protiviti®
Face the Future with Confidence

NC STATE Poole College of Management
Enterprise Risk Management Initiative

2021 & 2030

EXECUTIVE PERSPECTIVES ON TOP RISKS

Key issues being discussed in the boardroom and C-suite

Research Conducted by NC State University's ERM Initiative and Protiviti

Introduction

The range of uncertainties facing business leaders around the globe in 2021 is overwhelming. Challenges triggered by a rare airborne virus creating a global pandemic continue to unfold, combined with numerous other risk issues, such as growing social unrest and polarization, and ever-present challenges ranging from new technologies and digitization innovations to ever-changing markets, strategies and business models. Staying abreast of emerging risk issues and opportunities is becoming increasingly difficult.

Leaders of organizations in virtually every industry, size of organization and geographic location are reminded all too frequently that they operate in what appears to most to be an increasingly risky global landscape. Boards of directors and executive management teams cannot afford to manage risks casually on a reactive basis, especially considering the rapid pace of disruptive innovation and technological developments in an ever-advancing digital world and the need for resilience and agility at pivoting when new market opportunities and unexpected threats arise.

Protiviti and NC State University's ERM Initiative are pleased to provide this report focusing on the top risks currently on the minds of global boards of directors and executives. This report contains results from our ninth annual risk survey of directors and executives worldwide to obtain their views on the extent to which a broad collection of risks is likely to affect their organizations over the next year – 2021. Also, for the first time, this year we asked respondents to consider how these risks will affect their organizations a decade from now (in 2030).

Our respondent group, comprised primarily of board members and C-suite executives from all major regions of the world, provided their perspectives about the potential impact in 2021, and also in 2030, of 36 specific risks across three dimensions:[1]

- Macroeconomic risks likely to affect their organization's growth opportunities
- Strategic risks the organization faces that may affect the validity of its strategy for pursuing growth opportunities
- Operational risks that might affect key operations of the organization in executing its strategy

In presenting the results of our research, we begin with a brief description of our methodology and an executive summary of the results. Following that overview, we discuss the overall risk concerns for 2021, including how they have changed from 2020 and 2019. We also provide a discussion of the top risk concerns for 2030 and follow with a review of results by size of organization and type of executive position, as well as a breakdown by industry, geographic location and type of ownership structure (i.e., public company, privately held, or not-for-profit and governmental organizations). We conclude with a discussion of plans among organizations to improve their capabilities for managing risks and a call to action, offering executives and directors diagnostic questions to consider when evaluating risk assessment and risk management processes.

[1] Six new risks were included in the 2021 survey. These new risks are specifically focused on the effects of the COVID-19 pandemic and on the social and economic challenges experienced in 2020. See Table 1 for a list of the 36 risks addressed in this study.

Methodology

We are pleased with the global reach of our survey this year, with strong participation from 1,081 board members and executives across a variety of industries. Our survey captures insights from C-suite executives and directors, 39% of whom represent companies based in North America, 19% in Europe, 17% in Asia and Australia/New Zealand, and the remaining 25% from Latin America, India, Africa and the Middle East.

Our survey was conducted online near the end of 2020 to capture perspectives on the minds of executives as they peered into 2021. We delayed our survey launch this year until after the November 3 elections in the United States to reduce the effect that an uncertain outcome to these elections may influence our respondents while completing the survey, although the Senate majority outcome hung in the balance when our survey closed. Each respondent was asked to rate 36 individual risk issues using a 10-point scale, where a score of 1 reflects “No Impact at All” and a score of 10 reflects “Extensive Impact” to their organization over the next year. We also asked them to consider how each of these risks was likely to affect their organizations 10 years in the future (i.e., in 2030).

For each of the 36 risk issues, we computed the average score reported by all respondents. Using mean scores across respondents, we rank-ordered risks from highest to lowest impact. This approach enabled us to compare mean scores across the past three years to highlight changes in the perceived level of risk.

Consistent with our prior studies, we grouped all the risks based on their average scores into one of three classifications:

- Risks with an average score of **6.0 or higher** are classified as having a **“Significant Impact”** over the next 12 months/in 2030.
- Risks with an average score of **4.5 through 5.99** are classified as having a **“Potential Impact”** over the next 12 months/in 2030.
- Risks with an average score of **4.49 or lower** are classified as having a **“Less Significant Impact”** over the next 12 months/in 2030.

We refer to these risk classifications throughout our report, and we also review results for various subgroups (i.e., company size, position held by respondent, industry representation, geographic location and organization type). With respect to the various industries, we grouped related industries into combined industry groupings to facilitate analysis, consistent with our prior years’ reports.

Table 1 lists the 36 risk issues rated by our respondents, arrayed across three categories — macroeconomic, strategic and operational.

List of 36 Risk Issues Analyzed

TABLE 1

MACROECONOMIC RISK ISSUES

- Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business*
- Shifts in perspectives and expectations about social issues and priorities surrounding diversity, equity and inclusion are occurring faster than the pace at which our organization is capable of managing effectively, which may significantly impact our ability to attract/retain talent and compete in the marketplace*
- Anticipated volatility in global financial markets and currency exchange rates may create significantly challenging issues for our organization to address
- Political uncertainty surrounding the influence and continued tenure of key global leaders may impact national and international markets to the point of significantly limiting our growth opportunities
- Evolving changes in global trade policies (e.g., Brexit, escalating tariffs and border restrictions) may limit our ability to operate effectively and efficiently in international markets
- Our ability to access sufficient capital/liquidity may restrict growth opportunities for our organization
- Economic conditions in markets we currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for our organization
- The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees
- Geopolitical shifts, regional conflicts and instability in governmental regimes or expansion of global terrorism may restrict the achievement of our global growth and profitability objectives
- Anticipated increases in labor costs may affect our opportunity to meet profitability targets
- The current interest rate environment may have a significant effect on the organization's operations

* These risks are new to the 2021 survey.

TABLE 1 (CONTINUED)

STRATEGIC RISK ISSUES
• Market conditions imposed by and in response to COVID-19, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services*
• Our organization may not be able to adapt its business model to embrace the evolving "new normal" imposed on our business by the current pandemic and emerging social change*
• Rapid speed of disruptive innovations enabled by new and emerging technologies (e.g., artificial intelligence, robotics, machine learning, hyper-scalable platforms, increasing bandwidth, faster data transmission) and/or other market forces may outpace our organization's ability to compete and/or manage the risk appropriately, without making significant changes to our business model
• Social media developments, 5G networks to improve mobility, extended bandwidth and data transmission, and other emerging innovations may significantly impact our brand, customer relationships, regulatory compliance processes and/or how we do business
• Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered
• Shifts in environmental, social and governance (ESG) preferences as well as expectations of key stakeholders about climate change, diversity and inclusion, and other governance and sustainability issues may be difficult for us to identify and address on a timely basis
• Ease of entrance of new competitors into the industry and marketplace or other significant changes in the competitive environment (such as major market concentrations due to M&A activity) may threaten our market share
• Our organization may not be sufficiently prepared to manage an unexpected crisis significantly impacting our reputation
• Growth opportunities through acquisitions, joint ventures and other partnership activities may be difficult to identify and implement
• Opportunities for organic growth through customer acquisition and/or enhancement may be significantly limited for our organization
• Substitute products and services may arise that affect the viability of our current business model and planned strategic initiatives
• Sustaining customer loyalty and retention may be increasingly difficult due to evolving customer preferences and/or demographic shifts in our existing customer base
• Performance shortfalls may trigger activist shareholders who seek significant changes to our organization's strategic plan and vision

* These risks are new to the 2021 survey.

TABLE 1 (CONTINUED)

OPERATIONAL RISK ISSUES
• Our ability to meet expectations around protecting the health and safety of employees, customers, suppliers and the communities in which we operate may be insufficient to receive market permission to operate or encourage people to work for us or do business with us*
• Ongoing demands on or expectations for a significant portion of our workforce to "work remotely" or increased expectations for a transformed, enhanced collaborative physical work environment may negatively impact the effectiveness and efficiency of how we operate our business*
• The behaviors and personal conduct of the organization's management team and other key representatives may not conform to societal and ethical expectations
• Uncertainty surrounding the viability of key suppliers, scarcity of supply, or stable prices in the supply chain ecosystem may make it difficult to deliver our products or services at acceptable margins
• Third-party risks arising from our reliance on outsourcing and strategic sourcing arrangements, IT vendor contracts, and other partnerships/joint ventures to achieve operational goals may prevent us from meeting organizational targets or impact our brand image
• Our organization's succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets
• Our organization may not be sufficiently prepared to manage cyber threats that have the potential to significantly disrupt core operations and/or damage our brand
• Ensuring privacy/identity management and information security/system protection may require significant resources for us
• Our existing operations, legacy IT infrastructure, lack of digital IQ in the workforce and insufficient embrace of digital thinking and capabilities may not meet performance expectations related to quality, time to market, cost and innovation as well as our competitors, especially new competitors that are "born digital" with a hyper-scalable business model and low-cost base for their operations, or established competitors with superior operations
• Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency may significantly affect our management of core operations and strategic plans
• Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations
• Our organization's culture may not sufficiently encourage the timely identification and escalation of risk issues that have the potential to significantly affect our core operations and achievement of strategic objectives

* These risks are new to the 2021 survey.

TABLE OF CONTENTS

Executive Summary

The continuing global challenges and potential existential threat posed by the ongoing COVID-19 pandemic. Political divisiveness and polarization. Social and economic unrest. Gridlock. Artificial intelligence (AI), automation and other rapidly developing digital technologies. Rapid shift to virtual, remote work environments. Changes in the geopolitical landscape. Shifting customer preferences and demographics. Fragile supply chains. Wildfires and hurricanes. Volatile unemployment levels and record low interest rates. Escalating competition for specialized talent. Immigration challenges. Cyber breaches on a massive scale. Terrorism. Big data analytics. The future of work.

These and a host of other notable risk drivers are all contributing to significant levels of uncertainties, making it extremely difficult to anticipate what risks may lie just over the horizon. Unanticipated events are unfolding at record pace, leading to massive challenges to identify the best next steps for organizations of all types and sizes, regardless of where they reside in the world. No one is immune to the significant levels of uncertainty, and C-suites and boards need to be vigilant in scanning the horizon for emerging issues. Because no one can possibly anticipate everything that lies in the future, organizations must focus on building trust-based, resilient cultures, led by authentic leaders, that can pivot at the speed of change.

One of the first questions an organization seeks to answer in risk management is, “What are our most critical risks?” The organization’s answer to this question lays the foundation for management to respond with appropriate capabilities for managing these risks. This survey provides insights about top risks for the short term — 2021 — and the long term — 2030 — from 1,081 respondents in C-suite and board positions in organizations around the globe.

The top risks on the minds of all executives for 2021 are briefly summarized in the sidebar.

TOP RISKS FOR 2021

1. Pandemic-related policies and regulation impact business performance
2. Economic conditions constrain growth opportunities
3. Pandemic-related market conditions reduce customer demand
4. Adoption of digital technologies may require new skills or significant efforts to upskill/reskill existing employees
5. Privacy/identity management and information security
6. Cyber threats
7. Impact of regulatory change and scrutiny on operational resilience, products, and services
8. Succession challenges, ability to attract and retain top talent
9. Resistance to change operations and business model
10. Ability to compete with “born digital” and other competitors

Summary Analysis of Overall 2021 Results

- To no surprise, risks related to COVID-19 zoomed to the top for 2021, as respondents are especially concerned at a macroeconomic level about the impact on their businesses of evolving government policies and regulations to deal with the ongoing pandemic, and they are concerned about how the pandemic might change customer demand for the long haul.
- Economic conditions triggered by COVID-19 and concerns about the ability to attract talent and skills to support the rapid deployment of digital technologies needed to survive in a virtual environment and execute reimagined business models in an increasingly competitive environment are top of mind for executives for the current year.
- The top 10 list for 2021 is dominated by operational risk concerns, as current conditions have turned organizational operations upside down. Executives are concerned about the safety and relevance of their personnel and the sustainability, security and reliability of their systems and operating infrastructures that have been affected by the realities of conducting business in the current constrained environment.
- When asked about their overall impressions of the risk environment for 2021, respondents collectively signal an increase in the potential magnitude and severity of the risk environment for the short term. However, when examining their risk evaluations for specific risks, respondents appear to be less concerned. This may suggest that executives are worried that there may be unknown risks lurking on the horizon that they cannot yet see. Given the continued occurrence of the unexpected, that is not surprising. Our findings could also mean that leaders are predominately concerned with the pandemic-related risks and attendant economic uncertainties that dominate the top three risks for 2021. This would also not be a surprise.
- Risks increasing the most from 2020 to 2021 are dominated by macroeconomic issues, as executives must deal with volatility in capital and labor markets, shifting governmental policies, and border restrictions and distribution challenges affecting supply chains.
- Social unrest and a rise in activism are also leading to greater strategic risk concerns for 2021.
- Despite all the events of 2020, respondents, on average, rate only one of the 36 risks as a "Significant Impact" risk. This is in contrast to the prior year, when they rated seven of the 30 risks surveyed in 2020 as "Significant Impact" risks. Consistent with prior years, most risks are in the middle range of concern, given they fall into the category of "Potential Impact" risks. Perhaps the fact that our survey was conducted in late 2020, after almost 10 months of navigating their organizations through the minefield of a rare airborne virus creating a global pandemic, signifies that executives may be exhibiting some level of confidence in their ability to navigate risk and uncertainty in 2021. Perhaps the thought, "It can't get much worse," is paramount on their minds.

> "There is nothing about 2020 that was not predictable. Pandemic risk has loomed on the horizon for a long time due to overpopulation, large and dense cities, and global travel, and has always been a matter of when, not if. Yet, only digitally mature companies were 'future ready' when COVID-19 hit. The only challenges these companies faced, in some cases, were coping with overwhelming demand and managing accelerated growth."
>
> Jonathan Wyatt, Managing Director, European Regional Leader, Protiviti

This year, we expanded our analysis to obtain insights about long-term risk perspectives on the minds of executives by asking them to rate these same 36 risks with regard to the expected impact on their organizations a decade from now — in 2030.

The top risks on the minds of all executives for 2030 are summarized in the sidebar. The major headline when viewing these risks is the importance of preparing for the future by recognizing and acting on the megatrends. Such trends include:

- Overpopulation and large and dense cities;
- Transportation innovations such as electrification, self-driving vehicles and drones;
- Automation in all of its forms, for much of what people do today can be automated as organizations embrace AI and other digital technologies;
- Expectations of consumers, employees and investors that companies embrace net-zero carbon targets;
- Flexibility and mobility, both employees and consumers, giving rise to the "anytime, anywhere" phenomenon;
- Customer preferences such as online shopping, home delivery, contactless transactions ("click and collect"), online channels and streaming, and 24x7 video healthcare, to name a few;
- Aging populations, shrinking talent pools, increasing longevity and other demographic shifts;
- Global monetary and fiscal policies driving low interest rates and significant budget deficits;
- Scarcity of water and other essential resources;
- Shared ownership (rent not own); and
- Social justice and diversity and inclusion expectations in various countries.

The companies that embrace these and other relevant trends and act on them with intention are more likely to position themselves to thrive than those that don't.

"We are very excited about the global reach of our annual risk survey. Now that 2020 has finally ended, we hope that our readers will find useful insights as to what directors and C-suite leaders around the globe are thinking as they look forward to the eventual new normal in a post-pandemic world."

Pat Scott, Executive Vice President, Global Industry, Client Programs and Marketing, Protiviti

TOP RISKS FOR 2030

1. Adoption of digital technologies may require new skills or significant efforts to upskill/reskill existing employees
2. Impact of regulatory change and scrutiny on operational resilience, products, and services
3. Rapid speed of disruptive innovation may outpace our ability to compete
4. Succession challenges, ability to attract and retain top talent
5. Privacy/identity management and information security
6. Substitute products or services may arise that affect our business model
7. Sustaining customer loyalty and retention may be difficult as customer preferences and demographic shifts evolve
8. Ability to compete with "born digital" and other competitors
9. Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency
10. Cyber threats

Summary Analysis of Overall 2030 Results

- As executives peer ahead to 2030, they are mostly focused on operational risks relative to macroeconomic and strategic risks. Five of the top 10 risks for 2030 are operational in nature.
- Despite the concentration of operational risks in the top 10 list for 2030, the top risk is a macroeconomic risk, followed by two strategic risks. When they think a decade out, executives are concerned about the future of work. Specifically, they are concerned that their organizations may not be able to upskill or reskill their workforce. And, they may be concerned that countless millions of employees may be displaced by widespread adoption of AI and automation in all of its forms (e.g., natural language processing, visual recognition software, virtual reality simulations and other digital advances). The objective is to enable displaced employees to perform new job functions created by these same technologies that are essential to operating successfully in the digital economy. The future of work topic is the fourth-ranked issue in 2021 as well as the top risk for 2030, making it one of the defining business challenges for the next decade.

  The top risk for 2030 also reflects a long-term concern regarding the sourcing and retention of top talent needed to compete and thrive in a disruptive environment. Talent wins when positioned well to reimagine company market positioning, integrate emerging digital technologies into the business, execute complex strategies and reinvent business models that will sustain the organization's relevance and growth over the next decade. This reality is triggering a related strategic concern that companies will not be able to keep pace with the rapid speed of disruptive innovation, as discussed further below. It takes talent to do that.
- One of the risks rated by the survey participants is the risk associated with rapid speed of disruptive innovations enabled by new and emerging technologies and/or other market forces outpacing an organization's ability to compete without making significant changes to its business model. This risk was rated 18th for 2021, but jumped to the third-ranked risk for 2030. Clearly leaders are expecting disruptive change over the next decade, and there is some concern that their approach to planning for who will be in their key leadership positions is a bit unclear. They are sensing a need to think more about their organization's plans for who will be at the top and whether that will include a commitment to diversity.
- The potential for regulatory changes and greater scrutiny over the manner in which products and services can be provided is second in the list of top 10 risks for 2030. This may be due to an expectation of environmental legislation as well as laws and regulations that drive social change, tax increases, and the impetus for developing alternative products and services. Simply stated, regulatory risk is elevated when viewed through the lens of a longer time horizon, giving rise to yet another risk relating to the emergence of substitute products or services that may affect the viability of the business model. It's disrupt or be disrupted.
- There is an interesting overlap between the top 10 lists of risks for 2021 and 2030. The common risks for the near term and long term include the future of work, regulatory concerns, talent risk, cybersecurity and privacy issues, and the ability to compete with "born digital" players. However, four of the top 10 risks for 2030 are not in the top 10 list for 2021. Three of those in the 2030 top risk list represent strategic issues and one operational risk recognizes concern about having sufficient data analytics and "big data" skills to achieve needed intelligence to differentiate in the marketplace.

  The overarching theme in the 2030 top risk list reflects executive concerns with facing a decade that only promises unprecedented, accelerated change such that disruptive innovations over the next 10 years may drastically alter customer behavior. Customer loyalty could prove to be fleeting as preferences and demographic shifts evolve. New markets and competitors offering alternative products and services are expected to expand customer choice in ways that could affect the viability of current business models and planned strategic initiatives. This development, in turn, would erode the brand image and market share of incumbent organizations that fail to successfully pivot and adjust to change.

- Data privacy and cyber threats again are among the top 10 risks in 2021. These concerns are also on the top 10 list for 2030. Cyber threats remain a moving target and data privacy concerns only promise to become more complex in the digital age. According to our survey respondents, there is no reason to believe these realities will change over the next decade.

In addition to providing insights from the full sample about executive perspectives on risks for the short term (2021) and long term (2030), we conduct a number of separate analyses by examining different subsections of our sample. Here are some high-level insights:

Differences Across Sizes of Organizations

- Executives from larger organizations perceive the overall risk environment for 2021 to be higher than for 2020; however, executives from smaller organizations assess the risk environment for 2021 as lower relative to 2020.
- Risks triggered by the ongoing pandemic are top of mind for executives of all sizes of organization. Macroeconomic and strategic concerns linked to the impact of COVID-19 made the top five list of risks for all four size categories we examined.
- Larger organizations are concerned about their abilities to attract and retain talent needed to adopt digital technologies and they expressed the need to strengthen infrastructures related to privacy/identity management and information security.
- Smaller organizations are concerned that current economic conditions will restrict growth opportunities, possibly reflecting that they are more affected by the fallout from the COVID-19 pandemic than larger companies. In addition, they are concerned about succession planning challenges for key leadership positions.
- As business leaders look ahead to 2030, strategic and macroeconomic concerns seem to be prevalent across all sizes of organizations. All are concerned about escalating regulatory scrutiny over the next decade, and they are all concerned about having the necessary talent to adopt emerging digital technologies.
- Larger organizations are especially concerned about the rapid speed of disruptive innovation and their capacity to keep pace, while smaller organizations express concerns about their ability to monitor and respond to changing customer demographics and preferences.

Differences Across Executive Positions Represented

- There are varying views across different executive groups about the overall risk environment for 2021. Board members, chief risk officers (CROs), chief audit executives (CAEs) and Other C-Suite executives have significantly increased their 2021 risk expectations relative to 2020, with CROs and CAEs rating risk concerns at the highest level relative to other executives. In contrast, chief executive officers (CEOs) and chief financial officers (CFOs) lowered their 2021 impressions of the risk environment.
- The discrepancies in views about the overall risk environment for 2021 are also present when examining how different executives examine specific risk concerns. While board members and CEOs only rate three and four, respectively, of the 36 risks as “Significant Impact” risks, chief information/chief technology officers (CIO/CTOs), chief strategy/innovation officers (CSOs) and chief data/digital officers (CDOs) rate 27, 23, and 30, respectively, of the 36 risks as “Significant Impact” risks. That begs the question, “Who has the correct assessment of these risks?” Business leaders need to engage in robust conversations to tease out the underlying realities.

- What is striking is that every executive position, except Other C-Suite executives, ranks concerns about the impact of evolving government policies to respond to pandemic conditions as its top risk concern. Each of those executive groups rates this concern as a "Significant Impact" risk.
- Macroeconomic and strategic risk concerns dominate the top five risks on the minds of boards, CEOs, CFOs, CROs and CDOs.
- Interestingly, CIO/CTOs, CSOs and CDOs rate all of the individual top five risks as "Significant Impact" risks. They have a much greater concern about a number of specific risks than other executives, who generally only rate one of their top five risks at that level of significance. Furthermore, the mix of top risks for these executives is different, suggesting that they may be more concerned with integrating digital technology into the business much sooner than other executives.
- Longer-term risk concerns from all executives reveal an overall reduction in risk concerns for 2030 across the board in relation to concerns over the short term. Perhaps the less immediate impact of these potential risk issues is driving this difference in risk perspectives for the next decade. Another factor is a longer time horizon enables firms to make adjustments that are not as feasible over the short term. In general, the average risk scores for 2030 are at similar levels or lower for almost all of the 36 risks across all executive groups.

Differences Across Industry Groups

- Respondents across all industry groups, with the exception of the Technology, Media and Telecommunications industry group, perceive the overall magnitude and severity of risks in the environment as a whole are higher for 2021 relative to 2020.
- There is a marked contrast in perspectives across industry groups about specific risk concerns, which suggests that the industry context is important to consider. But given that a number of organizations' business models may not fit neatly into an industry category, reviewing differences in risk concerns across multiple industries may help tease out risks that may be overlooked by some.
- Surprisingly, there is a significant decrease in the number of risks rated as "Significant Impact" for 2021 across industry groups. Not surprisingly, one noticeable observation is that each industry group rated concerns related to the impact of government policies in response to COVID-19 as its top risk for 2021. For now, this is the unknown leaders face.
- The Healthcare industry group indicates the highest levels of risk concerns for 2021. All five of its top five risks for 2021 are rated at the "Significant Impact" level, while most other industry groups rate only one of their top five risks at that level (the Consumer Products and Services industry group rates two of their top five risks at that level).
- Most industry groups appear relatively optimistic about risk conditions in 2030 relative to 2021. The Healthcare industry group seems to be the most concerned about long-term risks given three of its top five risk concerns for 2030 are "Significant Impact" risks.
- Risks related to privacy/identity management are ranked among the top five risks for 2030 by four of the six industry groups in our study.

Differences Across Geographic Regions

- Globally, organizations from all eight geographic regions in our study agree that the overall magnitude and severity of risks are of a "Significant Impact" level in 2021. North American organizations rate the magnitude and severity most highly and, along with Africa-based organizations, exhibited the largest increase from 2020 to 2021.
- However, respondents in North America rate only one of their top five risks as a "Significant Impact" risk, while respondents in Australia/New Zealand, Asia, Latin America, India, and Africa rate all of their top five risks at the "Significant Impact" level (respondents in the Middle East rate four of their top five risks at that level).
- As expected, risks related to COVID-19 are a major concern worldwide, with every region ranking the risk related to government policies surrounding public health practices or market conditions imposed by and in response to COVID-19 as their top risk.

TABLE OF CONTENTS

- Across the eight regions, the variation in results is striking. Only three risks are common to at least four of the eight regions. The noticeable differences in views about risks around the globe are especially important for organizations that operate at a multinational level to consider.
- Looking further out into 2030, strategic risks become more heightened for all regions with the exception being Latin America.
- The concern for 2030 over increased regulation and its impact on operational resilience, products and services is shared by four of the eight regions.

Differences Across Public and Non-Public Entities

- While both public and privately held for-profit entities sense an overall heightened magnitude and severity of risks for 2021, not-for-profit and governmental organizations perceive the level to be much higher relative to 2020.
- All three types of organizations rank the risk related to economic conditions in markets currently served as a top five risk. Public and private companies agree that the risk related to the adoption of digital technologies and its impact on the future of work is a top five risk concern.
- Concern over the adoption of digital technologies is viewed as the top risk for 2030 by all organizations, with not-for-profit and governmental organizations ranking that risk at the "Significant Impact" level.
- All organizations are concerned about succession and talent challenges, with that issue in the top five risks for 2030 for each of the organization types, and technology-focused risks, such as ensuring privacy/identity management and the rapid speed of disruptive innovation, are also ranked in the top five for each of the organization types.

