

# Enterprise Risk

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The official magazine of the Institute of Risk Management

**The magic sauce:** Annie Tay is heading an IRM initiative to strengthen the professionalism of risk management in Asia Pacific – the world's manufacturing powerhouse



**Partnerships with purpose:** resilience and growth in Asia-Pacific / **GEOPOLITICAL FOCUS: Strategies for success:** military experience provides valuable insights, and **AI and global politics:** how machines will aid collaboration and competition / **Eye of the storm:** risk management's role when catastrophe strikes / **Accredited for success:** IRM's revamped International Certificate in Operational Risk Management

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Autumn 2024

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#### About the IRM

The IRM is the leading professional body for Enterprise Risk Management (ERM). We drive excellence in managing risk to ensure organisations are ready for the opportunities and threats of the future. We do this by providing internationally recognised qualifications and training, publishing research and guidance, and setting professional standards.

For over 30 years our qualifications have been the global choice of qualification for risk professionals and their employers.

We are a not-for-profit body, with members working in all industries, in all risk disciplines and in all sectors around the world.

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The Asia-Pacific region is one of the most important drivers of growth for the global economy. It has gone from having a combined share of global GDP of just over 25 per cent in 2020, to an expected share of over 40 per cent by 2040, according to S&P Global. By comparison, the US's share will have shrunk from about 30 per cent to just over 20 per cent in the same period.

Annie Tay, who is heading an IRM initiative to help strengthen the professionalism of risk management in Asia Pacific, told me in an interview for this edition that businesses in the region are well placed to meet the challenges ahead. While many do not have the latest risk management tools at their fingertips, countries such as China, Indonesia, Japan and Taiwan, for instance, are no strangers to planning for and recovering from earthquakes and tsunamis.

**“When things are not that cushy and there is no buffer of wealth to protect you, you tend to be more alert about how to manage the downsides to survive”**

“When things are not that cushy and there is no buffer of wealth to protect you, you tend to be more alert about how to manage the downsides to survive,” Tay said. “While that culture can be found all over the world, those practices are common in many parts of Asia-Pacific even if risk is not measured and thought about in the same way we tend to think about it in the UK.”

But bigger change is on the way. Having to do business under the growing influence of environmental, social and governance pressures will amount to something of a revolution within a revolution. As businesses change their practices to deal with more extreme weather events and regulation, the whole eco-system of finance will be changing at the same time. “They are going to need to change their whole business model and its processes to succeed,” she said.

Not everyone is pleased with the region's rapid progress. US sanctions against China and the European Union's recent moves to curb the inflow of electric vehicles into its zone are direct results of these changes. In addition, the tectonic plates that held the post-war order in place up to and beyond the fall of communist states in Eastern Europe are also moving.

A special focus on geopolitical risk in this issue deals with the challenges flowing from these shifts in power and influence. General Sir Richard Shirreff warns that “in a world of increasingly complex and far-reaching geopolitical headwinds, business leaders will face friction, the law of unintended consequences and Murphy's law, which dictates that if anything can go wrong, it will, and at the worst possible time.” The answer – strategise, plan, practise and lead.

**Arthur Piper**  
Editor

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Have your skills  
and experience  
recognised by  
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## Senior Executive Route

Designed for senior risk professionals who wish to have their professional expertise in Enterprise Risk Management (ERM) formally acknowledged by the leading risk management institute.

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## Route to the top

IRM's Senior Executive Route helps those who have come to risk from a range of backgrounds become members of the Institute

**T**he Senior Executive Route (SER) to IRM Certification is designed for senior risk professionals who wish to have their skills and knowledge in enterprise risk management (ERM) formally acknowledged by the leading risk management institute. It is aimed at risk management professionals with at least eight years' senior experience and allows them to demonstrate a parity of understanding and experience with Certified Members and Certified Fellows who have studied the International Diploma in Risk Management.

### Other ways

The Senior Executive Route was specifically designed to welcome those members who have come to risk through ways other than taking our exams. These people who have successfully applied would not otherwise have been members of the Institute.

The SER process was also specifically designed to guarantee that those candidates who are tested meet our stringent standards and demonstrate that they possess the knowledge that our examination candidates have, as well as being senior in the risk profession. The process, which was designed with the help of HR professionals, ensures that membership is not given away, and we regularly suggest to some

candidates that they need to work on their theoretical knowledge before we can pass them – around 14 per cent of candidates have failed the interview process.

### Process for success

The SER process is assessed by senior peers in the Institute who have shown a desire to further the profession and commit to devoting time to prepare and interview, over

community by sharing experiences of what works and what doesn't.

**Toni Villanen, CMIRM, Director, Risk Advisory, Alvarez & Marsal**

I was keen to take advantage of the IRM's Senior Executive Route because it afforded me the opportunity to join a group of like-minded professionals whilst also obtaining recognition for the senior risk management role that I undertake. **Senior Executive**



**I was keen to take advantage of the IRM's Senior Executive Route because it afforded me the opportunity to join a group of like-minded professionals**

the course of 90 minutes, those candidates who come to us. They are provided with training and work in pairs to bring consistency to the marking process. Their contribution is invaluable, and without their volunteering, it would not be possible to have this route.

What our successful SER candidates are saying:

My certification is a formal recognition that I am proud of and, perhaps more importantly, it offers me full-access membership to a leading club of risk thinkers. The interaction with the community of IRM members is a great avenue to both keeping my own thinking fresh and influencing the

### Route – Cathy Day, CMIRM

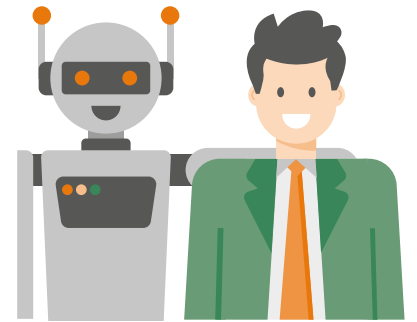
The process was straightforward, but necessarily had the rigour that one should expect. It was an interesting process of "productising" my work and learnings; both in the written application and interview stages. It was challenging and probing; but that is exactly as it should be. **Patrick Smith, CMIRM, Managing Partner** 



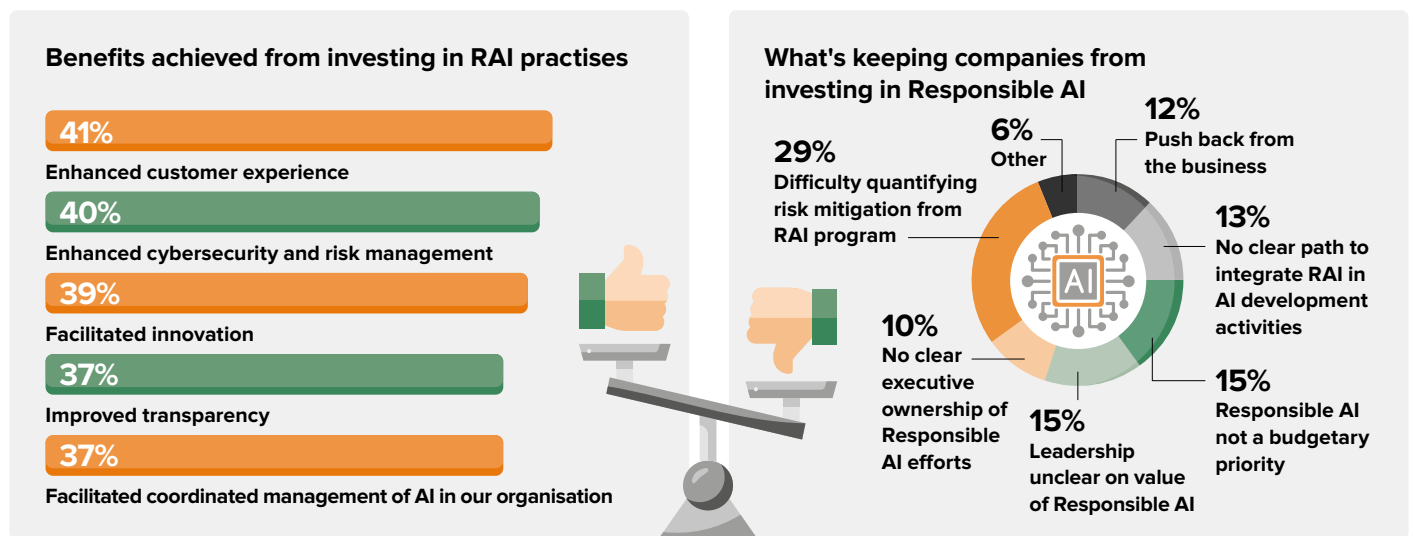
For more information, visit [IRM's Senior Executive Route page: Senior Executive Route | IRM \(their.org\)](#)

