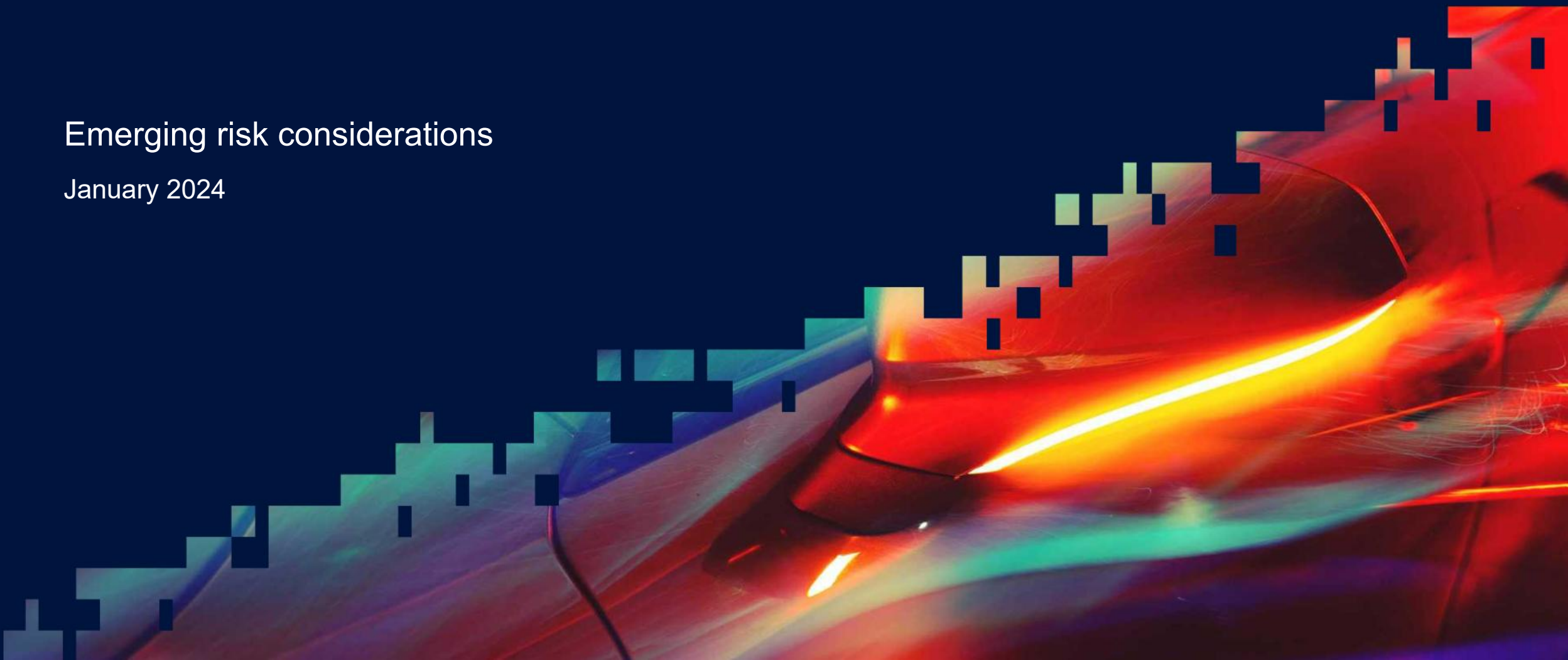


Emerging Risk Radar

Emerging risk considerations

January 2024



Emerging Risk Radar: January 2024

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

The emerging risk radar is based on 194 survey responses from board members and professional advisors from across all industries (over the last 6 months).

Key emerging risks in summary:

- ☐ New emerging risks in the form of reduced availability and access to public services due to demand and under-investment, increasing weather pattern shifts, and reduced business investment as a result of macro-economic conditions including geopolitical challenges.
- ☐ Many emerging risks are becoming more prevalent, such as shortages in people skills and experience, targeted cyber-attacks and the impacts of artificial intelligence (AI).
- ☐ The top 3 most prevalent emerging risks being:
 - i. Change in government and political instability.
 - ii. Shortages in people skills and experience available.
 - iii. Economic slow-down resulting from reduction in income through reduced spending.