Plans to Improve Risk Management Capabilities

In addition to asking respondents to rate each of the 36 risks for 2021 and 2030, we also asked them to provide insights about plans to enhance their organization's risk management capabilities in the coming year. Here are some key insights:

- In contrast with the finding that respondents note an increase in their impression about the magnitude and severity of overall risks for 2021 relative to the prior year, they indicate a lower likelihood of deploying more resources to risk management in 2021 relative to 2020 (and 2019). This is a surprising result, given the disruptive events that unfolded in 2020 and continue today. This interesting congruence could reflect a propensity by some companies to reduce resource allocations on a number of fronts as they ride out the economic distress created by the pandemic. At the present time, many companies are focused on survival, so allocating more resources to any initiative that is not considered mission-critical is out of the question. In addition, the nature of the risk profile many companies face is such that much of the uncertainty may be around the velocity and persistence of disruptive risk events and the organization's change readiness. Accordingly, companies may perceive a need to focus more on resilience and agility by revisiting their strategies, adjusting their business models, enhancing their digital maturity and building trust-based innovative cultures. Some of our respondents may not consider such initiatives to be "traditional" deployments of risk management resources.
- The three largest groups of organizations believe they will face lower levels of challenges in sustaining or strengthening their risk management processes in 2021 as compared to 2020 and 2019 (note that for the smallest organizations this perception has remained constant over the past three years). Perhaps the lessons learned in the COVID-19 pandemic have confirmed for many that risk management activities play a vital role in the ongoing resiliency and viability of their organizations.
- Interestingly, the CEOs in our sample this year are much more in agreement with board members and C-suite executives with respect to the likelihood of committing enhanced resources to risk management capabilities in 2021.

- The Healthcare and Energy and Utilities industry groups express the greatest likelihood to devote additional time and resources toward risk management in 2021, followed by the Consumer Products and Services industry group. In contrast, the Financial Services and Manufacturing and Distribution industry groups indicate a lower likelihood to invest more in risk management capabilities in 2021 relative to 2020.
- Organizations based in India, the Middle East and Africa all reflect the largest increase in likelihood to invest more in risk management capabilities in 2021 relative to our 2020 results.
- Public companies express lower levels of likelihood that they will invest more time and resources in building out their risk management infrastructure in 2021 relative to 2020 and 2019. On the other hand, private for-profit entities and not-for-profit and governmental organizations all indicate an increased level of investment in risk management capabilities in 2021 when compared to 2020.

The ever-changing risk landscape and the overall perceived magnitude and severity of risks should prompt boards and senior executives to closely scrutinize the approaches they use to keep an eye on emerging risks. Unfortunately, some organizations continue to manage risks the way they have for many years, even though the profile of risks is changing dramatically as the overall nature of business and whole industries are transformed in the digital economy.

The need for greater transparency about the nature and magnitude of risks undertaken in executing an organization's corporate strategy continues to be high as expectations of key stakeholders regarding risk management and risk oversight remain strong. We conclude this report by offering a number of questions for executives and boards to consider as they evaluate their organizations' approach to managing risks. It is our desire that this report will increase executive and board understanding of potential risks on the horizon so that they can proactively navigate issues and challenges as they emerge for the benefit of their key stakeholders and society as a whole.

> "The future of work looms large on the horizon. Companies that not only formulate how and where they need to skill, but also are intentional as to how they will execute their plan to skill and achieve the business outcomes they expect, are most likely to have competitive advantage. On a macroeconomic scale, if the private sector is unsuccessful in upgrading skills in the workplace, the societal effects will be huge."
>
> Kim Bozzella, Technology Consulting Leader, Financial Services Industry Practice and Global Technology, Strategy and Operations Practice, Protiviti

The Top Risk Concerns for 2021

The list of top 10 global risks for 2021 appears in Figure 1, along with their corresponding 2020 and 2019 scores (where possible).

Top 10 Risks for 2021

FIGURE 1

Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business

Economic conditions in markets we currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for our organization

Market conditions imposed by and in response to COVID-19, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services

The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees

Ensuring privacy/identity management and information security/system protection may require significant resources for us

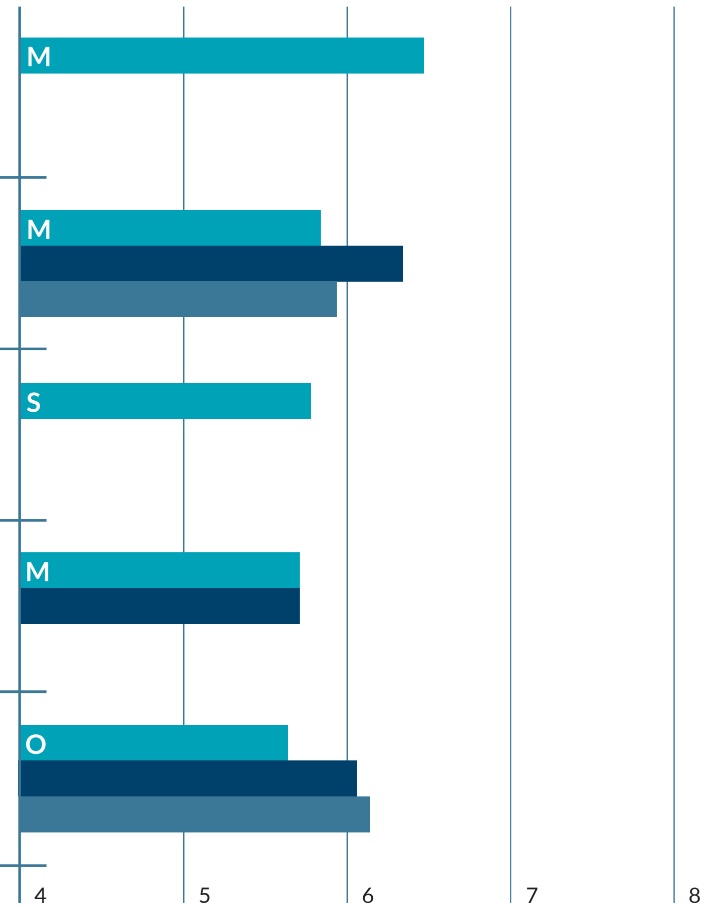


TABLE OF CONTENTS

FIGURE 1 (CONTINUED)

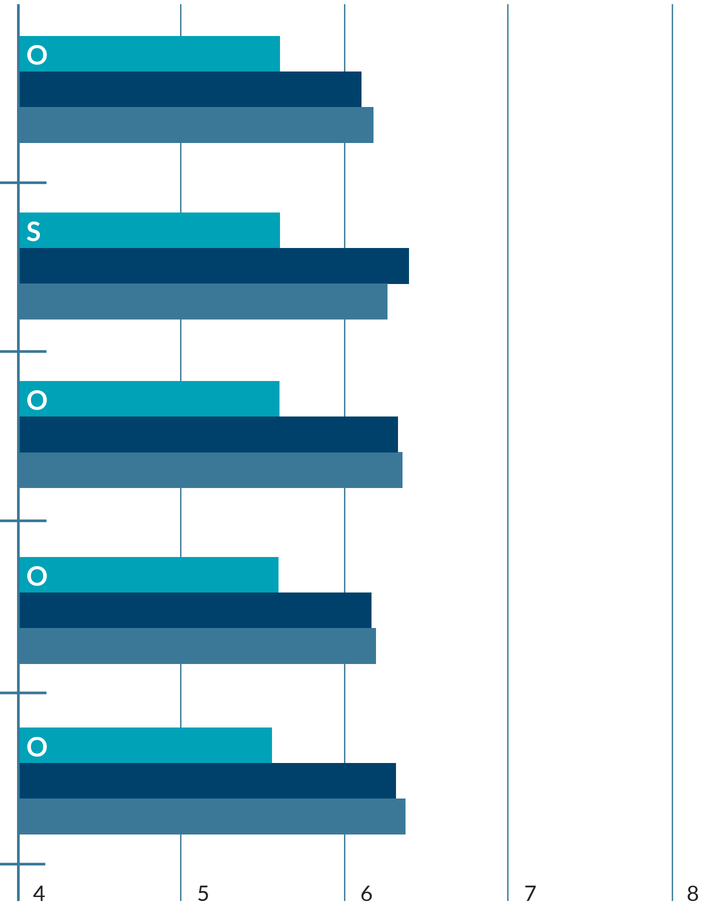
Our organization may not be sufficiently prepared to manage cyber threats that have the potential to significantly disrupt core operations and/or damage our brand

Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered

Our organization's succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets

Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations

Our existing operations, legacy IT infrastructure, lack of digital IQ in the workforce and insufficient embrace of digital thinking and capabilities may not meet performance expectations related to quality, time to market, cost and innovation as well as our competitors, especially new competitors that are "born digital" with a hyper-scalable business model and low cost base for their operations, or established competitors with superior operations



Legend

M Macroeconomic Risk Issue   S Strategic Risk Issue   O Operational Risk Issue   2021   2020   2019

TABLE OF CONTENTS

Two new risks related to issues explicitly linked to COVID-19 zoomed to the top for 2021.

- Concerns at a macroeconomic level about emerging government policies and regulations to address pandemic-related issues impacting business performance are top of mind for board members and executives, representing the only top 10 risk deemed on average to be a "Significant Impact" risk.
- Related to that, board members and executives also indicate significant concerns about the impact COVID-19 might continue to have on market conditions that could negatively affect consumer demand for core products and services during 2021; this risk is ranked third overall.

Two additional macroeconomic risk concerns are also near the top of the list of 2021 risks in light of the massive global and systemic impact triggered by the ongoing pandemic and other events in the prior year.

- Respondents are focused on potential growth restrictions imposed by economic conditions, particularly unemployment and government stimulus, in markets they serve.
- The rapid embrace of digital and virtual technologies and other digital platforms for product and service deliveries is creating concerns among many respondents that they may not have the talent and skills needed to successfully support those digital technologies to compete effectively in the marketplace.

Executives are mostly focused on operational risks for 2021 relative to macroeconomic and strategic risk concerns, as five of the top 10 risks reflect operational issues. The dominance of concerns related to the capabilities and resilience of systems, personnel, infrastructure and other operating components from within the organization is overshadowing risks more external in nature. The drastic impact the ongoing pandemic is having on how an organization operates, including its interactions with its customers, partners, suppliers and employees, has strained all aspects of its operating infrastructure and workforce. Given that environment is likely to continue well into 2021, executive attention to operational risks remains prudent since many of these risks have strategic underpinnings relating to thriving and surviving as the forthcoming new normal approaches.

The following briefly highlights the risks comprising the overall top 10 list of risks for 2021:

1. **Government policies to address the pandemic may lead to regulations and protocols that significantly impact how we do business and our performance —** To address the ongoing global health crisis caused by COVID-19, governments around the world have rapidly implemented new policies, rules and regulations surrounding travel and border controls, public health practices, and social distancing that have, in many cases, led to the temporary shutdown

"As volatile markets emerge out of the shadows cast by the global pandemic, companies may find that operational resilience and profitable growth is only possible by positioning themselves to take more risk to improve their digital readiness and innovate processes, products and services in much shorter time frames. This is exactly what many companies did to survive and thrive during the pandemic."

Dr. Mark Beasley, Professor of Enterprise Risk Management, Poole College of Management, NC State University of business and commerce. Because of the lack of experience in dealing with a global health crisis and the evolving nature of COVID-19 cases, frequent revisions by governments of those policies have led to unprecedented levels of uncertainty for business leaders as they try to maximize the performance of their organizations. The efficacy of vaccines, the effective functioning of their distribution and administration, and the rate at which and extent to which the population is inoculated impact this risk.

2. **Increased concern among most executives about economic conditions restricting growth prospects in relevant markets, but with some exceptions —** Concerns related to overall economic issues in domestic and international markets remain high for 2021. The economic impact, including record levels of unemployment, largely spawned by COVID-19 lockdowns and restrictions and the uncertainty regarding the lingering effects of the ongoing pandemic, continue to represent significant challenges for executives in many industries. As progress is made with respect to achieving herd immunity, the confidence of business leaders and consumers will likely improve.

3. **Market conditions and shifts in consumer behavior resulting from the pandemic may continue to impact customer demand —** COVID-19 forced organizations of all types around the world to suddenly alter how they deliver core products and services to their customers. Lockdowns, social distancing, and the shift of the workforce from organizations' facilities to remote locations have altered how consumers search for, buy and take delivery of key products and services. The lingering effects of the pandemic may lead to greater consumer embrace of the new purchasing behaviors and delivery methods, which may negatively impact demand for organizations that do not respond effectively to these shifting preferences and expectations.

4. **The adoption of digital technologies in transforming the business may require new skills that the organization may not be able to attract or retain —** The rapid need to embrace digital technologies to reach customers in a virtual, socially distanced manner, as well as to support a remote workforce environment, has strained the operations of most organizations that lacked digital capabilities. Those entities without access to the talent that understands the technologies and how they may be deployed to digitize processes, products and services may find themselves lagging behind "future ready" competitors that can react quickly to assimilate innovations into their business. Furthermore, as the future of work evolves through digital transformation, companies will need to upskill and reskill displaced workers to take on new job functions and fill talent gaps.

5. **Privacy and identity management —** The rapid expansion of digital technologies is also increasing concerns over privacy and identity management. The proliferation of data gathered, stored and transmitted across all types of organizations and across international borders is exponentially increasing the operational challenges related to tracking, warehousing and protecting that data. The rapid embrace of new technologies in response to the virtual world during the pandemic may have included accidental missteps in how organizations handle these operations, resulting in inadvertent release or exposure of information deemed to be private or proprietary. Meanwhile, data privacy laws and regulations continue to evolve in multiple jurisdictions.

6. **Managing cyber threats —** It is no surprise that threats related to cybersecurity remain a major concern as organizations focus on how such events might interrupt core operations or result in loss of intellectual property. The rush to "go virtual" in all aspects of operations may have inadvertently created unknown security weaknesses, particularly on the human perimeter. Cybersecurity is a moving target as innovative digital transformation initiatives, cloud computing adoptions, mobile device usage, automation of all kinds, machine and deep learning, and other applications of exponential increases in

computing power continue to outpace the security protections many companies have in place. Cyber threats extend beyond hackers gaining access to systems and encompass serious advanced persistent threats from nation-states and cyber criminals.

7. **Regulatory change and heightened regulatory scrutiny impacting operational resilience and production and delivery of products and services —** Over the nine years we have conducted this survey, this risk has been ranked in the top 10 list of risks each year. The overarching issue relates to perceived concerns about how all types of regulatory requirements and oversight seem to be expanding or potentially could expand in multiple areas that may lead to even greater disruptions in business models and, more importantly, constrict companies' ability to innovate in critical areas. Expanding rules as to what is acceptable business practice are impacting all types of organizations, even those in nonregulated industries. Recent and expected shifts in regulations related to privacy, product development and approval, the environment, social issues, and broader governance expectations and volatility in geopolitical views related to trade and tariff policies are all leading to heightened awareness of what may seem like shifting sands in the rules and regulations organizations must monitor and obey.

8. **Succession challenges and talent acquisition and retention —** Shifts in how individuals will want to work are likely evolving in light of the remote work environments most are now experiencing. Likewise, the inability of organizations to be flexible and accommodating in addressing the varied needs of their employees may strain their ability to attract and retain the talent they need. While unemployment remains relatively high at the time of our study's release, many organizations are finding that the talent they need does not match the talent available in the labor marketplace. Respondents continue to perceive that significant operational challenges may arise if their organizations are unable to build and sustain a workforce with the requisite skills needed to implement their growth strategies, forcing them to consider alternative forms of labor. This reality is forcing companies to broaden their labor model to encompass contractors and the contingent workforce to complement their professional core.

9. **Resistance to change —** As major business model disruptors emerge, respondents remain focused on their organization's potential unwillingness or inability to pivot and make necessary timely adjustments to the business model and core operations that might be needed to respond to changes in the overall business environment and industry. Executives continue to be concerned about their companies' resilience and ability to enable change, despite the reality that change has become a way of life for most companies. Whether covert or overt, resistance to necessary change spawned by disruptive innovations that alter business fundamentals can be catastrophic.

10. **Existing operations, infrastructure and digital capabilities unable to adjust to "born digital" or superior performing competitors —** Respondents remain noticeably concerned about the ability of their organization — relative to its competitors — to adjust existing operations, IT infrastructure and digital capabilities to meet performance expectations. A notable contributing factor to this risk is an insufficient digital IQ in the workforce and insufficient embrace of digital thinking and capabilities. Hyper-scalability of digital business models and lack of entry barriers enable new competitors to emerge and scale very quickly in redefining the customer experience, making it difficult for incumbents to see it coming at all, much less pivot in a timely manner to preserve customer loyalty.

When viewing these risks and contrasting them with the 2030 risks reported by our survey, it bears mentioning that there is nothing novel about the new ways of working and facing customers introduced by the pandemic. Remote working, flexible working, click and collect, online channels, 24x7 video healthcare, online shopping, home delivery, digitization, and automation have been ongoing for many years, especially with born digital companies. And in many cases they were laughed at by laggards. These practices represent just a small set of the megatrends that have been talked about ad nauseam for many years. Digitally mature companies that were already embracing them were able to adapt to the new world almost overnight with minimal impact. The only challenges they faced were coping with overwhelming demand and managing accelerated growth. The companies that were not embracing these megatrends to the same extent, but were agile followers, have minimized their losses and survived, at least in the short term. However, many will not recover to prior levels unless they truly embrace the future. Hoping the marketplace will return to where it was pre-pandemic is not a viable strategy.

> "The effects of the pandemic on customer behavior, workplace redesign and industry dynamics have shaped the challenges most companies face in 2021. But more than that, our survey results reflect forward-looking challenges related to such 2021 issues as the economy, future of work, digital transformation, cybersecurity and privacy, talent development, and operational resilience and agility."
>
> Jim DeLoach, Managing Director, Global Thought Leadership Leader, Protiviti

TABLE OF CONTENTS

Significance of Risks Relative to Prior Years

What is surprising is that our analysis of individual risks for 2021 finds that on a risk-by-risk basis, respondents in the full sample seem to be less concerned about specific risks for 2021 relative to the prior year for 22 of the 30 risks we have surveyed in the past two years. In fact, *all* eight risks included in the top 10 risks for 2021 that we also asked about in 2020 have *lower* average scores in comparison to 2020, as illustrated in Figure 1 shown earlier.

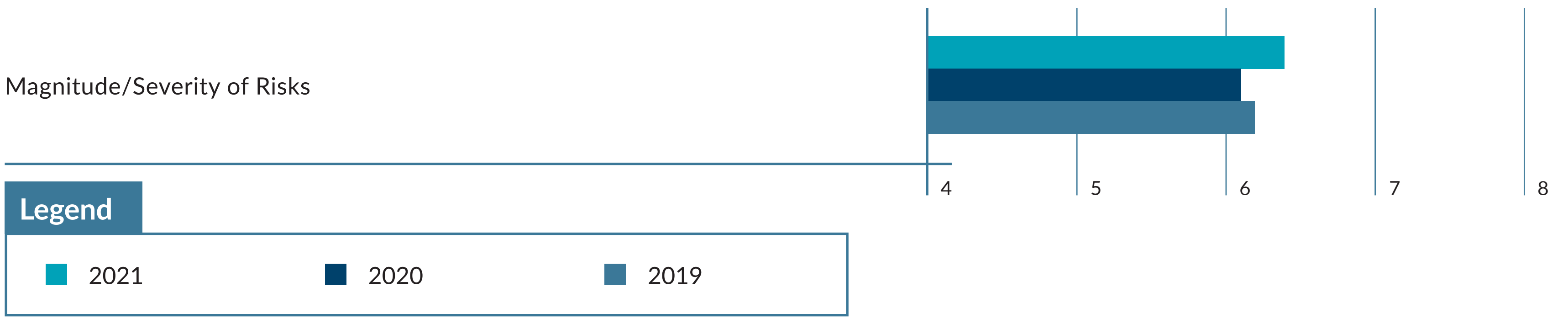
Overall Impression of Risk Environment

This is in stark contrast to their overall impression of the magnitude and severity of risks their organizations will be facing with respect to reaching or exceeding profitability (or funding) targets over the next 12 months. Before asking respondents to assess the importance of each of the 36 risks, we asked executives to indicate their overall perceptions about the risk environment using a 10-point scale where 1 = “Extremely Low” and 10 = “Extremely High.”

As shown in Figure 2, the respondents’ overall response suggests an increase in the nature of the risk environment, with an average score of 6.4 in 2021 relative to 6.1 in 2020. This overarching response suggests that board members and executives perceive the risk environment for 2021 overall is riskier than 2020, which is not surprising given the unprecedented events of the past year. However, when focused on each specific risk, they appear to be less concerned in 2021. Perhaps this suggests that board members and executives are primarily concerned with the pandemic-related risks and the attendant economic uncertainties that dominate the top three risks for 2021 and are more accepting of the other risks for the time being. It could also mean they are worried that there may be unknown risks lurking on the horizon that “they don’t yet know about, but should” (the “unknown unknowns”).

• • • *Overall, what is your impression of the magnitude and severity of risks your organization will be facing with respect to achieving its objectives and reaching or exceeding profitability (or funding) targets over the next 12 months?*

FIGURE 2



Majority View All Top 10 Risks as Significant

The perception that the risk environment for 2021 continues to be significant is also supported by the fact that the majority of board members and executives rate each of the top 10 risks as being "Significant Impact" risks. Table 2 reveals the percentage of respondents who scored each of the top 10 risks as "Significant Impact" risks (6 or higher), as well as the percentage of respondents who rate each as a 5 (Medium) or 4 or below (Low) for 2021. This suggests that all of these top risks have the potential to noticeably impact most organizations in the coming year.

Top 10 Risks (With Percentages of Responses by "Impact" Level) — 2021[2]

TABLE 2

RISK DESCRIPTION	HIGH	MEDIUM	LOW
	Significant Impact (6 — 10)	Potential Impact (5)	Less Significant Impact (1 — 4)
Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business	70%	9%	21%
Economic conditions in markets we currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for our organization	62%	12%	26%
Market conditions imposed by and in response to COVID-19, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services	60%	9%	31%
The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees	58%	15%	27%
Ensuring privacy/identity management and information security/system protection may require significant resources for us	57%	14%	29%

[2] The risks presented in Table 2 are in the same top 10 risk order as reported in Figure 1. That list is based on each risk's overall average score (using our 10-point scale). Table 2 merely reflects the percentage of respondents selecting a particular point on the 10-point scale.

TABLE 2 (CONTINUED)

RISK DESCRIPTION	HIGH	MEDIUM	LOW
	Significant Impact (6 — 10)	Potential Impact (5)	Less Significant Impact (1 — 4)
Our organization may not be sufficiently prepared to manage cyber threats that have the potential to significantly disrupt core operations and/or damage our brand	52%	19%	29%
Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered	52%	18%	30%
Our organization's succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets	57%	13%	30%
Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations	58%	12%	30%
Our existing operations, legacy IT infrastructure, lack of digital IQ in the workforce and insufficient embrace of digital thinking and capabilities may not meet performance expectations related to quality, time to market, cost and innovation as well as our competitors, especially new competitors that are "born digital" with a hyper-scalable business model and low-cost base for their operations, or established competitors with superior operations	53%	14%	33%

TABLE OF CONTENTS

Risks with Largest Increase from Prior Year

In order to highlight the most dramatic shifts in perceptions, we also investigate which risks increased the most from 2020 to 2021. Seven of the 30 risks that we surveyed in the prior year have average scores that are higher than the average scores in 2020. One risk is unchanged from 2020, while the 22 remaining risks actually decreased from 2020. In Table 3, we show the five risks that increased the most from 2020.

The Five Risks with Highest Level of Increase – 2021 vs. 2020

TABLE 3

RISK DESCRIPTION	Type of Risk	2021 Response	2020 Response	Difference
Our ability to access sufficient capital/liquidity may restrict growth opportunities for our organization	Macroeconomic	5.04	4.80	0.24
Uncertainty surrounding the viability of key suppliers, scarcity of supply, or stable prices in the supply chain ecosystem may make it difficult to deliver our products or services at acceptable margins	Operational	4.86	4.70	0.16
Geopolitical shifts, regional conflicts and instability in governmental regimes or expansion of global terrorism may restrict the achievement of our global growth and profitability objectives	Macroeconomic	4.79	4.65	0.14
Performance shortfalls may trigger activist shareholders who seek significant changes to our organization's strategic plan and vision	Strategic	4.72	4.60	0.12
Anticipated volatility in global financial markets and currency exchange rates may create significantly challenging issues for our organization to address	Macroeconomic	5.15	5.06	0.09

Not surprisingly, three of the five risks increasing the most since 2020 are macroeconomic issues, reflecting volatility in global capital markets and governmental leadership challenges affecting global commerce during a pandemic. Risks linked to uncertainties in the viability of supply chains also increased significantly, especially in light of suddenly imposed new border restrictions and the failure of suppliers of critical raw materials and components to perform to expectations during the pandemic; these developments have driven companies to consider the merits of reshoring or near shoring. Social unrest and a rise in activism are also leading to greater concerns that key stakeholders may grow frustrated with the lack of commitment and authenticity of the organization's leaders.

Risks with Largest Decrease from Prior Year

Again, the remaining 22 risks actually decreased in severity from 2020. The five risks with the greatest decline are shown in Table 4 below. While these represent the risks with the greatest decrease from 2020, it is important to note that four of the five remain top 10 risks for 2021.

The Five Risks with Highest Level of Decrease – 2021 vs. 2020

TABLE 4

RISK DESCRIPTION	Type of Risk	2021 Response	2020 Response	Difference
Our existing operations, legacy IT infrastructure, lack of digital IQ in the workforce and insufficient embrace of digital thinking and capabilities may not meet performance expectations related to quality, time to market, cost and innovation as well as our competitors, especially new competitors that are "born digital" with a hyper-scalable business model and low-cost base for their operations, or established competitors with superior operations	Operational	5.43	6.23	-0.80
Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered	Strategic	5.59	6.38	-0.79
Social media developments, 5G networks to improve mobility, extended bandwidth and data transmission, and other emerging innovations may significantly impact our brand, customer relationships, regulatory compliance processes and/or how we do business	Strategic	4.36	5.07	-0.71
Our organization's succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets	Operational	5.58	6.27	-0.69
Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations	Operational	5.56	6.15	-0.59

Three-Year Comparison of Risks

Each year, we provide an analysis of the overall three-year trends for the risks surveyed to provide insights about trending of individual risks. As discussed previously, to help identify differences in risk concerns across respondent type, we group all the risks based on their average scores into one of three classifications. Consistent with our prior studies, we use the following color-coding scheme to highlight risks visually using these three categories.

CLASSIFICATION	RISKS WITH AN AVERAGE SCORE OF	
Significant Impact	6.0 or higher	
Potential Impact	4.5 through 5.99	
Less Significant Impact	4.49 or lower	

In Table 5, we summarize the impact assessments for each of the 36 risks for the full sample arranged by the three categories of risks we analyze: macroeconomic, strategic and operational. For each risk, the column labeled "2021 Rank" indicates that risk's relative position among the 36 risks for 2021, with rank "1" representing the risk with the highest overall impact score for 2021.

