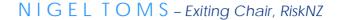


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A WORD FROM THE CHAIR

SAI GLOBAL





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Welcome to the first edition of RiskPost for 2019. We are already in March 2019 and the Christmas break is a distant memory, although the warm weather is continuing.

With regard to warm weather, the related subject of Climate Change is one of my areas of focus. Interestingly, while studies into this area continue to abound, in reality the information already available from government, councils and professional bodies is sufficient to quide on areas for future action.

It is time to change the focus from Climate Change, which we know is going to happen, to Climate Resilience where we begin to move forward with actions to address these challenges. While this is a long game with changes continuing over many decades, the time to begin work, especially in relation to long term investment is already upon us. Amongst the key question that Board's, Chief Executive's and the C-Suite should be posing when major investments are proposed is 'Can this be impacted by climate change, and if so, has appropriate climate resilience to address this been included'.





A WORD FROM THE CHAIR CONTINUED...

The intention is to ensure the best use of funding available through future investment plans, and to move away from a bow-wave of high cost reactive expenditure to redress the position when the impacts of climate change arrive.

Interestingly, I believe inaction rather than action now poses the greater risk? Failing to take a pre-emptive approach, with the consequent requirement to divert funding as and when trouble hits, has potential to increase risk and lower resilience in the future - when planned investment is redirected to address immediate climate driven issues.

The risk profile of a very different risk is also beginning to rise. The risks associated with the use, and in some cases reliance, on Artificial Intelligence (AI) is now the subject of increasing expert commentary. There is no doubt that the use of AI will continue to rise as it will be a key source of many forms of competitive advantage, however, the challenge will be to:

- Understand the risks associated with its use; and
- Develop appropriate controls and mitigation strategies

To date I have not seen an AI related incident that has resulted in front page news, although I have the uncomfortable feeling that it is coming and that the reaction to it will drive new and innovative thinking around managing AI related risks. Expect to see more on this subject in the news in coming months and years.

Coming back to a RiskNZ focus, work to commence award of the Associate of RiskNZ (ARNZ) Post Nominal is continuing. Information abut how to apply for the Post Nominal will be issued to members later this year.

Finally, for those who were not aware, I am stepping down as Chair of RiskNZ and this will be my last article as Chair. I would like to pass on my sincere thanks to Management Board members past and present, and to members of RiskNZ for their help and support during my tenure. While there were some interesting challenges at the beginning of my term, I believe that the work completed and planned by the Board and the Executive Officer will continue to improve the value of services provided to RiskNZ members.

Please join me in congratulating the new Chair, Stephen Hunt, on his election and in wishing Stephen and the Board every success as they move RiskNZ forward.

FROM THE EDITOR

SALLY PULLEY - RiskNZ Deputy Chair

A wide range of local and global risk reports and predictions have been released during the last 6 months. They make interesting reading, and we have compiled a list for your reference.

Grant Avery provides a paper on Risk Homeostasis, also known as 'risk compensation'. Grant's commentary on the tendency for humans to maximise their outcomes, instead of reducing their risks, is especially relevant when considered against the latest set of published risk predictions and forecasts.

Sue Trezise brings the global to the local with:

- an overview of the latest Allianz Risk Barometer report, and how New Zealand survey respondents rank our top 10 risks, as compared against global rankings; and given cyber risk's high ranking
- toolkits and guides that are available from the NZ Privacy Commissioner and The Office of the Australian Information Commissioner.

In addition, our sponsors SAI Global have provided articles and reference materials. See <u>page 15</u> for more details.

RiskNZ receives a lot of queries about risk training, and what courses are available. This can be a bit of a minefield, as it really depends upon what you are looking for - a Risk 101, a post graduate qualification, or a focused advanced course related to a specific topic area.

Evangeleen Joseph provides a recap and update on the review of two qualifications that are of relevance to those who work in the risk and compliance field; and

Silvia Zanini provides a personal account of how she selected a Risk, Crisis, and Disaster Management MsC from Leicester University in the UK, and her experiences of distance learning. If you are seriously considering a post graduate qualification, Silvia's insight might help to form your decision.

Keeping you up to date on standards development, Kristin Hoskin provides a standards update. Kristin will talk about standards at the ISO 31000 workshops in Auckland and Wellington.

EDITION 2 OF RISKPOST 2019

An organisation is comprised of a collection of human beings who are employed in permanent or contract roles. The use of Al is increasing, but all predictions assume that humans will hold key roles in organisations for the foreseeable future. Science fiction provides scenarios where robots and other forms of intelligence drive economies with no human involvement, but how the future will actually unfold is still conjecture.

Edition 2 of RiskPost 2019 will focus on human factors and decisionmaking. Previous editions of RiskPost have included articles on this topic, and we will provide a cross-reference to those articles.

I expect to publish Edition 2 in June 2019. If you would like to submit an article, or update a previously submitted article, please get in touch at editor@risknz.org.nz

2019 RISK REPORTS, FORECASTS AND PREDICTIONS

The following list of reports, forecasts and predictions may provide useful as reference material (listed in alphabetical order by publisher).

We realise that this is not a complete list of published reports and studies. Please let me know about other risk related publications that will provide useful reference material for RiskNZ members.

