



CEB
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for Coordination

High-level Committee on Management (HLCM)

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Guidelines on Risk Appetite Statements – 2025 Update

Background

1. At its 35th session, HLCM examined how United Nations system organisations have been developing and putting in place risk management tools and frameworks. The Committee agreed on the need for joint, cross-functional engagement towards the system-wide harmonisation of risk management practices and endorsed the creation of a Risk Management Task Force.
2. The Task Force developed a number of key risk management documents including a Reference Maturity Model for Risk Management and guidance papers on embedding risk management, managing fraud risk and managing risks in the field and risk appetite statements. These documents have been extensively used across the United Nations systems and beyond, accessible to all via the CEB Secretariat's website.
3. At its 41st session, the HLCM endorsed a terms of reference to transform the task force into a UN Risk Management Forum. The Forum currently has active participation from CTBTO, FAO, IAEA, ICAO, ICC, IFAD, ILO, IMF, IMO, IOM, ITU, OECD, PAHO, UN, UNAIDS, UNDP, UNEP, UNESCO, UNFPA, UNHCR, UNICC, UNICEF, UNIDO, UNOPS, UN-RIAS, UNRWA, UNWOMEN, WFP, WHO, WIPO, WMO, the World Bank Group, and WTO, as well as ICRC and Gavi in observer capacity and UN-RIAS for information.
4. The Forum meets 3-4 times annually, with guest speakers and Forum members presenting and interacting on a broad range of topics including WEF Global Risks, demonstrating the value of risk management, AI risks, risk and insurance, climate change risks, the Grand Bargain, three lines, and numerous more subjects pertinent to advancing and sharing risks and risk management in the UN.
5. The Forum has worked to comprehensively update its guidance document on Risk Appetite Statements (RAS), first issued in 2019.

Working Modalities

6. For practical purposes, members of the Forum self-selected to join the RAS update team. The team, comprising five organisations, UNHCR, WIPO, WFP, IOM and UNFPA met virtually and by electronic means.
7. The final product was shared with the broader Forum for comment prior to finalization.

Risk Appetite Statement Guidelines

8. *Risk Appetite* is a concept adopted by some organisations to express and agree the amount of risk that they are willing to accept in pursuit of their mission and organisational objectives. It sets out to propose that risk taking is a business necessity, since seeking zero risk is prohibitively costly, and moreover that some objectives deserve to attract relatively more or less risk than other objectives.
9. The benefits of senior management articulating desired risk levels, and the governing body approving a risk appetite statement include more aligned strategic decision-making, timeliness of risk response implementation and safeguarding of the organisation's assets.
10. **It should be emphasised that while this document provides key principles involved in risk appetite and sets out a series of options in order to effectively establish a risk appetite statement, it does not imply that having a risk appetite statement is essential. There are alternative ways to deal with risk-taking that an organisation might choose considering its operating environment and mandate.**
11. The document presents three interrelated sections, that represent the three key steps foreseen to propose and agree the risk appetite in an organisation's terms:
 - (i) Introduction – sets out the purpose, benefits, readiness, stakeholders and critical success factors to be considered at the outset;
 - (ii) Developing a Risk Appetite Statement – investigates the key design questions, the structure (e.g. ordered by different options, such as a results framework, risk category or organisational structure etc.), as well as the drafting, consulting and ratification process;
 - (iii) Operationalising Risk Appetite – proposes communications of the approved statement, and how to pragmatically apply it in practice (escalation procedures, exceptions and responsibilities).
12. This update endeavours to reflect the significant increase in risk management maturity seen across the UN system since the original paper. It includes concise advice and guidance for UN organisations to develop a consistent approach to managing risk within appetite levels, while also leaving organisations fully autonomous to adopt a risk appetite approach best suited to each respective mandate.

Proposed Decision

13. The HLCM is invited to consider and endorse the 2025 update to the Risk Appetite Statement guidelines, to be used as a practical guide to help UN organisations identify, articulate and ratify, for their own planning and other decision-making, their appetite for risk-taking in pursuit of organisational objectives.

Risk Appetite Statement Guidelines

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UNITED NATIONS SYSTEM

Table of Contents

1.	Introduction.....	3
1.1	Background and purpose	3
1.2	Benefits of setting Risk Appetite	4
1.3	When to establish Risk Appetite	5
1.4	Risk Appetite Stakeholders	6
1.5	Critical success factors for Risk Appetite	7
2.	Developing a Risk Appetite Statement.....	9
2.1	Developing a Risk Appetite Statement	9
2.2	Key design questions	10
2.3	Structure of a Risk Appetite Statement	11
2.4	Risk Appetite scales	13
2.5	Drafting the Risk Appetite Statement.....	14
2.6	Internal consultation.....	15
2.7	Formalize and ratify the RAS.....	15
3.	Operationalising Risk Appetite	16
3.1	Setting risk tolerance	16
3.2	Communication and reporting	17
3.3	Escalation procedures.....	19
3.4	Response to threshold breaches	19
3.5	Utilisation of pre-emptive trigger limits	20
3.6	Reviewing and updating Risk Appetite Statements.....	20
3.7	Responsibilities and authorities	21
4.	Annexes.....	24
	Annex I: Definitions of key terms	24
	Annex II: Other examples of Risk Appetite Scales.....	25

1. Introduction

1.1 Background and purpose

The 2010 Joint Inspection Unit Review of Enterprise Risk Management (ERM) in the United Nations System noted that during recent decades, “the expansion of the mandate and operations of the United Nations organisations, coupled with unstable environments, has resulted in an increasing volume and complexity of risks encountered by these organisations.” Since then, the risk landscape has continued to evolve, with new challenges emerging. In the context of digital transformation, rapid technology development including artificial intelligence, geopolitical shifts, increasing demands for humanitarian interventions, funding challenges, and heightened security and reputational risks, United Nations and other international organisations face a risk climate that is growing increasingly more complex and prone to significant operational uncertainties. These factors, coupled with the goal to deliver on the Sustainable Development Goals (SDGs), require international organisations to adopt more proactive and strategic approaches to risk management

To deliver on their mandates, United Nations organisations must take risks; there is no risk-free path to achieving objectives. The challenge lies in identifying, prioritising and addressing the right risks at an optimal level, in the most effective ways. In April 2019 the High-Level Committee of Management (HLCM) endorsed a Reference Maturity Model (RMM) for Risk Management in the UN System. The RMM identified six dimensions of risk maturity (ERM Framework and Policy, Governance and Organisational Structure, Process and Integration, Systems and Tools, Risk Capabilities, and Risk Culture) each of which could be rated against a five-point maturity scale (Initial, Developing, Established, Advanced or Leading). The RMM recognized the importance of establishing risk appetite (or criteria) by making it an essential element for ‘Established’ risk maturity in two of the six dimensions the model outlined. Many organisations have benchmarked themselves against the RMM and since its issuance have made progress in increasing their risk maturity. Since 2019, there has been ongoing maturity in risk management across international organisations, including the adoption of technology-enabled risk dashboards, the integration of ERM into strategic decision-making, and increased cross-agency collaboration through mechanisms like the HLCM, demonstrating progress in harmonizing risk management practices

Risk Appetite can be defined as the aggregate amount (level and type) of risk an organisation accepts (or strategically chooses to assume) in pursuit of its strategic objectives and mission, reflecting its values and priorities. A **Risk Appetite Statement (RAS)** is the document that articulates the current risk appetite of an organisation in various areas or levels. A RAS is a strategic enabler that helps organisations balance bold action with mitigations across a range of strategic risks which may often be in tension with each other. A RAS should be endorsed by organisational leadership, communicated effectively and supported by a broader set of processes to operationalise it. These processes and procedures typically define how risk appetite is set and adjusted, how actual risk is monitored against the appetite, and how this is reported and escalated where appetite is exceeded. Expressly articulating risk appetite facilitates the communication of the organisation’s “philosophy” regarding risk-taking.

This is a guidance document and is non-prescriptive. It provides key principles involved in risk appetite. Given the diversity that exists between international organisations, this document provides several options, which entities may choose from when developing their own statements based on their specific needs, mandates and context. It also includes examples

from existing RASs, and provides suggestions and recommendations based on the experience of some organisations in defining and implementing the concept of risk appetite. This document should be read in conjunction with separate guidance developed by the Risk Management Forum on embedding risk management and the Reference Maturity Model¹.