Despite the uncertainties triggered by the events of 2020, respondents, on average, rate only one of the 36 risks as a "Significant Impact" risk. This is in contrast to the prior year, when they rated seven of the 30 risks as "Significant Impact" risks for 2020, which is mostly consistent with 2019, when eight of the 30 risks were rated at that level.

The only risk rated by respondents as a "Significant Impact" risk for 2021 is one of the new risks added this year to address some of the concerns related to the pandemic situation. Respondents are noticeably concerned about how changing government regulations and policies might impact the performance of their business. And, understandably, for many companies and industries, that risk may be the proverbial elephant in the room.

Consistent with the two previous years, most risks are in the middle range of concern, given they fall into the category of "Potential Impact" risks. Only two in 2021 (compared to one in 2020 and none in 2019) are deemed as having "Less Significant Impact." This suggests that most of the 36 risks examined in this study are highly relevant concerns to be considered by board members and executives.

TABLE OF CONTENTS

Perceived Impact for 2021 Relative to Prior Years — Full Sample

TABLE 5

MACROECONOMIC RISK ISSUES	2021 RANK	2021	2020	2019
Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business	1	🔴	N/A	N/A
Economic conditions in markets we currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for our organization	2	🟡	🔴	🟡
The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees	4	🟡	🟡	N/A
Shifts in perspectives and expectations about social issues and priorities surrounding diversity, equity and inclusion are occurring faster than the pace at which our organization is capable of managing effectively, which may significantly impact our ability to attract/retain talent and compete in the marketplace	16	🟡	N/A	N/A
Anticipated volatility in global financial markets and currency exchange rates may create significantly challenging issues for our organization to address	21	🟡	🟡	🟡
Political uncertainty surrounding the influence and continued tenure of key global leaders may impact national and international markets to the point of significantly limiting our growth opportunities	22	🟡	🟡	🟡
Anticipated increases in labor costs may affect our opportunity to meet profitability targets	23	🟡	🟡	🟡
The current interest rate environment may have a significant effect on the organization's operations	24	🟡	🟡	🟡
Our ability to access sufficient capital/liquidity may restrict growth opportunities for our organization	26	🟡	🟡	🟡
Geopolitical shifts, regional conflicts and instability in governmental regimes or expansion of global terrorism may restrict the achievement of our global growth and profitability objectives	31	🟡	🟡	🟡
Evolving changes in global trade policies (e.g., Brexit, escalating tariffs and border restrictions) may limit our ability to operate effectively and efficiently in international markets	34	🟡	🟡	🟡

TABLE OF CONTENTS

TABLE 5 (CONTINUED)

STRATEGIC RISK ISSUES	2021 RANK	2021	2020	2019
Market conditions imposed by and in response to COVID-19, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services	3	🟡	N/A	N/A
Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered	7	🟡	🔴	🔴
Sustaining customer loyalty and retention may be increasingly difficult due to evolving customer preferences and/or demographic shifts in our existing customer base	14	🟡	🟡	🟡
Our organization may not be sufficiently prepared to manage an unexpected crisis significantly impacting our reputation	17	🟡	🟡	🟡
Rapid speed of disruptive innovations enabled by new and emerging technologies (e.g., artificial intelligence, robotics, machine learning, hyper-scalable platforms, increasing bandwidth, faster data transmission) and/or other market forces may outpace our organization's ability to compete and/or manage the risk appropriately, without making significant changes to our business model	18	🟡	🟡	🔴
Opportunities for organic growth through customer acquisition and/or enhancement may be significantly limited for our organization	19	🟡	🟡	🟡
Our organization may not be able to adapt its business model to embrace the evolving "new normal" imposed on our business by the current pandemic and emerging social change	20	🟡	N/A	N/A
Growth opportunities through acquisitions, joint ventures and other partnership activities may be difficult to identify and implement	25	🟡	🟡	🟡
Substitute products and services may arise that affect the viability of our current business model and planned strategic initiatives	27	🟡	🟡	🟡
Ease of entrance of new competitors into the industry and marketplace or other significant changes in the competitive environment (such as major market concentrations due to M&A activity) may threaten our market share	28	🟡	🟡	🟡

TABLE 5 (CONTINUED)

STRATEGIC RISK ISSUES (CONTINUED)	2021 RANK	2021	2020	2019
Performance shortfalls may trigger activist shareholders who seek significant changes to our organization's strategic plan and vision	32	🟡	🟡	🟡
Shifts in environmental, social and governance (ESG) preferences as well as expectations of key stakeholders about climate change, diversity and inclusion, and other governance and sustainability issues may be difficult for us to identify and address on a timely basis	33	🟡	🟡	🟡
Social media developments, 5G networks to improve mobility, extended bandwidth and data transmission, and other emerging innovations may significantly impact our brand, customer relationships, regulatory compliance processes and/or how we do business	35	🟢	🟡	🟡

OPERATIONAL RISK ISSUES	2021 RANK	2021	2020	2019
Ensuring privacy/identity management and information security/system protection may require significant resources for us	5	🟡	🔴	🔴
Our organization may not be sufficiently prepared to manage cyber threats that have the potential to significantly disrupt core operations and/or damage our brand	6	🟡	🔴	🔴
Our organization's succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets	8	🟡	🔴	🔴
Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations	9	🟡	🔴	🔴
Our existing operations, legacy IT infrastructure, lack of digital IQ in the workforce and insufficient embrace of digital thinking and capabilities may not meet performance expectations related to quality, time to market, cost and innovation as well as our competitors, especially new competitors that are "born digital" with a hyper-scalable business model and low cost base for their operations, or established competitors with superior operations	10	🟡	🔴	🔴

TABLE OF CONTENTS

TABLE 5 (CONTINUED)

OPERATIONAL RISK ISSUES (CONTINUED)	2021 RANK	2021	2020	2019
Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency may significantly affect our management of core operations and strategic plans	11	●	●	●
Ongoing demands on or expectations for a significant portion of our workforce to "work remotely" or increased expectations for a transformed, enhanced collaborative physical work environment may negatively impact the effectiveness and efficiency of how we operate our business	12	●	N/A	N/A
Third-party risks arising from our reliance on outsourcing and strategic sourcing arrangements, IT vendor contracts, and other partnerships/joint ventures to achieve operational goals may prevent us from meeting organizational targets or impact our brand image	13	●	●	●
Our organization's culture may not sufficiently encourage the timely identification and escalation of risk issues that have the potential to significantly affect our core operations and achievement of strategic objectives	15	●	●	●
Our ability to meet expectations around protecting the health and safety of employees, customers, suppliers and the communities in which we operate may be insufficient to receive market permission to operate or encourage people to work for us or do business with us	29	●	N/A	N/A
Uncertainty surrounding the viability of key suppliers, scarcity of supply, or stable prices in the supply chain ecosystem may make it difficult to deliver our products or services at acceptable margins	30	●	●	●
The behaviors and personal conduct of the organization's management team and other key representatives may not conform to societal and ethical expectations	36	●	●	●

Longer-Term Perspective – Overview of Risks for 2030

This year, we expanded our analysis to obtain insights about long-term risk perspectives on the minds of board members and executives. In addition to asking about their views of risks for 2021, we also asked them to provide insights about the impact of those same risks over the next decade — into 2030.

The top 10 global risks for 2030 appear in Figure 3 (because this is our first year to ask executives about risks a decade ahead, there are no corresponding prior year results for these risks).

Top 10 Risks for 2030

FIGURE 3

The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees

Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered

Rapid speed of disruptive innovations enabled by new and emerging technologies (e.g., artificial intelligence, robotics, machine learning, hyper-scalable platforms, increasing bandwidth, faster data transmission) and/or other market forces may outpace our organization's ability to compete and/or manage the risk appropriately, without making significant changes to our business model

Our organization's succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets

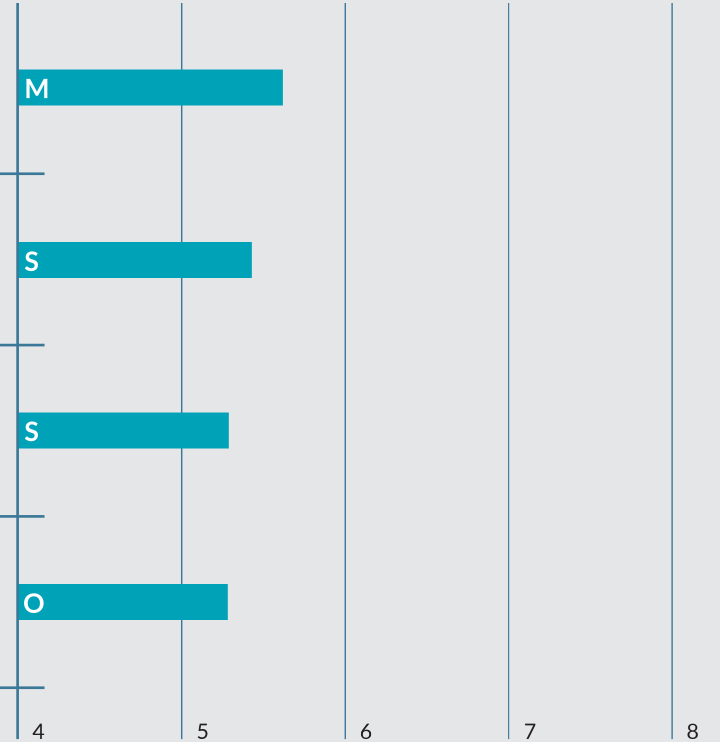


FIGURE 3 (CONTINUED)

We are only able to report 2030 results given this is the first year we have asked respondents to provide an assessment about risks 10 years later.

Respondents are mostly focused on operational risks over the next decade relative to macroeconomic and strategic risk concerns, as five of the top 10 risks for 2030 reflect operational issues. This is somewhat similar to their emphasis on operational risks for 2021 (as shown earlier in Figure 1). Interestingly, three of the top four risks for 2021 are macroeconomic in nature, while only one macroeconomic risk is among the top 10 for 2030 (albeit ranked first).

There is interesting overlap between the top 10 risks for 2030 and the top 10 risks for 2021. Six of the top 10 risks appear for both 2021 and 10 years later. These risks include the future of work, regulatory concerns, talent risk, cybersecurity and privacy issues, and the ability to compete with "born digital" players. Most of these risks are operational risks.

As for the other four risks of the top 10 risks for 2030 that are not in the top 10 list for 2021, as shown in Table 6, three of them represent strategic risk issues. The fourth risk relates to operational concerns that the organization may not have the ability to utilize data analytics and "big data" to achieve market intelligence and to increase operational efficiencies, which has strategic implications as well. Interestingly, that risk was the 11th rated risk for 2021, just missing the cut for the top 10 list. The overarching theme among these four risks reflects board member and executive concerns that the innovations over the next 10 years may significantly impact customer demand for existing products and services as we know them today, and that organizations may fail to recognize timely and act on trends in market data that signal shifts in customer preferences and behavior.

Top 10 Risks for 2030 Not in Top 10 List for 2021

TABLE 6

RISK DESCRIPTION	Type of Risk	2021 Rank	2021 Response	2030 Rank	2030 Response
Rapid speed of disruptive innovations enabled by new and emerging technologies (e.g., artificial intelligence, robotics, machine learning, hyper-scalable platforms, increasing bandwidth, faster data transmission) and/or other market forces may outpace our organization's ability to compete and/or manage the risk appropriately, without making significant changes to our business model	Strategic	18	5.22	3	5.29
Substitute products and services may arise that affect the viability of our current business model and planned strategic initiatives	Strategic	27	5.02	6	5.18
Sustaining customer loyalty and retention may be increasingly difficult due to evolving customer preferences and/or demographic shifts in our existing customer base	Strategic	14	5.34	7	5.17
Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency may significantly affect our management of core operations and strategic plans	Operational	11	5.38	9	5.08

Recall that risks with an average score of 6.0 or higher are classified as "Significant Impact" risks, while risks with average scores of 4.5 through 5.99 are classified as having a "Potential Impact."

Risks with average scores below 4.5 are classified as having a "Less Significant Impact." In Figure 3, we see that no risk is classified as a "Significant Impact" risk for 2030.

Table 7 presents these percentage response results for the 2030 risks that represent the top 10. Notice that *none* of the risks has a majority that rates it as a "Significant Impact" risk.

Top 10 Risks (with percentages of responses by impact level) – 2030[3]

TABLE 7

RISK DESCRIPTION	HIGH	MEDIUM	LOW
	Significant Impact (6 — 10)	Potential Impact (5)	Less Significant Impact (1 — 4)
The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees	49%	15%	36%
Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered	48%	14%	38%
Rapid speed of disruptive innovations enabled by new and emerging technologies (e.g., artificial intelligence, robotics, machine learning, hyper-scalable platforms, increasing bandwidth, faster data transmission) and/or other market forces may outpace our organization's ability to compete and/or manage the risk appropriately, without making significant changes to our business model	43%	15%	42%
Our organization's succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets	43%	17%	40%

[3] The risks presented in Table 7 are in the same top 10 risk order as reported in Figure 3. That list is based on each risk's overall average score (using our 10-point scale). Table 7 merely reflects the percentage of respondents selecting a particular point on the 10-point scale.

TABLE OF CONTENTS

TABLE 7 (CONTINUED)

RISK DESCRIPTION	HIGH	MEDIUM	LOW
	Significant Impact (6 — 10)	Potential Impact (5)	Less Significant Impact (1 — 4)
Ensuring privacy/identity management and information security/system protection may require significant resources for us	42%	17%	41%
Substitute products and services may arise that affect the viability of our current business model and planned strategic initiatives	41%	17%	42%
Sustaining customer loyalty and retention may be increasingly difficult due to evolving customer preferences and/or demographic shifts in our existing customer base	41%	19%	40%
Our existing operations, legacy IT infrastructure, lack of digital IQ in the workforce and insufficient embrace of digital thinking and capabilities may not meet performance expectations related to quality, time to market, cost and innovation as well as our competitors, especially new competitors that are "born digital" with a hyper-scalable business model and low-cost base for their operations, or established competitors with superior operations	40%	15%	45%
Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency may significantly affect our management of core operations and strategic plans	40%	18%	42%
Our organization may not be sufficiently prepared to manage cyber threats that have the potential to significantly disrupt core operations and/or damage our brand	39%	16%	45%

As might be expected, not one of the six new risks added to this year's list of risks to address potential concerns tied to the ongoing pandemic and shifts in perspectives and expectations about social issues and priorities made the top 10 list of risks for 2030. For those pandemic- and social-related risks, the 2021 average risk scores were much higher than their corresponding 2030 average risk scores. In fact, when you examine the top five risks where the difference between the 2021 and 2030 average scores is greatest, four of them represent the new risks related to the pandemic added to this year's survey. The one exception is the risk concern related to economic conditions, which has been an issue considered in prior year surveys. Given the overarching impact of the pandemic on the overall economy, it is not surprising to see that risk is noticeably high for 2021 (recall that it is the second-ranked risk in the top 10 for 2021, as shown in Figure 1).

Table 8 shows the risks with the biggest differences between 2021 and 2030 scores and, as noted earlier, all but one represent the new pandemic-related risks added to this year's survey. In effect, these results suggest that the respondents believe that these risks shall pass with time.

Five Risks with Largest Positive Differences Between 2021 and 2030

TABLE 8

RISK DESCRIPTION	Type of Risk	2021 Response	2030 Response	Difference
Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business	Macroeconomic	6.47	4.56	1.91
Economic conditions in markets we currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for our organization	Macroeconomic	5.84	4.86	0.98
Ongoing demands on or expectations for a significant portion of our workforce to "work remotely" or increased expectations for a transformed, enhanced collaborative physical work environment may negatively impact the effectiveness and efficiency of how we operate our business	Operational	5.37	4.42	0.95
Our organization may not be able to adapt its business model to embrace the evolving "new normal" imposed on our business by the current pandemic and emerging social change	Strategic	5.16	4.29	0.87
Our ability to meet expectations around protecting the health and safety of employees, customers, suppliers and the communities in which we operate may be insufficient to receive market permission to operate or encourage people to work for us or do business with us	Operational	4.91	4.06	0.85

Table 9 shows the average risk score for 2030 for each of the 36 risks included in our survey organized by risk category: macroeconomic, strategic and operational. None of the risks are at the "Significant Impact" level as executives think about 2030. Nine are at the "Less Significant Impact" level, while all others are at the "Potential Impact" level.

Perceived Impact for 2030 — Full Sample

TABLE 9

MACROECONOMIC RISK ISSUES	2030 RANK	2030 RESPONSE
The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees	1	5.62
Shifts in perspectives and expectations about social issues and priorities surrounding diversity, equity and inclusion are occurring faster than the pace at which our organization is capable of managing effectively, which may significantly impact our ability to attract/retain talent and compete in the marketplace	15	4.87
Economic conditions in markets we currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for our organization	16	4.86
Anticipated increases in labor costs may affect our opportunity to meet profitability targets	17	4.74
Political uncertainty surrounding the influence and continued tenure of key global leaders may impact national and international markets to the point of significantly limiting our growth opportunities	20	4.68
Anticipated volatility in global financial markets and currency exchange rates may create significantly challenging issues for our organization to address	21	4.64
The current interest rate environment may have a significant effect on the organization's operations	22	4.63
Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business	25	4.56
Our ability to access sufficient capital/liquidity may restrict growth opportunities for our organization	26	4.55

TABLE 9 (CONTINUED)

MACROECONOMIC RISK ISSUES (CONTINUED)	2030 RANK	2030 RESPONSE
Geopolitical shifts, regional conflicts and instability in governmental regimes or expansion of global terrorism may restrict the achievement of our global growth and profitability objectives	29	4.41
Evolving changes in global trade policies (e.g., Brexit, escalating tariffs and border restrictions) may limit our ability to operate effectively and efficiently in international markets	34	4.14

STRATEGIC RISK ISSUES	2030 RANK	2030 RESPONSE
Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered	2	5.43
Rapid speed of disruptive innovations enabled by new and emerging technologies (e.g., artificial intelligence, robotics, machine learning, hyper-scalable platforms, increasing bandwidth, faster data transmission) and/or other market forces may outpace our organization's ability to compete and/or manage the risk appropriately, without making significant changes to our business model	3	5.29
Substitute products and services may arise that affect the viability of our current business model and planned strategic initiatives	6	5.18
Sustaining customer loyalty and retention may be increasingly difficult due to evolving customer preferences and/or demographic shifts in our existing customer base	7	5.17
Ease of entrance of new competitors into the industry and marketplace or other significant changes in the competitive environment (such as major market concentrations due to M&A activity) may threaten our market share	11	5.03
Market conditions imposed by and in response to COVID-19, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services	12	5.01
Opportunities for organic growth through customer acquisition and/or enhancement may be significantly limited for our organization	18	4.69
Our organization may not be sufficiently prepared to manage an unexpected crisis significantly impacting our reputation	23	4.59

TABLE 9 (CONTINUED)

STRATEGIC RISK ISSUES (CONTINUED)	2030 RANK	2030 RESPONSE
Shifts in environmental, social and governance (ESG) preferences as well as expectations of key stakeholders about climate change, diversity and inclusion, and other governance and sustainability issues may be difficult for us to identify and address on a timely basis	24	4.57
Growth opportunities through acquisitions, joint ventures and other partnership activities may be difficult to identify and implement	27	4.53
Social media developments, 5G networks to improve mobility, extended bandwidth and data transmission, and other emerging innovations may significantly impact our brand, customer relationships, regulatory compliance processes and/or how we do business	30	4.36
Performance shortfalls may trigger activist shareholders who seek significant changes to our organization's strategic plan and vision	32	4.30
Our organization may not be able to adapt its business model to embrace the evolving "new normal" imposed on our business by the current pandemic and emerging social change	33	4.29

OPERATIONAL RISK ISSUES	2030 RANK	2030 RESPONSE
Our organization's succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets	4	5.29
Ensuring privacy/identity management and information security/system protection may require significant resources for us	5	5.25
Our existing operations, legacy IT infrastructure, lack of digital IQ in the workforce and insufficient embrace of digital thinking and capabilities may not meet performance expectations related to quality, time to market, cost and innovation as well as our competitors, especially new competitors that are "born digital" with a hyper-scalable business model and low-cost base for their operations, or established competitors with superior operations	8	5.10
Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency may significantly affect our management of core operations and strategic plans	9	5.08

TABLE 9 (CONTINUED)

OPERATIONAL RISK ISSUES (CONTINUED)	2030 RANK	2030 RESPONSE
Our organization may not be sufficiently prepared to manage cyber threats that have the potential to significantly disrupt core operations and/or damage our brand	10	5.04
Third-party risks arising from our reliance on outsourcing and strategic sourcing arrangements, IT vendor contracts, and other partnerships/joint ventures to achieve operational goals may prevent us from meeting organizational targets or impact our brand image	13	4.97
Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations	14	4.96
Our organization's culture may not sufficiently encourage the timely identification and escalation of risk issues that have the potential to significantly affect our core operations and achievement of strategic objectives	19	4.69
Ongoing demands on or expectations for a significant portion of our workforce to "work remotely" or increased expectations for a transformed, enhanced collaborative physical work environment may negatively impact the effectiveness and efficiency of how we operate our business	28	4.42
Uncertainty surrounding the viability of key suppliers, scarcity of supply, or stable prices in the supply chain ecosystem may make it difficult to deliver our products or services at acceptable margins	31	4.36
Our ability to meet expectations around protecting the health and safety of employees, customers, suppliers and the communities in which we operate may be insufficient to receive market permission to operate or encourage people to work for us or do business with us	35	4.06
The behaviors and personal conduct of the organization's management team and other key representatives may not conform to societal and ethical expectations	36	3.74

The remainder of this report includes our in-depth analysis of perceptions about specific risk concerns. We identify and discuss variances in the responses when viewed by organization size and type, industry, geography, as well as by respondent role. In addition, on page 178 we pose key questions as a call to action for board members and executive management to consider that can serve as a diagnostic to evaluate and improve their organization's risk assessment and management processes.

Analysis Across Different Sizes of Organizations

The sizes of organizations, as measured by total organizational revenue, vary across our 1,081 respondents, as shown below. The mix of sizes of organizations represented by respondents is very similar to the mix of respondents in our prior years' surveys. About 67% of our respondents are in organizations with revenues between $100 million and $10 billion.

MOST RECENT REVENUES	NUMBER OF RESPONDENTS
Revenues $10 billion or greater	143
Revenues $1 billion to $9.99 billion	378
Revenues $100 million to $999 million	347
Revenues less than $100 million	213
Total Number of Respondents	**1,081**

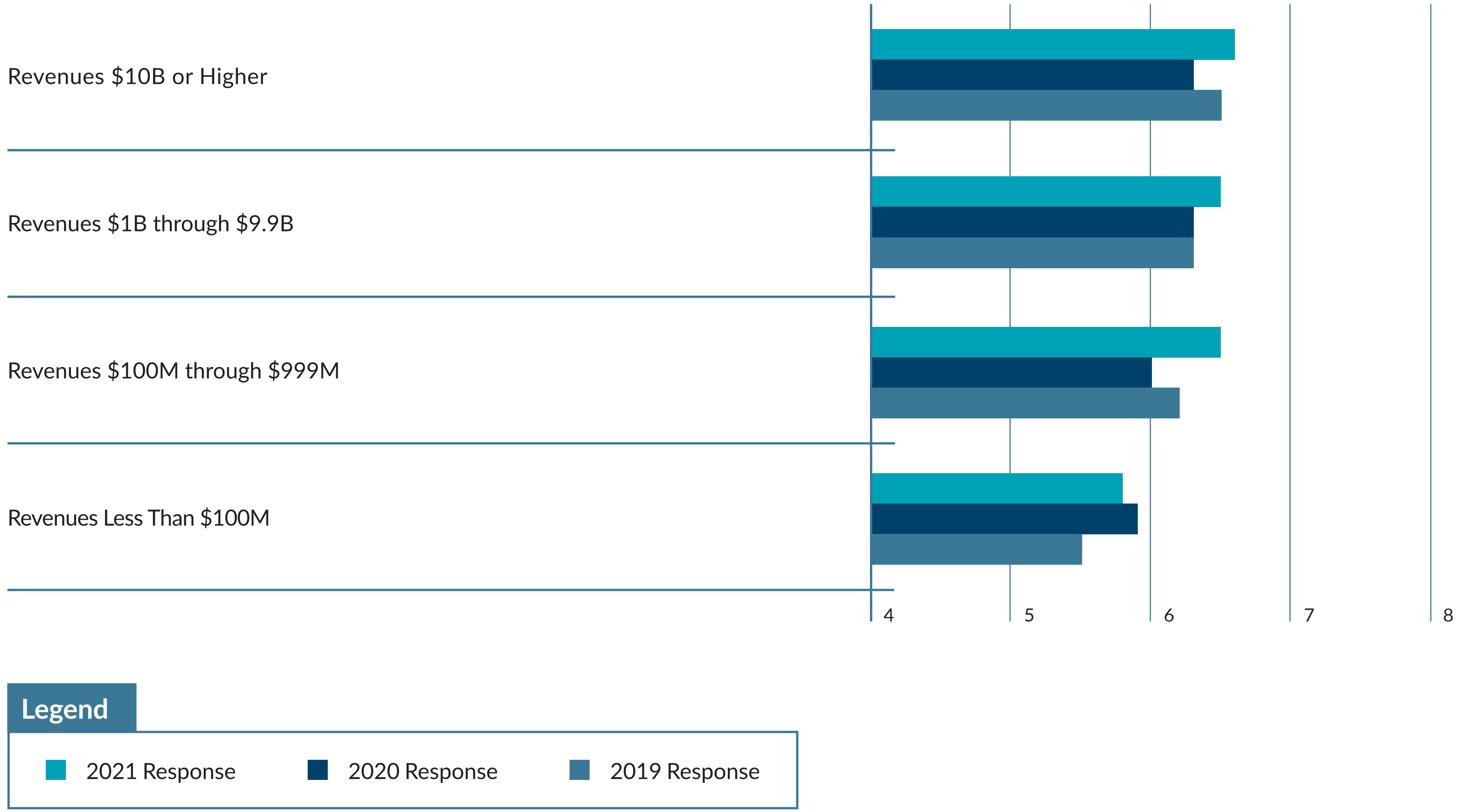
The overall outlook about risk conditions differs across sizes of organizations. We asked respondents to provide their overall impression of the magnitude and severity of risks their organization will be facing using a 10-point scale where 1 = "Extremely Low" and 10 = "Extremely High."