The latest stories and news affecting the wider business environment as interpreted by our infographics team

## Implementing responsible AI hits risk quantification barriers



While 70 per cent of organisations are investing in AI, only 11 per cent can balance risk and reward

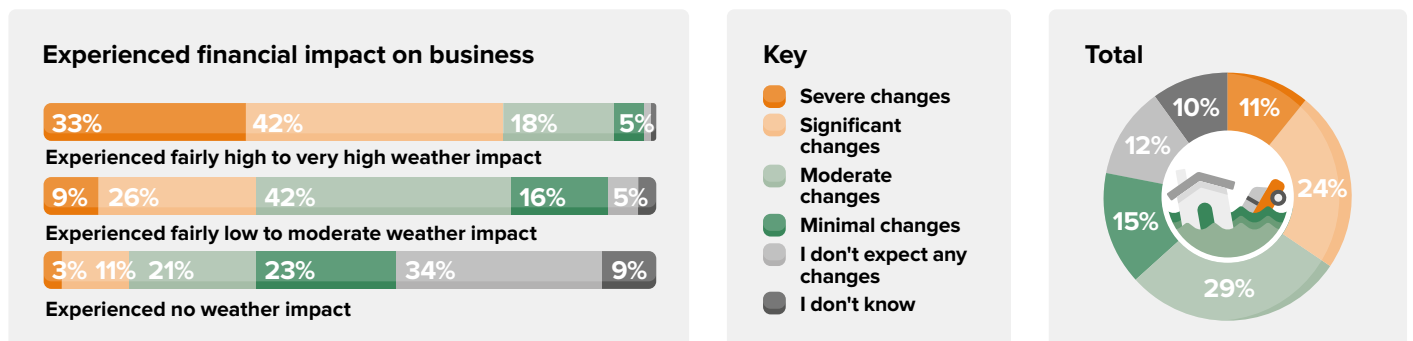


Source: PwC's 2024 US Responsible AI Survey, August 15, 2024 base of 1,001

## Once bitten



Only those companies already impacted by weather disasters calculate large financial impacts in future



Source: Munich Re: Climate risk preparedness survey 2023/24

## Cyber resilience strategies lack substance

Two-thirds of businesses were hit with ransomware attacks in 2024 but few can recover data quickly



**78%**

Companies saying they had confidence in cyber resilience strategies



**69%**

Companies saying they had paid a ransom

Almost half need a week or longer to recover data:



**2%**

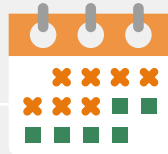
Said they could recover data and restore business processes within 24 hours.

**18%**

Said their company could recover data and restore business processes within 1-3 days.

**32%**

Said they could recover and restore in 4 to 6 days.



**32%**

Would need 1-2 weeks.

**16%**

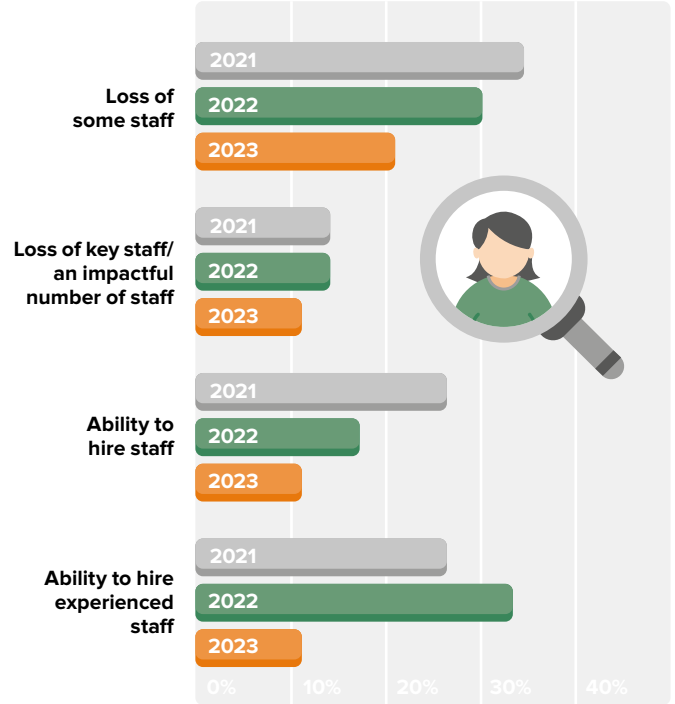
Almost 1 in 6 (16%) would need 3+ weeks.

Source: Global cyber resilience report 2024, Cohesity

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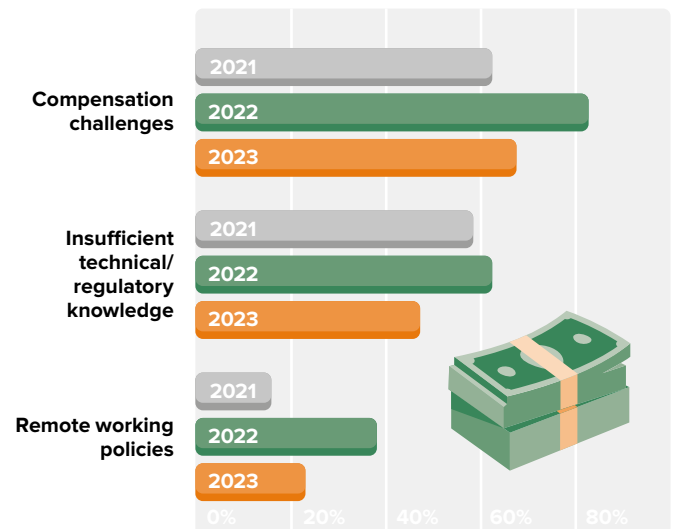
## Risk management staffing problems ease

Insurers find that hiring for their ERM functions return to normality



Source: Society of Actuaries Research Institute 2024

## Yet salary expectations remain key barrier



Source: The 2024 Barclay Simpson Salary Survey & Recruitment Trends Guide: Risk, Quant & Treasury

An aerial photograph of a city skyline at sunset. The sky is a mix of orange, pink, and purple. The city is filled with numerous skyscrapers, many of which are illuminated with lights. The water in the foreground is dark, with several boats visible. The overall scene is a vibrant and detailed representation of a modern urban landscape.

# The magic sauce

BY ARTHUR PIPER

Annie Tay is heading an IRM initiative to strengthen the professionalism of risk management in Asia Pacific – the world’s manufacturing powerhouse. Here she explains why improving the region’s ability to manage risks will help it capture the next wave of opportunities

**W**hile the countries that make up the Asia-Pacific region vary hugely in culture, geography and government, collectively they have become increasingly united in their growing share in global trade. Between 2015 and 2021, for example, Asia alone accounted for

9 per cent over the same period. Today, three-quarters of the world’s chip production is concentrated in four countries: China, Japan, South Korea and Taiwan. And the scale of manufacturing prominence is not just limited to components. China, Japan, Korea and South Asia also produce over half of the world’s vehicles (see and check graphics), and other

**“ Today, three-quarters of the world’s chip production is concentrated in four countries: China, Japan, South Korea and Taiwan**

57 per cent of global GDP, according to a study by the [McKinsey Global Institute](#). It is also home to 56 per cent of the world’s middle class. And rather than simply serving businesses and consumers in the West with competitively priced products, 59 per cent of Asia’s trade is with other Asian countries.

Nowhere has that dominance been more evident in recent years than in the semiconductor industry. Production of these components – the core drivers of our digital reality – has decisively shifted to Asia-Pacific. Whereas the US enjoyed a 37 per cent share of the world’s semiconductor manufacturing capacity back in 1990, according to analysis by the [Financial Times](#), that had fallen to just 12 per cent by 2020. The story in Europe is almost identical, with a 35 per cent share reducing to

prominent industries include textiles, technological equipment, energy, finance and insurance.

### Complexity

These statistics underpin why what happens in Asia matters at a global level. The region is not without its challenges, either – given its geopolitical and geosocial complexities – so there is no one-size-fits-all solution to either the type of risks faced and how to mitigate them.

