ViClarity

Governance, Risk & Compliance Trends to Look Out for in 2023

Explore the challenges and opportunities facing GRC teams in the year ahead

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Introduction

Learning from the Past While Preparing for the Future

Governance, Risk & Compliance (GRC) teams may be taking some time to reflect on the lessons learned over the past twelve months to improve practices and identify key priorities for 2023.

With COVID-19 in the background, organisations are now looking beyond recovery to growth. There are new opportunities, but, new challenges have arisen that GRC teams need to consider in their plans for the year ahead.

Global issues such as the ongoing invasion in Ukraine, the current cost of living crisis and tightening financial conditions are projected to slow down economic growth from 6% in 2021 to 2.7% throughout this period according to the International Monetary Fund (IMF).

All of this, coupled with ongoing changes to regulation and climate change, pose additional concerns for GRC teams of all sizes. The nature of today's risks requires more from risk management initiatives. GRC leaders must prioritise additional capabilities to ensure effective management to meet the demand of evolving risks in 2023.

The ViClarity team is here to help you through 2023 and beyond. Our award-winning software has been developed from years of experience with organisations just like yours and throughout this article, our team will highlight the key trends to consider in 2023 as you put your risk plans in place.

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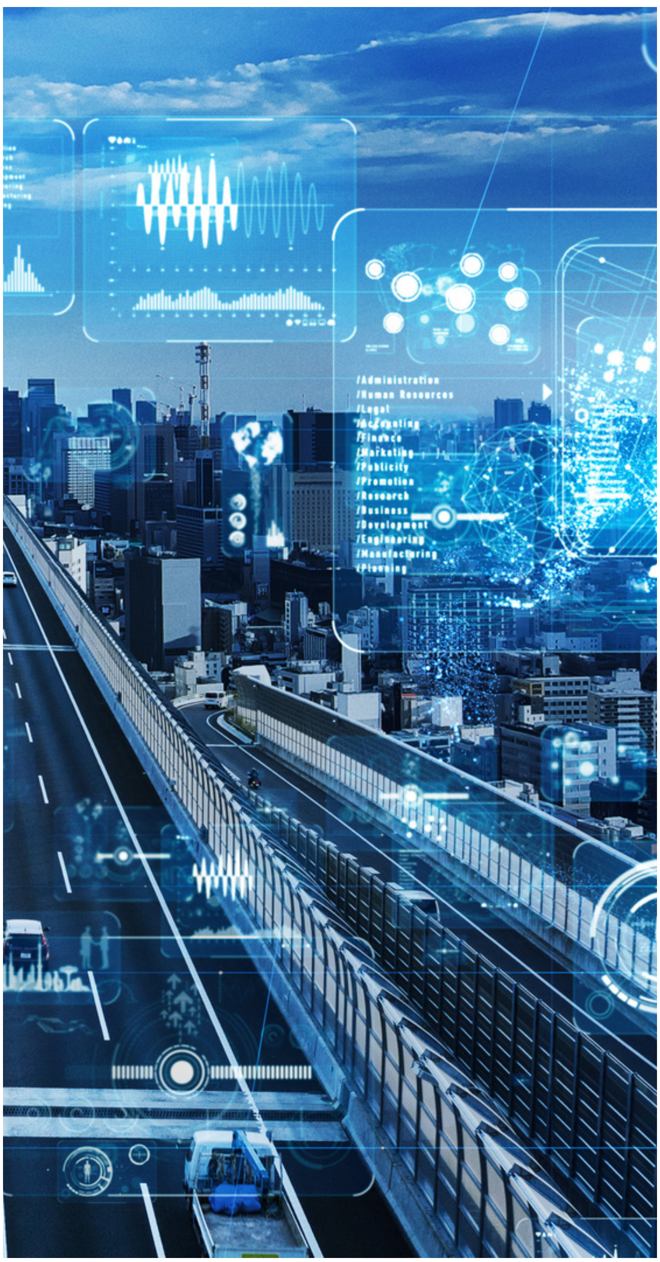
01 Operational Resilience



Regulatory Focus Shifting Toward Operational Resilience

In recent years, regulators have made operational resilience a focus point. New legislations have been implemented by regulators all over the world, led by the UK, where the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA) jointly released new policy statements and rules in relation to operational resilience.