The three largest size categories of organizations (those with revenues above $100 million) all perceive an increase in the magnitude and severity of risks for their organizations, while the smallest organizations indicate that the magnitude and severity of risks has slightly decreased from 2020 to 2021. As in prior years, the smallest sized organizations are also the least concerned relative to organizations in the other size categories. Overall, there is an increase across all four size categories when compared to two years ago.

TABLE OF CONTENTS

FIGURE 4

Overall, what is your impression of the magnitude and severity of risks your organization will be facing with respect to achieving its objectives and reaching or exceeding profitability (or funding) targets over the next 12 months?



2021 Risk Issues

Risks triggered by the ongoing pandemic are prominent on the minds of executives in all sizes of organizations. Macroeconomic concerns specific to the potential impact on performance from government policies surrounding public health, social distancing, return-to-work, crowd limits and other pandemic-related regulations represent the top risk concern across all four sizes of organizations, rated as a "Significant Impact" risk by respondents. Similarly, strategic concerns that COVID-19 might impose market conditions that may impact customer demand for products and services made the top five list of risks for all four size categories. The commonality of these risks across all sizes of organizations is of no surprise.

Winning the war for talent is an imperative for large organizations, represented by the top two size categories, as they are concerned about their ability to attract and retain the talent needed to integrate digital technologies (e.g., AI, automation in all of its forms, natural language processing and visual recognition software) into the business. In addition, the two categories of large organizations are concerned that their organizations may need to spend significant resources to ensure privacy/identity management and information security/system protection. This is not a surprise in that these organizations are more likely to be targets for bad actors.

Small organizations, represented by the two smaller size categories, are particularly concerned about current economic conditions significantly restricting growth opportunities. In addition, small organizations are concerned that their organization's approach to succession challenges may limit their ability to achieve operational targets.

2030 Risk Issues

For most of the four size categories, the top five risks for 2030 are of a strategic nature and a similar macroeconomic risk concern.

All sizes of organizations share concerns about the potential that regulatory changes and scrutiny may heighten, which may significantly impact how they can produce and deliver their products and services. A 10-year horizon is a long time, so respondents likely foresee the potential for legislative and regulatory activity on the ESG, data privacy and other fronts during that period. Similarly, all four size categories of organizations are concerned that they may not have access to the talent needed for them to be able to adopt emerging digital technology innovations and execute complex strategies. Demographics are sure to change, raising the need for a more diverse and inclusive workplace.

Related to being able to access talent experienced in digital technologies, the top three largest size categories of organizations are also concerned that the rapid speed of disruptive innovation may outpace their ability to compete. It's innovate or die over the next 10 years. In addition, the two largest sized categories are focused on risks related to their ability to ensure proper privacy/identity management and information security/system protection. This finding is likely a reaction to the expected proliferation of data privacy laws and regulations over the next several years.

All but one organization size category are concerned that succession planning challenges and their ability to attract needed talent may create challenges for meeting organizational targets in 2030. Once again, the expected shift in demographics is in play.

Smaller companies, represented by those in the two smallest categories of organizations, note that 2030 may reveal risks tied to evolving customer preferences and changing demographics that impact their ability to successfully sustain customer loyalty and retention.

Figures 5-8 summarize the top-rated risks by size of organization separately for 2021 and 2030. Only the top five risks are reported for each year and, if available, prior year risk scores are provided.

TABLE OF CONTENTS

Revenues $10B or Greater – 2021

FIGURE 5A

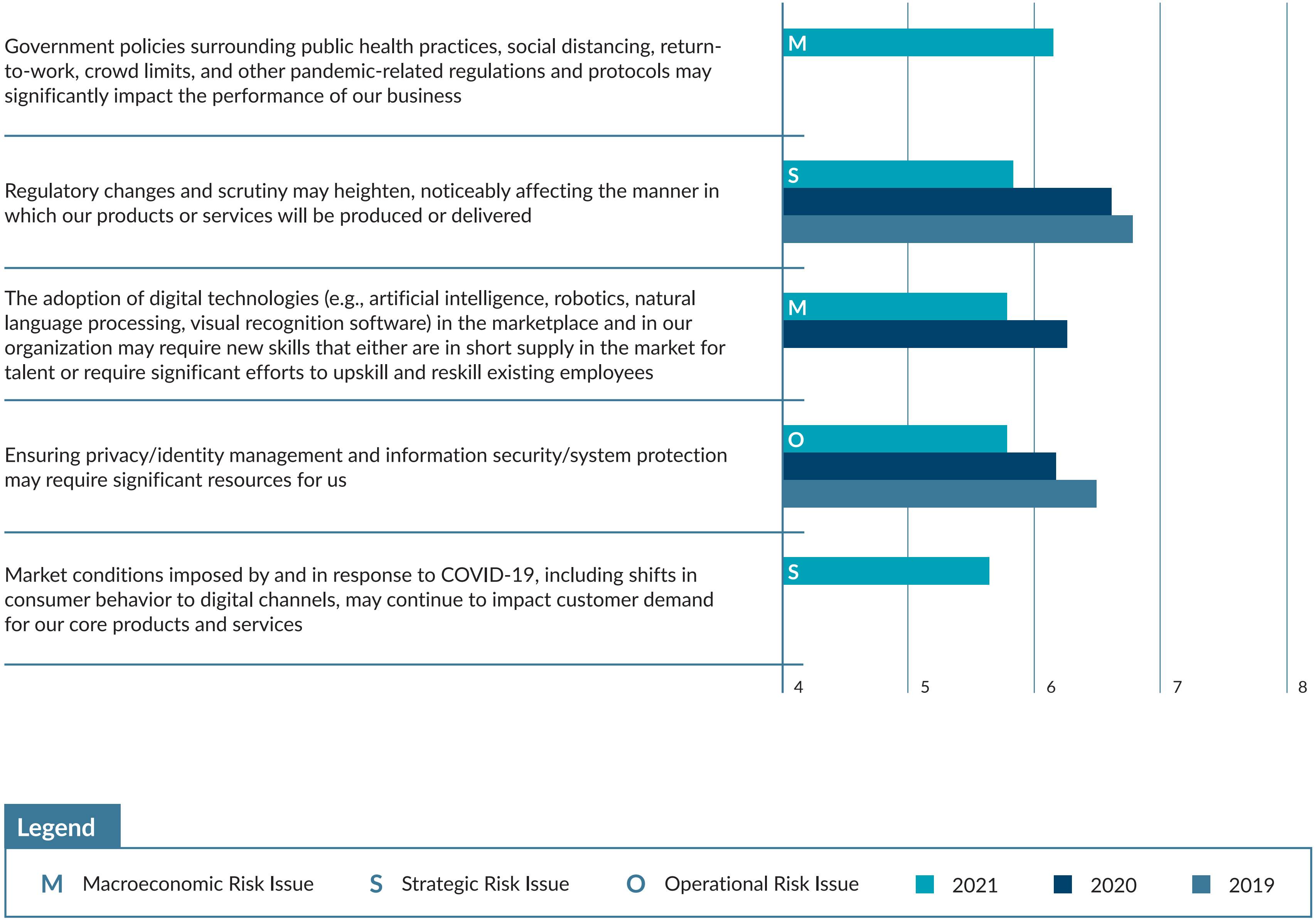
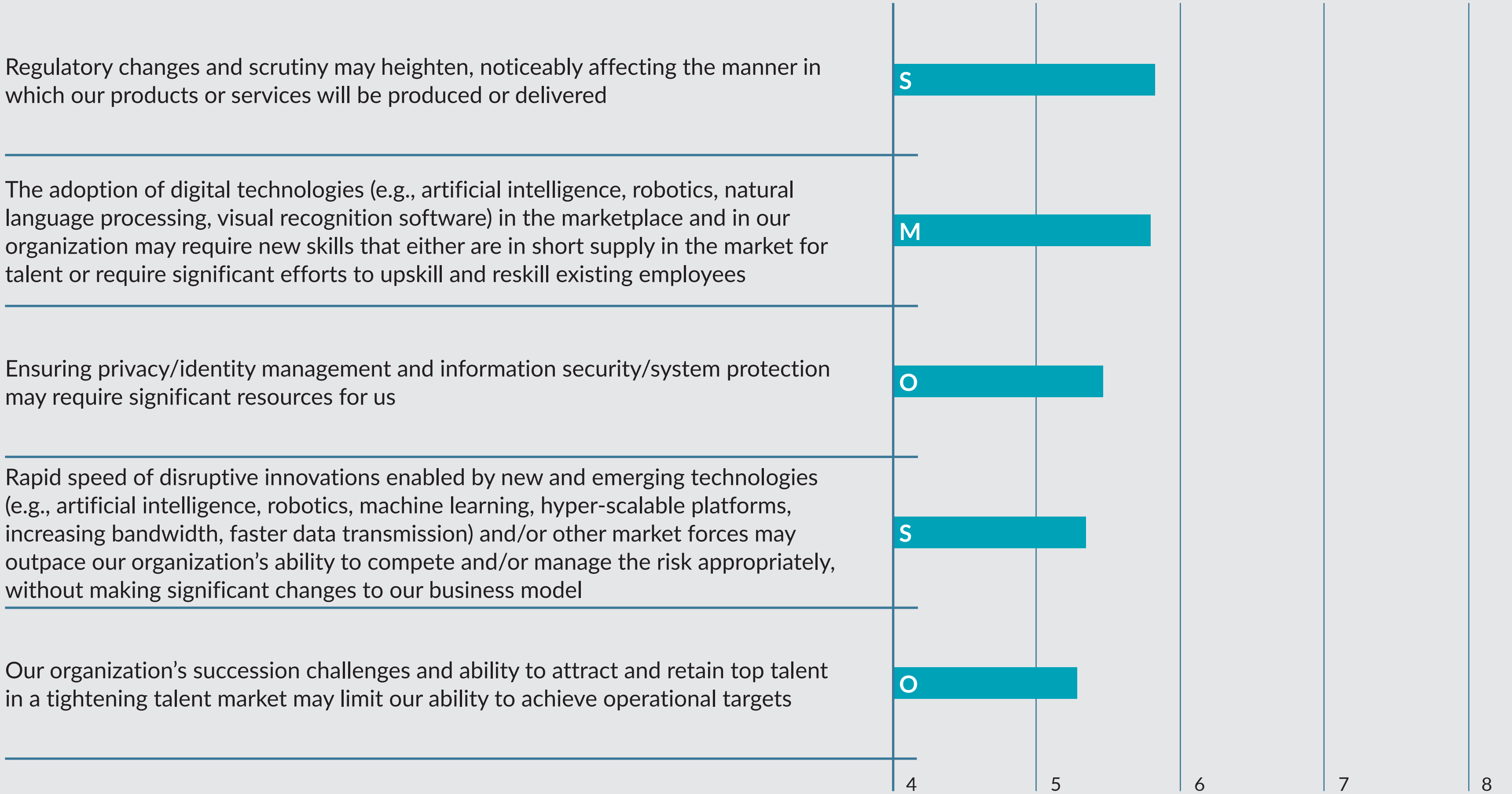


TABLE OF CONTENTS

Revenues $10B or Greater – 2030

FIGURE 5B



Legend

M Macroeconomic Risk Issue | S Strategic Risk Issue | O Operational Risk Issue | ■ 2030

TABLE OF CONTENTS

Revenues $1B to $9.99 B – 2021

FIGURE 6A

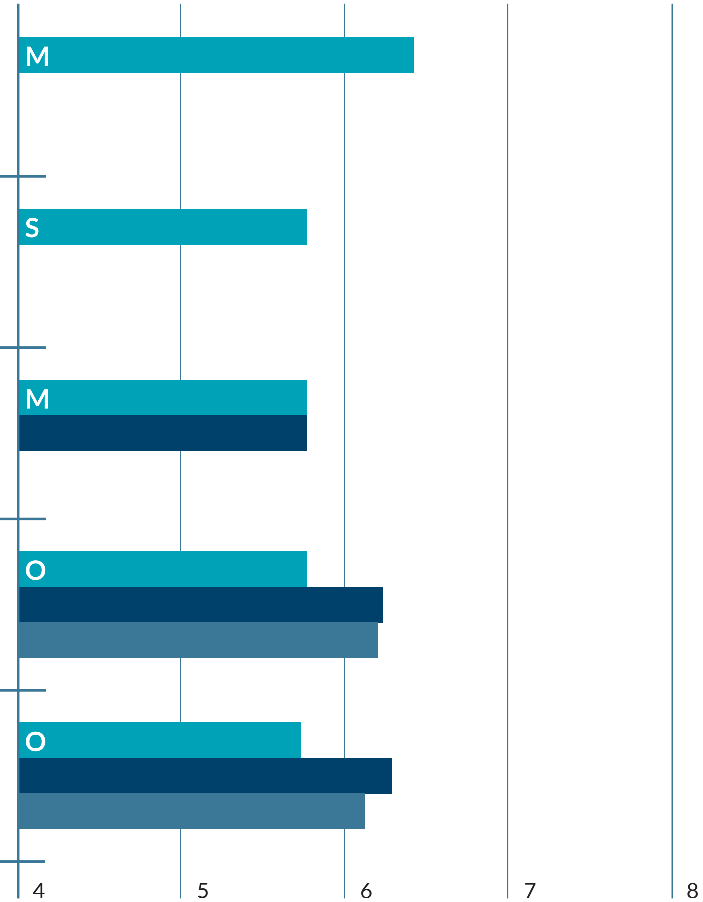
Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business

Market conditions imposed by and in response to COVID-19, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services

The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees

Our organization may not be sufficiently prepared to manage cyber threats that have the potential to significantly disrupt core operations and/or damage our brand

Ensuring privacy/identity management and information security/system protection may require significant resources for us



Legend

M Macroeconomic Risk Issue   S Strategic Risk Issue   O Operational Risk Issue   2021   2020   2019

TABLE OF CONTENTS

Revenues $1B to $9.99 B – 2030

FIGURE 6B

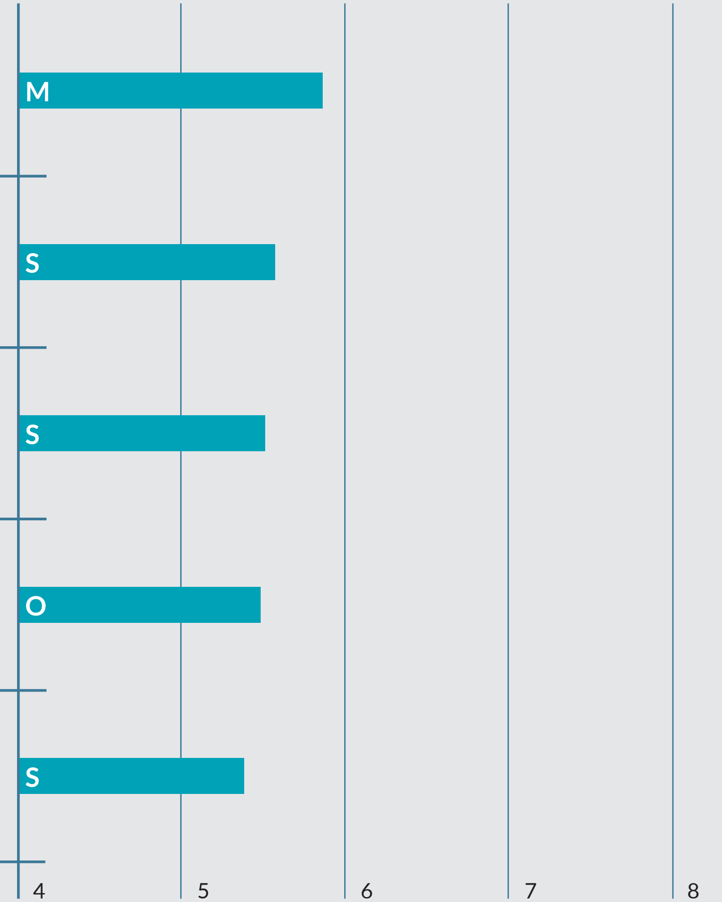
The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees

Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered

Rapid speed of disruptive innovations enabled by new and emerging technologies (e.g., artificial intelligence, robotics, machine learning, hyper-scalable platforms, increasing bandwidth, faster data transmission) and/or other market forces may outpace our organization's ability to compete and/or manage the risk appropriately, without making significant changes to our business model

Ensuring privacy/identity management and information security/system protection may require significant resources for us

Substitute products and services may arise that affect the viability of our current business model and planned strategic initiatives



Legend

M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue ■ 2030

Revenues $100M to $999M – 2021

FIGURE 7A

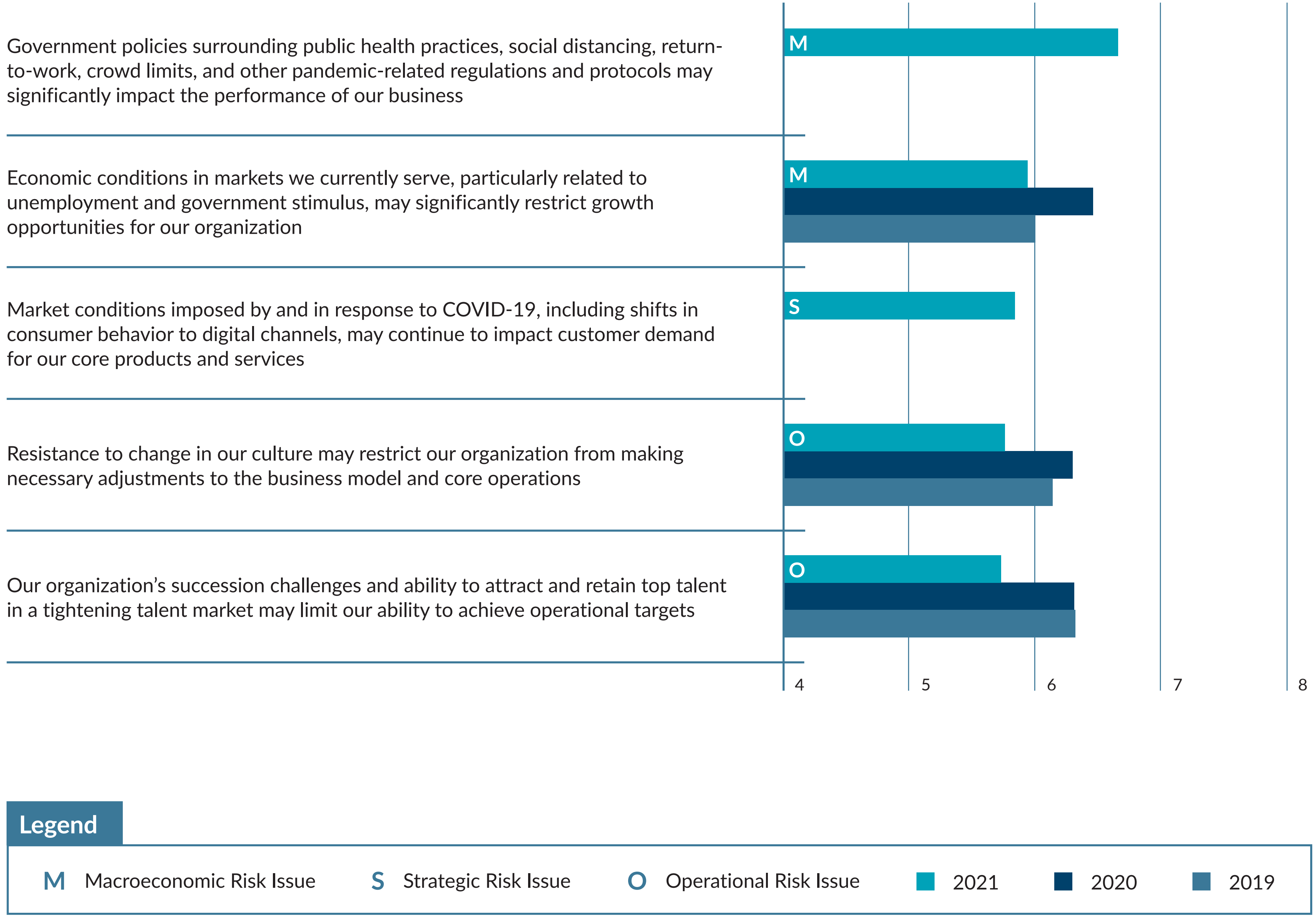
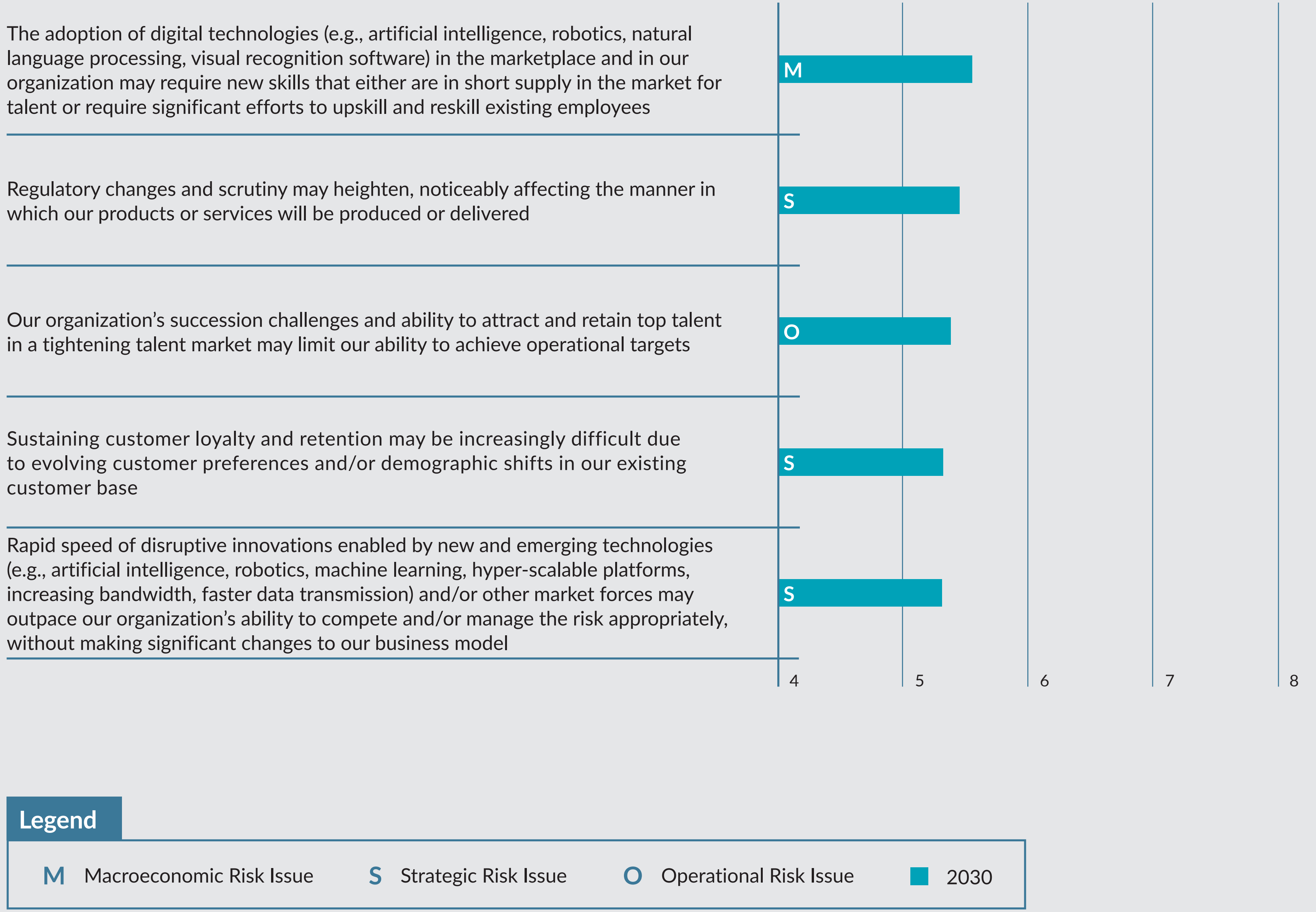


TABLE OF CONTENTS

Revenues $100M to $999M – 2030

FIGURE 7B



Revenues Less Than $100M – 2021

FIGURE 8A

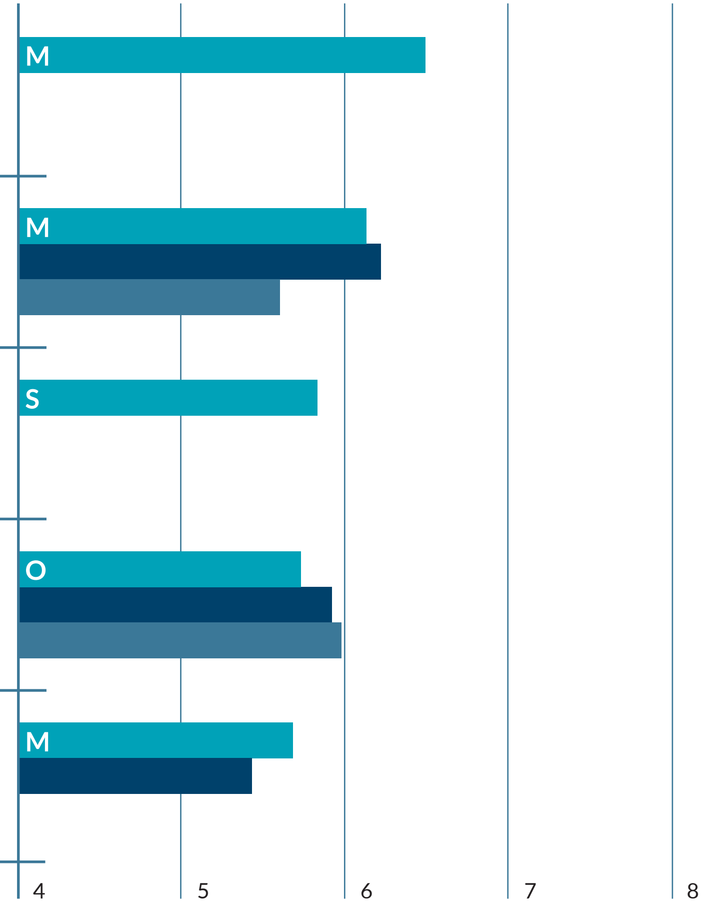
Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business

Economic conditions in markets we currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for our organization

Market conditions imposed by and in response to COVID-19, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services

