



## Risk Policy

### Introduction

1. The School's mission to discover, advance and disseminate knowledge to address major socio-economic challenges across the globe will always carry certain risks. Effective risk management increases the likelihood of the successful achievement of the School's strategic objectives: excellence built from diversity and inclusion, global impact and reach, and ensuring a sustainable future.

### Policy

2. The School accepts and encourages a significant exposure to and acceptance of risk in the pursuit of its strategic objectives and founding principles, while also seeking to maintain a low exposure to reputational, ethical, compliance and financial risk in the greater interests of delivering its academic purposes and providing value for money. The School regards it as essential that risks are fully understood and assessed before undertakings are authorised, and that sensible measures to mitigate their impact are established.
3. Given the high level of discretion accorded to the School's academic departments, to individual members of faculty and, to some extent, to service areas, the accompanying statement on Risk Appetite is intended to act as a flexible and adaptable guide to academic and professional managers and committees indicating:
  - the areas in which colleagues may accept a heightened level of risk in the interests of innovation,
  - the areas where colleagues should be more risk averse in their activities,
  - the areas where Council and senior management accept an element of risk within the School's central controls.
4. Where appropriate, the Risk Policy will be incorporated into further processes and procedures of the

## Risk Appetite

5. The School recognises the need to avoid reputational, ethical, compliance and overall financial risk will take priority over other factors. The School understands that it is acceptable to undertake risks in research activities, providing they do not give rise to undue reputational, ethical, compliance or financial risks, or to expose the individual concerned to a high level of personal danger. Similarly, the School is open to innovation in education and student experience, if this supports and enhances its reputation and does not expose it to undue ethical, financial or compliance risks. Opportunity costs should be balanced when considering all risks. In an environment of intensified international competition for higher education there is as much risk for the School in standing still as there is in its pursuit of strategic objectives.
6. Risk appetite in operational areas is defined on a case-by-case basis, usually in response to a particular area of activity. Specific risk appetite statements are agreed by SMC, with reference to the overall strategic risk appetite/ tolerance related to the area of risk, and to the strategic aims of LSE 2030. Further risk appetite statements will usually form part of policy frameworks relating to the relevant area of activity, e.g. the Overseas Travel Policy.

## Risk Tolerance

7. Each risk in the Strategic Risk Register is graded with a level of risk tolerance in relating to the risk appetite for the particular strategic objective. Once tolerance has been defined, the School Management Committee (SMC) will evaluate what action needs to be taken to address the risk. Risk tolerance will usually be measured along a set of indicators relating to established impact assessment criteria, linked to financial, legal, ethical and reputational considerations. The risk tolerance for each risk can be addressed through acceptance without action, mitigation through stronger controls, or be dealt with through an alternative strategic approach (or 'change strategy').

## Management of Risk

8. Responsibilities for the management of risk are as follows:
  - As the School's governing body, the Council has the ultimate responsibility for the risk framework
  - The School Management Committee (SMC) oversees the day-to-day operation of the risk framework, evaluating the various exogenous and endogenous risks as it implements LSE 2030. These risks are modelled through the Strategic, Operational, Business Model and Political Risk Registers
  - This includes establishing and reviewing risk appetite for the institution, ensuring internal control systems and review procedures are in place, evaluating the efficacy of the risk management programme in line with the objectives set out in LSE 2030
  - The Audit Committee is responsible for assessing the effectiveness of risk control

assurance measures in the School, and advising Council accordingly

- The Director is responsible to Council for ensuring that the School has risk management procedures which provide assurance on the effectiveness of controls on risks to the School's strategic objectives
- The Chief Operating Officer is responsible to the Director and Council for the effective operation of the School's risk management system
- The Risk Manager is responsible to the Chief Operating Officer for the day-to-day implementation of the Strategic Risk Policy
- Heads of Professional Services are responsible for the management of risks in their areas of operational responsibility and for reporting new risks, and substantially changed exposures in known risk areas to the School Management Committee through the Chief Operating Officers or Pro-Directors
- Heads of Academic Departments, Institutes and Research Centres are responsible to the Director for the management of risks in their areas of responsibility and for reporting new risks and substantially changed exposures in known risk areas, to the School Management Committee through the Director or Pro-Directors.

## Review schedule

| Review interval | Next review due by | Next review start |
|-----------------|--------------------|-------------------|
| 3 years         | October 2023       | July 2023         |

## Version history

| Version | Date       | Approved by | Notes |
|---------|------------|-------------|-------|
| 1.1     | 9/3/2017   | Council     |       |
| 2.0     | 20/10/2020 | SMC         |       |

## Links

| Reference      | Link  |
|----------------|---|
| Risk Procedure | <a href="http://www.lse.ac.uk/intranet/LSEServices/policies/pdfs/school/risPro.pdf">http://www.lse.ac.uk/intranet/LSEServices/policies/pdfs/school/risPro.pdf</a> |

## Contacts

| Position     | Name        | Email  | Notes |
|--------------|-------------|--|-------|
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## Communications and Training

|   |           |
|---|-----------|
| Will this document be publicised through Internal Communications? | <b>No</b> |
| Will training needs arise from this policy                        | <b>No</b> |
| If Yes, please give details                                       |           |