

## How we manage risk

		Likelihood				
		Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost Certain (5)
I m p a c t	Catastrophic (5)	5 ↑	10 ↑↑	15 ↑↑↑	20 ↑↑↑↑	25 ↑↑↑↑↑
	Major (4)	4 =	8 ↑	12 ↑↑↑	16 ↑↑↑↑	20 ↑↑↑↑↑
	Moderate (3)	3 =	6 ↑	9 ↑↑	12 ↑↑↑	15 ↑↑↑↑
	Minor (2)	2 =	4 =	6 ↑	8 ↑↑	10 ↑↑↑
	Insignificant (1)	1 =	2 =	3 =	4 =	5 ↑

Level of Risk    Indicated by    How the risk should be managed  
 Very High Risk    Red ↑↑↑↑    Requires Active Management  
 High Risk        Amber ↑↑↑    Requires robust contingency plans & early warning mechanisms  
 Medium Risk     Yellow ↑↑    Requires good housekeeping & some mitigation to reduce likelihood  
 Low Risk         Blue =        Requires periodic review to ensure conditions remain unchanged

The diagram above measures the organisations exposure to risk which is defined as being the relationship between the likelihood of a risk occurring and its impact. The model provides the basis for prioritising risks.