The Institute of
Risk Management

A Risk Appetite Toolkit For Charities

Developed by the IRM Charities
Special Interest Group

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The Institute of Risk Management

The Institute of Risk Management (IRM) is the leading professional body for Enterprise Risk Management (ERM). We provide globally recognised qualifications and training, publish Thought Leadership and run insightful events, all of which are underpinned by our professional standards, defining the requirements risk managers need to meet. By these means, we help organisations and individuals build excellence in risk management and raise awareness of risk across society so that they protect value and take advantage of opportunity.

About the IRM Charities Special Interest Group

The IRM Charities Special Interest Group (SIG), established over 25 years ago, provides practical guidance on managing risk in the charity sector. It offers opportunities for professionals to share knowledge, tips, and best practices. Our mission is to enhance the sector's understanding of risk management, explore practical solutions to sector challenges, and create a forum for risk professionals to connect, learn, and exchange insights on current practices.

To join the Charities Group or learn more, visit our webpage: www.theirm.org/charities.

For queries about IRM Special Interest Groups, email us at membership@theirm.org.

About this guide

This toolkit replaces the 2016 Risk Appetite leaflet and supplemental guidance (authored by Alyson Pepperill and Rebecca Bowry, and sponsored by Arthur J. Gallagher).

It has been reviewed by members of the IRM Charities Special Interest Group, with final editorial oversight by Paula Karlsson-Brown and Suzana Drummond.

Foreword

Risk management is often viewed as a complex scientific discipline. However, our guides aim to show that it is frequently an intuitive process that, with some structure, can be embedded into an organisation. This risk-based approach helps achieve objectives, supports strategic planning, and reassures stakeholders that potential obstacles to success are being proactively addressed.

Once the fundamentals are established, it is an ideal time to explore more advanced areas, such as determining your risk appetite. This progression enables organisations to define how much risk they are willing to take and clarify who is authorised to make such decisions.

This guidance serves as a comprehensive toolkit for setting risk appetite within the charity sector. It summarises current thought leadership and best practices, offering reflective questions to assess your charity's current approach and aspirations.

Additionally, it provides practical resources, including real-life examples, case studies, and downloadable templates, while directing you to further guides for continued support.

1. Risk Appetite and its Connection to Overall Risk Management

1.1. What is risk appetite?

Risk appetite is commonly defined as the level of risk an organisation is willing to accept or pursue in achieving its long-term objectives. It represents the threshold of risk — often assessed from a financial and reputational perspective — that the organisation can bear without facing significant adverse impacts. Typically, an organisation's risk appetite is lower than its risk tolerance.

Taking risks is an inherent part of achieving organisational goals. The key question is: how much risk are you prepared to take? Clearly defining your risk appetite establishes boundaries within which your team can operate confidently and effectively. For organisations that have already embedded risk management practices, the next step is to define their risk appetite and establish a structured decision-making process to align with it. This ensures that risks are managed proactively and in alignment with strategic objectives, fostering both resilience and success.

1.2. Why set risk appetite?

Various drivers may cause you to look at setting risk appetite, including:

- Setting and implementing strategic plans
- The need to manage projects within the charity
- The updated statement of recommended practice requirements for describing risk management
- Recommendations from an external audit

Helping the charity understand and communicate its 'mindset', which is another way of thinking about appetite, helps people understand where the boundaries are to inform decision making. This can increase efficiency and timeliness. It can encourage people to take more risks (to seize upside benefits) if they know where the boundaries are.

In 'Getting started' [PK1], we highlighted that the ISO31000 risk management process is a straightforward way of identifying, analysing, and evaluating risks that will impact your strategic objectives. This process leads to the production of a document that captures your key risks and how you treat or manage them (usually a risk register). We highlighted that risks and objectives will change, so continuous monitoring and review are critical to success.

The risk register (or however you have captured your key risks) is a good place to start to set your risk appetite. Setting risk appetite will explore key risks and identify what you will and will not accept within each risk area.

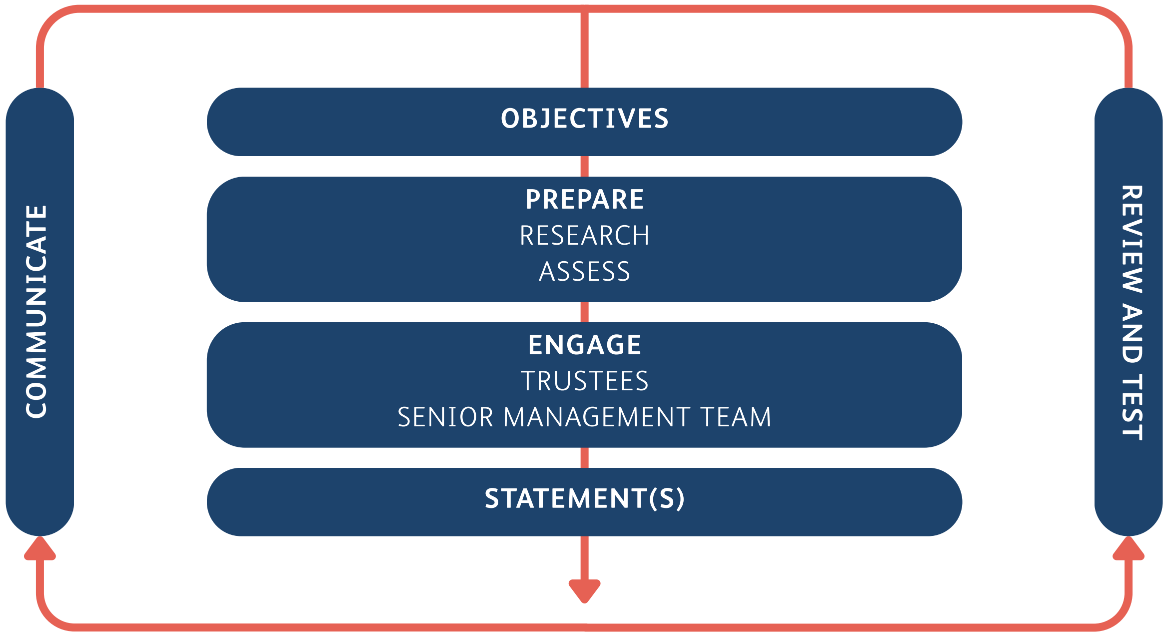
1.3. What part does risk appetite play in risk management?

Risk appetite plays a pivotal role in shaping an organisation's approach to managing uncertainty. Its ultimate aim is to translate the outcomes of the risk management process (as illustrated in Figure 1) into clear, actionable statements that define the organisation's willingness to take risks.

These statements serve to:

- Guide Decision-Making: Provide a framework for evaluating opportunities and threats, ensuring decisions align with the organisation's objectives and values.
- Empower Teams: Enable individuals to take appropriate risks confidently, fostering innovation and progress within defined boundaries.
- Drive Success: Align risk-taking with strategic goals, ensuring that risks are managed proactively to support organisational success.

By clearly articulating its risk appetite, an organisation creates a shared understanding of acceptable risk levels, empowering its people to act decisively and responsibly in pursuit of its mission.



Embedding Risk-Based Decision-Making and Adapting Risk Appetite

Defining and implementing a risk appetite encourages more people within the organisation to adopt a risk-based decision-making approach. This ensures that challenges and opportunities are evaluated with a clear understanding of acceptable risk levels, fostering informed and balanced decisions.