- Allianz Risk Barometer 2019 Allianz Global Corporate & Speciality
- 2019 Cyber Security Risk Report Aon
- Cambridge Global Risk Index 2019 Cambridge Centre for Risk Studies, University of Cambridge Judge Business School
- RiskMap 2019: The new reality and the new resilience Control Risks
- Global risk management survey 2019; and Future of risk in the digital era Deloitte
- Risk in Focus 2019: Hot Topics for Internal Auditors ECIIA and Chartered Institute of Internal Auditors
- The top risks facing mining and metals in 2019-20 EY
- The top 7 security and risk management trends for 2019 Gartner
- Global Strategic Trends: The future starts today the Development, Concepts and Doctrine Centre, GOV.UK
- Travel Risk Map 2019 International SOS
- Reinsurance market prospective Uncharted Territory JLT
- 5 Reputational Risk Predictions for 2019 SAI Global
- 2019 Annual Forecast Stratfor
- The Global Risks Report 2019 World Economic Forum

CALL FOR CONTRIBUTIONS

Thank you to all who have submitted articles to me. Some of these articles provide great reference material, but are too long for inclusion in RiskPost.

The new RiskNZ website is being developed, and will be unveiled in the coming months. The intent is for the new website to provide RiskNZ's members with reference materials that share knowledge, support debate, and further develop professional networks.

So please submit your article for consideration. If it is too long for RiskPost then it can be published via the new website.

Please send me an email at editor@risknz.org.nz

RISKNZ STANDARDS UPDATE

KRISTIN HOSKIN - RiskNZ Management Board Member

The last OB-007 meeting was held in Adelaide in November. There would normally have been one by now, but as this coming one is in Canberra and clashed with Australian Parliament dates it was rescheduled. It will now be held on 25-26 March. An update to members on the outcomes from that meeting will be circulated in early April. On the agenda for the meeting are a number of important items for members to note. If you want to voice opinion on any of these please contact Kristin Hoskin so she can present your thoughts to the OB-007 committee.

A proposal for the revision of AS/NZS 5050:2010 Business Continuity - Managing Disruption Related Risk was submitted in February.

At the March meeting:

- SA HB 436.1 and 436.2 will be formally "kicked off". These are the projects for generating handbooks to accompany AS ISO 31000:2018. In December an invitation was sent to Standards New Zealand to participate in the projects so as to make these joint handbooks. At present Standards New Zealand has not accepted the invitation. HB 436.1 is going to be the Executive and Senior Managers guidelines, and authoring of this is well progressed. HB 436.2 will be the Practitioners guide. This will be a larger handbook and will be completed once the Executives and Senior Managers guidelines is complete. An update on anticipated publication dates will be shared with members after the March meeting.
- Following sector consultation, reconfirming the aged standard HB192-2007 Guide for Managing Risk in Motor Sport will be considered. Feedback in New Zealand is that this document is not used within the motor sport sector.
- HB 246-2010 Guideline for Managing Risk in Sport and recreation organisations is likely to be reconfirmed, although market appetite needs to be better understood.
- A proposal to revise HB 141:2011 Risk Financing Guidelines is likely to be finalised.
- Feedback on the review of HB 266:2010 Guide for managing risk in not-for-profit organisations will be considered. The review team anticipates that, barring objection, a proposal for a revision of this document will be prepared following the meeting.
- HB 327:2010 Communicating and consulting about risk will be considered to decide if it will be revised or withdrawn.

The ISO/TC262 NZ mirror committee has recently considered and voted on the ISO/TC262 Strategic Business Plan. The outcome of this is not available at time of print.

RiskNZ is delivering a workshop in Wellington on April 15th that has a focus on use of ISO 31000:2018. Details are available on the <u>RiskNZ website</u> and via <u>RiskNZ's LinkedIn</u> updates.

LEICESTER UNIVERSITY DISTANCE LEARNING - RISK, CRISIS AND DISASTER MANAGEMENT

SII VIA 7 A NINI - New Zealand Post

A few years ago, I started toying with the ideas of further studies, but somehow the timing was never quite right. 2017 was an even busier year than normal: my husband was still studying, my son was doing NCEA level 2 and going to sit NCEA level 3 the following year, my daughter was going to start intermediate school (and hit puberty!) – all had many demands on my time. And I hadn't even included my full-time job in the list.

Always wanting to know what's out there, I started doing some research on courses availability both in NZ and abroad. To me, the choice was between a risk management diploma type of training, or a master degree on risk management. I chose the second option, mainly as I wanted to know the 'why' as opposed to the 'how' and also because, after studying, I didn't want to become a member of another organisation that required annual CPD training (as I have to do CPD training for two other professional bodies, I didn't really want to add another one to the list).

I started looking at what was on offer and was drawn to the Leicester University distance learning Risk, Crisis, and Disaster Management MsC, as it was the most comprehensive course (not just about disasters, or about crises, but about risk management), with over 130 students from 63 different Countries, not to mention a great university, ranked in the best 25 in the UK and 167th in the world.

Once I found a good course, I tested the ideas of further studies with a few friends and my family. All my close friends were very supportive and told me there never would be the right time, and that if I didn't start now, I never would start, and that things have a way to work themselves out. My family's reaction was even better, ranging from 'it's your turn now' to 'we can study at the kitchen table together' to 'we will all do our fair share'. There were of course those who asked why I wanted to study when I already knew how to do my job – the biggest doubter was me however, could I do it? But without trying one would never find out.

So how did things turn out?

I am 16 months in, with one assignment and one dissertation to go – by the time you read this I will be dedicating each minute of my spare time to my dissertation. I will have to do the research, data analysis, and write the findings (about 15,000 words) in approximately six months.

