



RISK PREVENTION AND MANAGEMENT PLAN

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LIST OF ABBREVIATIONS

CPA: Code of Administrative Procedure

PBS: Porto Business School

PPGR: Risk Prevention and Management Plan

RACI: Responsibility Matrix: Responsible, Accountable, Consulted and Informed

GDPR: General Data Protection Regulation

1. Framework

Porto Business School, as an organisational structure, is aware that it performs functions that are susceptible to corruption and related infractions, namely conflicts of interest that constitute potential risks. It has therefore taken on board the recommendations of Decree-Law no. 109-E/2021, of 9 December ("General Regime for the Prevention of Corruption" or "RGPC"), and has approved this Porto Business School Plan for the Prevention and Management of Risks, Corruption and Related Offences ("PPGR").

Initially, there was an internal training programme on the subject, which was followed by a hearing of the school's middle managers, with a view to identifying risky activities and assessing the inherent and residual risk arising from these activities, as well as defining the priority actions to be implemented.

The entire procedure was based on the following stages:

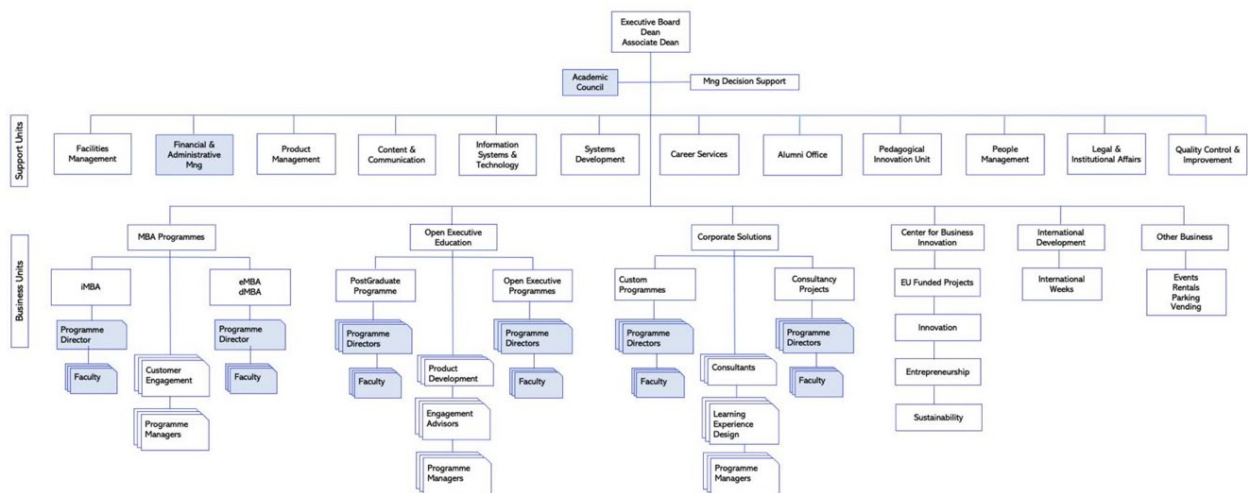
1. Definition of the methodology for drawing up the plan, from a broad perspective that takes into account internal and external contextual factors;
2. Establishment of a RACI responsibility matrix¹ (Responsible for execution, responsible for approval, consulted and informed), by area of activity;
3. Definition of indicators for monitoring the plan;
4. Drawing up a Porto Business School Plan as a facilitating tool for management.

¹ RACI - *Responsible, Accountable, Consulted, and Informed*

1.1. Organisational structure

In this context, the definition of areas of activity and risk assessment is based on the organisational structure shown in Figure 1.

Porto Business School | Structure



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Figure 1 Macrostructure of Porto Business School

1.2. Porto Business School's mission, vision and values

Mission

Porto Business School's mission is to improve the quality of management in organisations through advanced teaching at the MBA level, postgraduate programmes, executive programmes, customised programmes, business partnerships, applied research and consultancy.

The School provides students with innovative and challenging educational experiences that go beyond business fundamentals to develop the leadership skills and knowledge needed for successful careers in management in an increasingly complex and uncertain world.

In short, and as Porto Business School's slogan suggests, "*Make change happen*" through personal development and organisational transformation.

Vision

The vision for Porto Business School is "*to be recognised as a top business school in Europe and to be known for its impactful executive training, its innovative approach and its international outlook*". This statement complements and goes beyond the objectives for which the School is already known: to improve individuals and organisations through excellence in Executive Education.

