RAW2022

TRANSCRIPT of the presentation on 17th October 2022

10 practical recommendations for an efficient risk management programme

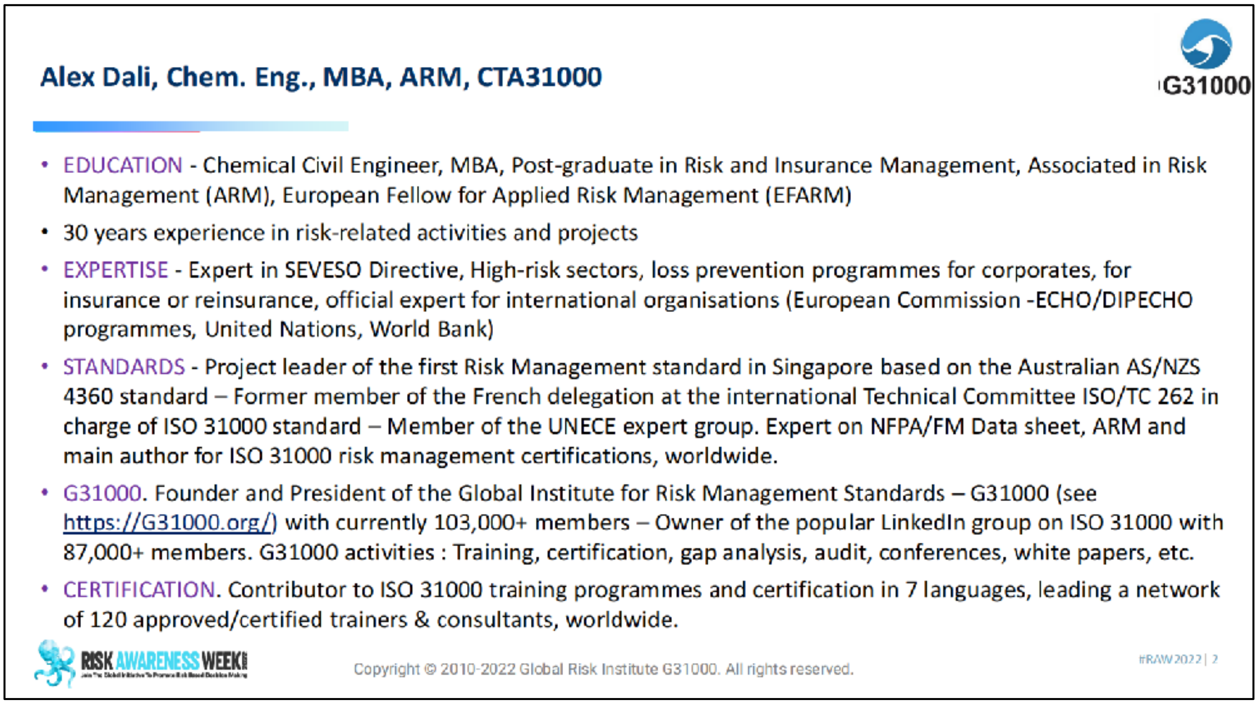
By

Alex Dali, President, G31000 Global Risk Institute

SLIDE 1 (00:30)

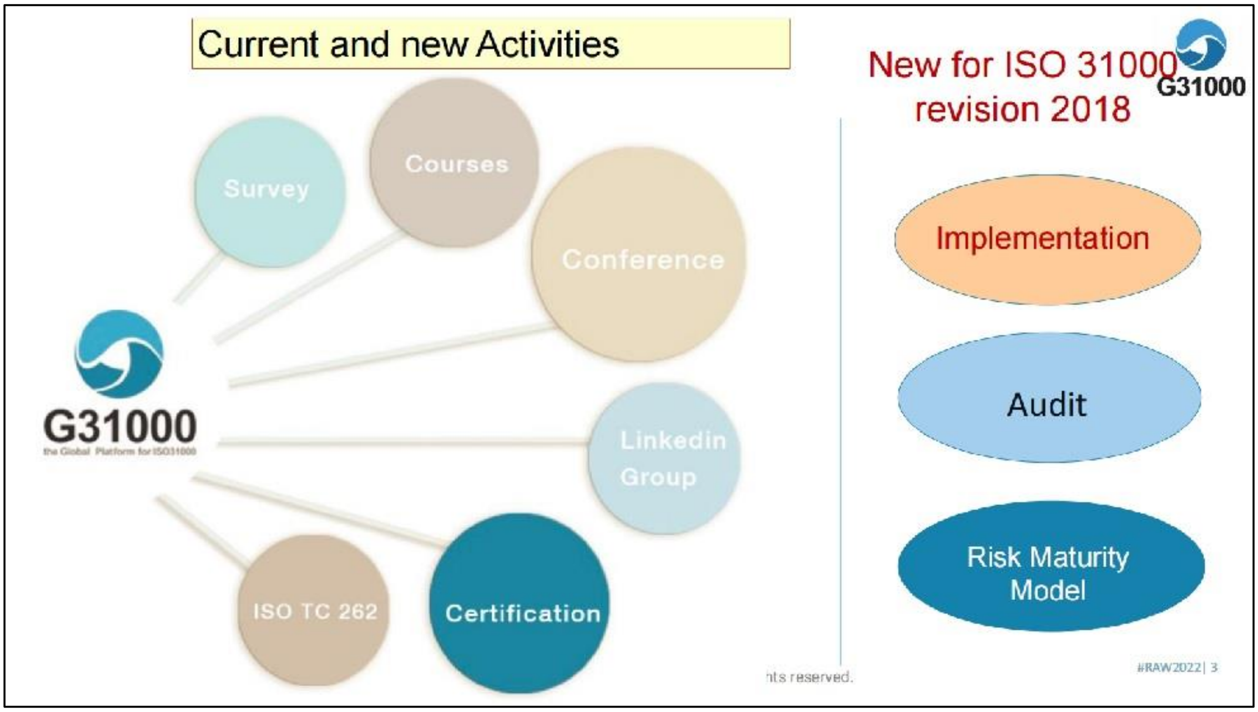
Welcome again to the Risk Awareness Week. Today, I will present to you ten practical recommendations for an efficient risk management programme. These have been basically our takeaways that our clients, customers, coming to the ISO 31000 certification session, have been sharing with us, telling us, "*Oh, that's interesting! I will use it in my company.*"

Let me share this with you.



SLIDE 2 (00:57)

First, a few words about me: I have a strong education in Chemical Engineering and Risk Management. Thirty years' experience in risk-related projects and activities. And expertise in industry risk, SEVESO Directive, working with European Commission, UN or World Bank. Standards has been always very important for me because that is a very strong basis on which you can basically do things and recommend things. And obviously, the ISO 31000 standard, which is based on the Australian standard, basically, have always been attracting my interest. And today, basically, I'm driving the international non-for-profit organization, Global Institute for Risk Management Standards, which proposes, among other things, basically our ISO 31000 certification program in seven languages.



SLIDE 3 (01:52)

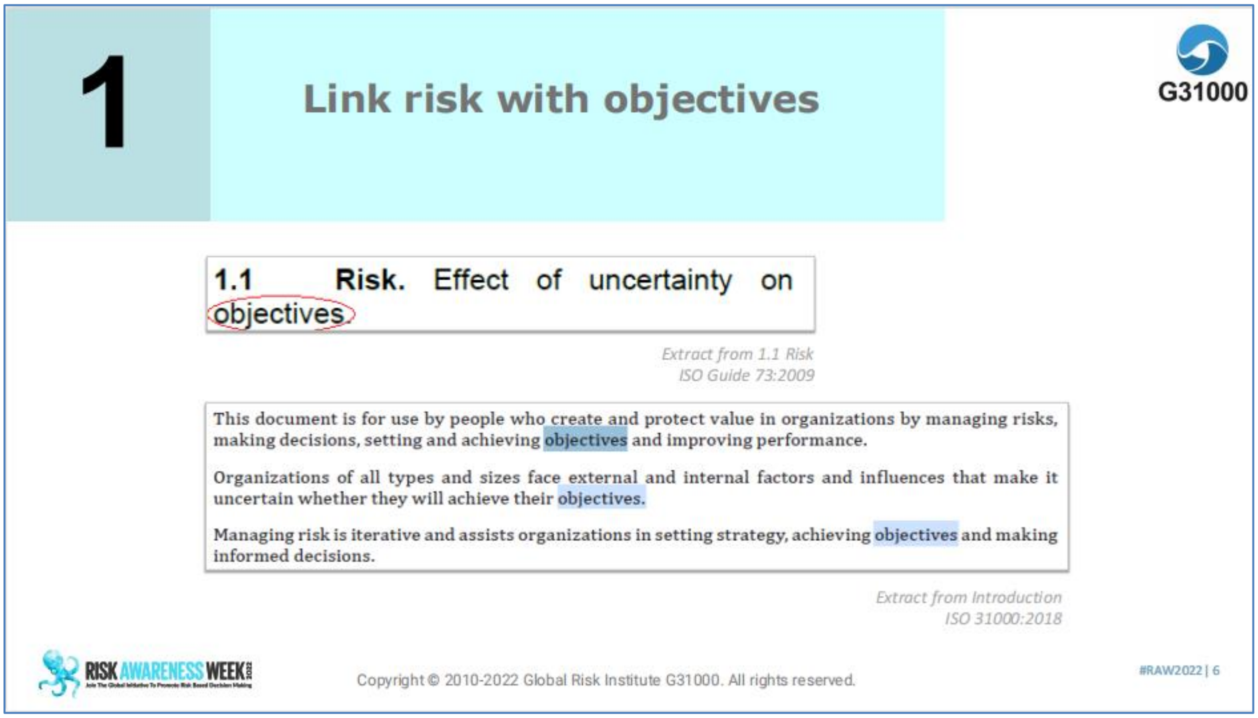
Let me show you our current activities: Survey, Courses, Conference, LinkedIn Group (which is quite popular with 88,000+ people), Certification and Link with ISO TC 262, the committee in charge of ISO 31000. The new 2018 version will extend our service for implementation, assessing a program based on our G31000 Risk Maturity Model.

SLIDE 4 (02:25)

ISO 31000 in a few words. If you ask me what is the best things that happened in the last twenty years in risk management, I will tell you that finally, there is an international standard that can apply to all sectors, all industries, and more importantly, for all type of risks -- and that's ISO 31000. It is definitely the strong basis for risk management in today's world.

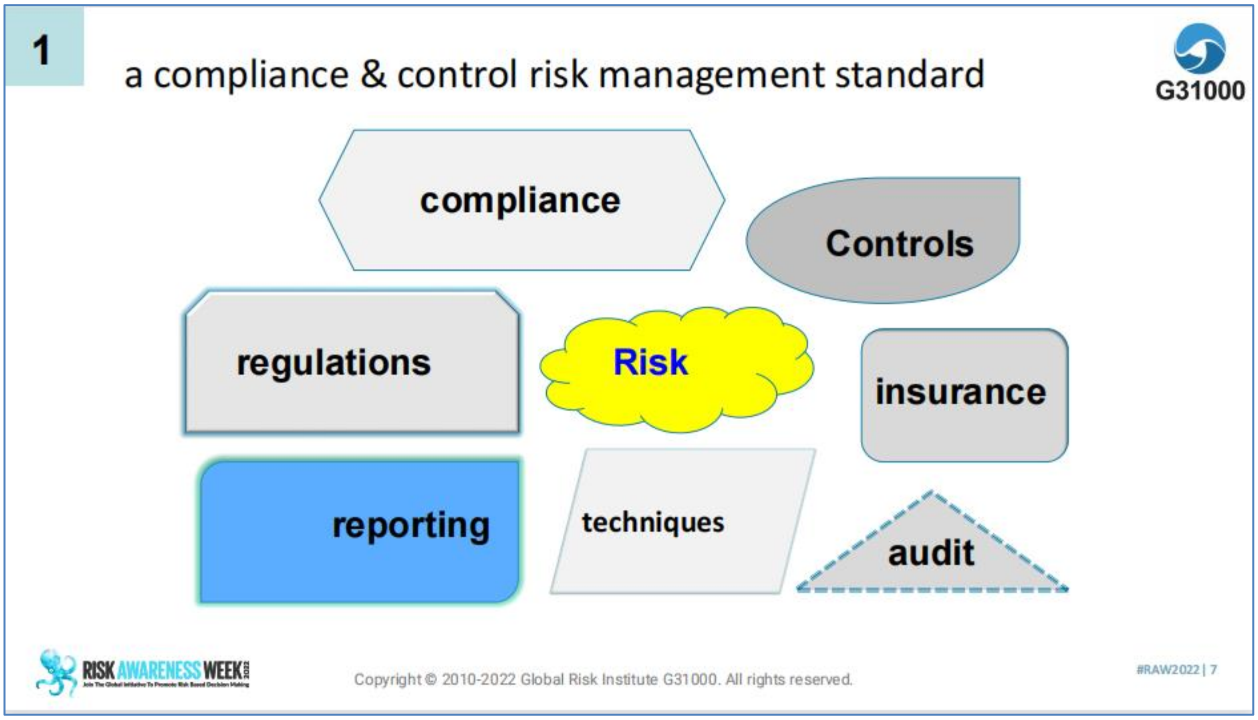
SLIDE 5 (02:48)

Here are my ten recommendations for an efficient risk management program. First, link risk with objectives. And of course, objectives can be in conflict. We will look into it. Can I have multiple consequences? And also important is to turn threat into opportunities. You don't run risk management programs on negative -- on scaring people. Risk owners will be another concept we will deal with. Level of risks, of course. And how to present risk treatment. Request a budget for treatment. And then we will basically finish with talking about controls, which are usually quite important for people to modify or to reduce the level of risk. And talk about, of course, adequate training.



SLIDE 6 (03:40)

First, link risk with objectives. You can see the definition, *"effect of uncertainty on objectives".* It is there. Very important. That means you cannot talk about risk if you have not defined the objective. This is important because in all the texts along, we keep talking extensively about risk and objective in ISO 31000 standard.

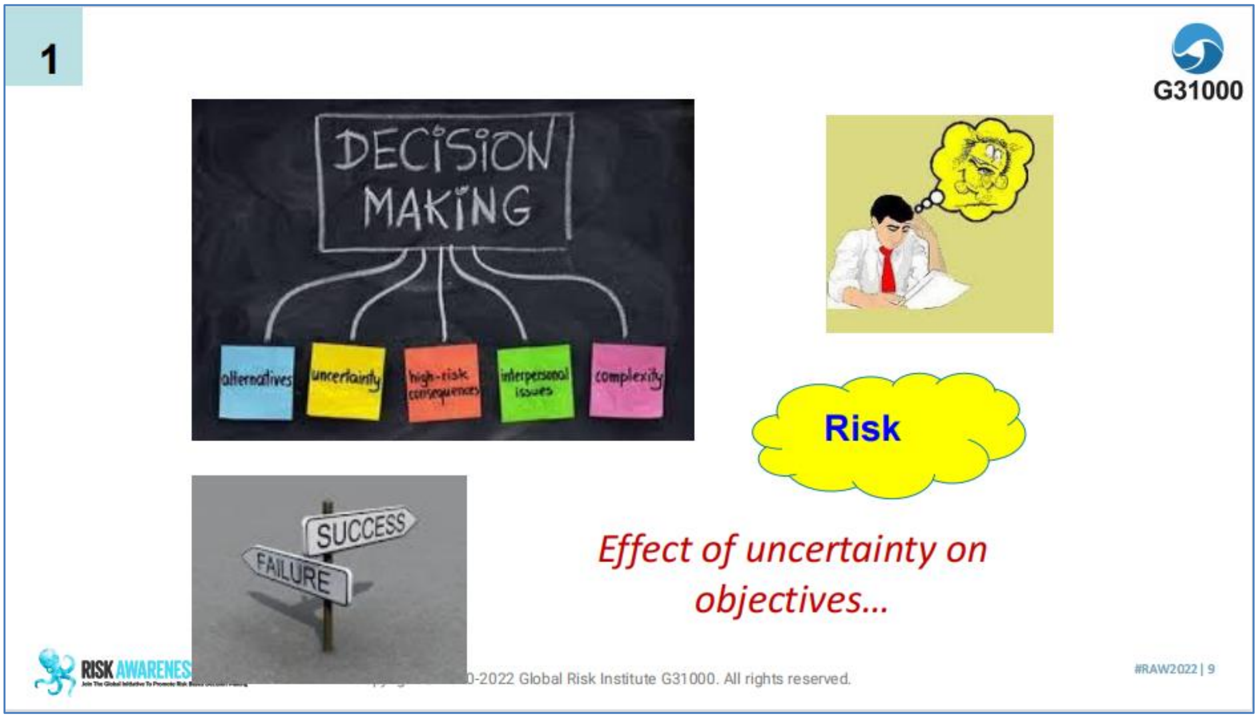


SLIDE 7 (04:08)

Now, what is not risk management? And still, many companies are getting confused. Risk is not about compliance, control, audit, techniques or simply reporting or tick-the-box, you know? What is it then?

SLIDE 8 (04:23)

Well, this is the philosophy of ISO 31000. Basically, it makes the strong link between risk and objective. And who should achieve objectives: decision makers. Basically, now risk management has moved into the field of decision-making theories. Indeed, when a manager makes a decision, he/she always does it under uncertainty. And you follow the decision linked on performance. And managers also look at what is the best allocation of resources to basically achieve my objective. And what are the other things in gray? You can see it here. There are tools. For example, compliance is basically a tool dealing with particular type of risk, to be managed the same way as other types of risks.



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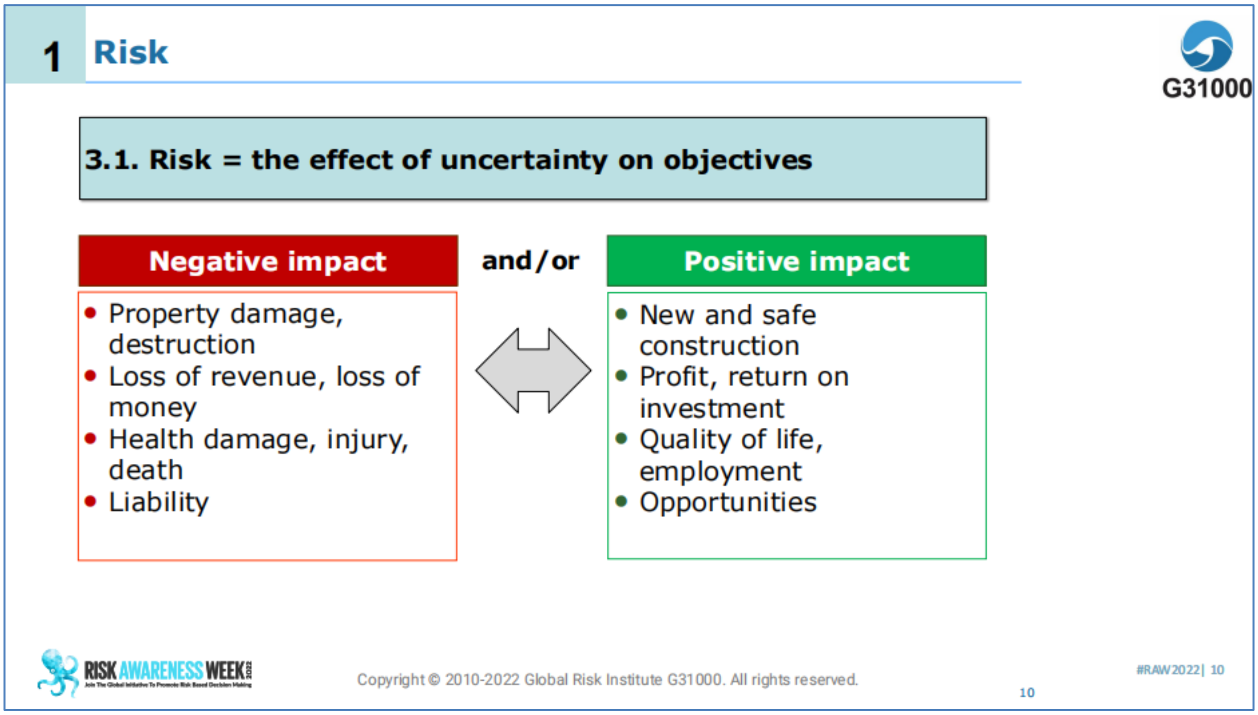
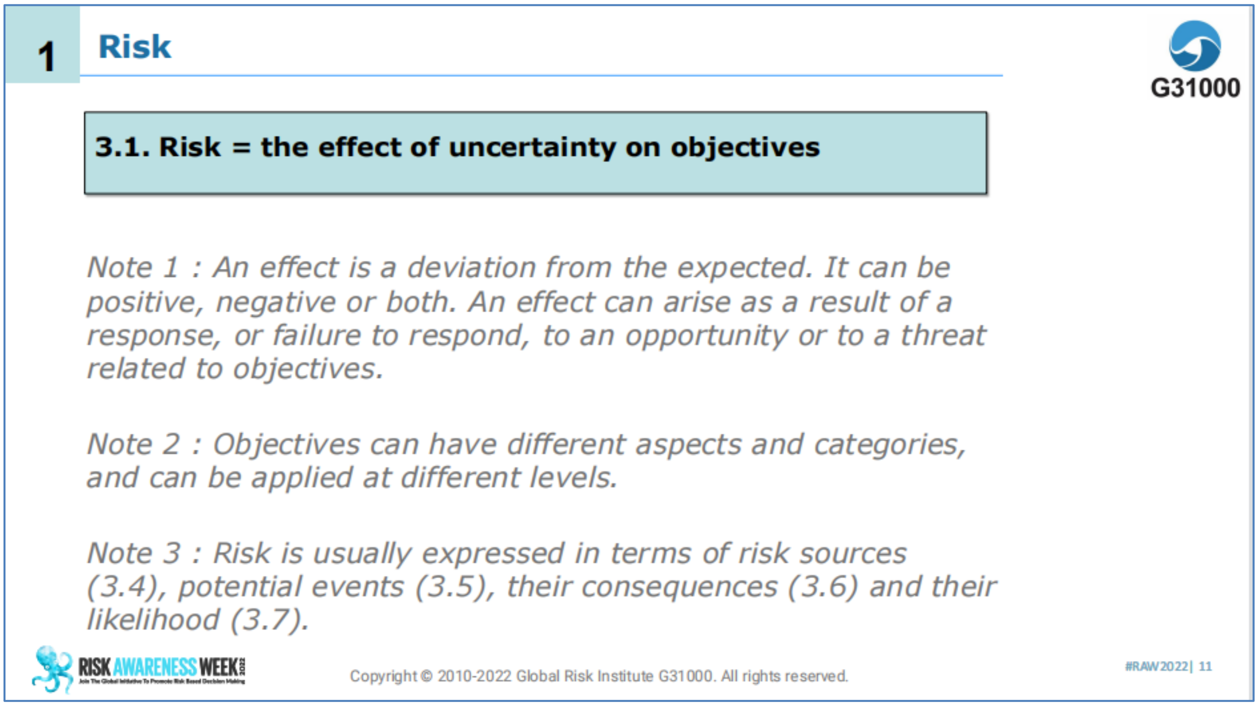
Now risk is the effect of uncertainty on objectives. We are very clear. We will clearly focus on decision making as all through this week in the risk awareness week, we will be talking about risk-based decision making.



