

New and emerging risks and what they may mean for organisations

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Chartered Institute of
Internal Auditors



A photograph showing a row of wooden theater-style seats in a lecture hall. The seats are arranged in a slight curve, facing towards the right side of the frame. The wood has a warm, natural finish. A white paper or card is visible on the seat in the foreground.

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Why are they important

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Digitization, Demographics and Resources

CLIMATE CHANGE

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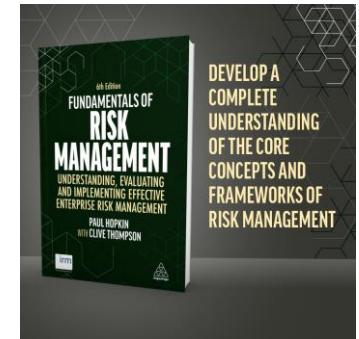
Questions or comments

Background

40 years in risk related roles



(Interim)
Technical
Director



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Emerging Risks

What are they:

"New, previously unknown or not considered [risks]"

ISO31050

"Emerging risks are newly developing or changing risks that are difficult to quantify"

Swiss Re



Why are emerging risks important

- At the current pace of change, the world in the 21st century will experience 20,000 years of advancements, in just one 100 years

World Economic Forum 2016

When risk emerges



Consider:

Paul Moore – HBOS

SARS, EBOLA, Zika

Directorate of Global Health Security and Biodefense

Risks which are emerging

CLIMATE
CHANGE

Digitization

Demographic
change

Supply
Chains

Digitization

Edge Computing

Deepfakes

AI ethics

Reliance /
resilience

Demographic Change

Inequality

Technology

Indebtedness

Recruiting

Supply Chains

Infrastructure
renewal

Energy

Transport

Urbanisation

Climate Change

Uncertainty as to impacts and outcome:

Certainty as to changes and further events

Policy changes will occur but

Ambition vs Reality

“The tragedy of the horizon”

Mark Carney

Current generation has no direct incentive to fix this issue as its effects are beyond the business cycle; the political cycle; and the horizon of technocratic authorities.

- ❖ In the Northern Hemisphere the last 30 years have been the warmest since Anglo-Saxon times;
 - ❖ eight of the ten warmest years on record in the UK have occurred since **2002**;
 - ❖ Atmospheric concentrations of greenhouse gases are at levels not seen in **800,000** years;
 - ❖ The rate of sea level rise is quicker now than at any time over the last **2 millennia**.

IRM climate change risk framework



Categorise risk

Physical risks

Changing climate conditions
Extreme weather events



Direct damage to assets or property

- Lower asset values
- Increased insurance claims
- Supply chain disruption

Transition risks

Policy changes
Technological innovation
Social adaptation



Disruption from adjustment to low-carbon economy

- Impacts on pricing and demand
- Stranded assets
- Defaults on loans

Liability risks

Stakeholder litigation and regulatory enforcement



Disruption from event impact

- Business disruption resulting from litigation
- Penalties resulting from litigation

