Risk Management Policy and Framework

May 2025

Contents

1. Introduction

This document sets out Forestry and Land Scotland's (FLS's) approach to risk management and outlines the key objectives, strategies and responsibilities for the management of risk across the organisation. It applies to all FLS staff and should be applied consistently across the organisation. It will be supported by training to ensure that all staff are risk 'aware'.

1.1. Overview of Risk Management

FLS is committed to achieving its aims as defined in our Corporate Plan and Business Plan. In doing so, we recognise that we will face a variety of risks.

Risk is defined as a quantifiable level of exposure to the threat of an event or action that will adversely affect FLS's ability to achieve its Corporate Outcomes successfully. The task of management is to respond to these risks effectively so as to maximise the likelihood of FLS achieving its outcomes and ensuring the best use of resources.

2. Risk Management Policy

Effective risk management helps us to make better decisions and reassures our customers, partners and stakeholders. Our approach to risk is designed to identify risks and support the delivery of our organisational outcomes. We are committed to ensuring that the management of risk underpins all business activities and that thorough risk management procedures are in place across the organisation.

2.1. Our Approach to Risk

We have adopted a positive approach to managing risk, including:

- Operating a risk management process that's easy to understand and apply
- Improving performance through better planning
- Championing risk management across the organisation.

2.2. Risk Management in Forestry and Land Scotland should:

- Form a component of excellent corporate governance and management practice
- Provide a sound basis for integrating risk management into decision making
- Ensure that appropriate mitigating actions are in place to manage identified risks
- Ensure that the outcomes of FLS are not adversely affected by significant risks that have not been anticipated
- Ensure achievement of outputs and outcomes, having reliable and robust contingency arrangements in place to deal with the unexpected which may put service delivery at risk
- Ensure periodic assessment of FLS's attitude and appetite for risk
- Promote a more innovative, less risk-adverse culture, in which the taking of appropriate risks in pursuit of opportunities to benefit FLS is encouraged.

The identification and management of risk is an integral part of FLS's Corporate Plan and Business Plans. We recognise that risk, as well as posing a threat, also represents opportunities for developing innovative ways of working.

2.3. Our Principles

As part of our planning and delivery process, our principles are to:
- Align with outcomes – being responsive to change to achieve outcomes
- Engage with customers, partners and stakeholders – recognising capabilities to help or hinder outcomes
- Provide clear direction – understanding roles and responsibilities
- Inform decision making – linking with business planning and monitoring
- Enable continuous improvement – use lessons learned to avoid or remove inefficient use of resources
- Create a supportive culture – embracing considered and informed risk-taking
- Achieve measurable value – using resources effectively, improving governance.

3. Risk Management Approach

3.1. Risk Management Objectives

To assist in the management of organisational risk the following objectives have been identified. These form the basis of FLS's Risk Management approach:
- Promote the awareness of organisational risk and embed the approach to risk management across the organisation
- Seek to identify, measure, control and report on any organisational risk that will undermine the achievement of FLS's business priorities, both strategically and operationally, through appropriate assessment.

FLS will aim to identify risks and their cause at the earliest opportunity; measure the risk effect on the organisation; and put in place appropriate controls to mitigate risk. We will seek to obtain assurance of effective controls to mitigate risks through our Assurance Framework.

3.2. Risk Management Culture

FLS recognises the value of a risk management culture to support the achievement of outcomes and embedding risk across the organisation. To embed risk we will therefore:
- Review our Corporate Plan every three years, and the associated Business Plans annually
- Review our Corporate Risk Register on a monthly basis
- Integrate risk management with planning and delivery
- Implement and monitor risk management arrangements across the organisation
- Devolve responsibility for risk ownership and management as appropriate across the organisation
- Ensure that all staff have an awareness of risk management through undertaking appropriate training and provision of advice and support
- Measure progress in our approach to risk, taking action to improve where necessary.

3.3. Risk Management Structure

To ensure that FLS has a full understanding of the risks faced and implications for the organisation, risks will be identified and assessed at three levels:
- **Corporate**: Those business risks that, if realised, could have a significant detrimental effect on FLS's key business processes and activities, including financial, legal and reputational risk

- **Functional**: Those business risks that, if realised, could have a significant detrimental effect on key functional objectives and activities
- **Project/Programme**: Those business risks that, if realised, could have a significant detrimental effect on the outcome of Projects or Programmes

Risk registers will be developed and maintained across all three levels following a standard format and include the following elements:
- Current risk assessment of likelihood and impact
- Controls in place to mitigate the current risks
- Further key actions planned to manage the current risks
- Target risk assessment of likelihood and impact

3.4. Roles and Responsibilities

The Accountable Officer (CEO) has ultimate responsibility for the management of risk. The FLS Executive Leadership Team, seeking advice from the Audit and Risk Committee, has day to day responsibility for the system of internal control, including consideration and application of risk management.