However, as risks evolve and your understanding of them deepens, your risk appetite may also need to adapt. Continuous review and testing of your risk appetite statement(s) against real-world conditions are essential to ensure they remain relevant and effective. When changes to your risk appetite occur, it is crucial to communicate these updates clearly across the organisation. This ensures alignment, maintains transparency, and empowers teams to make decisions that reflect the organisation's current risk tolerance and strategic priorities.

2. Where are you on your risk appetite journey?

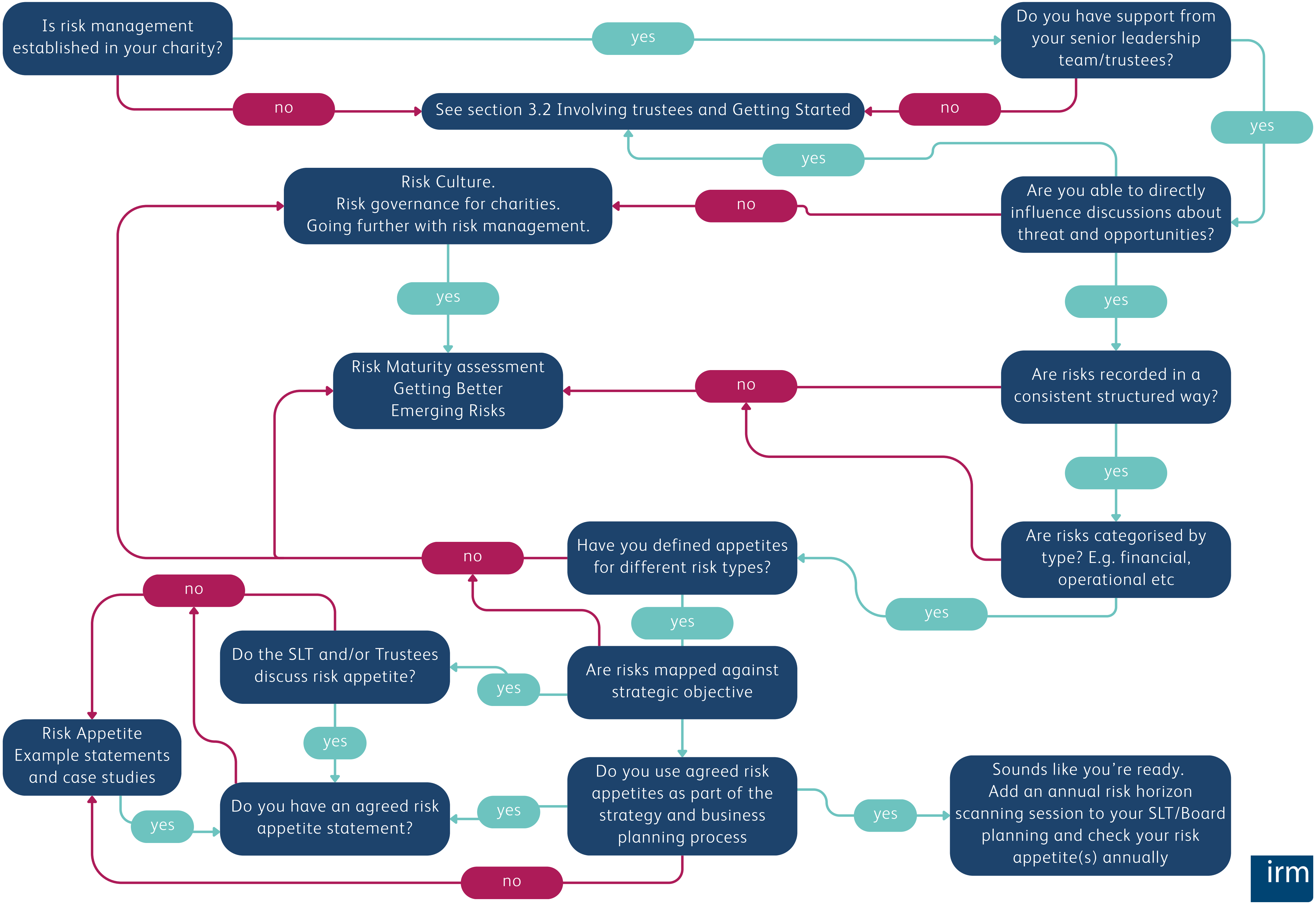
2.1. Assessing your current practice

The flowchart below serves as a practical tool to help you evaluate your charity's current risk management practices and determine your position on the risk appetite journey. By following the flowchart, you can:

- Assess Current Practices: Gain a clear understanding of where your organisation stands in terms of risk management maturity.
- Identify Next Steps: Receive tailored guidance on the most relevant actions to take based on your charity's specific circumstances.
- Access Further Resources: Be directed to additional readings and tools that align with your organisation's needs and stage in the risk appetite journey.

This flowchart is designed to provide a structured and actionable pathway, enabling your charity to strengthen its risk management framework and effectively define and implement its risk appetite.

(see next page)


Is risk management established in your charity?
yes
Do you have support from your senior leadership team/trustees?
no
See section 3.2 Involving trustees and Getting Started
no
yes
yes
Risk Culture.
Risk governance for charities.
Going further with risk management.
no
Are you able to directly influence discussions about threat and opportunities?
yes
yes
Risk Maturity assessment
Getting Better
Emerging Risks
no
Are risks recorded in a consistent structured way?
yes
Are risks categorised by type? E.g. financial, operational etc
no
Have you defined appetites for different risk types?
yes
no
yes
Do the SLT and/or Trustees discuss risk appetite?
yes
Are risks mapped against strategic objective
Risk Appetite
Example statements and case studies
yes
Do you have an agreed risk appetite statement?
yes
Do you use agreed risk appetites as part of the strategy and business planning process
yes
Sounds like you're ready.
Add an annual risk horizon scanning session to your SLT/Board planning and check your risk appetite(s) annually
yes
no

3. How to set your risk appetite

3.1. Preparation

Reviewing your work to date
Before setting your risk appetite, it is essential to review and ensure that your existing risk management tools and documentation are current and aligned with your organisation's objectives. Follow these steps:

Review Your Risk Register and Action Plans

- Examine your corporate risk register, risk action plans, or any other tools you use to document the process of identifying, analysing, and evaluating risks. Ensure they accurately reflect the risks that could hinder your organisation from achieving its objectives.

Assess Your Heatmap (if applicable)

- If you use a heatmap (e.g., Figure 3), ensure it is up-to-date and accurately represents the likelihood and impact of your key risks. Your heatmap may vary in complexity, but it should provide a clear visual representation of your risk landscape.

Update as Needed

- If your risk register, action plans, or heatmap do not reflect your current objectives and key risks, take the time to review and update them. This ensures that your risk management framework is relevant and effective.

Proceed to Risk Appetite Setting

- Once your risk management tools are up-to-date, you can use them as a foundation to define your risk appetite. These tools will help you identify key risks and determine the levels of risk your organisation is willing to accept in pursuit of its objectives.

By ensuring your risk management documentation is current and aligned with your goals, you will be better equipped to set a meaningful and actionable risk appetite that supports informed decision-making and organisational success.

Now think about your capability
If your risk management processes are not yet fully embedded or up to date, this could indicate the need to strengthen your foundation before proceeding. While setting a risk appetite is still possible, it is more effective when built on a robust understanding of your key risks.

If necessary, revisit and establish a comprehensive risk management process, such as the steps outlined in our '<u>Getting Started</u>' guide. Once this foundation is in place, you can confidently move forward with defining your risk appetite. To assess your organisation's risk management maturity, consider the following questions:

Strategic Objectives

- Are the organisation's strategic objectives clearly defined?
- What aspects of these objectives are explicitly stated, and which are implied?