So far, the results have been exceptional and it has been great receiving very regular feedback (often good, sometimes brutal) and interacting with my colleagues from all over the world. But I didn't do this for someone to tell me I write with style (that was the best feedback ever) or that a lot can be learnt from my essays. I started studying to learn something new, to challenge myself.

So what did I learn?

I've learnt that risk is, of course, subjective, and that risk management is simply management (so risk managers exist to help with the understanding, the quantifying, the response, the insurance, the mitigations). I've learnt:

- about risk theories, systems theories, risk communication, insurance and lots of other more normal stuff;
- about decision making and about what makes us think that some things are riskier than others;
- about perceptions; and about organisational culture and how it forms within organisations, or departments, or teams.

I've also learnt about two competing theories that have become the bread and butter of my studies:

- the Normal Accident Theory (accidents in certain organisations will happen, so much so that their occurrence becomes 'normal', and those organisations should cease to exist); and
- the High Reliability Theory (some organisations, displaying specific characteristics, can be accidentfree).

The course covers extensively the concept of safety culture, which is not just something to do with health and safety, but more about organisational performance and creating the right environment so that organisations can be informed and thrive.

Just culture is also a very important topic: companies where people are encouraged, rewarded, for reporting issues and incidents, where everyone act within the right boundaries, and where there is continuous learning, display the right characteristics to create a just culture. I've learnt that we live in a risk society, with new, global, risks created by society itself, these risks are global and don't discriminate by social class or social wealth. I also learnt a great deal about disasters and disaster response and consequences – so much so that for my second to last essay I chose a 'non-disaster' question, as I had become a bit too half glass empty person, and dedicated myself to public debates about high-risk technologies (I know a lot about that too now).

I've read hundreds of articles and several books, luckily many are accessible via the local libraries.

I cannot condense 18 months of learning in a thousand words – but the bottom line is: so far it has been worth it as I gained an appreciation of how people think, and why they act the way they do – it also feels good that I am doing something for myself.

I did think, naively, that it was going to be easier and didn't realise all my spare time would go into studying (I finalised the structure of my last essay while 'watching' my daughter at a swim meet) or how much time I would spend thinking of what to write next or how to argue a point effectively. But I would still do it again, and I can't wait to start with the thesis.

Now for some technical details:

If you want to know more, have a look at the University's website (https://le.ac.uk/courses/risk-crisis-and-disaster-management-msc-dl/2019), or drop me a line.

If you are thinking about enrolling, the entry requirements are pretty standard:

- a first degree from a recognised university, but if you have relevant work experience or have made meaningful contributions to relevant professional associations or industry bodies your application will be considered (after writing a short essay on a set topic and my may have to attend an interview).
- if English is not your first language you will also have to do an English test (IELTS or TOEFL) – I managed to not do the test, as I gained my management accounting qualification in the UK.
- you then have to submit an application letter explaining why you want to do the course.

Once accepted you will be enrolled once the first payment is received by the University.

All course material is available online, and all the course books are couriered to your personal address. Access to the library is via blackboard and books can be downloaded or, if available on hard copy only, the library will courier these to you (free of charge, but you do have to send them back). There is a student community in blackboard, or the university also uses Yammer, which my cohort has started relying on heavily to exchange ideas and information.

And if you are curious about the assignment questions, the topics covered included:

- the events of 9/11 and beyond.
- the meaning of an 'organisational culture'.
- public debates about risky technologies.
- global shortages of raw materials and energy.
- confidential reporting systems and organisational learning.

SILVIA ZANINI

(CIMA, CGMA, AMBCI)

Silvia is a risk manager at New Zealand Post, currently studying towards a Risk, Crisis and Disaster Management Msc at the University of Leicester. Silvia has extensive risk and audit experience gained in Italy, the UK and NZ.

RISK HOMEOSTASIS EXPLAINED

GRANTAVERY - Outcome Insights

When I researched my 2016 book "Project Management, Denial, and the Death Zone" I found that over the past 20 years there has been no sustainable improvement in the success rates of projects globally.

Projects have become bigger, and more complex, and are delivering (sometimes) more, but the losses and failure rates are on average unchanged. Project waste is in the order of 30% (selected references attached.)

The tendency for humans to maximise their outcomes instead of reducing their risks, resulting in a constancy of failure, can be explained by risk homeostasis theory.

What is risk homeostasis?

Risk homeostasis, also known as 'risk compensation', was first researched and written about by the Canadian psychologist, Professor Gerald Wilde, in his 1994 book 'Target Risk'. Wilde updated this work in his later 2014 book 'Target Risk 3: Risk Homeostasis in Everyday Life'.

Wilde wrote:

'In any ongoing activity, people continuously check the amount of risk they feel they are exposed to. They compare this with the amount of risk they are willing to accept, and try to reduce any difference between the two to zero. Thus, if the level of subjectively experienced risk is lower than is felt acceptable, people tend to engage in actions that increase their exposure to risk. If, however, the level of subjectively experienced risk is higher than is acceptable, they make an attempt to exercise greater caution.'

Project success rates haven't changed in 20 years.
Learn why, and what you can do to improve them in your organization.

PROJECT
WANAGEMENT,
DENIAL, AND
THE DEATH ZONE

Lessons from Everest and Antarctica

Grant Avery, MBA, PMP
Foreword by Sir Ranulph Fiennes

This process is not always a conscious process.