Their strategy is to go beyond what is expected and known, to explore new territories and try out new paths.

Values

- **Ambition**, we believe in ambition as a driving force for improvement and positive change.
- **Freedom of** thought and autonomy of enquiry.
- **Autonomy**, which translates into proactivity, ownership and accountability.
- **Equity**, as well as diversity and inclusion by guaranteeing equal access and treatment, regardless of gender, social, political, ethnic or religious issues.
- **Responsibility**, both ethical and social.
- **Service**, i.e. a spirit of service that is customer-orientated.
- **Rigour, transparency and quality**, particularly the recognition of merit.
- **Innovation** through the promotion of environments that stimulate creativity and an entrepreneurial attitude.
- **Sustainability**, aimed at sustainable environmental, economic and social

development.

1.3. Competences of bodies and departments

Porto Business School's internal organisation is based on a hierarchical matrix, which is reflected in its governing bodies and internal services. Their importance was taken into account when defining the responsibility matrix [RACI Matrix, described in point 2.4], with the aim of making the role of each person responsible for implementing risk mitigation or elimination actions clear and unambiguous.

Porto Business School is run by an Executive Board, which includes the Dean, assisted by the Vice Deans.

The Business Units and Support Units are part of the structure and are headed by Executive Directors, Heads of Units and Team Leaders.

1.4. Objectives of the Risk Prevention and Management Plan

Risk management is a central procedure in the management of any organisation's strategy, through which it is necessary to methodically analyse the risks inherent in the respective activities, with the aim of achieving sustained management in each individual activity and in all activities as a whole.

All activities enable situations that can be threats or opportunities for gaining advantages.

Aware of these risks, incidents of corruption and related offences, which are an obstacle to the expected functioning of institutions, regardless of their nature or sector of activity, in drawing up this Risk Prevention and Management Plan we have brought together all these factors and presented the following objectives:

- Identification of the risks of corruption, related offences or conflicts of interest for each area or unit;
- Recognition of the appropriate measures to prevent or minimise their

occurrence;

- Identification of those responsible for risks and prevention measures.

Conflict of interest can be defined as any situation in which an employee, in the course of carrying out their duties or because of them, has to make decisions or has contact with procedures in which their own particular interests or those of third parties may be at stake, and which could therefore jeopardise their impartiality and rigour in making decisions, or simply raise doubts about their impartiality or expected rigour in carrying out their duties.

These situations can also arise from mere access to privileged information that is of interest to other organisations or that can influence the department in which you work, among others.

In order to prevent the occurrence of this type of event, Porto Business School has adopted preventive measures, including the importance of publicising the Code of Ethics and Conduct and implementing it.

However, it is also necessary to improve the quality and effectiveness of the existing internal control systems, which is fundamental for proper risk management in general and for the prevention of corruption and related offences in particular.

To this end, risk management must be an ongoing and constantly developing process applied to Porto Business School's strategy and its implementation by promoting a culture of transparency and rigour in the decision-making process and in the actions of the academic community.