Board Oversight

- What measures has the board implemented to oversee risk management effectively?

Organisational Capabilities

- Has the board and management team evaluated the organisation's ability to manage its risks?

Risk Culture and Governance

- What are the key characteristics of the organisation's risk culture, governance, and decision-making processes?
- Does a strong understanding of risk permeate the organisation and its culture?

Incentives for Risk Management

- Are management and staff incentivised to practise good risk management?

Investment in Risk Management

- How much does the organisation currently spend on risk management?
- Is this investment sufficient to address the organisation's needs?

Risk Management Maturity

- How mature is the organisation's risk management framework?
- Is this maturity level consistent across different levels of the organisation?
- Are these assessments based on evidence or speculation?

Engagement with Risks

- Does the organisation have a clear understanding of why and how it engages with risks?
- Is it addressing all relevant risks or only those that are easily captured in the risk management process?

Risk Response Framework

- Does the organisation have a structured framework for responding to risks?

By reflecting on these questions, you can identify areas for improvement and ensure your organisation is well-prepared to set a meaningful and actionable risk appetite. For further guidance, refer to our '<u>Getting Better</u>' guide and <u>supplementary assessment framework</u> to evaluate and enhance your risk management maturity.

3.2 Engagement

Engaging Trustees in the Risk Appetite process

Trustees play a critical role in overseeing risk management and must be actively involved in defining and owning the organisation's risk appetite at a strategic level, as they are ultimately accountable for risk management. Their engagement ensures alignment between the charity's governance and its approach to risk-taking. Here's how to effectively involve trustees in the process:

1. **Review Key Risks**

Begin by presenting trustees with the key risks already identified and currently being managed. This serves as a foundation for discussions and ensures everyone is aligned on the organisation's risk landscape.

2. **Seek Agreement on Key Risks**

Facilitate discussions to confirm that the identified risks are indeed the most critical to the organisation's objectives. This step ensures that trustees are fully informed and in agreement on the focus areas for further investigation.

3. **Educate Trustees on Risk Appetite**

Provide trustees with a clear understanding of what risk appetite is and why it is essential. Use examples and case studies to illustrate how a well-defined risk appetite can support decision-making and strategic success.

4. **Address Unrealistic Expectations**

Be prepared to manage trustees who may expect a 'perfect risk management' environment, which may not be feasible given the organisation's resources and capabilities. Use education and open dialogue to help them understand the balance between risk and reward, and the importance of setting realistic and practical risk parameters.

5. **Foster Ownership**

Encourage trustees to take ownership of the risk appetite at a high level. This includes approving the final risk appetite statements and ensuring they are integrated into the organisation's governance and decision-making processes.

By involving trustees in this way, you ensure that the risk appetite reflects the organisation's strategic priorities and is supported by its leadership. This collaborative approach strengthens governance and fosters a shared commitment to effective risk management.

Instigating Trustee Debate on Risk Appetite

To engage trustees in meaningful discussions about risk appetite, it is essential to structure the debate around key areas that flow logically from the charity's objectives to its risk management framework. Using tools like the heatmap, risk register, or other risk documents as a starting point, trustees can explore the organisation's approach to significant risks and areas to avoid.

Below are six key areas to guide the discussion:

Strategic Objectives

- Are the charity's strategic objectives clearly defined and still relevant, especially if they were set several years ago?
- What innovations or emerging risks could impact these objectives in the near future?
- Do the objectives align with the charity's mission and current environment?

Significant Risks

- What major risks are trustees willing to take in pursuit of the charity's objectives?
- Are there specific risks that trustees believe are necessary to achieve growth or innovation?

Clarity on Risk Appetite

- Are trustees clear about the nature and extent of risks they are willing to accept?
- Do they need more information or analysis to make informed decisions about risk appetite?

Governance and Oversight

- Do trustees need to establish clearer governance structures to oversee the charity's risk appetite and tolerance?
- Are there gaps in the current governance framework that need to be addressed?

Risk Oversight

- What steps have trustees taken to ensure effective oversight of risk management?
- Are there processes in place to monitor and review risks regularly?

Risk-Taking Approach

- How much risk should the charity take at any given time?
- For example, if the organisation plans to expand overseas, should it pursue multiple countries simultaneously or adopt a phased approach?
- If a phased approach is preferred, how should priorities be determined?

Facilitating the Debate

- Provide context
- Begin the discussion by presenting the heatmap, risk register, or other relevant documents to give trustees a clear understanding of the current risk landscape.
- Encourage open dialogue:
- Create a safe space for trustees to share their perspectives, ensuring all voices are heard.
- Use scenarios
- Present hypothetical scenarios (e.g., expanding into multiple countries) to help trustees visualise the implications of different risk-taking approaches.
- Link back to objectives
- Continuously tie the discussion back to the charity's strategic objectives to ensure alignment.
- Summarise and document

Capture key points from the debate, including agreed-upon risks, governance needs, and next steps, to inform the development of the risk appetite framework. By structuring the debate around these areas, trustees can engage in a focused and productive discussion that leads to a well-defined and actionable risk appetite. This approach ensures that the charity's risk-taking aligns with its objectives, governance framework, and capacity for oversight.

Techniques and Tools for Engaging Trustees in Setting Risk Appetite

To ensure a productive and focused discussion on risk appetite, it's important to use techniques and tools that align with your organisation's culture and the preferences of your trustees. Below are some effective approaches to consider:

Leverage Board 'Away Days'

- Ideal Setting: Away days provide a dedicated space for trustees to reflect on the charity's vision, mission, objectives, and strategic planning. This makes them an excellent opportunity to debate risk appetite in a concentrated and collaborative environment.
- Structured Agenda: Allocate a specific session to risk appetite, ensuring it is well-prepared and facilitated to maximise engagement.

Pre-Survey Trustees

- Online Questionnaire: Distribute a survey to trustees in advance to gather their views on key risks and areas of personal interest. This helps identify priorities and ensures the discussion is tailored to their concerns.
- Session at a Prior Board Meeting: Dedicate time at the end of the preceding board meeting to introduce the concept of risk appetite and gather initial thoughts.
- Individual Interviews: Conduct one-on-one interviews with trustees to explore their perspectives on key risks and areas of interest. This personalised approach can help build trust and engagement.

Tailor the Approach to Your Culture

- Choose a technique that aligns with your organisation's culture and the dynamics of your board. For example, some boards may prefer formal surveys, while others may respond better to informal discussions or workshops.
- Clearly explain the purpose of setting a risk appetite, emphasising how it will benefit the organisation and the Trustee Board by providing clarity, improving decision-making, and aligning risk-taking with strategic objectives.

Alternative Approaches if Away Days Are Not Feasible

- Offline Engagement: If an away day is not possible, work with trustees individually or in small groups to guide them through the process.
- Board Meeting Discussions: Bring the topic to the next board meeting, using insights gathered from offline discussions to inform the debate.

Facilitation Tools

- Heatmaps and Risk Registers: Use visual tools like heatmaps and risk registers to provide a clear overview of the organisation's current risk landscape.
- Scenario Planning: Present hypothetical scenarios to help trustees understand the implications of different risk appetites.
- SWOT Analysis: Conduct a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis to link risk appetite discussions to the charity's strategic context.
- Risk Appetite Statements: Share examples of risk appetite statements from similar organisations to inspire and guide the discussion.

Follow-Up and Documentation

- Summarise the outcomes of the discussion and circulate them to trustees for review.
- Use the feedback to draft initial risk appetite statements, which can be refined and finalised in subsequent discussions.