Our organization's succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets

The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees



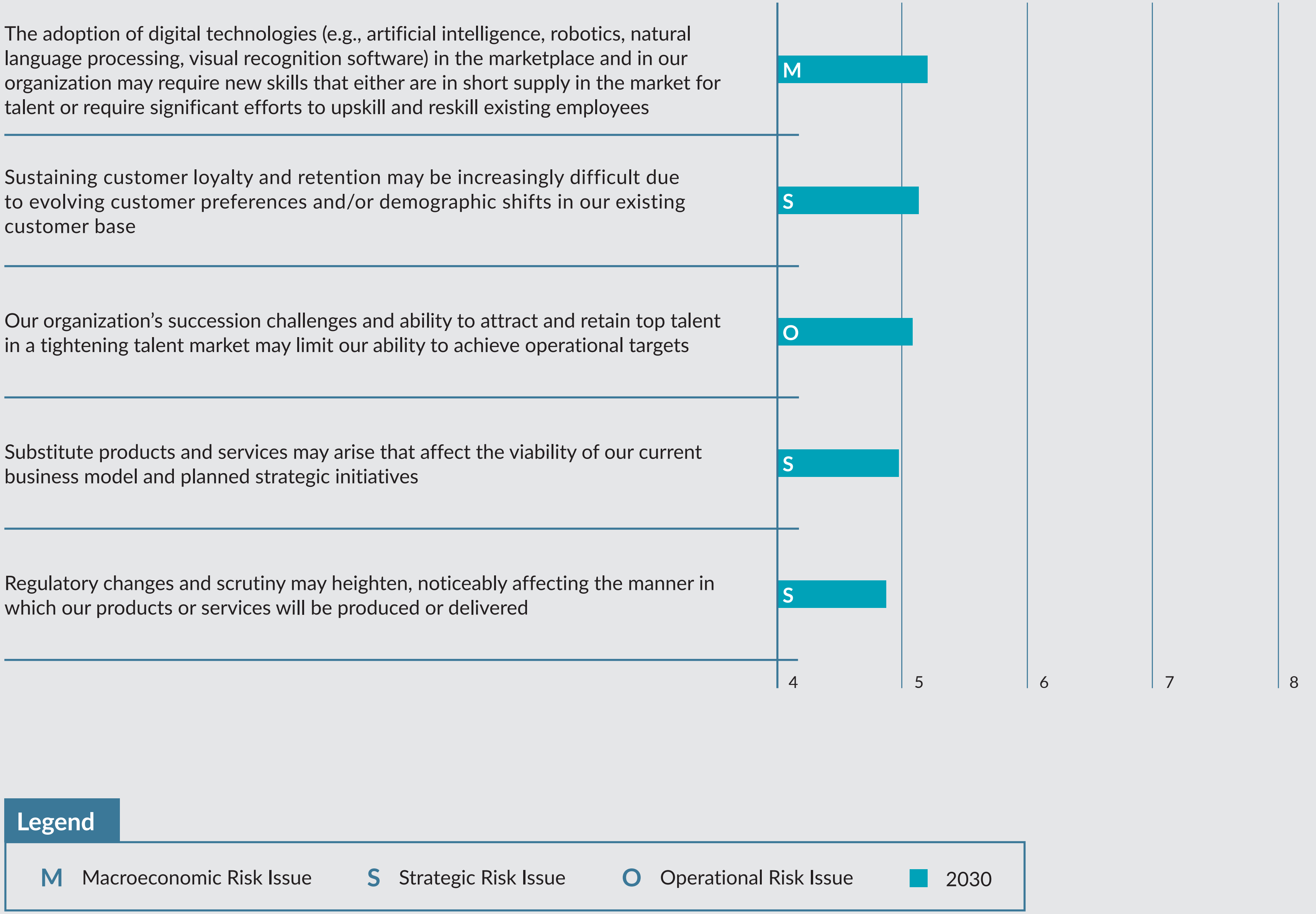
Legend

M Macroeconomic Risk Issue
S Strategic Risk Issue
O Operational Risk Issue
2021
2020
2019

TABLE OF CONTENTS

Revenues Less Than $100M – 2030

FIGURE 8B



Analysis Across Executive Positions Represented

We targeted our survey to individuals currently serving on the board of directors or in senior executive positions so that we could capture C-suite and board perspectives about risks on the horizon for 2021 and 2030. Respondents to the survey serve in a number of different board and executive positions. We received responses from 100 members of a board of directors, and it is reasonable to expect that some C-suite executives also serve on a board. As indicated in the accompanying table, 92 responses were received from individuals who did not fit within one of our executive categories. Their responses are included in the full sample of 1,081 but are not separately analyzed.

EXECUTIVE POSITION	NUMBER OF RESPONDENTS
Board of Directors (BD)	100
Chief Executive Officer (CEO)	77
Chief Financial Officer (CFO)	108
Chief Risk Officer (CRO)	199
Chief Audit Executive (CAE)	223
Chief Information/Technology Officer (CIO/CTO)	114
Chief Strategy/Innovation Officer (CSO)	56
Chief Data/Digital Officer (CDO)	55
Other C-Suite[4] (OCS)	57
All Other[5]	92
Total number of respondents	**1,081**

[4] This category includes titles such as chief operating officer, general counsel and chief compliance officer.

[5] These 92 individuals either did not provide a response allowing for classification by position or would best be described as middle management or business advisers/consultants. We do not provide a separate analysis for this category.

To determine if perspectives about top risks differ across executive positions, we separately examine responses we received from board members and from eight executive positions with the greatest number of respondents: chief executive officer (CEO), chief financial officer (CFO), chief risk officer (CRO),[6] chief audit executive (CAE), chief information/technology officer (CIO/CTO), chief strategy/innovation officer (CSO), chief data/digital officer (CDO), and Other C-Suite executives. Similar to our analysis of the full sample and across the different sizes of organizations, we analyze responses about overall impressions of the magnitude and severity of risks across executive position held. The scores in Figure 9 reflect responses to the question about their overall impression of the magnitude and severity of risks their organization will be facing using a 10-point scale where 1 = "Extremely Low" and 10 = "Extremely High."

The overall impression among executives with respect to the magnitude and severity of risks in the environment is decidedly mixed. Board members, CROs, CAEs and Other C-Suite executives have significantly increased their 2021 risk expectations relative to 2020. The CROs and CAEs rate the magnitude and severity of risks for 2021 at the highest level among all executives. This increase in risk expectations may be the result of overall concern about how quickly business conditions and expectations for oversight are changing, as well as how quickly they could change going forward, particularly as it relates to operations. Some CROs and CAEs may even view the remote work environment as an impediment to fulfilling their respective roles.

By contrast, CEOs and CFOs lowered their future impressions of the risk environment. CIOs/CTOs remained consistent from 2020 to 2021 and our two new executive groups (CSOs and CDOs) exhibited medium-to-high levels of concern (relative to other executive positions) about the 2021 risk environment.

"The marked distinctions in perspectives across C-suite executives and directors regarding the risks their companies face suggest a need to engage all key stakeholders in the risk assessment process and in allocating risk management resources, particularly given the level of uncertainty from volatile markets and continued emergence of new risks that many previously thought were unimaginable."

Dr. Bruce Branson, Professor of Accounting and Associate Director of Enterprise Risk Management Initiative, Poole College of Management, NC State University

[6] We grouped individuals with different but equivalent executive titles into these positions when appropriate. For example, we included "Vice President — Risk Management" with the CRO group and "Director of Finance" was included with the CFO group. Different regions may use different titles for executives with equivalent responsibilities.

TABLE OF CONTENTS

FIGURE 9

Overall, what is your impression of the magnitude and severity of risks your organization will be facing with respect to achieving its objectives and reaching or exceeding profitability (or funding) targets over the next 12 months?

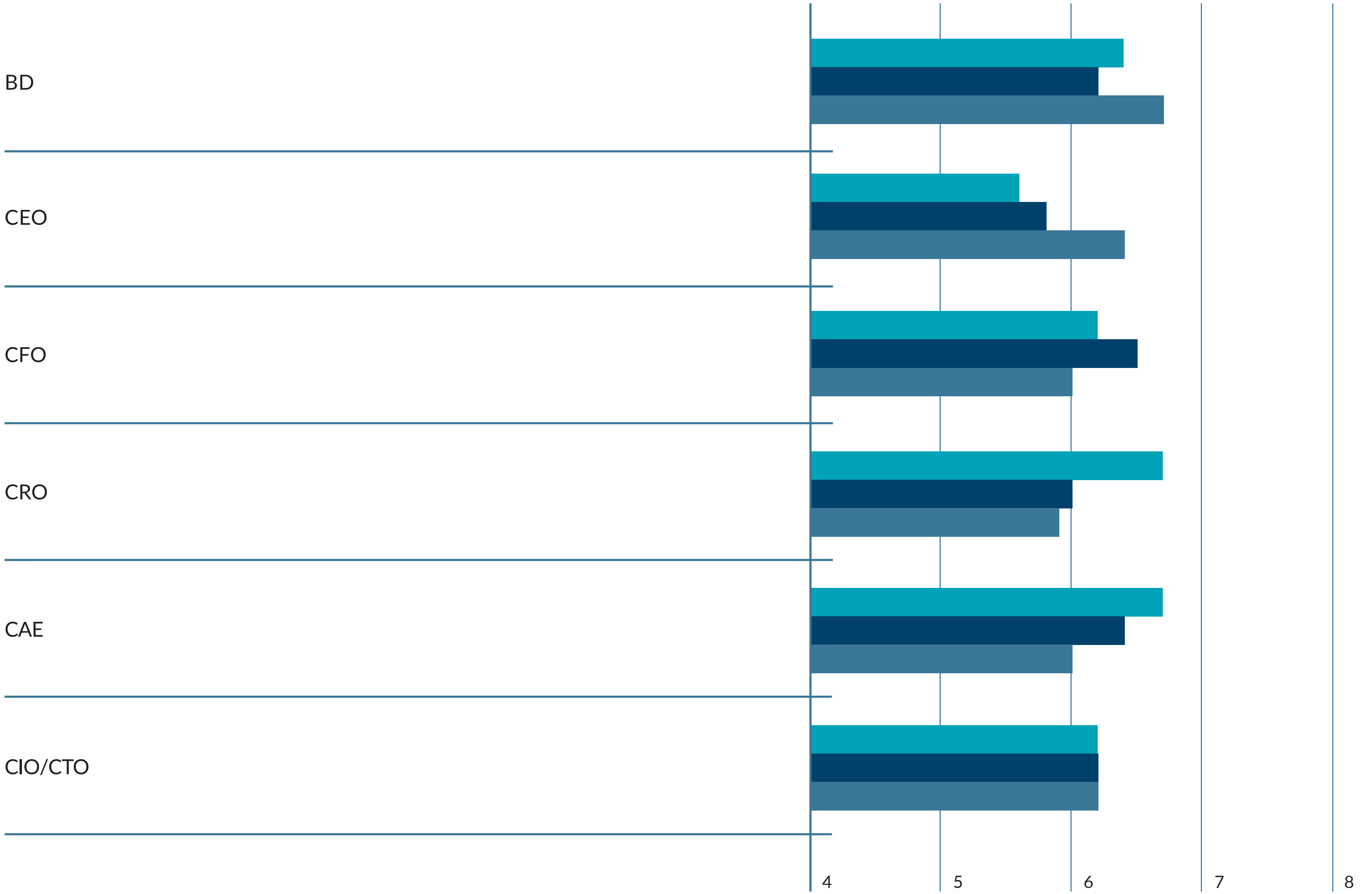
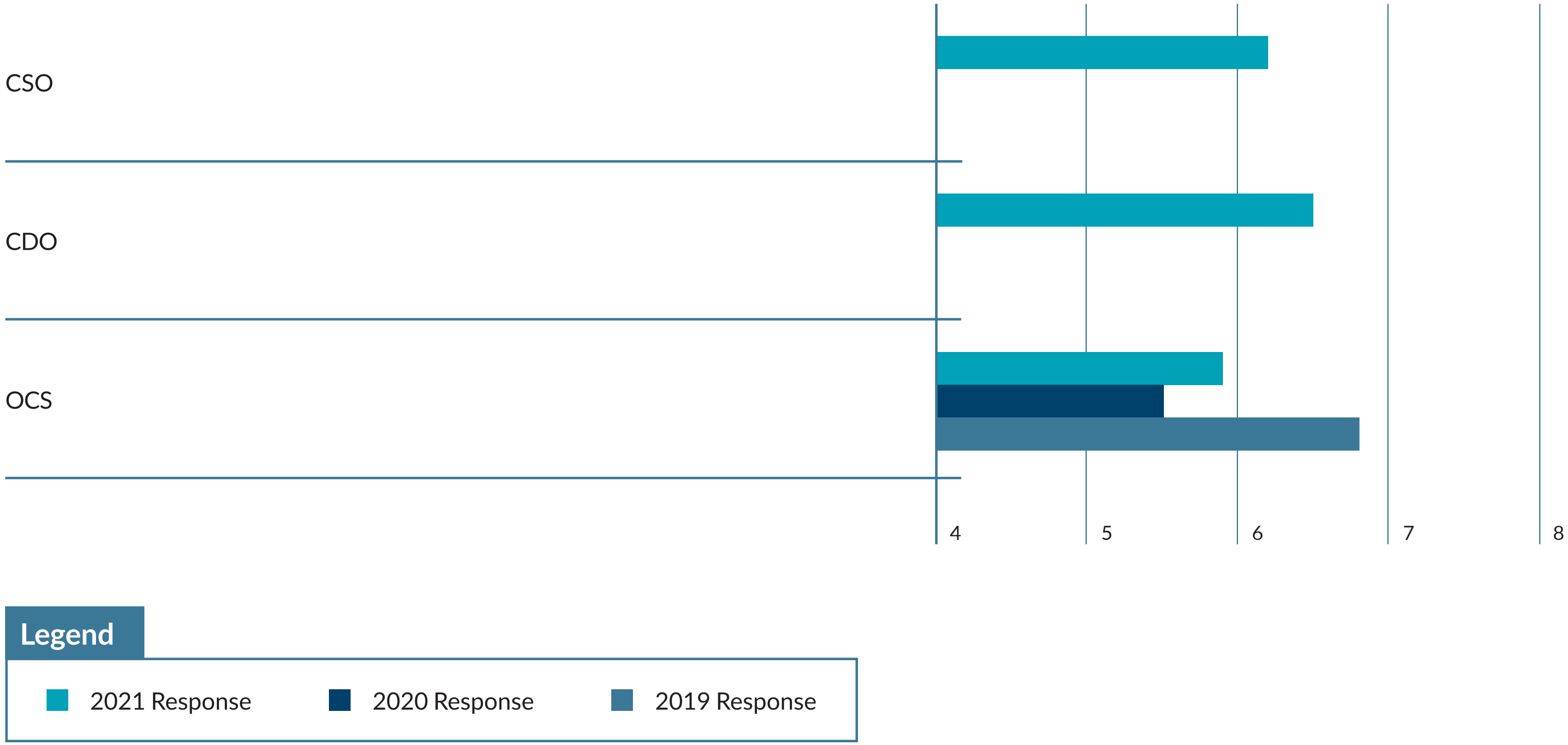


TABLE OF CONTENTS

FIGURE 9 (CONTINUED)



There is marked contrast in perspectives across the various positions, which suggests there may be significant value in explicitly discussing overall impressions about the risk environment among key leaders, especially at the highest level of the organization. Enterprise risk assessments should benefit from the influx of multiple perspectives.

Consistent with prior reports, we use the color-coding scheme below to highlight risks visually using three categories. In Table 10, we provide a summary of the impact assessments for each of the 36 risks for both 2021 and 2030 by category of executive using this color-coding scheme:

CLASSIFICATION	RISKS WITH AN AVERAGE SCORE OF	
Significant Impact	6.0 or higher	🔴
Potential Impact	4.5 through 5.99	🟡
Less Significant Impact	4.49 or lower	🟢

Role

TABLE 10

MACROECONOMIC RISK ISSUES	BOARD	CEO	CFO	CRO	CAE	CIO/ CTO	CSO	CDO	OTHER C-SUITE
Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🟡
Economic conditions in markets we currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for our organization	🔴	🔴	🟡	🟡	🟡	🔴	🔴	🔴	🟡

TABLE OF CONTENTS

TABLE 10 (CONTINUED)

MACROECONOMIC RISK ISSUES (CONTINUED)	BOARD	CEO	CFO	CRO	CAE	CIO/ CTO	CSO	CDO	OTHER C-SUITE
The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees	🟡	🟡	🟡	🟡	🟡	🔴	🔴	🔴	🟡
Shifts in perspectives and expectations about social issues and priorities surrounding diversity, equity and inclusion are occurring faster than the pace at which our organization is capable of managing effectively, which may significantly impact our ability to attract/retain talent and compete in the marketplace	🟡	🟡	🟡	🟡	🟡	🔴	🔴	🔴	🟡
The current interest rate environment may have a significant effect on the organization's operations	🟡	🟡	🟡	🟡	🟡	🔴	🔴	🔴	🟢
Our ability to access sufficient capital/liquidity may restrict growth opportunities for our organization	🟡	🟡	🟡	🟢	🟡	🔴	🔴	🔴	🟢
Anticipated increases in labor costs may affect our opportunity to meet profitability targets	🟡	🟡	🟡	🟢	🟡	🔴	🔴	🔴	🟢
Political uncertainty surrounding the influence and continued tenure of key global leaders may impact national and international markets to the point of significantly limiting our growth opportunities	🟡	🟡	🟡	🟡	🟡	🔴	🟡	🔴	🟡
Anticipated volatility in global financial markets and currency exchange rates may create significantly challenging issues for our organization to address	🟡	🟡	🟡	🟡	🟢	🔴	🟡	🔴	🟡

TABLE OF CONTENTS

TABLE 10 (CONTINUED)

MACROECONOMIC RISK ISSUES (CONTINUED)	BOARD	CEO	CFO	CRO	CAE	CIO/ CTO	CSO	CDO	OTHER C-SUITE
Geopolitical shifts, regional conflicts and instability in governmental regimes or expansion of global terrorism may restrict the achievement of our global growth and profitability objectives	🟡	🟡	🟡	🟢	🟢	🟡	🟡	🔴	🟢
Evolving changes in global trade policies (e.g., Brexit, escalating tariffs and border restrictions) may limit our ability to operate effectively and efficiently in international markets	🟢	🟡	🟢	🟢	🟢	🟡	🟡	🟡	🟢

STRATEGIC RISK ISSUES	BOARD	CEO	CFO	CRO	CAE	CIO/ CTO	CSO	CDO	OTHER C-SUITE
Market conditions imposed by and in response to COVID-19, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services	🔴	🔴	🟡	🟡	🟡	🔴	🔴	🔴	🟡
Rapid speed of disruptive innovations enabled by new and emerging technologies (e.g., artificial intelligence, robotics, machine learning, hyper-scalable platforms, increasing bandwidth, faster data transmission) and/or other market forces may outpace our organization's ability to compete and/or manage the risk appropriately, without making significant changes to our business model	🟡	🟡	🟡	🟡	🟡	🔴	🔴	🔴	🟡
Sustaining customer loyalty and retention may be increasingly difficult due to evolving customer preferences and/or demographic shifts in our existing customer base	🟡	🟡	🟡	🟡	🟡	🔴	🔴	🔴	🟡

TABLE OF CONTENTS

TABLE 10 (CONTINUED)

STRATEGIC RISK ISSUES (CONTINUED)	BOARD	CEO	CFO	CRO	CAE	CIO/ CTO	CSO	CDO	OTHER C-SUITE
Our organization may not be sufficiently prepared to manage an unexpected crisis significantly impacting our reputation	🟡	🟡	🟡	🟡	🟡	🔴	🔴	🔴	🟢
Opportunities for organic growth through customer acquisition and/or enhancement may be significantly limited for our organization	🟡	🟡	🟡	🟡	🟡	🔴	🔴	🔴	🟢
Substitute products and services may arise that affect the viability of our current business model and planned strategic initiatives	🟡	🟡	🟡	🟡	🟡	🔴	🔴	🔴	🟢
Ease of entrance of new competitors into the industry and marketplace or other significant changes in the competitive environment (such as major market concentrations due to M&A activity) may threaten our market share	🟡	🟡	🟡	🟢	🟡	🔴	🔴	🔴	🟢
Growth opportunities through acquisitions, joint ventures and other partnership activities may be difficult to identify and implement	🟡	🟡	🟡	🟢	🟡	🔴	🔴	🔴	🟢
Our organization may not be able to adapt its business model to embrace the evolving "new normal" imposed on our business by the current pandemic and emerging social change	🟡	🟡	🟡	🟢	🟢	🔴	🔴	🔴	🟢
Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered	🟡	🟡	🟡	🟡	🟡	🔴	🟡	🔴	🟡
Performance shortfalls may trigger activist shareholders who seek significant changes to our organization's strategic plan and vision	🟡	🟡	🟡	🟢	🟢	🟡	🟡	🔴	🟢

TABLE 10 (CONTINUED)

STRATEGIC RISK ISSUES (CONTINUED)	BOARD	CEO	CFO	CRO	CAE	CIO/ CTO	CSO	CDO	OTHER C-SUITE
Shifts in environmental, social and governance (ESG) preferences as well as expectations of key stakeholders about climate change, diversity and inclusion, and other governance and sustainability issues may be difficult for us to identify and address on a timely basis	🟡	🟡	🟢	🟢	🟢	🟡	🟡	🟡	🟢
Social media developments, 5G networks to improve mobility, extended bandwidth and data transmission, and other emerging innovations may significantly impact our brand, customer relationships, regulatory compliance processes and/or how we do business	🟢	🟢	🟢	🟢	🟢	🟡	🟡	🟡	🟢

OPERATIONAL RISK ISSUES	BOARD	CEO	CFO	CRO	CAE	CIO/ CTO	CSO	CDO	OTHER C-SUITE
Ongoing demands on or expectations for a significant portion of our workforce to “work remotely” or increased expectations for a transformed, enhanced collaborative physical work environment may negatively impact the effectiveness and efficiency of how we operate our business	🟡	🔴	🟡	🟡	🟡	🔴	🔴	🔴	🟢
Third-party risks arising from our reliance on outsourcing and strategic sourcing arrangements, IT vendor contracts, and other partnerships/joint ventures to achieve operational goals may prevent us from meeting organizational targets or impact our brand image	🟡	🟡	🟡	🟡	🟡	🔴	🔴	🔴	🟡
Our organization’s succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets	🟡	🟡	🟡	🟡	🟡	🔴	🔴	🔴	🟡

TABLE 10 (CONTINUED)

OPERATIONAL RISK ISSUES (CONTINUED)	BOARD	CEO	CFO	CRO	CAE	CIO/CTO	CSO	CDO	OTHER C-SUITE
Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations	Yellow	Yellow	Yellow	Yellow	Yellow	Red	Red	Red	Yellow
Our ability to meet expectations around protecting the health and safety of employees, customers, suppliers and the communities in which we operate may be insufficient to receive market permission to operate or encourage people to work for us or do business with us	Yellow	Yellow	Yellow	Green	Green	Red	Red	Red	Green
Our organization may not be sufficiently prepared to manage cyber threats that have the potential to significantly disrupt core operations and/or damage our brand	Yellow	Yellow	Yellow	Yellow	Yellow	Red	Yellow	Red	Yellow
Ensuring privacy/identity management and information security/system protection may require significant resources for us	Yellow	Yellow	Yellow	Yellow	Yellow	Red	Yellow	Red	Yellow
Our organization's culture may not sufficiently encourage the timely identification and escalation of risk issues that have the potential to significantly affect our core operations and achievement of strategic objectives	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Red	Red	Green
Our existing operations, legacy IT infrastructure, lack of digital IQ in the workforce and insufficient embrace of digital thinking and capabilities may not meet performance expectations related to quality, time to market, cost and innovation as well as our competitors, especially new competitors that are "born digital" with a hyper-scalable business model and low cost base for their operations, or established competitors with superior operations	Yellow	Yellow	Yellow	Yellow	Yellow	Red	Yellow	Yellow	Yellow

TABLE 10 (CONTINUED)

OPERATIONAL RISK ISSUES (CONTINUED)	BOARD	CEO	CFO	CRO	CAE	CIO/ CTO	CSO	CDO	OTHER C-SUITE
Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency may significantly affect our management of core operations and strategic plans	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🔴	🟢
The behaviors and personal conduct of the organization's management team and other key representatives may not conform to societal and ethical expectations	🟢	🟡	🟢	🟢	🟢	🟡	🔴	🟡	🟢
Uncertainty surrounding the viability of key suppliers, scarcity of supply, or stable prices in the supply chain ecosystem may make it difficult to deliver our products or services at acceptable margins	🟡	🟡	🟡	🟢	🟡	🟡	🟡	🟡	🟢

2021 Risk Issues

For 2021, board members, CFOs, CAEs and Other C-Suite executives have reduced their level of concern about specific risk issues, as reflected by their ratings of the 36 risks at the highest impact level (red circles). Board members rated six of the 30 risks asked about in 2020 at the highest level, CFOs eight, CAEs six, and Other C-Suite executives rated three of the 30 risks as highest impact last year. For 2021, these numbers have dropped to three, one, one and zero, respectively. For CEOs, interestingly, their "Significant Impact" risks increased from one to four in 2021. The three position groups that perceive a very different (and elevated) risk environment in 2021 are the CIO/CTOs, CSOs and CDOs. Their "Significant Impact" risk counts are 27, 23 and 30, respectively. Thus, there is noticeable difference in views about 2021 risk conditions across executive type. This begs for executives to engage in conversations with one another to figure out what is the most appropriate view.

2030 Risk Issues

In general, a longer time horizon tends to lower the perception of a risk because leaders perceive they are able to make adjustments to their vision, strategy, business model and mitigation processes with intention to increase their resiliency over time. To that point, the overall risk perceptions for 2030 are significantly reduced across the board relative to 2021. Only CROs and CAEs rate any of the 36 risks as "Significant Impact" risks. Both CROs and CAEs rate four risks in this category. In general, respondents from these two position groups rate the risks higher than other respondents, but only in a few instances do they perceive them as having a significant impact a decade from now.

Table 11 shows the average risk scores for both 2021 and 2030 together to highlight differences in views about individual risks across different executive positions.

