monitored quarterly and reviewed annually;

● on the basis of the above, confirm that appropriate assurance and control processes are in place and working effectively in practice.

5.5 **Senior Management Team**
The London School's Senior Management Team is responsible for the following:

● reviewing the London School's risk appetite statement annually for recommendation to the Audit and Risk Committee;

● reviewing the London School's Strategic and Operational Risk Registers (**including reviewing and testing the departmental risk registers)** on a quarterly basis for approval by the Audit and Risk Committee, ensuring all risks are being appropriately managed and assessed;

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[1] Some risks have their own dedicated Risk Register for example in the case of specific strategic projects or where there are specific critical challenges facing the School.

- escalating any significant issues or concerns onto the Strategic Risk Register and/or for specific consideration by the School Director.

5.6 Registrar
The Registrar is responsible for the following:

- ensuring the Risk Management Policy is maintained and appointing a designated member of Registry staff to coordinate requests for the departmental risk registers and submission of quarterly reporting for consideration by the School Director and Senior Management Team;

- reviewing and proposing any updates to the Risk Management Policy and operational procedures;

- submitting the SMT's quarterly reports on the Strategic Risk Register to the Audit and Risk Committee as appropriate.

5.7 Department Managers
Department Managers are responsible for the following:

- encouraging good risk management practice within their departmental responsibility and maintaining their own risk registers for these functions;
- reviewing their risk registers on at least a quarterly basis and submitting their quarterly update reports and registers to the Senior Management Team;
- ensuring that relevant risk owners are actively managing risks that they have been assigned;
- ensuring significant risks or issues are escalated to the Senior Management Team who will make any relevant recommendations to the School Director as appropriate.

5.8 Risk Owners
Risk Owners are responsible for the following:

- monitoring their risks and ensuring that the risk is managed appropriately, that levels of risk are mitigated and any appropriate actions taken;
- escalating any critical risks through the relevant departmental manager;
- working across different departments to ensure their risks are appropriately managed and actions completed.

6. <u>Risk Management as Part of the London School's System of Internal Control</u>

    6.1. The London School's system of internal control incorporates the following elements to enable the School to respond to and manage risks ranging from operational, academic, financial, reputational and compliance risks;

    6.2. Policies and procedures
    6.2.1. The London School has appropriate and proportionate documented policies and procedures approved through the relevant management and governance structures and implemented by management.

    6.3. Reporting
    6.3.1. Reporting through the London School's well-established management and governance structures enables the School to monitor and assure that risks are identified and managed.

    6.4. Strategic Risk Register
    6.4.1. The London School's Strategic Risk Register identifies those risks that are likely to have a fundamental impact on the School's ability to operate, achieve its strategic, corporate and

academic objectives. Assessment of risk is undertaken against the London School's strategic objectives and projects and ongoing risks identified through operational business.

6.4.2. On the recommendation of the Audit and Risk Committee the Board of Directors considers and approves the Strategic Risk Register on an annual basis. Thereafter, the Strategic Risk Register is reviewed by management on a quarterly basis and reported to the next scheduled Audit and Risk Committee.

6.5. Operational Risk Registers (departmental areas)

6.5.1. Departmental Managers ensure that their operational Risk Registers are accurate, maintained and updated on a quarterly basis **and submitted to the SMT within the required reporting schedules.** Although these risks are reviewed quarterly, any emerging and mitigations are added as they occur including any escalation to the School Director and Senior Management Team.

6.6. Organisational Performance and Effectiveness (including strategic aims, objectives and projects)

6.6.1. All strategic initiatives and projects are risk assessed prior to final decision on their overall viability and alignment. Following approval, all projects and major strategic developments are subject to regular monitoring and reporting against objectives and risk.

6.6.2. Major strategic projects normally have their own dedicated Risk Register and Risk Owner. Such projects are also subject to quarterly monitoring and reporting through the relevant Project Board and Senior Management Team as well as through the Audit and Risk Committee.

6.7. Audit and Risk Committee

6.7.1. The Audit and Risk Committee has delegated authority to review and report to the Board of Directors on the effectiveness of the London School's internal control, including the School's processes for the management of risk and alerting the Board to any emerging issues or concerns. It also oversees internal and external audit.

6.8. Internal Audit

6.8.1. Internal Audit performs an important role in the London School's systems of internal control by providing independent advice on an agreed programme of work and provides assurance on the effectiveness of the School's risk management and mechanisms of internal control. The Internal Audit Schedule is approved by the Audit and Risk Committee and considers its reports on overall progress and outcomes.

6.9. External Audit

6.9.1. External Audit reports to the Audit and Risk Committee and the Board of Directors on the operation of the internal financial controls as part of its annual audit of the School's financial statements and management letter.

6.10. Annual Review of Effectiveness

6.10.1. The Board of Directors is responsible for reviewing the effectiveness of the London School's internal control based on the recommendation from the Audit and Risk Committee through its Annual Report and its statement of internal control as part of the annual Financial Statements.