Involving the Senior Management/Leadership Team (SM/LT) in Setting Risk Appetite

The Senior Management or Leadership Team (SM/LT) plays a vital role in the risk appetite-setting process, as they are closely involved in the day-to-day operations and strategic execution of the charity. Their insights and expertise are essential for ensuring that the risk appetite aligns with the organisation's objectives and operational realities. Steps to Engage the SM/LT:

Leverage Their Existing Knowledge

- The SM/LT should already be familiar with the key risks identified during the risk management process. If they were involved in identifying, assessing, and evaluating these risks, they will have valuable insights into the organisation's risk landscape.

Provide Context for New Members

- If there are new members on the team or if the SM/LT is not fully aware of the key risks, take the time to explain or remind them of the risks that have been identified and are currently being managed.

·Share the risk register, heatmap, or other relevant documents to provide a clear overview of the risks and their potential impact on the charity's objectives.

Facilitate Discussions on Risk Appetite

- Organise a dedicated session with the SM/LT to discuss risk appetite. Use this opportunity to:
- Review the charity's strategic objectives.
- Discuss the key risks and their potential impact.
- Explore the organisation's willingness to take risks in different areas (e.g., financial, operational, reputational).

Encourage Collaboration with Trustees

- Highlight the importance of collaboration between the SM/LT and trustees in setting the risk appetite. The SM/LT can provide operational insights, while trustees bring a governance perspective.

Use Practical Tools

- Provide tools such as risk appetite templates, case studies, or examples from similar organisations to guide the discussion.
- Use visual aids like heatmaps or risk matrices to make the conversation more tangible and focused.

Align Risk Appetite with Operational Realities

- Ensure that the SM/LT's input reflects the organisation's capacity, resources, and operational constraints. This ensures that the risk appetite is both realistic and actionable.

Ongoing Engagement

- Involve the SM/LT in the continuous monitoring and review of the risk appetite. Their ongoing input will help ensure that the risk appetite remains relevant as the organisation's objectives and external environment evolve.

By actively involving the SM/LT in the risk appetite-setting process, you ensure that the framework is grounded in operational realities and aligned with the charity's strategic goals. This collaborative approach strengthens the organisation's overall risk management framework and fosters a shared commitment to achieving its objectives.

Instigating Senior Management/Leadership Team (SM/LT) debate on Risk Appetite?

To ensure the SM/LT provides valuable input into the risk appetite-setting process, it's important to facilitate a structured and focused debate. This discussion should help the team form a collective view on significant risks, delegation, and escalation, which can then be shared with the Trustee Board. Below are the steps to guide this process:

Set the Context

- Begin by explaining the purpose of the discussion and how it fits into the broader risk management and governance framework.
- Highlight the importance of their input in shaping the organisation's risk appetite and ensuring alignment with operational realities.

Review Key Risks

- Present the organisation's key risks using tools such as the risk register, heatmap, or other relevant documents.
- Encourage the SM/LT to reflect on these risks and consider which are significant enough to warrant attention at the Trustee Board level.

Facilitate Discussion on Risk-Taking

Ask the SM/LT to consider:

- What significant risks the organisation should take to achieve its objectives.
- What risks should be avoided entirely.
- Encourage individual views to be shared, but aim to build consensus on most risks to ensure a consistent approach.

Discuss Delegation and Escalation

Delegation

- Explore how much authority the SM/LT feels comfortable taking on for managing day-to-day risks.
- Discuss the level of delegation the trustees are likely to feel is appropriate.

Escalation

- Identify the types of risks or thresholds (e.g., financial, reputational, operational) that should trigger escalation to the Trustee Board.
- Agree on clear criteria for when escalation is necessary, ensuring alignment with governance expectations.

Use Scenarios to Guide Debate

- Present hypothetical scenarios to help the SM/LT think through delegation and escalation. For example:
- If a project exceeds its budget by 10%, should the SM/LT handle it, or should it be escalated?
- If a reputational risk arises, at what point should trustees be informed?
- These scenarios can help clarify boundaries and foster practical discussions.

Encourage Open Dialogue

- Create a safe space for the SM/LT to share their perspectives, ensuring all voices are heard.
- Use a facilitator, if needed, to keep the discussion focused and productive.

Summarise and Document Outcomes

- Summarise the key points of the discussion, including:
- Agreed-upon significant risks to take or avoid.
- Delegation levels that the SM/LT is comfortable with.
- Escalation thresholds for involving the Trustee Board.
- Document these outcomes to inform the Trustee Board and ensure alignment.

Follow-Up

- Share the outcomes of the SM/LT debate with the Trustee Board for their input and approval.
- Revisit the discussion periodically to ensure the delegation and escalation framework remains relevant as the organisation evolves.

By structuring the debate in this way, the SM/LT can provide well-considered and actionable input into the risk appetite-setting process. This ensures that the organisation's approach to risk-taking, delegation, and escalation is both practical and aligned with its strategic objectives.

When to Discuss Risk Appetite

The ideal time for the SM/LT to consider their risk appetite is during key organisational planning activities, such as:

- Annual Planning and Budgeting Periods: These are natural opportunities to align risk appetite with strategic priorities and resource allocation.
- SM/LT 'Away Days': Dedicated sessions for strategic discussions provide a focused environment for debating risk appetite.
- End of a Preceding SM/LT Meeting: A short session at the end of a regular meeting can serve as an introduction or follow-up to a more in-depth discussion.

If these opportunities are not available, consider engaging managers individually or in small groups offline and revisiting the topic at the next SM/LT meeting.

Techniques and Tools to Facilitate the Discussion

Pre-Meeting Preparation

Online Questionnaire or Survey

- Circulate a survey to gather initial thoughts on key risks and areas of interest.
- Include questions about the risks managers believe are critical to achieving the organisation's objectives and their comfort levels with taking or avoiding specific risks.

Individual Interviews

- Conduct one-on-one discussions with managers to explore their perspectives on risk appetite and identify areas of concern or interest.

Facilitated Group Discussions

Risk Management Session

- Dedicate a session during an SM/LT meeting or away day to discuss risk appetite.
- Use this time to review the organisation's key risks, strategic objectives, and the role of risk appetite in decision-making.

Scenario Planning

- Present hypothetical scenarios to help managers think through risk-taking and decision-making. For example:
  - How would the organisation respond to a significant funding shortfall?
  - What level of risk is acceptable when launching a new programme or expanding services?

Visual Tools

Heatmaps and Risk Registers

- Use these tools to provide a clear overview of the organisation's current risk landscape and facilitate discussions about risk prioritisation.

Risk Appetite Templates

- Share templates or examples of risk appetite statements to guide the team in drafting their own.

Explain the Benefits

- Clearly articulate why setting a risk appetite is important and how it will benefit the organisation and the SM/LT. Highlight how it can:
- Provide clarity on decision-making boundaries.
- Empower managers to take appropriate risks.
- Align risk-taking with strategic goals and operational realities.

Offline Engagement (if needed)

- If a planning away day or group session isn't feasible, work with managers individually to gather their input.
- Consolidate their feedback and present it at the next SM/LT meeting for further discussion and alignment.

Follow-Up Actions

- Document Outcomes: Summarise the key points from the discussion, including agreed-upon risk appetite levels and any decisions on delegation and escalation.
- Share with Trustees: Present the SM/LT's input to the Trustee Board for their consideration and alignment.
- Ongoing Review: Revisit the risk appetite discussion periodically, especially during major organisational changes or shifts in strategic priorities.

By choosing the right timing and employing effective techniques, you can ensure that the SM/LT debate on risk appetite is productive, engaging, and aligned with the organisation's goals and culture.

