

	<b>CILEx Regulation Limited</b>
<b>Date</b>	<b>15 April 2025</b>
<b>Item</b>	<b>6.00</b>
<b>Title</b>	<b>Risk Appetite Statement – annual review</b>
<b>Authors</b>	<b>John Barwick, Chief Executive</b>
<b>Purpose</b>	At its February 2024 meeting, the Board approved CRL’s proposed risk appetite statement. It is good governance and risk management practice to regularly review such statements on an annual basis to ensure alignment with the organisation’s strategic objectives and intent.
<b>Recommendation</b>	This paper is for discussion. The Board is invited to: <ul style="list-style-type: none"> <li>• <b>Discuss</b> the risk appetite statement and <b>agree</b> the proposed revisions to the Compliance and Financial risk categorisations.</li> </ul>
<b>Timing</b>	N/A
<b>Impact assessment</b>	Having a published risk appetite statement enhances transparency and confidence in CRL’s governance and support the active management of risk.
<b>Impact on Regulatory Objectives</b>	A risk appetite statement provides additional assurance that CRL is actively managing risks associated with the delivery of its regulatory objectives.
<b>Implications for resources</b>	None
<b>Impact on consumer empowerment</b>	Enhanced risk management arrangements help ensure CRL pays appropriate attention to consumer protection objectives and expectations.
<b>Impact on ongoing competence</b>	Enhanced risk management arrangements help ensure CRL pays appropriate attention to the LSB’s requirements regarding ongoing competence.
<b>Publication status</b>	Risk appetite statement for publication
<b>Appendices</b>	Updated 2025 Risk Appetite statement

## Introduction

1. At its most fundamental level, risk appetite is “the level of exposure an organization is willing to take” in pursuit of strategic objectives, according to the ISO 31000:2018 standard on Enterprise Risk Management. The Board expresses the level of risk they’re willing to take in a specific area through a risk appetite statement, which is used to inform decision making across the organisation.
2. CEB/Gartner explains that a well-defined and properly communicated risk appetite statement:

3. *...creates a set of guardrails for managers to operate within when making strategic decisions. It also provides a tool for communicating the role of guard rails in the decision-making process and for confirming that individual parts of the business are independently and collectively operating within those guardrails.*
4. The CRL Board approved a risk appetite statement at its February 2024 meeting which was subsequently published. It is good governance practice to ensure such statements are regularly reviewed so they continue to accurately reflect the organisation's strategic objectives and intent.
5. In accordance with its extended remit, the Strategic Risk Committee (SRC) considered at its meeting on 5 March CRL's risk management and reporting arrangements. This included consideration of CRL's 2024 risk appetite statement. The SRC was supportive of CRL's approach to risk management and reporting. However, in relation to risk appetite statement the SRC queried whether CRL's approach to compliance should be minimal (the ultra-safe delivery option), rather than measured (preference for safe delivery options). It is therefore proposed that the 2025 risk appetite statement reflects a minimal risk appetite to compliance. This change is highlighted in the proposed 2025 risk appetite statement below.
- 5.

### **Recommendation**

The Board is asked:

- To **discuss** and **approve** the 2025 risk appetite statement.

### **Determining risk appetite**

The appetite to a particular risk can be defined against the following four categories:

- **Minimal:** Preference for ultra safe delivery option that allows a degree of inherent risk and only limited reward potential
- **Measured:** Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential reward.
- **Open:** Willing to consider all potential delivery options while also providing an acceptable level of reward and VFM.
- **Seeks:** Eager to be innovative and choose options offering potentially higher business rewards despite greater inherent risk.

## Risk Appetite Statement

CRL's risk appetite is defined by the CRL Board and informs the decisions of employees and the Board. CRL's risk appetite statement describes the level of risk CRL will accept or tolerate as minimal, measured, open or seeks.

Risk area	Appetite	Description
<b>Regulatory:</b> delivery of our regulatory requirements including authorisation, supervision and enforcement	<b>Minimal</b>	Our focus is on ensuring quality in our regulatory delivery. We have a preference for safer delivery options for meeting our requirements as a regulator, accepting a measured degree of residual risk and choosing the option most likely to result in successful delivery in order to continue as an effective regulator and meet LSB performance expectations.
<b>Communications and Profile:</b> includes communication, media handling, stakeholder engagement (including consumers), reputation, profile, visibility and perception	<b>Seeks</b>	We are eager to be innovative and to choose options offering potentially higher business rewards despite greater inherent risk. We are willing to take decisions which are likely to bring additional scrutiny only where potential benefits outweigh risks.
<b>Compliance:</b> covers compliance with externally set standards including LSB, Internal Governance Rules, Health and Safety, External audit, Cyber security and data protection	<b>Minimal</b>	We have a preference for safe delivery options with little residual risk. We want to be sure our regulatory decisions and operational processes stand up to external scrutiny and threats.
<b>Financial:</b> includes budget planning, reserves policy and use of reserves, PCF, income generation and value for money	<b>Measured/ Open</b>	Our primary financial concerns are affordability and financial sustainability so that we continue to meet our regulatory responsibilities. We are open to accepting small residual financial risks where it can be demonstrated they will yield positive opportunities, for example the use of reserves for business improvements and sources of income generation.
<b>People:</b> includes recruitment and retention, performance management, pay and reward and panel member recruitment	<b>Open</b>	We invest in our people to ensure we have the correct skills mix. We are prepared to accept risk as long as there is the potential for improved recruitment, retention and performance. This includes being open to new and innovative ways of working.
<b>Reform:</b> includes opportunities and change (not limited to the CILEX proposals) and use of technology.	<b>Seeks</b>	We support innovation, with demonstration of benefit or improvement in service delivery. We are receptive to taking difficult decisions when benefits outweigh risks. This includes taking decisions to preserve regulatory independence and are in the public/consumer interest.

April 2025