TABLE OF CONTENTS

Perceived Impact for 2021 and 2030 — by Role

TABLE 11

MACROECONOMIC RISK ISSUES	YEAR	BOARD	CEO	CFO	CRO	CAE	CIO/CTO	CSO	CDO	OTHER C-SUITE
Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business	2021	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🟡
	2030	🟡	🟡	🟢	🟢	🟡	🟡	🟢	🟡	🟢
Economic conditions in markets we currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for our organization	2021	🔴	🔴	🟡	🟡	🟡	🔴	🔴	🔴	🟡
	2030	🟡	🟡	🟢	🟡	🟡	🟡	🟢	🟡	🟡
The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees	2021	🟡	🟡	🟡	🟡	🟡	🔴	🔴	🔴	🟡
	2030	🟡	🟡	🟡	🔴	🔴	🟡	🟢	🟢	🟡
Shifts in perspectives and expectations about social issues and priorities surrounding diversity, equity and inclusion are occurring faster than the pace at which our organization is capable of managing effectively, which may significantly impact our ability to attract/retain talent and compete in the marketplace	2021	🟡	🟡	🟡	🟡	🟡	🔴	🔴	🔴	🟡
	2030	🟡	🟡	🟡	🟡	🟡	🟡	🟢	🟡	🟡
The current interest rate environment may have a significant effect on the organization's operations	2021	🟡	🟡	🟡	🟡	🟡	🔴	🔴	🔴	🟢
	2030	🟢	🟢	🟢	🟡	🟡	🟡	🟢	🟡	🟢

TABLE OF CONTENTS

TABLE 11 (CONTINUED)

MACROECONOMIC RISK ISSUES (CONTINUED)	YEAR	BOARD	CEO	CFO	CRO	CAE	CIO/ CTO	CSO	CDO	OTHER C-SUITE
Our ability to access sufficient capital/liquidity may restrict growth opportunities for our organization	2021	🟡	🟡	🟡	🟢	🟡	🔴	🔴	🔴	🟢
	2030	🟡	🟢	🟢	🟢	🟡	🟡	🟡	🟢	🟢
Anticipated increases in labor costs may affect our opportunity to meet profitability targets	2021	🟡	🟡	🟡	🟢	🟡	🔴	🔴	🔴	🟢
	2030	🟡	🟢	🟡	🟡	🟡	🟢	🟡	🟢	🟡
Political uncertainty surrounding the influence and continued tenure of key global leaders may impact national and international markets to the point of significantly limiting our growth opportunities	2021	🟡	🟡	🟡	🟡	🟡	🔴	🟡	🔴	🟡
	2030	🟡	🟢	🟢	🟡	🟡	🟡	🟢	🟢	🟡
Anticipated volatility in global financial markets and currency exchange rates may create significantly challenging issues for our organization to address	2021	🟡	🟡	🟡	🟡	🟢	🔴	🟡	🔴	🟡
	2030	🟢	🟡	🟢	🟡	🟢	🟡	🟢	🟡	🟡
Geopolitical shifts, regional conflicts and instability in governmental regimes or expansion of global terrorism may restrict the achievement of our global growth and profitability objectives	2021	🟡	🟡	🟡	🟢	🟢	🟡	🟡	🔴	🟢
	2030	🟢	🟢	🟢	🟡	🟢	🟢	🟢	🟢	🟢
Evolving changes in global trade policies (e.g., Brexit, escalating tariffs and border restrictions) may limit our ability to operate effectively and efficiently in international markets	2021	🟢	🟡	🟢	🟢	🟢	🟡	🟡	🟡	🟢
	2030	🟢	🟢	🟢	🟢	🟡	🟢	🟢	🟢	🟡

TABLE 11 (CONTINUED)

STRATEGIC RISK ISSUES	YEAR	BOARD	CEO	CFO	CRO	CAE	CIO/ CTO	CSO	CDO	OTHER C-SUITE
Market conditions imposed by and in response to COVID-19, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services	2021	● red	● red	● yellow	● yellow	● yellow	● red	● red	● red	● yellow
	2030	● yellow	● yellow	● yellow	● yellow	● yellow	● yellow	● yellow	● green	● green
Rapid speed of disruptive innovations enabled by new and emerging technologies (e.g., artificial intelligence, robotics, machine learning, hyper-scalable platforms, increasing bandwidth, faster data transmission) and/or other market forces may outpace our organization's ability to compete and/or manage the risk appropriately, without making significant changes to our business model	2021	● yellow	● yellow	● yellow	● yellow	● yellow	● red	● red	● red	● yellow
	2030	● yellow	● green	● yellow	● red	● red	● green	● green	● green	● yellow
Sustaining customer loyalty and retention may be increasingly difficult due to evolving customer preferences and/or demographic shifts in our existing customer base	2021	● yellow	● yellow	● yellow	● yellow	● yellow	● red	● red	● red	● yellow
	2030	● yellow	● yellow	● yellow	● yellow	● yellow	● yellow	● yellow	● green	● yellow
Our organization may not be sufficiently prepared to manage an unexpected crisis significantly impacting our reputation	2021	● yellow	● yellow	● yellow	● yellow	● yellow	● red	● red	● red	● green
	2030	● yellow	● green	● green	● yellow	● yellow	● yellow	● green	● green	● green
Opportunities for organic growth through customer acquisition and/or enhancement may be significantly limited for our organization	2021	● yellow	● yellow	● yellow	● yellow	● yellow	● red	● red	● red	● green
	2030	● yellow	● green	● green	● yellow	● yellow	● yellow	● green	● green	● green

TABLE 11 (CONTINUED)

STRATEGIC RISK ISSUES (CONTINUED)	YEAR	BOARD	CEO	CFO	CRO	CAE	CIO/ CTO	CSO	CDO	OTHER C-SUITE
Substitute products and services may arise that affect the viability of our current business model and planned strategic initiatives	2021	🟡	🟡	🟡	🟡	🟡	🔴	🔴	🔴	🟢
	2030	🟡	🟢	🟡	🟡	🟡	🟡	🟡	🟢	🟡
Ease of entrance of new competitors into the industry and marketplace or other significant changes in the competitive environment (such as major market concentrations due to M&A activity) may threaten our market share	2021	🟡	🟡	🟡	🟢	🟡	🔴	🔴	🔴	🟢
	2030	🟡	🟡	🟢	🟡	🟡	🟡	🟡	🟢	🟡
Growth opportunities through acquisitions, joint ventures and other partnership activities may be difficult to identify and implement	2021	🟡	🟡	🟡	🟢	🟡	🔴	🔴	🔴	🟢
	2030	🟢	🟢	🟢	🟡	🟡	🟡	🟢	🟢	🟢
Our organization may not be able to adapt its business model to embrace the evolving "new normal" imposed on our business by the current pandemic and emerging social change	2021	🟡	🟡	🟡	🟢	🟢	🔴	🔴	🔴	🟢
	2030	🟢	🟢	🟢	🟢	🟢	🟡	🟡	🟢	🟢
Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered	2021	🟡	🟡	🟡	🟡	🟡	🔴	🟡	🔴	🟡
	2030	🟡	🟡	🟡	🔴	🔴	🟢	🟢	🟢	🟡
Performance shortfalls may trigger activist shareholders who seek significant changes to our organization's strategic plan and vision	2021	🟡	🟡	🟡	🟢	🟢	🟡	🟡	🔴	🟢
	2030	🟢	🟢	🟢	🟡	🟢	🟢	🟢	🟢	🟢

TABLE OF CONTENTS

TABLE 11 (CONTINUED)

STRATEGIC RISK ISSUES (CONTINUED)	YEAR	BOARD	CEO	CFO	CRO	CAE	CIO/ CTO	CSO	CDO	OTHER C-SUITE
Shifts in environmental, social and governance (ESG) preferences as well as expectations of key stakeholders about climate change, diversity and inclusion, and other governance and sustainability issues may be difficult for us to identify and address on a timely basis	2021	● yellow	● yellow	● green	● green	● green	● yellow	● yellow	● yellow	● green
	2030	● green	● green	● green	● yellow	● yellow	● green	● green	● green	● green
Social media developments, 5G networks to improve mobility, extended bandwidth and data transmission, and other emerging innovations may significantly impact our brand, customer relationships, regulatory compliance processes and/or how we do business	2021	● green	● green	● green	● green	● green	● yellow	● yellow	● yellow	● green
	2030	● green	● green	● green	● yellow	● yellow	● green	● green	● green	● yellow

OPERATIONAL RISK ISSUES	YEAR	BOARD	CEO	CFO	CRO	CAE	CIO/ CTO	CSO	CDO	OTHER C-SUITE
Ongoing demands on or expectations for a significant portion of our workforce to "work remotely" or increased expectations for a transformed, enhanced collaborative physical work environment may negatively impact the effectiveness and efficiency of how we operate our business	2021	● yellow	● red	● yellow	● yellow	● yellow	● red	● red	● red	● green
	2030	● yellow	● yellow	● green	● yellow	● green	● yellow	● yellow	● yellow	● green
Third-party risks arising from our reliance on outsourcing and strategic sourcing arrangements, IT vendor contracts, and other partnerships/joint ventures to achieve operational goals may prevent us from meeting organizational targets or impact our brand image	2021	● yellow	● yellow	● yellow	● yellow	● yellow	● red	● red	● red	● yellow
	2030	● green	● green	● green	● yellow	● yellow	● yellow	● yellow	● green	● yellow

TABLE 11 (CONTINUED)

OPERATIONAL RISK ISSUES (CONTINUED)	YEAR	BOARD	CEO	CFO	CRO	CAE	CIO/CTO	CSO	CDO	OTHER C-SUITE
Our organization's succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets	2021	🟡	🟡	🟡	🟡	🟡	🔴	🔴	🔴	🟡
	2030	🟡	🟡	🟡	🟡	🔴	🟡	🟢	🟡	🟡
Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations	2021	🟡	🟡	🟡	🟡	🟡	🔴	🔴	🔴	🟡
	2030	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡
Our ability to meet expectations around protecting the health and safety of employees, customers, suppliers and the communities in which we operate may be insufficient to receive market permission to operate or encourage people to work for us or do business with us	2021	🟡	🟡	🟡	🟢	🟢	🔴	🔴	🔴	🟢
	2030	🟢	🟢	🟢	🟢	🟢	🟡	🟢	🟢	🟢
Our organization may not be sufficiently prepared to manage cyber threats that have the potential to significantly disrupt core operations and/or damage our brand	2021	🟡	🟡	🟡	🟡	🟡	🔴	🟡	🔴	🟡
	2030	🟡	🟢	🟢	🟡	🟡	🟢	🟢	🟢	🟡
Ensuring privacy/identity management and information security/system protection may require significant resources for us	2021	🟡	🟡	🟡	🟡	🟡	🔴	🟡	🔴	🟡
	2030	🟡	🟡	🟡	🔴	🟡	🟡	🟡	🟡	🟡
Our organization's culture may not sufficiently encourage the timely identification and escalation of risk issues that have the potential to significantly affect our core operations and achievement of strategic objectives	2021	🟡	🟡	🟡	🟡	🟡	🟡	🔴	🔴	🟢
	2030	🟡	🟢	🟢	🟡	🟡	🟢	🟢	🟡	🟡

TABLE OF CONTENTS

TABLE 11 (CONTINUED)

OPERATIONAL RISK ISSUES (CONTINUED)	YEAR	BOARD	CEO	CFO	CRO	CAE	CIO/CTO	CSO	CDO	OTHER C-SUITE
Our existing operations, legacy IT infrastructure, lack of digital IQ in the workforce and insufficient embrace of digital thinking and capabilities may not meet performance expectations related to quality, time to market, cost and innovation as well as our competitors, especially new competitors that are "born digital" with a hyper-scalable business model and low cost base for their operations, or established competitors with superior operations	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency may significantly affect our management of core operations and strategic plans	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
The behaviors and personal conduct of the organization's management team and other key representatives may not conform to societal and ethical expectations	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●
Uncertainty surrounding the viability of key suppliers, scarcity of supply, or stable prices in the supply chain ecosystem may make it difficult to deliver our products or services at acceptable margins	2021	●	●	●	●	●	●	●	●	●
	2030	●	●	●	●	●	●	●	●	●

TABLE OF CONTENTS

Figures 10-18 on the following pages highlight the top five risks identified by each position. What is striking is that every executive position, except Other C-Suite executives, ranks concerns about the impact of government policies to respond to pandemic conditions as the top risk concern. Again, this risk rears its ugly head as the primary concern to address during the next 12 months. Each of those executive groups rates this concern as a "Significant Impact" risk, with CIO/CTOs, CSOs and CDOs rating them at the highest levels (i.e., well over 7.0 in our 10-point scale). Macroeconomic and strategic risk concerns dominate the top five risks on the minds of boards, CEOs, CFOs and CROs.

Interestingly, CIO/CTOs, CSOs and CDOs rate all of the individual top five risks as "Significant Impact" risks. They have much greater concern about a number of specific risks than other executives, who generally only rate one of their top five risks at that level of significance.

The results reflect how different roles assess risks differently in different environments and economic periods, and emphasize the critical importance of bringing numerous stakeholder viewpoints to bear in risk discussions. It is of paramount importance that both the board and the management team engage in dialogue regarding the critical enterprise risks, given the different perspectives each brings to the table and the potential for a lack of consensus. Without clarity of focus, the executive team may not be aligned with the board on what the top risks are. Worse, they may not be appropriately addressing the most important risks facing the organization, thereby leaving the organization potentially vulnerable to certain risk events.

> "Pandemic risk was a known unknown … not a matter of if but of when it would strike. So even though the risk was real, many companies did not have a substantive plan of action for this type of crisis and were taught a difficult lesson about their view of risk. The events of 2020 highlight the difference between the companies with effective risk management that allowed them to pivot to the needs of the marketplace and those that did not."
>
> Dolores Atallo, Managing Director, Protiviti

TABLE OF CONTENTS

Board Members – 2021

FIGURE 10A

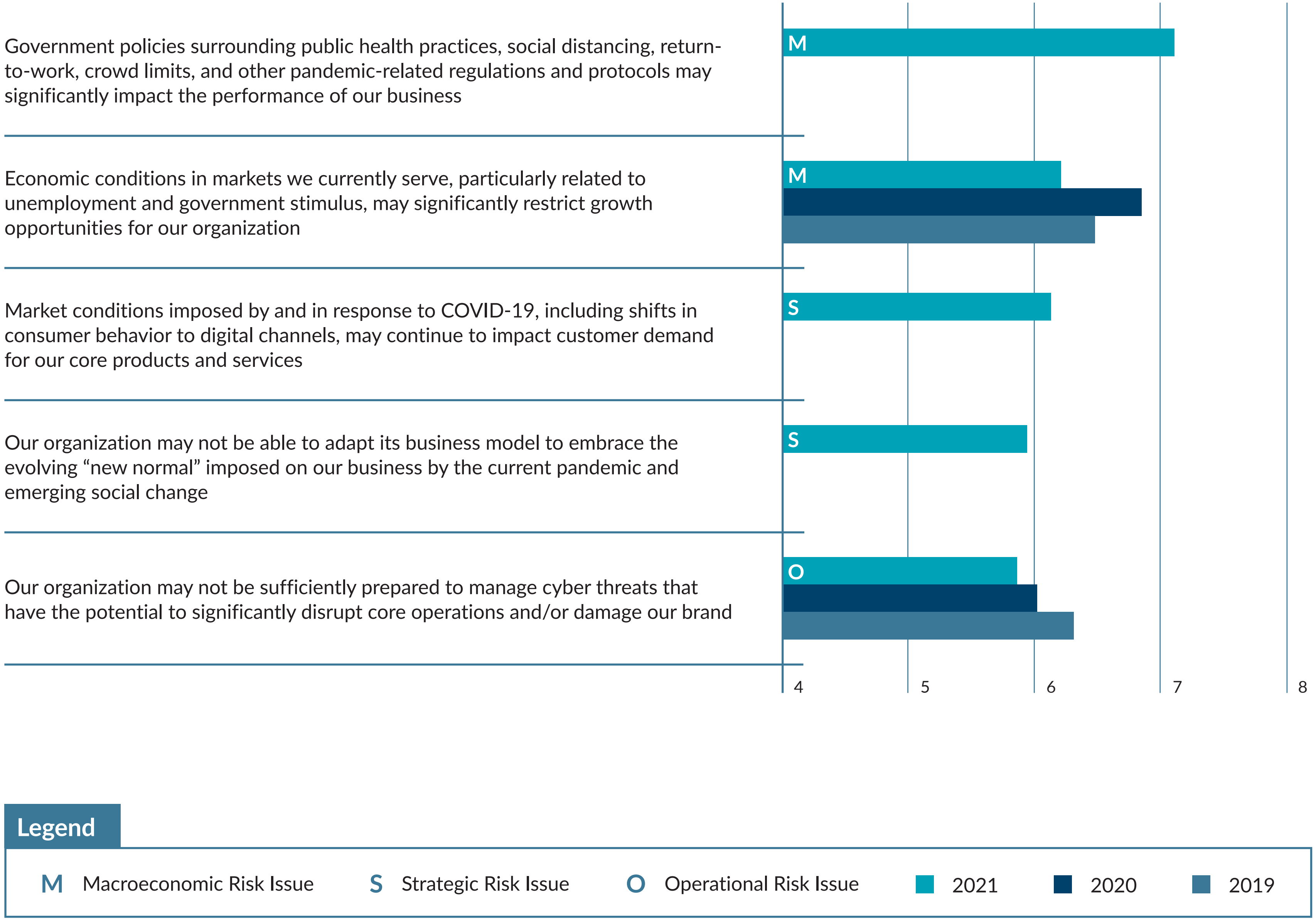


TABLE OF CONTENTS

Board Members – 2030

FIGURE 10B

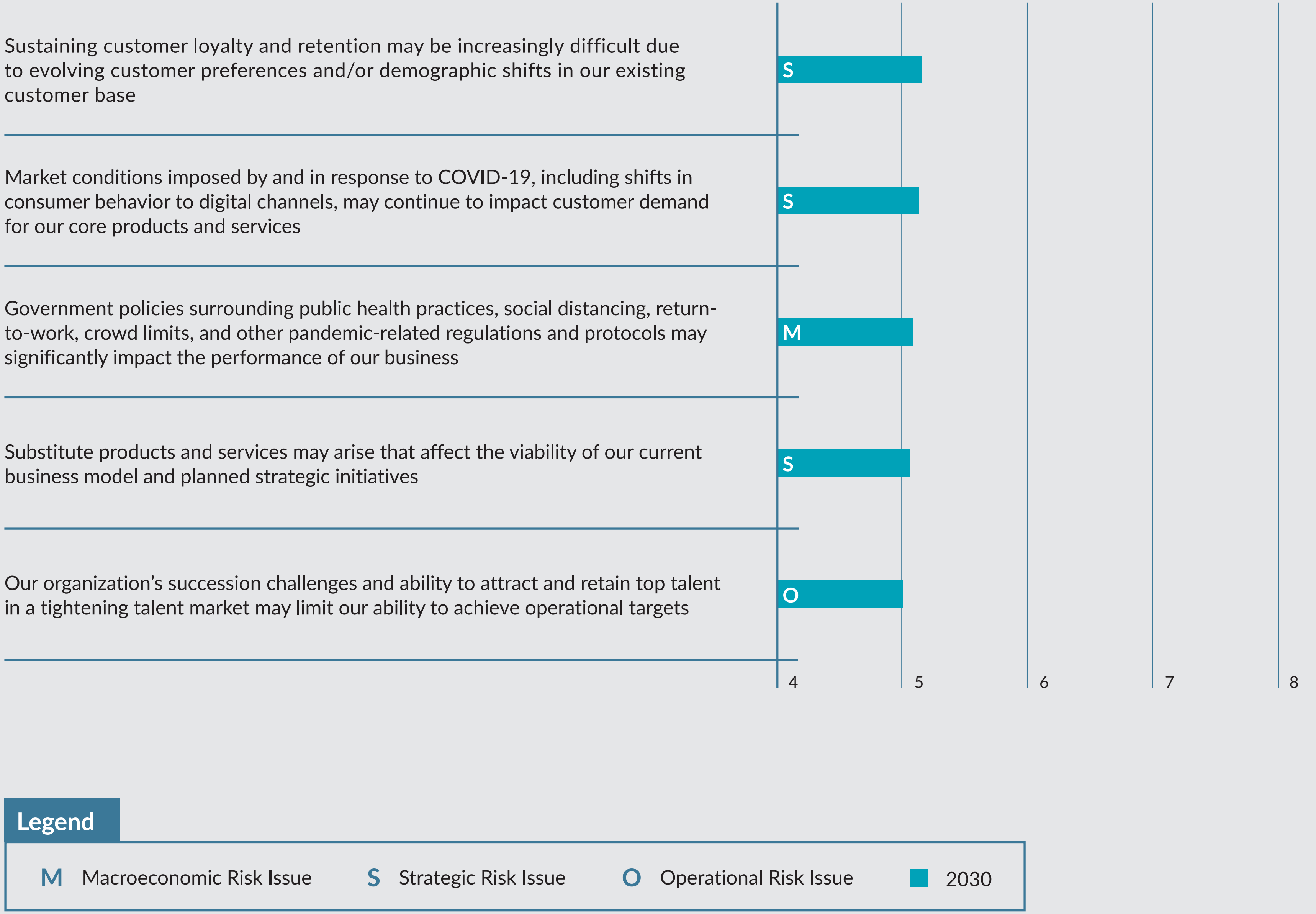


TABLE OF CONTENTS

CEOs – 2021

FIGURE 11A

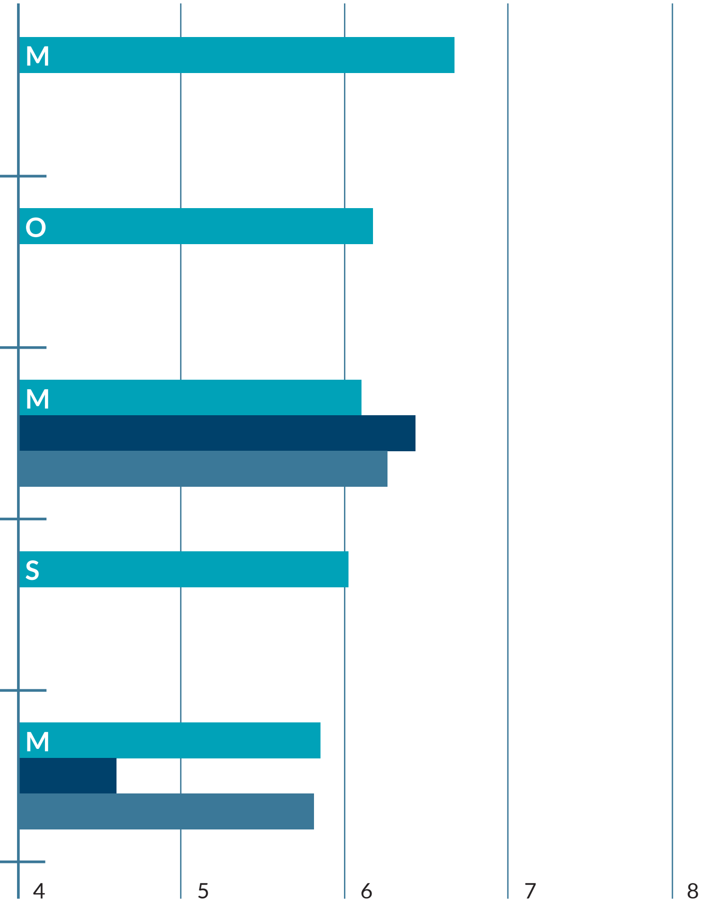
Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business

Ongoing demands on or expectations for a significant portion of our workforce to “work remotely” or increased expectations for a transformed, enhanced collaborative physical work environment may negatively impact the effectiveness and efficiency of how we operate our business

Economic conditions in markets we currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for our organization

Market conditions imposed by and in response to COVID-19, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services

Anticipated volatility in global financial markets and currency exchange rates may create significantly challenging issues for our organization to address

