

## Purpose

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Risk is the 'effect of uncertainty on objectives', where effect is a deviation from the expected outcome. Risk appetite is the overall attitude of an organisation towards risk (i.e. whether the organisation is open, averse, or neutral to risk taking). The risk appetite is dependent on an organisation's strategic objectives, operating environment, risk capacity, risk management capabilities, and the level of expected and likely returns from taking risks.

The Risk Appetite Statement (**RAS**), approved by Senate with input from management, consists of a number of statements that articulate the nature and level of risk that the University is prepared to take in pursuit of its strategic objectives; it both influences and is influenced by those objectives.

The RAS helps the University address strategically significant challenges and has both a preventive value and a promotional value. On one hand it prohibits certain activities to be undertaken because of the type and/or size of risks they carry, while on the other hand, it encourages and promotes the undertaking of certain activities and ventures because of the nature and size of the net benefits to the University from successfully undertaking such activities and ventures despite the associated risks.

The RAS enables UQ to determine what risks it:

- a. **Does not want to or should not take** because they are inconsistent with its values and/or statutory functions.
- b. **Is obliged to take** (or face) because the risks are inherent to activities and functions that are essential for UQ to achieve its objectives.
- c. **Wants to take but cannot afford to** due to risk capacity and/or risk management capability issues.
- d. **Wants to take and can afford to take** because the returns from taking those risks are highly valued and UQ has the risk capacity and risk management capabilities to take and manage those risks. For risks falling in this category, UQ must decide:
  - i. ***Which risks it is prepared to accept as is*** without any further risk mitigating action/s; and
  - ii. ***Which risks it needs to manage to a lower level*** because it does not want to or cannot afford to accept that risk at a higher level.

The RAS also helps to ensure that an appropriate level of risk management is being applied to day-to-day operations via establishment of specific risk tolerance levels for each risk or risk category. **Risk tolerance** is primarily a product of risk capacity and risk management capabilities. **Risk capacity** is the maximum amount of loss or negative consequences that an organisation can successfully withstand without jeopardising its long-term viability or survival. The risk capacity is based on the organisation's strategy, structure, operating environment, culture, internal controls, capacity and capabilities, resilience, the quality of its assets, and the strength of its balance sheet.

The approved RAS is a core component of UQ's Enterprise Risk Management Framework (**ERMF**) and its adoption across the University, including controlled entities, is mandatory. The ERMF provides the overall framework, direction, and mechanisms for oversight for the systematic, disciplined and consistent identification and assessment of risks (including opportunities) and for their effective and efficient management.

### UQ's Risk Appetite

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UQ's overall attitude towards risk is that of a **prudent risk taker**.

That is:

1. UQ has a **HIGH APPETITE** for risks that meet all of the following conditions:
  - a. The risk is associated with initiatives, operations and activities that support UQ's strategic goals and priorities and have a credible prospect of providing moderate to high net returns or contributions to its objectives; and
  - b. UQ has the capabilities to manage the risk effectively and efficiently to acceptable levels, or demonstrable risk capacity to sustain the loss should the risk materialise; and
  - c. Any negative impact/s on risk categories for which UQ has a low or nil appetite, can be managed to a tolerable level (see below).
  
2. UQ has a **LOW OR NIL APPETITE** for risks that meet one or more of the following conditions:
  - a. The risk has the potential to significantly erode or cause intolerable damage or harm to the health and safety of our people, UQ's culture, reputation, operational resilience, financial viability, and/or social and legal licence to operate; or
  - b. UQ does not have the capabilities to manage the risk effectively and efficiently, nor does UQ have the capacity to sustain the loss or negative consequence should the risk materialise.

#### **Tolerance and treatment of risks with LOW or NIL appetite**

In some cases, despite having a low or nil appetite for some risks, UQ may have to **tolerate** those risks at higher levels because:

- a. It is impossible, impracticable and/or cost prohibitive to eliminate those risks or reduce them to low levels; and
- b. Those risks cannot be avoided as they are inherent to initiatives, operations and activities that are essential to UQ given its objectives and strategy.

In such circumstances where UQ has no choice but to tolerate a higher risk level, the risk exposure will be reduced to as low as reasonably practicable (**ALARP**) via application of robust, cost-effective, and affordable controls.

Examples (non-exhaustive list):

- Health and safety risks
- Compliance risks
- Foreign interference risks
- Cyber security risks
- Risks to reputation
- Fraud risks