



## RISK MANAGEMENT

---

This month's spotlight looks at Risk Management and given current world events it could not be any more topical or timely. Risk management is generally under the spotlight (excuse the pun) at present as a result of many cumulative factors such as: the fall-out from Enron, new regulatory and accounting requirements (eg: Sarbanes Oxley, Basel II and IAS 39) and the volatility in the financial markets caused by world events such as the Iraq war. This has placed risk management firmly back on the agenda of investors, boards of directors and also, therefore, corporate management. It wasn't that long ago that everyone was focused on the upside or value creation from risk management and less on the protection of downside. As with most things in life the wheel has turned a full circle in terms of risk management and as one treasurer recently commented, "we are back to basics".

Our keynote article this month comes from a long-standing and respected member of the ACT, **Arthur Burgess**. Arthur takes a philosophical and partly tongue-in-cheek look at risk in the context of our lives and the decisions we take.

No newcomer to risk in the broader use of the word is **David Swann**, the Group Treasurer of British American Tobacco, who gives his views on whether recent events have changed the way treasurers think about risk.

Next cab off the rank is **Luca Giuliani**, who uses a recent survey to show how the risks that keep us awake at night have evolved over time to include, today, the risk of terrorism.

**Mark Bayley** then steps us through the history to the Channel Tunnel Rail Link Project and explains how the use of innovative risk transfer is critical to its success.

The next two articles address risks that are part of the day job for treasurers – or in the current environment, night job as well. **Didier Hirigoyen** helps us weigh up the pros and cons of strategic currency risk management. **Steven Mortimer** provides his insights into the current interest rate cycle and whether it is up or down from here.

While oil is at the forefront of everyone's minds, other significant commodity risks exist in every business; **Ben Preston** explains how treasurers should be helping to understand and assess these risks.

Our last article is from **Christopher Karaolis**, who looks at how the new Basel II Accord is impacting how banks look at credit risk and the impact on corporates.

---

Tom Gunson is a Partner in the Corporate Treasury Solutions Team at PricewaterhouseCoopers.  
tom.gunson@uk.pwcglobal.com