6.10.2. Both the Audit and Risk Committee and the Board of Directors will take into account any relevant findings from its Internal and External Auditors' Reports when determining the effectiveness of the London School's management of risk and internal control.

6.10.3. The Audit and Risk Committee will recommend/confirm to the Board of Directors that appropriate assurance and control processes for strategic and strategic project risks are in place and are operating effectively.

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APPENDIX 1

ISTITUTO MARANGONI LONDON
RISK APPETITE STATEMENT

1. Introduction

    1.1 Risk appetite is defined as 'the amount of risk an organisation is prepared to seek, accept or tolerate in order to achieve its strategic objectives'. This statement has been devised to inform the School's overall approach to risk management and forms an important part of its overall risk management framework including the maintenance and updating of its Strategic and Operational Registers. The London School's risk appetite statement will be reviewed and approved annually by the School's Audit and Risk Committee and the Board of Directors and will be used routinely as part of the process for risk identification and assessment and the implementation of mitigation measures.

2. Categories of risk and descriptors

    2.1 Risk appetite incorporates the following levels and descriptors of risk used to assess the London School's different categories of risk.

Risk level	Descriptor
Averse	Avoidance of risk and uncertainty is the primary objective.
Minimal	Preference for a low level of inherent risk.
Cautious	Preference for safe options with a low degree of residual risk.
Open	Willing to consider available options and select the one most likely in successful achievement of objective/outcome.
Hungry	Keenness to be innovative and choose options with more inherent risks based on their greater potential benefits/outcomes.

The School's Risk Appetite is further defined by the following categories of risk against its associated descriptor and level of risk appetite.

Category of Risk	Risk Level	Descriptor
Compliance and regulation	Averse	The London School is committed to maintaining and assuring compliance with its regulatory, legal and reporting responsibilities as an employer, OfS registered higher education provider and private company registered with Companies House. It does not tolerate breaches in regulatory and legal responsibilities including statutory and/or regulatory reporting responsibilities and seeks to minimise its exposure to such risks.
Environmental Sustainability (ESG)	Open	ESG forms an important part of the London School's Strategy and five year plan. The School is prepared to accept a moderate level of risk in developing and implementing initiatives that will bring tangible benefits in realising the School's strategy in this regard subject to appropriate mitigation measures being in place.
Financial sustainability	Cautious	The London School has a well-established track record in generating and maintaining a healthy financial surplus each year and achieving efficient and sustainable operational costs. All initiatives and projected investments are appropriately costed as part of any new initiatives with appropriate mitigation in place.
Health and Safety	Averse	The London School is committed to maintaining a healthy and safe working and study environment ensuring compliance with relevant legislation and promoting general well-being.
Learning and teaching	Open	The School is committed to providing a high quality learning and teaching experience and providing an industry ready learning experience. Students benefit from the London School's extensive relationships across the fashion and design industry with relevant programmes having access to industry standard facilities. Specific emphasis is given to ensuring that our programmes remain up to date and

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		reflect current industry practice, remain responsive and transformative. Any new developments and initiatives are carefully balanced to mitigate against any associated risks.
Reputation (links to brand equity)	Minimal	The London School is a global higher education brand recognised for its expertise in fashion, design and fashion business with a predominantly international student community that values the distinctive educational offer and global reputation associated with Istituto Marangoni. The London School's seeks to minimise any significant risk that could impact negatively on its reputation or confidence of its stakeholders, (such alumni, employers, collaborative partners, students and applicants).
Research	Open	The London School engages in industry-facing research and is committed to supporting both new and emerging researchers as well as individuals with an established research track record which is applicable to the industry. It also values, supports and promotes research collaboration, (both academic and industry), including across the wider national and global community of researchers. The London School invests in developing its research capacity and provides professional development and funded research opportunities to support. It recognises the importance of having effective processes for ethical and due diligence approval as a means of mitigating against any potential risks in relation to individual research projects or partnerships and collaborations.
Student experience	Averse	The London School is committed to maintaining a high-quality student experience that is genuinely led by the customer and responsive to the evolving needs and aspirations of students. This includes maintaining excellent student and academic services and facilities also recognising students' own role in helping to shape and define the student experience. It gives high priority to remaining responsive to student feedback. The London School's level of risk appetite for any risks that might compromise the overall quality of the student experience is averse.
Student recruitment	Hungry	Student higher education and particularly international recruitment continues to be an increasingly competitive market but one that the London School is well-versed in. The London School accepts and manages any risks associated with the development of new markets, recruitment growth and diversification recognising this represents its core business with recruitment to target fundamental to its overall financial viability and business model. Appropriate mitigation measures are in place to ensure responsible recruitment while maintaining growth targets.
Strategic projects	**Note** level varies depending on nature of project.	From time to time, the London School will be engaged in strategic projects or major initiatives in support of its Strategic Plan and identified deliverables. The type and level of risk will vary depending on the nature and scope of the project that will be reflected in the School's level of risk tolerance associated with the individual project or change initiative. A dedicated risk register will be maintained for each project with appropriate mitigation measures in place with all strategic projects also incorporated into the Strategic Risk Register.