1.2 Benefits of setting Risk Appetite

Implementing risk appetite successfully can bring several benefits to an organisation. These benefits include:

- Helping the organisation **achieve its strategic objectives** by understanding the risks and opportunities, pursuing them at the agreed level and addressing them with risk responses that target that level; this enables organisations to pursue their strategic goals more effectively by making informed decisions about which risks to take and how to respond to them.
- Facilitating **better and more aligned decision making**, including resource over-allocation, by requiring senior management/governing bodies to consciously consider and articulate the level and type of risk they want to pursue and are willing to accept, at both the strategic and operational levels by setting clear parameters for acceptable and unacceptable risks.
- **Bringing consistency** across the organisation in making risk related decisions at all levels, including if and when to escalate. This promotes a common understanding of risk and how to respond, ensuring a more unified and coordinated approach to risk management.
- Detecting when risk is outside of acceptable levels at an early stage and triggering timely, responses – **acting before it is too late**. This allows for more proactive risk management, enabling early intervention to prevent negative consequences.
- **Strengthening the risk culture** by communicating to the whole organisation (and to relevant external stakeholders) the organisation's approach to different risks; This promotes transparency and accountability.
- **Safeguarding the organisation** by improving the ability to reduce the impact of critical risks to an acceptable level or to prevent them from materializing at all. This improves the organisation's ability to protect its resources, reputation, and beneficiaries from potential harm.
- **Facilitating risk sharing** with relevant external stakeholders (including NGO partners, governments and donors) through open communication and collaboration on risk-conscious programme design and delivery, with mitigating actions (and their costs) allocated fairly across parties and a mutual understanding of the acceptable level of residual risk and minimum controls required.
- **Improving overall organisational performance and resilience** by managing risks appropriately at the target risk appetite. This enables the organisation to optimize its performance by taking informed risks and managing them effectively, and to react to external shocks, leading to better outcomes and greater impact.
- **Enabling innovation and seizing opportunities** by creating a safe space for innovation by encouraging calculated risk-taking and the exploration of new approaches and partnerships, while ensuring that potential downsides are appropriately managed.

¹ Please see <https://unsceb.org/rmtf>

Case Study 1. Risk appetite in a public-private partnership

The latest Risk Appetite Statement for one public-private partnership was approved by its Board in December 2024, updating its earlier 2019 version. Its purpose is to align a broad range of both public and private stakeholders and guide decision-makers in taking the right amount of the right type of risks to deliver results. The organization generally accepts risks required to achieve its goals, by relying on robust risk management at operational and strategic levels including risk identification, assessment, mitigation, monitoring and reporting, to ensure these risks stay within the Board-approved risk appetite. Two new risk processes, operational and strategic, were introduced in 2024.

Risk appetite is rated on a three-point scale: Low, Balanced and High. Each level of risk appetite drives actions to be taken in terms of strength of controls, frequency of monitoring and reporting, level of delegation of authority, investment in human capital, financial resources required and speed of response to mitigate the risk. It aims to encourage staff, partners and stakeholders to be risk-aware, to feel comfortable to take agreed and calculated risks where appropriate, to recognize and plan for the possibility of failure, and to learn from both positive and negative results. The statement is deliberately high-level, qualitative and does not try to account for every situation, while having systems and processes in place to ensure that risk owners manage the risks in their specific context within the overall risk appetite (including appropriately balancing trade-offs between risks). The statement seeks to balance being clear and understandable with providing sufficient granularity to guide decision-makers in making complex business decisions.

Risk appetite is integrated into the organisation's risk management architecture and business processes. As such the Board provides leadership on risk management and is accountable for determining risk philosophy including risk appetite. The Board approves the Risk Appetite Statement at the beginning of each strategic risk cycle and any changes/amendments during the cycle. The Audit and Finance Committee has the delegated accountability to oversee, review and monitor the effectiveness of risk management systems and processes in identifying, assessing, and managing risks to achieve a risk acceptability level in alignment with the Risk Appetite Statement. The Senior Leadership Team owns the Secretariat's risks and the mitigation responses. It is responsible for leading discussions with partners to translate risk appetite, as endorsed by the Board, into appropriate strategies and processes. The Ethics, Risk and Compliance Office (ERCO) is responsible for managing risk processes and ensuring risks are systematically assessed and appropriate management actions are in place to address and reduce these risks within an acceptable level as per the Board-approved Risk Appetite Statement.

The 2024 Risk Appetite Statement was complemented by an operationalisation guidance which provides examples of the application of the Risk Appetite Statement to sub-categories of risk with the introduction of quantitative indicators.

1.3 When to establish Risk Appetite

While it is possible to introduce a formal risk appetite statement at any level of risk maturity, it may be more useful for international organisations to implement risk appetite when they are otherwise at the *Developing* or *Established* maturity level in most or all of the dimensions of the Reference Maturity Model. Organisations should assess their readiness before embarking on the process of developing a formal risk appetite statement, and should be aware that the implementation of a risk appetite statement can be phased and does not need to be a "big bang" approach, especially for organisations that are new to this concept. This is because risk appetite is a relatively complex concept and without a strong risk management foundation in place, the benefits listed above may not be fully realised. Generally, before implementing risk

appetite an organisation should have a strong articulation of its current risk picture and have the capacity to keep this current and up to date as the risk picture and associated mitigations change over time.

Many organisations opt to initially introduce a relatively simple risk appetite statement. As their risk maturity develops this statement and its associated procedures can be elaborated and strengthened to align with the organisation’s enhanced risk capabilities.

1.4 Risk Appetite Stakeholders

While an organisation’s senior leadership is responsible to articulate its risk, it is also important to understand and engage other stakeholders throughout the process of developing and implementing risk appetite.

A useful first step to develop an organisation’s RAS is to identify the key stakeholders and determine their expectations. A stakeholder can be any person, group or entity that have an interest in the organisation, its resources or output, or is affected by that output. Stakeholders tend to drive decision-making, metrics and measurement and risk tolerance and may be internal or external to the organisation. Identifying and understanding the expectations of diverse stakeholders is critical to developing a RAS that is both relevant and effective. It is also important to reconcile potentially conflicting expectations among different stakeholder groups. More details of when certain stakeholders could best consulted are elaborated in section 2.6.

Table 1: Examples of stakeholders

Internal stakeholders	External stakeholders
Member States / Governing Body / Board / Board Committees, including relevant sub-committees	Donors (including both traditional and non-traditional)
Senior leadership / management	Other United Nations agencies
Risk personnel and other directly involved staff	Other partners / trustees, including implementing partners, private sector partners, and civil society organisations
Internal oversight functions	External auditors / regulators
Staff and personnel, including risk and governance units	Beneficiaries / society, including host country governments and the communities served by the organisation

It is left to the discretion of the management to determine the extent to which the expectations of governing body and donors are represented in the RAS. However, organisations should note that there may be different risk appetites from different stakeholders that need to be reconciled. For example, financial donors may be more risk averse, to safeguard their investments, while project beneficiaries may have a higher appetite for risk if it could lead to greater returns.

Case Study 2. Who are the stakeholders involved in RAS development?

One United Nations organisation hired a specialised risk consulting firm to assess its risk management maturity and to identify gaps compared to best practices in International Financial Institutions. As part of this assessment, the consulting firm identified developing a risk appetite statement as a top priority.

As a first step in developing a RAS, the consulting firm advised the agency to design an iterative process of consultation of internal and external stakeholders, in order to come up with a solid draft RAS proposal to share with their Audit Board Committee for review, and then for final endorsement before the final step of Executive Board approval.

Under senior leadership, a multi-disciplinary working group with external experts, and representation from all departments and divisions (both at HQ and regional/country office level) was set up to define the key components of the RAS. A zero draft and taxonomy was developed by the working group. A further round of consultation was performed with the Audit and Oversight Office, Evaluation Office and Ethics Office.

Externally, the agency held informal consultations with partners to understand their risk perceptions and views. The agency also consulted two other International Financial Institutions for benchmarking purposes. This facilitated further enhancements to the RAS before a final internal review by senior management.

Senior management input was provided at the ERM Committee where a strategic discussion made further refinements to the RAS. The stakeholder consultation cycle included a first Audit Committee draft review and adjustments, a second Audit Committee review for endorsement, and a final Executive Board review with all Member States.

1.5 Critical success factors for Risk Appetite

Seven critical success factors have been identified which will increase the likelihood of risk appetite being operationalised effectively. The questions are intended to help organisations respond to those success factors.

1. Strong buy-in from governing bodies and senior management

Who will ultimately be accountable for risk appetite and how will senior management and later any governing body, be involved in reviewing the organisation's risk maturity and risk appetite?

How will risk appetite take into account differing views at a strategic, tactical and operational level?

2. Clear and measurable levels and type of risk in pursuit of strategic objectives

How will the organisation ensure that risk appetite will be forward-looking and aligned with the organisation's strategic goals?