Emerging risk considerations:

- ☐ What do you see as the emerging risks? How far will these emerging risks affect your business?
- ☐ How far will these emerging risks 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 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 emerging risk themes that were more regularly being identified in responses;
- **Keep monitoring** to represent those emerging 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 emerging risk themes are constantly evolving and shifting, and so are all worthy of consideration.

Emerging areas of risk – January 2024



Most prevalent

2.1

Change in government and political instability leading to changes in policies affecting all businesses, sectors and individuals – potential for increasing government interference in business (corporate and not for profit). **(Priority #1)**

7.1

Shortages in skills and experience - reduced investment in staff development, temporary contracts becoming more frequent, reduced pool of experienced / skilled staff available with constant movement between employers (who pays the most) versus increasing lack of commitment to longer term career. **(Priority #2)**

5.1

Economic slow-down resulting from reduction in income through reduced spending by consumers or reduced spending by government / public sector. **(Priority #3)**

5.2

Reduced investment in research and development as businesses take a short-term approach and focus on business as usual (reducing agility and innovation) due to macro-economic conditions including geo-political challenges. **(Priority #4)**

4.1

Cyber-attacks increasing in frequency and complexity. Unable to sufficiently invest in defence – attacks more disabling, coupled with loss of data in serious targeted attacks. **(Priority #4)**

4.2

Impact of artificial intelligence both positive and negative implications – still largely unknown what this may mean for business (all sectors) and employees. **(Priority #4)**

6.1

Shifts in inflation, interest rates, salaries and wages, energy costs etc creating financial forecasting and planning uncertainties. **(Priority #4)**

2.2

Geo-political instability, including fall-out from and expansion of conflicts eg the Middle East, the US Elections, Ukraine / Russia, relationships with China, North Korea aggression, terror organisations etc and the influence on society. **(Priority #5)**

8.1

Tick box governance – 'Don't walk the talk'. Lack of transparency in decision making, conflicts of interest justified, and loss of accountability. **(Priority #5)**

3.1

Engaging effectively with the Green Agenda including lack of finance and resources to commit to the environment and sustainability. Ability to meet green agenda targets (coupled with potential for Green Washing). **(Priority #6)**

Emerging areas of risk – January 2024



Keep monitoring

- 1.1 Availability and effectiveness of public services are reduced due to under investment, lack of resources and increased demand from the public. **(Priority #7)**
- 5.3 Reduced competition in the market – several dominant players creating less suppliers and less buyers, and overall reduced markets. **(Priority #7)**
- 6.2 Availability of supplies leading to increased costs across all ranges of materials. **(Priority #7)**
- 8.2 Maintaining board member capacity and capability - fitness for future, including availability of non-executives for appointment and hold modern world insights. **(Priority #8)**



Worth watching

- 2.3 Ability to effectively respond to new legislation - legislation and regulation being rushed, not thought through and used by government to create change (with out-of-date regulators). **(Priority #9)**
- 1.3 Societal tensions stemming from, by example, racial, ethnicity, diversity, wealth, age, and cultural extremes. **(Priority #9)**
- 1.2 Increasing awareness of mental health and physical well-being issues stemming from post pandemic fall-out, increasing poverty, access to and quality of housing eg damp and mould hazards. Impacting on public services and employers. **(Priority #10)**
- 3.2 Increasing weather pattern shifts / extreme weather impacting the UK (and globally) – storms, floods, temperature changes impacting supplies and productivity . **(Priority #11)**

Societal and Community

- 1.1 Availability and effectiveness of public services are reduced. **(Priority #7)**
- 1.2 Increasing awareness of mental health and physical well-being issues. **(Priority #10)**
- 1.3 Societal tensions stemming from, by example, racial, ethnicity, diversity, wealth, age, and cultural extremes. **(Priority #9)**