SLIDE 10 (05:28)

Again, the effect of uncertainty on objectives. You can see objectives with "s", therefore multiple objectives. It means you could have a negative impact on different aspects, but also positive impact, right? That's important.



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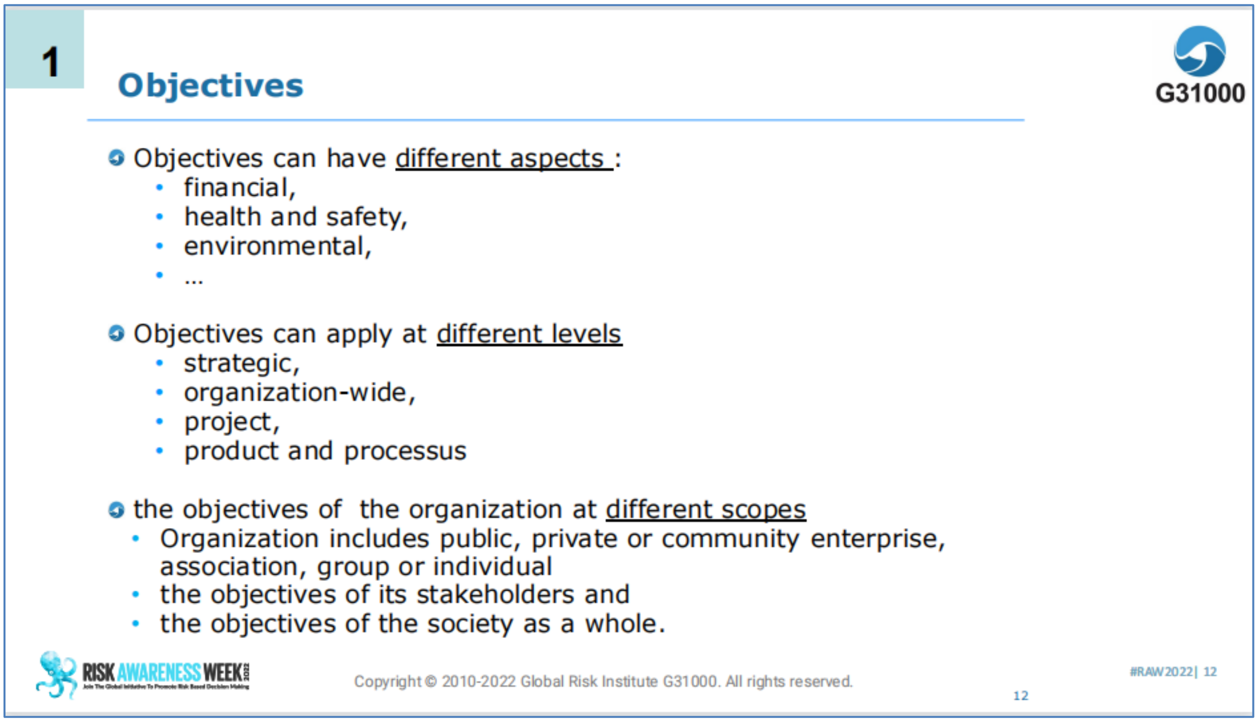
This is a note from ISO 31000. An effect can be a deviation from the expected. It can be positive and/or negative.



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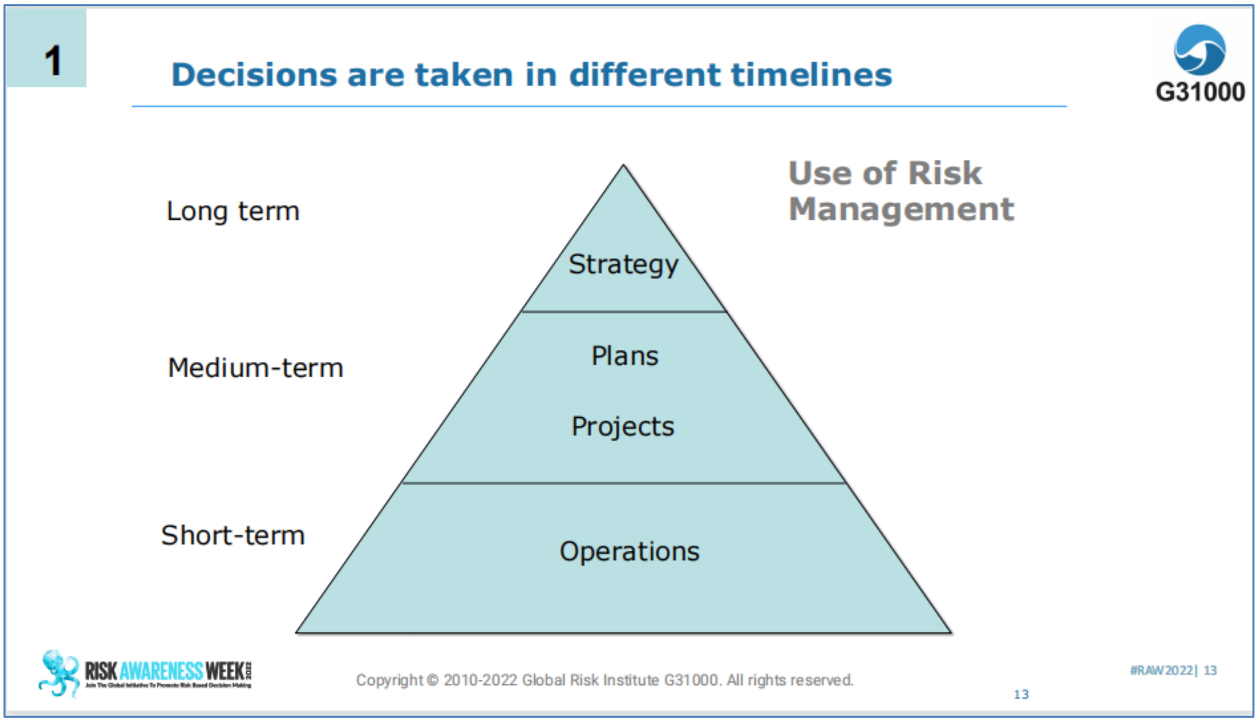
Let's move on. Objectives can have different aspects, financial. Can apply at different levels, of course, and different scopes. Can basically be for a company, an enterprise, a division, a department, a group working on a project, or a product or individuals. Objectives of stakeholders and objectives of society as a whole. This basically depends on where, which sector you are in, you know. You have to consider this type of objective.

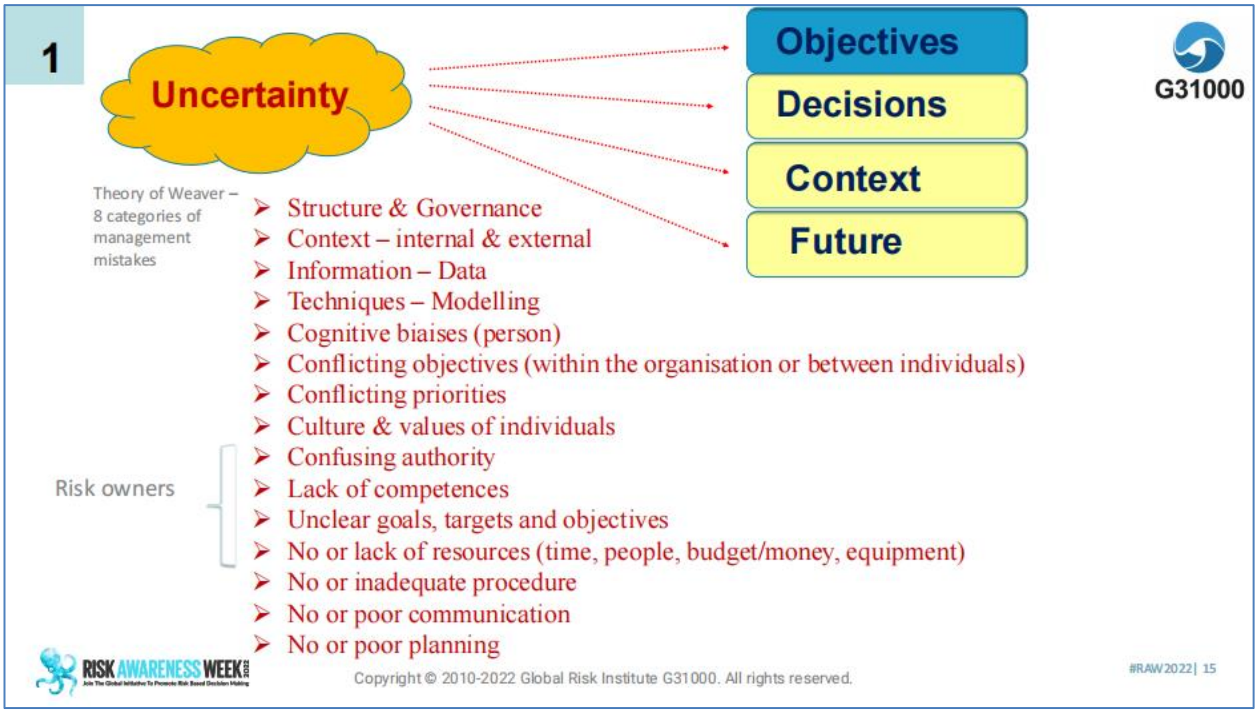


SLIDE 13 (06:27)

Decisions are taken also in different timelines. At top management levels, they deal with strategy, which usually deals with long term objective. For plans and projects, usually it is medium-term. And operation is day-to-day activities that means day-to-day, sometimes decisions. Keep in mind the different time periods.

SLIDE 14 (06:54)

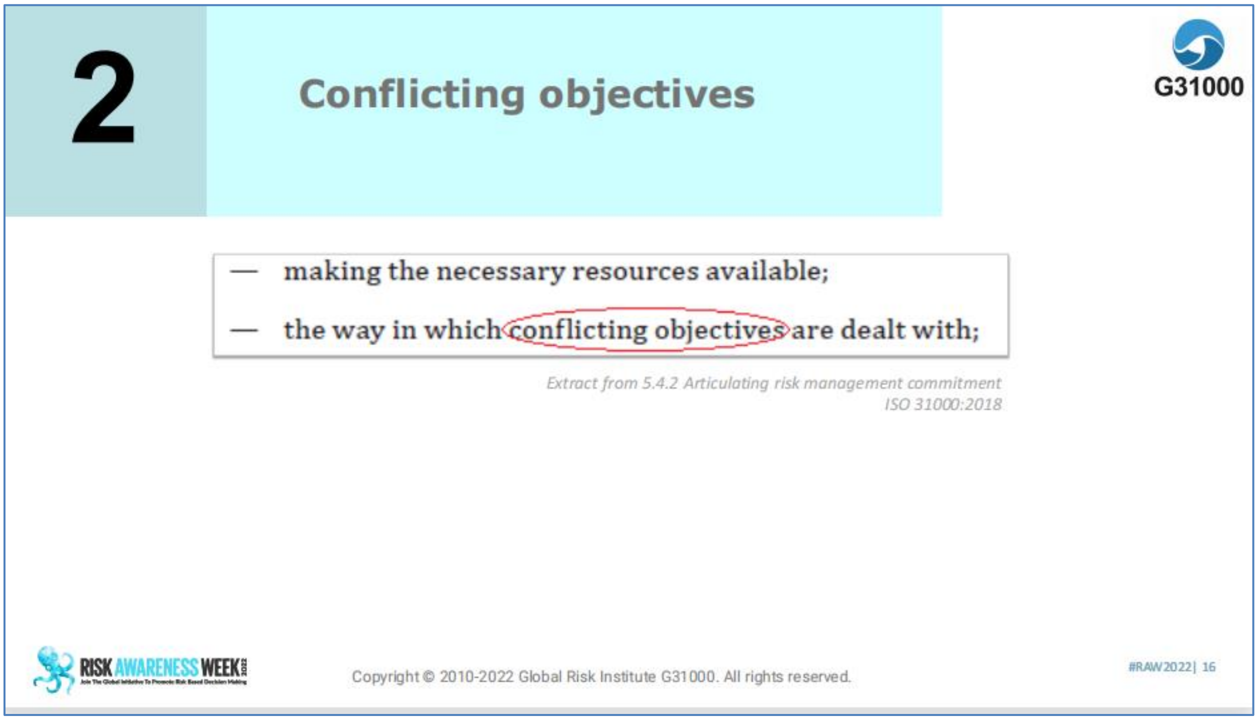
Now, of course, objectives need to be SMART - Specific, Measurable, Actionable, Relevant, and Time-bound. You are probably familiar with this concept of SMART. But keep it in mind because very important, if you set up an objective, which cannot be achieved, how do you expect people to basically, you know, be motivated to reach it? Also, if you cannot measure it, how can you see the progress you have made? Okay. SMART. Objectives should be always SMART. That's a nice keyword, actually.



SLIDE 15 (07:31)

Another aspect is uncertainty. As we discussed, there is an uncertainty about objectives of course, because that's something about the future. You don't know whether you can achieve it or not. And the decision is also uncertain. Basically, managers have been using their guts, you know, "What are my two options? Option A or Option B, what shall I do?" Uncertainty linked to decision is clearly involved. Context and anything about the future.

Now here I put to you a couple of topics that are also uncertain: the structures, the governance, the data that you are using as a complete current, up-to-date, relevant, you know. Modeling is quite important. And you don't know whether this model can be applied or not, therefore, you have to be cautious about using modeling, right? Cognitive biases, person. Basically, you know, when a person takes a decision, are you following the group or is it really what you want? Or do you have some kind of hidden personal objective? In all of these, there is uncertainty and link to all these aspects.

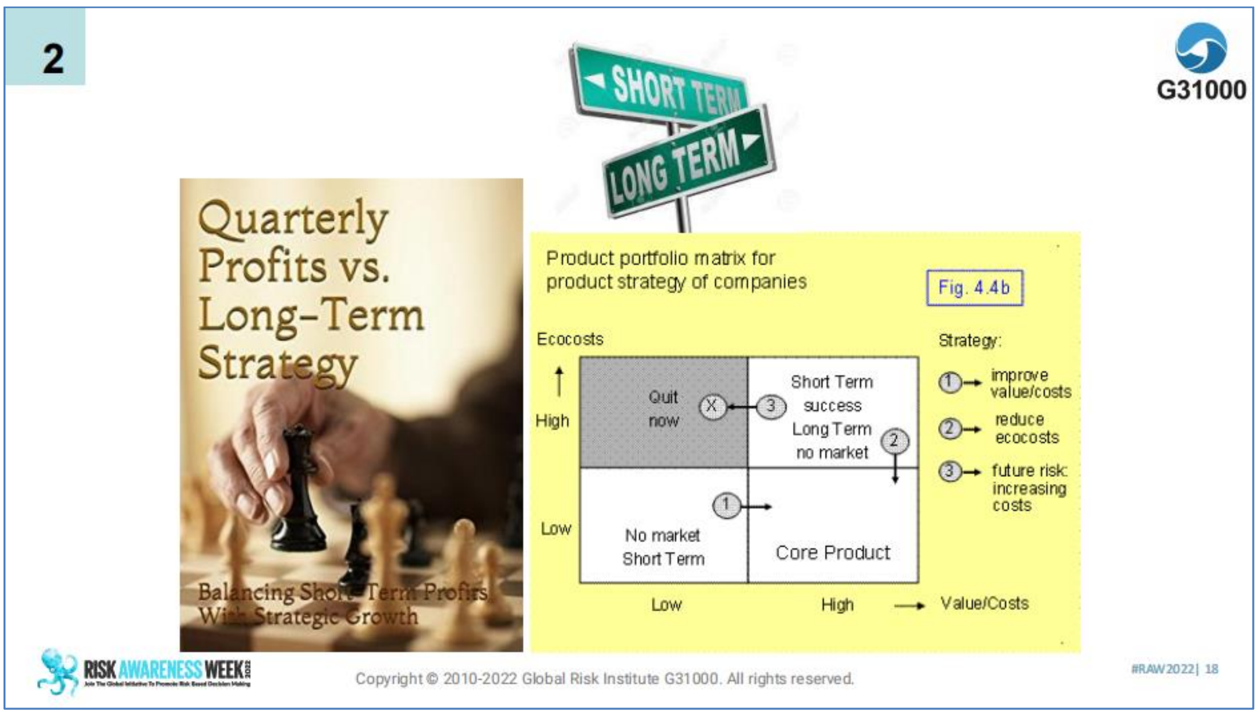


SLIDE 16 (08:45)

Second takeaway: conflicting objectives. Really, do we have conflict in the company?

SLIDE 17 (08:54)

Yes, of course! Look, I'm sure you have seen this conflict between strategies, conflict between business units, between departments such as Production, IT, Human Resources, Internal Audit. Different objectives. You might have, within the same company, organization or department, different objectives that you want to achieve. You might have competing objectives in conflict with each other's. Allocation of resources. Every manager wants the best allocation of resources for themselves. For basically the product, the project. The best allocations that you have, the more resources you have, the more likely you can achieve the objectives. Thus, there is conflict, right? Stakeholder also, I mean, the view and objectives of stakeholders might be aligned with the company objective or not! What about conflict between individuals, because you might think everyone in the company is aligned with the objective of the company. Maybe yes, maybe not. Definitively, they have their own views, their own objectives, such as joining a company for one year only and then they know that they will leave the organization.

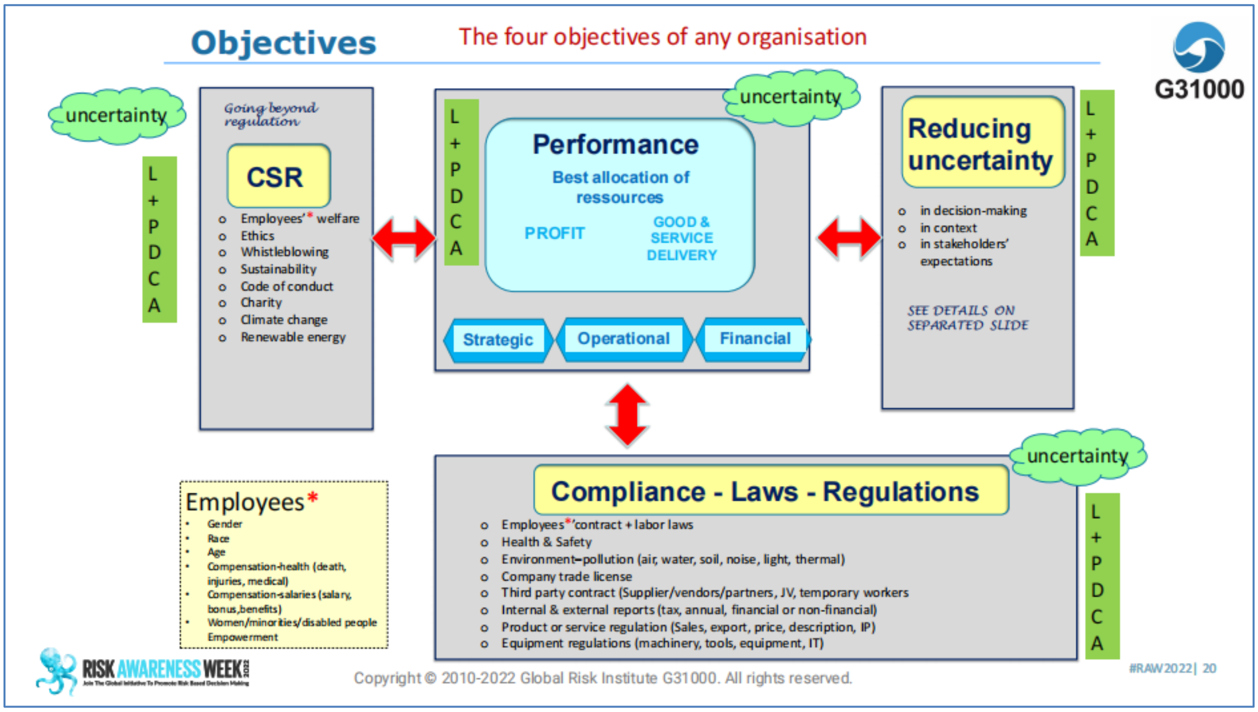


SLIDE 18 (10:07)

Let's have a look in detail. Here is another aspect that every CEO, you know, struggles with: quarterly profit or long-term strategy. Is it better for me to show a great result and boost shareholder value? Or shall I basically make long-term decisions that might bring result, even after I leave the company? This is clearly uncertainty and decisions that the top-management needs to take. And of course, there is also a matrix that the large consulting companies have been advocating in terms of product and market. Here is an example of the Boston Consulting Group (BCG), a well-known model looking at the products versus their market added value.

SLIDE 19 (10:58)

Another aspect is, as I mentioned to you here earlier, right? Do you need to boost shareholder value? This has been a mantra in many organizations that said, “The objective of the company is to create value.” To whom? To the shareholders, because they are the owners. Actually, this is a very challenging concept. And I'm very pleased because recently, look, August 2019, very big companies and CEO of these companies have been saying, “Shareholder value is no longer the main objective of their organization.”