How will risk trade-offs influence the levels of various risks that are connected various strategic goals?

3. Integrated and aligned with the wider ERM and control framework, decision making processes and organisational culture

How will risk appetite guide decision making, facilitate measurable actions and support monitoring?

How will risk appetite be developed in the context of the control environment and culture of the organisation?

4. Sustainable, with clear ownership and regular communication, reporting and action

How will risk appetite be communicated transparently within the organisation, and what key information will be shared with relevant stakeholders?

What processes will business units follow for communicating when risk appetite is nearing a breach or is breached?

How will risk appetite be cascaded down to business units?

5. Integrated technology and data

How will the organisation leverage technology and data analytics to support the development, monitoring, and reporting of the risk appetite?

How will the organisation ensure data security and integrity in the risk management process?

6. Adaptability and resilience.

How will the organisation ensure that the risk appetite is dynamic and adaptable to changes in the operational context?

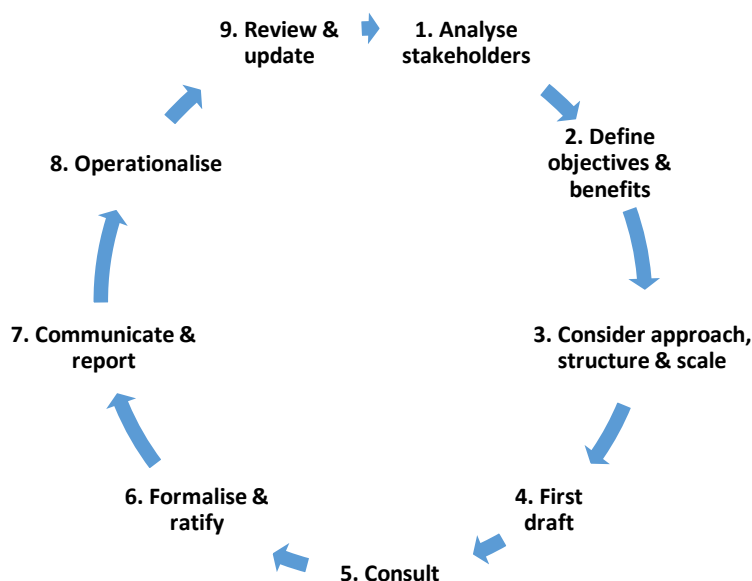
How will the organisation build resilience to recover from disruptions and continue to achieve its objectives?

2. Developing a Risk Appetite Statement

2.1 Developing a Risk Appetite Statement

The implementation requirements for risk appetite depend on the size and complexity of the organisation, the environment in which it operates, and its risk maturity. The following points provide step-by-step guidelines for developing a risk appetite statement and for refining it on a continual basis, that organisations may tailor to their specific needs. The process would typically be driven by the Chief Risk Officer or equivalent.

Figure 1 - Step-by-step cycle of risk appetite development



1. Analyse stakeholders ([section 1.4](#))
2. Define objectives and benefits ([section 1.2](#))
3. Consider approach, structure & scale ([sections 2.2](#), [2.3](#) and [2.4](#))
4. First draft ([section 2.5](#))
5. Consult ([section 2.6](#))
6. Formalise and ratify ([section 2.7](#))
7. Communicate and report ([section 3.2](#))
8. Operationalise ([section 3](#))
9. Review and update ([section 3.1](#))

This process is not necessarily linear and may involve multiple iterations, with organisations refining their RAS over time. Tailoring a risk appetite statement to specific needs may involve adjusting the scope of the statement, the level of detail, the risk categories used as well as the risk appetite levels themselves. For example, a smaller organisation with limited resources may choose to start with a simpler risk appetite statement, focusing on a few key areas, and then gradually expand it as its risk management capabilities improve. Conversely, a larger, more complex organisation may require a more detailed and granular risk appetite statement (or statements) from the outset. The key is to ensure that the RAS is appropriate for the organisation's specific context and that it is effectively used to set the planning parameters and strategy, operationalized and reflected upon after the implementation period.

2.2 Key design questions

Once an organisation has determined that it is: i) sufficiently risk mature to implement risk appetite; ii) has the key prerequisites in place; and iii) has identified the relevant stakeholders, it can then begin to think in more detail about how it would create a RAS in a way that would address the critical success factors in [section 1.5](#). This section provides detailed guidance and tips on how an international organisation can go about designing a RAS.

- **What does the organisation want to achieve by implementing risk appetite?** This document outlines a number of potential benefits from implementing risk appetite in [section 1.2](#);
- **What specific factors should the risk appetite consider?** The design of the statement will need to be tailored to the specificities of the organisation. For example, what are the political, environmental, social or other factors that will influence the relative importance of the organisation's propensity to take risk and its propensity to exercise control? These specific factors could include the organisation's mandate, operating environment, strategic priorities, and stakeholder expectations. The risk appetite statement should also consider the organisation's risk management capabilities and resources.
- **Should risk appetite reflect current practices, drive new behaviour or both?** One approach to designing risk appetite is to initially do so in a way that codifies and clarifies the existing level of risk taking in an organisation. Once existing behaviour is clearly documented, the risk appetite can be adjusted over time. The alternative is to identify the target level and type of risk taking the organisation wants to achieve and define its risk appetite to help it move towards this. A phased approach, starting with codifying current practices and then moving towards desired behaviours, may be a useful strategy for many organisations.
- **Will there be a default organisational risk appetite level?** Some organisations define an overall attitude towards risks (such as – risk averse, or risk seeking) that serves as a default risk appetite. In these cases, a process would be established to justify any deviation from the default and there may be different approval mechanisms for areas that deviate from the default.
- **At which levels would it be appropriate for the organisation to consider risk appetite – will certain parts of the organisation have a differing risk appetite?** A single risk appetite statement may be appropriate for some organisations, while others may need to adopt different risk appetite levels for different parts of the organisation, different contexts based on their specific needs, mandates, and operational context (such as emergency humanitarian responses versus development activities). If different risk appetites are adopted, it is important to ensure that there are mechanisms in place to manage potential inconsistencies and to ensure that the overall risk appetite of the organisation is still being met.
- **Will the implementation of risk appetite be phased or 'big-bang'?** In general, it is advisable for risk appetite to be holistic but some organisations may wish to initially roll out risk appetite in specific areas. Such an approach may be particularly useful where the prerequisites for risk appetite are met in some sections but not across the organisation. In these instances, an organisation could pilot risk appetite in the more mature risk areas before rolling it out more widely.

2.3 Structure of a Risk Appetite Statement

There are different options that international organisations could potentially select to define and structure their Risk Appetite Statements.

Effective RASs are not fully stand-alone but rather have a clear anchor to the wider organisational design. The RAS should be aligned with the organisation's purpose, vision and values, take into consideration the organisation's operating environment, and be informed and shaped by the risk maturity.

The non-exhaustive list in Table 2 sets out options to structure and define a RAS. Depending on the approach selected, the RASs could potentially be developed at multiple levels, at entity and functional level (and/or for multiple objectives). For example, if an organisation chose to anchor its RAS based on its results framework, it may set risk appetite both at the impact level and possibly the outcome or output levels as well. In addition to the risk appetite level, each option also lends itself to establishing risk indicators with target levels.

Case Study 3. Experience of developing a Risk Appetite Statement

One organisation developed its first risk appetite statement in 2014, a simple approach defining the level of risk appetite and tolerance by risk category: (i) strategic; (ii) operational; and (iii) financial.

This initial approach worked well in terms of communicating the relative amount of risk that may be sought for each category with Member States. The RAS reinforced the risk scale the agency had put in place through its risk policy, and ensured an escalation of risk and mitigation review, based on overall risk severity. However, it lacked a clear articulation of its application to the organisation's work.

In its second iteration in 2019, the organisation adopted a structure that linked its published accountability framework to its RAS and the levels of risk that the organisation may undertake in each of the areas defined under the framework. The accountability framework model was based on the COSO components, and the RAS covered all the critical areas for the organisation's operations. While this was an improvement, managers continued to struggle to apply appetite to strategy setting and operations.

In 2022, a third iteration was presented to Member States, directly aligning risk appetite to the organisation's expected results. This was a breakthrough since by assigning an appetite to each strategic objective (and in some cases more than one, based on sub-objective), managers could design their workplans taking into account differentiated appetites. The activity to discuss and propose appetites in itself improved awareness and understanding of risk appetite. The objectives relating to core activities and safety tended to attract lower appetites, whereas objectives relating to newly targeted stakeholder groups or newer technologies and media tended to be assigned higher appetites.

