



RISK APPETITE STATEMENT

Risk appetite is an expression of the type and amount of risk that TRAFFIC is prepared to take. It promotes consistent, 'risk-informed' decision-making aligned with strategic aims and supports robust corporate governance by setting clear risk-taking boundaries.

TRAFFIC accepts the following levels of post-control risk: (See Annex 1 for the scoring guidelines).

Human life and wellbeing

TRAFFIC will not tolerate any risk that could potentially cause serious injury to its staff or the people it comes in contact within the course of its work. Therefore, no activity with an impact on people greater than 2 (minor) when the likelihood is greater than 3 (possible) can be authorised.

Reputational

TRAFFIC will not normally accept a risk with an impact greater than 3 (moderate) and a likelihood greater than 3 (possible). The Executive Director can approve a higher score if satisfied that the results of the activity justify the risk and a mitigation plan is in place to minimise the risk as far is possible.

The Board will be kept informed post facto of any such approvals.

Financial

TRAFFIC cannot accept any risk with an impact of 5 (Extreme).

Other risks

Other risks with a residual score of 13 or greater can only be accepted if:

- Confirmation from the risk owner that the objective to which the risk relates is of high strategic importance; for example, a short-term opportunity becomes available to work with a potential new long-term donor or be involved in activities with a key government agency that had not been anticipated.
- A statement from the risk owner that there are no further mitigating actions that can be taken to lower the risk score.
- In no case will this be tolerated for more than 12 months.

ANNEX I

TRAFFIC uses the standard five-level scale as recommended by the UK Charity Commission.

Where X= Likelihood and Y = impact then the formula $XY+Y$ is used to calculate the risk rating.

IMPACT AND LIKELIHOOD

IMPACT

DESCRIPTOR	SCORE	CONSEQUENCES
Insignificant	1	<ul style="list-style-type: none"> ▪ No impact on the organisation's strategy or operational activities ▪ No impact on reputation ▪ Complaint unlikely/no stakeholder concern ▪ Litigation risk remote ▪ No financial impact
Minor	2	<ul style="list-style-type: none"> ▪ Slight impact on the organisation's strategy or operational activities ▪ Slight impact on reputation ▪ Complaint possible/low stakeholder concern ▪ Litigation possible ▪ Financial impact less than £y
Moderate	3	<ul style="list-style-type: none"> ▪ Moderate impact on the organisation's strategy or operational activities. ▪ Potential for adverse publicity – avoidable with careful handling ▪ Complaint probable/Moderate stakeholder concern ▪ Litigation probable ▪ Financial impact likely to be between £x and £y
Major	4	<ul style="list-style-type: none"> ▪ Significant impact on the organisation's strategy and operational activities disrupted. ▪ Adverse publicity not avoidable (local media) ▪ Complaint probable/Significant stakeholder concern ▪ Litigation probable ▪ Financial impact likely to be between £x and £y
Extreme/ Catastrophic	5	<ul style="list-style-type: none"> ▪ Organisation's strategy under threat. Operational activities interrupted for significant time. ▪ Major adverse publicity not avoidable (International media) ▪ Loss of stakeholder confidence/major litigation expected ▪ Financial impact in excess of £x ▪ Resignation of senior management.

LIKELIHOOD

DESCRIPTOR	SCORE	DESCRIPTOR	INDICATORS
Remote	1	Not likely in 10- year period <2% chance of occurrence	Has not occurred, Unlikely to occur
Unlikely	2	Likely to occur in 10-year period >10%	Expected to occur in exceptional circumstances
Possible	3	Likely to occur in 10- year period between 10-25%	Could occur more than once within time period. Could be difficult to control due to some external factors. History of Occurrence?
Probable	4	Likely to occur each year or more than 25% chance of occurrence but less than 50%	Expected to occur in many circumstances. Has occurred recently
Highly Probable	5	Likely to occur at least once a year or more than 50% chance of an occurrence.	Expected to occur frequently and in most circumstances.