FLS operates a "three lines of defence" model with clearly defined roles and responsibilities, as outlined at Diagram 1. This model ensures the effectiveness of the risk management framework by providing key governance groups with appropriate assessment, monitoring and assurance at three different points.
- **1st Line of Defence** – each Region/Function is responsible for the identification and assessment of risk, understanding and adopting appropriate controls.
- **2nd Line of Defence** – risk management provides challenge on the completeness and accuracy of risk assessment, considers the adequacy of mitigation plans and enables risk reporting.
- **3rd Line of Defence** – Internal Audit provides independent and objective assurance on the robustness of the risk management framework and the appropriateness of internal controls.
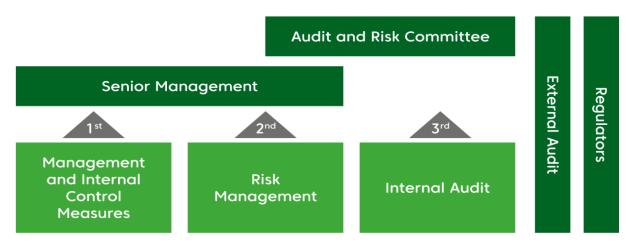
Diagram 1: FLS Three Lines of Defence Model

All staff within FLS need to have an awareness of risk management, including how risk is considered and applied to decision making. The key roles and responsibilities in relation to risk management are summarised at Annex 1.

4. Risk Management Process

We use risk management to systematically identify, record, monitor and report risks to enable the organisation to meet its corporate outcomes, risk objectives and to plan actions to mitigate those risks. There are five key elements of FLS's risk management process as illustrated in Diagram 2 below.

Diagram 2: FLS's Risk Management Process

4.1. Identification of Risks

Risk identification is an ongoing activity, with individual risks and the impact and/or likelihood of risk regularly changing. The process of risk identification helps FLS to determine what outcomes/objectives are looking to achieve and identify and threats and/or opportunities to aid achievement.

There are a number of sources that help with risk identification, for example: business planning; compliance and assurance activities; management/team meetings; project meetings; working groups; analysis of reoccurring complaints/feedback; horizon scanning; new/changing legislation.

It is therefore essential to good governance and risk management practice that risk features as a standard item on all appropriate project, team/management meetings and working groups across FLS. Details of any new/changing risks identified should be recorded and escalated for inclusion on the appropriate risk register.

There are a number of tools available to support risk identification and enable a profile of the risk to be built. Within FLS we have adopted two systematic processes (PESTLES and SWOT analysis) to help build risk profiles, providing a wide scan of areas that may affect achievement of outcomes or objectives.

Using PESTLES analysis categories to examine objectives will form a comprehensive risk profile for a given area of work.

Category	Examples
Political	Changes in policy or legislation; Scottish Government decisions; stakeholder or customer relations.
Economic	Financial or budgetary constraints; effect of local economy; sustainability.
Social	Preventative spend; demographic changes; staff implications.
Technological	Obsolescence; cost of training and development; efficiency.
Legal	Statutory Duties; procurement processes; accounting rules.
Environmental	Climate change implications; changing environmental standards.
Security	Physical assets; information security; data protection.

An alternative is SWOT analysis focusing on:
- Strengths: internal attributes that are helpful to achieving an outcome/objective.
- Weaknesses: internal attributes that are harmful to achieving an outcome/objective.
- Opportunities: external conditions that are helpful to achieving an outcome/objective.
- Threats: external conditions that could be detrimental to performance.

An example of SWOT would be:

STRENGTHS	WEAKNESSES
Staff experience; Management support	Communication channels; Timescales
THREATS	**OPPORTUNITIES**
Geographic spread; Current culture	Stakeholder relations; IT developments

These tools provide a quick and straightforward way of highlighting key factors in order for us to determine risks from small projects to strategic priorities.

4.2. Analysing and Assessing Risk

Once a risk is identified in FLS it is consistently assessed to consider the likelihood (i.e. the probability) of the risk occurring, and if that were to occur, what the impact (i.e. the consequence) would be on the organisation or particular outcome/objective.

Impact will be categorised and assessed on a scale of 1 to 50, with one being Negligible and 50 being Very High. Likelihood will be considered on a scale of 1 to 5, with one being Rare and five being Very High. The two elements will then be multiplied together to obtain a total risk score as outlined below:

Impact	Total Risk Score				
Very high (50)	50	100	150	200	250
High (25)	25	50	75	100	125
Medium (10)	10	20	30	40	50
Low (5)	5	10	15	20	25
Negligible (1)	1	2	3	4	5
Likelihood	Rare (1)	Low (2)	Medium (3)	High (4)	Very High (5)

4.3. Risk Appetite

Risk appetite is an expression of how much risk FLS is prepared to take. Those involved in risk evaluation and prioritisation should, when considering and assessing risk, discuss and express the risk appetite as they see it.