In practice, risk reporting included the assigned appetite as derived from the strategic objective, and consequently, exception reporting and escalation and approval of risks is efficient and value-adding.

Overall, the third iteration of the Risk Appetite Statement significantly improved the dialogue with Member States on calculated risk taking, it guided how the agency plans its work and how it deals with risks that are assessed above the respective risk appetite for the strategic objective. In turn, this enables systematic effective use of the organisation's resources based on a transparent risk approach.

Table 2 - Structures for defining Risk Appetite Statements

Structure	When to consider using it	Benefits	Possible drawbacks
Based on organisation structure: For each key division or organisational unit UN examples: None found	Such an approach may be appropriate in an organisation where the departments or divisions are very distinct with significant autonomy and delegated authority.	<ul style="list-style-type: none"> Easily understood categories Clear responsibility Ease of implementation 	<ul style="list-style-type: none"> Can fail to address cross-cutting risks and lead to siloed approaches
Based on strategic directions or vision: For each of the organisation's strategic directions International Organisation example: Gavi	For organisations with a clear set of medium to long term strategic objectives linked to measurable targets this could be a logical way to define risk appetite.	<ul style="list-style-type: none"> Clearly links risks to strategic long term goals Can encourage intelligent risk taking in pursuit of key strategic objectives 	<ul style="list-style-type: none"> May focus of achieving targets at the expense of 'how' they are achieved May be difficult for stakeholders to prioritize one objective over another
Based on the results framework: For each of the categories in the organisation's results framework UN examples: WIPO	Where organisations have a clear results framework underpinned by a strong multi-level Results Based Management this approach should be considered.	<ul style="list-style-type: none"> Performance data and reporting mechanisms and processes already exist Reinforces message of risks being in the context of what the organisation is aiming to achieve 	<ul style="list-style-type: none"> Results framework may not cover all aspects of the organisation (for example security management, human resources and other enablers may not be covered)
Based on enablers of success: For each success factor or organisational enabler that inform day-to-day decision-making UN examples: WHO	For organisations with clearly identified success factors that function as enablers of results achievement.	<ul style="list-style-type: none"> Enablers are relatively stable and easily identifiable; reduces need for regular updates 	<ul style="list-style-type: none"> May fail to cover non-operational risks (e.g., strategic, programmatic) Risk appetite may require regular updates as enablers shift
Based on Strategic Risks: For each of the Organisation's strategic risks UN examples: UNESCO International Organisation example: The Global Fund	This approach can be useful in an organisation with a manageable number of well identified and articulated key strategic risks that remain relatively stable over time.	<ul style="list-style-type: none"> Ensures a strong link between risk appetite and the most important strategic risks facing the organisation 	<ul style="list-style-type: none"> Risk appetite may require regular updates as strategic risks shift
Based on Risk Categories: For each category or sub-category of risks, UN example: WFP, IFAD, IMO, ITU, UNDP, UNFPA, WMO	This approach can be useful where an organisation has a manageable number of mutually exclusive and collectively exhaustive risk categories.	<ul style="list-style-type: none"> Ensures a strong link between risk appetite and wider ERM categories, reporting and information 	<ul style="list-style-type: none"> Existing categories may not be suitable for risk appetite (e.g. too numerous, not easily quantifiable)

2.4 Risk Appetite scales

Central to the concept of risk appetite is the view that some objectives are worth taking risky approaches to achieve, while others may require an organisation to be cautious or conservative when managing risks to their achievement. A **risk appetite scale** refers to the defined levels of risk appetite that an organisation can assign to different types of risk. A simple example of a three-point risk appetite scale would be low, medium or high. By creating a risk appetite scale with clear definitions, an organisation can articulate these different approaches in a consistent and clear manner. The risk appetite scale should not be confused with the risk likelihood-impact matrix.²

For a risk appetite scale to be useful, each point on the scale will need to have a clear and specific definition. The risk appetite scale should be defined in a way that drives desired and consistent behaviours within the organisation, in line with the expectations of its senior stakeholders

To achieve this, the organisation needs to agree to the behaviours expected at different levels of risk appetite on the scale and articulate these specifically as a framework for decision making. The articulation of behaviours in this way will clarify expectations of the organisation's stakeholders and allow for the risk appetite to cascade to 'lower' levels and be embedded in the organisation. This means that the definitions should be clear, concise and actionable, so that all stakeholders understand how to apply the risk appetite scale in their decision-making. It also means that the definitions should be consistent across the organisation, so that all stakeholders interpret the scale in the same way.

Some key questions to determine when establishing a risk appetite scale are set out below. Table 3 on the following page provides examples of different definitions of risk appetite scales used by international organisations for reference. Some examples from other organisations are provided in greater detail in Annex II.

- **How many points should there be on the scale?** It is recommended and widespread practice to use a three, four or five point scale for risk appetite levels. More than five is too granular and two points would not provide enough range. Some organisations use a different number of points from their likelihood-impact matrix in order to reduce confusion between the two. The number of points should be sufficient to differentiate between different levels of risk-taking, but not so granular that it becomes difficult to apply in practice.
- **What should the actual definitions be for each point on scale?** The examples in Table 3 and Annex II can give some ideas for how the points on the scale could be defined. Generally, the definitions should be as clear and measurable as possible so that all key stakeholders will interpret them in a consistent manner. The definitions should be specific and actionable, clearly articulating the behaviours that are expected at each level of the scale.
- **What should be the consequences of placing a risk area on any given point of the scale?** To give a basic example, if an area is assigned to the lowest point on the risk appetite scale then activities in this area may require a higher level of escalation and approval and more checks and controls. Conversely, areas placed at the higher end of the risk appetite scale would likely be subject to less oversight and approval. It is important to clearly articulate the consequences of placing a risk area on any given point of the scale, so that all stakeholders understand the implications for decision-making and resource allocation.

² A likelihood-impact matrix is graphical representation of the distribution of risks in a matrix with likelihood on one axis and impact on the other.

Table 3 Examples of risk appetite scales – see Annex II for more details

Organisatio Risk Appetite Scale					
Gavi	Low	Moderately Low	Moderate	Moderately High	High
Global Func	Low	Moderate/Low	Moderate	High	Very High
IFAD	Low		Moderate	Substantial	High
WFP	Highly risk averse (low)		Risk averse (moderate)		Risk hungry (high)
WHO	Averse	Minimal	Cautious		Open
WIPO	Low		Medium		High

2.5 Drafting the Risk Appetite Statement

Once an organisation has considered its key design questions ([section 2.2](#)), taken a decision on how it wishes to structure risk appetite ([section 2.3](#)) and how it wants to define its risk appetite scale ([section 2.4](#)) it will be in a position to begin drafting the statement itself. This section indicates the common components of a RAS and elaborates on what can be included within each of them.

Generic outline of a Risk Appetite Statement

A. Preamble

This section should set out the high-level guiding principles of the organisation, why the RAS is being developed, possibly how it was developed, and how it is to be used in various organisational control processes at a high level. It should also highlight the link between the risk appetite statement and the organisation's strategic objectives and priorities.

B. Definitions and purpose

The RASs reviewed typically included definitions of key terms such as risk appetite, risk tolerance, target risk level or other concepts that were used. The proposed common United Nations definitions outlined earlier in this document and in Annex I can be used here. It is important to use these definitions consistently throughout the risk appetite statement and related documents.

C. Structure

The statements reviewed also often explained how they were structured, typically based on one of the options described in [section 2.2](#). Explaining the structure and linking it to other relevant organisational documents and/or frameworks will aid the reader in understanding the RAS and how it relates to the overall organisation.

D. Operationalisation

Many of the risk appetite statements reviewed also provided some details of the monitoring, reporting, responsibilities and operationalisation of the Risk Appetite Statement. Guidance on these aspects is covered in [Section 3](#) of this document. This section should provide details on how the risk appetite statement will be monitored, reported on, and operationalized in practice, including who is responsible for these activities and what processes will be used. Many organisations opt to capture only a high level explanation of these processes in the statement itself, and have separate standard operating procedures that record the processes in more detail.