Risk Management vs. Operational Resilience

Traditional risk management focuses on minimising risk to a firm, via controls that reduce the impact and probability of a risk event happening. Operational resilience focuses on building a firm's capabilities to deal with risk events that should materialise. We are seeing operational resilience straddling five key pillars:

1. **Regulatory Resilience** - Ensure that your organisation is in full compliance with regulatory requirements.

2. **Service Providers -** Identify critical business service providers, or those partners that could harm the firm or negatively impact its financial stability.

3. **IT and Cyber Resilience -** A firm must ensure that both their own technology and their provider's technology are suitable and secure. Continual assessment is key, in that firms should build on existing processes and systems.

4. **Financial Resilience** - Clarify that you have adequate operating capital, that your assets are sufficiently liquid and that you're managing your finances prudently.

5. **People Resilience -** Ensure your governance, accountability and culture are building morale and empowering success within your organisation, and that your communication plans, between employees and all stakeholders, are robust enough to handle unexpected disruptions.

Expectations to Show Evidence

Despite individual guidance, there is a commonality in relation to regulators' operational resilience requirements. We see continued attention paid to mapping third-party interdependencies to operational resilience risks. The key difference between risk management and operational resilience is in considering the different outcomes and being ready for them rather than trying to make an exact prediction.

02

ESG - Environmental, Social & Governance

ESG has been a popular acronym across many industries in recent years, and this will continue into 2023. As consumers become more aware of the environmental impact of products, increased pressures are coming from a consumer point of view. Investors, employees and consumers all expect companies to show evidence of how they're addressing key criteria under their ESG policy.

From a regulatory perspective, ESG guidelines should become more measurable in 2023 with regulators moving to embed standards for organisations under the ESG umbrella. If a company doesn't follow these regulations, it could face fines or even criminal charges if there's evidence of wrongdoing. Along with financial penalties, failing to meet these expectations could injure a company's brand image and reputation for a period of time.

ESG Reporting - A Cross-Departmental Task

The expectation from regulators in 2023 is that organisations will firm up their ESG reporting processes. As ESG touches so many parts of the business, organisations must see it as part of their culture, with everyone getting involved from the Board to multiple departments across the organisation.

A cultural change starts with the Board, which will need to provide oversight of ESG risks and opportunities, followed closely by HR (monitoring staff welfare), Procurement (ensuring responsible sourcing), all the way through to the risk and compliance team have the final task of gathering data and presenting monthly and quarterly ESG risk reports for management.

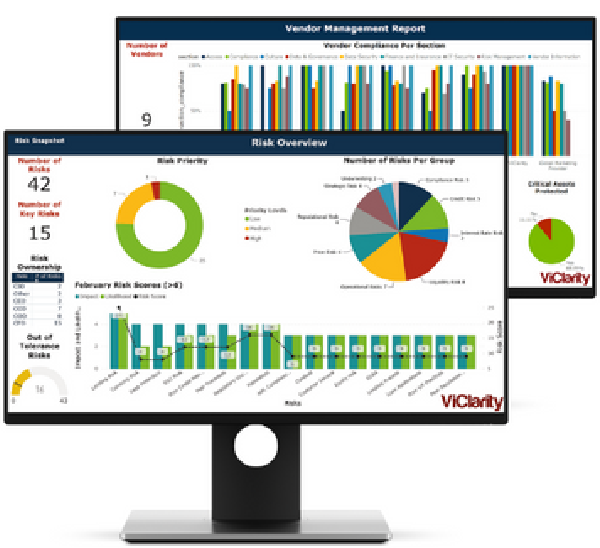
03 Digital Transformation of GRC Processes

Technology is the Way Forward

A recent **EY Global Board Risk Survey** found that 69% of businesses plan to increase their level of investment in data and technology for risk management in the next 12 months. And, when presented with a series of initiatives that enhance enterprise resilience, boards identify the use of data and technology as their top priority.