Our risk registers prompt risk owners to consider risk appetite when entering a new or reviewing a risk entry. They not only need to consider the total risk score before and after existing mitigating controls and actions, but also the final tolerable risk status.

FLS's Risk Appetite Statement is provided at Annex 2, and associated Risk Appetite Evaluation Map at Annex 3.

4.4. Responding To and Managing Risk

Once risks have been identified and assessed the next stage is to decide what action needs to be taken to address the highlighted risks.

Risks can be dealt with in four main ways, depending on the kind of challenge they present according to how likely they are to occur, and the impact if they did occur. In choosing between these responses factors that FLS will consider include cost, feasibility, probability and the potential impact. Responses to risk can be to:

- **Tolerate:** For unavoidable risks, or those so mild or remote as to make avoidance action disproportionate or unattractive. For example, where the costs associated with treating the risk is considered to outweigh the benefits.
- **Treat:** For risks that can be reduced or eliminated by prevention or other control action e.g. new systems, altered processes, contingency plans, etc. in these circumstances controls will be monitored on a regular basis to ensure that the controls put in place are effective.
- **Transfer:** Where another party can take on some or all of the risk more economically or more effectively, e.g. sharing risk with a contractor or specialist provider.
- **Terminate:** For risks no longer deemed tolerable and where exit is possible. For example, where a project is particularly very high risk and the risk cannot be mitigated it might be decided to cancel the

project. Alternatively, the decision may be made to carry out the activity in a different way that has less or more manageable risk.

It is important to recognise that excessive caution can sometimes be as damaging as unnecessary risk taking. There may be opportunities to exploit a positive impact that might arise whenever tolerating, treating, transferring or terminating a risk i.e. where the potential gain seems likely to outweigh potential downsides.

In these circumstances we will take the opportunity to be more creative about how we manage and view threats and uncertainty more positively, whilst still ensuring we consider appropriate mitigating controls and actions.

4.5. Mitigating Actions

These are the controls put in place across FLS to reduce the likelihood of risk occurrence, or to minimise the impact of the risk should it occur. An internal control system (Assurance Framework) incorporating policies, processes, business continuity arrangements and other aspects of FLS's operations that when combined:

- Enable appropriate response to business and organisational risks
- Help ensure the quality of internal and external reporting. This requires the development and maintenance of proper records and processes that generate the flow of timely, relevant and reliable information and evidence
- Help ensure compliance with applicable legislation and regulation, in addition to internal policies.

The risk that remains after taking account of the relevant mitigations is referred to as the target risk.

4.6. Risk Escalation

This is method of internal action and communication that ensures that significant risk information is passed upwards, or escalated, to an appropriate person or group. This is necessary to ensure that the appropriate decision and/or actions are implemented and monitored to mitigate the risk.

For escalation management judgement is required based on the nature and scale of the specific risk e.g. the risk of a key member of a project leaving may be very high, but not of sufficient scale in terms of scope to require escalation. The risk management framework is reliant on the judgement of those responsible for risk when escalating through FLS's risk management structure (as per section 3.3). As a guide the table below provides an outline of risk escalation in relation to risk scores.

Risk Level	Risk Score	Risk Level Description
Very high	100-250	**Rating:** Unacceptable level of risk exposure that requires immediate mitigating action. **Reporting:** A decision should be taken whether to report the risk to the Executive Leadership Team and/or Accountable Officer/Audit and Risk Committee level.
High	40-75	**Rating:** Unacceptable level of risk which requires controls to put in place to reduce exposure. **Reporting:** A decision should be taken as to whether risks recorded as high should be escalated. Scores between 40 and 50 would not usually be escalated where scores of 75 should be given careful consideration.
Medium	10-30	**Rating:** Acceptable level of risk exposure subject to regular active monitoring. **Reporting:** Managed at a Functional/Regional level.
Low	1-5	**Rating:** Acceptable level of risk subject to regular passive monitoring. **Reporting:** Managed at a Functional/Regional level. Consideration should be given as to whether risks recorded as low are still existing.

It is the responsibility of individual risk owners to escalate risks that they believe require consideration and action at a more senior level. However, it should be remembered that the overarching principle for the escalation of risks requiring action is: **If in doubt, escalate**.

