



# RISK APPETITE STATEMENT

## 1 Introduction

“Risk appetite is the amount of risk an organization is willing to accept in pursuit of strategic goals ... Risk appetite is a matter of judgement based on each company’s specific circumstances and objectives. There is no one-size-fits-all solution.”<sup>1</sup>

The University takes a responsible and managed approach to risk, identifying and assessing key risks strategically and operationally, and managing those risks through the effective implementation of:

- i. An institution-wide Risk Management Policy;
- ii. An institutional Strategic Risk Register (supported by underlying registers for each academic School and Professional Service department).

While there will be different thresholds for the degree of risk which are considered acceptable across the University’s core functions and domains, due to the differences in their operations and priorities, the University recognises that there is value in setting out broad parameters for risk appetite across the institution as a whole. In particular, setting out an institution-wide risk appetite framework is helpful in demonstrating to Governors, University leaders and administrators, and to the wider University staff community, what the University’s ‘posture’ in relation to risk is, and to inform risk assessments and discussions.

The risk appetite statement is one key part of the University’s wider risk and assurance management framework. It gives an overarching picture of the University’s posture in relation to risk-taking, and provides a big-picture sense of our willingness to take risk in key strategic areas. Risk appetite is one aspect of a larger decision-making framework which includes consideration of alignment with strategy and underlying values. It is important to recognise that a risk appetite statement is intended to aid the University and individuals in our wider risk management and assessment, and should not be seen as a barrier to risk-taking in and of itself. Opportunities for growth and innovation will often necessarily carry a degree of risk, and the appetite statement should not constrain such opportunities, but should help orient and inform our discussions of risk.

It is expected that there will be times where decisions will be taken on proposals and initiatives whose risk profiles sit to some degree outside the risk appetite statement. Risk acceptance processes will be used to document and agree those decisions including any additional oversight and mitigation.

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<sup>1</sup> Price Waterhouse Coopers (2014) *Board oversight of risk: Defining risk appetite in plain English*. p3.

## 2 Risk appetite by domain of activity

<b>Risk Appetite by Domain of Activity</b>											
	Avoid	Averse		Cautious		Moderate		Open		Hungry	
Domain	0	1	2	3	4	5	6	7	8	9	10
Recruitment											
Reputation											
Compliance											
Government Policy/External Environment											
Financial											
Education and Student Experience											
Staff											
Cyber security											
Major change											
Educational partnerships											

## 3 Risk domains

The following statements reflect the appetite position in the above table, and outline the degree of risk the University wishes to take in each category:

Risk Domain	Explanation of risk appetite
Recruitment	The University regards student recruitment, through its Bath-based activities and through its carefully selected educational partners, as fundamental to achieving a sustainable financial base. The University's appetite in relation to <b>Recruitment</b> risk is <b>Open</b> .
Reputation	The University recognises the importance of ensuring that organisational activity and projects are managed to minimise the risk of serious threat of significant harm to our reputation as a high-quality provider through adverse publicity or loss of status as an autonomous institution Overall, the University's appetite in relation to <b>Reputation</b> risk is <b>Cautious</b> .