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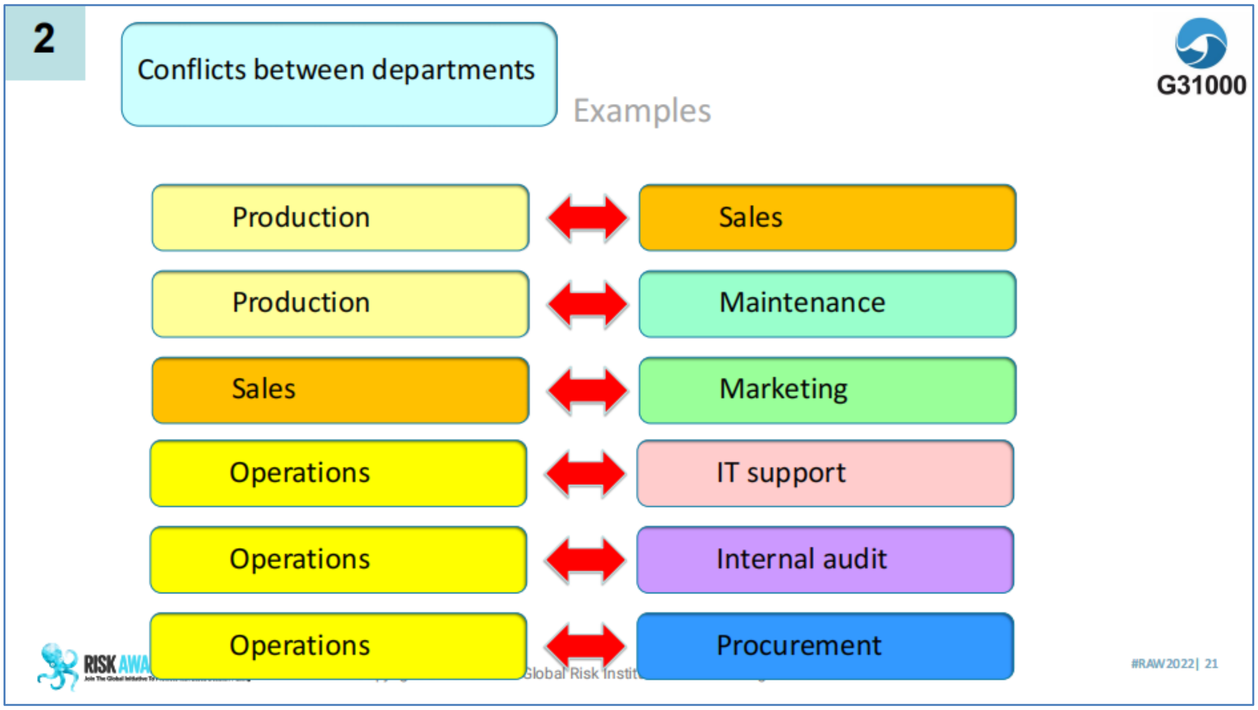
What is then the main objective? Well, these are basically four objectives that we consider any organization or company, profit or not, have, basically. Performance. The next question is then: what is the best allocation of resources for profit? To maximize profit or service delivery? And these are in conflict with laws and regulations because the more a law and regulation is basically strict, the more it affects the performance. In short, there is a balance here to be found, right?

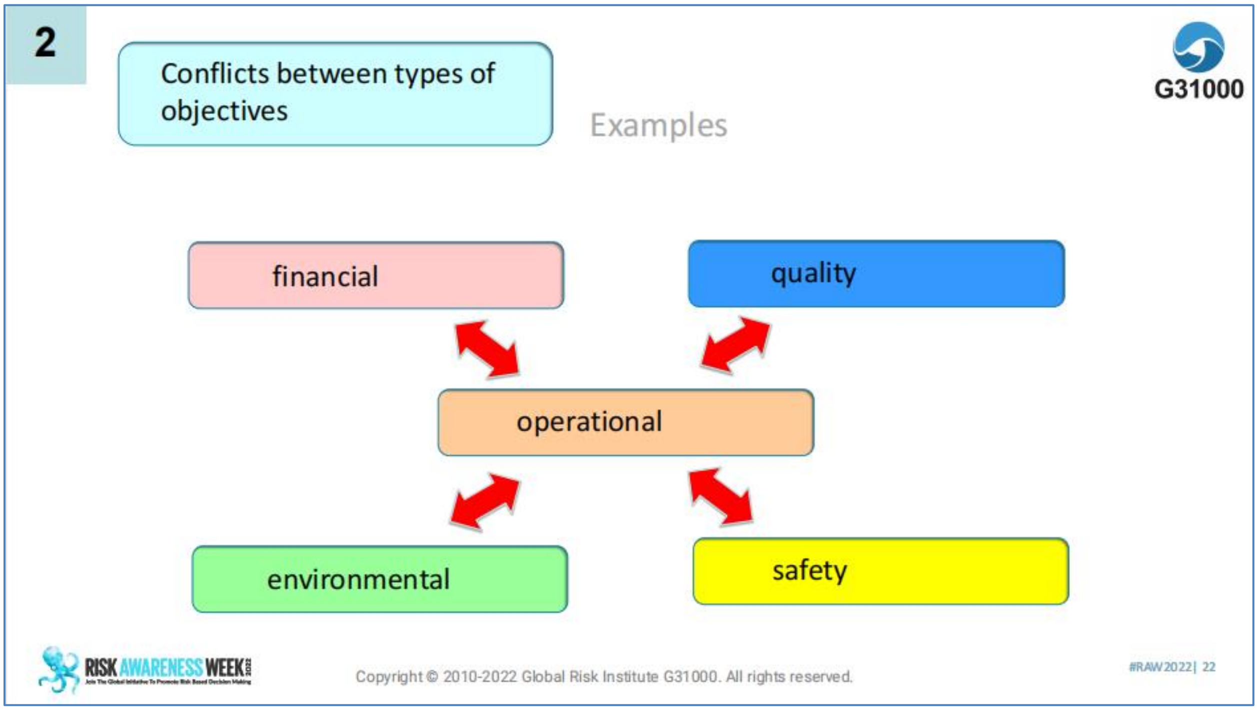
What about CSR, Corporate Social Responsibility. More and more companies basically see value and said, “Yes, I need to go beyond regulation.” “Yes, the regulation imposes to me to do things. Okay, I will comply, but I have to go beyond that.” And there are different aspects. Here, I mentioned climate change. But as this concept is basically developing a lot, we talk here about climate emergency. And reputation is of course another aspect that you have to follow.

In summary, there are four objectives. Each of them has uncertainty. And I put in green here, basically leadership and the PDCA cycle, that means you can apply ISO 31000 to each of them. So, you need to plan, do, check and act, right?



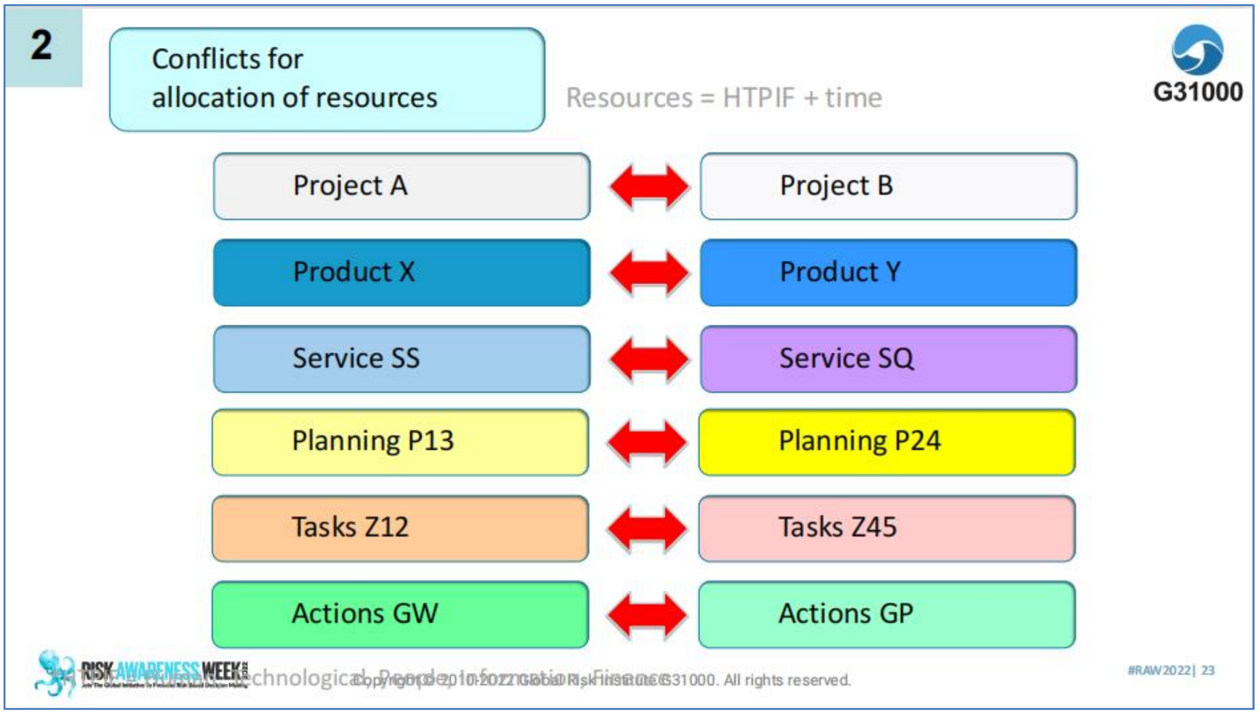
SLIDE 21 (13:13)

When we mention conflict between departments, here are some examples. You know, the conflict between production and sales. Production and maintenance. Maintenance would like to have preventive maintenance but if the maintenance is too long, then the production goes down. Thus, you have to deal with this type of conflict. Sales and department and marketing. Marketing enhances a product, even exaggerates the product. And then the sales, you know, cannot sell it because it has been exaggerated. Operation and IT, operation and internal audit. Basically, conflicts between departments occur all the time.



SLIDE 22 (14:02)

Evenly important are conflicts between different types of objectives. You might have operation, finance, quality, safety, environmental issues. These are four objectives that come all along when a person needs to make a decision. What about my constraints in terms of environmental or safety of the people? My recommendation: don't do anything in operation that might jeopardize the safety of the people doing it.



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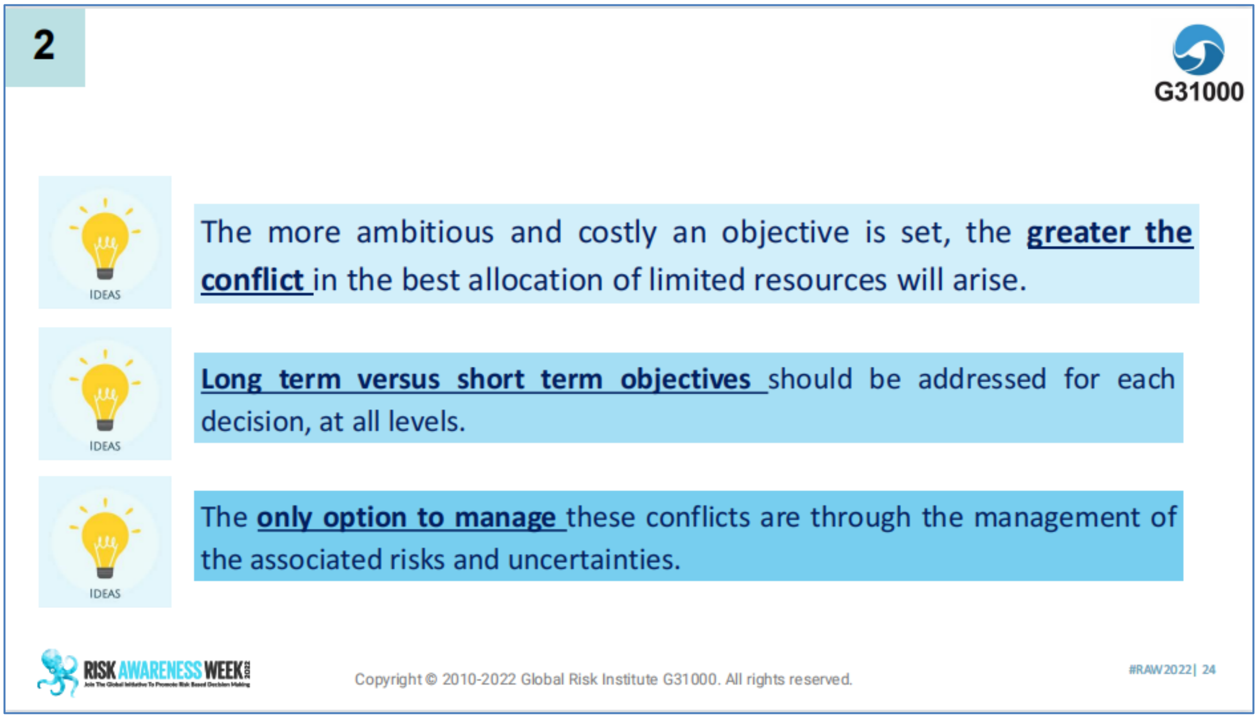
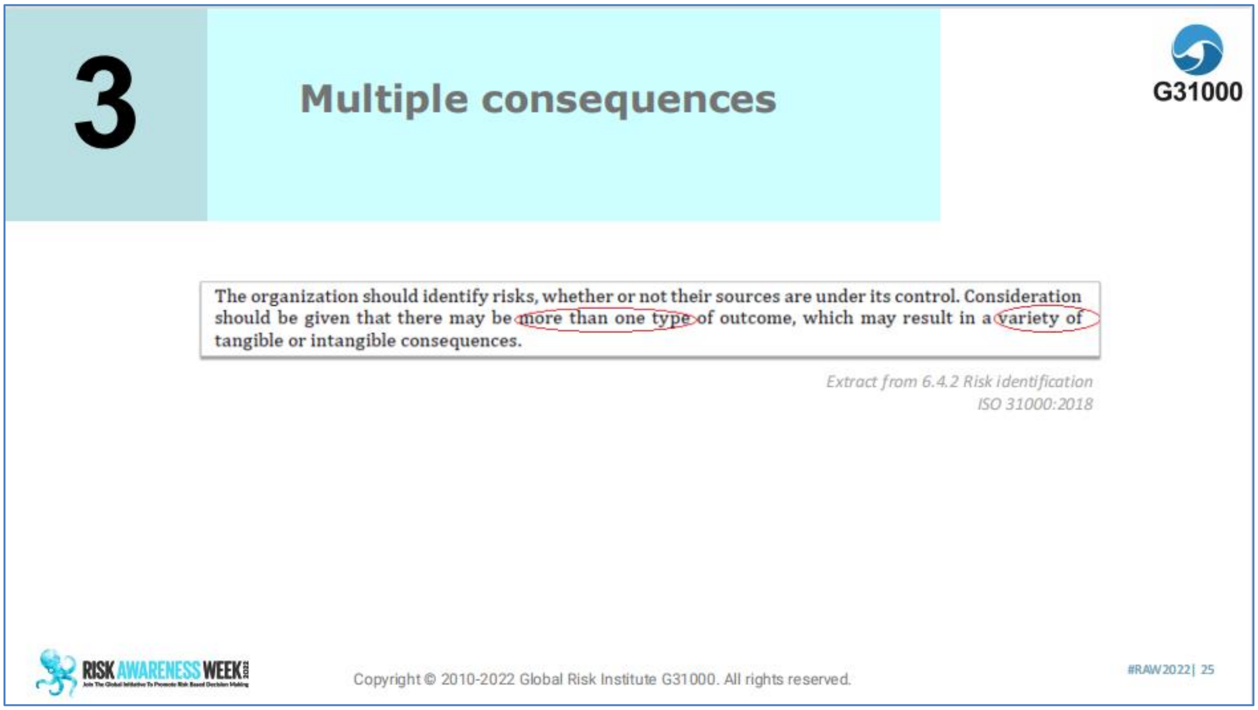
What about other conflicts for allocation of resources? As you can imagine, between two projects, if project A has the most resources, the chance to achieve this projet will be higher, right? So, that is why there are conflicts between allocation of resources. So, it's the same for products or services or planning. If you have very good planning and you have good resources to do your plan or your task or action, you basically have increased your chance to achieve your objectives.



SLIDE 24 (15:07)

Okay, so here are basically three main ideas. When you have an objective that you set up extremely ambitious, very high, you know, and probably costly, then the greater will be the conflict in allocating resources. So, be careful here, right? Another aspect : when decisions are taken, is it short term or long term? There is always a fine balance to be found for every decision, at all levels. And the third one is, the only option to manage this conflict is through management of risk. You know, basically said, “Why shall I do risk management?” Well, if there is one reason is you need to manage this conflict of objectives. So definitely use risk management.



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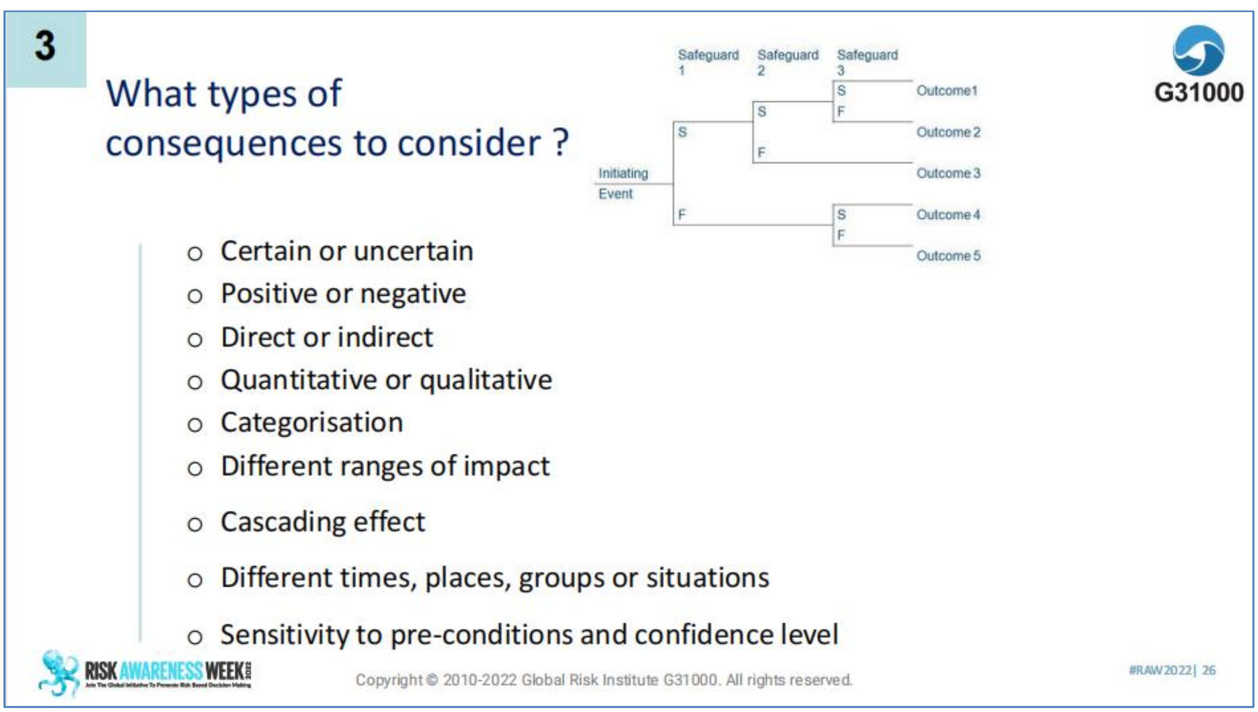
Third take away: multiple consequences. So, here is a reference for ISO 31000. It talks about more than one type of outcome and a variety of consequences.



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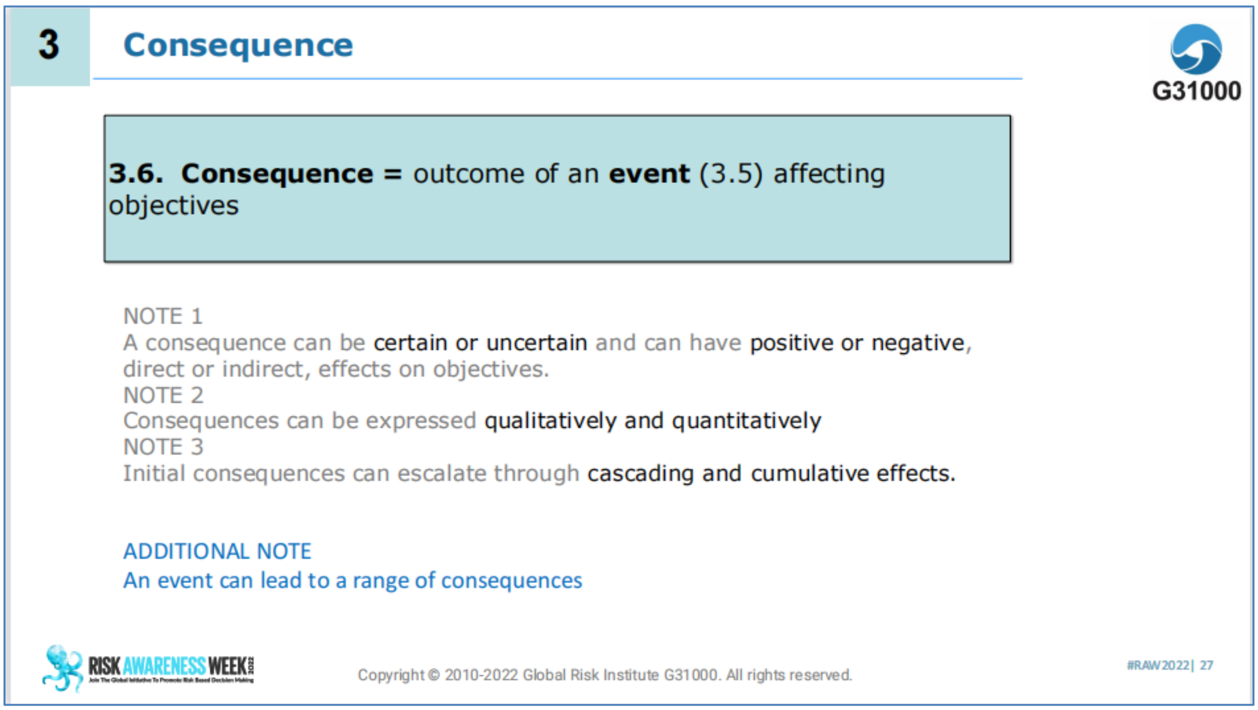
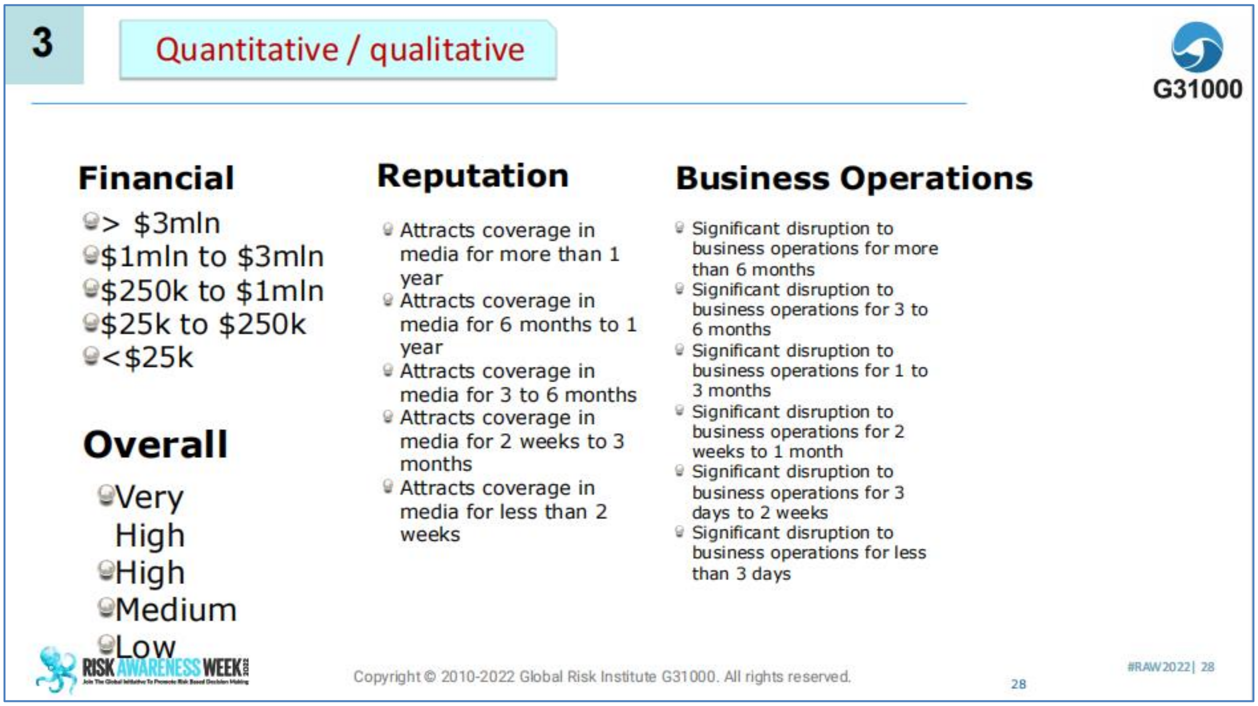
What are we talking about? Basically, a consequence can be certain or not -- positive or negative. Positive for one particular objective and negative for another, right? Can be direct or indirect. Quantitative, qualitative. Categorization is also important. So, we will basically look at all these aspects regarding consequence. Because when a decision is taken, the manager should be aware of the consequences of this decision. Not only for you, but also for others, right? So different ranges of impact, cascading effects, different types, places, groups or situations and sensitivity to pre-conditions. What is the confidence level you have regarding a particular consequence.



