|  |
| --- |
| Risk matrix |



## A risk matrix will help you turn your evaluation of the consequences and the likelihood of an event, expressed along a scale, into an evaluation of the risk itself. With an evaluation of risk, using a common assessment process, you can then compare risks and prioritise resources for managing them.

## The 4x4 matrix

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  |  | Consequence | | | | |  |  | **Minor (value = 1)** | **Moderate (value = 2)** | **Major (value = 3)** | **Extreme (value = 4)** | | Likelihood | **Almost certain (value = 4)** | 4 | 8 | 12 | 16 | | **Likely (value = 3)** | 3 | 6 | 9 | 12 | | **Possible (value = 2)** | 2 | 4 | 6 | 8 | | **Unlikely (value = 1)** | 1 | 2 | 3 | 4 | |  |

### Overall rating of the risk

By multiplying the value in the consequence scale with the value in the likelihood scale, you arrive at an overall numerical rating for the risk you are assessing, as shown in the table. Risks rated from 1-4 are moderate, 6-8 are high, and anything more than 9 are very high risk. Estimate likelihood by considering an **event** together with **possible consequences** *–* not the event alone***.***

|  |  |  |
| --- | --- | --- |
| 1-4 | 6-8 | 9+ |
| Moderate | High | Very High |

|  |  |  |
| --- | --- | --- |
| **Rating** | **Risk escalation** | **Relevant documents in your framework** |
| Extreme | Risk and Audit Committee and Board | Refer to:   * Risk appetite statement * Risk management policy * Delegations instrument |
| High | Risk and Audit Committee and Board  Executive group |
| Medium | Executive group |
| Low | Business unit or program |

## The 5x5 matrix

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Consequence | | | | | |
|  |  | **Insignificant** | **Minor** | **Moderate** | **Major** | **Severe** |
| Likelihood | **Almost certain** | Medium | High | Extreme | Extreme | Extreme |
| **Likely** | Medium | Medium | High | Extreme | Extreme |
| **Possible** | Low | Low | Medium | High | Extreme |
| **Unlikely** | Low | Low | Medium | Medium | High |
| **Rare** | Low | Low | Low | Medium | High |

|  |  |  |
| --- | --- | --- |
| Rating | Risk escalation | Relevant documents in your framework |
| Extreme | Risk and Audit Committee and Board | Refer to:   * Risk appetite statement * Risk management policy * Delegations instrument |
| High | Risk and Audit Committee and Board  Executive group |
| Medium | Executive group |
| Low | Business unit or program |