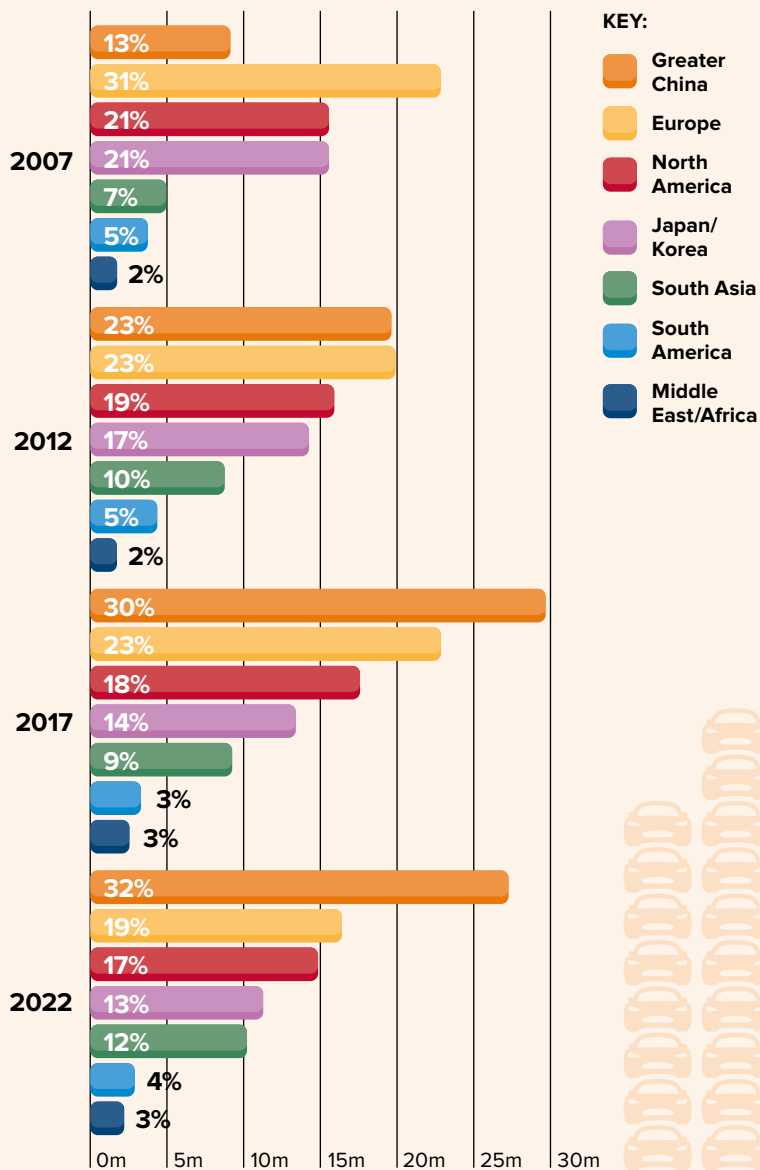
For Annie Tay, the IRM board member heading IRM’s strategy for the region, two of the most pressing issues commonly faced by businesses in the region today are climate change and the economic disruption to supply chains caused by geopolitical tensions. “The region is facing unprecedented challenges but also



incredible opportunities,” says Tay. “Effective risk management is the key to turning these challenges into opportunities.”

On a purely physical level, for example, Asia-Pacific is the most heavily impacted by extreme weather – including storms and flooding, according to the [World Meteorological Organization](#) (WMO). In 2023, the organisation recorded a total of 79 disasters associated with “hydro-meteorological hazard events,” or floods, cyclones, hurricanes, typhoons and droughts. On the ground, those disasters killed about 2,000 people and adversely affected 9 million others. There were also significant financial

## WORLD VEHICLE PRODUCTION



Source: S&P Global Mobility

## “Effective risk management is the key to turning these challenges into opportunities

social and governance practices, suppliers in Asia-Pacific will face new challenges and opportunities when integrating into the global supply chain,” she says. Many must learn how to implement effective ESG practices, be able to navigate carbon certification schemes and metrics capture – or risk a fallout to the global financial and economic system. Further, “If those businesses cannot get into the global supply chain, the whole world is going to suffer with shortages and price inflation – at least for a while until the new players can replace the conventional players sustainably,” she says.

For instance, the Asian textile industry, which is the largest supplier to the biggest brands in Europe, faces significant challenges. Environmental issues include water pollution and high energy consumption. From a social perspective, there are often poor labour conditions, and from a governance perspective, there are issues related to supply chain transparency. Substantial risks include potential exclusion from the European market, financial losses, reputational damage, legal action and reduced investor interest. That is why sound risk management practices are crucial for the industry’s survival and growth.

Systematically identifying, assessing and mitigating these risks can enable textile manufacturers to adapt to stringent European certification requirements, improve their ESG performance, and maintain their competitive edge. That would mean sustainability for this industry, not simply because of compliance

costs. WMO estimated that those could run to US\$160 billion by 2030 – or about 0.6 per cent of the region’s GDP. Deforestation, rising temperatures and a reduction in biodiversity through, for example, the disappearance of coral reefs are all well-documented issues.

“Some countries in the region are already well equipped to deal with natural catastrophes,” Tay says. She points to the fact that Indonesia, Taiwan and Japan, for example, are among those countries that have dealt

well with earthquakes and tsunamis for centuries. But from a regional perspective, the impacts of the business and regulatory culture arising around climate change risk have yet to properly bite – and the potential effects could be challenging.

### Global impacts

“As the world moves towards accounting for carbon emissions, (renewable) energy metrics, and sanctions against those not embracing sound environmental,

needs but because it could also help build trust with stakeholders and secure the industry's position in the global supply chain.

Popular narratives often attribute the root cause of supply chain disruption to around 2018, when the then US president Donald Trump imposed US\$60 billion worth of trade sanctions on Chinese products. Tay, who travels extensively in the region, says that while the political moves sometimes paint a picture of a dramatic break between the two zones and can create rapid, unpredictable changes to trading practices, from a business perspective, the US and China are still closely interlinked. She recently returned from Guangdong in China – a province that exported a record \$1.16 trillion worth of goods in 2023 despite the rhetoric of separation – and estimates that between a third and a half of the customers she met were American. “In my experience, many of the American and Chinese business and hedge fund owners’ next generation are already increasingly fluent in Chinese and English interchangeably, and are building deeper relationships between each other,” she says. That is not to say that the economic and technological war between the East and West will not continue, but, in Tay’s view, it is likely to produce as many opportunities and herald innovation that could provide broader benefits to society.

### **Revolution in a revolution**

Businesses not only need to be able to see how the world is changing but how to put strategies in place to transition sustainably to the future – and at speed to survive. Whether that means an organisation has to address its physical vulnerabilities or shift its processes to adapt to ESG requirements, there will also be opportunities to innovate in products and services to create new markets and achieve strategic objectives.

Tay’s background in insurance provides a case in point. Innovative insurers have been rushing



“ **They are going to need to change their whole business model and its processes to succeed**

to produce climate-related offerings over the past few years – everything from climate-related insurance for life and property against flood risk, heatwaves or agricultural crops. Some of these are underpinned by a new generation of risk assessment technologies, such as effective satellite imaging or specific risk parametrics that capture more granular, structured data and analytics. They are demanded by policyholders and investors alike, such as pension fund and asset managers, who are increasingly caged in by regulators and shareholder groups who want to see change through a country’s green-related policies.

“Many industries, including the finance sector, are changing because of ESG,” Tay says. This

revolution at the heart of a behavioural revolution related to climate change is likely to be a 30-year project, she believes. “People will need relevant education first and foremost about the significance of these changes if they are to be able to create a future for businesses – there is a green field of opportunities for the younger generation seeking impactful work and compensation – that is for sure,” she says. “And while regulators may have started the ball rolling on sustainability policies, we are starting to realise, as we dig deeper, that it goes to the root of what businesses do. They are going to need to change their whole business model and its processes to succeed.”

That will require a strategic and operational step change for many



**“ When things are not that cushy and there is no buffer of wealth to protect you, you tend to be more alert about how to manage the downsides to survive**

change and managing material risks,” Tay says. “When things are not that cushy and there is no buffer of wealth to protect you, you tend to be more alert about how to manage the downsides to survive. While that culture can be found all over the world, those practices are common in many parts of Asia-Pacific even if risk is not measured and thought about in the same way we tend to think about it in the UK.”

That is not to play down countries in which political instability and corruption loom large. But it also serves to highlight how Western styles of risk management and regulation have to be practical in the context of existing cultures in Asia-Pacific if they are to gain traction.

And while regulated businesses, such as the energy sector or financial services organisations, will be forced to take that step, the vast majority of the rest will follow only if they have a financial or social motive to do so. Although, Tay believes, the younger generation are more switched on to climate-related issues, which has often become a core part of their education. On the other hand, she says, risk management can help countries see the bigger picture in a holistic way. So, if, for example, governments act against deforestation, such as plans currently afoot in some countries, then it must also consider the economic consequences for local people and their well-being. “There is a whole ecosystem and a societal impact around such issues – and that is what enterprise risk management is used for and why it is important to have the technique to correlate risks to get the right balance for action to avoid undesirable consequences

to lives and the planet.”