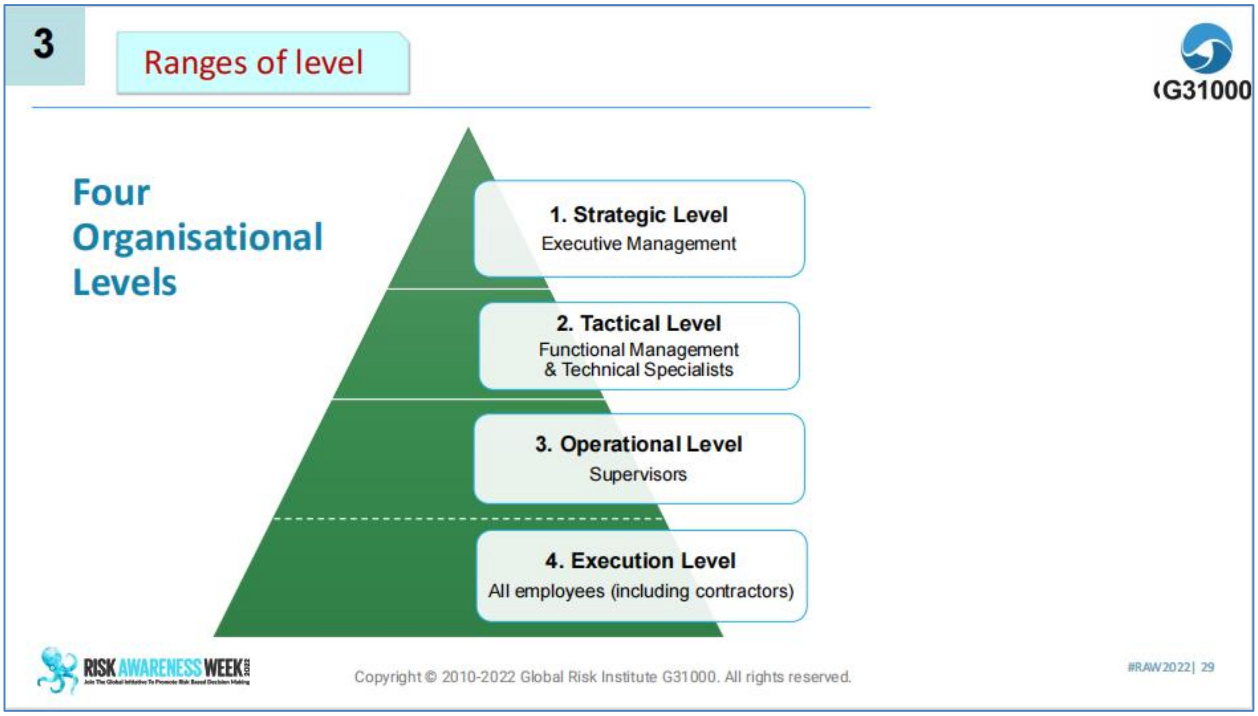
SLIDE 27 (17:02)

Here is the definition of consequence: *"Outcome of an event affecting objectives."* And remember event, it's a occurrence or change of circumstances. So, a consequence is the outcome of a change of circumstances affecting objective. And here are a few notes that you can consider:



SLIDE 28 (17:26)

Quantitative, qualitative, this is nothing new, but it's good to have a quick reminder. You know, different ways to look. And if you can, privilege always quantitative consequences. You know, you, you need to measure. Remember what we said about SMART objective, measurable was the “M”.



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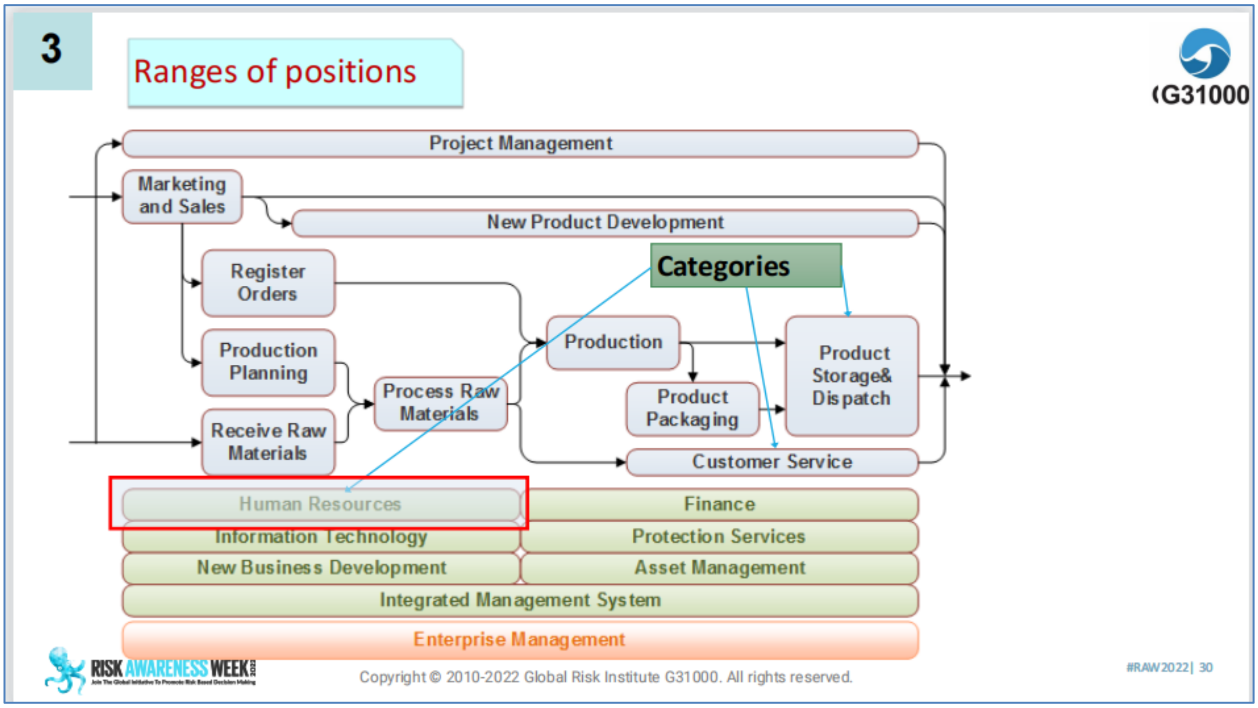
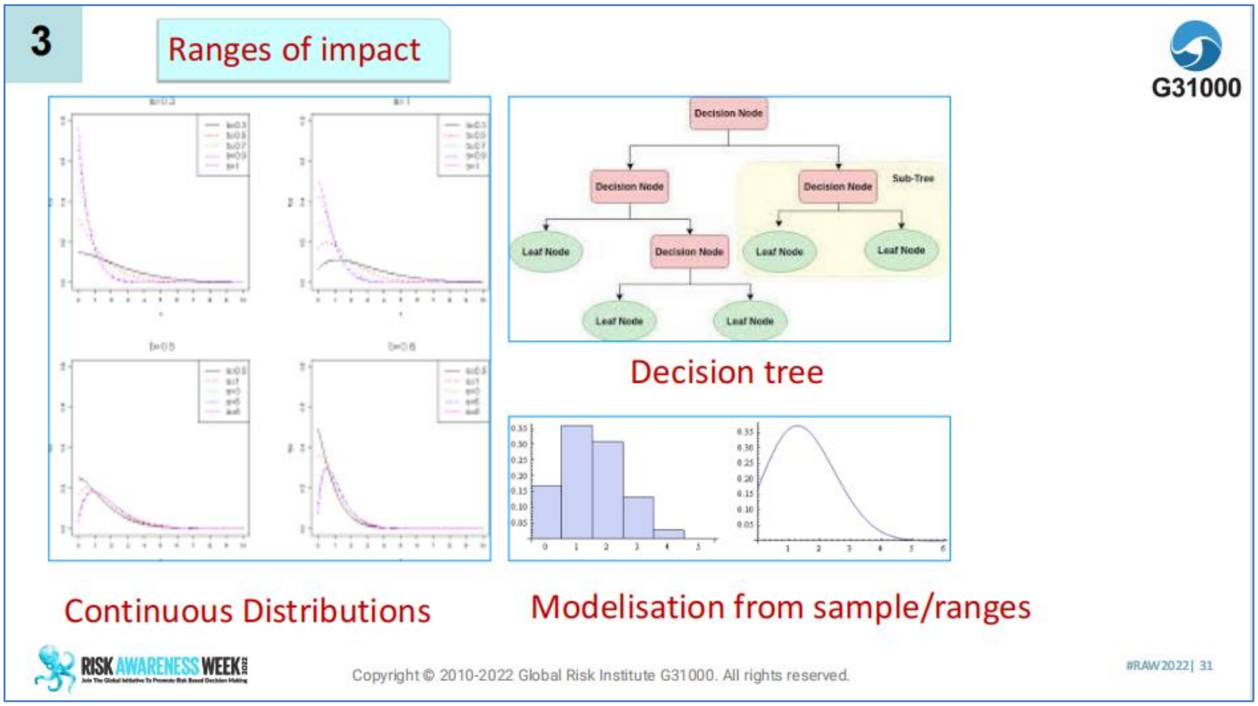
Range of level of consequence. Consequence can have you know, impact on the strategy, on tactical operation or execution level. Nothing new here, but it's good to have this kind of category.



SLIDE 30 (18:03)

Position. One consequence taken in one department, or one division can have an impact on another department or other divisions. So, I'm just basically giving you here a quick flow shot and eventually, the human resource department might be affected by decisions that you take in operation, for example.



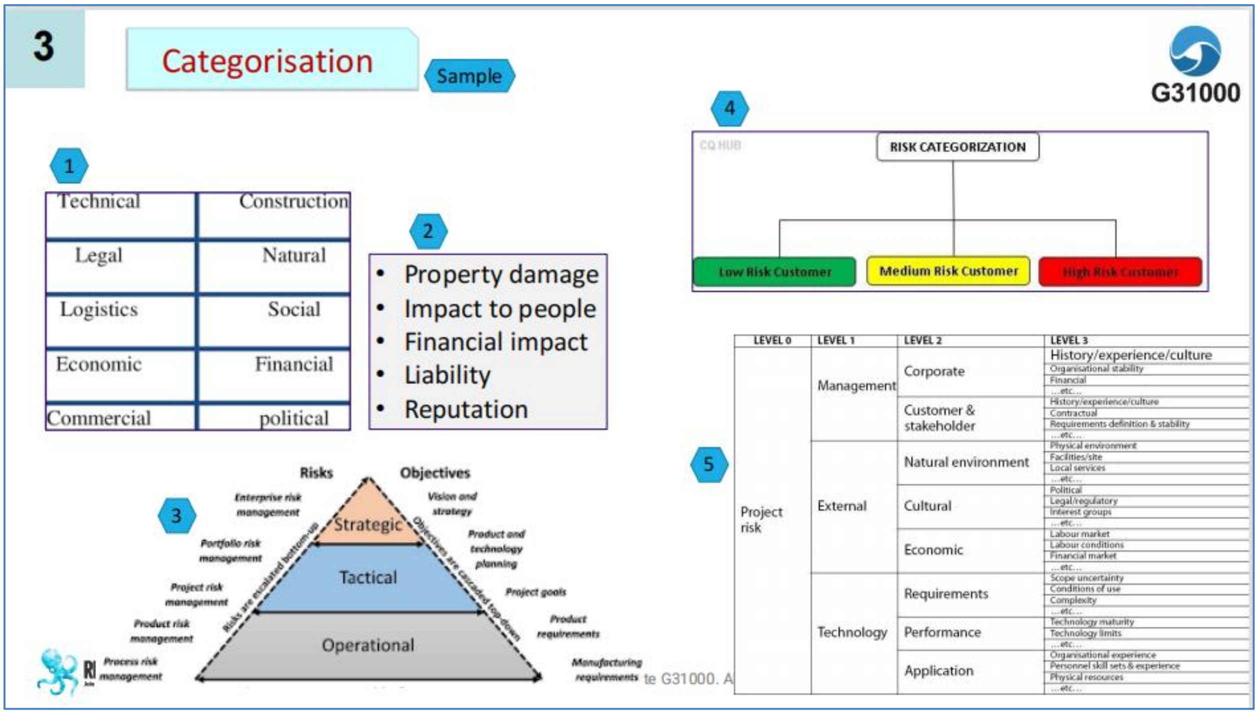
SLIDE 31 (18:30)

Another aspect is impact Here we talk here about modeling. You can have continuous distribution. And I really encourage every person dealing with management of risk to have knowledge in statistics, probabilities, investment. You know, these tools are very useful to have a strong credibility. You know, whatever you propose something with numbers.

Modelization can be from a sample and then you convert it to a curve like this for modeling. And decision tree technique is very common, but it gives you a good, quick way basically to make a decision. But here are just some examples of the range of impact.

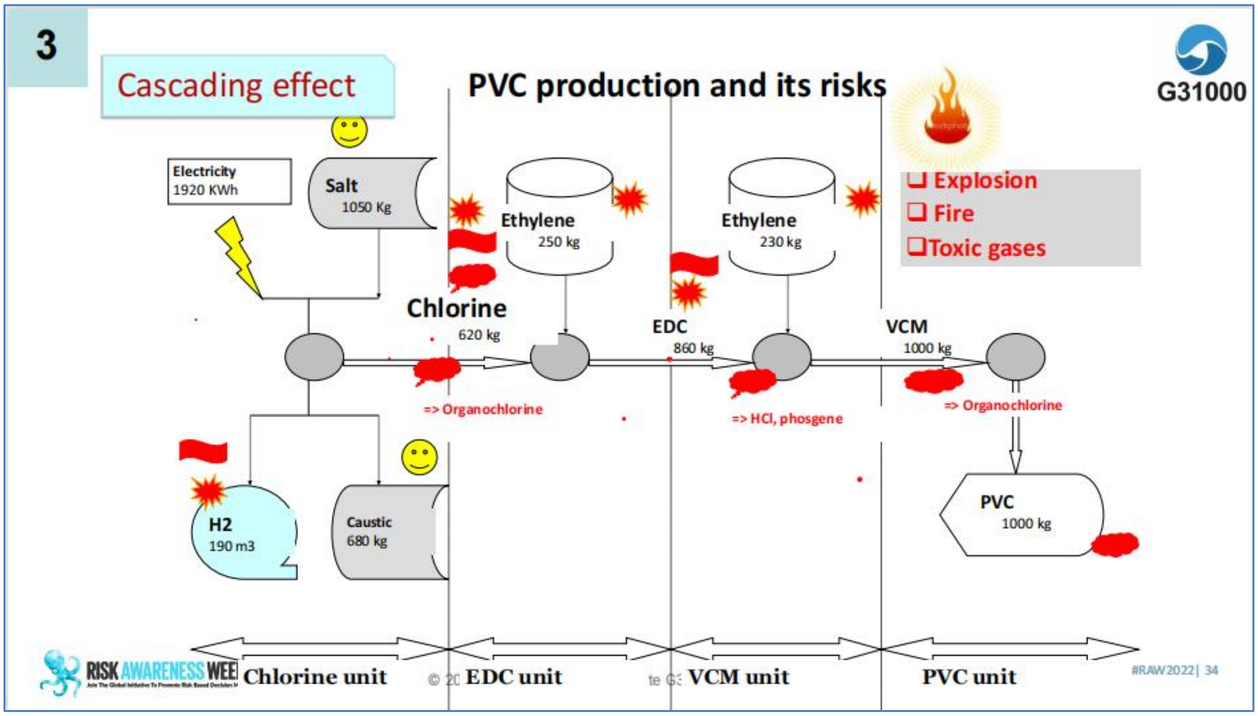
SLIDE 32 (19:25)

Another way to look at range of impact is, let's take an example of fire, which can be small, medium or even catastrophic. Okay, never happens, but you still need to consider. Small fire will be managed by forty-five people in operations. I said: “will be managed.” Yeah, of course. Risk owners are also managing risks. The department will deal with medium fire mainly because those in the operation might not have the budget enough to buy risk controls, you know, to handle a medium type of event, like medium fire. Right? And of course, if there is a major catastrophic event then the top management will basically deal with this. So, you can see here, remember whenever you consider an event and the impact of an event, well, this impact can be small, medium or catastrophic.



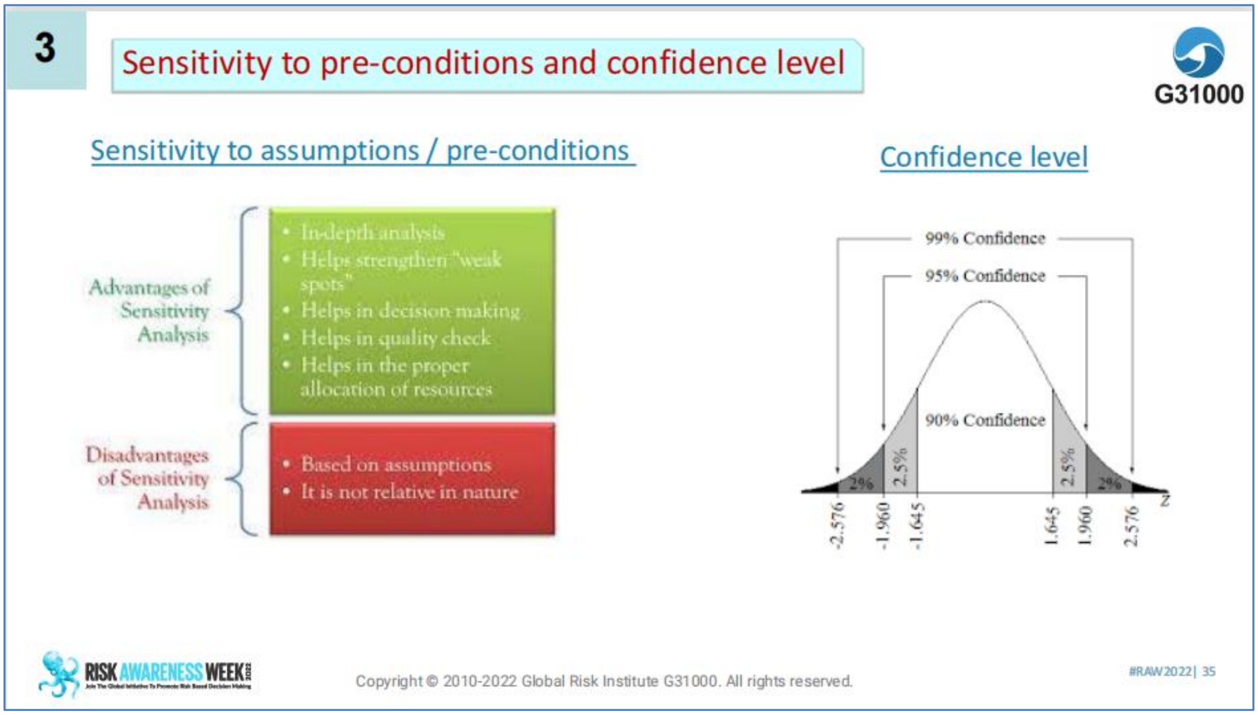
SLIDE 33 (20:29)

Categorization is also an important aspect. I put here a few examples that I've seen: property damage, impact to people, financial impact, liability, reputation, technical operation strategy, medium, low or high basically. Different categorizations. Again, you need to find the best categorization, which is useful for your organization. So, there is nothing recommended as such in ISO 31000.



