

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
Regulatory: delivery of our regulatory requirements including authorisation, supervision and enforcement	Minimal	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.
Communications and Profile: includes communication, media handling, stakeholder engagement (including consumers), reputation, profile, visibility and perception	Measured /Seeks	We have a preference for a more measured approach when communicating on matters that may have a reputational impact. 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.
Compliance: covers compliance with externally set standards including LSB, Internal Governance Rules, Health and Safety, External audit, Cyber security and data protection	Minimal	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.
Financial: includes budget planning, reserves policy and ability to access and use reserves, PCF, income generation and value for money	Measured	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.

<p>People: includes recruitment and retention, performance management, pay and reward and panel member recruitment</p>	<p>Open</p>	<p>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.</p>
<p>Reform: includes opportunities and change (not limited to the CILEX proposals) and use of technology.</p>	<p>Seeks</p>	<p>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.</p>

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