What about the wider stakeholders?

Involving wider stakeholders in the risk appetite-setting process can provide valuable insights, foster trust, and ensure alignment with the expectations of those who are invested in the charity's success. The level and type of engagement will depend on the nature of your organisation, its funding model, and the stakeholders you wish to involve. By thoughtfully engaging wider stakeholders, your organisation can ensure that its risk appetite reflects the needs and expectations of those it serves and relies upon. This inclusive approach not only strengthens the risk management framework but also builds trust and fosters long-term support for the charity's mission.

Valuable insight and a great testing bed

For smaller charities, such as a local hospice, engaging employees and volunteers in the risk appetite-setting process is particularly valuable. These individuals are often deeply connected to the charity's mission and operations, making their insights especially relevant.

Higher chance of embedding escalation

Engaging a broader range of stakeholders in the risk appetite-setting process can significantly enhance the organisation's ability to embed effective risk escalation practices. While there are inherent risks in wider engagement, careful planning and management can mitigate these challenges and maximise the benefits.

4. How to frame your statement

4.1. Record your risk appetite

Maintaining Momentum and Embedding Risk Appetite

The work undertaken to set a risk appetite will naturally create valuable conversations about risk, but it's important to ensure this doesn't become a one-off exercise. To maintain momentum, you need to record the agreed output so it remains a reference point for the organisation.

The risk appetite may not be a single statement but rather a series of statements reflecting different appetites for various risk exposures. These differences will depend on factors such as:

- How critical a risk exposure is to the charity's mission.
- How the activity is funded or delivered.
- Whether there are contractual obligations tied to the activity.

For example, a national animal charity may have a low risk appetite for sending employees and volunteers to insecure regions. In contrast, an international aid charity may have a higher risk appetite for such activities, as they are essential to fulfilling its mission.

By documenting these statements and ensuring they are accessible, you create a foundation for ongoing conversations about risk. This will help embed the risk appetite into the organisation's culture, ensuring it remains relevant and actionable over time.

Points to Cover When Setting Risk Appetite

When defining your risk appetite, it's often easiest to address each strategic objective or risk area individually. For each, consider the following key points:

- Acceptable Risks: Clearly outline the types of risks the organisation is willing to accept in pursuit of its objectives.
- Unacceptable Risks: Define the risks that the organisation is not willing to take under any circumstances, ensuring alignment with the charity's mission and values.
- Overall Risk Tolerance: Determine the overall level of risk the organisation is comfortable accepting for each objective or risk area.
- Decision Rationale: Document how the decision was reached, including the factors considered, such as the charity's mission, funding model, operational capacity, and stakeholder input.
- Monitoring and Review: Establish how the decision will be monitored and reviewed to ensure it remains relevant as the internal and external environment evolves.
- Escalation Process: Define the process for escalating risks, including:
- What to do if a new risk is identified.
- How to handle situations where a previously accepted risk changes and requires re-evaluation.

By addressing these points systematically, you can create a comprehensive and transparent risk appetite framework that supports informed decision-making and ensures the organisation remains adaptable to change.

Representing this?
You may want to begin to capture your responses within a simple table such as the example below which is based on a smalliNGO dedicated to raising awarenessof malaria workingin six African capitals in an advisory capacity only.

As you can see different risks have very different appetite levels but it is clear what is and is not acceptable, as well as when to escalate situations.

Other real examples of describing risk appetites can be found in the appendices.

Table 1. Example risk appetite levels

Risk Area	Will	Will not	Escalate
Employees on secondment in war zones	Accept within capital cities of existing countries supported only	Accept outside of country capitals or new African countries without full consideration	If employee wishes to travel outside capital whilst on secondment If new country requests our support
Investment of funds	Accept ethical investments within the portfolio of XYC Fund Manager only	Accept any investment in funds outside the portfolio of XYC	If requested to broaden the portfolio by XYC Fund Manager If approached by a new Fund Manager with a proposal
Scientific research	Accept a high level of risk in terms of research not always generating a return	Restrict investment in research of malaria provided usual due diligence applied	Where due diligence is unacceptable but the opportunity appears to be in line with our mission
Safeguarding	Accept avery low level of risk. All employees and volunteers with external interaction must be trained	Expand overseas to more than two of the ten countries identifiedfrom the strategic review at any one time	Should a third country development plan be received this needs to be referred to the trustees
Overseas expansion	Accept expansion work into a maximum of two countriesat any one time	Expand overseas to more than two of the ten countries identified from the strategic review at any one time	Should a third country development plan be receivedthis needs to be referred to the trustees

4.2. Communicate

Tell people about it

For the risk appetite to be integrated into how you operate, it is important that you explain it to people both within and outside the organisation.

Communication is key as risk appetite needs to live in the organisation and be operationalised at all levels, so telling people about it is important. The danger is that risk appetite discussion and statements only exist at the strategic level, with the rest of the organisation oblivious.

How you tell peopleand the level of detailyou go into will dependon the organisation and the audience. Just as we advised in the ‘Getting Started’ supplementary guide your communication will need to reflect the way you usually communicate and we would urge you to be visual and to provide an explanation that helps the audience understand why this is important to them and to the organisation. That connection is essential.

5. Keeping pace with change and testing decision-making

5.1. Don’t think your job is done

As your risks evolve, your risk appetite should evolve too. It is important to review it regularly — this might be quarterly or twice a year, but at a minimum once a year — and also whenever there is a significant change in your organisation or environment.

For example, you may want to revisit your risk appetite if:

- You are launching a new service or entering a new area of work
- Funding levels change significantly (e.g. a major grant is gained or lost)
- There are changes in leadership or strategy
- New regulations or external pressures emerge

Keeping your risk appetite under review helps ensure it stays relevant and supports good decision-making, rather than becoming a static document.

It is also helpful to make someone clearly responsible for monitoring risk appetite as part of their role. This is often a good fit for someone involved in planning, performance or governance. They can sense-check whether current activities are aligning with the agreed appetite and flag any concerns early.

If something starts to sit outside of agreed appetite — such as taking on higher financial risk than intended, or stretching operational capacity — this should be escalated promptly to senior management, leadership teams, and, where appropriate, trustees. This ensures the right conversations happen at the right level and that any adjustments can be made in a timely and informed way.

5.2. People will raise new or changing risks

Risk appetite is not something you set once and forget. New risks can emerge at any time — for example, a lost contract might mean changing what your charity delivers, while an unexpected influx of donations could open up new opportunities (and new risks) that need careful consideration.

Trustees and the senior management team should already be familiar with the organisation’s risk appetite, as they play a key role in setting it, but people and roles change over time, so it is important to keep risk appetite visible and part of regular conversations. This helps ensure it remains a practical tool for decision-making, rather than a document that sits unused.

It is also worth keeping the wider organisation engaged. Regular reminders and clear routes for raising new or changing risks — through existing risk management processes — can make a big difference. When risk appetite is well communicated and understood across the organisation, it is far more likely to become embedded in day-to-day thinking, helping people make confident, informed decisions in line with the charity’s goals.

5.3. Your appetite may change

Certain situations are likely to prompt a review of your organisation's risk appetite. These might include:

- Changes in key trustees or senior leadership team members
- Developments in the regulatory environment
- New opportunities for income that hadn't previously been considered
- Multiple project opportunities arising at once, requiring prioritisation

When these changes happen, it is important to make sure that new trustees and senior leaders are properly briefed on risk, risk management, and the organisation's risk appetite. Regular refreshers for existing stakeholders are just as valuable. This helps ensure that decisions continue to reflect the agreed approach to risk, even as people and circumstances change.