5. Monitoring and Control Arrangements

5.1. Monitoring and Reviewing Risks

Risk management is an ongoing process that needs to be embedded in everyday activity. The process must be reviewed on a regular basis to remain effective. It is the responsibility of each risk owner to review risks on a regular basis and to identify whether any revisions are required.

The revision may involve a re-assessment of impact and likelihood or planned mitigating actions.

Within FLS, the following will be undertaken as a minimum:

- The Corporate Risk Register will be reviewed on a monthly basis at the Executive Leadership Team meeting. All risks rated as High or Very High will be reviewed in detail and action taken to mitigate risks further, as required. Opportunity will also be taken to identify and discuss any additional emerging or escalated risks.
- The Corporate Risk Register will also be discussed and reviewed quarterly by the Audit and Risk Committee.
- Functional/Regional Risk Registers should be discussed and reviewed at appropriate management meetings on an ongoing basis. The risk registers will be submitted quarterly to Corporate Services to monitor that controls are effective, and actions are being progressed in a timely and consistent manner.
- Programme/Project Risk Registers will be reviewed in accordance with the agreed individual governance arrangements.

The Director of Corporate Services and Transformation has responsibility for ensuring that the Risk Management Framework remains effective in the management of risk, and will oversee a review annually seeking input and evidence from relevant stakeholders.

5.2. Risk Maturity

A key aspect of monitoring and reporting progress is the establishment of a Risk Maturity Model. This model provides senior management with an overview of where risk processes and principles the FLS employs have led to changes and progressions in risk management. It provides assurance that risk management processes are fit for purpose and also identifies areas where further improvements are required. FLS's Risk Maturity Model is provided at Annex 5.

The Risk Maturity Model will be reviewed annually by the Executive Leadership Team, who will report findings and any actions to raise "maturity" in areas of poor performance to the Audit and Risk Committee.

Annex 1: Roles and Responsibilities

Role	Responsibility
Accountable Officer	• Responsible for ensuring and implementing effective risk management processes within FLS and across programme of activity • Ensure there are comprehensive risk reporting arrangements for their area of accountability.
Audit and Risk Committee (ARC)	• Advise and provide assurance to the CEO and Executive Leadership Team on FLS's arrangements for risk management, through constructive challenge and review.
Executive Leadership Team	• Overall responsibility for the FLS system of internal control and ensuring that an effective risk management system is in place. • Identify, evaluate and manage risks to the delivery of Corporate Plan outcomes • Review Corporate level risks and new high-level risks on an ongoing basis and advise as to whether contingency planning and/or escalation is required.
Corporate Services	• Develop, operate, monitor and report on FLS Risk Management Policy, Framework and System, including the Corporate risk register • Embed a risk aware culture across FLS through appropriate learning, development and monitoring activities • Provide guidance and support to Functions/Regions, Projects/Programmes, and Senior Management Teams on risk management methodology within FLS.
Senior Management Teams	• Manage high level risks within their Function/Region • Escalate Corporate and Very High rated risks (beyond their own tolerance) to the Executive Leadership Team • Take appropriate action to control, mitigate and monitor risks • Review functional and new high-level risks quarterly and advise as to whether contingency planning and/or escalation is required.
Senior Responsible Owners (SRO)	• Monitor risks to the delivery of programme or project objectives • Review and manage high-level programme/project risks and escalate as necessary.
Project / Programme Manager	• Identify, evaluate and manage risks to the delivery of individual projects and programmes • Escalate risks to the appropriate SRO or Functional/Regional lead.
All Staff	• Take ownership of individual project, programme an team risks where appropriate, escalating (beyond their own tolerance) to appropriate Senior Management Teams as necessary • Be responsible for considering risk as an integral part of decision making • Undertake the necessary learning and development on risk awareness and management, as appropriate.

Annex 2: Risk Appetite Statement

Introduction

This section provides information on FLS's appetite to risk. As well as setting out our approach to risk, it details the framework for risk appetite which can be pursued to achieve our corporate outcomes. It also provides details on how our risk appetite should be employed to help inform decision making, particularly at a strategic level.

Risk Appetite

The resources available for managing risk are finite and so the aim is to achieve an optimum response to risk, prioritised in accordance with an evaluation of the risks. Risk is unavoidable, and every organisation needs to take action to manage risk in a way that it can justify to a level which is tolerable. The amount of risk that is judged to be tolerable and justifiable is the "risk appetite".

Risk appetite is therefore 'the nature and extent of the principal risks that the organisation is exposed to and is willing to take to achieve its objectives.' (HMT Orange Book definition 2020). It can be influenced by personal experience, political factors and external events.

Risks need to be considered in terms of both opportunities and threats and is not usually confined to money - they will invariably also impact on the capability of our organisation, our performance and our reputation.

