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**Parent Policy: [Risk Management Policy](#)**

## **Risk Management Policy**

### **Appendix A: Institutional Risk Tolerance Statement**

<b>Office of Administrative Responsibility:</b>	Office of the Vice-President (Finance and Administration)
<b>Approver:</b>	Board of Governors (Board Audit Committee)

#### **Overview**

The University acknowledges that there is an element of risk in any decision or activity and encourages risk taking when the risk is appropriately managed. This *Statement*, which is to be applied at the institutional level, explains a critical component of the University's risk management framework by attempting to quantify the level of risk the University is willing to tolerate across the following vital areas:

- Reputation
- Infrastructure (financial and physical)
- Education/Research
- Human Resources
- Safety/Security

#### **QUANTIFYING THE LEVEL OF RISK**

In the University's risk framework the level of risk is quantified by combining the *likelihood* of a negative event or condition occurring and the *consequence* of that event or condition.

Assisted by the tables below, the decision maker estimates likelihood on a scale from "rare" to "almost certain," and consequence on a scale from "negligible" to "high," then determines the overall level of risk by placing them in the matrix that follows.

#### **Likelihood of Event or Condition Occurring**

<b>Category</b>	<b>Qualitative interpretation</b>
Rare	Has not occurred at any university in the last 10 years
Unlikely	Has not occurred at a Canadian university within the last 10 years or any university within the last 5 years
Moderate	Similar events have occurred at Canadian Universities at a rate of at least once every 10 years or any university with a rate of at least once every 5 years.
Likely	Similar events have occurred at the University of Alberta at a rate of at least once every 10 years or at Canadian Universities at a rate of at least once every 5 years or any university with a rate of at least once every 2 years.
Almost Certain	Similar events have occurred at the University of Alberta at a rate of at least once every 5 years or at Canadian Universities at a rate of at least once every 2 years or any university with a rate of at least one (or more) events every year

## Consequence of Event or Condition Occurring

### 1. Reputation

Category	Qualitative interpretation
Negligible	Brief negative attention in local news/social media
Minor	Negative attention in local news/social media for up to 1 week.
Moderate	<ul style="list-style-type: none"> <li>Negative attention in national news/social media for less than one week, or</li> <li>Negative attention in local news/social media for 1 to 2 weeks, or</li> <li>Negative reaction among surrounding communities for less than 2 weeks.</li> </ul>
Major	<ul style="list-style-type: none"> <li>Negative attention in international news/social media for less than 1 week, or</li> <li>Negative attention in national news/social media for 1 to 2 weeks, or</li> <li>Negative attention in local news/social media for more than 2 weeks, or</li> <li>Sustained negative reaction among surrounding communities.</li> </ul>
High	<ul style="list-style-type: none"> <li>Intense negative attention in international news/social media for more than 1 week, or</li> <li>Intense negative attention in national news/social media for more than 2 weeks.</li> </ul>

### 2. Infrastructure (financial or physical)

Category	Qualitative interpretation
Negligible	A loss of less than \$250,000.
Minor	A loss of between \$250,000 and \$1,000,000.
Moderate	A loss of between \$1,000,000 and \$2,000,000.
Major	A loss between \$2,000,000 and \$5,000,000.
High	A loss greater than \$5,000,000.

### 3. Education / Research

Category	Qualitative interpretation
Negligible	Unable to provide education or perform research for a small number of classes or researchers for a period of less than one month.
Minor	Unable to provide education or perform research for a small number of classes or researchers for a period between 1 month and 4 months.

<b>Category</b>	<b>Qualitative interpretation</b>
Moderate	Inability of a substantial portion of an entire department to provide education or perform research for a period of less than one month or activities that could result in the inability to provide education or perform research for a small number of classes or researchers for a period of more than 4 months.
Major	Inability for the substantial portion of an entire department to provide education or perform research for a period between one and 4 months.
High	Inability for the substantial portion of an entire department to provide education or perform research for more than a 4 month period.

