
MEDIA RELEASE

GLOBAL DEBATE RESULTS – MANDATING RISK MANAGEMENT

‘TRUST IN RISK MANAGEMENT TO BE COMPULSORY NOT DISCRETIONARY’ ‘THE GLOBAL KEY IS PERFORMANCE BASED DRIVERS’

Results are out on what is believed to be the first professional debate in the world following the Global Financial Crisis on whether risk management should be mandated.

The Australian Risk Policy Institute convened a public debate among eminent Australians at the University of Canberra – moderated by renowned international lawyer Bernard Collaery – with Admiral Chris Barrie AC (R’td), Pat Barrett AO, Professor John Braithwaite and Tom McDonald advancing the case for mandating risk management – and Mark Love, John Scott, Rex Deighton-Smith and Miles Pearson advancing the case against regulation.

Institute President Tony Charge today announced the results of the debate -

‘Risk management needs to be regulated not by mandatory methods, guidelines and practices based on the existing Australian or draft International Standards but by performance-based principles with the force and sanction of law.’

‘This means that governments and industry leaders must apply a set of risk policy principles to ensure that businesses and governments exercise their ‘duty of care’ to regain and maintain the trust of society in corporate and government decision-making. The Global Financial Crisis was probably avoidable through better, risk-informed decision-making and must not be allowed to recur.’

The Institute proposes the following risk policy principles be the subject of uniform global approach:

- ❖ Risk (impacts that might happen) must be part of corporate and government decision-making
- ❖ Boards, leaders and executives must be required by law to take into account risk management
- ❖ Personal legal sanctions must apply to Board, leader and executive negligence in failing to consider risks
- ❖ Disclosure of material risks to a business or government to become a legal obligation
- ❖ Regulatory authorities to have investigative, naming and prosecutorial powers
- ❖ Boards, leaders and executives to be responsible for promoting a demonstrable culture of risk management through sound ‘enterprise’ or ‘integrated’ risk management practices visibly operating across organisations.

If this is done, ‘risk’ becomes an automatic and informed component of decision-making for global benefit – ‘compliance’ becomes real-time assurance that due processes are operating – and ‘audit’ becomes a management tool of continuous improvement rather than a ‘shock and discovery’ process after the horse has bolted.

Governments, leaders and executives around the world have tried for decades to make risk management work – but it has remained discretionary and hasn’t worked. Now is the time to take a strategic and positive approach to improve global decision-making, trust and accountability – in the least interventionist way possible. This way, businesses, governments and the public all win – global trust can be rebuilt.

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