



EMERGING RISK RADAR

Emerging risk considerations

July 2023

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EMERGING RISK RADAR AT JULY 2023

Our first emerging risk radar was released in December 2022.

Given your business strategic objectives what do you see as the emerging events or threats that could impact on your business either negatively or positively and that you believe should be watched?



307 responses from board members from across all sectors (over the last 6 months).

Emerging risk consideration:



How far will these emerging risk affect your business? What do you see as the emerging risks?



How far will these emerging risk play through into your existing strategic risks? How far will they change the way you currently manage your strategic risks?



How will you respond? How will you continue to keep under review the emerging risks?

EMERGING RISK – WHY? AND WHAT?

Why?

The board should establish and keep under review the risk and internal control framework and determine the nature and extent of the principal risks it is willing to take in order to achieve its strategic objectives.

What?

An **emerging risk** might be defined as:

- a new or unforeseen level of uncertainty driven by external events – the risk may still be forming and it may not be clear as to the implications for the business, be these negative or positive.



To be watchful of these emerging risks and how they might play through is an important element of preparedness and the business management of risk. We have framed the emerging risks as:

- **Most prevalent** being risk themes that were more regularly being identified in responses;
- **Keep monitoring** to represent those risk themes that occupied a deemed mid-range in prevalence in responses; and
- **Worth watching** being those emerging risk themes that were less prevalent.

However, all of these risk themes are constantly evolving and shifting, and so are all worthy of consideration.



EMERGING AREAS OF RISK – JULY 2023

 Most prevalent	 Keep monitoring	 Worth watching
<p>2.1 Political instability resulting in change in political priorities, policy changes and reform at all levels across all sectors, affecting business and individuals. (Priority #1)</p>	<p>1.1 Societal changes – including increasing poverty, crime, influencers, extremes creating new stakeholder pressures, complex demands on services and businesses including disruption. (Priority #6)</p>	<p>8.1 Governance status undermined by behaviours, actions, comments or decisions made which may not be appropriate / transparent associated with board members, business leaders, staff and individuals or by associated organisations. (Priority #11)</p>
<p>6.1 Inflation and effects of increasing costs of services on business and individuals. (Priority #2)</p>	<p>4.1 Cyber attacks – increasingly more aggressive and more frequent. (Priority #7)</p>	<p>6.3 Fuel and energy crisis – access to and availability of energy and increasing costs. (Priority #12)</p>
<p>6.2 Reductions in funding (in the case of public sector) and likely less spending by UK government impacting business – wider economic slow down. (Priority #3)</p>	<p>4.2 Keeping up and taking advantage of advances in technology (versus cost) of investment including use of artificial intelligence. (Priority #8)</p>	<p>2.3 Increasing levels of legislation and regulation affecting businesses. (Priority #13)</p>
<p>7.1 Labour availability (experienced and skilled) – being able to recruit, develop and retain the right staff. (Priority #4)</p>	<p>3.1 Climate change and sustainability implications both positive, eg opportunity to fully embrace green agenda and leverage off this and negative, eg greenwashing and costs of meeting targets. (Priority #9)</p>	<p>1.2 A further pandemic and implications there on, as well as knock on effects of Covid-19 pandemic in the form of mental health deterioration etc. (Priority #14)</p>
<p>2.2 Geo-political tensions, including fall out from the war in Ukraine and splinter territory conflicts in the same region (central and eastern Europe), coupled with potential for escalation of conflicts involving China and North Korea. (Priority #5)</p>	<p>5.1 Deterioration in supply chains – ensuring continuity and quality in an extended supply chain. This includes access to and availability of fuel and energy. (Priority #10)</p>	<p>1.3 Resilience of individuals, ensuring on-going well-being, including mental and physical health therefore reducing sickness levels and ensuring on-going ability to effectively perform roles and responsibilities, contribute to society etc. (Priority #15)</p>

Societal and Community

1.1 Societal changes – including increasing poverty, crime, influencers, extremes creating new stakeholder pressures. **(Priority #6)**

1.2 A further pandemic and implications there on, as well as knock on effects of Covid-19 pandemic. **(Priority #14)**

1.3 Resilience of individuals, ensuring on-going well-being, including mental and physical health. **(Priority #15)**

Governance

8.1 Governance status undermined by behaviours, actions, comments or decisions made which may not be appropriate / transparent associated with board members, business leaders, staff and individuals or by associated organisations. **(Priority #11)**

Economic and Financial

6.1 Inflation and effects of increasing costs of services on business and individuals. **(Priority #2)**

6.2 Reductions in funding and likely less spending by UK government impacting business. **(Priority #3)**

6.3 Fuel and energy crisis – access to and availability of energy and increasing costs **(Priority #12)**

People Resources

7.1 Labour availability (experienced and skilled) – being able to recruit, develop and retain the right staff. **(Priority #4)**

Emerging Risk Radar



Policy and Regulation

2.1 Political instability resulting in change in political priorities, policy changes and reform. **(Priority #1)**

2.2 Geo-political tensions, including fall out from the war in Ukraine and splinter territory conflicts in the same region (central and eastern Europe), coupled with potential for escalation of conflicts involving China and North Korea. **(Priority #5)**

2.3 Increasing levels of legislation and regulation affecting businesses. **(Priority #13)**

Environmental

3.1 Climate change and sustainability implications both positive, eg opportunity to fully embrace green agenda and leverage off this and negative, eg greenwashing and costs of meeting targets. **(Priority #9)**

Technological

4.1 Cyber attacks – increasingly more aggressive and more frequent. **(Priority #7)**

4.2 Keeping up and taking advantage of advances in technology (versus cost) of investment including use of artificial intelligence. **(Priority #8)**

Commercial

5.1 Deterioration in supply chains – ensuring continuity and quality in an extended supply chain. **(Priority #10)**

FURTHER INFORMATION

Insight4GRC™

RSM's Governance, Risk Management and Compliance Digital Solution.



4risk
<https://youtu.be/12NyJhSNK3o>

4action
<https://youtu.be/xEuFSwzbzvw>

4policies
<https://youtu.be/ufXYt1juwhA>

4questionnaires
<https://youtu.be/NW17EoRJsjs>

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