Wilde explains that the risks people are willing to accept (also known as 'target risk') depend on four utility factors:

- (1) the expected benefits of risky behaviour,
- (2) the expected costs of risky behaviour,
- (3) the expected benefits of safe behaviour, and
- (4) the expected costs of safe behaviour.

The higher the values of factors 1 and 4, and the lower the values of factors 2 and 3, the more risk people will take, and hence also our tendency to take more risk when we have just mitigated our current risks. The level of risk people are comfortable with tends to be a personality constant. In business we know this as risk appetite. More on this later.

Continued on next page...

Examples

Examples of risk homeostasis can be found in many areas of society. One example that Wilde gives is advanced driver training courses. These have been found to be effective in increasing the skills of drivers, but they have been found to increase the confidence of drivers more. The result is that graduates from these courses have been found to have higher accident rates than drivers who haven't done the courses. Better skills offer people the feeling that the expected cost of risky behaviour will be lessened ("we can handle it") and so the willingness to engage in risky behaviour is enhanced.

Another of Wilde's examples is the introduction of childproof medicine containers. Although these containers make it harder for children to get the lids off, their introduction has been associated with increasing rates of accidental poisonings. One of the causes is believed to be parents becoming less careful in the handling and storage of the safer bottles.

Risk homeostasis at NASA

Risk homeostasis is not new. In 1996 Malcolm Gladwell, writing for The New Yorker, discussed the role that risk homeostasis played in the 1986 loss of the Space Shuttle Challenger. The article was entitled 'Blowup'. The Challenger shuttle exploded 73 seconds after lift-off, killing all seven astronauts on board.

In his article Gladwell referenced Richard Feynman, the Nobel Prize-winning physicist who served on the Challenger accident investigation commission. Feynman said that decision-making at NASA at the time had turned into a kind of 'Russian roulette'. Rubber Orings on the shuttle's solid fuel booster rockets had been found to be the cause of the Challenger accident they had failed to seal properly on the very cold morning of the launch. But the O-rings had exhibited problems on earlier launches, just not failing to the extent they did on the day of the tragic explosion. NASA had been aware of these earlier problems, but because there had been no explosions, they had talked themselves into believing that the risk for subsequent flights was lower than it was. Hence the game of Russian roulette.

With each subsequent launch, NASA's comfort with the O-rings increased. This growing comfort resulted in NASA – just as Risk Homeostasis theory predicts – increasing their risks in other areas. One of these areas was their tolerance to the temperature at which launches could occur. NASA became more comfortable launching shuttles on colder and colder days. Eventually, the temperature on one of the launches – the shuttle Challenger's – became so cold that the O-rings failed completely. They no longer sealed, and burning hot gases were able to escape and cause the main fuel tank to explode when the shuttle was 15km (48,000 feet) above the ground.

Near the end of the Shuttle article Gladwell wrote:

'What accidents like Challenger should teach us is that we have constructed a world in which the potential for high-tech catastrophe is embedded in the fabric of day-to-day life. At some point in the future – for the most mundane of reasons, and with the very best of intentions – a NASA spacecraft will again go down in flames.'

Those 1996 words were to prove prophetic. Seven years after Gladwell's article, on 1st February 2003, the Space Shuttle Columbia disintegrated whilst re-entering the earth's atmosphere over Texas. Seven more astronauts lost their lives. The cause of that tragedy was attributed to a failure of insulating material that had been seen on previous launches...

What can we do?

Risk homeostasis in an organisation, at both the personal and organisational level, can be mitigated, but only through active and constant management. A vague call such as 'we mustn't fail' will do little for reducing risk where it counts, and may even increase it.

A key to managing risk homeostasis, in our businesses and for our customers, is having awareness of the different types of risk that each of us, and our organisations, are comfortable with, and then assessing those risks against what it is that we are trying to achieve. Specifically, what must happen, what most not happen, and what can we experiment with that might pay high returns but that won't matter too much if it doesn't succeed.

So how do we begin to understand our comfort levels with different types of risk, and how do we change them? Particularly in an organisational context? The different levels of comfort with risk that each of us has for different types of risk, personal or organisational, is called *Risk Appetite*. It's a formal term and appears in a number of risk standards and international guidance notes. We are starting to see risk appetite discussed at a board level, but not frequently enough.

Unfortunately, many managers and organisations are not aware of risk appetite as a concept, let alone as a practice. Risk homeostasis is understood even less. An understanding of risk homeostasis and its relationship to risk appetite is imperative for the sustainable reduction of organisational, project, and investment risk.

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GRANTAVERY

Grant Avery is author of "Project Management, Denial, and the Death Zone" (with foreword by Sir Ranulph Fiennes), JRoss Publishing Inc 2016. In March 2016 Grant's book was selected as PMI's (the Project Management Institute's) international 'Book of the Month' and was later nominated for PMI's David I. Cleland Project Management Literature Award (See: http://www.jrosspub.com/project-management-denial-and-the-death-zone.html)

Grant is a major projects IQA consultant and international speaker on the subject of risk, quality assurance, business cases, and capability maturity models in project and programme management. He is co-author of the 2014/15 update of the P3M3® (v3) maturity model, and an official reviewer for the British Government of "MSP® (Managing Successful Programmes) Survival Guide for SROs" (TSO, 2016) and the "MSP® Pocket Book" (TSO, 2011).