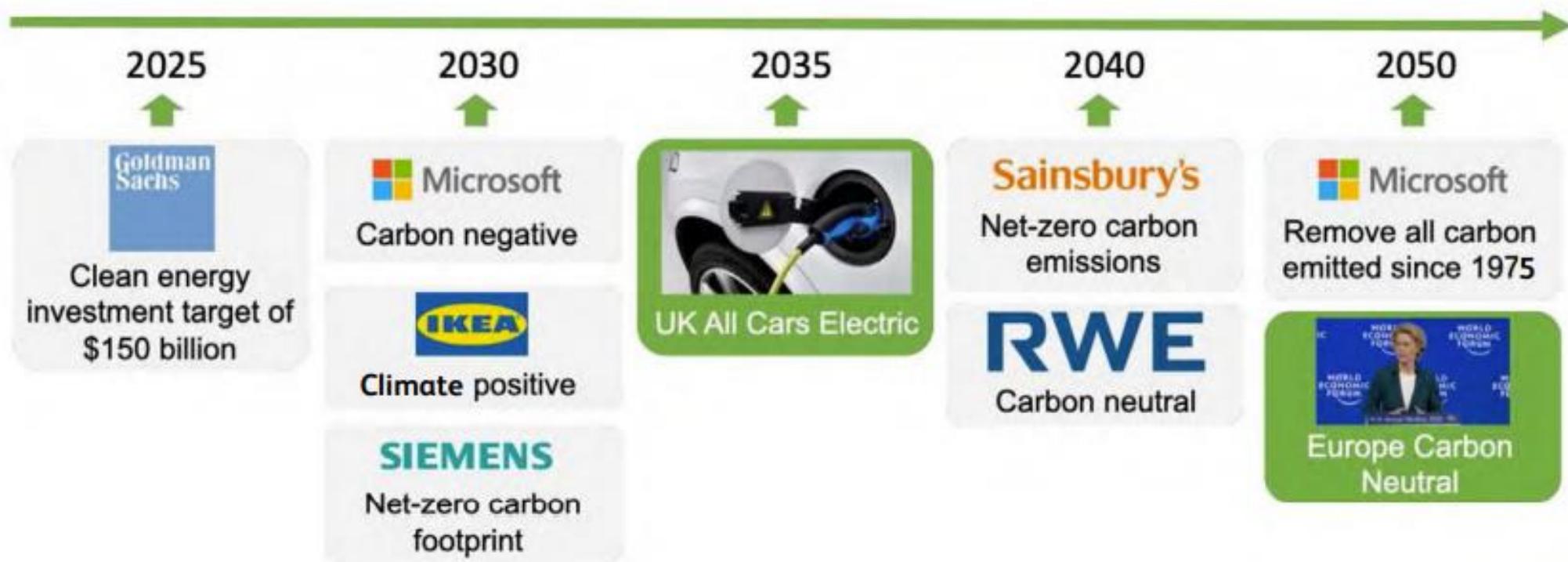
A Risk Radar



Key:

- Physical "Direct" Risks (Blue)
- Transition "Indirect" Risk (Green)
- Liability Risks (Purple)

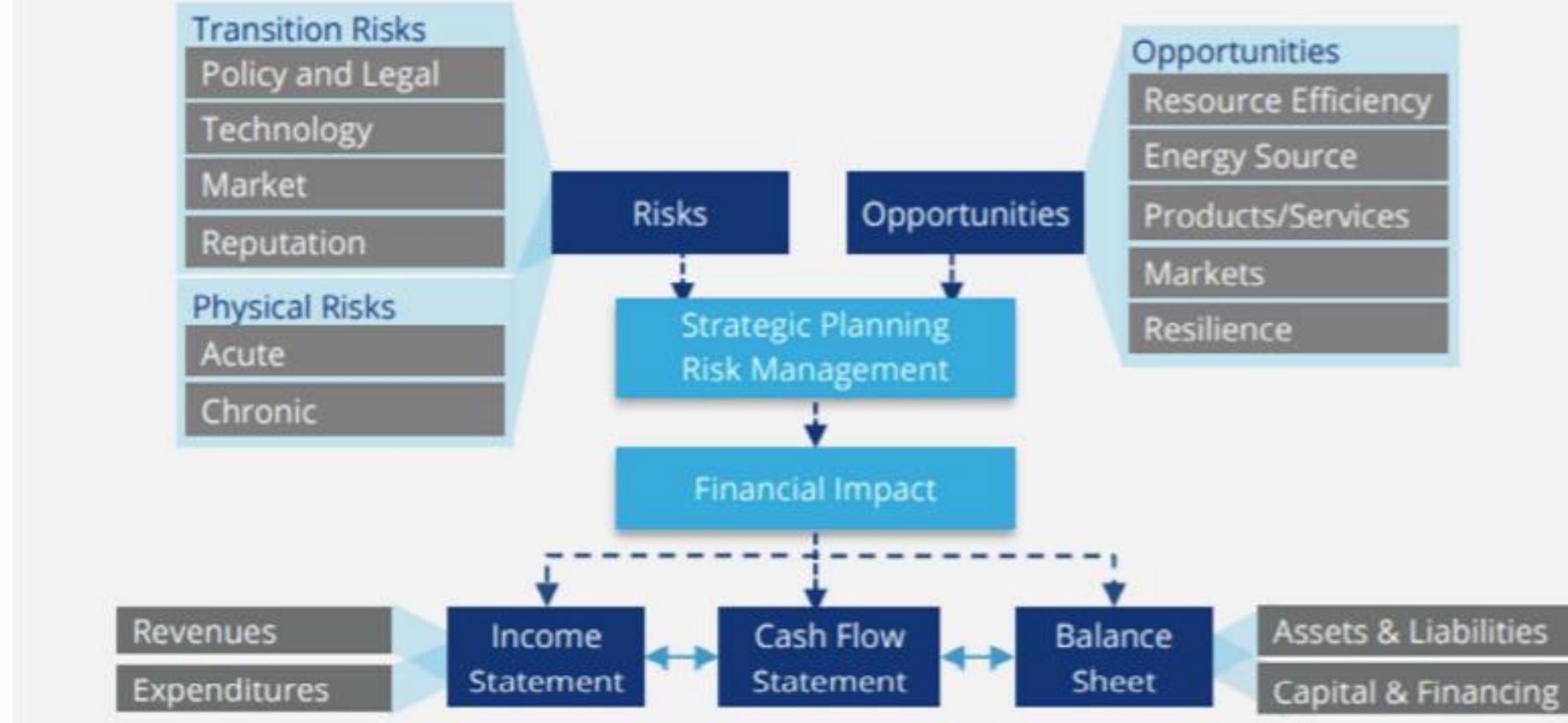
Where are you on the Climate Change journey