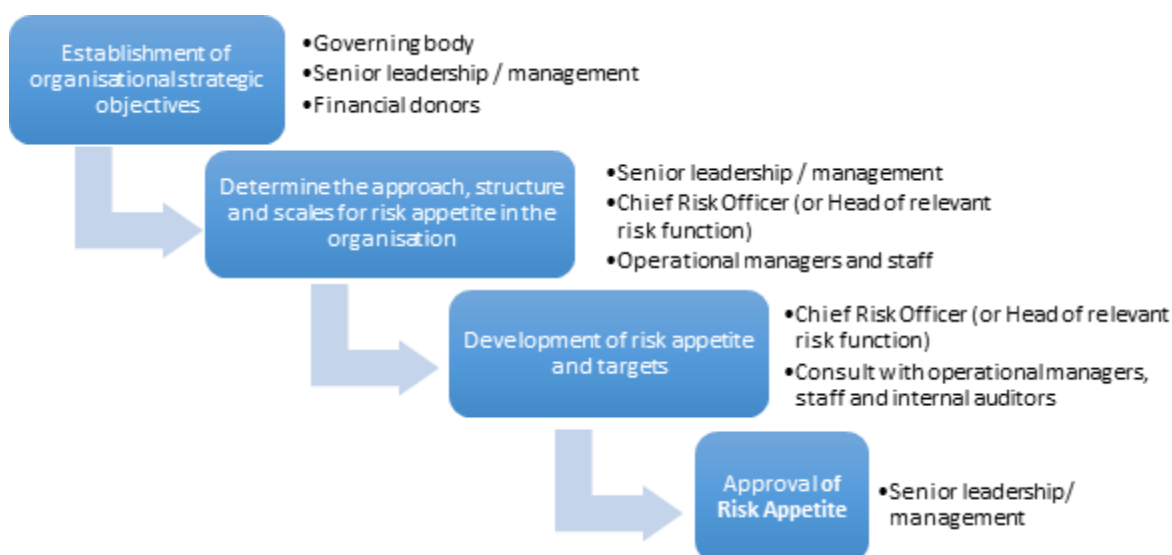
E. Main body

A set of qualitative and quantitative metrics and expressions that articulate the organisation's risk appetite (see case study 4 for some examples). This section is the key part of the document that explains to the reader what the organisation's risk appetite is for each area where they are defining it, according to the structure.

2.6 Internal consultation

After the first draft of the RAS has been prepared it should ideally be socialised across the organisation for internal review and feedback from key stakeholders (see [section 1.4](#)). Based on this feedback it may be necessary to revisit some of the design decisions previously taken. If needed this step can be repeated until the relevant internal stakeholders are content with the RAS. This iterative process is critical to ensure that the risk appetite statement is both relevant and practical.

Figure 2 – Engagement in the development of an organisation's risk appetite



2.7 Formalize and ratify the RAS

The specific form of endorsement will vary from organisation to organisation given the diverse range of governing mechanisms of United Nations organisations. In some instances, the governing body may be needed to endorse the RAS but typically they would be consulted and take note of it. This may include a formal resolution, a signed statement, or other documented confirmation of support.

Ratification by either leadership or the governing body signifies the organisation's formal commitment to the risk appetite statement and its integration into the organisation's strategic and operational frameworks. This process should be transparent and inclusive, ensuring that all relevant stakeholders have an opportunity to understand and support the statement. It is also important that the ratification process is documented, including any discussions or changes that were made during the process.

To ensure **effective formalization and ratification**, the following could be considered:

- **Clarify roles and responsibilities in advance:** Outline specific roles for key stakeholders, such as the risk committee, senior management, and the governing body, defining responsibilities for preparation, review, endorsement and ratification.
- **Link to strategic review cycles:** Integrate the RAS ratification process with the organisation's strategic review cycles, ensuring that the RAS remains aligned with evolving organisational goals and priorities.
- **Documentation and communication:** Document the approval process, including any discussions, feedback, and changes made to the RAS. Ensure that the finalized RAS is communicated effectively to all relevant stakeholders within the organisation, including staff at all levels.

3. Operationalising Risk Appetite

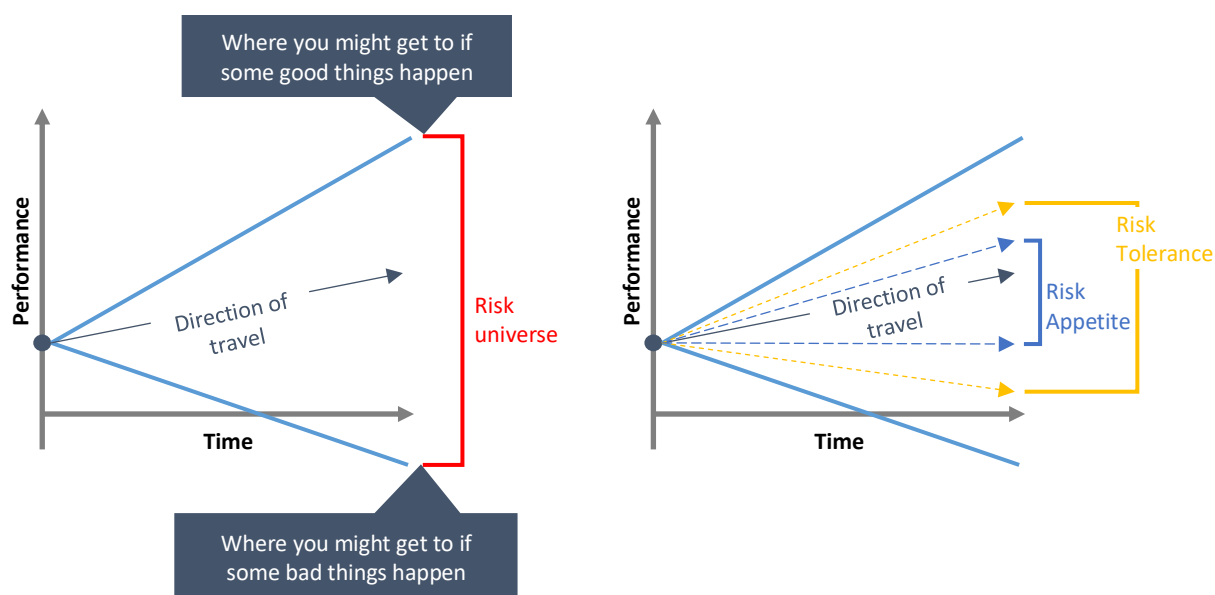
3.1 Setting risk tolerance

The setting or updating of risk tolerance bridges the gap between defining risk appetite and operationalising it. Risk tolerance is the level of variation an organisation is willing to accept from its risk appetite in the pursuit of its objectives; or put another way the boundaries of risk taking outside of which the organisation is not prepared to venture in the pursuit of its long-term objectives. While risk appetite will often be defined in qualitative terms (for example see the scales in table 3 and Annex II), risk tolerance is often defined in terms of quantitative metrics.

Some literature expresses risk tolerance in terms of absolutes, for example: “we will not expose more than x% of our equity to losses in a certain line of business”, or “we will not deal with a certain type of recipient”. Risk tolerance statements become “limits” beyond which the organisation will not move without prior board approval.

Figure 3 shows how risk tolerance typically has a wider scope than risk appetite, as it represents the outer limits beyond which the organisation could not cope in terms of risk capacity or performance.

Figure 3 - Risk universe, appetite and tolerance



In setting risk appetite and risk tolerance, organisations may consider the inherent risk level, but would generally focus on residual risk levels – i.e. the level of risk that remains after reflecting the impact of controls and mitigation actions. Risk tolerance thresholds are often expressed in terms of Key Risk Indicators (KRIs), which are leading indicators that measure risk levels, rather than performance. Some risk tolerances may be policy limits that should not be exceeded except under extraordinary circumstances (hard limits), while others may be trigger points for risk reviews and mitigation (soft limits). Whereas risk appetite is a strategic determination based on long-term objectives that sets the tone for risk-taking, risk tolerance can be seen as a tactical readiness to bear a specific risk within established parameters.

Risk tolerance, KRIs and thresholds may be included as part of the overall RAS, but more often may be captured in separate documents as they may need to be adjusted more regularly than overall appetite. Establishing risk tolerance is one of the major challenges in developing a RAS, and essential to its success. There are many ways to determine risk tolerance. Some

key considerations that can assist organisations in determining their risk tolerance are listed below.

