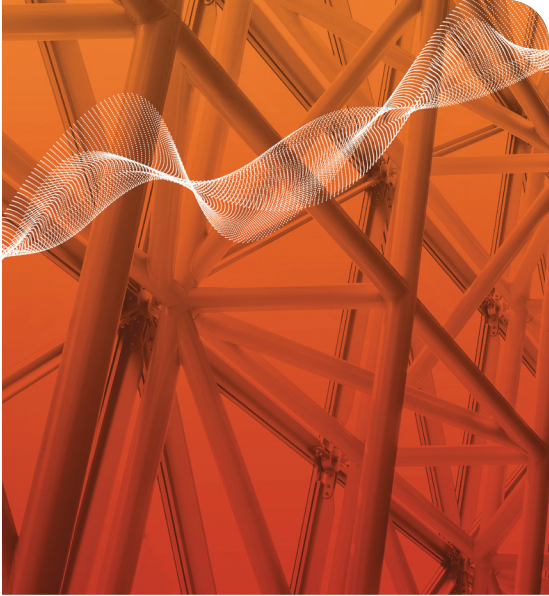**Silvanous Inyangala**

Embedding a Governance, Risk and Compliance Culture to Deliver Sustainable Business Performance

Artex | Alternative Risk

Governance, risk and compliance (GRC) aligns an organization's approach to risk management and regulatory compliance. It encompasses business accountability, resource management, ethics and risk controls. Strengthening and rationalizing processes supporting GRC practices can help to optimize business performance, enhance decision-making and improve governance board effectiveness.

Organizations across the board are benefitting from taking a more strategic position on GRC. Taking this route can help with aligning activities to deliver business objectives and collaboratively manage enterprise risk controls while meeting compliance and regulatory expectations.

Risk management has heightened importance at this time given the significant rise in cyberattacks and a generally more challenging operating/trading environment. Irrespective of how robust internal processes and controls are, an external third-party vendor or customer could present an unexpected/unplanned risk at any time. Therefore, organizations need to build a single source of risk truth that enables visibility and proactive response at an enterprise level.

GRC SUPPORTS TODAY'S COMPLEX BUSINESS AGENDA

Today's fast paced, change driven operating environments are challenged with complex risk dynamics and increased uncertainty. The creation of a comprehensive and supportive governance, risk and compliance framework has become a top priority for all organizations. However, governance can no longer be viewed as a purely reactive process. Instead, a proactive stance is needed to mitigate risk to enable the organization to respond to emerging opportunities that drive productivity and growth.

The increased application of technology and data is guiding decision making and enabling innovation to meet evolving customer and market expectations. At the same time cyber risk exposure is growing and becoming more complex. AI, the Internet of Things and supply chain integration are integral to operating environments and touch all parts of the business as well as customers and third-party suppliers. Increased governance and risk controls are a higher priority as businesses interact with markets and internally with faster response times and commercially sensitive data management.

Ultimately, implementing effective governance, risk and compliance frameworks will facilitate this process and it is an area where Artex can provide significant support.

SHIFTING ATTITUDES TOWARDS GRC

Heightened uncertainty and reduced confidence has moved the GRC conversation in a different direction. Complex risk exposure, regulatory scrutiny, the Ukraine war and increased geopolitical tension, along with a rising number of high loss cyberattacks and the COVID-19 global pandemic resulting in a workforce pivoting to remote working overnight, have transformed the risk landscape. Company boards are under increased scrutiny, leading to lower risk tolerance, and shareholders are calling for robust corporate governance.

Embedding GRC structures and reaching the desired outcome requires employee and business buy-in. While the importance of GRC controls may be clearly understood, the processes required to implement them are not always clear.

Impactful messaging along with change motivated leadership is critical to connecting the agenda for change with an understanding of why GRC is essential to sustainable success.

IS 'SOUND' FINANCIAL PERFORMANCE THE DRIVER OF GRC?

Assessing financial 'soundness' covers a range of performance indicators including bottom line profitability, financial ratios, solvency, capital and liquidity, and share price. This raises a question . . . *"Are the measures of financial performance necessarily suitable indicators of institutional safety and soundness?"* The response is resoundingly no, and here is why.

Whereas financial 'soundness' is focused on business performance, operational sustainability focuses on the ability of a business to maintain that performance over a longer term horizon. Measuring sustainability has become increasingly challenging. Although sophisticated data can help with predicting future scenarios, growing unpredictability and heightened uncertainty remains.

This complex mix of risk and uncertainly calls for repositioning the role of GRC within a business to cater for a 'not business as usual' operating environment, where maintaining a competitive edge is directly determined by the quality of decision making.