We need to know about risk appetite because: If we don't know what our organisation's collective appetite for risk is and the reasons for it, then this may lead to erratic or inopportune risk-taking exposing the organisation to a risk it cannot tolerate; or an overly cautious approach which may stifle growth and development. If our staff do not know the levels of risk that are legitimate for them to take, or do not take important or appropriate opportunities when they arise, then service delivery and improvements may be compromised and outcomes affected.

FLS will periodically review its appetite for and attitude to risk, updating these when appropriate. This includes the setting of risk tolerances at the different levels of the organisation, thresholds for escalation and authority to act, and evaluating the organisational capacity to handle risk.

Areas of Risk

As a public body responsible for managing the national forests and land for multiple outcomes the principal areas of risk we may be exposed to relate to the following categories:

- **Health, Safety and Wellbeing:** our approach and delivery model places the health, safety and wellbeing of our staff, contractors and customers at the core of all that we do
- **Compliance/Regulatory:** our compliance with all relevant laws, regulations and governance requirements in the delivery of our duties and responsibilities
- **Environment and Social Responsibility:** the organisation aims to make a significant, sustainable, and socially responsible contribution to Scotland and its people, including contributing towards addressing the Biodiversity and Climate Emergencies and social inequalities.
- **Reputation:** the decisions, actions, response or position we take in relation to the broad scope of our work

- **Financial Resilience and Sustainability:** the decisions we take in how we will deploy, utilise and monitor our resources to maximise income opportunities and public value, ensuring and enabling resilience and long-term financial sustainability
- **Asset Management and Continuity:** the decisions we take to how we remain operational and structure the organisation, including our internal business process and delivery model, and the use of supporting equipment
- **People and Culture:** we provide an inclusive and supportive workplace and service provision to internal and external customers and stakeholders
- **Commercial and Business Development**: we maximise our commercial offerings, both existing and new, actively seeking to grow income streams and deliver efficiencies to invest in transforming and developing our core business
- **Technology and Innovation:** we will continue to encourage an innovative environment, maximising digital technology opportunities to work smarter, increase safety and drive change.

Risk Appetite – High Level Assessment

The overall appetite to risk is currently assessed as '**Cautious**' i.e. that the organisation is willing to consider making decisions to deliver our Corporate Plan and associated outcomes which may involve a degree of risk taking in order to achieve the desired benefits. This would only be undertaken however where the relevant risks are judged to be within the organisation's capacity to manage and deliver against them to achieve significant gains.

Each category of risk has been discussed and agreed by the FLS Executive Leadership Team (ELT) and Audit and Risk Committee (ARC) as to the appropriate risk appetite level. This provides a framework to help inform decision making. This looks at the level of risk which is deemed to be 'manageable' i.e. where the risks will need careful management but are considered to be worth taking. Where potential risks could breach the 'manageable' level assurance should be provided to the ELT and ARC that these can be appropriately controlled.

Category	Description	Assessment
Health, Safety and Wellbeing	A large proportion of forestry and land management activities carry a high level of risk. We will involve appropriate internal and external stakeholders and subject matter experts in developing and delivering safe working practices, taking opportunities to assess risk and utilise technologies to improve safety outcomes in relation to our own remit, sharing learning with wider related sectors. We will identify and deliver opportunities to support well-being outcomes, providing appropriate learning and support to staff and managers.	We will fully comply with the responsibilities and duties of the Health and Safety at Work Act in relation to our staff, contractors and visitors. We will undertake activities and deliver services that are appropriately assessed and monitored to achieve our outcomes, incorporating an **adverse** approach to risk.

Compliance / Regulatory	As a Scottish Public Sector organisation we will comply with the expected standards of corporate responsibilities ensuring that all our appropriate activities are carried out in accordance within regulatory parameters. We will also ensure that we follow all related legislation associated with our activities. Only a very limited tolerance will be taken towards any discretion over the interpretation of our statutory compliance requirements. These would only be taken with prior consultation and approval at the relevant level of authority and where a proportionate approach to compliance is considered to be appropriate to achieve measurable outcomes and benefits. For non-statutory requirements, we will assess our approach and used informed decision making to deliver outcomes aligned to our corporate outcomes.	We adopt an **adverse** approach to taking risk that impacts on our ability to be complaint in the delivery of statutory duties. Where it enables the achievement of our corporate outcomes, following appropriate evidence-based assessment and approval we will, by exception, accept a **cautious** level of risk in regard to non-statutory requirements. On these occasions, we will take the necessary action to address the core issues and mitigate the inherent risk.
Environment and Social Responsibility	As the body responsible for managing the nation's forests and land we shall continue to pursue policies, take decisions and undertake actions within a sustainable business model that protects the natural environment, promotes the benefits of greenspace for health and wellbeing, and raises awareness and appreciation of its value i.e. natural capital. We shall also take account of our 'balancing duties' and acknowledge the range of interests across customers and stakeholders including our contribution to responding to the biodiversity and climate emergencies, but where there may be threats from proposed activities, we shall take a precautionary approach, making informed decisions and act	We will take a **minimal** approach to risk in balancing our responsibilities as a sustainable forest and land manager, alongside our corporate, public and commercial responsibilities. We recognise that existing and emerging practices can have a positive contribution to delivering biodiversity and climate benefits, however we will remain **cautious** that these are effectively considered and managed alongside our wider responsibilities, including financial and commercial sustainability.