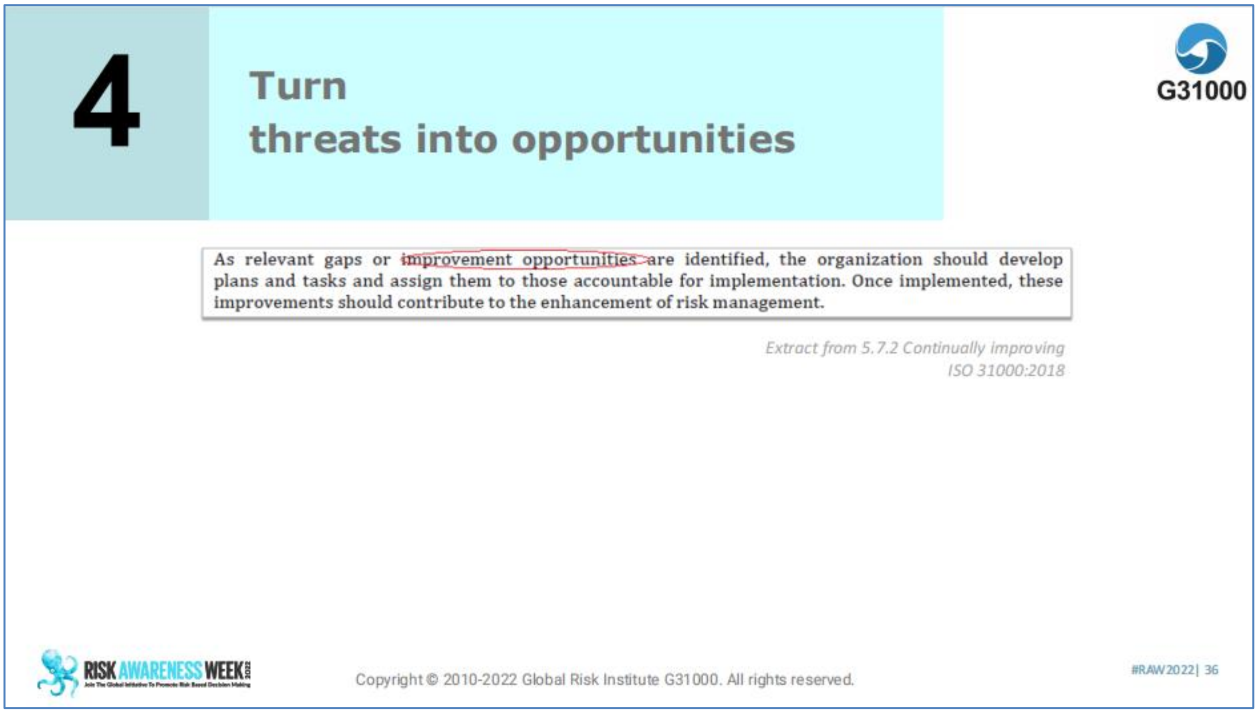
SLIDE 34 (21:02)

The cascading effect is also quite important because as you see here, I just took an example of a chemical process where we produce PVC, plastic bag. And you can see this process to produce this plastic bag is very dangerous. It can have, all along the process, risk of fire, risk of explosion or even risk of release of toxic gas. So again, the chemical and petrochemical industry is fully aware of this cascading effect, which you might not. You know, so always consider what might be the domino effect of a decision or a consequence that you are considering.



SLIDE 35 (21:51)

Another aspect is the sensitivity to pre-conditions and the confidence level you have. If you want to put just a number, you know, it's not good enough. You have to say, how's this number… how confident you are regarding this number. And you have a one, two or three sigma confidence range. But you can also do a sensitivity analysis where you basically test your hypothesis, your assumptions. You can test it and then you can see how the outcome changes. That's what we call sensitivity to pre-conditions.

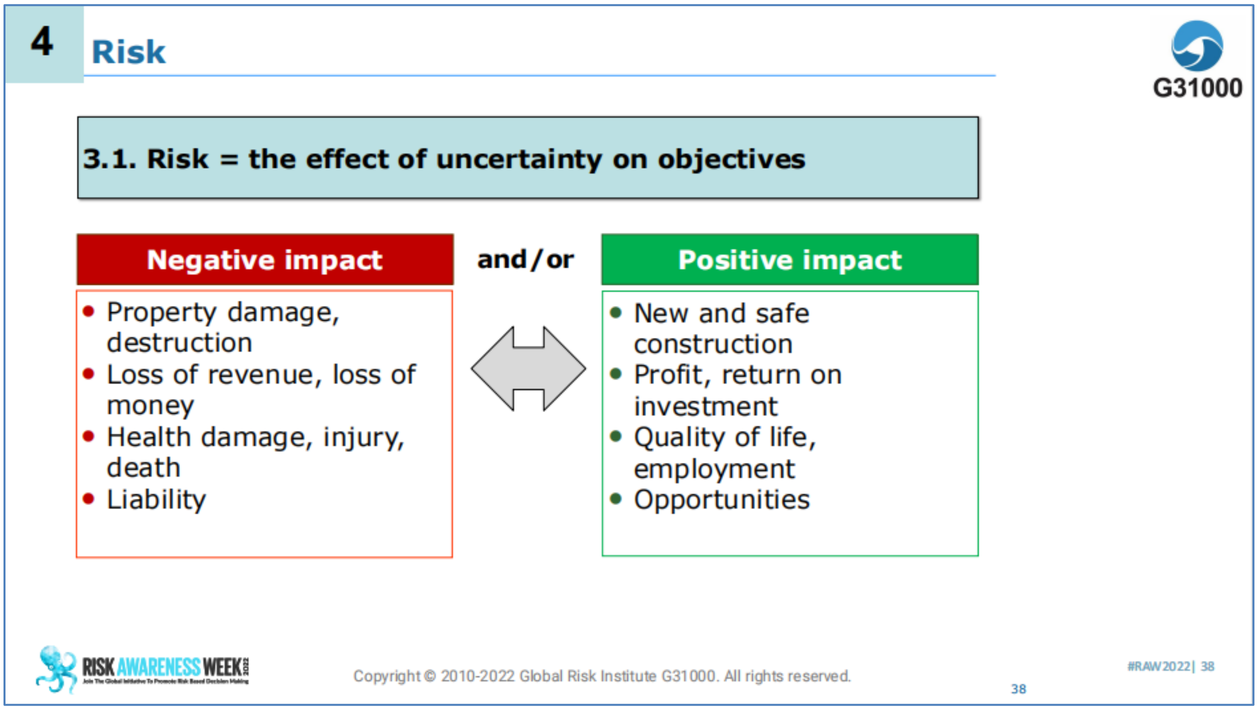


SLIDE 36 (22:32)

Number four recommendation. As I told you before, you don't run risk management to be efficient, like, "*You must do this! You have to fill in this form*!" You know, "*If you don't do this, we will have this major risk that will impact you …and you will be blamed*." That's not the way you run risk management. You need to convince managers to use the management of risks as a tool to help them to achieve their decisions. So, turn the threat into opportunities. It really depends how you present it. ISO 31000 really encourages finding relevant gaps to improve opportunities, you know, in clearly positive ways.

SLIDE 37 (23:21)

So yeah, and still in many organizations they talk about what I mentioned here, traditional risk management. So, they look at the negative part only. The possibility of loss and accident focuses, when in fact you should see the overall value of the organization. You know, you have to look at the organization as a whole. With a possibility of loss, of course, or no loss, but also possibility of gain for businesses.

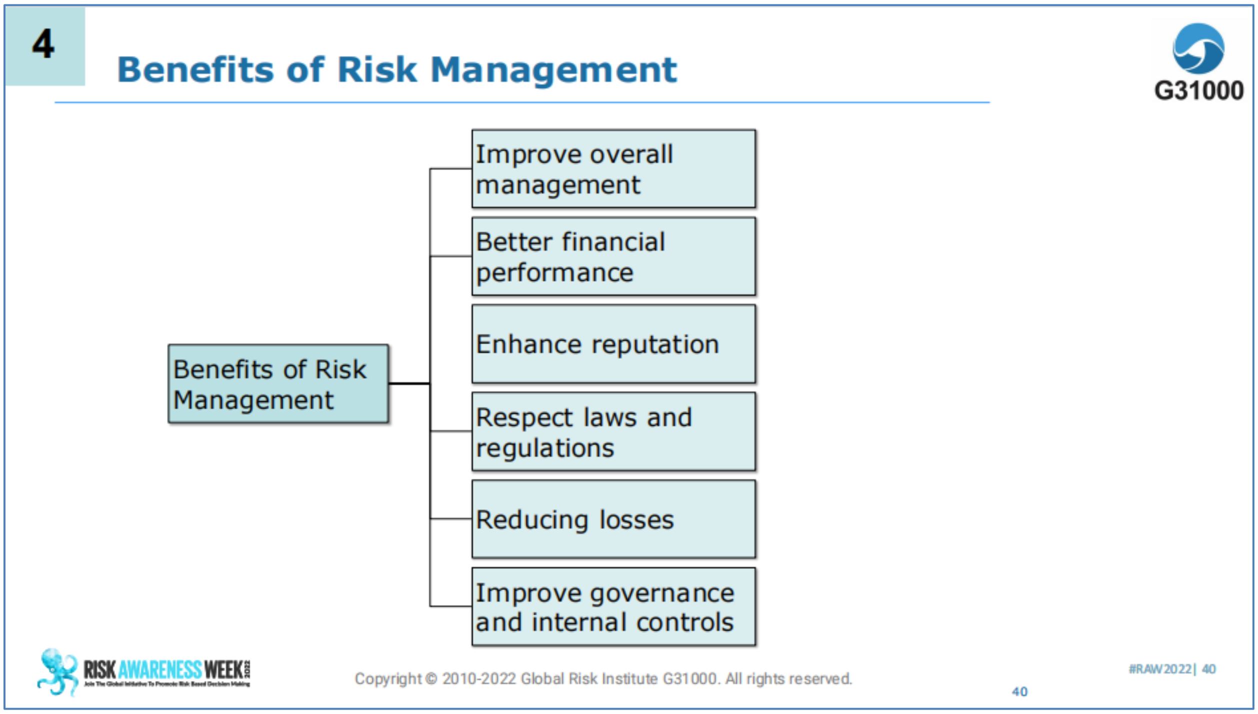


SLIDE 38 (23:51)

Definition of risk. Here's a quick reminder: *"the effect of entity on objectives."* And different types of impacts.

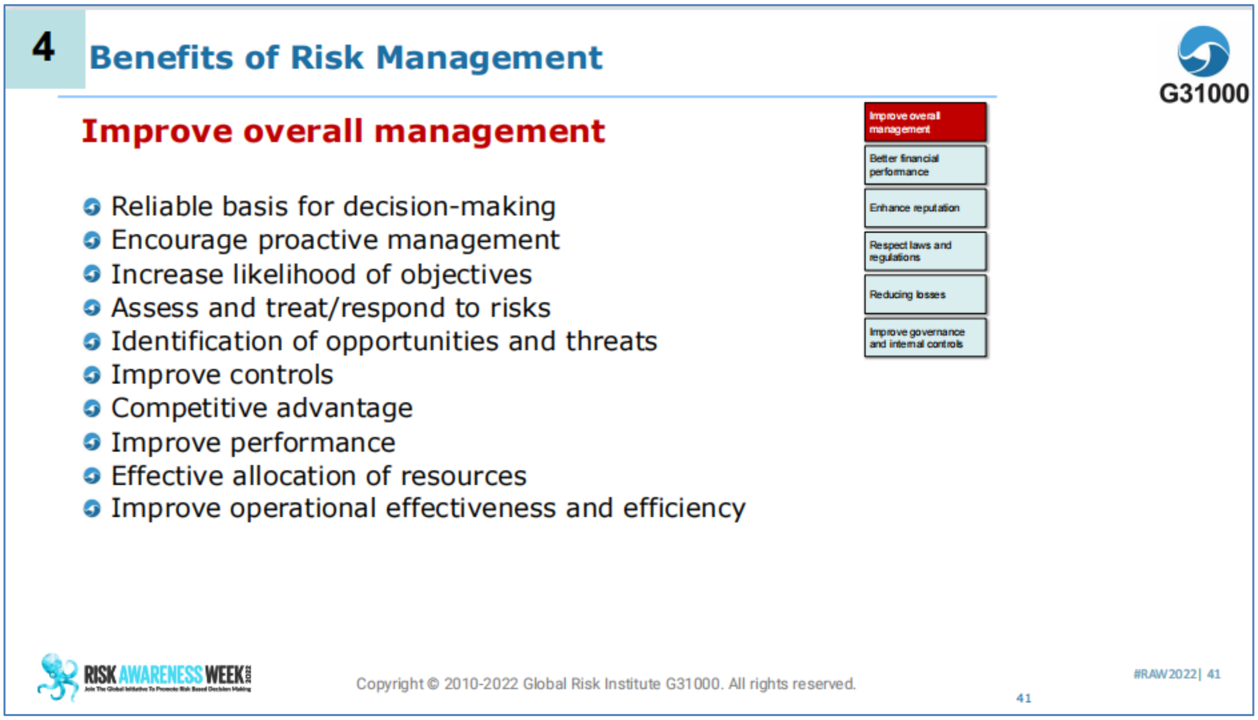
SLIDE 39 (23:58)

So, what is the use of risk management at different levels, as we mentioned earlier.



SLIDE 40 (24:02)

But the benefit, Let's have a look now at the benefits. How can you convince managers that they should apply… that risk management will help them to achieve their objectives? Will help them in to have risk-based decision? Well, it really depends on who you have in front of you. And the arguments that you might use with the person in operation might not be exactly the same argument you will use for the person in finance or those who are dealing with health and safety. So here are some buckets, over management, financial performance, reputation, compliance, reducing losses and governance that I put basically in main categories.

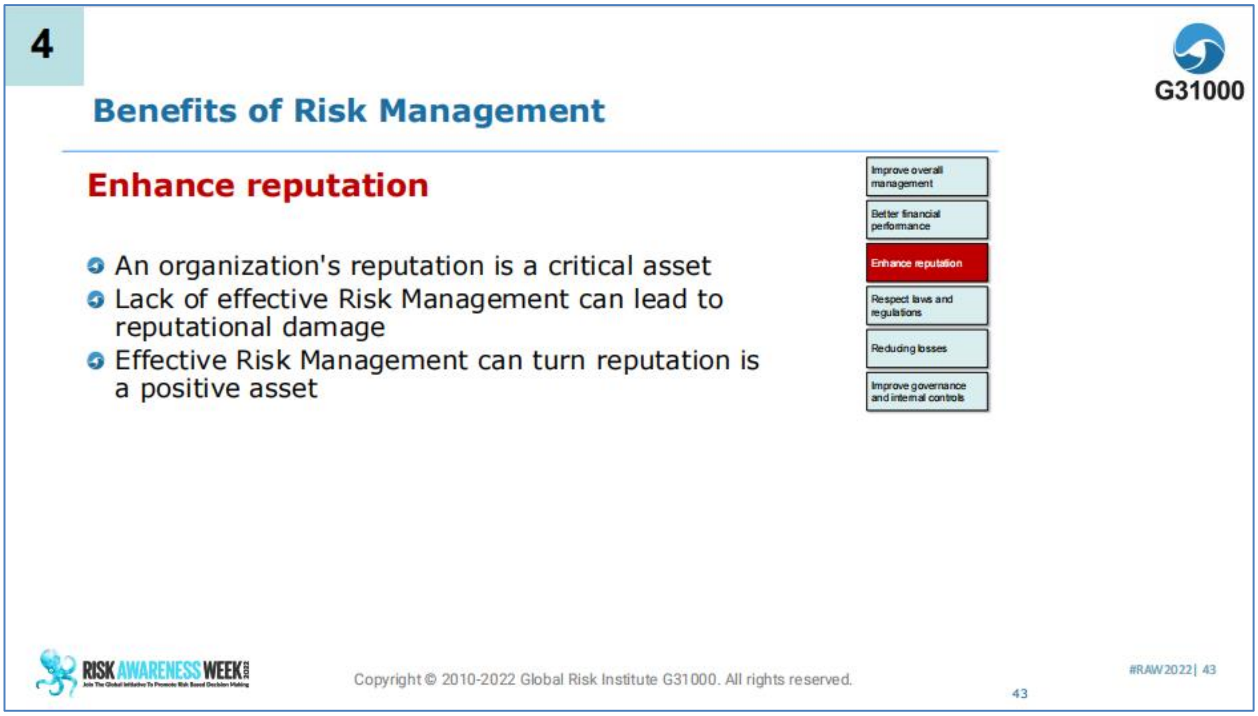


SLIDE 41 (24:43)

And we can see here in detail, for each of them, what are the benefits. Look at the first one. Reliable basis for decision-making. Have you noticed that in many organizations, managers are afraid to make a decision? Because he is afraid to be blamed. Or if there is a bad consequence, the internal audit later on would say, "*You see, you took a bad decision*." So no! Managers need to feel confident on which basis you have taken a decision. And that's what risk management basically can do, being proactive, help to increase the likelihood of achieving your objective. Many aspects to increase overall management. Again, find the right argument for different people you have in front of you.

SLIDE 42 (25:40)

Better financial performance. Some people in finance will definitely see interest in this. Credit rating agencies such as Standards & Poor's has introduced risk evaluation for their credit rating estimation. You can see now it applies not only to financial companies, but also non-financial companies. So, risk management is really here, everywhere.

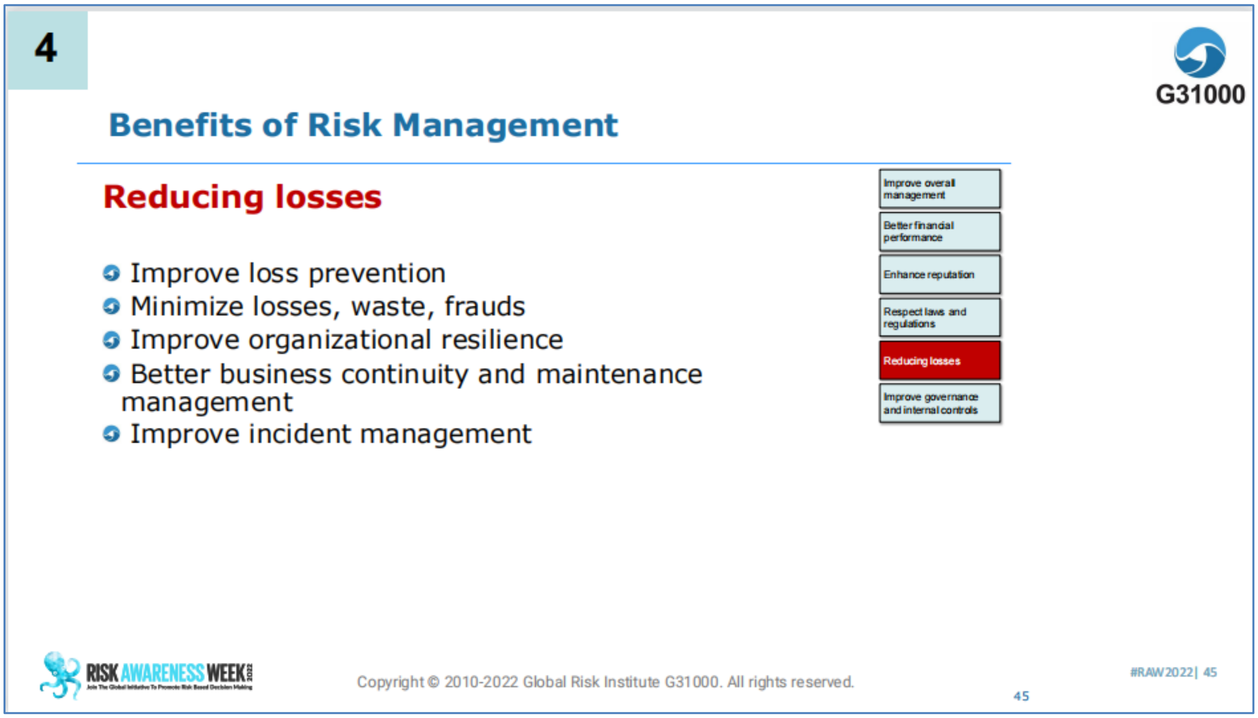


SLIDE 43 (26:11)

Reputation, of course, critical assets that need to be managed.

SLIDE 44 (26:16)

Respect law and regulations. This is health and safety, environment, reporting mandatory or not.

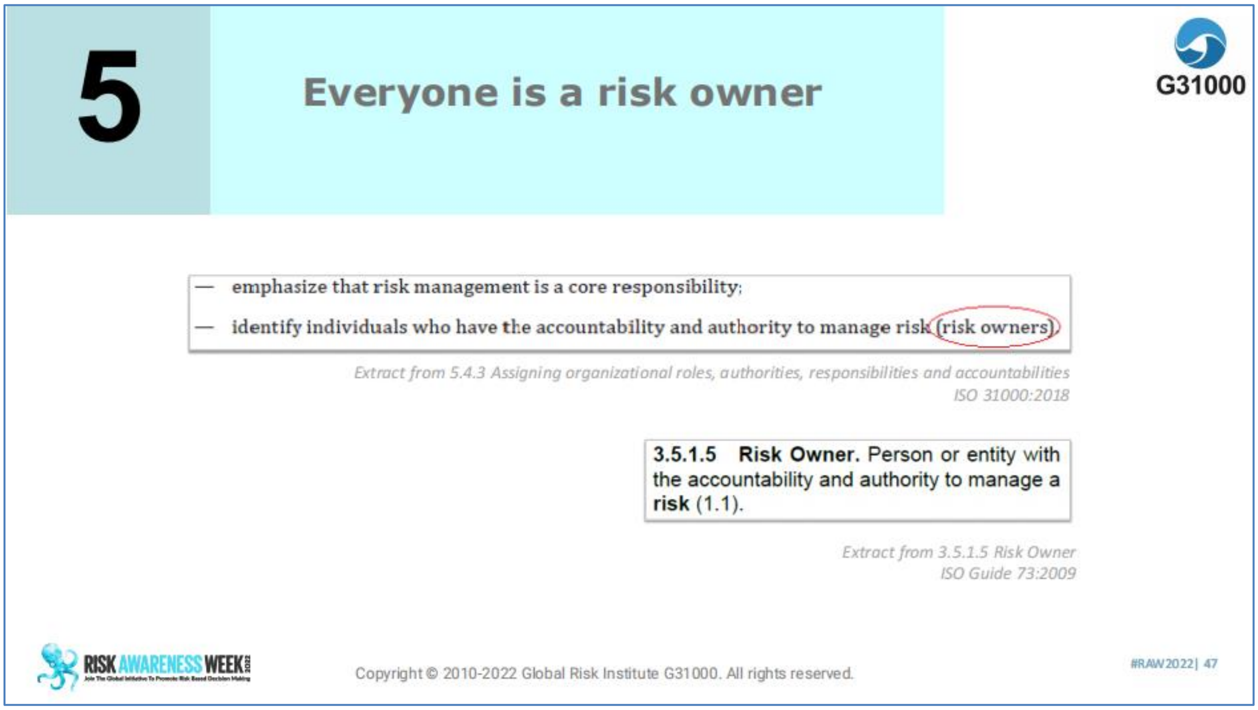


SLIDE 45:24

Reducing losses, of course. Improve loss prevention, losses, fraud, resilience. Here we talk not only about business continuity, but also resilience. For major disruption, business continuity. For resilience, it's a small interference that you might face, and the organization needs to be agile. That means to quickly come back to the level where it was. So that's what we call also incident management.