GRC IS AN ENTERPRISE-WIDE PRIORITY

Risk managers, auditors, and compliance leaders are integral to the coordination of GRC practices within an organization from IT, finance/accounting, procurement, through to HR, sales and marketing. Most employees today are using data and interacting with customers and colleagues using digital information. Commercially sensitive information is being exchanged, and cybersecurity teams are challenged with safeguarding the organization from hacking, ransomware and other cyber related risks. Put simply, GRC is an enterprise-wide role and employees, leaders and customers are all connected to risk, governance and compliance in some shape or form.

Taking a business-centric approach enables a GRC program to help drive success and promote resilience in the face of risk. Working collaboratively with clients helps a risk manager to understand and document their risk profile and tailor compliance programmes to mitigate these risks

By engaging with stakeholders across the organization, GRC leaders can ensure that their program is relevant, effective, and widely supported throughout the business. Remember – first and foremost, GRC is about creating a culture of compliance and accountability, and that means building better relationships.

Governance, risk, and compliance processes help streamline compliance risk management across the distinct business or operational units in an organization. For example, C-suite executives may understand a particular risk differently than a colleague within the operations or cybersecurity team. Failure to interpret and reconcile these differences means there will be gaps in communication, implementation of security controls, and overall regulatory compliance.

THE BENEFITS OF A STRUCTURED APPROACH TO GRC

1. **Proactively responding to change**

   Organizations face a rapidly changing and increasingly complex business climate. Irrespective of size or scale of a business, risk managers face a broader scope of challenges, including:

   • Periodic changes to regulations and enforcement that impacts business operations

   • Categorizing and prioritizing risk

   • Growing costs of addressing compliance requirements and managing risk
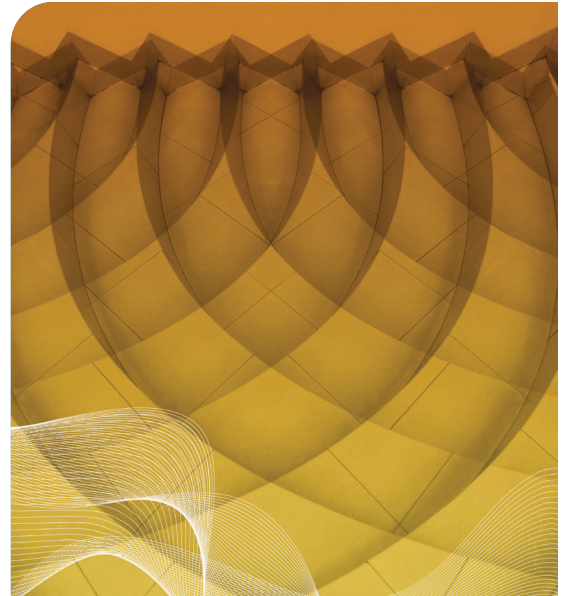
- Strategic decision-making, effective risk management, and greater adaptability to change. Breaking down organizational silos

- Responding to increased risk and complexity within an industry or sector

- The drive to optimize IT investments and rapid digitization

- Stakeholder demand for strong performance outcomes, consistent growth and transparent processes

- Increase of third-party relationships and associated governance challenges

- Legal and financial consequences resulting from critical threats

A disorganized approach to GRC can slow down an organization and cost more — all while achieving less, missing requisite compliance requirements and misidentifying threats to your revenue or reputation. Developing a roadmap to streamline the path to GRC maturity enables an organization to track progress of implementation and point to the remediation steps, to resolve issues.

Embedding risk controls and robust risk assessment within day to day operational procedures to ensure that there are early warnings and flags to highlight risk changes impacting a business.

2. **Partnership and collaboration with regulators**

Regulatory compliance is more than a box-ticking exercise. Regulators and rule-setting bodies provide more than rules and guidelines. Through regular conversation and proactive engagement, regulators can be a trusted partner to an organization and integral to designing GRC frameworks that align international best practice recommendations with pragmatic solutions that can be tailored to meet jurisdiction-specific requirements.

3. **GRC is both a performance enabler and safety layer**

GRC should be a key decision factor when assessing risk manager capability. Investing in GRC capability is of equal priority to technology and people investment for enabling top line growth. Given sustainability is the new bottom line and GRC is one of the primary determinants of performance sustainability, the role of risk and compliance teams is integral to future growth and success.

Business decisions have to be made quickly. With a robust GRC focused team, 'real time' decision making can become more agile and effective, while providing a commercial position that factors in risk controls and corporate governance. A win:win scenario in a number of respects.