	accordingly to ensure sufficient safeguards are in place.	
Reputation	Our remit, associated practices and operational decisions, attracts a high level of interest from a wide range of staff, external stakeholders and customers. We must take account of their views as part of balancing our duties. However, as an information-based organisation we must also be rigorous in ensuring that the decisions we make are transparent and based on robust evidence. As such, we shall be prepared to take decisions where there may be no consensus across all relevant parties and where it is judged that this is in the best interest of managing the national forests and land and delivering wider socio-economic needs. We shall also ensure that we are proactive in how we communicate our position so that there is a clear understanding of our stance.	We are **adverse** to risk in our decision making across the organisation where it attracts risk to the reputation of the organisation or wider Scottish Government. Due to the variation, range and scale of the activities we deliver, alongside the responsibilities of being a public sector organisation with a commercial element we accept that we may have to adopt a **cautious** approach to reputational risk where consensus cannot be reached across all interested parties.
Financial Resilience and Sustainability	As well as understanding the impact of fluctuating income generation on our long-term financial sustainability we also recognise that public finances will continue to remain under significantly increasing pressure. We will therefore ensure that we are proactive and proficient in the decisions we take on the use and deployment of our varied resources to maximise business benefits and return on investment, ensuring financial resilience. We shall also pursue opportunities to diversify our funding and take a lead role in the development of shared services and/or partnership working to minimise our overall costs and maximise return on investments.	We have an **adverse** appetite for risk in relation to activities and decision making that is contrary to the guidance contained within the Scottish Public Finance Manual (SPFM). We aim to review and, where appropriate, reform how we take decisions to identify opportunities and improve the public value and sustainability of our resources. We adopt a **cautious** approach to risk for resources where it will secure longer-term business benefits.

Asset Management and Continuity	We encourage innovation and creativity in the way we manage all our assets and deliver our work, particularly at a local level. The organisation is committed to maintaining continuity within a sustainable business model in all aspects of our operations and delivery where it is safe and responsible to do so. For non-statutory requirements, we will assess our approach and used informed decision making to deliver outcomes aligned to our corporate outcomes.	We have a **minimal** appetite for any risks, incidents or events which could impact upon our reputation or ability to manage the national forests and land effectively and efficiently for multiple outcomes. In order to avoid asset failure, maximise our impact to deliver, manage and monitor benefits for our customers, stakeholders and staff where assessed as appropriate we will adopt an **open** appetite for risk to maintain key business activities.
People and Culture	The organisation aims to value, support and develop our staff and managers to enable their full potential, creating a stimulating and safe workplace. We place high importance on a culture of inclusion, equality and diversity; dignity and respect; collaboration; skills and development; and the health and safety of customers, staff and stakeholders. We are keen to develop and expand our commercial awareness and delivery, alongside ensuring our culture is reflective of a modern and high performing public sector and trading organisation. We are therefore will be keen to maximise opportunities to promote the wide range of careers paths and occupational / professional development within the organisation, as well as the wider forestry sector.	We are **adverse** risk that hinders activities that support and enable a positive and supported workforce, alongside provision of professional services to customers and stakeholders. To support organisational development and growth we will adopt a more **cautious** approach, enabling skills and business development whilst being mindful of capacity and capability at an organisational and individual level.
Commercial and Business Development	We are committed to evidenced and performance-driven exploration of commercial partnerships, income generation opportunities and new / improved ways of working. The organisation recognises this this will involve an increased degree of risk in developing these areas, however we will	We are **open** to opportunities to enable and secure the long-term financial sustainability of the organisation. However, we remain **cautious** to ensure we do not develop at a pace that impacts on capacity and capability at an organisational and individual level.