Governance

- 8.1 Tick box governance – ‘Don’t walk the talk’. Lack of transparency in decision making, conflicts of interest justified, and loss of accountability. **(Priority #5)**
- 8.2 Maintaining board member capacity and capability – fitness for future. **(Priority #8)**

Economic and Financial

- 6.1 Shifts in inflation, interest rates, salaries and wages, energy costs. **(Priority #4)**
- 6.2 Availability of supplies leading to increased costs across all ranges of materials. **(Priority #7)**

People Resources

- 7.1 Shortages in skills and experience - reduced investment in staff development, temporary contracts more frequent, reduced pool of skilled staff with movement between employers and increasing lack of commitment to longer term career. **(Priority #2)**

Emerging Risk Radar January 2024



Political, Policy and Regulation

- 2.1 Change in government and political instability. **(Priority #1)**
- 2.2 Geo-political instability, including fall-out from and expansion of conflicts and the influence on society. **(Priority #5)**
- 2.3 Ability to effectively respond to new legislation. **(Priority #9)**

Environmental

- 3.1 Engaging effectively with the Green Agenda including lack of finance and resources to commit to the environment and sustainability. **(Priority #6)**
- 3.2 Increasing weather pattern shifts / extreme weather impacting the UK (and globally). **(Priority #11)**

Technological

- 4.1 Cyber-attacks increasing in frequency and complexity. **(Priority #4)**
- 4.2 Impact of artificial intelligence both positive and negative implications. **(Priority #4)**

Commercial

- 5.1 Economic slow-down resulting from reduction in income through reduced spending. **(Priority #3)**
- 5.2 Reduced investment in research and development due to macro-economic conditions. **(Priority #4)**
- 5.3 Reduced competition in the market. **(Priority #7)**

Risk movement and direction of travel

We identify the emerging risk themes where there has been movement since summer 2023.

2.1	Change in government and political instability. (Priority #1)	➤	1.1	Availability and effectiveness of public services are reduced. (Priority #7)	New
7.1	Shortages in skills and experience - reduced investment in staff development, temporary contracts more frequent, reduced pool of skilled staff with movement between employers and increasing lack of commitment to longer term career. (Priority #2)	➤	5.3	Reduced competition in the market. (Priority #7)	➤
5.1	Economic slow-down resulting from reduction in income through reduced spending. (Priority #3)	➤	6.2	Availability of supplies leading to increased costs across all ranges of materials. (Priority #7)	✓
5.2	Reduced investment in research and development due to macro-economic conditions. (Priority #4)	New	8.2	Maintaining board member capacity and capability – fitness for future. (Priority #8)	New
4.1	Cyber-attacks increasing in frequency and complexity. (Priority #4)	➤	2.3	Ability to effectively respond to new legislation. (Priority #9)	➤
4.2	Impact of artificial intelligence both positive and negative implications. (Priority #4)	➤	1.3	Societal tensions stemming from, by example, racial, ethnicity, diversity, wealth, age, and cultural extremes. (Priority #9)	✓
6.1	Shifts in inflation, interest rates, salaries and wages, energy costs. (Priority #4)	✓	1.2	Increasing awareness of mental health and physical well-being issues. (Priority #10)	➤
2.2	Geo-political instability, including fall-out from and expansion of conflicts and the influence on society. (Priority #5)	➤	3.2	Increasing weather pattern shifts / extreme weather impacting the UK (and globally). (Priority #11)	New
8.1	Tick box governance – lack of transparency in decision making, conflicts of interest justified, and loss of accountability. (Priority #5)	➤			
3.1	Engaging effectively with the Green Agenda including lack of finance and resources to commit to the environment and sustainability. (Priority #6)	➤			

Direction of travel

- Consistent
- Increasing
- ✓ Decreasing

Emerging Risk Radar July 2023 Recap

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)**



Political, 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 – challenges in 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>

[Boredom in the Boardroom: The RSM NED Network | RSM UK](#)



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