“To survive in the new world, they will need to know the new world rules,” Tay says. “If that involves being sustainable in the face of climate change in order to provide goods and products to Europe, then it will be a natural progression for those businesses who want to take that route.”

**Building awareness**

As a non-profit, professional association with a strong track record in delivering professional education qualifications, CPD, training, advisory and sector-specific risk management members network, IRM is well placed to help organisations to make the transition from managing risk just intuitively to incorporating real science in a holistic way, according to Tay. As a body that provides Ofqual-accredited qualifications with an enterprise risk management focus, she believes that it is ideally placed to enhance risk management’s standing as a discipline and a science and to advocate for its critical role in pivoting to sustainability.

IRM also has a strong track record of bringing people together to network and make professional connections among Asian risk professionals and stakeholders. That approach has recently paid dividends in Africa, with the blossoming of its regional interest group. IRM has also been actively involved in risk management standard setting in the public government sectors. In addition, the IRM Foundation has supported communities, including working with the Red Cross in the recent flood events in Kenya and the Kibera slum (the largest urban slum area in Africa) and in supporting the education

companies – and an ability to be agile in identifying and mitigating risks and in grasping opportunities. In some Asia-Pacific countries, such as China, where governance is more centralised, the ability to move at speed and adapt could provide a lasting commercial advantage, she believes. However, in other countries, where there has been long-running political instability, such as Taiwan and Indonesia, or extreme natural catastrophes, she feels that risk management intuition is high. Businesses in those countries are already adept at managing risk and acting swiftly to mitigate its worst impacts, so quickly pivoting to systematic risk management and resilience could bring huge benefits.

**Magic sauce**

“The magic sauce to resilience and sustainability is managing

# Risk isn't just for risk managers



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Risk is part of every business, from the pandemic to cyber threats to supply chain disruptions. Study with the IRM to improve your career and earning potential by gaining a solid foundation in the theory and practice of effective risk management.

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## “IRM is well placed to help organisations make the transition from managing risk just intuitively to incorporating real science in a holistic way

and wellbeing of children.

Tay is spearheading IRM’s strategy in Asia-Pacific as chair of the Asia Board and will be closely supported by Victoria Robinson (see pages 16 & 17) at the executive level. Robinson has switched roles from IRM’s director of marketing in London to head of partnerships for the region. The Board and the management team’s goal in the first stage will be to raise awareness of IRM, its risk management educational offering

and its ethos in targeted countries. This will entail engaging with local decision-makers in the public and private sectors to help them understand how risk management can be a force for positive change. Tay and the rest of the Board will be overseeing the strategy and leveraging on the decades of experience and contacts that Board members have to help open doors and connect with key stakeholders to enable IRM to drive progress on awareness, education and risk

management professionalism.

While it is too early to provide any public key performance metrics for IRM Asia, Tay says the team will have clear accountability comprising internal KPIs for IRM Asia based on a firm understanding of what success should look like. “Success would be the realisation that one can actually have the necessary training to manage risk effectively – just as one can in the actuarial or medical professions. That risk management is a science and a discipline which looks beyond operational risk or climate change and has an integrated whole picture – the stuff that organisations are going to have to deal with to remain relevant and to survive in the short term and for future years to come.” 

# Partnerships with purpose

BY VICTORIA ROBINSON

## IRM aims to help organisations foster resilience and growth throughout Asia-Pacific

**A**s I step into my new role as the head of partnerships for Asia at IRM, I am keen to engage with members and stakeholders in an exciting initiative to grow IRM’s presence across the Asia-Pacific region: to promote risk management education and the value of qualified risk managers and risk intelligence for business. One of the objectives of our partnerships plan is to better understand the unique risks in



Asia. By learning about these specific diverse regional challenges, we aim to customise our risk education offerings and improve the relevance of IRM’s content and services.

With the invaluable support of our board members, Annie Tay and Mariam Chrichton, and our senior members in Asia, IRM is well positioned to address the unique challenges and opportunities in this dynamic and rapidly evolving economic landscape.

### Close collaboration

As Annie has aptly noted, Asia-Pacific is not only a powerhouse in global manufacturing but also a critical area for emerging economic opportunities and complex challenges. My aims are to collaborate closely with members, businesses, higher education institutions (HEIs) and our stakeholders across the region to enhance and promote risk management education, thereby fostering resilience and sustainable growth. Annie will also provide valuable links into regional regulators.

We have a range of partnership opportunities available, including:

- Corporate partnerships
- Media partnerships
- Thought leadership



- Events
- Wider sponsorship, joint projects and curriculum development.

### Upcoming engagements in key cities

To kick off this initiative, I will be visiting several key cities across the region in September, just as this magazine hits your inboxes! These visits are not only an opportunity for me to introduce IRM's world-leading education programmes, training and advisory services, but also a platform to listen to local challenges and needs. I am eager to meet with members and interested parties in the following cities:

**Hong Kong:** Known for its strategic importance in global finance, Hong Kong serves as a pivotal hub for business and education. My visit will focus on working with the Hong Kong Chapter of IRM, engaging with leading business schools, the British Council and senior members of the professional community. The objective is to promote the value of risk management careers and our globally accredited certifications, delivering presentations and

fostering a deeper understanding of risk management principles.

**Kuala Lumpur, Malaysia:** As a rapidly growing economy, my visit will focus on engaging with Chambers of Commerce, business schools, local risk management associations and senior IRM members. I'm looking forward

facilitate those discussions.

You can reach me via email at [Victoria.Robinson@theirm.org](mailto:Victoria.Robinson@theirm.org) – I am eager to hear your thoughts, understand your challenges and explore how we can work together to build a resilient and sustainable future for the benefit of business and society.

## “ The objective is to promote the value of risk management careers and our globally accredited certifications

to meeting one of our Senior Executive Route Assessors.

**Singapore:** Often referred to as the gateway to Asia, Singapore's strategic position makes it a vital player in regional trade. My discussions here will focus on engaging with senior members in the financial services sector and leading business schools. I'm looking forward to giving presentations on risk management careers to students, helping to prepare the next generation of risk professionals and making sure they are aware of our free student membership offer for anyone studying a risk/business and management degree.

I will also be attending Risk.Net's Asia Risk Congress 2024, of which we are a proud partner. It would be great to meet and network with risk professionals who are attending.


### Invitation to connect

These visits are a chance for me to represent the IRM, to meet our members and strengthen our networks. They are also an invitation to all stakeholders in the region to join the conversation. I'd like to encourage members, partners and interested parties to connect with me. Whether you are looking to strengthen your organisation's risk management maturity, upskill your staff or simply want to learn more about IRM's initiatives, I am here to

At IRM, we believe in the power of collaboration and knowledge sharing. Our goal is not only to educate but also to create a community of professionals who are equipped to tackle the risks and opportunities of the future. By aligning with global standards and fostering local expertise, we can help businesses across the Asia-Pacific region thrive amid uncertainty.

As we move forward, I am excited about the prospect of building stronger partnerships and advancing the profession of risk management. The journey ahead is filled with potential, and together, we can make significant strides in ensuring that businesses in the region are well prepared for whatever challenges may come and that our members are leading the conversation.

We are also looking to develop our Asia-Pacific groups and chapters and would welcome expressions of interest from anyone interested in joining us – please email [Nathalia.Ascanio@theirm.org](mailto:Nathalia.Ascanio@theirm.org) for further information. You can also visit: [Join our community \(theirm.org\)](https://theirm.org)

Visit our partnerships page here: [Asia Partnerships landing page \(theirm.org\)](https://theirm.org) 

 **Victoria Robinson is head of partnerships for Asia at IRM.**

# Strategy for success

BY GENERAL SIR RICHARD SHIRREFF

In today's fraught geopolitical landscape, military experience provides key lessons for building resilience

The range of geopolitical challenges businesses face is daunting. The war in Ukraine is on a scale unseen in Europe since the bitter fighting between the Soviet Union and Nazi Germany between 1941 and 1945, with the potential, if Russia is undefeated, to become an existential threat to the Euro-Atlantic region. In the Middle East, Israel's heavy-handed response in Gaza to the horrors inflicted by Hamas on 7th October 2023 has alienated many of her natural allies and is threatening a wider Middle East war. In Africa's Sahel region, hitherto relatively stable states, such as Burkina Faso, have buckled under the pressure of a vicious Islamist insurgency and succumbed to a military coup, along with Mali, Niger, Guinea and Gabon, while instability threatens increasingly fragile

states from the Red Sea (for example Sudan) to the Atlantic.

