

ISO 31000 AND DIN

MEMO FOR G31000 – GLOBAL INSTITUTE FOR RISK MANAGEMENT STANDARDS

On January 10th, 2011 Deutsches Institut für Normung e.V. (»DIN«), the national Member of ISO in Germany, published DIN ISO 31000 for public examination and comment. It is a translation of ISO 31000 (the »STANDARD«) with a national preamble and national footnotes preceded by a warning regarding its application:

- DIN ISO 31000 was published as a draft solely for examination and comment and
- application of the draft was to be agreed expressly.

On September 1st, 2011 DIN has decided »irrevocably« that in the end, there will be no DIN ISO 31000 norm in Germany.

DIN ISO 31000 will be recalled in January 2013

The draft shall remain a draft and will be recalled after its two year term which will end in January 2013. As reason grave reservations regarding the technical content of the STANDARD are brought forward and reference is made to the national preamble published with the draft.

In this context reference is also made to the work on ISO 31004 pointing out that DIN will refrain from participating in drafting this norm and limit itself to the status of »observer« to stay informed of any progress. The official notice from DIN on its website unfortunately was not translated into English and therefore can only be seen on the German version of the [website!](#)

The National Preamble

In the beginning some technical information is given in the national preamble:

- the international Document (the STANDARD) was adopted unchanged,
- the publication was resolved with the proviso that the national assessment by the relevant committee of DIN (committee NA 095-04-02 AA "Grundlagen des Risikomanagements") as laid out in the preamble and the national footnotes is respected,
- objective of the publication was to sensitize stakeholders that the impact of STANDARD on other norms making reference to risk needs to be critically questioned.

Therefore the committee NA 095-04-02 AA (the »COMMITTEE«) deemed it appropriate to draw the reader's attention to the following aspects:

(a) The Definition of Risk:

The neutral definition of risk including chances (positive aspects) is challenged and it is pointed out that other ISO-norms and national as well as international legislation in the fields of human safety, health protection, and environmental conservation are not accepting positive risks. Therefore comment (a) demands that the definition of risk in the **STANDARD** will always be questioned.

(b) Selection of Risk Treatment Options:

The wording in the **STANDARD** is deemed to be not clear enough to prevent misinterpretations regarding the binding obligation to always observe safety aspects, protection of human health, and environmental protection. For example the multiple use of the verb »can« and balancing options (section 5.5.2) might be misleading and understood to give liberties that violate binding law and social responsibility in a trade-off with economic interests.

(c) Internal and External Context:

The **COMMITTEE** reads the wording of Sections 4.3.1 and 5.3.2 in a way that those clauses can be interpreted to give an organization applying the **STANDARD** the freedom to decide in which legal system and which natural environment it acts and which obligations exist.

(d) Impact on other Norms:

The **STANDARD** in demanding that other norms shall adapt to its concept thereby could challenge the understanding of risk in those norms even though there it might be considerably more specific.

(e) Risk Management Framework:

Structure, composition, and content of the **STANDARD** insinuate that in reality it is a management system in which case its introductory sentence at the end of section 1 will not prevent certification attempts in the end.

The National Footnotes:

(1) Introduction, paragraph 8 (d):

The **STANDARD** allows unqualified balancing between risks in the fields of safety, health protection, and/or environmental conservation on the one side and economic risks on the other side. Specific norms in these fields have therefore absolute priority in Germany.

(2) Section 1, last sentence:

The »Framework« lined out in section 4 of the **STANDARD** is judged by the committee to be in reality a management system which together with section 5 lining out the »Process« and other documents which might lead to certification pressure sooner or later despite of this sentence.

(3) Section 2.25, note 1, second bullet point:

A risk for the environment, health or safety may not be augmented in favor of economic chances in Germany – at least not in so far as the law contradicts this.

(4) Section 4, Headline

Reference is made to national footnote (2).

- (5) **Section 4.3.1, paragraph 2 (a):**

The **COMMITTEE** holds the opinion that in evaluating its external context an organization applying the **STANDARD** can freely decide on its own in which legal system and which natural environment it acts and which obligations it takes in view of accountability with regard to the internal context.
- (6) **Section 5.2, first sentence:**

According to the definition of a »stakeholder« in Section 2.12 of the **STANDARD** only those affected by the results of the risk management need to be consulted.
- (7) **Section 5.3.2, first sentence:**

The **COMMITTEE** stresses that by applying this norm in Germany the external legal framework and its obligations, accountabilities, and responsibilities/competencies have to be clarified without any qualifying limitations.
- (8) **Section 5.3.3, paragraph 2 (b):**

While the **COMMITTEE** deems the first sentence to generally be self-understood it points out that an interpretation might be possible allowing legal requirements to compete with other interests on an even basis and financial interests with safety and health issues. It is pointed out that this is not an acceptable interpretation in Germany.
- (9) **Section 5.3.4, second sentence of the first paragraph:**

It is deemed possible to understand the sentence in a way allowing neglecting necessary or prescribed risk considerations if resources are lacking. It is stressed that such an interpretation would not be acceptable in Germany.
- (10) **Section 5.5.2, first sentence:**

The **COMMITTEE** points out that in risk evaluation aspects of safety, health protection, and environmental conservation have to be respected mandatorily in Germany. Those items must first of all conform to legal requirements and economic interests can be relevant only on a secondary level. The **STANDARD** is understood to be contradicting itself. Further social responsibility is seen to become a subject of a management system which is implemented by it »de facto«.
- (11) **Annex A, headline:**

The attributes described in Annex A are assessed by the **COMMITTEE** to emphasize that the **STANDARD** intends to be a basis for certification despite of this being denied in its scope.

Resume:

The decision of the **COMMITTEE** not to transform ISO 31000 into a national standard in Germany must be seen in the context of the »Gesetz zur Kontrolle und Transparenz im Unternehmensbereich« (the law regarding control and transparency in companies) which was enacted in 1998 and the »Bilanzrechtsmodernisierungsgesetz« (the act to update and modernize the law regarding balance sheets) enacted in 2009 which together make it mandatory for management to implement risk management in Germany if they want to prevent liabilities due to mismanagement. Certainly the fact that many of the standards of **DIN** are dealing with some form of risk will have played an undeniable role. Looking at the official reasons given in the

national preamble and the national footnotes of DIN ISO 31000 the following resume might be addressing the two major issues:

(1) No certification

Essentially Risk Management according to ISO 31000 means management in considerations of deviations from the expected in other words: the challenge to »be prepared«! Considering the **STANDARD**'s probably most important issue with an all-inclusive impact, which is demanding the (RM) process to be an integral part of management, embedded into the culture and the practices, and tailored to the business processes of the organization, ISO 31000 is (just another) manual for management. Insofar the assessment of the **COMMITTEE** that the **STANDARD** in reality contains a management system is not without merit. Whether this automatically will to lead to certification should be discussed. The relevance of this question might be limited in view of the fact that the auditor of the company will have to assess whether appropriate measures have been taken regarding the risks of the enterprise when assessing whether the balance sheet gives a true and fair view on the company's economic status.

(2) Primacy of the law and the concepts of safety, protection of human health, and environmental conservation.

The merit of the comments in this respect should be discussed. Different cultures might value safety, human health, and environmental conservation differently. Regarding the primacy of the law there should be consensus at least in theory in the modern world of business. ISO might want to clarify the latter and discussions might help defuse any arguments regarding safety, human health, and environmental protection.

What would prevent **DIN** to endorse ISO 31000 with comments to the issues addressed clarifying the National Context? – Those clarifications would be guidelines to the external context all entities in Germany would have to observe.

Please address any questions regarding this »MEMO« to:

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