Earlier in his career Grant developed a unique perspective on the successful management of project and programme risks from the experiences he gained as manager of New Zealand's Scott Base in Antarctica. Grant's Antarctic responsibilities included the success of NZ's winter science programme and winter search and rescue activities in the Ross Sea region.

Grant has been a PMI-licensed Project Management Professional (PMP) since 2001, was awarded an MBA with Distinction from Victoria University of Wellington in 2005, and in 2017 was awarded RiskNZ's "Risk Management Professional of the Year".

UPDATE AND RECAP: ORGANISATIONAL RISK AND COMPLIANCE QUALIFICATION AND PROGRAMME REVIEW

EVANGELEEN (EVA) JOSEPH - The Skills Organisation

skills.

What is the project?

Industry Training Organisation (ITO), Skills, formed a Working Group of industry experts to review two qualifications that are of relevance to those who work in the risk and compliance field. This occurred in 2018, and currently we are in the quality assurance stage with New Zealand Qualifications Authority (NZQA).

The following qualifications were recently approved by the NZOA:

- New Zealand Certificate in Organisational Risk and Compliance (Level 4); and
- 2. New Zealand Certificate in Organisational Risk and Compliance (Level 6)

What is the purpose of these qualifications?

Both qualifications are context-neutral, and the skills learnt are transferable across the private, public, community and volunteer sectors.

The approved Level 4 qualification allows people to develop a set of knowledge and skills to support the operation of effective organisation-wide risk and compliance management systems. This qualification is designed to maintain and/or improve proactive management of risk, compliance with relevant laws and codes, and decision making within an organisation.

The current Level 6 qualification provides experienced practitioners with a transferable set of skills and knowledge to manage aspects of the development and implementation of effective organisation-wide risk and compliance management systems.

Grow by growing others

This qualification aims to build and improves business practices through proactive management of risk, compliance with relevant laws and codes, and governance to meet community expectations.

What are the next steps?

 Unit standards in the quality assurance phase with N7OA

The Working Group has developed unit standards to support unit standard-based programmes leading towards the above qualifications. Programmes may be developed by Institutes of Polytechnics; Private Training Establishments; and other ITOs.

The unit standards have not yet been approved. The Working Group will be meeting to review feedback received from NZQA and make further changes if needed. It is expected to receive approval for these unit standards by April 2019.

Tertiary Education Organisations can develop their own programmes

Once the unit standards are approved Institutes of Polytechnics; Private Training Establishments; and other ITOs can seek approval to deliver or arrange for training with NZQA. These Organisations may seek subject-matter experts to inform their programme design and delivery.

EVANGELEEN (EVA) JOSEPH

Eva is a Qualifications Adviser with Industry Training Organisation, Skills. She has worked with the Electrical Engineering Switchgear Fitter; Real Estate; and Contact Centre industries to ensure qualification pathways for these industries meet current and future skills needs. Eva ensures that the maintenance and development of pathways, development and review of qualifications are conducted according to good practice, New Zealand Qualifications Authority rules, and Skills processes.

ONLINE READING TWO THOUGHT PROVOKING PIECES

SUETREZISE - Sue-lutions Ltd

Top Business Risks for 2019 – an overview of the latest Allianz Risk Barometer report Cyber incidents (56%) are New Zealand's #1 business risk according to the Allianz Risk Barometer 2019. The eighth annual survey was conducted in Oct-Nov 2018 with 2,145 responses globally from risk and insurance experts in more than 86 countries. The Barometer categorises the top 10 risks by industry and by country. This is the first time the survey has specifically identified results for New Zealand.

Top	10 Risks in New Zealand (based on 27 responses) 2019	*	Global
			ranking
1.	Cyber incidents (eg cyber crime, IT failure/outage, data	56%	2 (37%)
	breaches, fines and penalties)		
2.	Changes in legislation and regulations (eg trade wars and	30%	4 (27%)
	tariffs, economic sanctions, protectionism, Brexit)		
3.	New technologies (eg increased interconnectivity, artificial	26%	7 (19%)
	intelligence, 3D printing, blockchain)		
4.	Climate change (increasing volatility of weather)	22%	8 (13%)
5.	Loss of reputation or brand value	23%	9 (13%)
6.	Market developments (eg volatility, intensified	19%	5 (23%)
	competition/new entrants, M&A, market		
	stagnation/fluctuation)		
7.	Natural catastrophe (eg storms, flood, earthquake)	15%	3 (28%)
8.	Business interruption (including supply chain disruption)	11%	1 (37%)
9.	Environmental risks (eg pollution)	11%	14 (7%)
10.	Fire, explosion	11%	6 (19%)

^{*} More than one risk could be selected by respondents

While, globally, business interruption (BI) was ranked as the most important business risk, respondents highlighted cyber incidents as the BI trigger they fear most. This reflects the magnitude of the threat now posed by a growing dependence on technology. Incidents such as cyber crime (data/IP theft, malware, malicious attacks) and BI through ransomware and distributed denial of service (DDoS) attacks can trigger extensive losses. According to the survey report, cyber crime costs an estimated \$US600bn annually, three times as much as the 10-year average economic loss from natural catastrophes (\$US200bn).

Continued on next page..