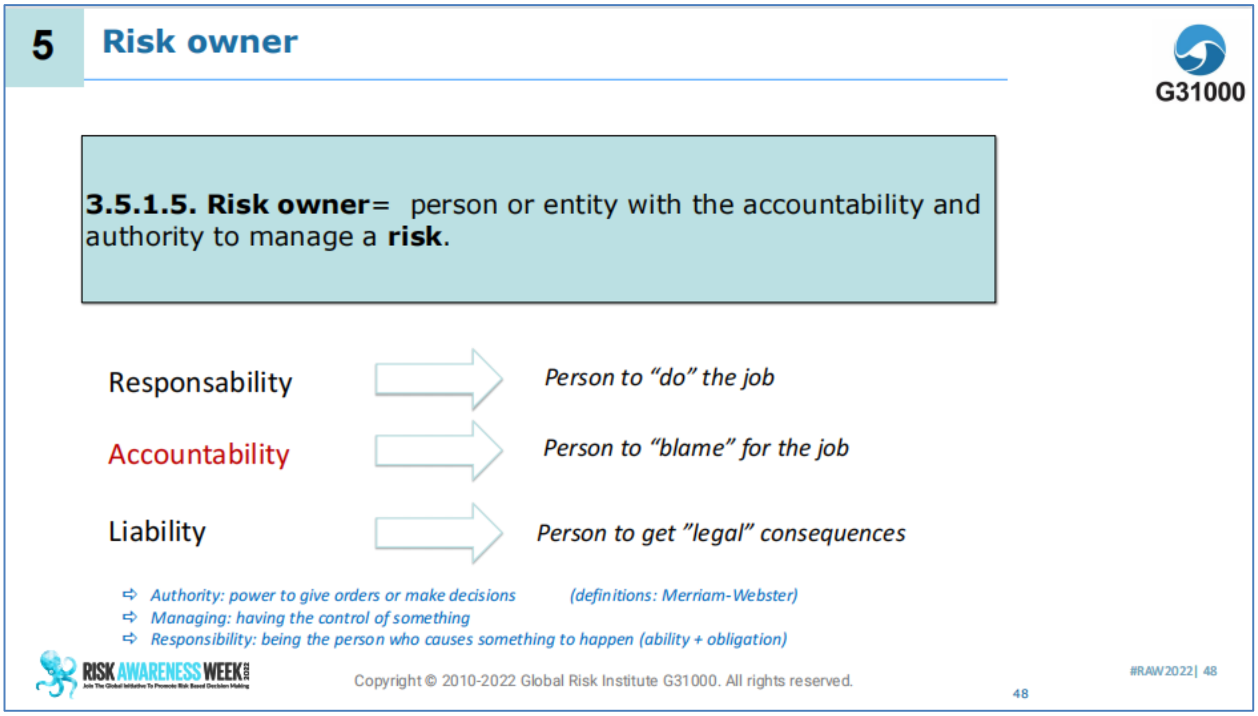
SLIDE 46 (26:57)

Okay, governance is also an aspect that's very important. Remember, governance, in our definition, is to provide assurance that the management is basically, that the company is well-managed. So, governance is to provide assurance to stakeholders that the company is well-managed. And of course, risk management is part of governance. Internal control. Again, we have to find the right balance between control and performance. We will talk about this later.



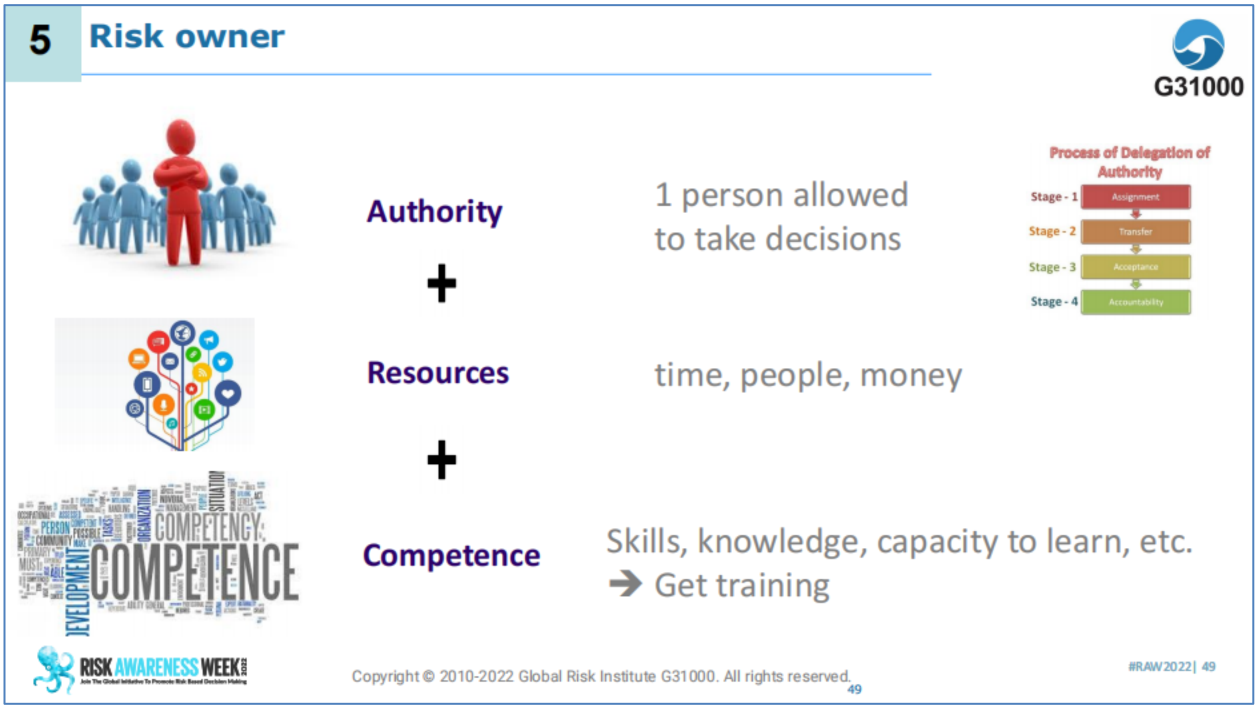
SLIDE 47 (27:31)

Number fifth take away: Everyone is a risk manager -- is a risk owner, sorry. Very important. What is the definition of “risk owner”? Well, ISO 31000 mentioned, *“a person or entity with the accountability and authority to manage a risk.”* Who is this? Well, should be someone accountable.



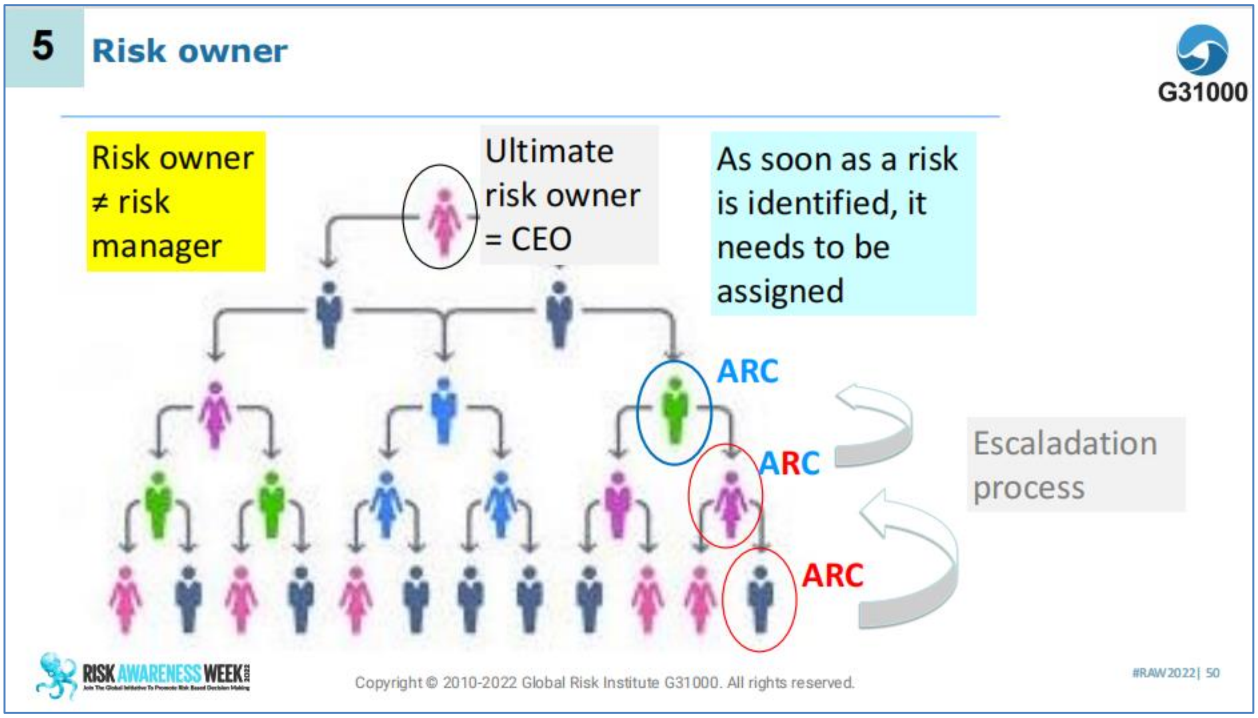
SLIDE 48 (27:55)

Now, what does it mean "accountable"? Is it the same as "responsible" or "liable"? No. Here we use the word "accountable". That means if a person responsible is the one doing the job, If the job is not done or not well-done, you will need to blame someone. Well, to basically address someone, right? And that's the person accountable. And liable, of course, you have legal consequence. So, a risk owner who is basically a manager, he's basically accountable.



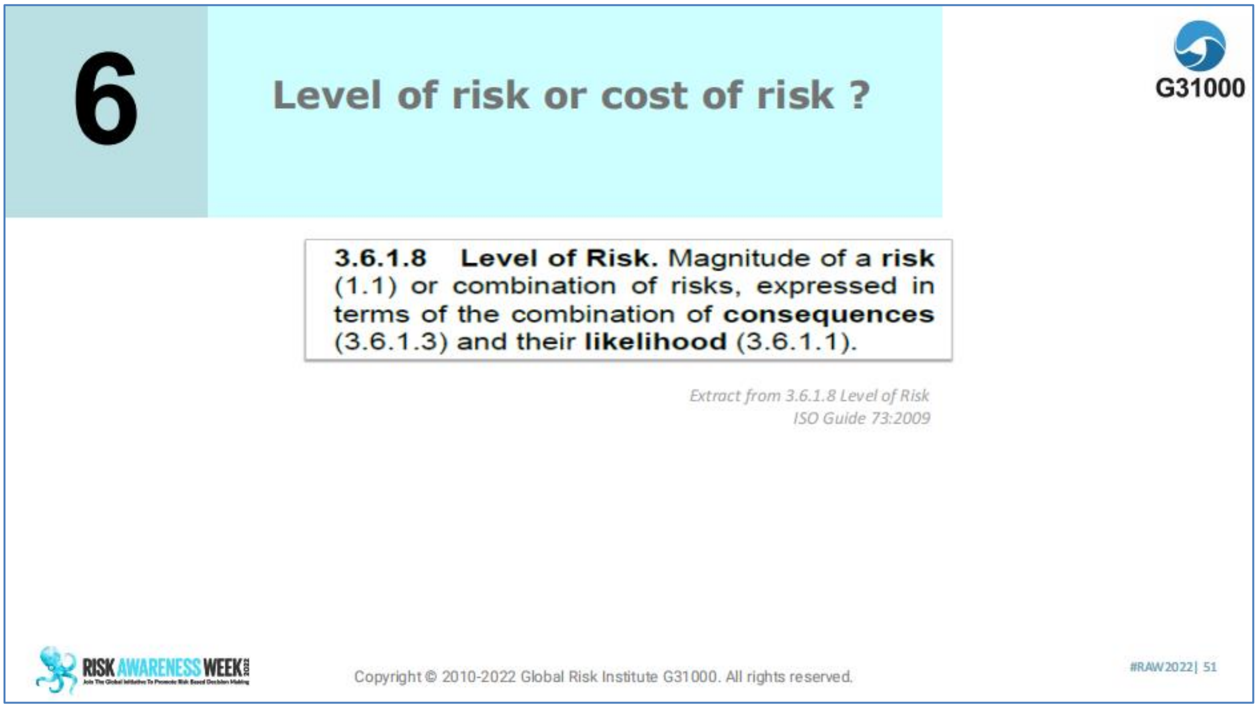
SLIDE 49 (28:38)

Now, what does it mean, "accountability"? Well, in the explanation in our course, we said you can be accountable only if you have the authority, the resources, and the competence. And I'm sure you have seen in your company people who have the authority and the competence, who do not have the resources. Or you will have a person that has the resources and the competence, but always his boss is interfering. That means there is a confusion of authority. To have a person to be considered as a risk owner, you must have these three elements together: authority, resources, and competence. And that's very important because, if something happened, and you do not have the competence or the authority, you will be blamed. And in fact, you should never accept to be a risk owner if you have not these three elements.



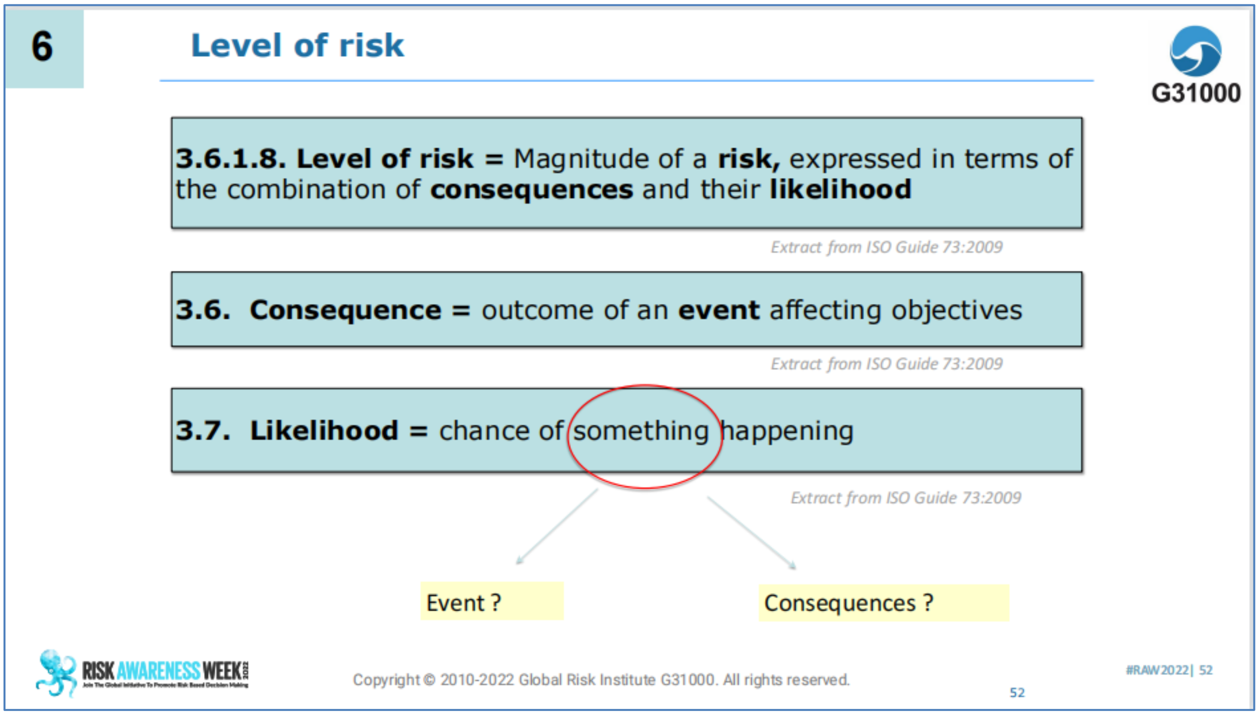
SLIDE 50 (29:40)

So here, I am giving you an idea that of course, a risk owner is not the risk manager because a risk manager is the one providing help to managers to make risk-based decisions. So, he/she is a facilitator, a coordinator. So now, a risk owner must have, as we said: authority, resources, competence. Look at this shot. At the bottom, we see the guy in a circle. Basically, he does not have authority, the resource, nor the competence for one particular risk. So, what happened? It escalates to his boss, who also does not have the resources, so it went up again, until the person in green, which has the three elements: authority, resources and competence. Very powerful concept. And once implemented, you know, basically it adds a lot of value when an efficient risk management program is put in place, right?



SLIDE 51 (30:45)

Another takeaway is about the level of risk. Is it the same as the cost of risk? Okay, so let's have a look at the definition of ISO 31000. So, level of risk: *"magnitude of a risk or combination of the consequence and their likelihood."* Okay, so that's the definition.



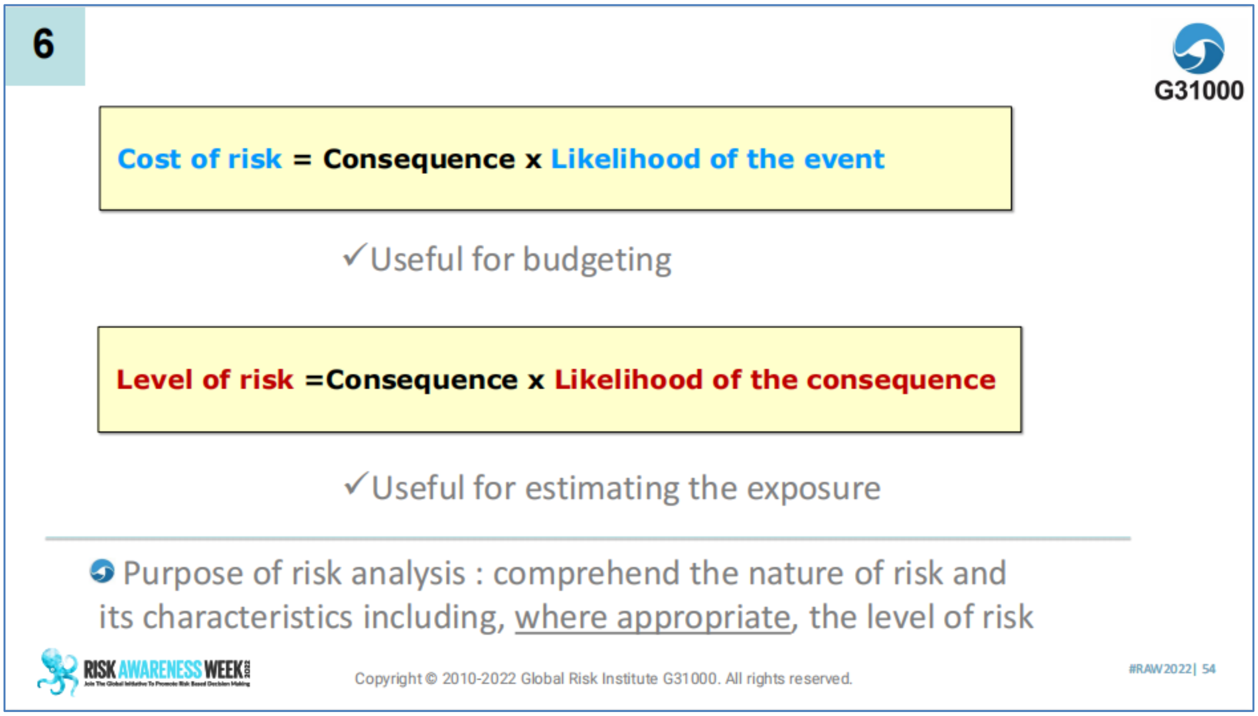
SLIDE 52 (31:07)

Now, what's the definition of consequence? Here's a quick reminder*: "Outcome of an event affecting objectives."* Remember, it means - outcome of a change of circumstance affecting objectives. What about likelihood? *"Chance of something happening."* But what is this "something"? Why is it, put this word "something"? Is this a chance of an event happening? Or is this just a chance that this level of impact, this level of consequence will occur? Well, actually it can be both. So, you have to always specify, are you talking about the likelihood of the event or the likelihood of the consequence?