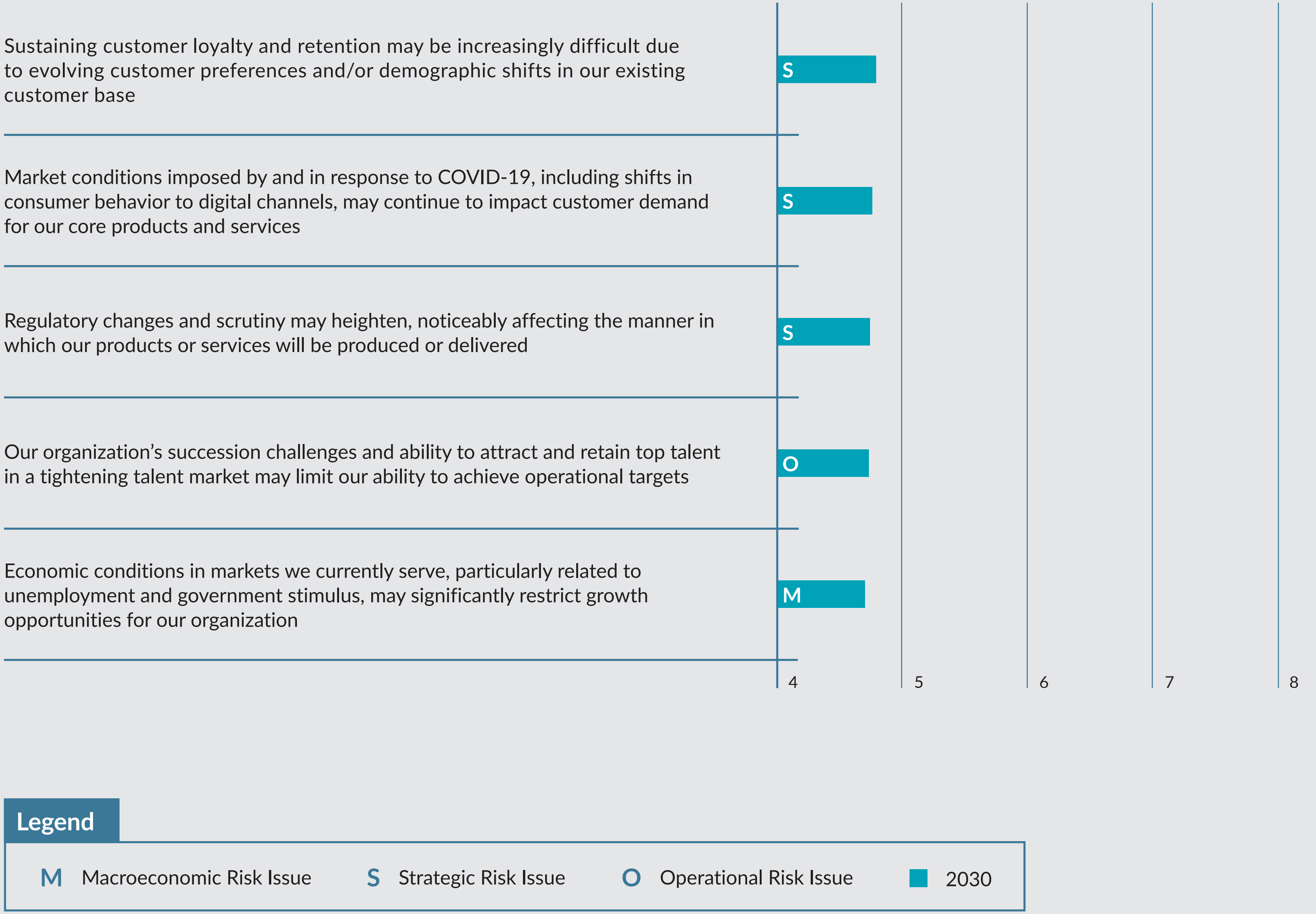


Legend

M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue 2021 2020 2019

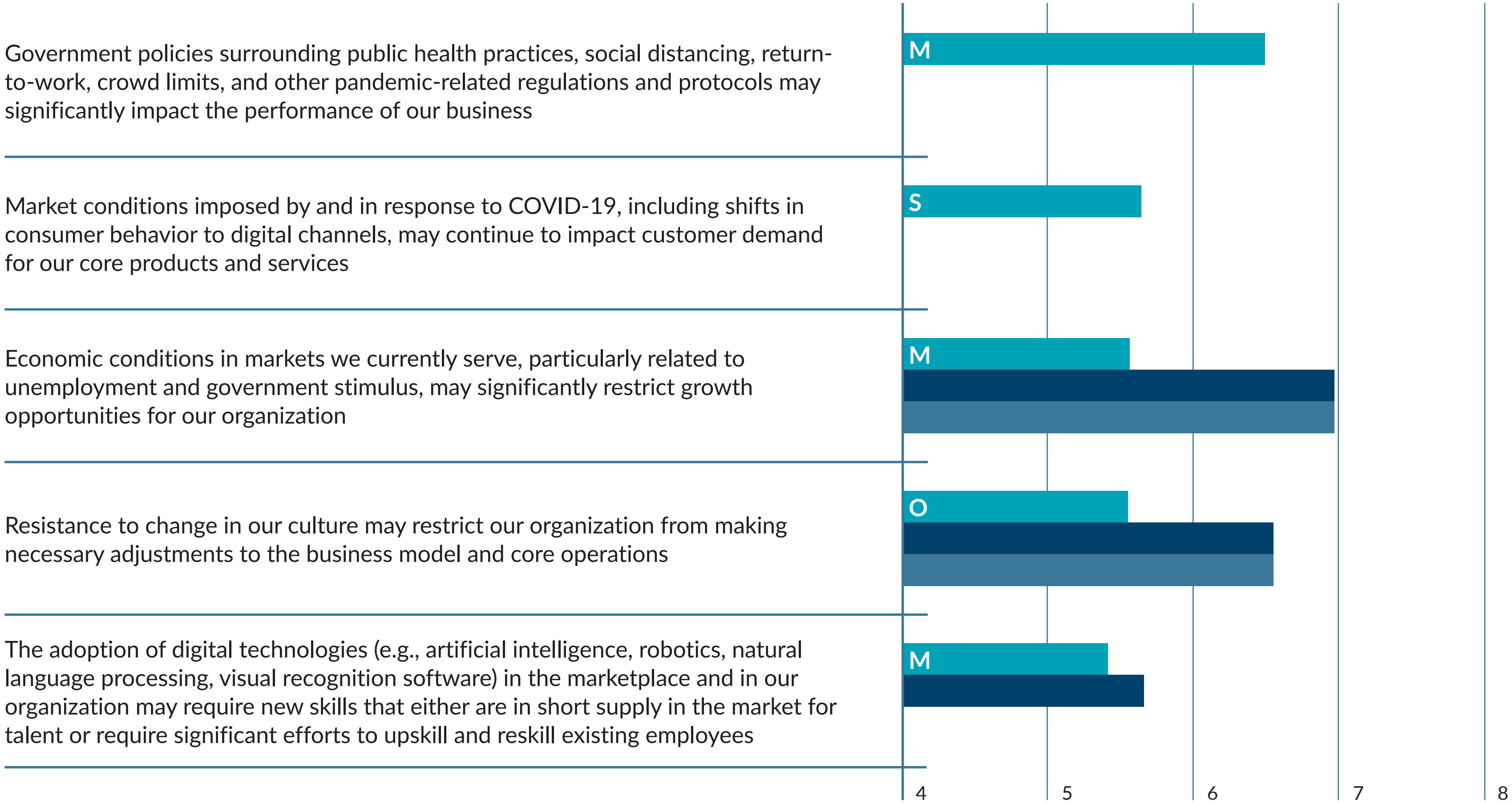
CEOs – 2030

FIGURE 11B



CFOs – 2021

FIGURE 12A



Legend

M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue ■ 2021 ■ 2020 ■ 2019

TABLE OF CONTENTS

CFOs – 2030

FIGURE 12B

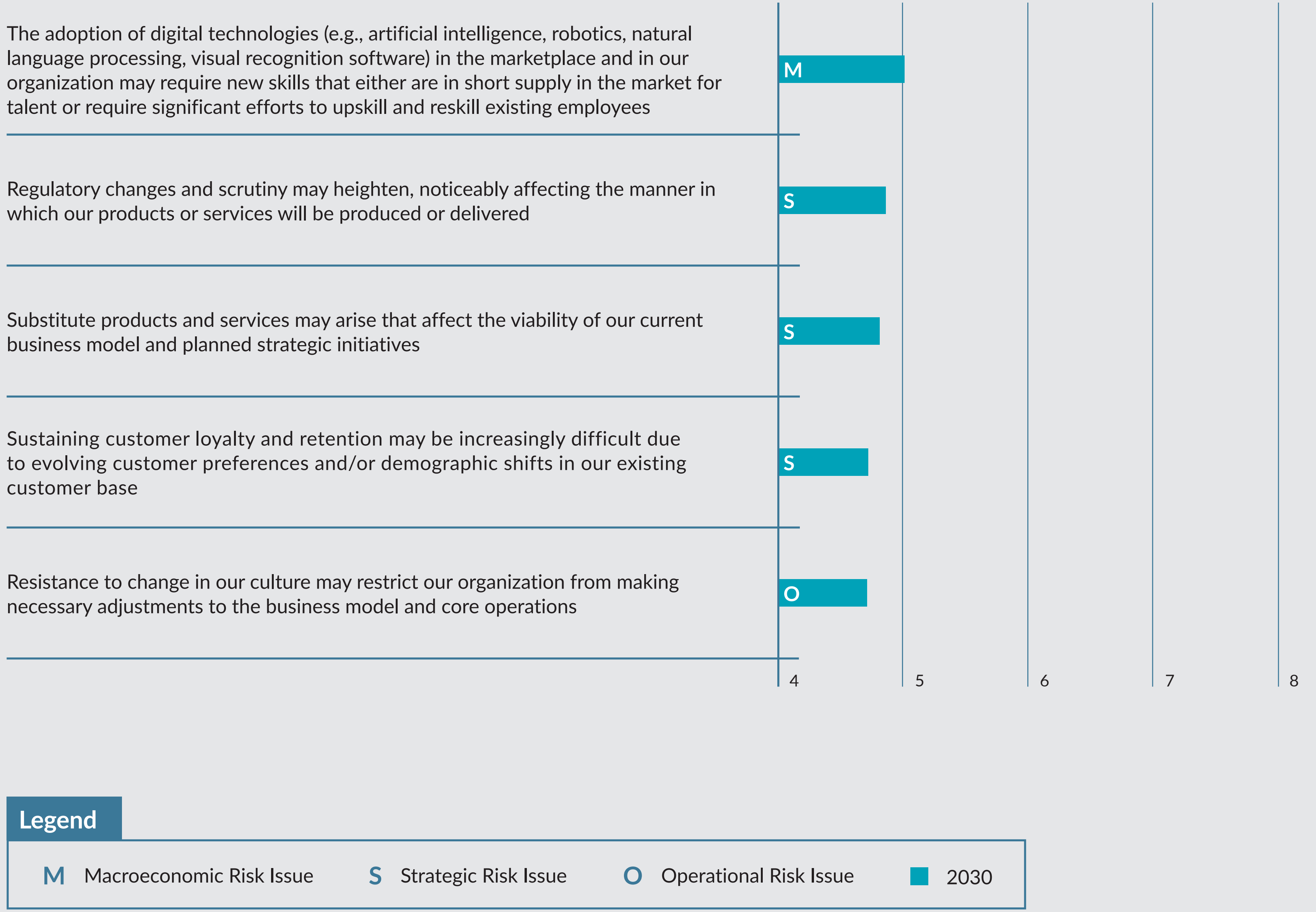
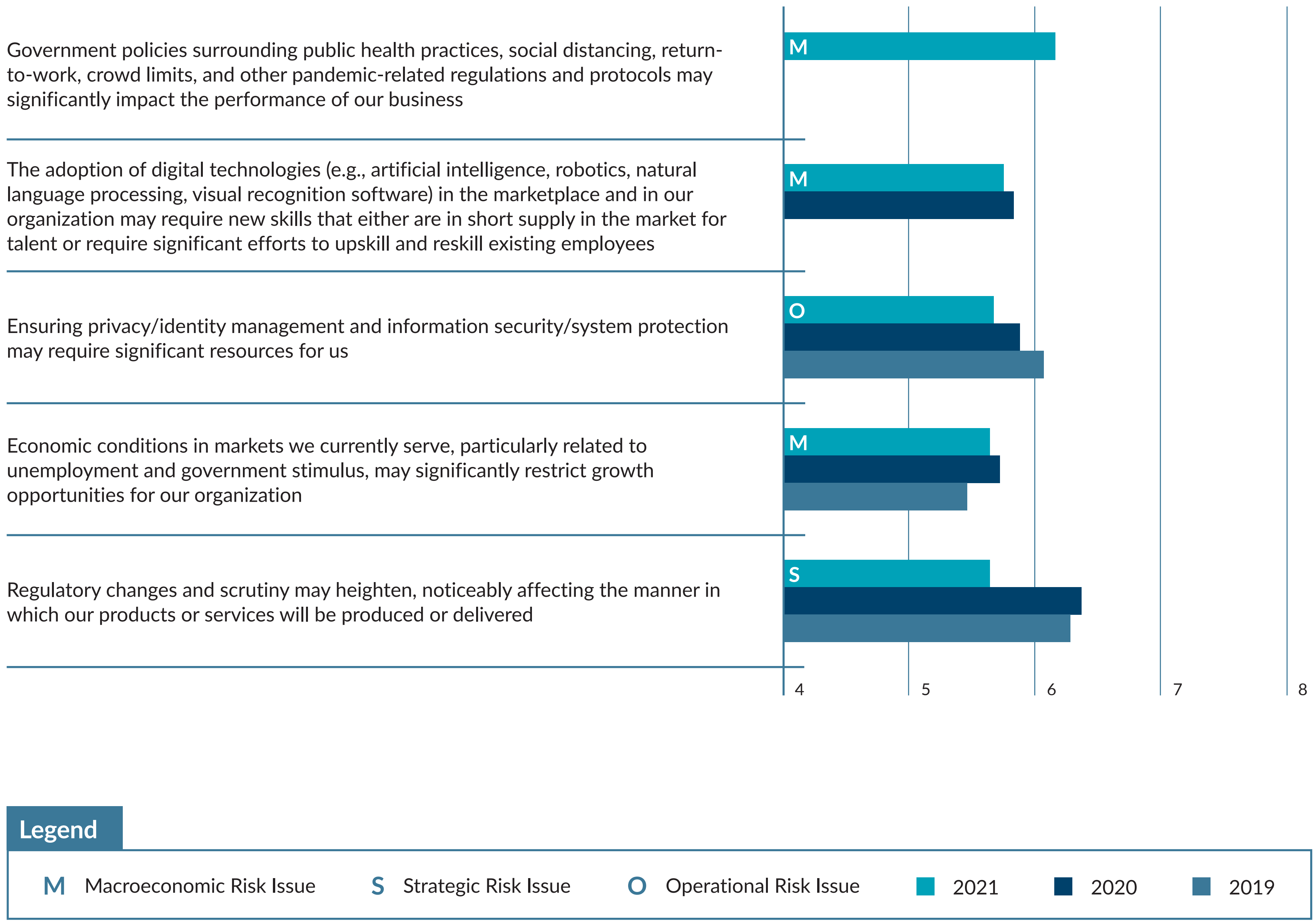


TABLE OF CONTENTS

CROs – 2021

FIGURE 13A



CROs – 2030

FIGURE 13B

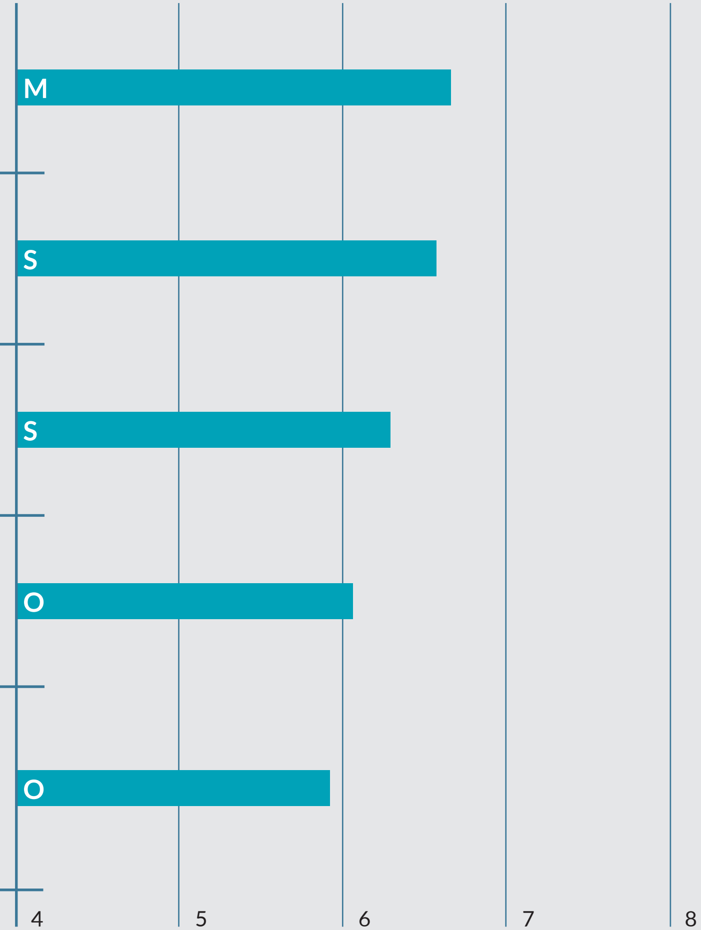
The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees

Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered

Rapid speed of disruptive innovations enabled by new and emerging technologies (e.g., artificial intelligence, robotics, machine learning, hyper-scalable platforms, increasing bandwidth, faster data transmission) and/or other market forces may outpace our organization's ability to compete and/or manage the risk appropriately, without making significant changes to our business model

Ensuring privacy/identity management and information security/system protection may require significant resources for us

Our existing operations, legacy IT infrastructure, lack of digital IQ in the workforce and insufficient embrace of digital thinking and capabilities may not meet performance expectations related to quality, time to market, cost and innovation as well as our competitors, especially new competitors that are "born digital" with a hyper-scalable business model and low cost base for their operations, or established competitors with superior operations



Legend

M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue 2030

TABLE OF CONTENTS

CAEs – 2021

FIGURE 14A

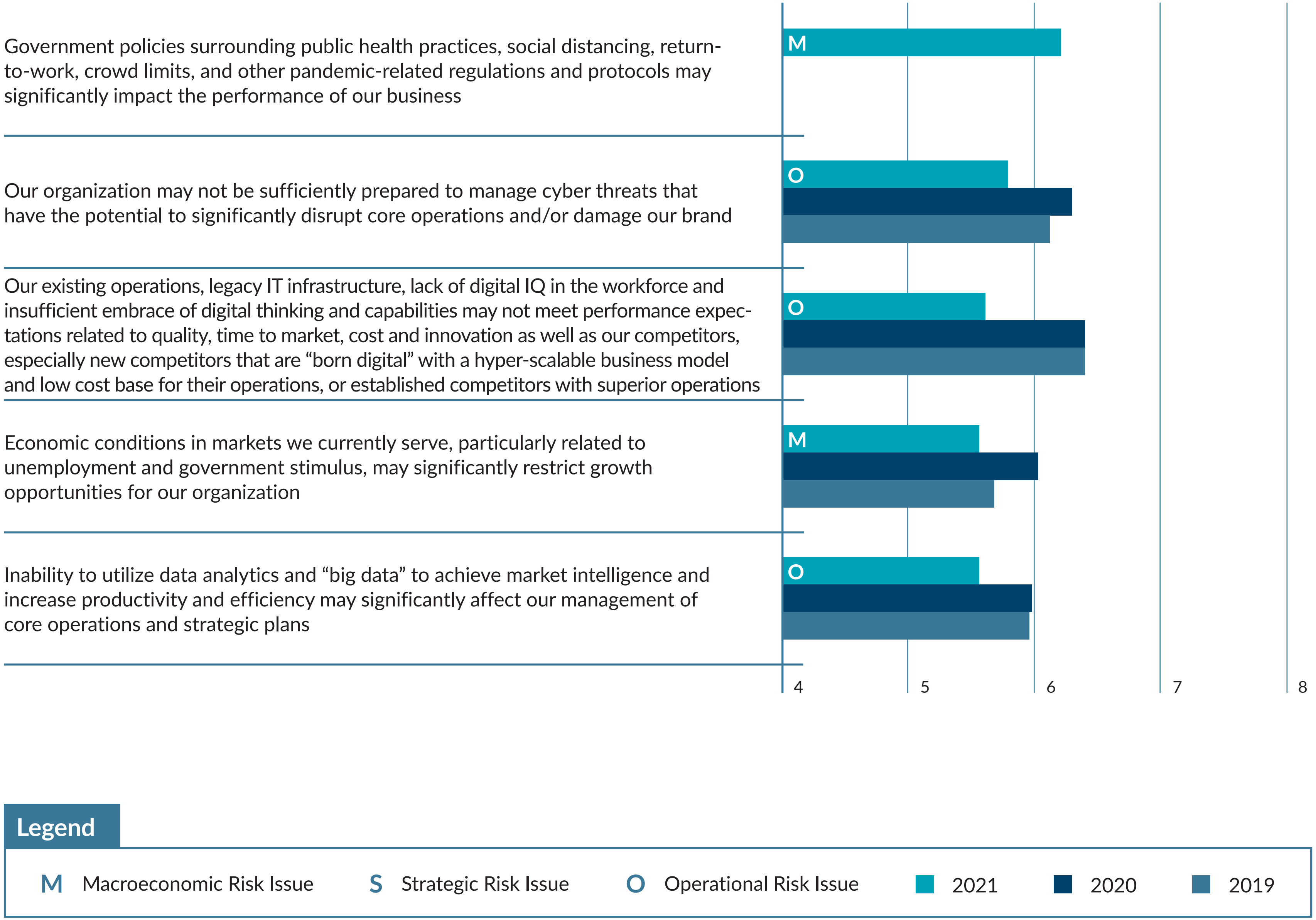


TABLE OF CONTENTS

CAEs – 2030

FIGURE 14B

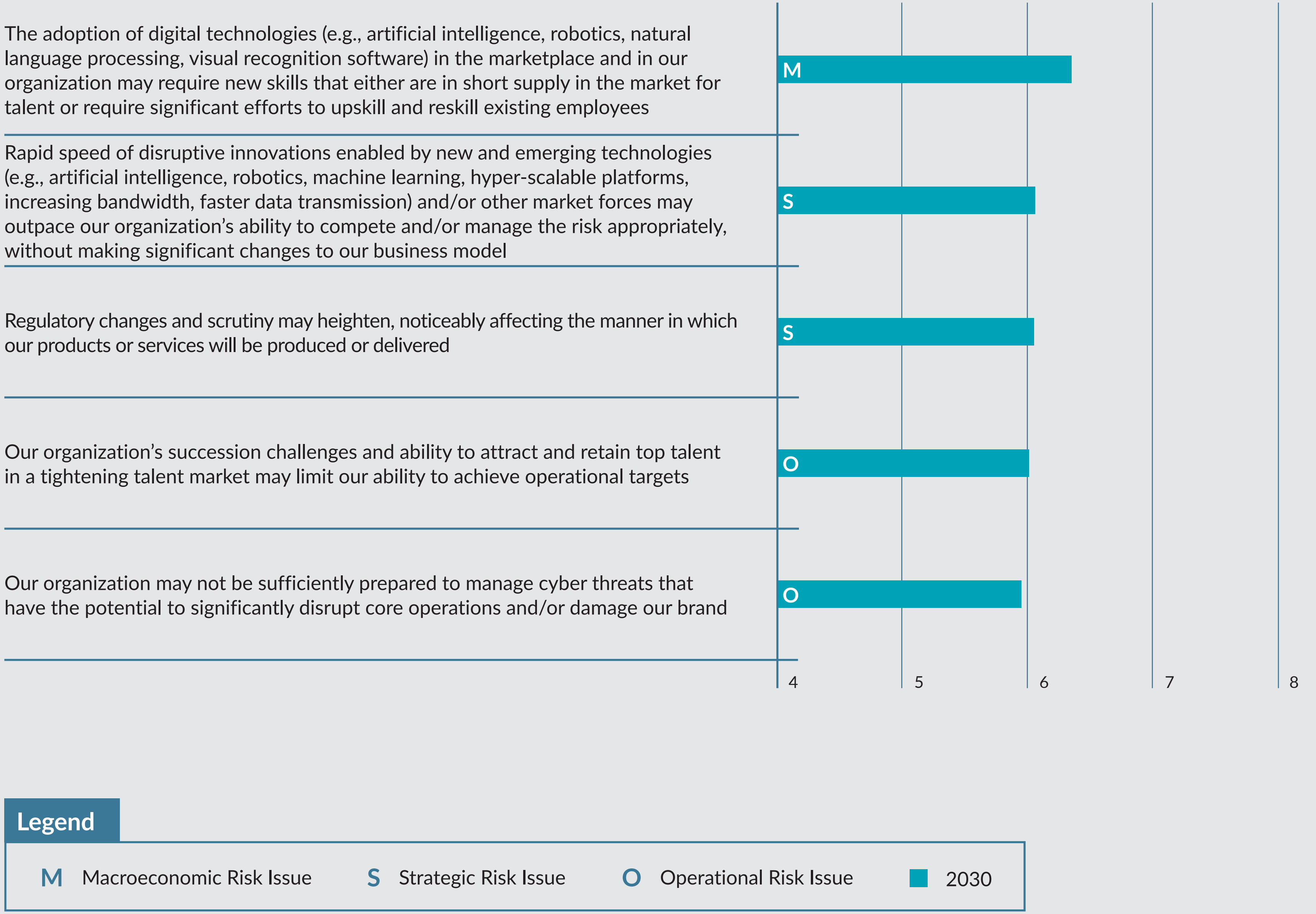


TABLE OF CONTENTS

CIOs/CTOs – 2021

FIGURE 15A

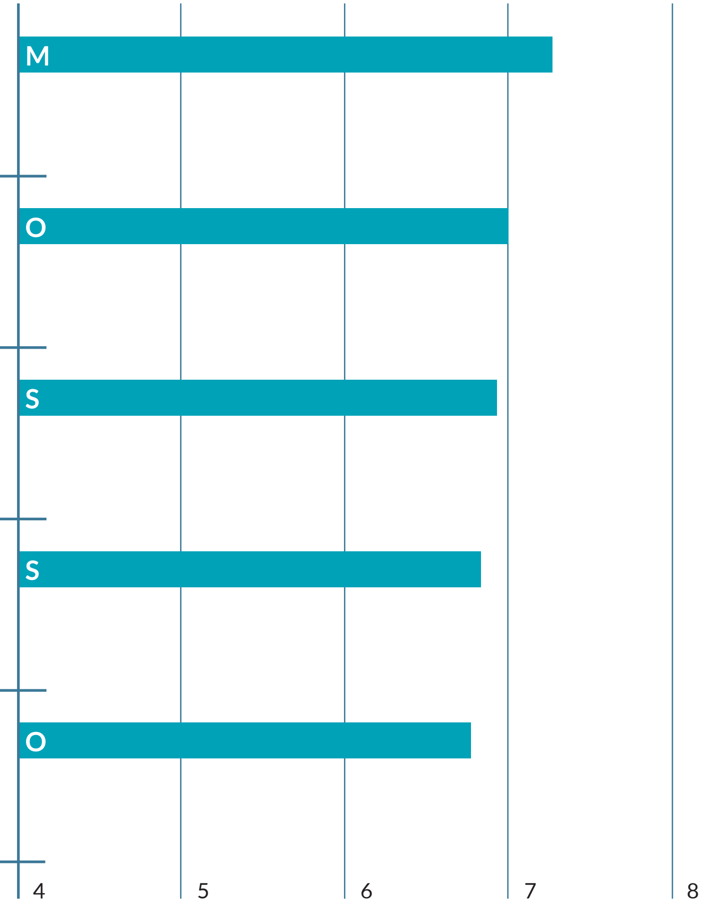
Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business

Ongoing demands on or expectations for a significant portion of our workforce to "work remotely" or increased expectations for a transformed, enhanced collaborative physical work environment may negatively impact the effectiveness and efficiency of how we operate our business

Our organization may not be able to adapt its business model to embrace the evolving "new normal" imposed on our business by the current pandemic and emerging social change

Market conditions imposed by and in response to COVID-19, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services

Our ability to meet expectations around protecting the health and safety of employees, customers, suppliers and the communities in which we operate may be insufficient to receive market permission to operate or encourage people to work for us or do business with us



