

## RACGP Risk Appetite Statement - Extract

The following is an extract from RACGP's risk appetite statement document. The extract provides a high-level overview and sample of RACGP's risk appetite.

### 1.0 The RACGP General Risk Appetite Statement

Risk appetite is defined as “the amount and type of risk that an organisation is willing to pursue or retain”.<sup>i</sup>

Risk tolerance is the “organisation's readiness to bear the risk in order to achieve its objectives”.<sup>ii</sup>

The concepts of risk appetite and risk tolerance are therefore interrelated.

Over recent decades, there have been many spectacular corporate failures around the world, as well as in Australia. These have arisen when governance and operations have failed to adequately articulate, or failed to adhere to risk appetite statements, and risk tolerance guides.

This Risk Appetite Statement and the associated reporting framework will help to ensure the Board is accountable for the prudent management of risk associated with achieving the Strategic Objectives. The Board will utilise the Risk Appetite Statement and framework to monitor or oversee the key risks facing the business, including real and emerging risks. The Board will also carefully monitor key risks that have a risk profile that is changing (especially if those risks are increasing in likelihood or consequence or both).

### 1.1 The General Risk Appetite Statement

The RACGP has a Board-approved strategy and ambitious plan for; Career attractiveness; Optimal coverage; Whole-person care; Supportive regulatory settings; Connection and lifelong learning; being a Great employer and; Financial stewardship. It has a **high appetite** for taking risks aligned to this vision, including innovative offerings, if it does not overlap with No Appetite risks.

It has a **low appetite** for risks associated with behavior's that are unsafe or do not closely align with the professional standards and values of the organisation.

It has **no appetite** for risks associated with behavior's that are illegal or unethical.

### 1.2 Purpose and Intent

The above statement describes the attitude of the RACGP Board towards risk and outlines the level of risk the organisation is willing to accept to achieve its objectives.

The RACGP Board is committed to ensuring its Risk Management Framework promotes accountability through good corporate governance and effective risk management practices.

The Risk Appetite Statement articulates, in a meaningful and actionable way, the acceptable limits within which the Board, management and staff must operate in their roles and make decisions on behalf of RACGP.

It is noted that there can be a cross-over of risks in several risk areas and the document should be considered in its entirety.

The Board recognises that all discussions and decisions around risk should acknowledge the intersection of strategy, risk and opportunity.

### 1.3 Risk Tolerances

Risk tolerances are the agreed boundaries for risk taking.

The Risk Appetite Statement informs the development of risk tolerances for RACGP. It provides guidance on how the Risk Appetite Statement is to be applied in everyday business activities and decisions.

**Table 1: Risk appetite definitions and corresponding tolerance**

Extent of Risk Appetite	Risk Tolerance Level	Risk Management Approach
<b>High Appetite</b> RACGP will operate in this area or in this way, but only after all options are considered and the most appropriate option is selected for an acceptable level of reward or value for money.	High Tolerance	Innovate / invest / explore
<b>Moderate Appetite</b> RACGP will operate in this area or this way after risks have been effectively mitigated to pursue opportunities.	Moderate / Medium Tolerance	Confident
<b>Low Appetite</b> RACGP may operate in this area or in this way where the value is assessed as worthwhile and only after risks have been effectively mitigated or uncertainty minimised.	Low Tolerance	Cautious
<b>No Appetite</b> There is no willingness to take on any risk in this area.	Minimal to Zero Tolerance	Avoid

This table aligns with ISO and other international standards in risk management, such as the UK Institute of Risk Management (IRM).

<sup>i</sup> ISO Guide 73 2009(en) – Risk Management Vocabulary Section 3.7.1.2

<sup>ii</sup> *ibid.* Section 3.7.1.3