Heriot Watt University Risk Appetite Statement

March 2025

Approving authority: Court
Consultation via: University Executive and Audit and Risk Committee
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Responsible Office: Assurance Services

Introduction and background

Heriot-Watt's vision is to be world-leading within all our areas of specialism, and we have made it our mission to create and exchange knowledge that benefits society. This Risk Appetite Statement is designed to support the University in making appropriate risk-based decisions to underpin the implementation of its strategy.

The University's current strategy, Strategy 2025, remains an ambitious strategy and it is expected that the new strategy under development, Strategy 2035, will continue to be transformative. Heriot-Watt is a global university and will require to navigate fundamental disruptive changes within the Higher Education sector, and society more widely, in the execution of its strategy, including from: geopolitical conflicts and instability, the ongoing impacts of climate change, and the use of Artificial Intelligence (AI) amongst other significant risks and trends. In particular, the emerging use of AI is expected to offer transformational opportunities and risks to the University in relation to teaching and student experience, research and innovation, as well as to the University's administrative functions.

This need to be ambitious in the execution of the University's current and future strategy is reflected in the calibration of the risk appetite as set out in this document, which has been developed to allow for an acceptable degree of risk to be taken in a thoughtful and considered way in the execution of the University's strategy.

This does not mean, however, that the University will accept unnecessary risks, and the University's risk management framework requires that all strategic risks, whether they are inside or outside the University's risk appetite, will continue to be challenged to ensure that all appropriate controls and mitigating actions are taken to reduce their risk profile as far as is possible within the budgetary and cost constraints in place.

Use of the Risk Appetite Statement

The Risk Appetite Statement is a key tool within the University's strategic decision-making processes. It is intended to be used when significant proposals and initiatives are being considered by the University which will support the implementation of its strategy. Risk appetite is one aspect of decision-making criteria for strategic proposals which also include alignment with the University's strategy, values, ordinances and policies.

It is expected that there will be times where decisions will be taken to approve proposals and initiatives that may have risk profiles which sit, to some degree, outside the Risk Appetite Statement. Risk acceptance processes will be used to transparently document and agree those decisions, including any additional monitoring, oversight, and mitigations which might be required to support approval and implementation.

Underpinning Statements

We will not take actions which conflict with our values.
This means that we will seek to maximise the societal, environmental, and economic benefits of University activities, by promoting our values and culture across our community, including students, staff, and partners.

We will not take actions which conflict with the University's ordinances and policies, or which conflict with the laws and regulations in the territories in which the University operates.
This means that we will comply with the wording and intent of all internal ordinances and policies, and all laws and regulations that apply in the UK, the UAE, and Malaysia, as well as any applicable laws and regulations in the countries where we have academic partnerships, or international research collaborations.

We will not take actions which conflict with the National Protective Security Authority's (NPSA's) published guidance on Trusted Research
This means that we will conduct thorough due diligence including ethical, legal, national security considerations when considering a new research collaboration; we will be aware of any potential conflicts of interest between partners; and ensure that there is appropriate segregation between research programmes.

We will take a proactive role in being a thought-leader in environmental sustainability.
This means that we will leverage our research, teaching, and policy influence to support transformative change in relation to climate change and sustainability challenges beyond our campuses, using our global reach and innovation in teaching, research and enterprise to drive climate action on a global scale. We will partner with those who share our ambition for rapid energy transition. We are committed to show leadership in working for the sustainable future of our planet.

Related documents

There are several key internal and external frameworks and policies which are relevant to types of strategic decision-making and assessment of risk appetite. These have been referenced below:

- TransNational Education (TNE) Framework
- Risk Management Framework
- HW's 10 institutional commitments to sustainability and related policies: [Sustainability commitments and policies overview](#)
- National Protective Security Authority (NPSA) Trusted Research Guidance: https://www.npsa.gov.uk/trusted-research-academia

Risk Appetite by Risk Category

The statements below outline the University's stated risk appetite against the 10 defined categories of risk. The definitions of the categories can be found at Appendix 1. Whilst the emerging impacts of AI have been noted in certain individual risk categories listed below, AI may impact across all categories of risk in future and should be taken into consideration when using the information set out below.

The following statements outline the degree of risk the University wishes to take in each category. The first three risk categories are considered to be fundamental and applicable to all risks, however there will be instances where the main focus of a risk relates to one of these, and in such cases the category should be designated using these.

The University utilises a standard five by five risk matrix to assess its risks, with impacts (vertical axis) ranging from Insignificant to Severe against likelihoods (horizontal axis) ranging from Rare to Almost Certain. These impacts and likelihoods define risk ratings of Low, Moderate, Major, and Severe respectively. These matrices are used below to show the ratings of risks which would be considered within appetite for each risk category listed.