1. **Alignment with overall risk appetite:** Risk tolerance thresholds should be consistent and aligned with the overall RAS assuming that they are developed separately. If an area has an overall low or averse risk appetite, this should inform the setting of the quantitative thresholds for any relevant indicators.
2. **Consistency with relevant strategies:** Risk tolerance thresholds must be in direct alignment with the relevant business unit or country overall strategy and priority. The thresholds should not only reflect the broader organisational goals but also be tailored to the specific mission and objectives for which they apply. A well-defined connection between risk tolerance levels and strategic outcomes will enable a more targeted and impactful approach to risk management.
3. **Current baseline:** Before setting risk tolerance thresholds, it is important to evaluate the current baseline data. This can signal the current level of risk, enabling the establishment of realistic and achievable thresholds.
4. **Feasibility:** Linked to the above, even if the current baseline exceeds the desired risk appetite, it is crucial to set indicators that are feasible, considering available capacity and resources. While striving for ambitious goals is important, thresholds must remain practical and achievable.
5. **Industry benchmarks:** For certain areas, other organisations may already have established KRIs and set tolerance thresholds for them. Other processes, such as procurement or travel, may also have relevant benchmarks from the private sector which could also be considered when setting risk tolerances.
6. **Stakeholder and donor expectations:** When determining risk tolerances and KRI thresholds, it is important to consider external factors, including stakeholder expectations, donor requirements, and any pressures from partner, UN agencies or governments. Different donors may have different tolerances for the same risk, and this may need to be reflected in altered risk appetites for certain projects directly funded by a particular donor. Wherever possible, organisations should seek to align donor and stakeholder risk appetite and tolerances with their own, and proactively engage stakeholders where there are different views.
7. **Legal and regulatory frameworks:** Risk thresholds should consider internal administrative instructions, policy recommendations, as well as local legal, regulatory, and operational constraints. This ensures that risk tolerance will remain fully compliant with both internal standards and external norms.

3.2 Communication and reporting

Operationalising risk appetite requires clear communication both internally and externally. Internal communication should be more detailed and more regular than external communication and should drive action. Examples of internal communications related to risk appetite include, but are not limited to:

- Regular reports to specific divisions (at HQ and decentralised/country/local levels, if applicable) or functions **highlighting current risk against agreed appetite**; these reports should not only present data on key metrics and tolerance levels but also provide analysis and insights to inform decision-making.
- **Target risk, prioritised risk mitigations and time to reach target level of risk** (normally within the risk appetite); such reports can clearly define the level of risk the

organisation is aiming to achieve, the specific actions being taken to achieve this risk level, and the target timelines for achieving these targets.

- **Ad-hoc communications and coordination between first and second lines** at the time of shaping risk appetite, setting metrics and suitable thresholds, with particular relevance in cases of function and/or countries / local entities level risk appetite chosen structure.
- **Ad-hoc reports to senior management / risk committee highlighting areas that are outside of risk appetite or have exceeded risk tolerance levels;** these reports should be triggered by specific events or circumstances that require immediate attention from senior management or the risk committee. The reports should clearly explain the nature of the breach, its potential impact, and the actions being taken to address it.
- **Ad-hoc communications highlighting any changes to risk appetite** determined by senior management to relevant staff; and these communications should clearly explain the reasons for the changes and their implications for staff.
- **Communications (including training) to inform staff of the RAS and what its implications are for them in their respective roles.** This should include training sessions and other communication activities to ensure that all staff members understand their roles and responsibilities in implementing the risk appetite statement.

Although external communications may be less frequent or detailed than internal communications, they are equally as important. Examples of external communications include:

- **Periodic (e.g. annual) reports highlighting overall risk levels against existing appetite** for the information of key stakeholders. These reports should be tailored to the specific needs and interests of different stakeholder groups, such as donors, member states, etc.
- **Communications with partners** (including other agencies, NGOs, governments or other donors) about the risk appetite of the organisation to assist them in contributing and aligning their respective approach toward risks for an effective partnership; and this should be a two-way communication, enabling partners to understand the organisation's risk appetite and to provide feedback and input.
- **Exception reporting** on instances where risk goes outside of appetite or tolerance levels – for example, some donors may include requirements to be informed of certain instances of risk being outside of certain levels. This should be clearly defined with specific thresholds and reporting requirements

Regardless of the form of communication and reporting, the organisation will need to determine what it will report, to whom, when, in what format, and who will be responsible for producing and disseminating each of these reports. Determining this clearly at the outset will maximise the chances of the organisation communicating and reporting on risk appetite in a purposeful, accurate, clear and timely manner to drive desired behaviour and performance. Dashboards, charts, and infographics can be used to present risk information in a more accessible and understandable way. Organisations could also leverage digital communication channels to disseminate risk information and tailor communication to different audiences. Furthermore, reporting on risk could be integrated with performance metrics to provide a comprehensive view of the organisation's performance, and real-time dashboards should be used for monitoring and reporting risks.

3.3 Escalation procedures

Linked to the reporting of risk appetite, an organisation will need to establish clear procedures for what happens when a risk threshold is breached, or a risk limit is exceeded. This includes the designation of escalation authorities, timelines and potential remedial actions. Escalation procedures should therefore define the roles of various stakeholders: the responsible business units (which could be a central/HQ or a country/local unit, depending on risk appetite metrics definition), the risk management function (which could be also decentralised in some organisations), senior management and its management committees. Escalation in the case of limit breaches will depend on strictly defined escalation procedures and should generally include the risk management function at a senior level. Escalation consists of notifying senior management and, if required, to the governing body. The level, speed and form of escalation may vary between areas.

Escalation authorities should be clearly defined at different levels of the organisation, with specific individuals or roles designated to receive and act on escalated risks. The responsible business units should be identified based on their ownership of the specific risk and their ability to implement mitigation measures. The risk management function should play a central role in the escalation process, providing guidance, support, and oversight. In decentralized organisations, this may require establishing clear communication channels and reporting lines between different units. Escalation should be viewed as a formal process of raising concerns to senior management and the governing body when risks are outside of the agreed risk appetite or tolerance levels and should be documented accordingly. The level, speed and form of escalation should be proportionate to the severity of the risk and should be clearly defined for each risk category. For example, breaches of financial limits may require more rigorous escalation procedures for breaches than those for areas with high-risk appetite.

To ensure effective escalation procedures where tolerance levels are exceeded, organisations should also consider the following:

- **Detailing escalation levels and authorities:** Clearly define the different levels of escalation, specifying which individuals or roles are authorized to make decisions at each level. For example, a breach of a risk tolerance limit might be escalated to the risk committee, while a breach of a risk appetite level might be escalated to the senior management team or the governing body. Escalation levels and authorities may include pre-authorized delegations to temporarily breach risk appetite in exigent circumstances, such as in crisis situations where delayed action could pose existential risks to staff or beneficiaries.
- **Documenting the escalation process:** Document each instance of escalation, including the date, time, nature of the breach, the actions taken, and the individuals involved. This documentation provides an audit trail and allows the organisation to learn from past experiences and improve its risk management processes. The documentation should also include the rationale for any decisions taken during the escalation process.

3.4 Response to threshold breaches

Some organisations may consider that the reporting of a threshold breach should generally lead to some form of remedial action, which might consist of raising the limits for the particular risk category, where appropriate, adopting corrective actions to reduce the impact of the breach, eliminating the root causes of such a breach or suspension of activities which originated the breach. Exceptions to the risk appetite may occur and need to be addressed.

It is advisable for organisations to document each case of risk appetite breached together with the root cause.

When a risk threshold is breached, the organisation should consider the following actions:

- Review the risk assessment: Evaluate the risk assessment to ensure that it is still accurate and appropriate. This may involve reassessing the likelihood and impact of the risk, as well as the effectiveness of existing controls.
- Consider raising the limits: Raising the risk tolerance limits may be appropriate in some cases, either as a one off exception, or a more general increase, but this should be a considered decision based on an analysis of the situation and should not be done simply to avoid having to take action. The rationale behind this decision should be documented.
- Adopt corrective actions: Implement specific actions to reduce the impact of the breach. These corrective actions could include implementing new controls, modifying existing processes, or allocating additional resources.
- Eliminate root causes: Identify and address the underlying causes of the breach to prevent it from recurring in the future. This may involve a more in-depth analysis of the organisation's risk environment and processes.
- Suspend activities: In some cases, it may be necessary to temporarily suspend activities that originated the breach to prevent further negative consequences. This should be a last resort and should be carefully considered and documented.

3.5 Utilisation of pre-emptive trigger limits

Some organisations may adopt a “proactive” mechanism with escalation trigger limits before breaching a risk appetite threshold, when risk appetite statement allows for both qualitative and quantitative thresholds. This mechanism aims at ensuring that senior management are notified (for their input/decision on response/corrective actions), before the risk appetite threshold or limit threshold and the critical level of losses/potential losses are reached, and that action plans are being established on a timely basis.

These pre-emptive trigger limits are designed to provide an early warning system, allowing the organisation to take action before a full breach of the risk appetite occurs. Qualitative thresholds may include events or circumstances that could indicate an increasing level of risk, such as negative media reports or a significant change in the operating environment. Quantitative thresholds may include specific metrics, such as financial losses, operational disruptions, or security incidents. Senior management should be expected to provide input and decisions on the appropriate response or corrective actions, based on the information provided. The pre-emptive trigger limits should be directly linked to the RAS and should be aligned with the organisation's overall risk tolerance. It is also important to document the action plans that are established in response to pre-emptive triggers, including the specific actions, timelines, and responsibilities.