As you review your risk appetite against your objectives, you may find your willingness to accept risk increases over time. This often happens as confidence grows — particularly when escalation processes are working well, and new or changing risks are being identified and managed early.

So how do you know if you have reached that point? It can be helpful to sense-check how risk appetite is working in practice:

Do decision-makers understand the boundaries?
When people are clear on risk appetite, they are more likely to make timely, informed decisions—rather than reacting instinctively or delaying decisions altogether.

Are connections between risks being considered?
Risks do not exist in isolation. For example, a funding risk and a staffing risk might individually sit within appetite, but together could create a much bigger challenge. Being able to spot and assess these overlaps is key.

Does risk appetite enable, rather than restrict?
A well-defined risk appetite should give people confidence to act within agreed parameters. It is there to support better decisions and positive outcomes — not to hold people back.

Once trustees have agreed the organisation's risk appetite, day-to-day responsibility for operating within those parameters will usually sit with management. One simple way to maintain oversight is to include a space in your risk register for trustee comments or feedback as risks are reviewed. This helps ensure ongoing visibility and provides reassurance that risks are being managed in line with expectations.

6. Key takeaways

Tips

The following tips are based on practical experience of developing a risk appetite framework in a charity setting:

Engage early with trustees and key committees

- Speak to the Board and Audit & Risk Committee (if you have one) at the outset
- Keep the Chair updated as the work progresses
- Early input helps avoid rework later and builds stronger ownership

Be clear on roles and involvement

- Agree early on who will be driving the work and how involved different stakeholders want (or need) to be
- Try to ensure that the CEO and Chair are aligned on expectations, roles and overall ownership

Set a realistic timetable

- Map out a timeline from the start
- If other major priorities are competing for attention (e.g. system changes or funding pressures), consider whether an interim, high-level risk appetite could be agreed upon while the full version is developed

Consider what works best for your organisation

- Express risk appetite in a language that works for your organisation, e.g. quantitatively or qualitatively
- Use the tools that work for your organisation

Use existing organisational language to your benefit

- You likely have existing risk appetite statements and indicators already in things like organisational values, internal policies, strategy statements, operating plans, etc.
- If people do not know where to start, look at these types of places for 'clues' as to what the organisation's appetite is/might be
- You can then re-work the language into more 'risk appetite' language from that starting point

Start with a simple example

- Having a draft risk appetite statement for one area can really help
- It makes the process feel less abstract, especially for those less familiar with risk concepts by giving teams something tangible to react to or comment on

Make it a visible priority

- Where possible, ask the CEO to clearly communicate that this work matters
- In busy charity environments, competing demands are the norm — so regular reinforcement helps maintain momentum

Create capacity to deliver

- Once there is buy-in, make sure those leading the work have the time to do it. This may mean temporarily easing other responsibilities so the project can move forward at pace

Support teams through the process

- Many colleagues may not feel confident articulating risk appetite
- Providing examples, templates and opportunities to iterate will help build understanding and engagement over time

Keep it simple and visible

A short, visual summary (e.g. a one- or two-page document) can make a big difference. It helps ensure the final output is easy to understand, communicate, and use in practice.

A few further reflections

The questions below are designed to help you sense-check how risk appetite is working in practice. They can be useful at any stage of your journey — whether you're just starting out or refining an existing approach.

Appetite statements: are they understood and remembered?

- Do people still recognise what your risk appetite statements mean in practice?
- You may have invested time adapting wording (for example from the Orange Book) and tailoring definitions to suit your Board. But over time, these can lose visibility.
- Ask yourself: Are these statements still being seen, discussed and used — or have they faded into the background?

Appetite ratings: does practice match intention?

- Is there a gap between what you say your appetite is and what actually happens?
- For example, you might state: "We have low tolerance for service interruption." But in reality, business continuity arrangements may have been rated as high risk for some time.
- This is not uncommon — but it's important to recognise and address the gap.

Impact categories: do they shift depending on context?

- Can the same risk look different depending on how you view it?

For instance, a business continuity risk could be:

- A service issue (impacting beneficiaries)
- A workforce issue (health & safety)
- A legal/data issue (e.g. cyber breach)

Similarly, digital risks might sit across transformation, cyber security and legal compliance. When different impact areas have different appetite levels, how do you decide which takes priority? Being clear on this helps avoid confusion and inconsistent decision-making.

Risk ratings: do they tell a clear story?

When you look at inherent, current, target, tolerance and appetite ratings together — does it all make sense? While risk professionals may be comfortable with this level of detail, others may find it confusing.

It is worth stepping back and asking: Have we made this more complicated than it needs to be?

Risk escalation and de-escalation: is appetite part of the decision?

- Are risks being closed or stepped down too early?
- For example, a risk might be de-escalated once it reaches its target level, even if that is still above the agreed appetite.This can mean risks are no longer actively monitored, despite not being where you ultimately want them to be.
- Consider how you ensure ongoing oversight until risks are truly within appetite — or that any gaps are consciously accepted.

Engagement and ownership: is the Board actively using it?

Is risk appetite shaping real decisions, or is it just being approved on paper? For example:

- Can trustees clearly explain why a particular appetite level has been set?
- Are they comfortable discussing trade-offs and ambiguities?
- Do they revisit and challenge assumptions over time?

One practical approach is to test this regularly — by discussing real risks with the Board and asking them to apply the appetite in context. This works best in a supportive environment, rather than waiting for external reviews to highlight inconsistencies.

7. Appendix: Risk appetite statement examples and case studies

Colleagues in our SIG have kindly shared approaches they have taken in their organisations, which you can view in these appendices.

7.1. Appendix 1. Example risk appetite levels and descriptions

Risk Appetite Levels	Description
Averse	Prefers to avoid risk and will only take on risks that are essential to achieving primary objectives.
Minimal	Willing to take on very low levels of risks, with preference for safe options that are unlikely to impact primary objectives.
Cautious	Open to considering risks that have a potential for some reward, provided they align with strategic goals and have been thoroughly assessed.
Open	Willing to consider taking on risks that offer balanced potential rewards, event if they might impact objectives in the short term.
Ambitious	Eager to pursue opportunities that present higher risk, with the expectation of substantial rewards, aligning with aggressive growth strategies.

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Key Risk Appetite Themes	Risk Appetite		
	Level		Description
Health & Safety	Minimal		The organisation has a **minimal** risk appetite for health and safety risks. We prioritize the well-being of our staff, volunteers, and beneficiaries, ensuring compliance with all relevant health and safety regulations and implementing robust safety protocols.
Safeguarding	Averse		The organisation has an **averse**, zero tolerance for safeguarding risks. Protecting vulnerable individuals is paramount, and we are committed to maintaining the highest standards of safeguarding practices and responding swiftly to any concerns.
Reputation	Minimal		The organisation has a **minimal** risk appetite for reputational risks. Our reputation is critical to our success, and we strive to uphold our values and integrity in all our actions and communications.
Finance	Cautious		The organisation has a **cautious** risk appetite for financial risks. While we seek to maximize our resources and impact, we ensure prudent financial management and compliance with all financial regulations.
Compliance	Minimal		The organisation has a **minimal** risk appetite for legal and regulatory compliance risks. We are committed to adhering to all applicable laws and regulations, ensuring our operations are ethical and lawful.
IT Security	Minimal		The organisation has a **minimal** risk appetite for IT security risks. Protecting our data and systems is essential, and we invest in robust cybersecurity measures to safeguard against threats.
Fraud & Corruption	Averse		The organisation has an **averse,** risk appetite for fraud and corruption. We implement stringent controls and oversight to prevent, detect, and respond to any fraudulent or corrupt activities.
Fundraising	Cautious		The organisation has a **cautious** risk appetite for fundraising risks. While we explore innovative fundraising strategies, we ensure they align with our values and ethical standards.
Community Outreach	Cautious	Open	The organisation has a **cautious to open** risk appetite for community outreach risks. We actively engage with our community to understand their needs and build strong relationships, while managing any potential risks to our reputation and effectiveness.
Service Delivery	Minimal		The organisation has a **minimal** risk appetite for service delivery risks. We are committed to providing high-quality services to our beneficiaries and continuously improving our programs to meet their needs.
Key Projects	Cautious	Open	The organisation has a **cautious to open** risk appetite for key project risks. We undertake projects that align with our mission and strategic goals, balancing innovation with careful risk management.