The University is open to **Financial** risks where they do not threaten the long-term financial sustainability of the University. This recognises that there is a degree of financial risk involved in the pursuit of ambitious strategic goals which require significant change. There are also demanding financial targets set in the implementation of the strategy. The University ensures that financial risk is appropriately managed by ensuring it has sound systems and processes for financial planning, budgeting, reporting and control. The University is averse to financial risks which would compromise the long-term financial sustainability of the University.

*Financial risks rated Low, Moderate, or Major are within Appetite.*
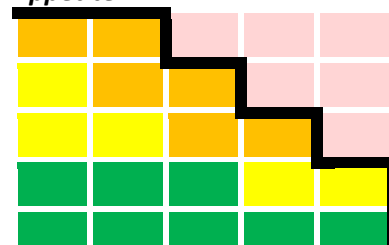
The University is cautious in its approach to **Reputational** risks. The University has a long-established reputation for high quality teaching, research, and student experience using an ethical approach underpinned by its values. Significant innovation and change will be required in order to successfully implement its strategy, requiring the University to take some carefully managed risk, while remaining compliant with all ethical and legislative requirements throughout the change activities in order to preserve and enhance its reputation.

*Reputational risks rated Low or Moderate are within Appetite.*
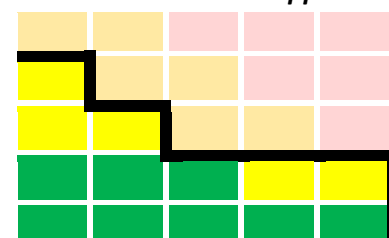
The University is averse to **Compliance** risks. The University has no appetite for breaches of legislation, regulation, professional or ethical standards, nor does it tolerate occurrences of bribery, corruption or fraud. The University maintains relevant accreditations relating to the jurisdictions in which it operates and has an averse position relating to risks which may threaten those accreditations. Non-compliance with the University's internal policies is also considered to be unacceptable and therefore outside risk appetite.

*Compliance risks rated Low are within Appetite.*
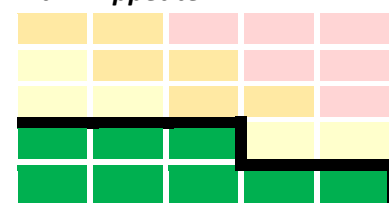
The University is cautious in its approach to **Environmental Sustainability** risks. The University is committed to leverage its research, teaching, and policy influence to support transformative change in relation to climate change and sustainability challenges beyond its campuses, using its global reach and innovation in teaching, research and enterprise to drive climate action on a global scale. The University's Global Environmental Sustainability Strategy has outlined 10 institutional commitments including the development of its Climate Action Framework which aim to make the University a net zero carbon emitting institution by 2035.

Environmental Sustainability risks rated Low or Moderate are within Appetite.
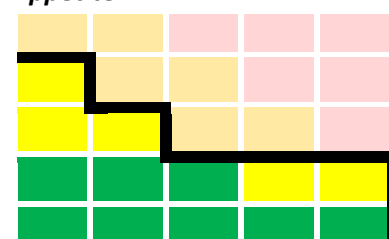
The University is open to risks that support the progressive development of the University as a **People** organisation. The University believes strongly in the importance of positive staff engagement and maintaining a values-led culture in support of our flourishing community of staff. In delivering strategic and operational change the University will ensure actions are aligned with its values and that staff are supported to manage in a more dynamic and quickly evolving environment, putting wellbeing at the centre of risk management and measuring staff engagement as a key performance indicator. The University remains averse however to risks which relate to Health and Safety concerns.

*People risks rated Low, Moderate, or Major are within Appetite.*
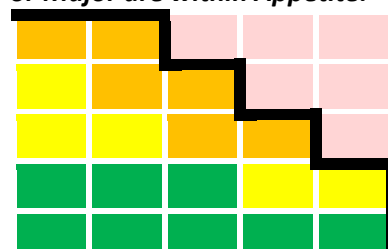
The University is cautious in its approach to **Information** risks. The University takes seriously its responsibility for ensuring the security and privacy of the personal data held by the University and by third-parties acting on its behalf. Whilst the University continues to be innovative in its approach to the implementation of its digital strategy and the future use of AI, it remains cautious in its approach to risks around the management and storage of personal data and information.