3.6 Reviewing and updating Risk Appetite Statements

The RAS should be periodically monitored, reported on, and discussed, when necessary, with the governing body, donors, external auditors and regulators, and other stakeholders. This will help to ensure that it remains relevant, current and effective. It will allow for continuous improvement, and for new risks or risk areas requiring articulated risk appetites to be identified, including those that may be difficult to quantify. For risks that are difficult to quantify, the review should focus on qualitative assessments and the use of appropriate risk indicators. Additionally, revision should be backward looking to assess whether the risk appetite

framework in its current form has been effective in terms of supporting strategic and risk objectives. This review should also be used as an opportunity to identify lessons learned and to improve the risk appetite statement itself.

To ensure effective reviews and updates, organisations should consider the following:

- **Set a defined review cycle:** Establish a regular cycle for reviewing the RAS (e.g., annually, or in response to significant organisational changes), ensuring it remains current and responsive to emerging risks.
- **Integrate with organisational changes:** Link the review process to strategic planning cycles, major organisational shifts, or external changes (e.g., new regulatory frameworks or geopolitical risks). This ensures the RAS is aligned with the broader organisational context.
- **Incorporate stakeholder feedback:** Highlight the importance of gathering feedback from both internal and external stakeholders (e.g., donors, partners, field staff) to ensure the RAS reflects the needs and concerns of all relevant parties.
- **Embed continuous learning:** Promote a culture of continuous improvement by ensuring that lessons learned from past breaches or exceptions are integrated into future reviews of the RAS.

Case Study 4. How risk appetite is operationalised

A UN organization established a corporate risk register (CRR) in September 2011 as part of corporate efforts to mainstream risk management activities, along with development of the first risk appetite statement in 2012 (revised since in 2016 and 2018). The CRR considers risks that occur globally, focuses executive management attention to ensure accountability for addressing these risks, and facilitates priority decision-making and implementation of mitigating actions around these risks. As an effort to operationalize corporate risk appetite statements, the organization revamped the CRR in fall 2021 into a compact, high-level tool for executive management to weigh opportunities and risks at a corporate level in the medium- to long-term via one-page dashboards for each top corporate risk with clear department leads.

The CRR presents overviews of each corporate risk with four sections: (1) risk title and ownership; (2) risk cause / event / effect; (3) new mitigation action; and (4) key risk indicators (KRIs) with monitoring thresholds.

Based on assessment of these key risks to the organization's strategic objectives, during twice annual updates to the Risk Committee, executive management determines if benefits exceed the risk and reports back to the Independent Oversight Advisory Committee for further consideration and advice. The CRR assessment is coordinated centrally by functional risk owners with support from the risk management function.

To facilitate operationalization of qualitative risk appetite statements to generate risk-informed insights, in 2022 the organisation defined the acceptable risk appetite range per risk category in conjunction with the 25-point scale of residual risk seriousness. This helped offices to easily determine whether risks are outside or inside the corporate risk appetite and further escalate as required.

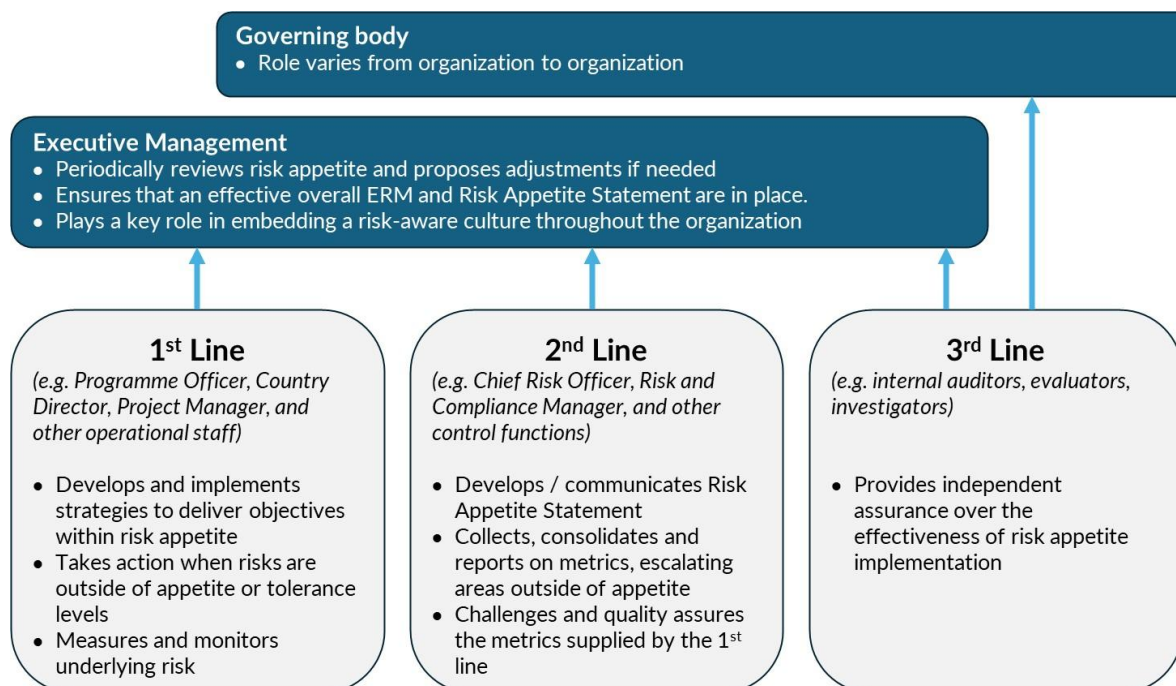
At the field level, over 20 country offices monitor key risks with KRIs following a similar template as CRR, elaborating on risks outside appetite (December 2024).

3.7 Responsibilities and authorities

The assigned roles, responsibilities and authorities relevant to operationalising risk appetite will vary from one organisation to another based on their differing mandates and structures, including the cases of decentralised (e.g. regional, country offices) organisation and related first and second line roles and responsibilities. An organisation seeking to operationalise risk

appetite will need to assign certain responsibilities and authorities to do so. This section details these key roles.

Figure 4 - Key responsibilities regarding Risk Appetite Statements



In the **Three Lines model**, endorsed by the HLCM and used by many United Nations organisations, the first line consists of divisions or operational units that are dealing with or taking risks. The first line, comprising often operational staff, is accountable for managing risk within agreed appetite levels. The first line should ideally be supported by a strong second-line risk function (potentially headed by a **Chief Risk Officer**) and a broader second line that provides support and guidance as well as policy and standard setting. Second line functions typically include finance, security, procurement, Information Technology and other functions that oversee risk in addition to a dedicated risk function. An independent third line (such as internal audit) would then provide assurance over the overall delivery of risk appetite.

Governing Body

The governing body may be responsible to approve/endorse the organisation's RAS, adjusting it if necessary, before that approval. The governing body may also be responsible for overseeing the organisation's risk management framework and ensuring that it is aligned with the organisation's strategic objectives and risk appetite.

Executive management

Senior management's risk responsibilities are to ensure that an appropriate risk appetite is proposed for consideration by its governing body, and that a governance process for the operationalisation of its RAS is established. Governance includes developing policy statements, and monitoring adherence to all aspects of such policies. Healthy risk governance requires establishment of forums at appropriate levels that review and challenge the levels of risk taken within the organisation. Such challenges should not be limited to the quantity of risk taken but need to consider the types of risk assumed. Senior management also plays a key role in embedding a risk-aware culture throughout the organisation.

Risk Committee

The organisation may also establish a risk committee (e.g. ERM Committee), or specific risk-focused committees (e.g. Financial Risk Committee, Non-Financial Risk Committee etc.) that hold risks leaders and senior managers accountable. A risk committee should ideally be separate from audit, corporate governance, executive or other similar board committees. It would include members with requisite risk management experience to credibly challenge those managing risk for the organisation on a day-to-day basis. One of the key roles of a risk committee is typically assessing whether the organisation is acting within its risk appetite. It should have clear terms of reference outlining its responsibilities and authorities, and should provide independent oversight of risk management activities.

Chief Risk Officer

The Chief Risk Officer is part of the second line and typically heads a risk unit. A risk monitoring function, which identifies, quantifies, monitors, reports and challenges the level of risk would also ideally be established under the Chief Risk Officer (to promote independence from first-line risk owners) or under other risk units with control function responsibilities. The Chief Risk Officer should have sufficient authority and independence to effectively challenge risk owners and to ensure that the risk management framework is being implemented appropriately, and should have a direct reporting line to senior management.