Such instability also threatens important Euro-Atlantic interests, such as Western mining companies in Burkina Faso, Niger and Mali as well as

South China Sea, and to invest heavily in military hardware and preparation. Will Xi be ready to retake Taiwan by force by 2027, an event that could threaten global catastrophe? Even the USA, that bastion of liberty

**“ There is a mass of quality open-source intelligence freely available on the web, much of it drawn on by national intelligence agencies**

energy interests in Mauritania. And it is many of these states that generate the flood of asylum seekers attempting to cross the Mediterranean into Europe. Further afield, in the Asia-Pacific region, China continues to flex its muscles, especially in the

and democracy, could elect as its president in November an authoritarian populist with protectionist trade policies, likely to challenge the foundations of US democracy, and who has cast doubt on America's underpinning of NATO and its support for





**“ The more time and resources invested in a wargame, the more useful it will be in building resilience into a strategy or plan**

Ukraine and its ability to deter war in the Euro-Atlantic region.

But that’s not all. Further complicating matters is the persistence of perennial threats like terrorism, alongside the emergence of serious transnational threats like climate change and lethal pandemics. At the same time, the world is experiencing a profound period of technological disruption with the advent of AI, advances in biotech, quantum technologies, future-generation wireless technologies, advanced materials, new space technologies, hypersonics, directed energy and others, all of which will have deep impacts on societies and how militaries

deter and fight in the future.

In the face of these challenges, and assuming we cannot predict with any certainty precisely what the future holds, how can you and your businesses build resilience against these and other geopolitical headwinds? Let me offer you six suggestions.

**Grasp what is going on**

As the 17th Century English poet John Donne wrote, ‘No man is an island, entire of itself; every man is a piece of the continent, a part of the main’. Many (if not most) businesses have global clients, operations and/or supply chains. What happens in geopolitics matters directly

to you and your business, and if you don’t take account of it, you’ll come unstuck. This means building an intelligence capability, either organic or from a partner organisation. There is a mass of quality open-source intelligence freely available on the web, much of it drawn on by national intelligence agencies. Any business organisation needs the capability to understand it, analyse it and draw deductions for its own business activities.

Complement this by establishing a network you can turn to; for example, a strategic risk advisory board composed of a range of people with relevant and senior experience of geo-

political issues. If they can't answer a question, they can probably turn to someone who can. They should act as a critical friend to company leadership in order to challenge and ask the constructively difficult question.

### **Understand risk comprehensively**

This means looking across the risk spectrum, avoiding looking at risks in silos and understanding the relationships between risks. While geopolitical risk may be your main concern, there is almost certainly a linkage to other risks: economic/commercial, social, security, political, potentially environmental and others. The key is to establish a risk framework that allows you to do this. In Strategia Worldwide, we use the acronym ESSTEMPLERC as our checklist of risks for initial consideration: economic/commercial, security (including cyber), social, technical/operational, environmental, media/reputation, political, legal, ethical, regulatory, communications.

### **Think, plan and execute strategically**

If you are to do this, you need effective strategy design and execution to link risk and strategy. This means thinking right to left; in other words, work out your goal and from that work back to where you are now. By definition, strategy is about getting you from where you are to where you want to be and working out and sequencing the resources and actions required to get there. Having worked out your goal, consider the objectives to be achieved if your goal is to be realised. Think of these as doors into a building; from those doors, work back to where you are now. This will give you a number of pathways or lines of operation to your objective. Along each line of objective, there will be a series of gateways you will have to go through. These are the decisive conditions. Each decisive condition is the product of a series

of outcomes, themselves the consequence of the application of actions and resources.

This allows you to build the plans on which your strategy depends. It also allows you to cost your strategy in detail so you know where best to put resources or to adjust your strategy to meet the resources available. But you will also need to think through the linkages between

to determine the friction points or risks and, therefore, the necessary contingency plans or mitigation strategies. Similarly, in a world of increasingly complex and far-reaching geopolitical headwinds, business leaders will face friction, the law of unintended consequences and Murphy's law, which dictates that if anything can go wrong, it will, and at the worst possible time. Rigorous wargaming



## **Organisations in which people are empowered will have the agility and responsiveness needed in the face of unexpected geopolitical headwinds**

different decisive conditions on different lines of operation. You may need to have achieved one before you can achieve another, so there will be synchronising and sequencing to do.

### **Test the strategy**

As boxer Mike Tyson said, "Everyone has a plan until they're punched in the mouth." So think about setting aside time for the tried and tested military technique of wargaming, which provides a structured but intellectually liberating safe-to-fail environment to help explore what works (winning/succeeding) and what does not (losing/failing). It can either be relatively informal – a whiteboard session with key management or a formal game with a red team role-playing key stakeholders (made up of your most free-thinking employees), an umpire and a third party to plan, organise and run the game. The more time and resources invested in a wargame, the more useful it will be in building resilience into a strategy or plan.

It is drummed into every officer in military staff colleges around the world that a commander should, where possible and if time allows, wargame the plan in order

or scenario testing will minimise the risks of this happening.

But no one has a crystal ball, and companies need to be ready to respond to the unexpected. As well as wargaming, think through your crisis management policy and plans and test them with regular exercises to build the intellectual muscle memory that allows you to deal with the unexpected crisis. As General Eisenhower, Supreme Commander of the 1944 D-Day landings and the advance into Germany and later 34th president of the United States, said, it's not the plan that matters; it's the planning. Wargaming and crisis management training are essential to building resilience and will give you the understanding to allow you to adjust when necessary.

### **Empower your people**

Successful execution of strategy depends on empowerment, what the military calls mission command. In the military world, success is dependent on trusting the people at the sharp end, whether at sea, on the ground or in the air, to use their initiative. They can see what is happening and they can understand the risks, challenges and opportunities infinitely better than anyone

**“ An ability to live with ambiguity and uncertainty, and, not least, a pragmatic capacity to take calculated risk for the longer term and greater benefit, distinguish the successful strategic leader from the tactical operator or manager**



complex situations where there are no right answers, just limited choices between the least wrong ones. So, clarity of thought, vision and adaptability exemplify the strategic leader as much as resolution and determination. An ability to live with ambiguity and uncertainty, and, not least, a pragmatic capacity to take calculated risk for the longer term and greater benefit, distinguish the successful strategic leader from the tactical operator or manager.

Fundamentally, it is about being successful on two counts: strategy, how to win a war, and tactics, how to win a battle. And the words of the Chinese strategist Sun Tzu written around 550 BC are just as relevant to business as they are in the military: “Strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before defeat.”

Underpinning everything is the need to contest the battle of the information domain, for information is a strategic instrument, with influence being the desired product. Winning the battle of the narratives means telling the more compelling story, hence the importance of putting strategic communications at the heart of strategic planning and executing a sophisticated and well-planned influence operation to reassure stakeholders, deter and prevent potential risks and protect company reputation. 🌐

sitting back in a remote headquarters or head office. But they must use their initiative in line with the overall strategy and be crystal clear about the intent and what is to be achieved.

Empowerment enables agility, the ability to respond quickly and effectively to new and unexpected challenges. Organisations in which decisions have to be referred upwards to a single point of command through layers of command and bureaucracy are almost invariably slow off the mark and flat-footed. Compare the agility of the Ukrainians with their surprise attack into Russia in August 2024 with the hapless and disorganised initial Russian response.

So, in business, organisations in which people are empowered will have the agility and responsiveness needed in the face of unexpected geopolitical headwinds and gain the edge over competitors in which people are not empowered. While your

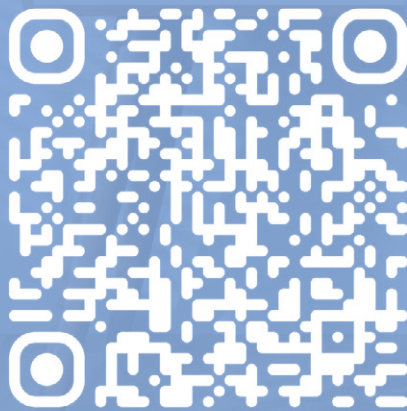
people must be empowered, supported and resourced, they must also be accountable. But this requires senior leadership to ensure, not only that the strategic intent is clear and well understood, but that people have the resources and functional support needed to achieve the mission and then let them get on with it. But this needs trust, and trust takes time to build. The right culture is key.