ONLINE READING TWO THOUGHT PROVOKING PIECES

The survey report notes that although cyber crime generates the headlines, often it is more mundane technical failures (eg failed IT platform migrations), IT glitches (such as power surges) or human error which more frequently cause system outages or data losses for business. Similarly, reliance on IT service providers – such as cloud services, online booking platforms and supply chain systems – brings potential contingent BI liability. Vulnerability is also growing with the increase in connected devices (the Internet of Things (IoT)) and developments such as automation and artificial intelligence.

Recent large-scale data breaches and privacy scandals have inspired tougher rules and increased regulation (greater enforcement powers for regulators). Such cyber incidents bring the threat of large fines and can generate large third-party liabilities, as data subjects, shareholders and supply chain partners seek to recoup losses from companies and in some cases their directors.

According to cyber security firm Kaspersky, over three quarters of the companies it surveyed expect to become a target of a cyber security attack, however only 23% are compliant with minimal cybersecurity guidance or regulations! Every organisation needs to adopt an IT security position which is adequate to its size, business operations and risk profile and invest in the appropriate level of technological security solutions, proper backup mechanisms and staff training. Robust operational processes and staff vigilance are critical as is a strong and well-practiced incident response plan.

Interestingly, for Australia, cyber incidents ranked third equal (30%) alongside market developments. Based on 151 responses from this country, changes in legislation and regulation has become the #1 risk (36%), up from third place (at 28%) in 2018. Business interruption remains the second ranked risk (32%). This is likely a result of the political instability created by government leadership changes and heightened uncertainty ahead of the federal election due this year.

Risk practitioners can benefit from surveys such as the Allianz Risk Barometer in consolidating their understanding of the business risk environment. The survey results provide a benchmark for current thinking and a reference to validate (or stimulate) strategic initiatives. For further information go to:

https://www.agcs.allianz.com/news-and-insights/news/allianz-risk-barometer-2019.html

Data Break Risk

Further to the insight that in NZ cyber risk rated #1 by 56% of respondents to the 2018 Allianz Global Risk Survey, and considering that one of the biggest risks organisations face in this context is a data breach, the following resources are highlighted for your reference:

- The NZ Privacy Commissioner's <u>data safety toolkit</u>
- The Office of the Australian Information Commissioner (OAIC) <u>Data Breach Preparation</u> and <u>Response Guide</u>

The NZ Privacy Commissioner's <u>data safety toolkit</u> sets out the four key steps to take when a data breach occurs: contain, assess, notify and review. The toolkit provides information about recognising types of data breaches and ways to prevent them, including case studies and agency insights.

The OAIC's <u>Data Breach Preparation and Response Guide</u> similarly covers the four key steps for responding to data breaches and highlights the consequences that can result in serious harm (to individuals as well as organisations). The guide has additional value with details for 'Preparing a Data Breach Response Plan'. By responding quickly, an organisation can substantially decrease the impact of a breach on affected individuals, reduce the costs associated with dealing with a breach and reduce the reputational damage that can result.

Reporting of Data Breaches

Data breach reporting is currently not mandatory in New Zealand, however reform of privacy legislation (due to be enacted this year) is expected to make it compulsory.

Australia introduced the Notifiable Data Breaches scheme in February 2018. Under the scheme, government agencies and organisations must carry out an assessment whenever they suspect there may have been loss of, unauthorised access to or unauthorised disclosure of personal information. They must also notify the OAIC.

Data Breach Statistics

From the scheme's introduction to the end of December 2018, 812 data breaches were notified, with malicious or criminal attack being the most common source. Human error accounted for approximately one third of breaches, with system faults being a very minor source. The OAIC's Statistics Reports break down the numbers by industry sector with Health service providers and Finance identified as the most significant sources.

By comparison, the Annual Report of the Privacy Commissioner 2018 notes that the Office was notified of 168 breaches (reported voluntarily). The only analysis of this statistic is a breakdown of the source as either public or private sector (91 of 168 were from public agencies).

While mandatory reporting of data breaches creates an additional burden for organisations, the insight gained through analysis of response activities and source details can help NZ Inc face down this #1 risk.

SUE TREZISE

Sue Trezise is an independent risk advisor providing specialist assistance to government, businesses and community organisations. Her cross-sector experience and pragmatic approach help boards, CEOs and managers embed risk thinking to improve strategic decision making and business performance. An experienced facilitator, Sue assists communication between technical experts and non-technical stakeholders and makes managing risk practical and effective.



SAI GLOBAL - RESOURCES



Our sponsor SAI Global provides resources that are available via saiglobal.com:

Thriller - a tale of vendor risk (an ebook).

'Consider the story we're about to tell; a 21st-century CISO cyber-parable. The lesson here is that vendor risk management and third-party data breach prevention are essential if an enterprise is to survive.' https://go.snapapp.com/VRMtaleSAIGlobal

Corruption is the Dark Underbelly of the Corporate World

New Zealand prides itself on its Transparency International ranking. We need to maintain our pride and our alertness as 'the face of frequent revelations about corporate and political wrongdoing and corruption, the wave of public mistrust is spreading, further compelling enforcement authorities across the world to ramp up efforts to investigate and prosecute corruption'.

https://www.saiglobal.com/en-

au/news and resources/industry news/corruption is the dark underbelly of the corporate world/

5 Reputational Risk Predictions for 2019

Highlighting five trends in consumer trust to predict what will be disruptive forces as we move into 2019 and beyond. https://www.saiglobal.com/en-au/news_and_resources/industry_news/5_reputational_risk_predictions_for_2019/

ISO 31000 WORKSHOP - WELLINGTON

Date: Monday 15 April 2019

Time: 8am to 12 noon

Morning tea & lunch provided

Venue: KPMG, 10 Customhouse Quay,

wellingtor

Ticket pricing:

Non-members - \$150 + GST

Every decision involves risk. Understanding risk well and dealing with it in a structured manner across leadership and governance functions is critical to the healthy functioning of any modern organisation.