All Staff

A positive risk culture, with regards to risk appetite and more generally, relies on strong risk leadership throughout the organisation with everyone within it understanding the organisation's risk appetite position and their own roles and responsibilities under it. Operational staff are important stakeholders in the implementation of risk appetite. The organisational - eventually encompassing entity and functional - risk appetite will guide the extent to which staff feel empowered to take, or avoid, risk. The context of risk appetite may also guide how the organisation plans and budgets its work, so it is important that all relevant staff are aware of it. This requires active engagement from all staff members, with a clear understanding of their roles and responsibilities in relation to risk management. Organisations should also promote a culture of open communication where staff feel comfortable speaking up about potential risks and should provide training and resources to support staff in managing risks effectively.

4. Annexes

Annex I: Definitions of key terms

Risk Appetite:

The aggregate amount (level and types) of risk an organisation strategically chooses to assume in pursuit of its strategic objectives (and mission).

Risk Appetite Statement:

A document that articulates the current risk appetite of an organisation in various different areas or levels.

Risk Appetite Scale:

The defined levels of risk appetite that an organisation can assign to different types of risk.

Risk Criteria

Risk criteria are terms of reference and are used to evaluate the significance or importance of an organisation's risks. These criteria are used to determine how risks are prioritized and managed, and should be aligned with the organisation's risk appetite

Risk Profile:

The quantification and allocation of risk appetite across risk categories (e.g. insurance risk, market risk, credit risk, operational risk, etc.). This allocation should be consistent with the organisation's strategic objectives and risk tolerance

Risk Tolerance:

Acceptable level of variation an entity is willing to accept regarding the pursuit of its objectives; or put another way the boundaries of risk taking outside of which the organisation is not prepared to venture in the pursuit of its long-term objectives. Risk tolerance is a specific and measurable threshold that defines the acceptable variation in performance in the achievement of objectives and reflects the tactical readiness to bear a specific risk within established parameters.

Risk Trade-offs:

Interplay between various risks when decision making happens to mitigate a particular risk. (e.g.: when the organisation improves controls to mitigate fraud risk, it can delay the implementation). Risk trade-offs involve balancing the potential benefits and downsides of different risk mitigation strategies and making decisions that are aligned with the organisation's risk appetite and strategic objectives. These decisions may involve prioritising certain risks over others, or accepting a higher level of one risk in order to reduce another

Annex II: Other examples of Risk Appetite Scales

It is important to note that there is no single "correct" way to define a risk appetite scale. The number of levels, the terminology used, and the specific definitions should be tailored to the needs and context of each organisation.

This annex provides a range of examples of risk appetite scales used by different organisations. Organisations should adapt these examples to their specific context and needs and should not feel constrained to use a particular scale or terminology.

Organisation	Scales				
UNESCO (United Nations Educational, Scientific and Cultural Organization)	Low risk appetite: Areas in which UNESCO avoids risk or acts to minimize the likelihood or impact of the risk event.		Medium risk appetite: Areas in which UNESCO must constantly strike a balance between the potential benefits and drawbacks (including costs) for a given decision.		High risk appetite: Specific areas in which UNESCO may choose to take a calculated amount of risk, with the expectation that the probability of benefits outweighs the potential costs to better achieve the strategic objectives.
UNDP (United Nations Development Programme)	Minimal risk appetite: Areas where UNDP will apply a strong control environment to reduce or minimize the likelihood that a risk will occur and/or reduce the impact of any risk	Cautious risk appetite: Areas where UNDP seeks low-risk delivery options and will pilot innovation only in a controlled environment.	Exploratory risk appetite: Areas where UNDP strikes a balance between the potential upside benefits and downside risks of a decision and explores new solutions and options for delivery.	Open risk appetite: Areas where UNDP has determined that the potential upside benefits outweigh the risks and will take informed risks. All potential options are considered.	Seeking risk appetite: Areas where UNDP takes risks by working with new ideas and approaches, looking for innovation and recognizing that failures are an opportunity for learning and improving.
IMO (International Maritime Organization)	Low risk appetite: risk categories in which the Organization avoids risk or acts to minimize or eliminate the probability or impact of a risk as it would significantly impact the achievement of its objectives.		Medium risk appetite: risk categories in which the Organization must balance between the potential benefits and potential costs or negative impact.		High risk appetite: risk categories in which the IMO Secretariat may choose to take a calculated risk, with the expectation that the probability of benefits outweighs the potential costs or negative impact.
WFP (World Food Programme)	Highly risk averse: Areas where, whilst it accepts that it remains exposed to these risks, WFP recognizes its duty of care to staff, its obligations to stakeholders, and		Risk averse: Areas where WFP continually seeks to improve its internal controls and mitigate risks within the constraints of cost and efficiency.		Risk hungry: Areas where WFP must continually adapt its business model to changing needs and operating environments.

Organisation	Scales			
	commits to take prompt and effective action on matters of internal conduct.			
IFAD (International Fund for Agricultural Development)	Low: A low risk appetite means the organization is willing to take a prudent risk management approach in the pursuit of its objective and is intentionally being conservative. The controls implemented to mitigate the risks are expected to reduce the likelihood and/or the impact of residual risk to a minimum level.	Moderate: A moderate risk appetite means the organization is willing to take a cautious approach to justified risks that are outweighed by moderate expected benefits. The controls implemented to mitigate the risks are expected to reduce the likelihood and/or the impact of residual risk to a reasonable level.	Substantial: A substantial risk appetite means the organization is willing to take risks in pursuit of its objectives even if there might be a degree of uncertainty as to expected outcomes but the potential benefits are greater than potential costs. The controls implemented to mitigate risks are expected to reduce the likelihood and/or the impact of residual risks, which can remain material, but below the inherent level.	High: A high risk appetite means the organization is willing to take risks in pursuit of its objectives, even if there is a high possibility of a deviation from expected outcomes, which can hardly be anticipated or mitigated with ad hoc controls. The organization accepts the possibility of the impact of residual risks remaining high if the potential benefits are expected to outweigh potential costs.
WHO (World Health Organization)	Averse: A significant level of risk cannot be accepted as such, and mitigation must immediately be developed and implemented, to bring the residual risk to as low as reasonably possible (ALARP), (i.e. target risk level) taking into account the relative importance of internal and external factors.	Minimal: A significant level of risk cannot be accepted as such, and mitigation must be developed as soon as possible to bring the residual risk to as low as reasonably possible (ALARP), (i.e. target risk level), taking into consideration the relative importance of internal and external factors.	Cautious: A significant level of risk can be accepted in pursuit of impact, taking into consideration the relative importance of internal and external factors.	Open: A severe level of risk can be accepted in pursuit of impact, taking into consideration the relative importance of internal and external factors.
WIPO (World Intellectual Property Organization)	Low: Expected Result areas in which WIPO avoids risk, or acts to minimize or eliminate the likelihood that the risk will occur in pursuit of Expected Results as defined in the MTSP, because it has been determined that the potential downside costs and impacts are intolerable.	Medium: Expected Result areas in which WIPO must constantly strike a balance between the potential upside benefits and potential downside costs or negative impact.	High: Expected Result areas in which WIPO has a preference for calculated risk-taking in pursuit of results in the MTSP because the potential upside benefits outweigh the potential costs or downside impacts.	

Organisation	Scales			
UNFPA (United Nations Population Fund)	Zero risk: Areas in which UNFPA avoids risks or acts to eliminate the likelihood or impact of risks materializing because it has been determined that the potential consequences are not acceptable.	Low Risk: Areas in which UNFPA acts to minimize the likelihood or impact of risks materializing because it has been determined that the potential downside costs outweigh the potential upside benefits.	Medium Risk: Areas in which UNFPA continually acts to ensure a reasonable balance between the potential downside costs and the potential upside benefits of a given decision by appropriately reducing the likelihood or impact of risks materializing.	High Risk: Areas in which UNFPA will accept a higher risk level because the potential upside benefits outweigh the potential costs, which need nevertheless to be managed within a reasonable balance.
WMO (World Meteorological Organization)	Low: WMO's appetite for financial and compliance risks is low, reaffirming WMO's commitment to proactively mitigating risks that could impact financial resource availability while ensuring all activities and operations remain free from fraud and other breaches of obligations, ethics and standards of conduct.	Medium: WMO's appetite for strategic and operational risks is medium, in order to meet the challenges and uncertainties faced in the external worldwide context.	High: N/A	