7.2. Appendix 2. Real organisation approaches to doing this

Organisation 1

Organisation 1 (a large nationwide charity) has been influenced by the risk appetite approach taken by USAID. They also use a longer document in addition to the information provided below, but this should give enough to start building your own risk appetite documentation. Footnotes have been added with explanatory comments from the risk manager.

Risk Appetite Context and Approach

Background, purpose and scope of this document
[Paragraph setting out why a risk appetite is important, what it should achieve/how it should be used (e.g. This risk appetite statement sets out the amount and type of uncertainty (risk) that the organisation is willing to seek or accept in pursuit of our strategic goals and objectives. It should be used to inform consistent, risk-based decision-making as challenges and opportunities arise), and which entities it applies to]

Risk Management at Organisation 1
[Concise overview of risk management framework/approach, with link to org's Strategy and org's risk management policy]

Risk Appetite Approach
We have defined risk appetite via a 5-point ratings scale ranging from 'as low as reasonably practicable' (ALARP) to 'Risk-seeking'. An outline of each rating is provided below.

Rating	What does this mean?	Impact on decision-making
As low as reasonably practicable (ALARP)	For each rating, describe what the rating means – see e.g.s below	For each rating, describe how this will impact decision making – see e.g.s below
Cautious	We prefer options with minimal inherent risk (uncertainty)	We select options with a low risk of failure, where we expect our desired outcome is very likely.
Balanced		
Open		
Risk-seeking	We are eager to be innovative and to actively pursue radical or high risk options for greater rewards. We are willing to accept opportunities with high inherent risk. For these options we would typically still take steps to reduce the residual risk when it is cost-effective to do so.	We will choose something new and innovative with significant potential (but uncertain) benefits. We may be very uncertain what the outcome will be. This level of appetite means seeking out novel options and accepting a high likelihood of failure.

These ratings are used to summarise [org name]'s risk appetite in relation to [relevant number] categories of risk. The risk appetite rating for each risk category reflects the broad level of risk (uncertainty) the organisation is comfortable with for that category. In practice there is some variation in risk appetite within each category – for example, [give example of how this variation works in org – e.g. within the People risk category, our appetite for non-compliance with Employment Law is 'ALARP', but our appetite may be as high as 'Open' in relation to attracting candidates for job vacancies.]

Risk appetite ratings are represented with a target symbol in the appetite table on the following page. The variation in risk appetite in a risk category is represented as a green bar in the risk appetite table. Risk appetite for some key activities are influenced by multiple risk categories. For example, [include example relevant to org of what is meant by this – e.g. when considering an innovative fundraising approach, uncertainty (risk) related to the project delivering fundraising growth or not would likely align with the growth & innovation risk category and may have an Open appetite; but for risks related to the fundraising approach's compliance with data protection laws, we would align with the legal & compliance category's Cautious appetite.] If unsure which risk appetite category should be used, consider what the impact of the uncertain (risk) outcome is and which category that impact relates to.

Overall Risk Appetite Statement

(see next page)

	Definition: threats to & opportunities for…	ALARP	Cautious	Balanced	Open	Risk Seeking	Risk Mindset
Safeguarding and wellbeing	*For each row describe remit of risk category so it's clear what the appetite relates to – see e.g. below*						*For each row add the risk appetite statement for the risk category – 2-3 sentences – see e.g. below*
People	*…the attraction, recruitment, retention, performance or experience of our employees and/or volunteers.*						*We will usually take a balanced approach to risk in pursuit of attracting, recruiting and retaining staff and skillsets. We will take all practicable risk minimisation measures to prevent discrimination, bullying and harassment. We have a very low tolerance for anything that threatens our ability to comply with employment legislation or consistently and fairly apply our People Policies and Procedures.*
Service delivery							
Growth and innovation							
External collaborations							
Ethics and Reputation							
Legal and compliance							
Financial							
Technology & Data							

For each row add the range of risk appetites for the risk category plus a target symbol showing the typical appetite for this risk area – see e.g. below

Risk Appetite: [category name] Risks[1]

Definition: '[category name] risks' are events or circumstances that could [describe remit of risks covered within this category]

Overall risk appetite: ALARP CautiousBalanced OpenRisk-seeking
Preference for safe delivery options that have a low degree of residual risk and may only have limited potential for reward

Summary
[2-3 paragraphs setting out the risk mindset and principles underlying the risk appetite for this risk category]

[Include sections for specific activities or risks within this risk category that either have a different risk appetite to the overall risk appetite for the category or are really important to the application of risk appetite for this category – a couple e.g.s below]
We have an AS LOW AS PRACTICABLY POSSIBLE risk appetite in relation to:

- Non-compliance with laws and mandatory regulations – We consult legal and compliance expertise to prevent misinterpretation of requirements. We will mitigate any deficiencies in processes or procedures or gaps in knowledge that increase the risk of non-compliance with legal or other mandatory requirements.
- Xxxx
- Xxxx

We have a BALANCED risk appetite in relation to:

- Innovative approaches to motivating and retaining staff – We want to be an employer of choice in the sector. We are willing to try new and different ideas and to explore opportunities, such as flexible working, that could increase staff motivation and retention. In exploring these opportunities, we will take a balanced approach – ensuring potential benefits are affordable and do not disproportionately disadvantage or reward some groups of staff over others without clear justification.
- Xxxx
- xxxxx

We will:

- ü [include 3-5 examples of things the organization will do in this risk category due to the risk appetite – see e.g.s below (from multiple risk categories – in practice these wouldn't be on same category risk appetite statement)]
- ü Implement robust controls to prevent fraud, corruption and bribery
- ü Keep policies and procedures up-to-date and aligned with relevant laws and regulations; and consistently follow these.
- ü Consult legal and compliance experts as part of developing new activities, decision making and contracting to prevent misinterpretation of requirements and potential resulting liabilities/harms.
- ü Utilise standard, pre-approved contract templates and clauses where possible.
- ü Learn lessons from any incidents of non-compliance, near-misses and litigation and pro-actively strengthen policies and procedures based on these learnings.
- ü Utilise early warning systems and reporting to proactively identify issues and to ensure they are addressed effectively and promptly to minimise harm.

[1] For the category risk appetite statements, I was trying to get a balance of being relatively succinct / accepting there's no way to cover off every scenario, but providing enough specific examples of what the risk appetite means and how it works in practice that staff feel confident understanding and using it. I had a rule of no more than two pages for each category risk appetite statement.

We will not:

- [include one or two examples of things the organisation will definitely not do in this risk category due to the risk appetite – see e.g.s below (from multiple risk categories – in practice these wouldn't necessarily be on same category risk appetite statement)]
- Tolerate law-breaking or breaches of mandatory regulations.
- Hold reserve funds in crypto-currency.