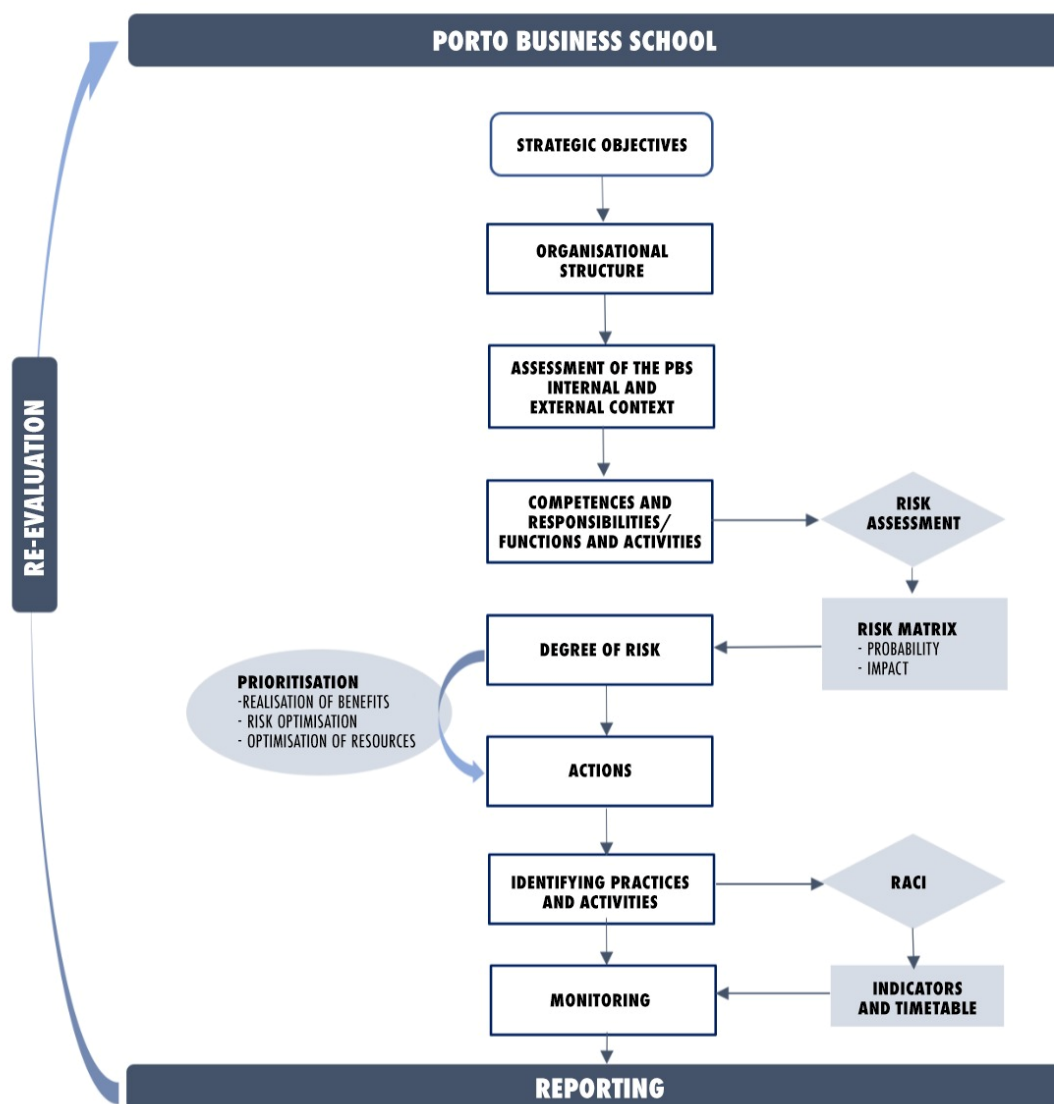
It must also reveal an organisational policy and culture of accountability, through the clear definition of principles and rules that make it possible to understand the ethical values that should determine the actions of all employees as part of their job description, which guarantees the security of information, its confidentiality, integrity and availability.

Lastly, to make employees aware of the issue of preventing corruption and related offences, by publicising this plan, training/awareness-raising activities and making individuals accountable through performance evaluations and the respective rewards, thus promoting efficient implementation at all levels of Porto Business School.

2. Methodology

The methodology used to draw up the Risk Prevention and Management Plan was based on Porto Business School's internal and external context and on identifying the risks inherent to each area or unit, following the workflow illustrated in the diagram below.

Figure 2: Methodology of Porto Business School's Risk Prevention and Management Plan



To this end, risk prevention and internal control measures were identified and monitoring and evaluation methods were defined.

2.1. Evaluation in the internal and external context of Porto Business School

As illustrated in Figure 3, the identification of risks took into account the internal and external context in which Porto Business School operates, identifying the various factors that were present in this analysis.