Risk Domain	Explanation of risk appetite
Compliance	The University recognises the critical importance of ensuring any project or activity that would threaten its compliance with statutory, regulatory, professional or ethical requirements and standards. The University's risk appetite around Government Policy is aligned with its appetite around Compliance. The University's position in relation to <b>Compliance</b> risk is <b>Cautious</b> .
Government Policy/External Environment	The University will engage with Government and other policy influencers and makers with a view to ensuring a favourable external environment to the pursuit of its charitable status and mission. The University's risk appetite around Government Policy is aligned with its appetite around Compliance. The University's appetite in relation to <b>Government Policy/External Environment</b> risk is <b>Cautious</b> .
Financial	The University will always aim to work within financial parameters that maintain the long-term financial viability of the University within generally accepted boundaries of financial prudence. Therefore, the University currently has a <b>Moderate</b> appetite for risk to achieve its overall <b>financial</b> goals, while carefully managing current operations, income targets and the University's financial investment portfolio.
Education and Student Experience	The University wishes to encourage an innovative and enterprising attitude in enhancing the educational offering and student experience, reflecting the University's entrepreneurial culture and desire to push boundaries in taking on new challenges. The University acknowledges that such activities may carry risk, at times significant risk, but will always ensure that the benefits and risks are fully understood before activities or projects are authorised, and that reasonable and sensible measures of risk mitigation are established. The University also recognises the powerful role that current students and alumni play in cultivating a positive reputation for the University. Overall, the University has an <b>Open</b> appetite for the strategic aim to ensure a high-quality <b>education and student experience</b> , whilst continuing to protect the integrity of academic standards.
Staff (People and Culture)	The University is committed to valuing, supporting and developing its workforce and to maintaining the reputation of the University as a good place to work. It wishes to gain the most value from its workforce and encourage thinking and action in innovative ways to work in order to achieve its strategic aims. The University believes strongly in the importance of positive staff engagement and maintaining a values-led culture in support of our flourishing community of students and staff, putting wellbeing at the centre of risk management and measuring staff engagement as a key performance indicator. The importance of maintaining compliance with statutory employment obligations is paramount. The University's position in relation to <b>People and Culture</b> risks is <b>Moderate</b> .
Cyber security	The University recognises its critical responsibility for ensuring its digital estate and data are resilient and secure. It recognises the need to maintain its cyber defences in line with the external threat landscape to

Risk Domain	Explanation of risk appetite
	<p>minimise the risk and impact of a cyber-attack. The University takes a risk-based approach to cyber security, ensuring that its investment in cyber defences is aligned to appropriate risk management, while recognising that there remains a significant volume of risk which falls outside its control. The University’s position in relation to <b>Cyber Security</b> is <b>Cautious</b>.</p>
Major Change Projects	<p>All universities must undergo change, and at times such changes may be major and potentially high-risk with the aim or potential to affect substantial parts of the University’s activities. The University will always ensure that the benefits and risks are fully understood before activities or projects are authorised, and that reasonable and sensible measures of risk mitigation are established. In delivering strategic and operational change the University will ensure actions are aligned with its values and that staff are supported to manage in a dynamic and evolving environment. The importance of maintaining reputation, financial sustainability and compliance are paramount in major change projects. The University’s appetite in relation to <b>Major Change Projects</b> risk is <b>Open</b>.</p>
Educational partnerships (and other external relationships)	<p>The University wishes to work with appropriate external organisations and manage its external partnerships and relations in an effective and positive manner. The University acknowledges that some activities may carry low to high risk, but will always ensure that the benefits and risks are fully understood before activities or projects are authorised, and that reasonable and sensible measures of risk mitigation are established, including appropriate oversight and assurance mechanisms of activities undertaken by partners which impact on the University/for which the University is responsible.. The importance of maintaining reputation and compliance is paramount in such activities. The University’s position in relation to <b>Educational Partnerships</b> is <b>Open</b>.</p>

#### 4 Risk classifications

Risk Classification	Description
<b>Avoid (0)</b>	The University is not prepared to accept any risks.
<b>Averse (1 – 2)</b>	Prepared to accept only the very lowest levels of risk, with the preference being for very safe decision making and strategy implementation, while recognising there may be little opportunity for innovation or the exploitation of new opportunities.

<p><b>Cautious (3 – 4)</b></p>	<p>Willing to accept some low risks, while maintaining an overall preference for safe decision making and strategy implementation, despite the probability that there is restricted potential for innovation and increased outcomes and benefits.</p>
<p><b>Moderate (5 – 6)</b></p>	<p>Inclining predominantly towards exposure to only modest levels of risk in order to achieve acceptable, but possibly unambitious outcomes or benefits.</p>
<p><b>Open (7 – 8)</b></p>	<p>Prepared to consider innovative decisions and strategic implementation with the highest probability of productive outcomes and benefits, even where there are elevated levels of associated risk.</p>
<p><b>Hungry (9 – 10)</b></p>	<p>Proactively taking innovative / creative / pioneering decisions and adopting forms of strategic implementation, while accepting the associated substantial risk levels in order to secure highly successful outcomes and benefits.</p>