*Information Risks rated Low or Moderate are within Appetite.*
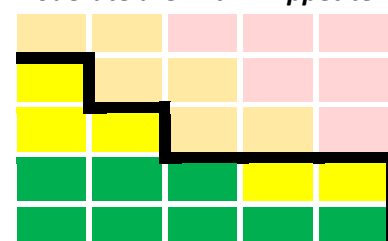
The University has a cautious approach to **Cyber** risks. Cyber, ransomware and phishing attacks remain an ongoing threat to the Higher Education sector and are becoming more sophisticated with the use of AI. Cyber attacks may cause significant impacts, including disruption to the University's day-to-day operations, or in more extreme cases may even threaten the University's long-term viability. The University continues to take these threats extremely seriously and continues to develop its cyber resilience measures, including the development of a framework of cyber monitoring, prevention and detection controls and responses, which allows it to address these threats as they emerge. The University also continues to monitor external developments and dynamically adapts its cyber framework to respond to changes identified. Cyber risks are also given consideration as the University continues to implement its digital strategy, including future use of AI across the University. The University also continues to educate its user base of students and staff to raise awareness and steps that can be taken to minimise risks.

*Cyber risks rated Low or Moderate are within Appetite.*
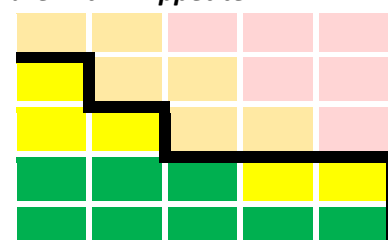
The University's overall position in relation to **Student** risks is cautious. The University continues to focus on being pioneering in education, and remains open to risks that support the progressive development of an improving student experience which remains a strategic priority, whilst taking an overall averse stance on risks to Academic Quality. The University also recognises that student wellbeing remains a priority, and has implemented a range of responses, to the extent possible, which it continues to adapt to the evolving risks posed by wellbeing challenges.

*Student Risks rated Low or Moderate are within Appetite.*
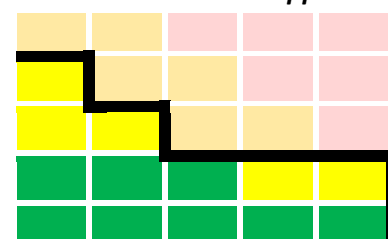
The University is open in regard to **Infrastructure** risks. The Higher Education sector is experiencing rapid and fundamental changes from emerging technologies including the introduction of AI to improve efficiency, evolution in the expectations of learning delivery formats, and the need to address climate change. Substantial investment and change will be required to ensure that physical and digital infrastructure across all campuses, including the use of AI, supports the evolving needs of the University's students and staff and provides a positive experience. The Infrastructure risk category is linked to the Strategic risk category below.

Infrastructure Risks rated Low, Moderate, or Major are within Appetite.
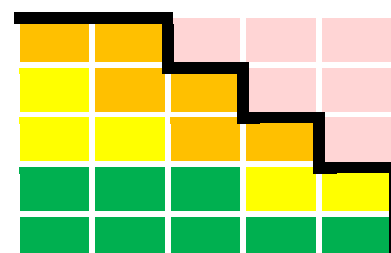
The University is open in regard to **Strategic** risks. The University has set challenging strategic targets which will involve taking some risk in a managed way to achieve its teaching and research objectives and meet the diverse expectations of its students and staff. The University will not take risks which would threaten the long-term viability and sustainability of the institution. The University however recognises the need to generate the returns to fund the investment required to develop changes to its academic approach and digital and physical infrastructure, including the future use of AI across the University, and will consider these in a balanced manner which protects academic quality and its reputation. The implementation of the University's strategy will require agile adaptation in order to respond to the rapidly evolving challenges including climate change, Artificial Intelligence, digital evolution, and geopolitical conflicts.

Strategic Risks rated Low, Moderate, or Major are within Appetite.
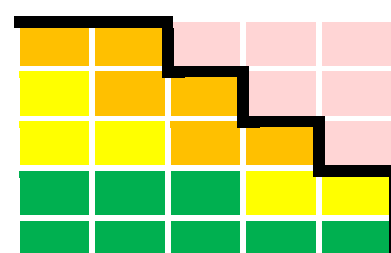
External risks are outside the control of the University and a risk appetite position for these risks has not been defined. However external risks will be considered in the overall context of their impact on the other risk categories as part of the decision-making process.

Appendix 1: Risk Categories, definitions, and examples.

The emerging use of AI is expected to impact across all categories of risk noted below and has therefore not been individually listed but should be considered in the context of the individual points noted.