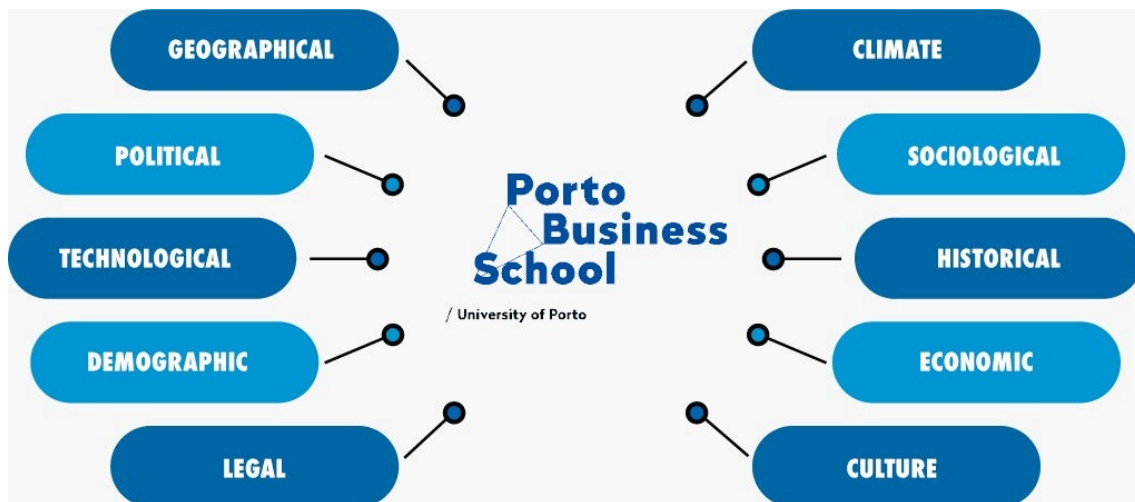


Figure 3: Context that impacts the realisation of Porto Business School's objectives

The following factors were considered most relevant when analysing the internal and external context:

- Competition from other educational institutions, especially in terms of the quality and innovation of the courses and the image in national and international terms;
- Political and economic, specifically the school's finances;
- Technological and legal, in the context of the suitability of the technological structure, IT security and compliance with the General Data Protection Regulation;
- Demographics, taking into account the evolution of the number of candidates;
- Culture, especially organisational culture, given the need for desirable and expected behaviour for the entire Porto Business School community.

2.2. Risk management

This section presents the definition of risk and risk management.

"Risk is defined as the future event, situation or circumstance with the probability of occurrence and potential positive or negative consequence on the achievement of the objectives of an organisational unit."

*"Risk management is the process by which organisations methodically analyse the risks inherent in their activities, with the aim of achieving a sustained advantage in each individual activity and in all activities as a whole."*²

*"Risk management must be a continuous and constantly developing process applied to the organisation's strategy and the implementation of that strategy. It must methodically analyse all the risks inherent in an organisation's past, present and, in particular, future activities."*³

The purpose of identifying risks is to identify the school's exposure to uncertainty. This requires in-depth knowledge of Porto Business School and the market in which it operates, as well as a solid understanding of its strategies and operational objectives.

Effective risk management therefore presupposes:

- **Identifying risks:** realising the likelihood of risk situations occurring and the foreseeable impact they could have as consequences;
- Communication;
- Acceptance;
- Categorisation;
- Plan and a management process.

The Risk Prevention and Management Plan at Porto Business School proposes a risk management approach to corruption and related offences and an operational risk

² In Risk management standard, FERMA - Federation of European Risk Management Associations

³ In Risk management standard, FERMA - Federation of European Risk Management Associations.

management approach, thus helping to mitigate risks arising from the occurrence of "unintentional" errors.

The crime of corruption involves a combination of successive elements. It begins with an action or omission that translates into the practice of a lawful or unlawful act which, in turn, involves an undue consideration for oneself or for third parties.

Corruption can be active or passive depending on whether the action or omission was carried out by the person who corrupts or the person who allows themselves to be corrupted.

Related offences are other types of crimes that are detrimental to the proper functioning of institutions. Common to this type of offence is obtaining an advantage or compensation that is not due, such as abuse of trust, bribery, influence peddling, embezzlement, economic participation in business, and abuse of power, among others.

This plan also includes a pre-emptive approach to the new challenges - in other words, it aims to not just take the risk for granted, but something that can be avoided. To this end, in addition to the preventive approach, it aims to identify potential events, thus ensuring effective risk management at Porto Business School, with a view not only to prevention but above all to deterrence.

2.3. Risk Matrix (Probability/Impact)

Risk prioritisation was carried out taking into account a matrix that classifies risk into five levels, bearing in mind the probability and impact of occurrence - the higher the impact and probability of occurrence, the higher the risk level.

Risk Matrix	Probability		
	Low	Medium	High

Impact	High	Medium	High	Very high
	Medium	Low	Medium	High
	Low	Very low	Low	Medium

Table 1: Risk matrix

That said, in order to harmonise the risk assessment and give it objective criteria, the following impact assessment criteria have been established:

Impact	
High	<ul style="list-style-type: none"> - PBS's image at the national and international level - Risk of corruption and related offences - PBS's image with external control bodies - Negative visibility among teaching staff, researchers, non-teaching staff, students, suppliers of goods and services and contractors - Financial risk exceeding 0.3% of total PBS revenue
Medium	<ul style="list-style-type: none"> - Image with external control bodies, but no sanctioning impact - Behavioural deviation of employees - Impact unknown - Financial risk between 0.01% and 0.3% of total PBS revenue
Low	<ul style="list-style-type: none"> - No impact on internal and external image - Financial risk of up to 0.01% of total PBS revenue.