SLIDE 53 (31:49)

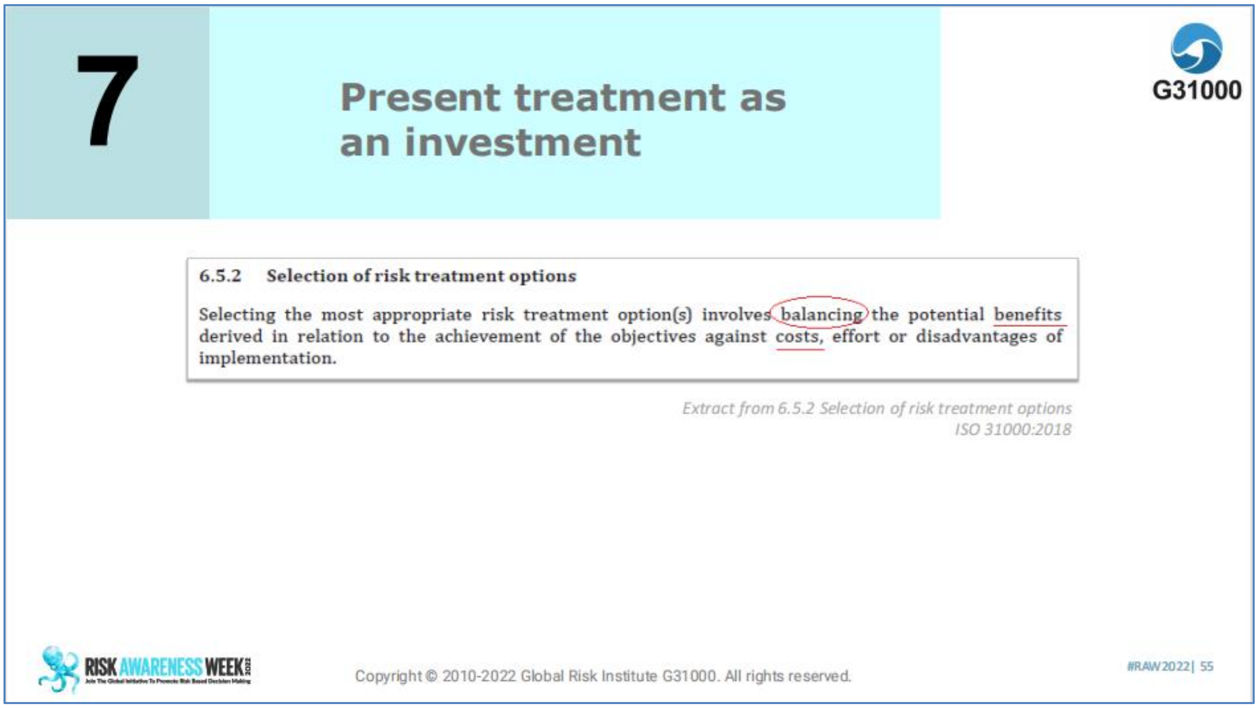
Here's an example to explain the concept. Here, I give the example of fire that makes it easier for everyone to understand. So again, it can be small, medium and catastrophic. Different levels of consequences. What is the likelihood? Well, my statistics tell me that I have 10 fires per month. It means within a year, it's likely… my likelihood of this event to occur, I will have 120 fire that will start, with the average cost of $12,000. This is what we call the "cost of risk". Now, If I have a fire, what is the likelihood that it will cost me $100? Well, then people might say, yeah, most of the time, that's why put 99%. It means if I combined the two, it's $99. This is what we call the level of risk.

And you can basically apply the same logic, you know, for likelihood. Let's say one time, I had a medium fire in the last… within a year. I mean, that is what my statistics are telling me. That that's the cost. And what is the level of risk of medium fire? $1,000. You can see the numbers are very different, so you have to be always very clear about what you want. When people need to report, what is the exposure? What is the level of risk, right? So be sure you don't confuse them with the cost of risk



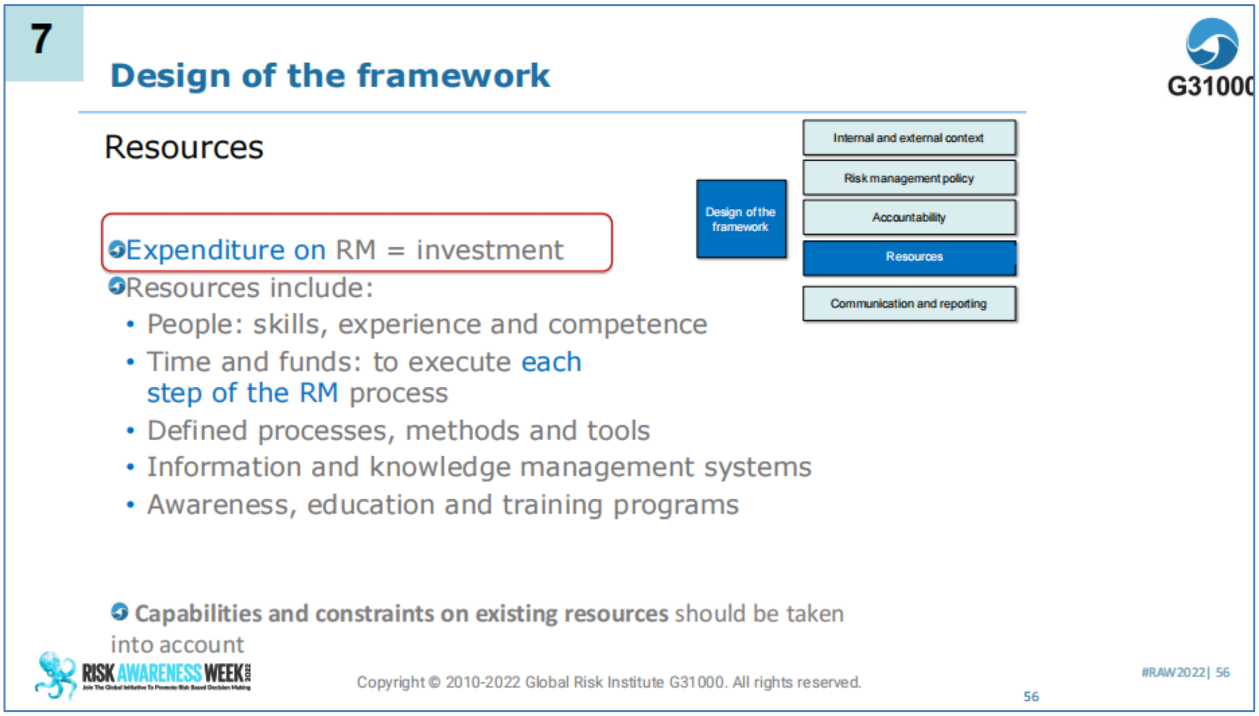
SLIDE 54 (33:36)

So, in summary, the cost of risk is the consequence times the likelihood of the event, which is useful for budget. And the level of risk is basically useful to estimate the exposure. I focus on this, however, in the new version of 2018, there is less focus on this concept of level of risk. But still, very much used in many organizations, that's why I want to make this clear.



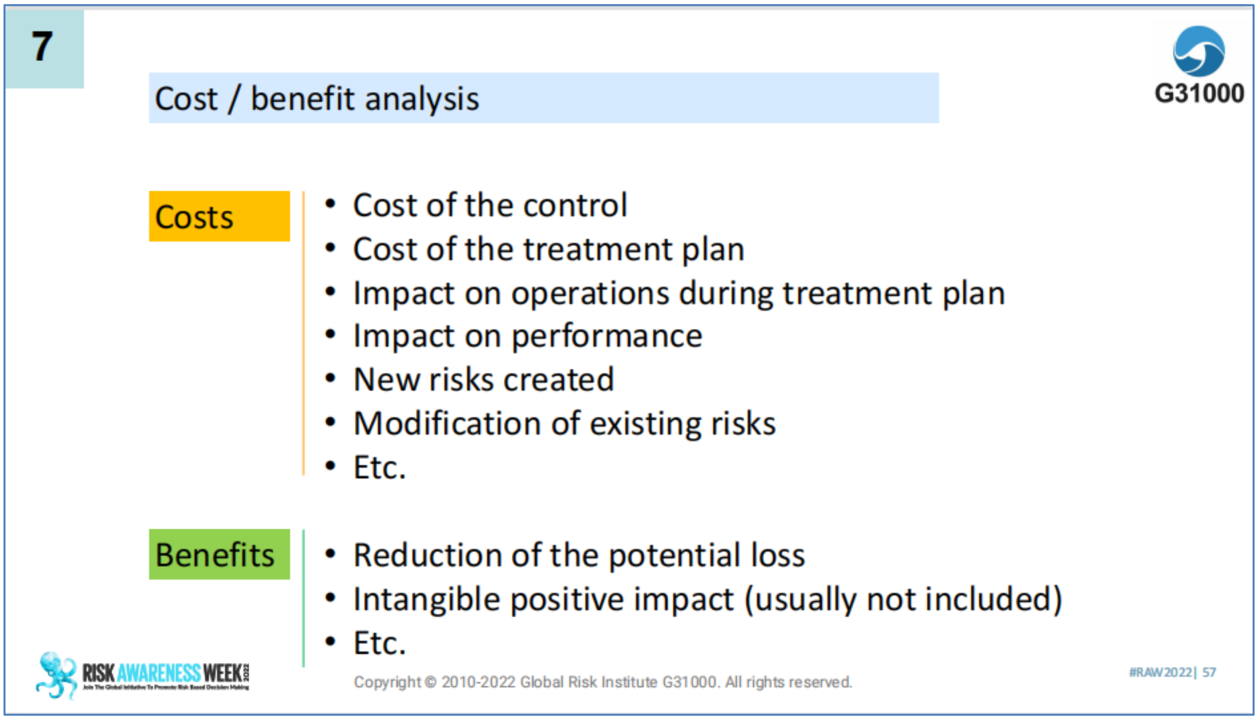
SLIDE 55 (34:11)

Another topic is: Present treatment as an investment. This is also important because when you have to identify, analyze, evaluate risks, you decide to go for treatment, that means you need to request a budget. You will need to ask the CFO or the person in charge of finance to allocate money to you. And you need to present it. Don't say it's because it's for compliance, you know? Or most of the time it's not the case. So, you need to justify on which base you'll request an investment. And the ISO 31000 clearly mentions that this is what you should do. Balancing benefit and cost effort.



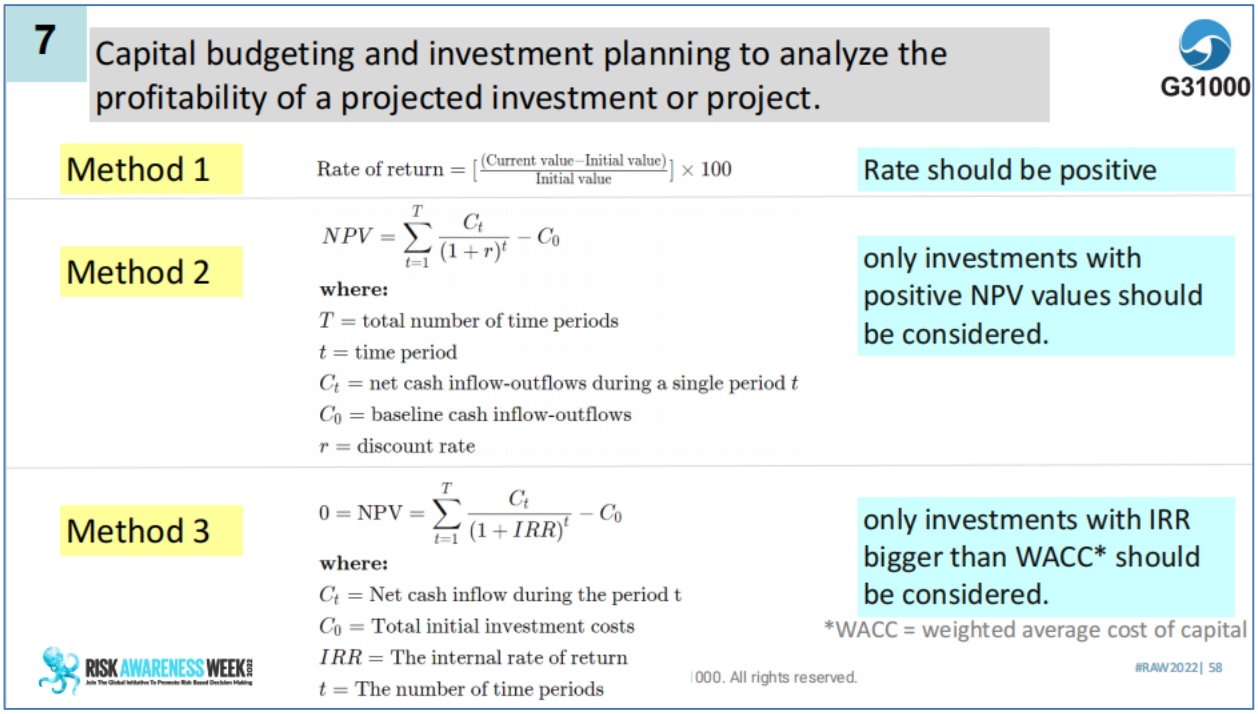
SLIDE 56 (35:00)

So, let's have a look in detail. Always present your expenditure in risk management as an investment. How can you do this? Because investment is allocation of resources, which can be time, people, money. But you have also constraints, right? Existing resources might be limited, right? So, take this into account. But still, you have to give a proper argument when you request an expenditure for risk management.



SLIDE 57 (35:32)

Cost/benefit analysis. Here are some aspects to consider. Of course, the cost of the controls that you want. The cost of the treatment plan. You need some type of timeline to basically put in place. It will have also an impact on operations during the treatment plan, meaning impact on performance. The more control you put, the more you impact the performance. This is a very clear concept. Many internal auditors are not clear on this. You know, you cannot put a control and additional control, and another one and another one, without looking at what is the impact on performance. Also, a control that you want to put in place might create new risks or modify existing risks. This is the cost. You might call it a secondary risk, but still, you need to include it in the cost of the new controls that you are considering. And of course, the benefits, reduction of the potential loss and the positive impact. That is usually not included, and you should. If you can measure, of course.

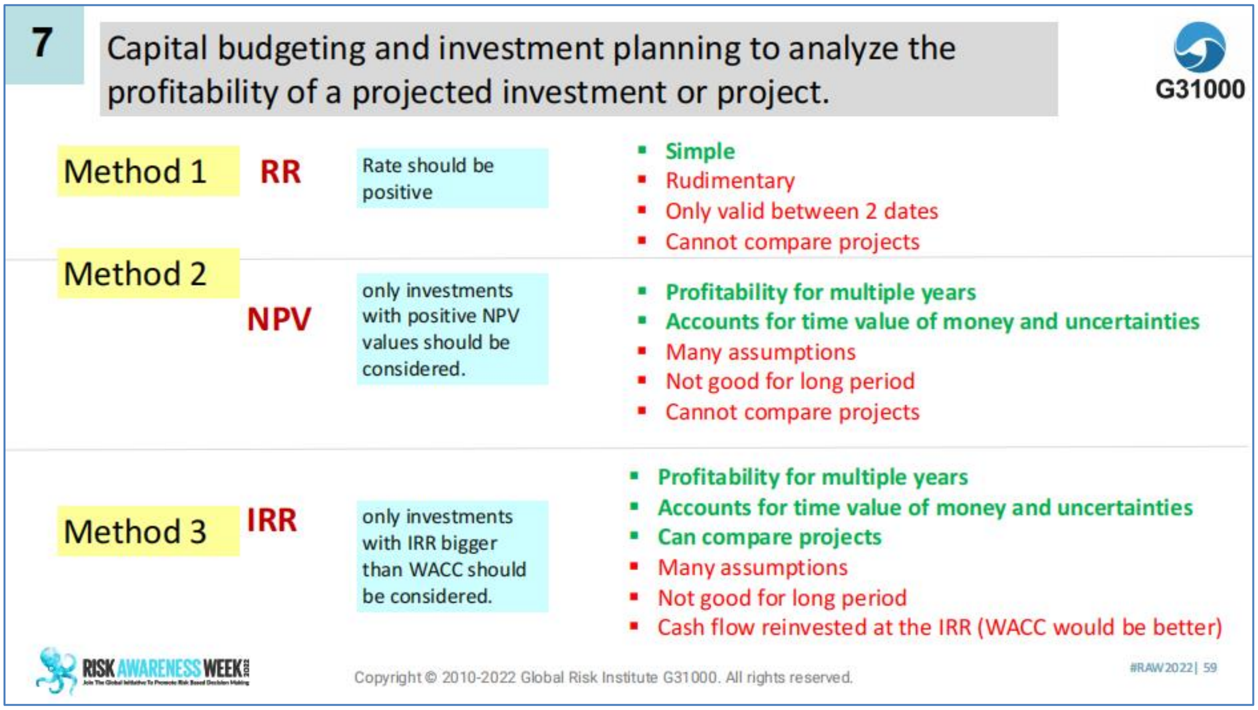


SLIDE 58 (36:47)

Now, this is something that I still don't see enough in many organizations that when we talk about you need to request a budget for implementing a new control, there are techniques that exist. And those who have a curriculum in project management know this. Here are three techniques as a quick reminder because that's very basic. You need to give, for example, using the concept of rate of return. What is it? Well, you can take what is the potential loss that you have after and before treatment? And of course, you have to show that you reduce the potential loss by so many percent. So, this is the first one.

The second one is NPV, net present value. So, what is a net present value? Okay, so in short, this is the difference between the present value of future cash flow coming in (income), and the present value of future cash flow coming out (expenses) for a defined period. This is very useful because it basically compensates, you know, the limitations of the first method, right?

Another aspect to consider is the method three. It’s to basically consider that you need to look at an internal rate of returns that should be bigger than the WACC, which is the weighted average cost of capital. So, what are we talking here about? Well, let's say I have a hundred dollars that I need to invest. I can invest it in a project, or I can put it in the bank that might give me a return of X percent. Or I put on the financial market that will give me a return of X percent. So, this X percent is what we call the WACC. It means basically that any project or an investment you consider should have a rate of profitability that should be higher than that the internal… the WACC. So, the internal rate of return of the project should be higher than the WACC.

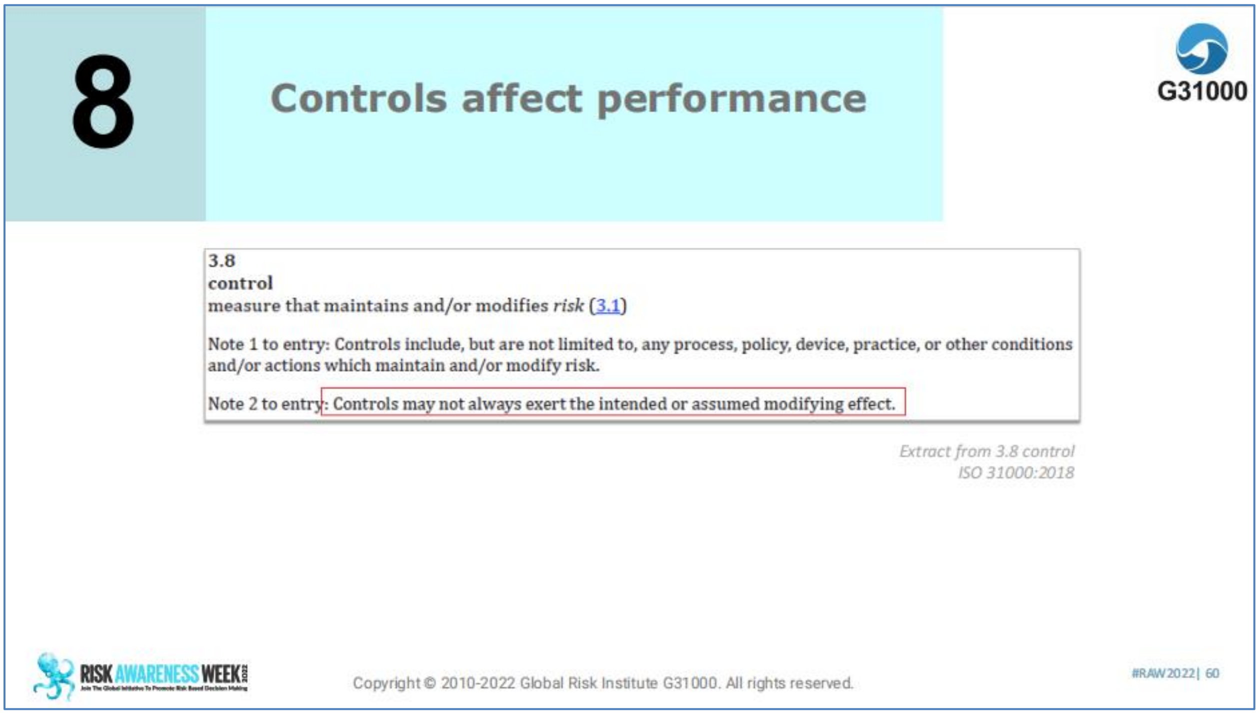


SLIDE 59 (39:22)

So just a quick reminder, the first method is very simple. And that's also inconvenient, you know, it's very basic also. And it's only valid for two dates. It is quite punctual. And you cannot use it to compare two projects. When a manager's making a decision, project A or project B, which one to take? I cannot use the rate of return method. It's better to use NPV. So, if NPV is positive, basically it will tell me, "Okay, this project is profitable." And you can look at profitability for multiple years. And basically, it looks at the time value of money that future income will give you, at the moment when you are going to take a decision.

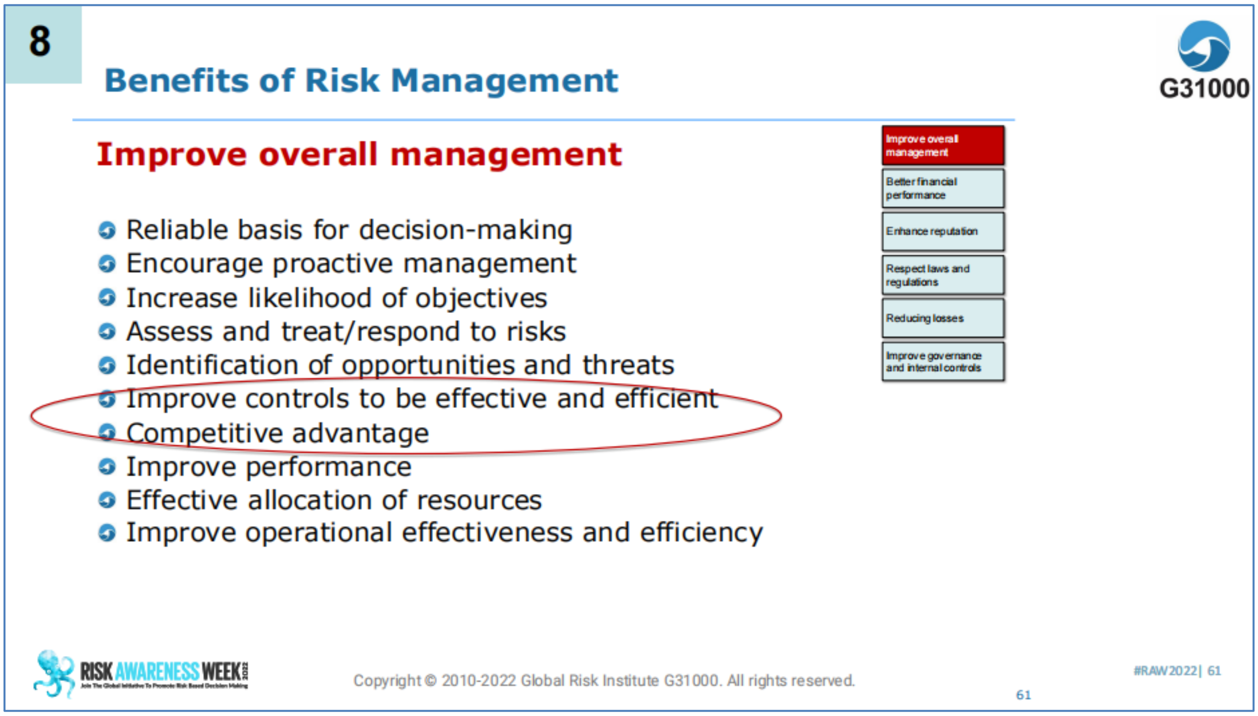
Inconvenience, because there are also inconveniences. You make many assumptions, not only about future income, which are quite uncertain, but also about future expenditure. And you don't know what the future will serve you, so it might not be good for a long period. And you cannot, of course… well, you cannot compare projects, you can only say that a project is profitable or not. That's it.

