

Appendix 1

1. Scottish Canals operates as a Non-Departmental Public Body (“NDPB”) accountable to the Scottish Government.
2. This Risk Appetite Statement (the Statement) specifies the amount of risk Scottish Canals is willing to accept in the pursuit of its strategic objectives, as set out within our 2023-2028 Corporate Plan, indicating the risk tolerance environment within which we will operate.
3. The Statement is used to embed the appropriate risk strategies, policies, and procedures of Scottish Canals.
4. Responsibility for managing the day-to-day activities of Scottish Canals (and in this context, risk management), lies with the Chief Executive as Accountable Officer and through a process of delegation to Executive Directors, Heads of Service and managers. Additionally, risk management is embedded within the Terms of Reference of a number of internal executive Committees in accordance with our Corporate Governance arrangements.
5. The Statement is subject to appropriate review by the Audit & Risk Committee and approved annually by the Board.

Risk Appetite Category	Risk Appetite Statement/Commitment	Position
Asset Health and Degradation	As the custodian of Scotland's canals, we have a minimal risk appetite in relation to asset health. We use risk-based assessments to inform decision making on the management of our assets against available resources, with importance being placed on accessibility.	Minimal
Stakeholder Relationship Management	Scottish Canals has a cautious risk appetite to ensuring that stakeholder engagement remains positive and good external relationships are maintained.	Cautious
Reputation and Brand	Scottish Canals has a cautious risk appetite to ensuring that branding and marketing initiatives influence public perception positively.	Cautious
Health & Safety	Scottish Canals will deliver its statutory duties to the highest standards ensuring it undertakes activities which are safe. We have an averse risk appetite for failure or non-compliance to achieve our strategic objectives while reducing risk to levels as low as reasonably possible.	Averse
Compliance	We have an averse risk appetite for making any decisions which put us at risk of breaching any legislative or regulatory duties.	Averse
Medium/Long-term Financial Sustainability	We have a cautious risk appetite for making any decisions on medium- and long-term financial sustainability and guaranteed future revenue streams to ensure financial resilience, whilst continuing to provide value for money.	Cautious
People Development and Growth	We have an open risk appetite to innovate new ways of working, challenging old ways of working and driving cultural change.	Open
Sustainability and Climate Adaptability	We have an open risk appetite for championing ways to mitigate against climate change.	Open
Business Transformation	We have an open risk appetite for digital change to ensure we are adaptable and agile to business transformation within the digital space.	Open
Placemaking and Projects	We have an open risk appetite to working in partnership to benefit canal-side communities, continue to improve the health benefits by providing safe green and blue spaces accessible for all, and providing attractive areas for sustainable investment for the future of communities and Scotland.	Open

Risk appetite definitions

Risk Appetite Approach	Risk Seeking (Eager)	Risk Tolerant (Open)	Risk Neutral (Cautious)	Moderately Risk Averse (Minimal)	Risk Averse (Averse)
Risk taking vs. risk reward	Organisation believes risk taking is justified	Organisation is willing to take greater than normal risks	Organisation takes a balanced approach to risk taking	Organisation takes a cautious risk approach towards taking risk	Organisation takes cautious decisions, existing processes are comfortable within the current organisational context.
Objective/negative impact relationship	Willing to accept a large negative impact in order to pursue strategic objective	Willing to accept some negative impact in order to pursue strategic objective	Potential negative impact and strategic objective completion given equal consideration	Only willing to accept a small negative impact in order to pursue strategic objective	Not willing to accept any negative impact in order to pursue strategic objective
Risk response decision criteria	Minimum risk response actions taken	Risk response actions are taken when a strong case can be made for cost effectiveness of potential outcomes	Risk response actions are made based on cost effectiveness, management priorities and potential outcomes	Incidence costs are given a relatively higher priority when risk response actions are considered	Risk response actions are taken even though prevention costs are greater than expected incidence costs