The pandemic saw a real acceleration in the uptake of technology across multiple business functions, and GRC was no exception. Organisations quickly realised that technologies such as ViClarity can automate the collection and collation of risk and compliance data, thereby reducing costs while freeing up GRC teams to spend more time analysing data rather than chasing it.

Those organisations who embark on digital transformation of their GRC processes in 2023 will benefit from a large reduction in the time spent on the administrative tasks associated with GRC. Along with this, GRC platforms can help break down organisational silos, allowing multiple teams such as risk, compliance, audit and others collaborate seamlessly. This results in faster and better decisions being made due to the vast amount of data available to help make those decisions.



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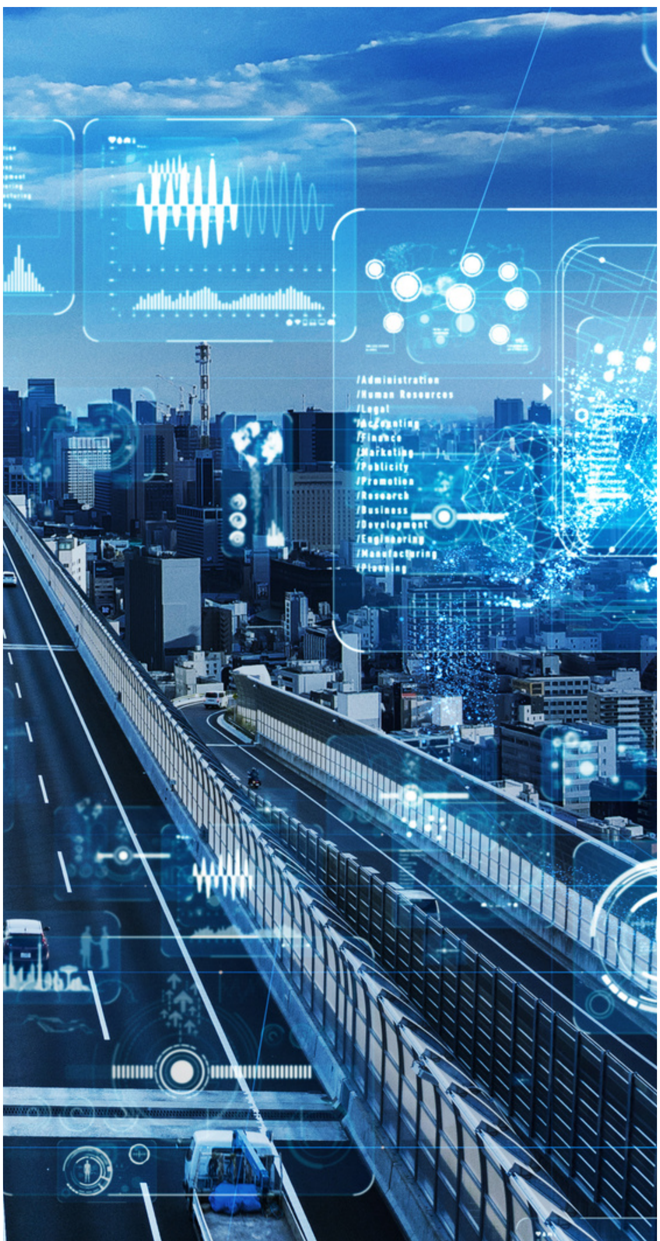
Cross Border Obligations



Managing Regulatory Obligations Across Multiple Jurisdictions

In an ever-changing regulatory landscape, organisations are finding it increasingly difficult to keep up to date and track the vast number of regulatory documents that must be submitted to regulators across multiple jurisdictions. Global compliance teams must devote more resources to monitoring and coordinating business actions in response to increasing regulatory demands.

Regulatory change will continue to be a huge challenge for GRC teams in 2023 as changes to regulations are occurring at an unprecedented rate and scale around the world, and keeping up with such a large volume of complicated requirements can be extremely difficult.

Many organisations are turning to alternative ways to manage regulatory change, with Artificial Intelligence (AI) tools and GRC tools like ViClarity leading the way.

Thank You

To learn more about how ViClarity helps organisations streamline their Governance, Risk & Compliance processes

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