The latest ISO 31000 standard aims to provide a comprehensive, concise and clear set of guidelines for organisations to work with and implement risk management principles, improve planning and make better decisions.

RiskNZ is proud to bring you a workshop on the latest ISO 31000 standard, focused on how NZ organisations can look to gain the most from the standard and how they can integrate it into their organisations, while keeping risk management ultimately simple and practical.

For more information on this workshop or any other RiskNZ events please email: adminoffcer@risknz.org.nz



WHY SAI GLOBAL

SAI Global offers customers an integrated suite of proven risk and compliance solutions to manage and assess their operational and strategic risk and compliance obligations. We bring innovation to integration; combining transparency, accountability, risk agility and ethics to improve your future business outcomes and build your organizations risk culture.

Our solutions are backed by our teams of domain and industry experts globally. We've helped thousands of customers just like you with problems just like yours all over the world for more than 90 years.

Rest easy knowing you have all the insight to advance confidently with SAI Global as your trusted partner.

Insight to advance confidently



RISKNZ BOARD RESPONSE TO CHRISTCHURCH EVENT

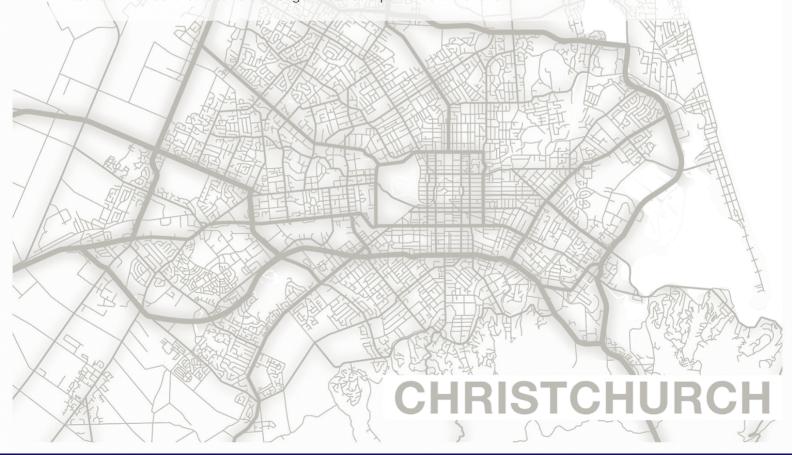
All of us at RiskNZ are deeply saddened and shocked by the tragic attack on the two mosques in Christchurch on March 15th. As a profession and as a community of risk professionals our hearts, sympathies and condolences go out to everyone affected.

As New Zealanders we have traditionally felt a degree of comfort and security that our isolation and size means such an horrific event could not happen here. In 2018 Tourism New Zealand (with the help of many including Ed Sheeran, Rhys Darby, Sir Peter Jackson, and Jacinda Ardern) amused the globe with the advertising videos requesting help to discover why New Zealand keeps getting left off world maps.

The attacks on March 15th put New Zealand on the headlines of the world's news and social media networks for all of the wrong reasons and destroyed our sense that such terrible events happen only in other countries.

This event changes the way we think about our threats and how far-away actions can have catastrophic consequences here at home. Over the coming months we will face significant and more subtle changes in the ways in which we consider our risks - how we go about our work, challenge our traditional assumptions and have substantial conversations about the 'what ifs'. Already we are talking about not only how we can prevent a repeat, but what other threats are we blind to and, perhaps more immediately relevant, what negative responses to the Christchurch attacks might be triggered here and abroad.

The terrible consequences and effects from the attacks will impact our society and communities indefinitely, and many families will never be the same. As risk professionals we are in a position to stimulate thinking to create initiatives which contribute toward changes that could prevent a similar event.





PRINCIPAL SPONSOR & INSURANCE PARTNER TO RISKNZ

JLT is one of the world's leading providers of insurance, reinsurance and employee benefits related advice, brokerage and associated risk services.

CONTACT JLT FOR FURTHER INFORMATION

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www.jlt.co.nz





RISKNZ CONFERENCE 2019

From global and national risks to autonomous mobility

Quickly changing political systems, power balances, alliances and trade relations are rapidly evolving our established view of global risk. The additional forces of climate change, extreme weather events, people migration and economic instability mean it's harder than ever to predict how emerging hazards and threats will affect New Zealand, our organisations and our society.

Alternative means of energy, propulsion and materials, backed by digital technologies, are set to disrupt every form of transport and mobility. Advancements in drone delivery and autonomous transport such as self-driving cars will bring great benefits to society but will also create the most dramatic changes in transportation and mobility since the introduction of the internal combustion engine. Traditional regulatory systems, rules and regulations may not be sufficiently agile to match the pace of innovation and change.

The 2019 RiskNZ Conference will take you on a journey to understand the implications to your organisation from rapidly changing global risks, national hazards, and the unfolding implications of advanced autonomous transport and mobility systems.



Our Changing World

REGISTER NOW TO BOOK YOUR PLACE

Date: Tuesday 18 June 2019 8am to 4.30pm (The Awards of Excellence 2019 will be conducted following the conclusion of the Conference.)