Now, if you want something more advanced, of course you need to use the internal rate of return. What is it? It's a metric to basically use for capital budgeting, to estimate the profitability of a project or an investment. So, in fact, the internal rate of return is a discount rate that makes NPV, the net present value, for a particular project… for all cash flow linked to a project or investment equal to zero. Maybe this is too complicated, well, but really, you know, make some inquiries because these are the three basic methods for capital budgeting.



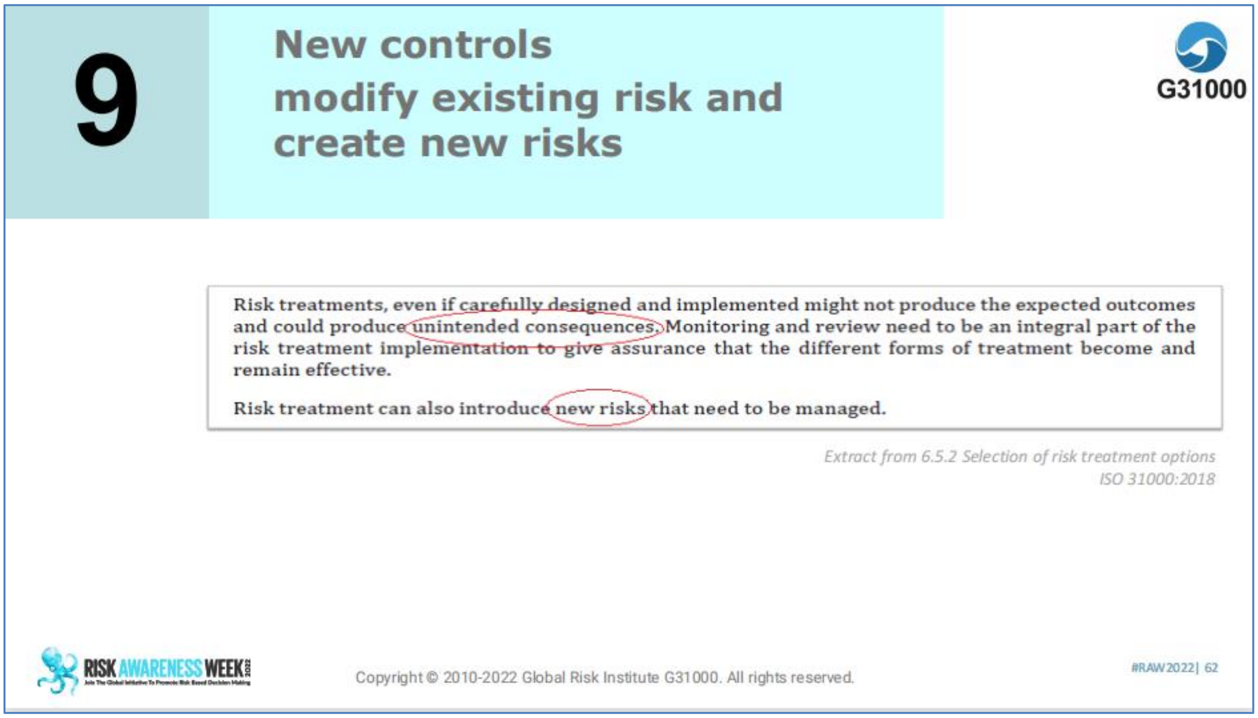
SLIDE 60 (41:43)

Number eight takeaway: controls affect performance. And that's what is also clearly mentioned in ISO 31000. Controls may not always exert the intended or assume modifying effect.



SLIDE 61 (41:58)

So, what are we talking about here? Remember what I mentioned to you about the benefits of risk management? Improve controls so that they are effective and efficient. Basically, you will always need to see whether the control makes sense, whether it is there to achieve particular objectives that you want to control in brackets, with the most, the best allocation of resources. That's basically the idea behind this.

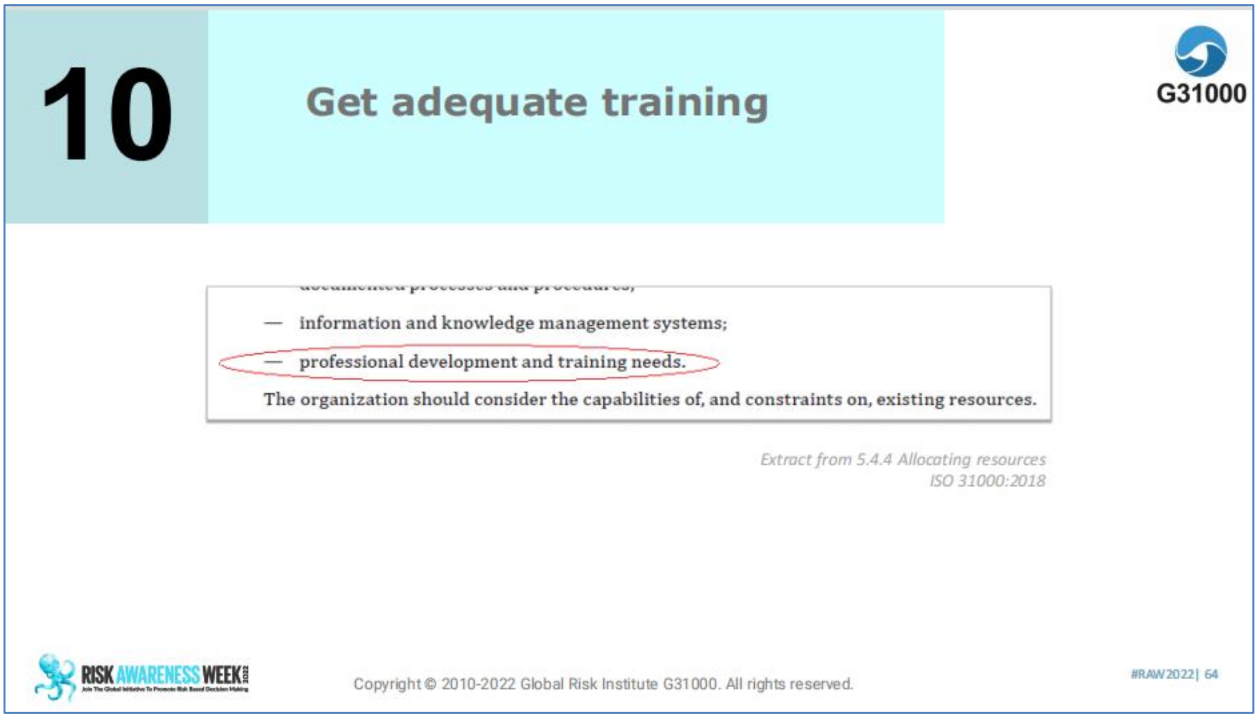


SLIDE 62 (42:34)

So, another aspect is about new controls also. Modify existing risk or even create new risks. So again, it's clearly mentioned in ISO 31000. It has a risk treatment might have produced unintended consequences. So unintended consequences might modify existing risks or create new risks.

SLIDE 63 (42:58)

And here is basically the idea behind that you need to look at… what basically a new risk might be created. For example, you are dealing with the risk of fraud. You are putting in the IT system, forcing everyone using the computer to change the password, let's say, every two weeks. It became a burden. So, what are people going to do if they need to change their password every two weeks? The IT department imposed a new control, and you must change it, right? You are going to use a Post It and put it in your screen laptop, for example. So, you basically increased the risk of your laptop to be hacked because the password, you know, you have been putting somewhere where you want to remember. So, remember the right balance between control and performance. And also, control might create new risks or modify existing risks.

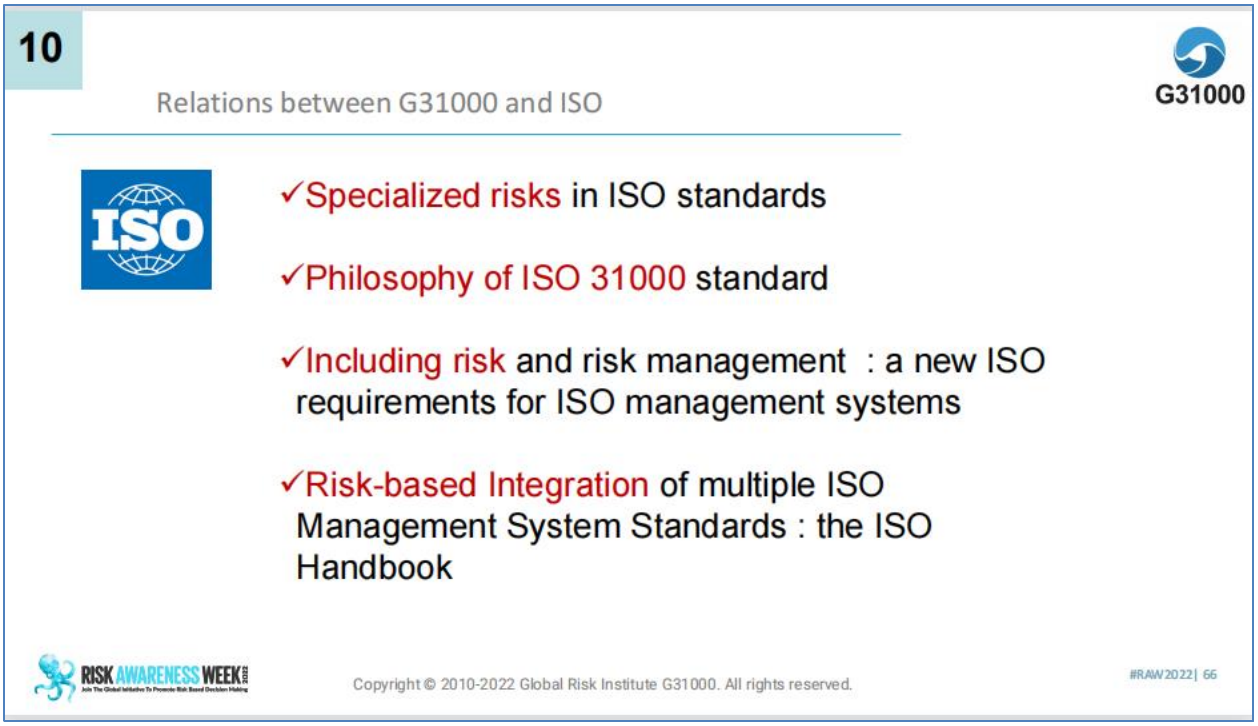


SLIDE 64 (44:06)

The last one will be adequate training. Still, I see many people who become risk managers or head of risks, or in charge of managing risk in the organization because they have a background in health and safety or project or insurance, but still do not get proper adequate training. Don't get me wrong, I think today there is no excuse. There is an international standard for risk management. You can read it by yourself of course, but if you want to have in-depth knowledge, get adequate training.

SLIDE 65 (44:47)

So why get certified with us?

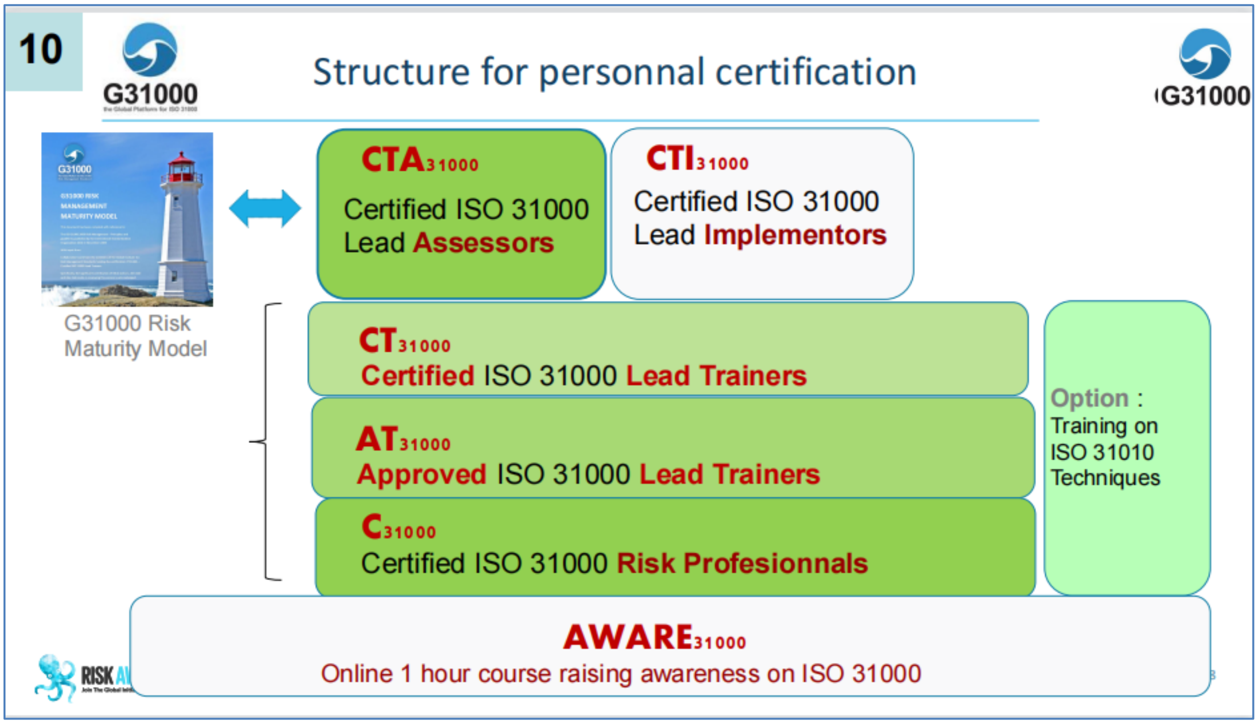


SLIDE 66 (44:51)

Well, we have been there since 2012. It is already ten years and our course are in multiple languages. ISO is a very strong basis on which you can basically recommend things linked to risk management. And that will make your program more credible. And credible means effective and efficient, as we say.

SLIDE 67 (45:17)

So, we have a large network of trainers worldwide. Our courses are in English, French, Spanish, Italian, Dutch, Russian, and Portuguese. So, seven languages. If you want to plan when and look at what our courses are, have a look at the website…



SLIDE 68 (45:39)

and here is the structure of the courses.

With foundation, you become certified ISO 31000. So, if you want to become a trainer, you could basically take a different exam and we can go for validation to be certified trainer. And now we have an advanced course for Lead Assessors because we have developed a risk maturity model, which is a very strong base on which you can assess a risk management program. And of course, options for ISO 31000 on techniques for risk assessment.

SLIDE 69 (46:11)

The network is quite large, not only with trainers, but also risk professional. Many organizations have basically been trained through us.

SLIDE 70 (46:11)

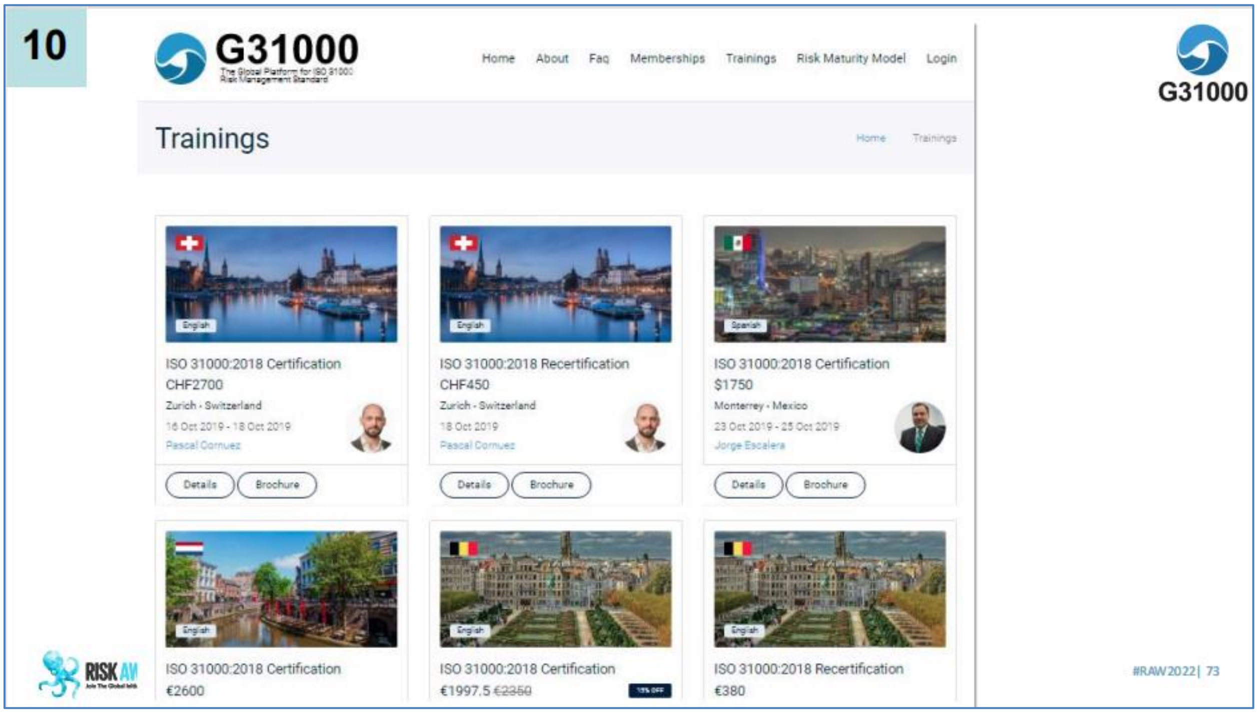
And our network is growing and that is the future chapters that we will put in place. And here are the key contact points, you know, on different regional courses.

SLIDE 71 (46:34)

Courses, we have conducted many worldwide. And you can plan even your survey, sharing with us when and where you would like basically to be proposed such a training. Take this link to the survey. (as per today 17th October 2022, it is currently not working. We will reactivate it shortly).

SLIDE 72 (46:51)

Many companies have been trained with us, so I'm very proud that we have reached now close to 900 different companies. It's quite amazing. And among them, the major ones. You can see it here.



SLIDE 73 (47:06)

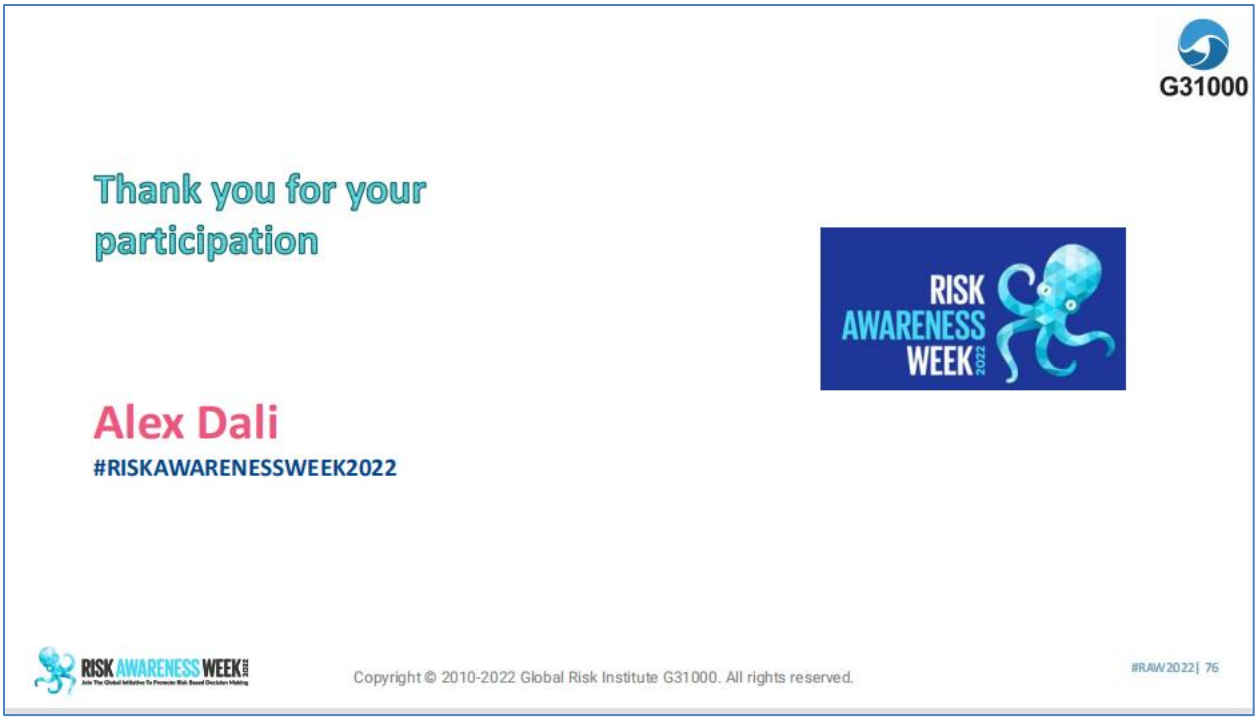
Have a look at the website. Here are the upcoming courses.

SLIDE 74 (47:12)

And don't forget, you know, this International ISO 31000 risk management certification will give you credibility and a good in-depth knowledge of the content of ISO 31000.

SLIDE 75 (47:27)

So, thank you for listening to this session. Here is a quick reminder of the ten recommendations that I was going through. You can replay this video. And if you are comfortable with the concepts I've presented here, you are quite suitable, you know, basically to join our training and get your ISO 31000 certification.



SLIDE 76 (47:53)

So, thank you for your participation and see you soon at one of our events! Thank you. Bye.