### **Strategic leadership**

My sixth and final thought on building resilience is the importance of strategic leadership. The quality of any organisation is set by the quality of the man or woman at the top. Strategic leadership is as applicable in the boardroom as on the battlefield. And in comparison to leadership by authority, it requires other, higher skills because simple rules or principles of leadership and templates of decision-making do not necessarily serve one well in

**i** **General Sir Richard Shirreff, NATO's former Deputy Supreme Allied Commander Europe and Founder and Managing Partner of Strategia Worldwide Ltd.**

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# AI and the future of global politics

BY AMENA ALBASHER

Artificial intelligence is shaping not only the analysis of global events, but how countries will compete and collaborate in the years to come

**G**eopolitical risk management is on the verge of a complete transformation due to incredible progress in artificial intelligence (AI). As the world becomes increasingly more enmeshed and traditional approaches to risk assessment fall short of results, AI is acting as a game-changer with tools that allow data analysis, identification of patterns and development of predictive models with hitherto unheard-of accuracy.

This new perspective does not just apply to AI technology but marks a turning point in how we conceptualise the patterns of risks and opportunities that shape the complex maze of today's global

landscape. AI, purpose-built for this new era, is not confined to the analysis of data and providing results. It is gradually turning into an indispensable tool for strategy assessment at the highest level and for possible critical insights into the future of geopolitics and the changing nature of statehood. The application of AI on the front lines in the management of geopolitical risk is a great opportunity and, at the same time, a major test for humankind to be able to look at innovation with responsibility, efficiency with fairness and progress with caution.

## Current landscape

The use of artificial intelligence in geopolitics is leading to

revolutionary changes in the management of geopolitical risks. For example, [Ann Bies and colleagues](#) have recently outlined how advanced AI systems are intended to ingest and analyse countless more different kinds of inputs, ranging from satellite imagery and social media patterns to economic indicators and diplomatic cables. Such multi-modal data is processed in real time and affords a level of situational awareness and modelling capability that is simply beyond the scope of previous methods of protecting against geopolitical risk. As governments, corporations and international organisations increasingly employ such to establish competitive



## KEY LESSONS IN AI-DRIVEN GEOPOLITICAL RISK MANAGEMENT

- 1 Multidimensional approach: AI excels in integrating diverse data sources to provide a holistic view of geopolitical risks, from conflict prediction to climate change impacts.
- 2 Ethical considerations are paramount: As AI becomes more prevalent in geopolitical analysis, addressing issues of bias, transparency and accountability is crucial.
- 3 Human-AI collaboration is key: People are likely to be at the core of the most efficient geopolitical risk management solutions, with AI playing a closely integrated role.
- 4 Continuous learning and adaptation: There is a need to acknowledge the fact that AI systems, as well as human analysts, need frequent updates in their systems as the global arena changes at an alarming rate.
- 5 Global cooperation needed: It is crucial to outline the guidelines and rules for applying AI-related technologies in geopolitical processes on an international level.
- 6 New skill sets required: This evolution of AI in geopolitical risk management is generating the need for competent people who can translate technology, policy and international relations.
- 7 Predictive power with caution: AI is accurate in predictions but has drawbacks as far as the geopolitical environment is concerned since it may cause unforeseen consequences.

systems are now in the middle of creating intricate economic relations and estimating the chain reactions of geopolitical occurrences at the global level. For instance, sophisticated AI frameworks can calculate possible consequences that a trade war between the USA and China might entail, affecting global supply chains, forex rates and sectoral risks in several countries and regions simultaneously. Other AI systems can collate and analyse huge amounts of apparently disparate data to locate potential sanction evaders.

Technological competition, particularly in artificial intelligence and quantum computing, is redrawing international structures. This is about more than just developing new technologies for use in warfare; it affects trade benefits, cybersecurity and systems of governance. For example, the [Beijing Academy of Artificial Intelligence's](#) success in training BaGuaLu, a 174-trillion-parameter model, showed that it outperformed any AI invented in the West. This achievement supports China's strategic goal of becoming the world's AI leader, which will have significant implications for technological, economic and military spheres in the future.

Such developments are themselves being followed and analysed by the global AI systems. They can estimate emergent power balances by monitoring patent activities, research products, investment flows and key technological events. This intelligence is very important for policymakers in developing the necessary strategies to sustain the competitiveness and security of a country. In fact, it is now possible to forecast major technological breakthroughs several years in advance of the competition, thereby getting ahead of them in areas that are vital and strategic, such as quantum computing, biotechnology and materials science. This use of

### “ The use of artificial intelligence in geopolitics is leading to revolutionary changes in the management of geopolitical risks

advantage in interpreting and evaluating international relations, there is likely to be a paradigm shift in how one can approach and evaluate geopolitical risks in the modern world.

One such system is the Global Conflict Risk Index (GCRI), created by the European Commission for the Joint Research Centre. The GCRI is designed to apply machine-learning techniques to reveal probable violent conflicts in countries worldwide. It can deliver risk rating based on

multiple structural factors (such as social, economic, political and environmental), which can assist the government, NGOs and other organisations in making more efficient decisions on conflict prevention.

#### **Global economics and power**

The globalisation of the economy implies that the occurrence of geopolitical events may produce a chain effect and have unpredictable outcomes. AI



## AI systems are now in the middle of creating intricate economic relations and estimating the chain reactions of geopolitical occurrences at the global level



AI in foresight establishes a new mode of geopolitical power in which the sense and latency for future technological systems is no less a form of power than conventional state power.

### Challenges

While the application of AI in geopolitical risk management is still in its earliest stages, it could have profound implications for the current understanding and performance of geopolitical risk analysis, given its risks and ethical concerns. A key concern is algorithmic racism or unfairness. AI is only as rich as the data fed into it; therefore, if there are biases or unfairness in the latter, AI can enlarge it or spread it to the world's population. For example, an AI trained with data primarily

from Western sources would give an inaccurate evaluation of risks or prospects in non-Western markets. This could lead to policy biases favouring geographical areas or political affiliations, thus enhancing global inequality. It is in this respect, therefore, that diversity should be injected into the data and groups that feed and build these systems.

As technology has advanced to a level where AI can independently generate and modify media, deepfakes and fake news in AI are inevitable. With such technologies, some ways of thinking can be portrayed as normal for the masses or even incite international clashes. This threat can be fought not only with IT solutions but also with international cooperation and educational programmes.

The European Union's AI Act is one of the most ambitious efforts to govern how AI will develop and function. The Act describes the risk-based approach where the "high-risk" AI systems must be more regulated in security and order, legal and migration fields. However, applying such regulations internationally is quite problematic, especially when addressing countries whose governments are authoritarian in nature and may not have or may even misuse the same system of ethics.

### Future prospects

The area that holds the greatest potential for the use of AI is diplomacy. While it is possible to calculate millions of scenarios and include numerous variables,



such as economic factors, cultural differences, history and current tensions, AI systems could choose the best solution that might be outside human capabilities. This capability may be valuable, especially in multilateral negotiations, characterised by multiple interacting interests that form a complicated web of choices. For instance, in the context of climate change, it is possible to employ data on carbonisation, costs, technologies available and domestic interest to advocate for compliance measures that will be in the interest of developed and developing countries. Similarly, negotiating trade policies could estimate

the probable consequences of a certain structure of trade policies; therefore, it could inform the determination of sound structures of trade that enhance economic development and stability, particularly between different forms of economies.

AI could also create what may be called predictive diplomacy. Given previous events, cultural specifics and the current state of geopolitics, an external intelligence can propose diplomatic actions before an encounter. For example, an AI system can analyse increasing tension in relation to trade relations between two countries, interactions in social networks and diplomatic language

that may need the intervention of diplomats. This ability could indeed revolutionise conflict prevention, seeing that impending differences could be resolved before they degenerate into major conflicts.

Another area is the application of AI to the management of global goods, such as oceans and space. One idea is that AI systems should be introduced to monitor and regulate the use and distribution of those common resources in such a way that they avoid possible conflicts related to their usage. For instance, it is possible that artificial intelligence-powered satellite systems will be able to monitor the high seas for fishing activities and hence

**“ It is important to guarantee that these systems will positively influence rather than decrease the quality of decisions made by humans in the field of international relations ”**

## RISK MANAGERS OF THE FUTURE

- **AI-human integration specialists:** These are experts aiming to improve the collaboration between human decision-makers and AI tools as these technologies are increasingly integrated into the decision-making process. They set up mechanisms and procedures on how the knowledge and information generated by AI may be used and implemented to support human-controlled decisions. Their positions are important in maintaining that check and balance when formulating decisions based on AI research, ethics and politics.
- **Geopolitical data ethicists:** These professionals deal with the proper application of AI in global relations with respect to data ownership/sovereignty, the political effects of algorithms within geopolitical modelling and the practical application of predictive technologies when one is engaged in diplomacy. They would want to develop regulations capable of making AI systems conform to international standards, culture and equity in the study of geopolitics.
- **Crisis simulation directors:** These professions create intricate, integrated geopolitical simulations to challenge AI systems and human decision-makers alike. By coming up with complex hypothetical scenarios that are not easily possible but are imaginable within the current setting of politics globally, they maintain the flexibility of the AI models and even the strategists. This is very important as it enables the international actors to prepare for all the possible futures that may occur.
- **Strategic AI auditors:** This role includes constantly assessing the efficiency and effectiveness of AI systems for geopolitical risk analysis. These specialists help to find out what AI may miss, improve the ways AI findings are incorporated into experts' decisions and make sure that AI recommendations fit the overall goals and values. Their work is crucial in ensuring that the public has confidence in AI-generated geopolitical analysis and decision-making.

limit fishing, reducing potential conflicts between nations' demands over the sea's resources. In space, AI could pinpoint the best trajectory of satellites and determine ways to manage the traffic and how to avoid collisions and control the formation of space debris, which is becoming vital in geopolitics today.