	ensure that potential benefits and risks are fully understood and evidenced before developments are agreed, monitoring of progress is proactively undertaken and that appropriate measures to mitigate risk are established. This will include seeking opportunities for the increased income generation, ensuring our activities are designed and delivered effectively and in the most efficient way, maximising opportunities to invest to save and value for money incentives.	We are **open** to exploring new ways of working in both our direct and indirect business activities, encouraging our staff, stakeholders and customers to identify and suggest alternative approaches, systems and methods that help our effectiveness through efficient practices.
Technology and Innovation	We will empower our staff and business areas to adopt an innovative approach to identifying and resolving issues, taking the opportunity to harness automation, artificial intelligence and digital solutions where appropriate. We will use our public sector, land management and trading experience to identify and deliver continuous improvement, seeking external insights and expertise to maximise benefits and progress organisational development.	We are **hungry** for opportunities to use innovation and technology to deliver wider business benefits, including those that improve or enhance health, safety and wellbeing. However, we remain **cautious** to ensure we do not develop at a pace that impacts on capacity and capability at an organisational and individual level. We are **open** to exploring new ways of working in both our direct and indirect business activities, encouraging our staff, stakeholders and customers to identify and suggest alternative approaches, systems and methods that help our effectiveness through efficient practices and tools.

Risk Appetite Evaluation Map

The chart at Annex 3 displays the organisation's risk appetite using a Risk Appetite Evaluation Map. The grey bar represents the level of risk which the organisation regards as the 'manageable' zone, i.e., how much risk the organisation will tolerate. This reflects that any risks that fall within this zone will need careful management but are considered to be worth taking. Any potential risks exceeding the bar are in the 'unacceptable' zone and represents risks which the organisation is unlikely to take. Risks below the bar are viewed as being in the 'acceptable' zone where the level of risk does not pose a major threat as long as it is well informed and managed sensibly.

Definition of each level of risk appetite are:

Very Low / Adverse	Avoidance of risk in the achievement of key outcomes is paramount. Activities undertaken will only be those considered to carry little inherent risk e.g. around statutory requirements.
Low / Minimal	Tendency to undertake activities that are considered safe in achieving outcomes. There should be a low degree of inherent risk. The pursuit of opportunity is not a key driver in this area.
Medium/ Cautious	Willingness to accept a degree of risk in order to achieve key delivery outcomes. Particularly where the opportunity of significant gains has been identified. Inherent risk is deemed controllable to a large extent.
High / Open	Aim to undertake activities that have a high degree of value for money, with the likelihood.
Hungry / Very High	There is an eagerness or requirement to be innovative and a focus on activities designed to maximize opportunity. This approach will carry with it a very high residual risk in pursuit of very high reward.

Application of Risk Appetite

The Risk Appetite Evaluation Map provides a framework to help inform decision making and along with the supporting narratives shapes our approach to risk taking. As such, decisions which require approval at any level should ensure that the potential risks are within the organisation's risk appetite. It is acknowledged however that decisions will be taken on a case-by-case basis and where any risks are assessed to fall out with the 'manageable zone' then the appropriate sponsor, i.e. Function lead, Regional Manager, SRO, etc. should provide assurance to ELT/ARC that the risks are considered to be worth taking and can be suitably managed.

Authors and sponsors of Strategic Advisory Board (SAB), ELT and ARC papers should ensure that they consider and comment on any risks regarding their proposals, confirming that they align to the organisation's risk appetite.

Risk Appetite Levels	Very Low / Adverse	Low / Minimal	Medium / Cautious	High / Open	Very High / Hungry
Health, Safety and Wellbeing	Manageable				
Compliance / Regulatory	Manageable	Manageable	Manageable		
Environment and Social Responsibility		Manageable	Manageable		
Reputation	Manageable	Manageable	Manageable		
Financial Resilience and Sustainability	Manageable	Manageable	Manageable		
Asset Management and Continuity		Manageable	Manageable	Manageable	
People and Culture	Manageable	Manageable	Manageable	Manageable	
Commercial and Business Development				Manageable	Manageable
Technology and Innovation			Manageable	Manageable	Manageable

Annex 4: Risk Levels

The following tables provide a guide to the levels for impact and likelihood and how they should be categorised, assessed and recorded when assessing risks.

Impact: This is the estimated effect of the risk on the objective(s) in question. This is focused on scale, scope and resource implications.	
Impact	**Criteria**
50 Very High	Destructive and unacceptable impact on outcomes / objectives that would result in a major change to overall approach. Potentially large resource consequences that outweigh current operational circumstances.
25 High	Significant and unacceptable impact on outcomes/objectives that would require a material change to critical approach / procedure / process. Resource implications would be challenging to absorb within current operational circumstances.
10 Medium	Moderate impact on objectives that may require multiple changes in approach / procedure / process. Acceptable level of resource consequences.
5 Low	Minor impact on outcomes/objectives, requires little overall change in approach. Few resource consequences.
1 Negligible	No real impact on achieving outcomes / objectives.