Table 2 Impact assessment criteria

In terms of probability, the following criteria were defined:

Probability

High	<ul style="list-style-type: none"> - Occurrences detected internally, or by audits/inspections or actions carried out by external control bodies - Occurrences arising from changes in information systems - Occurrences arising from legal changes - Occurrences > 10
Medium	<ul style="list-style-type: none"> - Unknown occurrence - Occurrences: $5 < X \leq 10$
Low	<ul style="list-style-type: none"> - Occurrences ≤ 5

Table 3Criteria for assessing probability

It should be borne in mind that, although the probability of an event occurring is estimated at a low level, if there is a high impact at the same time, the degree of risk will be medium, which will motivate the inclusion of mitigation actions in the Risk Prevention and Management Plan.

Similarly, if the financial impact is considered to be low, the criteria laid down still make it possible to consider the impact of the risk to be high if there is a risk to the image and reputation of Porto Business School.

Finally, all situations that result in a medium degree of risk should be monitored under this Plan.

2.4. Responsibility matrix - RACI

Defining responsibilities is fundamental when managing an organisation.

In the intervention areas of the Risk Prevention and Management Plan, the focus was on identifying the tasks and responsibilities of employees in relation to the activity to which they are assigned.

The use of the RACI matrix enabled responsibilities to be assigned to the various areas and units involved, distinguishing between those responsible for implementation, the body that approves the actions, as well as identifying those who must contribute to the process [inputs] and are listed as consulted, and finally, those who care about the results of the

actions [outputs], who are listed as informed.

Area of Activity		R	A	C	I
Process X	Action 1	Responsible for implementation	Responsible for approval	Consulted	Informed

Table 4Matrix of Responsibilities

2.5. The three lines of defence - risk treatment

Adapting the model of the three lines of defence to the specific context of Porto Business School's organisational structure makes it possible to clearly see the positioning and responsibilities in terms of risk management, control and treatment.

The internal units identified in each of the lines of defence play a different role in preventing Porto Business School from facing risk, from implementing an internal control system to risk management and internal auditing.

The existence of a solid structure with well-defined roles, coupled with properly executed control actions, makes it possible to establish a broad framework for covering gaps in control, consequently enabling more effective risk management.