Far into the future, one could imagine *AI diplomatic consultants* that would be pre-programmed to distinguish between different cultures in providing human diplomats with exact advice. However, these AI advisors would work 24/7 to analyse such

data concerning culture, history and current events to negotiate complex geopolitical realities. According to researchers, this could mean that they can think of new solutions to problems a diplomat would not be able to see due to personal or cultural biases that would be attached to them during their resolution. Not only that, but AI could create new specialisations for risk managers (see *Risk managers of the future*).

As we look forward to this new phase of AI integration into geopolitical risk management processes, we are to admit the existence of a new form of global

## “ AI could create new specialisations for risk managers

perception and reaction. AI systems capable of processing and analysing the streams of global data in real time suggest a more profound, farseeing and responsive approach to managing international relations and risks. Introducing AI into geopolitical risk analysis is not merely transforming how we think about and predict world events; it is revolutionising geopolitics itself. We are approaching a digital world where lines between virtual and actual influence areas fade, where data becomes as valuable as oil or water, and where the power of the nation may be defined with the help of artificial intelligence more than with GDP or military power.

However, as we step into this world where AI exists as our collaborators, we must learn to be careful and wise. To overcome the upcoming challenge, it is not enough to create new and more efficient AI systems; it is much more important to guarantee that these systems will positively influence rather than decrease the quality of decisions made by humans in the field of international relations. Thus, it remains our challenge to foster a synergy between human knowledge and AI power to tackle the complexities of the future that lies ahead of us. There is no doubt that the forefront of geopolitical risk management, with the use of AI, is the ability to not only foretell the future but to control it and make it better. 🌐

**i** Amena AIBasher is an experienced GRC risk management expert, holding a master's degree in health administration from Cornell University.

# Eye of the storm

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BY ANITA PUNWANI

## Risk professionals can play a key role when catastrophe strikes by bringing global efforts towards sustainability to the local level

**T**he lives and livelihoods of the Jamaican people were severely affected by the storms, winds and flooding that Hurricane Beryl brought to the tropical island earlier this year as it tore through the Caribbean. Estimates were that at least 160,000 people in local communities, including 37,000 children, required humanitarian assistance to address water, sanitation, hygiene, medical, food and livelihood needs. Immediate basic needs extended to tarpaulins, hygiene kits and food bags. Many had to be evacuated from coastal areas

have been the earliest category five hurricane ever recorded in the Atlantic. Although the reason for the most powerful of hurricanes historically to have struck the region is difficult to pinpoint, exceptionally high sea surface temperatures in the local environment were certainly a contributory factor. The situation could have been even more catastrophic had the hurricane hit the affected nations head on.

### Aftermath

In the aftermath of the hurricane, the Society of Caribbean Lawyers, a network of legal professionals across the United Kingdom

address the most urgent needs was recognised; however, the letter stated that “deliberate, focused continuing support will be crucial in securing the long-term recovery and restoration of the damaged infrastructure and economies of the islands affected by Hurricane Beryl.”

### Shouldering the burden

The question of justice in discourse relating to the Global South arises for several reasons. Most notably, these nations are not responsible for the accumulated levels of greenhouse gases in the atmosphere, yet they are facing the brunt of the forces of a

## **We cannot address climate change without also considering the issues of racial, social, and intergenerational justice**

into emergency shelters. The International Federation of Red Cross and Red Crescent Societies (IFRC), the world’s largest humanitarian network, reported that rescue efforts were complicated by bad weather, power outages, road blockages and damage to infrastructure. There was severe damage to power and water supplies, homes, crops and trees. Coastal regions that support natural habitats, including wetlands, mangroves and coral reefs, were also affected.

This type of destruction was repeated in other parts of the Caribbean, and the hurricane also affected the Yucatán Peninsula as well as the Gulf Coast of the United States. It is reported to

diaspora and the Caribbean, wrote to the Secretary of State for Foreign, Commonwealth and Development Affairs of the United Kingdom to convey their view that there is no doubt that the climate crisis has contributed to Hurricane Beryl’s record-breaking status as the earliest category five storm ever recorded. In referring to his own earlier acknowledgement of their view, they said, “We cannot address climate change without also considering the issues of racial, social, and intergenerational justice.” Reference was made to the ongoing struggle to unlock climate finance. The humanitarian aid provided by the European Union and United Kingdom to

changing environment. It should be noted that such nations and their peoples are vulnerable not solely due to their geography; many nations in the Global South face considerable debt burdens due to historic economic factors, including, in the case of the Caribbean, having had to repeatedly fund recovery efforts following catastrophic events. Other historic factors are part of the picture. The Royal Academy of Arts, in introducing its recent exhibition entitled Entangled pasts 1768-now: art, colonialism and change, stated, “Today, the legacies of colonial histories continue to form part of the fabric of everyday life, physically and emotionally, across social,

economic, cultural and political fields both national and global.”

In this context, what is the role of the risk professional? Insurance has traditionally been the focus of attention in relation to the management of catastrophic risk. The role of insurance in handling catastrophic risks is part of the picture; however, not all losses are covered. Only about 31 per cent of global losses arising from natural disasters are regarded to be covered by private or public insurance; in 2023, such insured losses were estimated to be \$118 billion, which, it should be noted, is above short-, medium- and long-term averages. Catastrophic events are producing significant uninsured damage; a significant toll falls on governments to support local communities, hence the appeals on the part of actors – such as the Society of Caribbean Lawyers – for international aid and assistance.

### Insufficient aid

The United Nations (UN) has been saying for some time that the longstanding forms of international humanitarian aid in response to support nations affected by such catastrophic events are insufficient to meet increasing needs. The scale of damage and loss occurring in nations across the world from catastrophic events illustrates the urgent need for climate finance arrangements. Private sector organisations are increasingly coming into the picture in terms of addressing funding gaps, especially where they have the means to do so.

At the United Nations Climate Change Conference in Dubai at the end of 2023, the Conference of the Parties (COP) and the Conference of the Parties serving as the Meeting of the Parties to the Paris Agreement (CMA) established new financing arrangements aimed at assisting those countries particularly vulnerable to the effects of the climate crisis. The COP and CMA have a mandate to focus on addressing both non-



## Only about 31 per cent of global losses arising from natural disasters are regarded to be covered by private or public insurance

economic and economic loss and damage. Loss and damage has been a high-priority issue for vulnerable island nations in the Caribbean for some time now, and it should be noted that the marked progress made in climate governance and this arrangement at COP28 was the result of sustained pressure by these nations over several conferences.

### Risk professionals

For the risk professional, handling the effects of extreme weather events, rising sea levels and a range of other environmental challenges should be viewed in the wider context of global efforts to promote sustainability and protect human rights, especially as increasing numbers of vulnerable people across the world are at risk of devastation to their lives and livelihoods brought about by catastrophic events.

The United Nations Brundtland Commission defined sustainability as “meeting the needs of the present without compromising the ability of future generations to meet their own needs.”

A collaborative effort on the part of organisations in all sectors is required to take this long-term view to strengthen the resilience of communities and their local environments. The risk professional has a role to play in supporting organisations towards sustainability in relation to all aspects of the way in which it governs, including in relation to economic, social and cultural ties through its global supply chains. Respect for society and the environment is key. Documents such as the Earth Charter are great places to start.

Many organisations are already focusing considerable efforts on formally reporting their progress



## “ The risk professional will be well placed to support collective efforts with local stakeholders

In relation to the question of justice, if an organisation is truly seeking to practise sustainability, the needs of communities and civil society voices need to be heard in boardrooms.

### Local focus

At a local level, the risk professional should identify areas of greatest risk and direct the organisation’s efforts towards the localities where it is best placed to support planning efforts in addressing sustainability issues and building resilience. In conjunction with local staff, communities, businesses, public authorities, nonprofit organisations and other key stakeholders, the risk professional can draw on their own technical expertise in fields including architecture, science, engineering, technology, construction, facilities management, continuity, contingency, disaster response and recovery planning. This might be in relation to developing codes for buildings, redesigning water and energy infrastructure, constructing sea walls and flood protection systems, maintaining road and bridge drainage, continuity planning for ICT infrastructure or supporting efforts to build resilience in relation to the management of land, crops and marine environments.