#### 4. Human Resources

<b>Category</b>	<b>Qualitative interpretation</b>
Negligible	Loss of competitiveness such that the University's ability to attract and retain suitable academic and support staff is marginally below that of similar organizations.
Minor	Loss of competitiveness such that the University's ability to attract and retain suitable academic and support staff is noticeably below that of similar organizations.
Moderate	Loss of competitiveness such that the University's ability to attract and retain suitable academic and support staff is significantly below that of similar organizations – such that there are vacancies in various departments across the University.
Major	Loss of competitiveness such that the University's ability to attract and retain suitable academic and support staff is significantly below that of similar organizations – such that entire departments or units are unable to meet their obligations.
High	Loss of competitiveness such that the University's ability to attract and retain suitable academic and support staff renders the University unable to operate and carry out its mission.

#### 5. Safety / Security

<b>Category</b>	<b>Qualitative interpretation</b>
Negligible	No adverse health effect for any individual.
Minor	Minor injuries to one or two individuals.
Moderate	Serious injuries to one or more individuals or minor injuries to three or more.
Major	Permanently disabling injuries to one or more individuals.
High	One or more fatalities.

## The Matrix

The risk level is evident when the risk is placed in the appropriate cell in the matrix below.

If a risk falls into several categories, it is always placed in the category with the highest risk level. For example, if an activity could result in a major reputation impact and a moderate financial/ physical Infrastructure impact, it should be considered a major impact.

CONSEQUENCE	High	Level 3	Level 4	Level 4	Level 4	Level 4
	Major	Level 2	Level 3	Level 3	Level 4	Level 4
	Moderate	Level 2	Level 2	Level 2	Level 3	Level 3
	Minor	Level 1	Level 1	Level 2	Level 2	Level 3
	Negligible	Level 1	Level 1	Level 1	Level 1	Level 2
		Rare	Unlikely	Moderate	Likely	Almost Certain
		LIKELIHOOD				

## Treating the Risk

Level 4	The University will not accept a risk at level four unless fully reviewed and approved by the President's Executive Committee - Operational. For all other risks at level four, <i>Risk treatment</i> actions must be established immediately such that the <i>residual risk</i> is at 3 or below.
Level 3	The University will accept a risk at level three as long as it is reduced to a lower level of risk in the midterm through reasonable and practicable risk treatments.
Level 2	The University will accept the risk at level 2 as long as it is reduced to a lower level of risk in the long term using low resource options.  The risk should be analyzed to determine whether it is being "over managed," where the control strategies could be relaxed in order to redeploy resources.
Level 1	A low risk that requires no additional risk treatment.  The risk should be analyzed to determine whether it is being "over managed" and that control strategies can be relaxed in order to redeploy resources.

Although this *Statement* primarily examines the potential negative consequences of risk, it is also recognized that uncertainty can lead to positive outcomes for the University. All members of the University community are encouraged to assume risk in a managed way when it enables them to pursue opportunities that can have a positive impact on achieving the University's objectives.

It is also important to acknowledge that there can be overall negative consequences as a result of failing to pursue an opportunity in order to avoid risk that the University could tolerate.

Note: It is assumed that regulatory requirements and any requirements in the relevant Collective Agreements will be met and are not risk assessed.

## **DEFINITIONS**

Any definitions listed in the following table apply to this document only with no implied or intended institution-wide use. <a href="#">▲Top</a>	
<b>Consequence</b>	The outcome of an event affecting objectives.
<b>Likelihood</b>	The chance of something happening
<b>Risk Tolerance</b>	The organization's or stakeholder's readiness to bear the risk after risk treatment in order to achieve its objectives.  NOTE: Risk tolerance can be influenced by legal or regulatory requirements.
<b>Risk Treatment</b>	Process to modify risk. Risk treatment can involve: <ul style="list-style-type: none"> <li>– Avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk</li> <li>– Removing the risk source</li> <li>– Changing the likelihood</li> <li>– Changing the consequences</li> <li>– Sharing the risk with another party or parties</li> <li>– Retaining the risk by informed decision</li> </ul>
<b>Residual Risk</b>	Risk remaining after risk treatment.

## **RELATED LINKS**

Should a link fail, please contact [uappol@ualberta.ca](mailto:uappol@ualberta.ca). [▲TOP](#)

[Appendix B – Framework and Process](#)