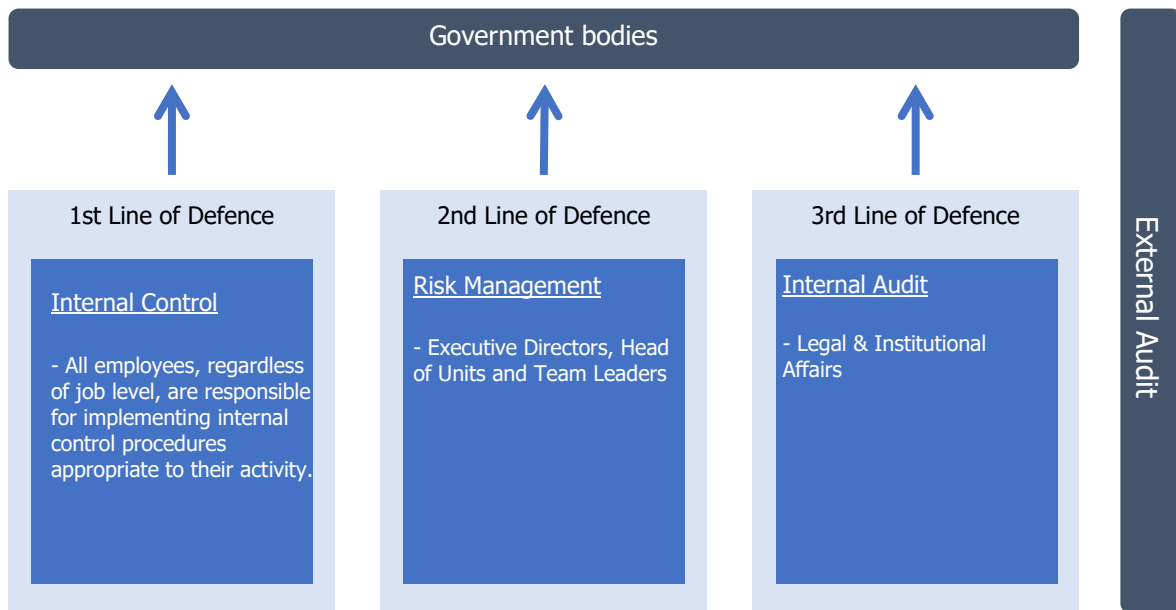


Figure 4: The three lines of defence

Internal control should be understood as a "form of organisation that presupposes the existence of a plan and coordinated systems designed to prevent the occurrence of errors and irregularities or to minimise their consequences and maximise the performance of the entity to which it belongs" (Court of Auditors - Audit and Procedures Manual), and in this regard, the IAA⁴ adds that "control is any action taken by management to strengthen the possibility that the objectives and targets set will be achieved. Thus control is the result of planning, organising and guiding management" (IIA).

Finally, internal auditing is an "independent, assurance and consulting activity designed to add value and improve an organisation's operations. It helps the organisation achieve its objectives through a systematic and disciplined approach to assessing and improving the effectiveness of risk management, control and governance processes" (IIA).

2.6. Facilitators and indicators of corruption

⁴ *The Institute of Internal Auditors* - International standards for the professional practice of internal auditing.

Facilitators are factors that, individually and/or jointly, make it possible for actions to be carried out and, at the same time, determine the ability to promote the changes necessary for adequate risk management at Porto Business School.

Establishing performance indicators makes it possible to monitor financial and operational activities and progress towards the fulfilment of objectives.

Practices or behaviours with the following characteristics can be indicators of corruption:

- Unusual payments, or payments made with a certain unjustified urgency, or before the due date;
- Abnormally high commissions;
- Unjustified gifts;
- Insistence by the collaborator that he/she carry out all the acts relating to certain operations, in cases where he/she is unable to do so or is not competent to do so;
- Making unexpected decisions;
- Taking on roles for which they do not have the necessary level of knowledge or specialisation;
- Abuse of competences or powers to decide certain cases;
- Non-compliance with rules or guidelines for certain operations;
- Lack of documentation of meetings or decisions relating to certain operations.

From the point of view of the facilitating points we have:

- The principles and policies that reflect the behaviour desired by top management;
- Procedures that describe an organised set of practices and activities to achieve certain objectives or results;
- Organisational structures must be aligned with the defined objectives for all types of decision-making;
- The culture, ethics and behaviour of the school's employees, focused on

identifying success factors;

- All information used as a preponderant element to keep the organisation running and well-managed;
- Services and infrastructures as a fundamental support for the realisation and success of Porto Business School's *core business*.

3. Action map and execution control

The action and implementation control maps are the most dynamic document in risk management, giving it the capacity to integrate any changes in context - internal or external - as factors favouring the existence of new risks.

The implementation of measures to prevent and minimise management risks, including corruption and related infractions, is the responsibility of the identified Business Units and Support Units and their respective managers.



Figure 5: Risk management process

The figure also illustrates the contribution of the map of actions and implementation control to the preparation of the Implementation Report and the future revision of the Risk

Prevention and Management Plan.

4. Monitoring, reporting and reviewing the risk management process

In order for the Plan to fulfil its function, it needs to be monitored dynamically and the activities carried out at Porto Business School need to be constantly supervised.

Therefore, in order to ensure effective risk management, a communication and review structure is needed to ensure that risks are identified and assessed, that the planned measures are implemented, and that the Executive Board encouraging and holding all the school's stakeholders accountable is fundamental.

Regular audits of compliance with policies and standards should be carried out. And performance in accordance with them should be reviewed to identify opportunities for improvement.

The fight against corruption necessarily involves responding to alleged suspicions of corruption. This response could include: ordering investigation procedures; observing the duty to cooperate in the investigation; and taking appropriate disciplinary action.

Changes and the environment in which Porto Business School operates must be identified so that the appropriate changes can be made quickly.

To this end, the monitoring process must ensure that adequate control is in place for the activities that are provided and that the procedures are understood and followed.

ANNEXES

ANNEX 1	Macrostructure of Porto Business School
ANNEX 2	Map of Actions and Execution Control of Porto Business School's Risk Prevention and Management Plan

Porto Business School | Structure