In addition to supporting planning efforts, the organisation may choose to make donations to directly meet the needs of the local community. In the aftermath of Hurricane Beryl, [IFRC said](#) preparation efforts had paid off, since volunteers were “ready to act, visiting hard-hit communities and making detailed assessments of people’s needs.” Their response effort was supported by a sizeable

allocation of funds from the IFRC’s Disaster Response Emergency Fund, based on the anticipated needs of the communities. IFRC views that this forward-thinking planning meant that communities could count on emergency assistance without having to wait for fundraising after the event. IFRC’s disaster manager for the English and Dutch-speaking Caribbean said, “[e]vents like these are no longer a one-off and this highlights the need for local actors to lead the way in preparedness and anticipatory action.”

By focusing the organisation’s attention on the needs of society and the environment, the risk professional will be well placed to support collective efforts with local stakeholders. In this way, both the community and the organisation will benefit from building resilience and planning to face future events. Additionally, the organisation will enhance its standing with the local community. For organisations focused on assessing the profitability in making this type of investment, the increasing pressures from an array of stakeholders making their own assessments of the level of respect the organisation has for society and the environment may also be a key consideration. 🌱

towards a more sustainable way of doing business, notably in relation to meeting net-zero carbon targets, as well as building resilience in infrastructure and supply chains. Adapting worldwide operations by investing in sustainable consumption and production, including using low-carbon products and renewable resources, achieving greater energy efficiency and reducing waste as well as carbon offsetting are ways to address the challenges.

In relation to the environment, measures such as tree planting, soil management and changing the way in which the built environment is planned, designed, constructed, operated and decommissioned are all key considerations in practising sustainability. The built environment extends to information and communication technology infrastructure, including for networks and data centres. Concern for sustainable business practices should extend to consideration of modes and distances travelled for meetings, including meetings to address green issues, as well as the matter of which stakeholders are invited to partake in these discussions.

**i** Anita Punwani, CFIRM, has focused on communities and the environment over a 30-year career spanning the public, nonprofit and private sectors. She founded the IRM Environmental and Social Governance Group based on her research into risk, international aid and assistance, global governance and ethics.

# Accredited for success

Sam Brindley, business risk manager, Revolut, and writer of IRM's new Level 4 International Certificate in Operational Risk Management (ICORM), answers some questions on the new and improved qualification

**I** am thrilled to announce the launch of the new International Certificate in Operational Risk Management (ICORM). This qualification has now been accredited by Ofqual at Level 4, adding to IRM's suite of regulated qualifications. IRM's Level 4 ICORM is designed to introduce students to the fundamental theory, management and application of operational risk management to ensure timely organisational success.



**and how do they reflect the evolving landscape of operational risk management?**

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**Can you explain the unique benefits this revised certificate offers to professionals compared to other op risk management qualifications in the market?**

IRM is immediately recognisable across multiple industries as a leader in the field of risk management. In ICORM, the IRM has crafted a qualification that combines the theoretical with the practical. Students of ICORM will not only earn a

**What motivated the revision of the International Certificate in Operational Risk Management, and how was feedback from industry professionals incorporated into the changes?**

Both academic and practical experts in their field fed into the curation of ICORM to ensure that the qualification is both fit for purpose and fit for the future. While operational risk is often associated with financial services, the authors of ICORM were cognisant that operational risk is equally as important in other industries, too. As such, the qualification has been written for operational risk professionals in multiple fields.

**What are the key changes or updates in the revised ICORM,**

**“ Operational risk professionals can not only understand but also apply learnings from the qualification to their day-to-day professional lives**

a higher volume and severity of cyberattacks. Outsourcing, utilisation of service providers and engagement with third parties have all added increasing value to global organisations. In recent history, many personal and professional lives have changed forever because of the Covid-19 pandemic. ICORM was written with all the above in mind so that operational risk professionals can not only understand but also apply learnings from the qualification to their day-to-day professional lives.

qualification from a thought-leading organisation, but they will also be able to take away cross-industry learnings, which will add value to their organisations when it comes to helping them achieve their strategic objectives through best-practice operational risk management.

**What kind of practical skills and knowledge can students expect to gain from this qualification, and how will it impact their day-to-day responsibilities and**



**“ Operational risk is being seen as an enabler for organisations to achieve their strategic objectives**

**benefit the organisation?**

Students will learn how to identify, assess, manage, monitor and report operational risks, regardless of their industry or size of organisation. Practical examples from across sectors support the theoretical literature. The former helps students to embed the latter, which in turn will allow them to apply their learnings to their organisation. The qualification aims to balance both proactive and reactive operational risk management, providing students with transferable techniques to become comfortable with both.

**How does this certification support professionals in adapting to the increasing regulatory demands and compliance challenges faced by organisations today?**

When operational risks crystallise, they can sometimes lead to regulatory non-compliance,

usually on account of giving rise to poor customer outcomes. This can be through data breaches, issues with customer communication or major outages, which can cause confusion and worry across multiple stakeholder groups. ICORM is designed to make students familiar with the entire operational risk lifecycle, including incident management, so that, should the unexpected or unwanted happen, students feel comfortable in managing events outside of risk appetite effectively and efficiently.

**Looking ahead, how do you envision the role of operational risk management evolving, and how does this certification equip participants to lead in this future landscape?**

Best-in-class operational risk management has always been about helping organisations achieve their strategic objectives.

As the world continues to change, organisations will continue to adapt. New operational risks will emerge, and exposures to known operational risks will alter. ICORM is designed to equip students with the tools and techniques to effectively manage operational risks in line with the above changes.

Over time, the perception of operational risk has changed, too. Now more than ever, it is being seen as an *enabler* for organisations to achieve their strategic objectives. ICORM has been written with this change in perception in mind, so that students can not only manage operational risk but also use it to add value to their organisations.






**There will be four assessment sessions a year: March, June, September and December, and exams will be taken in person at a Pearson Vue Test Centre. The exams consist of 60 Multiple Choice Questions (MCQs) that are to be completed in 90 minutes. ⓘ**

**i More here: [International Certificate in Operational Risk Management \(theirm.org\)](https://www.theirm.org)**

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# Model collapse

The truly groundbreaking achievements of large-language models to produce comprehensible answers to human queries risk ending in gibberish

**E**ven churlish AI experts expressed amazement at how good ChatGPT-3's answers were to a wide range of queries when it was released in 2022. While members of the public were stunned to be able to quickly produce everything from pub quizzes to draft risk management reports, computer scientists were impressed that it could answer queries without specific training in specialisms. GPT-3 had been trained on around 200 billion words and many said that the sheer size of the database accounted for its power.

## Bigger and bigger

IT companies are now racing to build models that utilise larger and larger data sets. But the low-hanging fruit of existing databases have now largely been gathered, so adding massive amounts of new data will become very expensive. And ethicists warn that this approach could just serve to bake in known problems that exist in such systems – racism, sexism and frequent hallucination.

While researchers have managed to extract offensive data from existing large-language models, doing so in large-scale databases is difficult. The practice may not be wise. Amanda Askell, a philosopher and research scientist at Open AI, [told Nature](#) that blinding language models to such



concepts may create additional problems: “If I had a model that had never had any exposure to sexism, and you were to ask it, ‘Is there any sexism in the world?’, maybe it just says, ‘no.’”

## Nonsense

One easy answer is to train models on their own output. Perhaps as an increasing amount of LLM-generated content makes its way onto the internet, this process will happen automatically in programs that scrape the web for training data.

Unfortunately, [researchers have found](#) that such “synthetic data” pollutes the underlying training set, and within a short time that system can only produce gibberish. Since LLMs work by building up associations between words or parts of words (called tokens), they generate sentences by building the most statistically probable chain of words based on the patterns inherent in their training. So, as

that underlying data becomes swamped with synthetic data, infrequent words quickly drop out of circulation and the common ones are increasingly recycled.

## Collapse

“Complete collapse eventually occurs because each model learns not from reality but from the previous prediction of reality, with errors getting amplified in each iteration,” the report said. Co-author Zakhar Shumaylov, an AI researcher at the University of Cambridge, told *Nature*, “Over time, those errors end up stacking up on top of each other, to the point where the model basically only learns errors and nothing else.”

Keeping training sets clear of synthetic data would require unprecedented cooperation between competitors in the tech industry. Ironically, human creators will need to keep producing long into the future to keep LLMs in work. 🤖

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