Interaction between risk categories

We recognise that risk categories are interrelated and there may be situations where is a conflict between the risk appetite in two related areas.

Anticipated areas of conflict or complexity

[Add in anticipated areas where there may be complexity or conflict between two areas in applying the risk appetite – see e.g. below]
Fundraising innovation and compliance
We have an open appetite in relation to fundraising growth, but a minimalist appetite in relation to compliance. In cases where there may be a conflict between these two appetites, we will follow the principles below:
-We do not have appetite for non-compliance that could result in significant reputational damage or regulatory fines
-Where possible, we will streamline compliance controls to ensure they reflect the urgency of the activity and are proportionate
-Xxxxxxxxxxxxxxxxxxxx
-Xxxxxxxxxxxxxxxxxxx
-Xxxxxxxxxxxxxxxxxxxxx

Conflicts in other areas

We seek to avoid conflict by ensuring the risk appetite is shared with all staff to provide a consistent understanding of [org name]'s risk appetite. We also expect staff to take steps to proactively identify where issues may arise – for example, by discussing risk and risk appetite at the outset of any projects involving teams from multiple directorates. In line with the Risk Management policy, if you are unclear on how a risk should be managed, you must escalate this.

[1] In the full risk appetite document, we had a cover page with version control + contents page + an introduction section very similar to the 2 pager but with a bit more detail on the strategy and why/how to use it + the risk appetite statement for each risk category + this page at the end explaining interaction between the risk categories. I also talked with the exec and audit committee about developing supporting decision trees / guidance on how to use the risk appetite in decision making.

Organisation 2

Organisation 2 (a large nationwide charity) has risk appetite included in their risk management policy. In their policy they have a main section on risk appetite:

Risk Appetite

Risk appetite describes an organisation's overarching attitude to risk and outlines its appetite to tolerate an overall level of risk.

Our risk appetite is set by the Board in line with the organisational strategy. Our organisation's risk appetite reflects our commitment to achieving our mission while ensuring responsible risk management. Set by the Board in alignment with our organisational strategy, our risk appetite guides decision-making, informing our risk register and shaping the actions required to maintain appropriate levels of risk. We balance innovation and prudence, ensuring risks are assessed and managed effectively to protect our stakeholders, financial sustainability, and long-term impact. Regular review and oversight ensure our approach remains responsive to emerging challenges while upholding our values. To access our full risk appetite and statements, refer to Appendix 1.

And they have the following appendices:

Appendix 1- Risk Appetite Matrix

We Risk / Opportunities Appetite Matrix

Key:	Current appetite

Risk Category	1 Averse Avoidance of risk and uncertainty is key objective	2 Minimalist Preference for safe options that have a low degree of inherent risk	3 Cautious Preference for safe options that have a low degree of residual risk	4 Open Willing to consider all options and choose one that is most likely to result in success with some residual risk	5 Hungry Eager to innovate and choose options that suspend previous assumptions and accept greater uncertainty
A) Financial Income vs Expenditure, fundraising, trading, investments and commercial revenue ***Strategic area(s): Sustainability***	Avoidance of any financial loss is a key objective and opportunities are not pursued.	Only prepared to accept the possibility of very limited financial loss if essential to pursue opportunities.	Prepared to accept the possibility of some limited financial loss if it could deliver opportunities.	Prepared to invest for reward and minimise the possibility of financial loss by managing risks to a tolerable level.	Prepared to invest for the best possible reward and accept the possibility of financial loss. Controls must be in place.
B) Technology Information technology and communications ***Strategic area(s): Access, Reach***	Avoidance of new technology that could lead to having inadequate systems, security and service delivery, with investment limited to maintaining reliability.	Appetite for new technology is limited to where there is a low chance of having inadequate systems, security and service delivery, with investment largely focused on maintaining reliability.	Technology developments limited to improvements, with investment largely focused on maintaining, protecting and upgrading current operations.	Technology developments supported and investment secured to optimise capability where appropriate steps have been taken to minimise disruptions.	New technologies are pursued as a key enabler of enhanced service delivery and investment is prioritised to explore cutting edge options accepting a risk that they may not perform as anticipated.
C) Technology Transformation R&D innovation, diversification and sector leading practice ***Strategic area(s): Access, Reach***	Maintaining or protecting current operations is a core objective and transformation is to be avoided.	Maintaining or protecting current operations is a core objective with limited appetite to transform.	Appetite for transformation only if it is essential to sustain operations, or commonplace elsewhere, and where risks are adequately mitigated.	Transformation supported to enhance operations where appropriate steps have been taken to mitigate risk.	Transformation actively pursued and funded to enhance operations without firm guarantee of success as insight is considered a return in itself for developing future initiatives.
D) 1 Operations – service quality Service design and service delivery; and organisational influence decision making and oversight	Appetite to meet or exceed organisational policies, processes and ways of	Appetite to meet organisational policies, processes and ways of working but prepared to accept very limited and	Appetite to broadly meet organisational policies, processes and ways of working but prepared to accept limited low-level	Prepared to take decisions proportionate with risk exposure for not meeting expected standards e.g. strong	Open to organisational challenge and variation on quality and standards with organisational thresholds . May create diverging practices and gaps in service quality

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Risk Management Policy & Procedure

Appendix 1 – Risk Appetite (Statements)

Key
Low Risk (green) Moderate (yellow) Medium (orange) High (red)

Ref	Risk Appetite Category	Statement	Risk Appetite Level	Risk Rating
A	Financial Income vs Expenditure, fundraising, trading, investments and commercial revenue Strategic area(s): Sustainability	Remain cautious overall, but on Income Generation remain open minded to take more risk in pursuit of strong return on investment options, particularly those that have the best return and life-time value sustainable income. We have no appetite for debt or reputational harm and will strive to work within set financial limits.	3 Cautious	
	Risk Tolerance	We may tolerate temporarily going outside financial limits in situations influenced by external factors and whereas an organisation we have no control over, such as downturns in the global and national economic climate. (External factors only apply when the external factor itself has had a direct impact on our income and/or expenditure.) These instances must be agreed by ELT, have oversight of the Finance committee and reflected in the risk register.		
B	Technology Information technology and communications Strategic area(s): Access, Reach	We are open but have a 'hungry mindset' particularly for transformation / change when it could unlock capacity. On some aspects of tech, like standard products / tools / services we may seek to be at cautious. An area we need to continue to invest in, innovate and develop, given the demands for our service exceed our capacity. Technology will continue to be the biggest area of development for several years.	4 Open	
	Risk Tolerance B and C	We encourage innovation and adopt a hungry mindset for transformational change that results in better outcomes and achievement of our strategic objectives. Risks outside of our appetite relating to technology must be in-line with achieving our objectives, have an agreed project plan in place with clear timelines, KPI objectives that are agreed and overseen by ELT and flagged to ARC.		
C	Technology Transformation R&D innovation diversification and sector leading practice	We are currently open but given the challenges and opportunities we may want to be edging toward '5 - Hungry' for this but needs to be carefully mitigated with robust controls and assurance.	4 Open	

8. Further information

If you want to find out more about the Charities Special Interest Group then have a look here - https://www.theirm.org/events/special-interest-groups/charities/

The IRM has a wide range of information available free of charge, including from the basics of how to get started with risk management to the more advance topics such as how to manage opportunities. You can also sign up for webinars and coffee catch ups to hear and contribute to live discussions about a range of risk topics. And if you join the IRM you can access an even widerrange of resources.

In particular, the IRM published 'Risk Appetiteand Tolerance' on which much of this publication is based. The executive summary is available free of charge in the Thought Leadership section of the Knowledge and Resources area of the website.