

Emerging Risk

Hello and welcome to Comcover's microbite on emerging risk. My name is Yannick and I will be joined in a moment by my colleague Cathi.

We all know that risk is defined as the 'effect of uncertainty on objectives' and we utilise our resources to actively manage these known risks. However there may be some risks on our radar that we may not have yet fully contemplated, because their potential likelihood or consequence is unknown.

These types of risks are known as emerging risks. These risks often develop and evolve over time, and we need to keep an eye on them to ensure we are prepared to manage them as they become more certain.

Considering emerging risk is an important part of strategic decision-making. It is easy for emerging risks to go unnoticed when you focus on the short-term. By monitoring emerging risks, you can better identify and prepare for shifts in strategy and possible disruptions, thereby helping you to achieve your long term strategies.

This microbite provides some considerations to help when identifying and managing emerging risks in your entity.

A useful technique to identify emerging risks is Risk Sensing. Risk sensing supports your understanding of your internal and external operating environments and the three activities that enhance risk sensing are situational awareness, stakeholder consultation and communication strategies.

Situational awareness

There are often trends that pre-empt an emerging risk. You, as a risk manager, should be aware of current events through media scanning or reading relevant audit reports. You could also

undertake a PESTLE or SWOT analysis. PESTLE stands for Political, Environmental, Social, Technological, Legal, and Economic, and SWOT stands for Strengths, Weakness, Opportunities and Threats. Both help you to identify any internal or external trends that may give rise to risks to prepare for.

Stakeholder consultation

Check-in regularly with both internal and external stakeholders. Strive to include a range of stakeholders, including subject matter experts and people with experience in similar work environments in these check-ins. By consulting widely you will sharpen your own insights into emerging risk.

Communications strategies

Implement a two-way communication model extending from your executive to operational staff. The executive is responsible for disseminating the entity's risk appetite and risk tolerance, whilst individuals at the operational level can pass on any changes in the operating environment that could indicate an emerging risk.

This helps to ensure that decision-makers at all levels are equipped with timely and relevant information around risk. Make sure you regularly review current risk management plans to identify any vulnerabilities, and test that existing controls are still effective.

So, let's assume you are taking steps to maintain situational awareness, consulting with stakeholders and implementing two-way communication strategies – what's next? Well, next you need to develop a structure to address emerging risks and there are 5 steps you can take.

- 1) Capture risk information from different sources to identify emerging risks.
- 2) Prioritise emerging risks by considering how soon the risk is likely to eventuate, the consequences if it does and how quickly the consequences will be felt.

- 3) Agree on a threshold for the trends of the emerging risks you have identified. That is, the point at which action should be taken to mitigate the risks, similar to the approach taken with key risk indicators.
- 4) Document your considerations and embed them in your current risk management activities.
- 5) Regularly communicate emerging risk information so that it is at the forefront of decision making. This may include key risk indicators, shifts in your internal or external operating environments, and any changes in risk appetite.

By taking these steps you will be helping your entity to prepare for emerging risks relating to activities such as rolling out a new program, commencing a new procurement or implementing new internal policies and processes.

In closing, here are some final considerations to help with identifying and managing emerging risks:

Keep your outcomes and objectives front and centre. That way, you are aware of anything that could impact them.

Identify data sources, and insights from subject matter experts that support them. This will help in monitoring trends relating to the source of the emerging risk. But don't forget to set thresholds too.

Prioritise which emerging risks to monitor based on how soon they are likely to eventuate, the consequences if they do, and how quickly the consequences will be realised.

Ensure good communication downwards and upwards so that risk information is readily available. Think about whether others might be impacted from emerging risks you've identified or whether you share the risk with others. There may be an advantage in collaborating to manage the risk.

This brings us to the end of this microbite on emerging risk. We hope you found it useful. Please don't forget to fill out the survey below, and for more information on emerging risks please leave your name and contact details in the comment box below the survey and a member of the Comcover team will be touch. Thank you for watching.