	Examples
Financial Risks relating to the ability of the University to meet its income targets and manage its expenditure on a year-to-year basis while managing its working capital and cash availability in order to achieve financial sustainability.	• Sustainability of income • Budget management • Investment • Debt management • Endowment performance • Cash flow volatility and liquidity • Fraud, Bribery and Anti-Money Laundering • Appropriate use of public funds
Reputational Risks relating to the University's reputation, its ability to attract students, staff, researchers, grants, collaborations and partnerships, and its perception in the wider community.	• Academic integrity • Relationship with external stakeholders • Relationship with student representative bodies • Perception within communities and wider public • Teaching excellence • Standing in Research Excellence Framework (REF) • Social media presence • Crisis communication • Media coverage
Compliance Risks relating to the University's compliance with all relevant laws, legislation, regulations, policies, funding requirements and health and safety practices.	• Legal and contractual compliance • Internal ordinances and policies • Data protection and privacy • Research ethics and integrity • Student and Staff Visas • Health and Safety regulations • Tax compliance • Trusted Research
Environmental Sustainability Risks relating to the University's environmental sustainability agenda including: compliance with environmental sustainability legislation and targets, meeting internal targets and strategic goals, being a thought-leader in environmental sustainability education and research and engaging with students, staff and local community on the environmental sustainability agenda.	• Compliance with legislation • Progress against Climate Action Framework • Achievement of sustainability targets • Thought leadership in climate change and sustainability education and research • Engagement with students on climate agenda • Engagement with local communities on environmental sustainability
People Risks relating to the University recruiting, maintaining, and developing a high-quality academic and Professional Services workforce in order to achieve its strategic aims as well as the quality of learning and teaching and overall student experience.	• Equality, diversity and inclusion • Staff wellbeing • Staff satisfaction and engagement • Duty of care • Employee turnover • Talent acquisition & retention • Succession planning • Training & development • Safety and security

Information
Risks relating to the University's ability to securely carry out its role as a data controller and processor, maintaining the security of its data subjects' personal information.

- Data Privacy
- Data Protection
- Confidentiality
- Record Retention

Cyber
Risks relating to the potential of cyber attacks against the University.

- Cyber Security
- Ransomware attacks
- Intentional data breaches
- Data destruction
- Phishing attacks

Students
Risks relating to the quality of learning and teaching and overall student satisfaction.

- Academic quality
- Student Satisfaction and related surveys
- Quality of infrastructure and facilities
- Student safety and security

Infrastructure
Risks relating to the University's physical and digital operational infrastructure which supports its strategic ambitions.

- Governance
- Academic Support
- IT Infrastructure
- Change Management
- Supply chain
- Facilities management
- Health and Safety incidents
- Emergency preparedness and response
- Business Continuity Planning

Strategic
Risks relating to the University's ability to achieve its long-term strategic objectives.

- Strategic planning and target setting
- Execution of strategy
- Market competition
- Technological disruption
- Innovation management
- Strategic partnerships
- Expansion or diversification risks

External
Risks relating to external events or policies which may impact on the University and its ability to successfully implement its strategy.

- Geopolitical conflicts
- Government policies
- Climate/severe weather
- Global health crises
- Cost of living/inflation
- Macroeconomic trends
- Regulatory changes
- Market volatility
- Natural disasters
- Technological advancements & obsolescence

Appendix 2: Tolerable Risk Ratings

This table provides a summary of the risk appetite ratings across the defined risk categories which are set out in more detail in the main paper.

Categories	Net risk rating			
	Low	Moderate	Major	Severe
Financial				
Reputational				
Compliance				
Environmental Sustainability				
People				
Information				
Cyber				
Students				
Infrastructure				
Strategic				
External				

Appendix 3: University Values
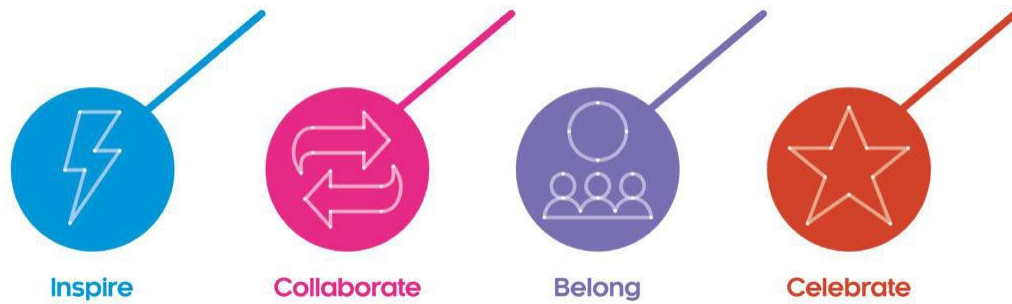
Inspire curiosity to learn and find solutions that transform lives.

Collaborate by working in partnership to shape the future whilst taking responsibility for our own actions.

Belong to a diverse, inclusive and international community working together across boundaries and cultures.

Celebrate excellence and take pride in the achievements of our students, staff and alumni.