Venue: Wharewaka Function Centre, Wellington, New Zealand

RISKNZ ELECTIONS 2019

2019 - 2020 RISKNZ MANAGEMENT BOARD

2019 promises to be a very interesting year from a risk management perspective.

RiskNZ elects its Officers (the Chair and Secretary) and Management Board members for two-year terms. The terms are staggered so that half the Board stands down each year on a planned basis and the elections can also fill any other vacancies.

In November last year we called for nominations to the 2019-20 RiskNZ Management Board. The vacancies were for the Chair, and four Member positions. Nominations closed before Christmas. One nomination was received for the Chair, and four for the same number of Member positions.

Karen Price, our Honorary Solicitor and Returning Officer, declared the result and the nominated candidates have all been elected to the RiskNZ Board from 1 March 2019.

The new Chair is Stephen Hunt, a new Board Member David Turner has been elected, and Jane Rollin, Kristin Hoskin and Sally Pulley have been re-elected.

The material produced by the candidates to support their nominations can be viewed <u>here</u>, and their bios are also published on the <u>RiskNZ website</u>.



The 2019 RiskNZ Awards of Excellence are expanded to six categories. We will shortly call for nominations celebrating excellence across the following:

- Risk Professional of the Year
- Emerging Risk Professional of the Year
- Collaboration in Risk Management and practices
- Communication in Risk Management and practices
- Innovation in Risk Management and practices
- Governance and Leadership in Risk Management and practices

Information about the awards and how to apply is available on our <u>website</u> and <u>Linkedin</u> page.

INTRODUCING OUR NEW BOARD MEMBER

Please congratulate our new Board Member, David Turner, who joined the Board in March 2019



DAVID TURNER - RiskNZ Management Board Member

David Turner is a senior business executive and trusted advisor with over 20 years' experience in the risk management industry.

David joined the Australian Army and became part of a specialised team where he deployed to East Timor in 1999. After the military contracted to varied private and government organisations in leadership, risk and project roles; he opened his own company that advised on risk management and provided personnel for major projects including; BHPB, Rio Tinto, Multiplex, Police, Australian Elections, and also CHOGM 2011 working with State and Federal Police.

David was born in NZ and returned in 2016 to work on the Transdev Wellington rail network transition. He now lives in New Zealand permanently and has worked with Deloitte, KPMG, Defence, MOJ and PwC.

He brings a unique blend of expertise across diverse areas with a focus on risk management of human behavior – one of the more complex, dynamic and often over-looked areas of the industry.

David's contact details are:

Email: david@risknz.org.nz

RISK NZ

RISKNZ INFORMATION

THE MANAGEMENT BOARD AND OFFICERS OF RISKNZ

Chair: Secretary: Stephen Hunt Jim Harknett Gary Taylor

Executive Officer:
Administration Officer

Sally Pulley Sathya Ashok Virtual Assistants NZ

Management Board Members

Miles Crawford Kristin Hoskin Darroch Todd

Jane Rollin Brent Sutton David Turner

INFORMATION FOR CONTRIBUTORS

Edition 2 of RiskPost 2019 will be published in June 2019.

Contributions should be sent to <u>editor@risknz.org.nz</u>. Articles are welcome at any time; please contact the editor if you wish to discuss an article. A reminder will be issued in April.

RiskPost provides a service for the display of notices and advertisements that are aligned with RiskNZ's objectives. Members are welcome to submit notices and advertising material to RiskNZ. Notices may describe an activity or service, or advertise a risk management vacancy. Notices should not exceed 150 words of plain text, inclusive of all contact and reference details.

Advertisements can be included in RiskPost and delivered by email to the RiskNZ membership base. RiskNZ's charges for advertising in RiskPost and by email vary dependent upon membership status, and the nature and scale of the advertisement.

For further details on RiskNZ's submissions of notices, advertising, and relevant changes, please send an email to the Administration Officer: adminofficer@risknz.org.nz, or write to:

RiskNZ, PO Box 5890, Wellington 6140

There is a lot going on 'behind the scenes' with workshops, events, the Conference, the 2019 Awards of Excellence, the development of a new website, and the launch of post nominals. The RiskNZ emails provide details of what is happening and when.

We regularly post information on upcoming events, conferences and other news via our <u>Linkedin company page</u> - so click through and follow for up to date information!

Membership of RiskNZ is open to any person of good character or an organisation engaged in or with an interest in the practice, study, teaching or application of risk management.

RiskNZ is keen to attract a wide range of Individual and Corporate members representing all the different aspects of risk management knowledge and practice. This includes those with direct involvement in the field and those with a personal or community interest.

Apply online at http://www.risknz.org.nz/join-risknz/

RISKNZ WELCOMES NEW MEMBERS

RiskNZ welcomes the following new Members for this financial year...

Corporate Members:

- Wellington City Council
- Education Payroll Limited

Individual Members:

- Elnes Tubal
 Quality Analyst (Claims)
 IAG New Zealand
- Therese Zimmerman
 Risk and Assurance Advisor
 Whanganui City Council
- Leon Fox,
 Safety Consultant
 Risk Brokers
- Reema Rana
 Risk & Internal Audit Manager
 The Skills Organisation
- Jenney Volp
 Health & Safety Administrator
 MJH Engineering Ltd
- Swasti Ayra
 Senior Advisor, Office of the Chief
 Executive