ABOUT THE AUTHOR

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Joining the business in 2022, Silvanous is responsible for risk and compliance and the MLRO/AMLCO for Artex, overseeing Cayman local requirements and ensuring regulatory compliance for the client portfolio, working in close partnership with local and international teams within Artex.

Prior to joining Artex, Silvanous was chief analyst in the Insurance Supervision Division of CIMA where he was responsible for risk assessment, financial analysis, industry engagement and conducting inspections for the domestic and international insurance industry licensed in the Cayman Islands. He has specialized expertise in regulatory compliance, enterprise risk management, corporate governance, financial accounting and financial management of (re)insurance entities.

ABOUT ARTEX

As a global organization specializing in providing innovative insurance and alternative risk transfer solutions, our goal at Artex is to protect management, shareholders and other stakeholders from undue exposure to risk.
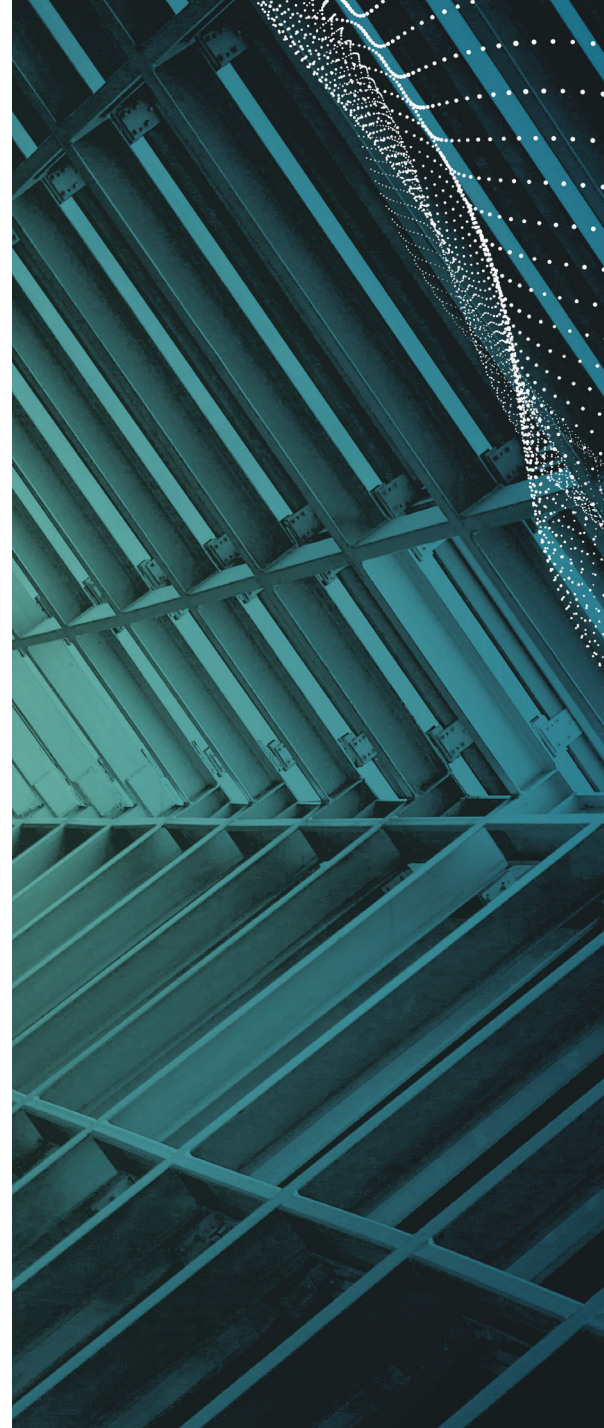
Risk management is all about value protection and creation. To avert losses and recover more efficiently when an event does occur, businesses need an advocate — a partner who can look at risk from all angles and assist in developing a coordinated plan for long-term success. Artex risk management advocacy puts the power of our expertise in the hands of clients to help mitigate losses through effective risk management strategies and loss prevention.

Artex is a trusted partner to clients across the world's major markets, providing seamless risk management services and an extension to your operational team.

Core services include:

- Risk control workshops and board meetings. We're at the forefront in facilitating risk management workshops and spearheading board meetings where key issues can be addressed and reviewed. Members and their risk management teams have an opportunity to brainstorm and become educated and equipped to achieve greater control over their success.

- Strategic planning committees. A dedicated space for risk managers and other GRC stakeholders to come together to address key issues that impact an organization's ability to attain its goals.

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