Government and organisational responses – Examples to meet Net-Zero emissions goals – (Source IRM Climate Change SIG).

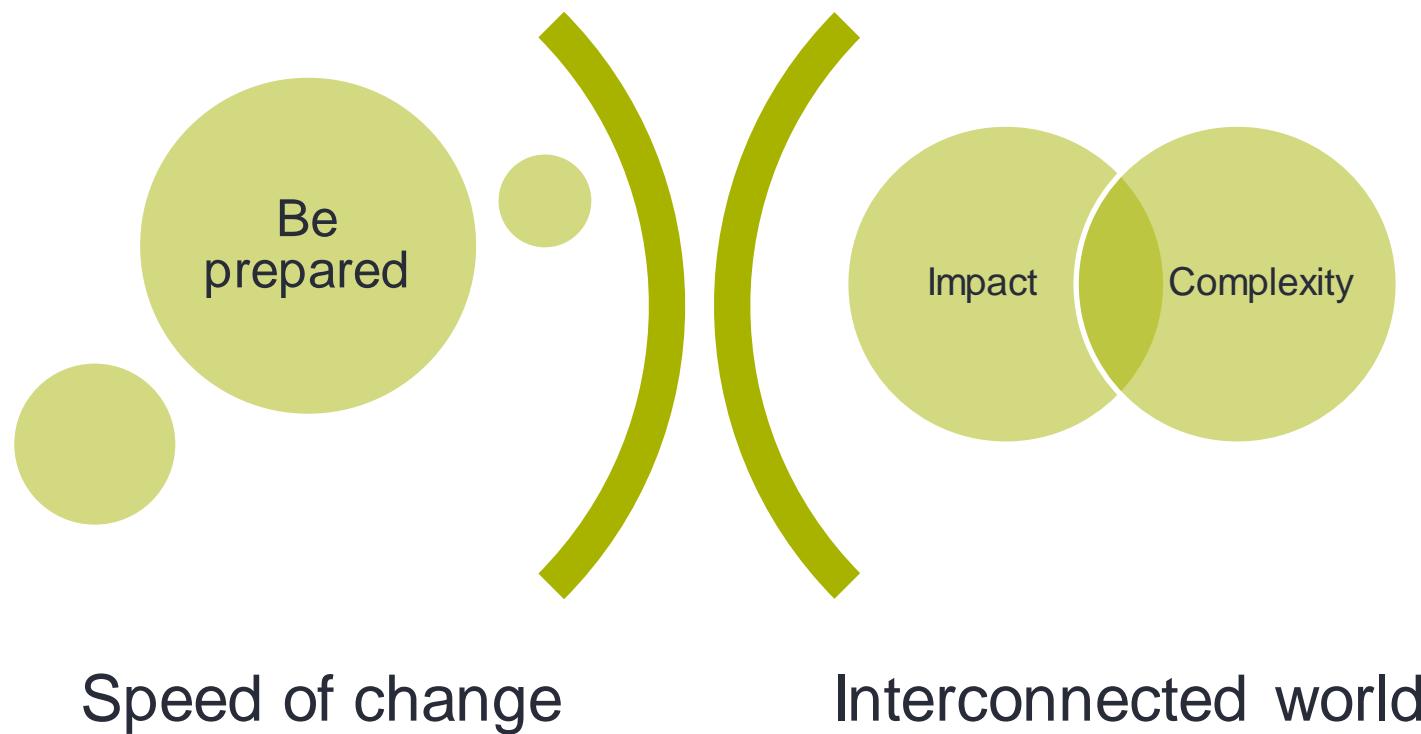
Impact on finances

Climate-Related Risks, Opportunities, and Financial Impact



Conclusion

Emerging risks will emerge



Take action on climate change
There are frameworks to use
Be aware of policy and stakeholders interests

We can do this!



**Questions or
Comments ?**

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Thank you