Likelihood: This is the estimated chance of the risk occurring. This is focused on probability.	
Likelihood	**Criteria**
5 Very High	>75% chance of occurring – almost certain to occur
4 High	51-75% chance of occurring – more likely to occur than not
3 Medium	26-50% chance of occurring – fairly likely to occur
2 Low	6-25% chance of occurring – unlikely to occur
1 Rare	1-5% chance of occurring – extremely unlikely to occur

Annex 5: Risk Maturity Model

	Risk governance	Risk identification & assessment	Risk mitigation & treatment	Risk reporting & review	Continuous improvement
Enabled	Risk management and internal control is fully embedded into operations. All parties play their part and have a share of accountability for managing risk in line with their responsibility for the achievement of objectives.	There are processes for identifying and assessing risks and opportunities on a continuous basis. Risks are assessed to ensure consensus about the appropriate level of control, monitoring and reporting to carry out. Risk information is documented in a risk register.	Responses to the risks have been selected and implemented. There are processes for evaluation risks and responses implemented. The level of residual risk after applying mitigating controls is accepted by the organisation, or further mitigations have been planned.	High quality, accurate and timely information is available to operational management and directors. The board reviews the risk management strategy, policy and approach on a regular basis, e.g. annually, and review key risks, emergent & new risks, and action plans on a regular basis.	The organisational performance management framework drives improvements in risk management. Risk management is a management competency. Management assurance is provided on the effectiveness of their risk management on a regular basis.
Managed	Risk management objectives are defined & managers are trained in risk management techniques. Risk management is written into performance expectations of managers. Management and executive level of responsibilities for key risks have been allocated.	There are clear links between objectives and risks at all levels. Risk information is documented in a risk register. The organisation's risk appetite is used in the scoring system for assessing risks. All significant projects are routinely assessed for risk.	There is clarity over the risk level that is accepted within the organisation's risk appetite. Risk responses are appropriate to satisfy the risk appetite of the organisation have been selected and implemented.	The Executive Leadership team reviews key risks, emergent and new risks, and action plans on a regular basis. It reviews the risk management strategy, policy and approach on a regular basis (annually). Senior Managers will require interim updates from delegated managers on individual risks which they have personal responsibility.	The organisation's risk management approach and the Executive Leadership Team's risk appetite are regularly reviewed and refined in light of new risk information reported. Management assurance is provided on the effectiveness of their risk management on an ad hoc basis. The resources used in risk management are become quantifiably cost effective. Measures are set to improve certain aspects of risk management activity e.g. number of risks materialising or surpassing impact – likelihood expectations.

	Risk governance	Risk identification & assessment	Risk mitigation & treatment	Risk reporting & review	Continuous improvement
Defined	A risk strategy and policies are in place and communicated. The level of risk taking that the organisation will accept is defined and understood in some parts of the organisation, and it is used to consider the most appropriate responses to the management of identified risks. Management and executive level of responsibilities for key risks have been allocated.	There are processes for identifying and assessing risks and opportunities in some parts of the organisation but not consistently applied in all. All risks identified have been assessed with a defined scoring system. Risk information is brought together for some parts of the organisation. Most projects are assessed for risk.	Management in some parts of the organisation are familiar with, and able to distinguish between, the different options available in responding to risks to select the best response in the interest of the organisation.	Management have set up methods to monitor the proper operation of key processes, responses, and actions plans. Management report risks to directors where responses have not managed the risks to a level acceptable to the Board.	The Executive Leadership Team gets minimal assurance on the effectiveness of risk management.
Aware	There is a scattered, silo based approach to risk management. The vision, commitment and ownership of risk management have been documented. However, the organisation is reliant on a few people for the knowledge, skills and the practice of risk management activities on a day-to-day basis.	A limited number of managers are trained in risk management techniques. There are processes for identifying and assessing risks and opportunities, but these are not fully comprehensive or implemented. There is no consistent scoring system for assessing risks. Risk information is not fully documented.	Some responses to the risks have been selected and implemented by management according to their own perception of risk appetite in the absence of an Executive Leadership Team approved appetite for risk.	There are some monitoring processes and ad hoc reviews by some managers on risk management activities.	Management does not assure the Executive Leadership Team on the effectiveness of risk management.
Naïve	No formal approach developed for risk management. No formal consideration of risks to business objectives, or clear ownership, accountability and responsibility for the management of key risks.	Processes for identifying and evaluating risks and responses are not defined. Risks have not been identified nor collated. There is no consistent scoring system for assessing risks.	Responses to the risks have not been designed or implemented.	There are no monitoring processes or regular reviews of risk management.	Management does not assure the Executive Leadership Team on the effectiveness of risk management.