Legend

M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue 2021 2020 2019

TABLE OF CONTENTS

CIOs/CTOs – 2030

FIGURE 15B

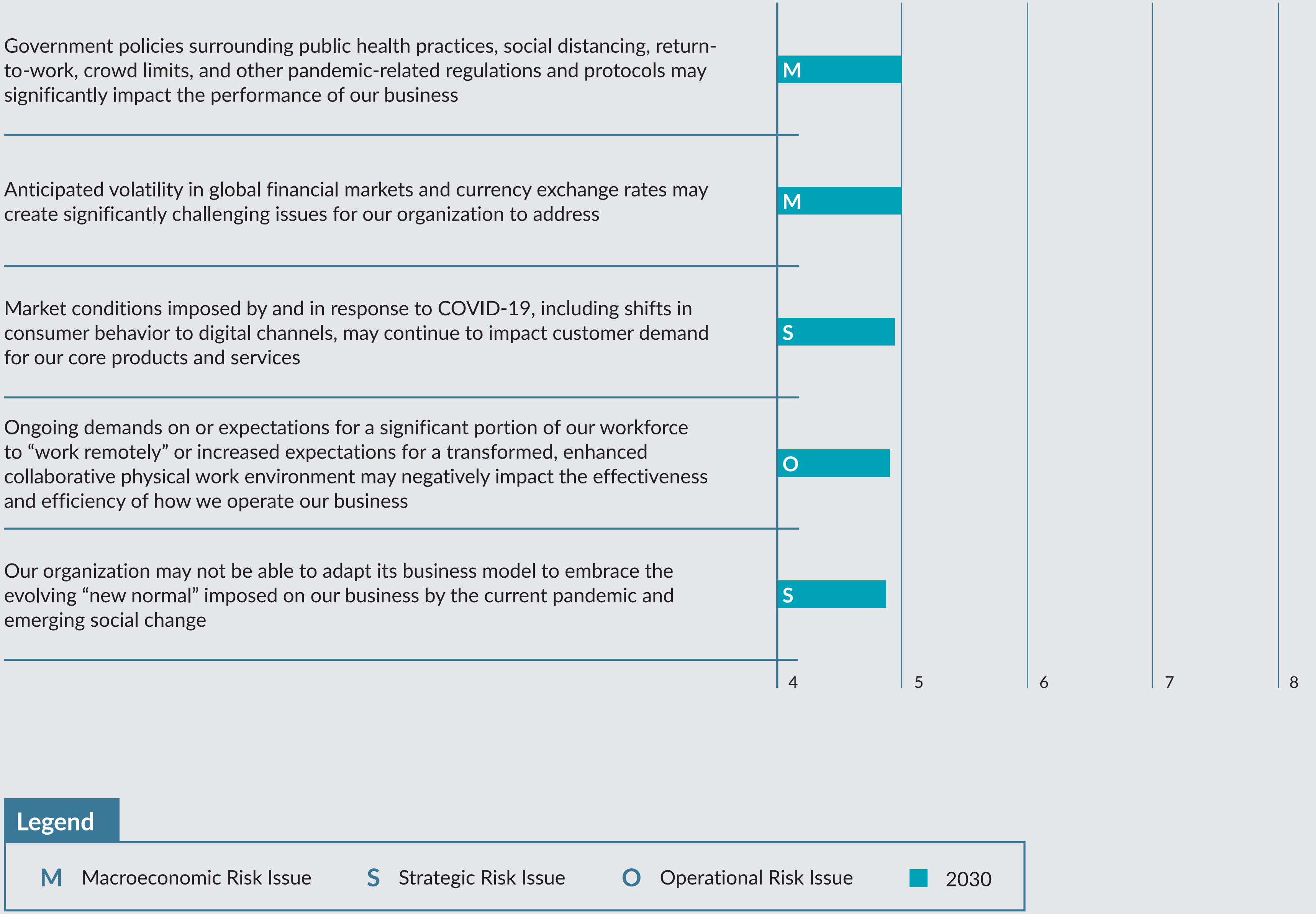


TABLE OF CONTENTS

CSOs – 2021

FIGURE 16A

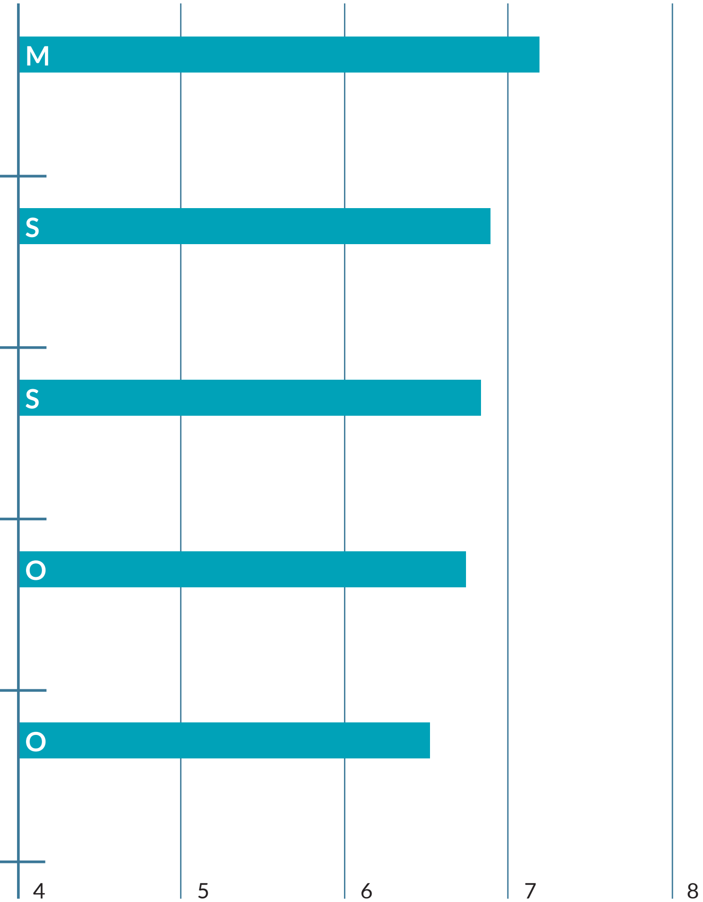
Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business

Our organization may not be able to adapt its business model to embrace the evolving "new normal" imposed on our business by the current pandemic and emerging social change

Market conditions imposed by and in response to COVID-19, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services

Ongoing demands on or expectations for a significant portion of our workforce to "work remotely" or increased expectations for a transformed, enhanced collaborative physical work environment may negatively impact the effectiveness and efficiency of how we operate our business

Our ability to meet expectations around protecting the health and safety of employees, customers, suppliers and the communities in which we operate may be insufficient to receive market permission to operate or encourage people to work for us or do business with us



Legend

M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue 2021 2020 2019

TABLE OF CONTENTS

CSOs – 2030

FIGURE 16B

Sustaining customer loyalty and retention may be increasingly difficult due to evolving customer preferences and/or demographic shifts in our existing customer base

Market conditions imposed by and in response to COVID-19, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services

Our ability to access sufficient capital/liquidity may restrict growth opportunities for our organization

Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations

Our organization may not be able to adapt its business model to embrace the evolving "new normal" imposed on our business by the current pandemic and emerging social change

Legend

M Macroeconomic Risk Issue   S Strategic Risk Issue   O Operational Risk Issue   ■ 2030

TABLE OF CONTENTS

CDOs – 2021

FIGURE 17A

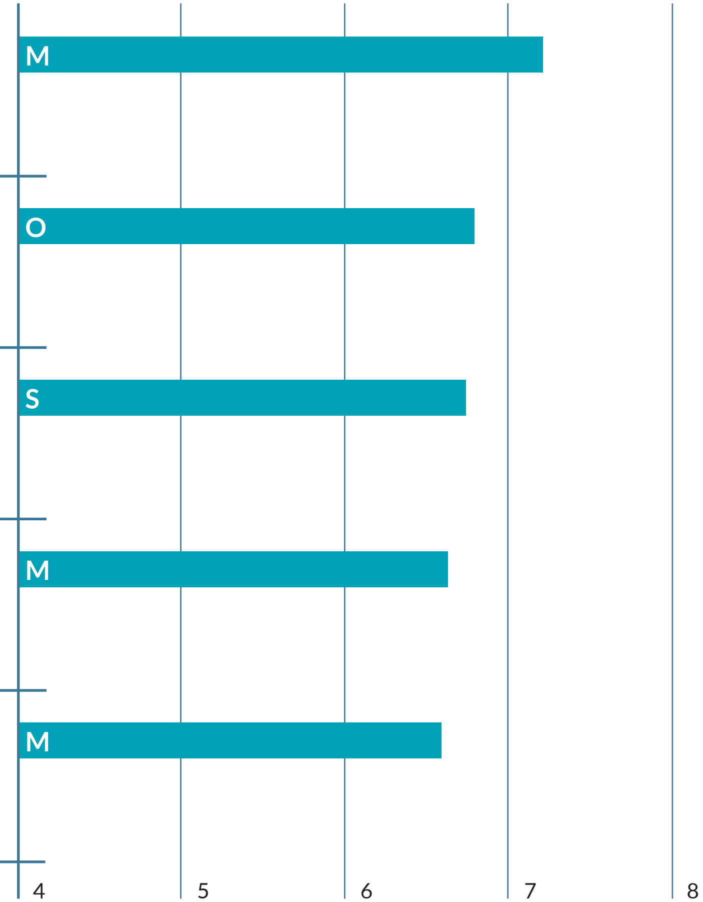
Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business

Ongoing demands on or expectations for a significant portion of our workforce to "work remotely" or increased expectations for a transformed, enhanced collaborative physical work environment may negatively impact the effectiveness and efficiency of how we operate our business

Our organization may not be able to adapt its business model to embrace the evolving "new normal" imposed on our business by the current pandemic and emerging social change

Economic conditions in markets we currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for our organization

Shifts in perspectives and expectations about social issues and priorities surrounding diversity, equity and inclusion are occurring faster than the pace at which our organization is capable of managing effectively, which may significantly impact our ability to attract/retain talent and compete in the marketplace



Legend

M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue ■ 2021 ■ 2020 ■ 2019

CDOs – 2030

FIGURE 17B

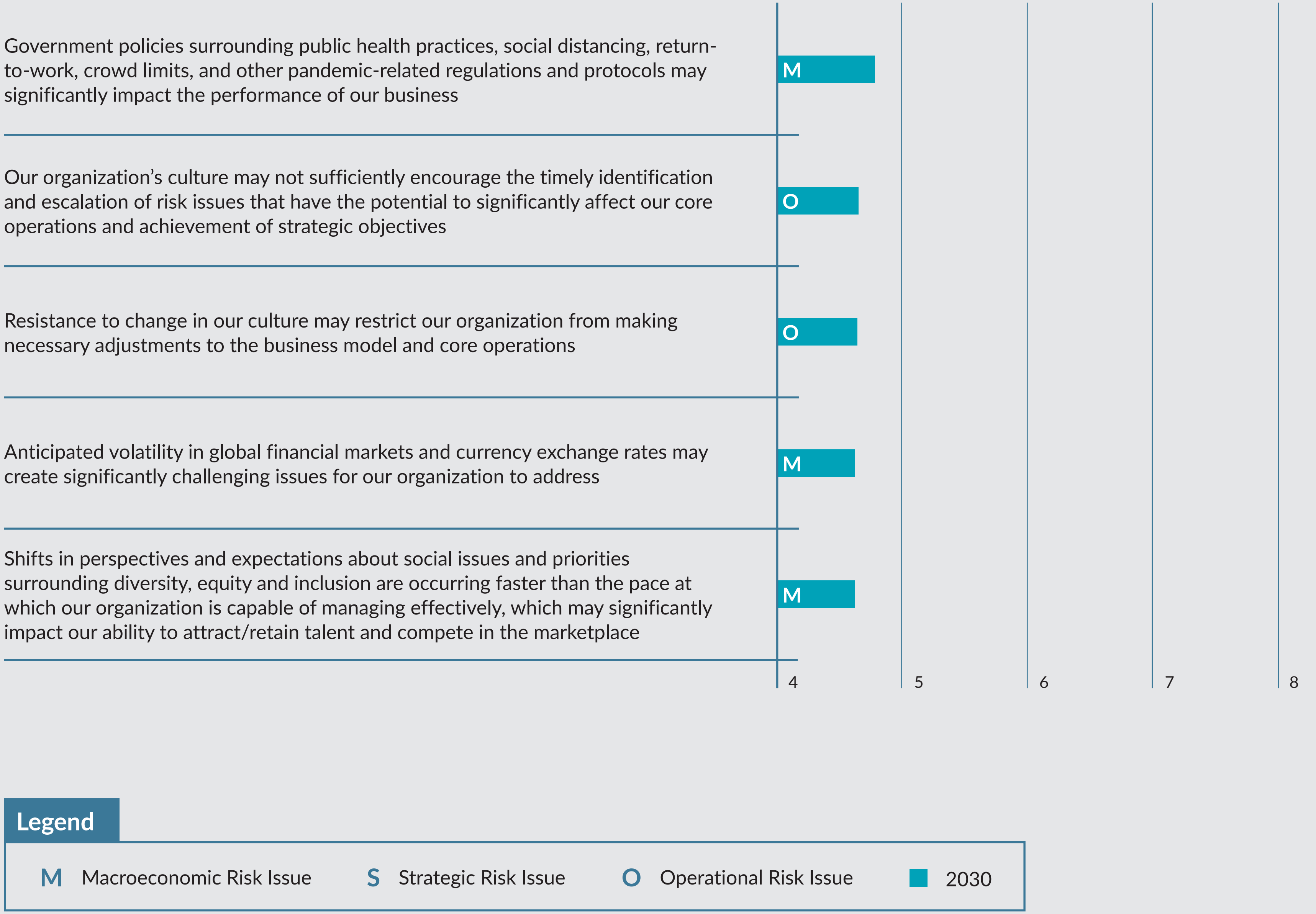


TABLE OF CONTENTS

Other C-Suite – 2021

FIGURE 18A

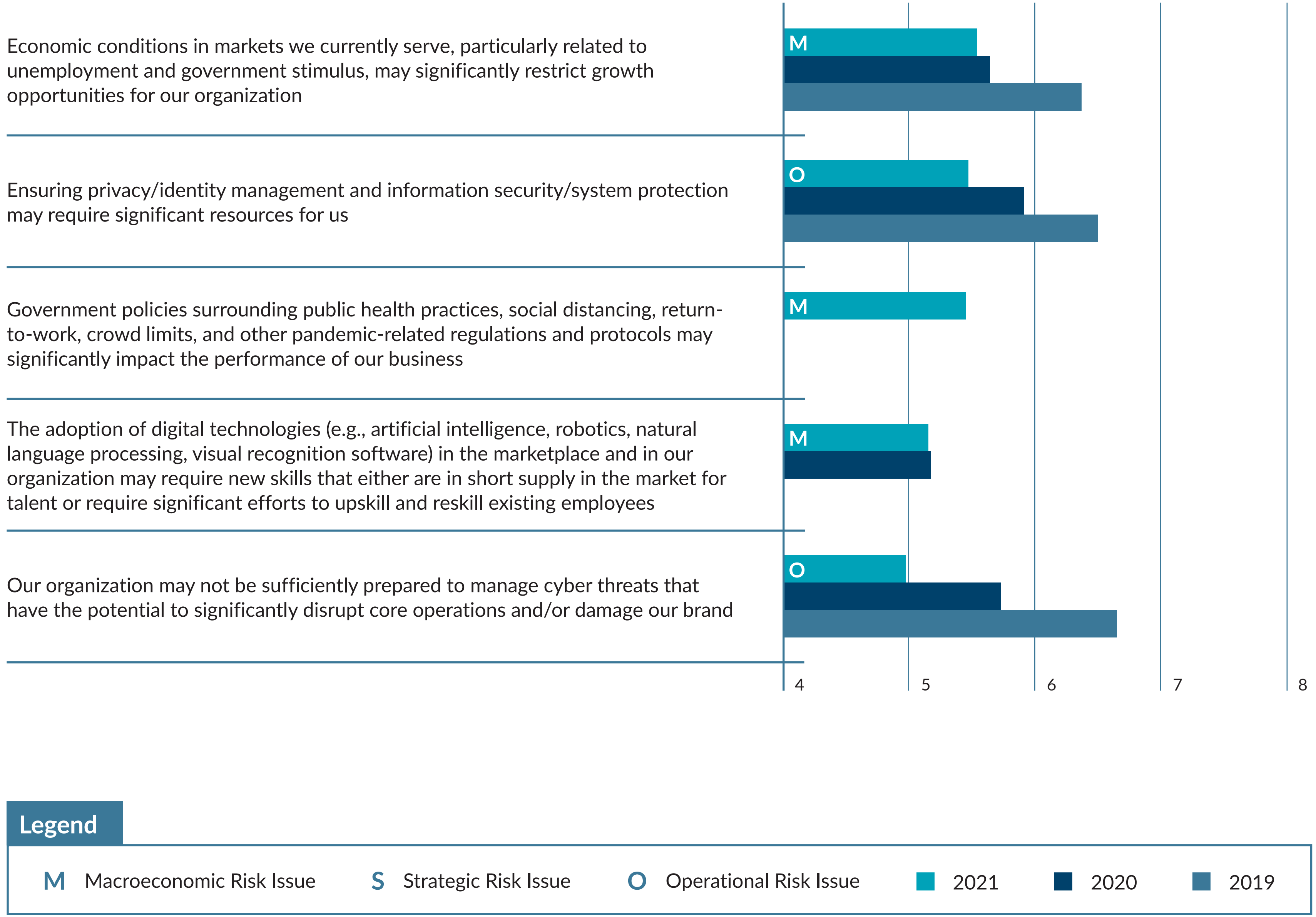


TABLE OF CONTENTS

Other C-Suite – 2030

FIGURE 18B

Analysis Across Industry Groups

Respondents to our survey represent organizations in a number of industry groupings, as shown below. We analyze responses across the six industry groups[7] to determine whether industries rank-order risks differently.

Similar to our analysis of the full sample and across the different sizes of organizations and types of respondents, we analyze responses about overall impressions of the magnitude and severity of risks across the above industry groups.

Again, the scores in Figure 19 reflect responses using a 10-point scale where 1 = "Extremely Low" and 10 = "Extremely High."

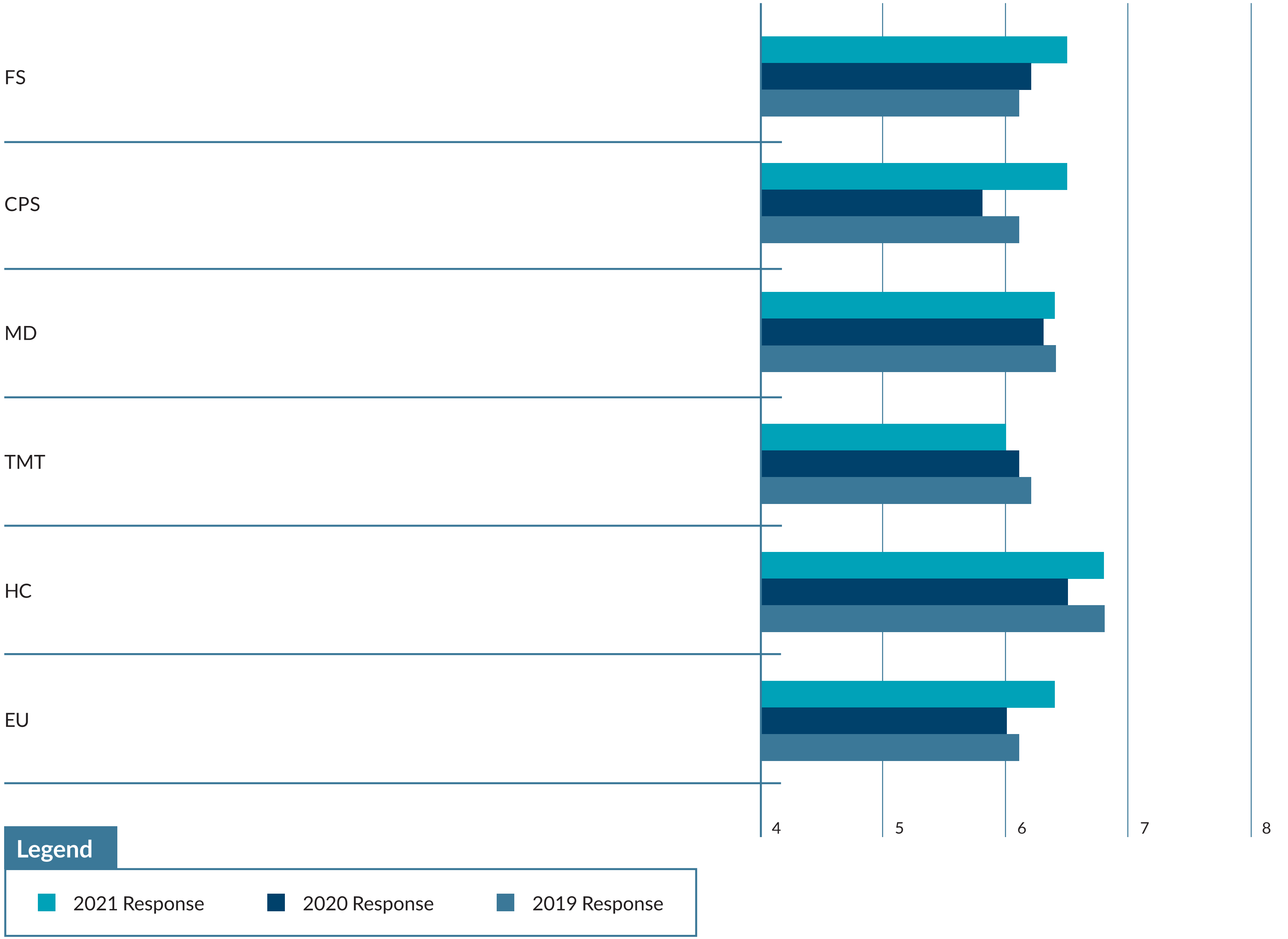
INDUSTRY	NUMBER OF RESPONDENTS
Financial Services (FS)	305
Consumer Products and Services (CPS)	210
Manufacturing and Distribution (MD)	206
Technology, Media and Telecommunications (TMT)	118
Healthcare (HC)	45
Energy and Utilities (EU)	119
Other Industries (not separately reported)	78
Total number of respondents	**1,081**

[7] As in our 2020 report, we classify certain firms into new industry groups when compared to 2019 and earlier years. We feel the new industry group classifications better characterize these firms. We reclassified firms to reflect these changes for 2019 as well, to preserve comparability with the 2021 results provided in this report. This does mean that certain industry group results in this year's report for 2019 data differ from results in the report from that year.

TABLE OF CONTENTS

Overall, what is your impression of the magnitude and severity of risks your organization will be facing with respect to achieving its objectives and reaching or exceeding profitability (or funding) targets over the next 12 months?

FIGURE 19



Respondents from every industry group, with the exception of the Technology, Media and Telecommunications industry group, perceive that the magnitude and severity of risks affecting their organization will be increased in 2021, with respect to prior year perceptions. There is marked contrast in perspectives across different industry groups, which suggests that the industry context is important to consider as business leaders anticipate risks on the horizon. However, given a number of organizations' business models may not neatly fit into a particular industry group, there is value in observing what risks are on the minds of executives in other industries.

Consistent with prior reports, we use the color-coding scheme below to highlight risks visually using three categories. In Table 12, we provide a summary of the impact assessments for each of the 36 risks for both 2021 and 2030 by category of industry using this color-coding scheme:

CLASSIFICATION	RISKS WITH AN AVERAGE SCORE OF	
Significant Impact	6.0 or higher	● (red)
Potential Impact	4.5 through 5.99	● (yellow)
Less Significant Impact	4.49 or lower	● (green)

Table 12 shows the average risk scores for 2021 to highlight differences in views about individual risks across different industry groups. In Table 13, we show 2030 results along with 2021 results.

Industry

TABLE 12

MACROECONOMIC RISK ISSUES	FS	CPS	MD	TMT	HC	EU
Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business	🔴	🔴	🔴	🟡	🔴	🔴
Economic conditions in markets we currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for our organization	🟡	🟡	🟡	🟡	🔴	🟡
The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees	🟡	🟡	🟡	🟡	🔴	🟡
Anticipated volatility in global financial markets and currency exchange rates may create significantly challenging issues for our organization to address	🟡	🟡	🟡	🟡	🟡	🟡
Political uncertainty surrounding the influence and continued tenure of key global leaders may impact national and international markets to the point of significantly limiting our growth opportunities	🟡	🟡	🟡	🟡	🟡	🟡
Our ability to access sufficient capital/liquidity may restrict growth opportunities for our organization	🟡	🟡	🟡	🟡	🟡	🟡
Anticipated increases in labor costs may affect our opportunity to meet profitability targets	🟡	🟡	🟡	🟡	🟡	🟡
Shifts in perspectives and expectations about social issues and priorities surrounding diversity, equity and inclusion are occurring faster than the pace at which our organization is capable of managing effectively, which may significantly impact our ability to attract/retain talent and compete in the marketplace	🟡	🟡	🟡	🟡	🟡	🟡
Geopolitical shifts, regional conflicts and instability in governmental regimes or expansion of global terrorism may restrict the achievement of our global growth and profitability objectives	🟢	🟡	🟡	🟡	🟢	🟡

TABLE OF CONTENTS

TABLE 12 (CONTINUED)

MACROECONOMIC RISK ISSUES (CONTINUED)	FS	CPS	MD	TMT	HC	EU
The current interest rate environment may have a significant effect on the organization’s operations	🟡	🟡	🟡	🟢	🟢	🟡
Evolving changes in global trade policies (e.g., Brexit, escalating tariffs and border restrictions) may limit our ability to operate effectively and efficiently in international markets	🟢	🟢	🟡	🟡	🟢	🟡

STRATEGIC RISK ISSUES	FS	CPS	MD	TMT	HC	EU
Market conditions imposed by and in response to COVID-19, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services	🟡	🔴	🟡	🟡	🔴	🟡
Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered	🟡	🟡	🟡	🟡	🔴	🟡
Ease of entrance of new competitors into the industry and marketplace or other significant changes in the competitive environment (such as major market concentrations due to M&A activity) may threaten our market share	🟡	🟡	🟡	🟡	🟡	🟡
Our organization may not be sufficiently prepared to manage an unexpected crisis significantly impacting our reputation	🟡	🟡	🟡	🟡	🟡	🟡
Growth opportunities through acquisitions, joint ventures and other partnership activities may be difficult to identify and implement	🟡	🟡	🟡	🟡	🟡	🟡
Opportunities for organic growth through customer acquisition and/or enhancement may be significantly limited for our organization	🟡	🟡	🟡	🟡	🟡	🟡
Substitute products and services may arise that affect the viability of our current business model and planned strategic initiatives	🟡	🟡	🟡	🟡	🟡	🟡

TABLE OF CONTENTS

TABLE 12 (CONTINUED)

STRATEGIC RISK ISSUES (CONTINUED)	FS	CPS	MD	TMT	HC	EU
Sustaining customer loyalty and retention may be increasingly difficult due to evolving customer preferences and/or demographic shifts in our existing customer base	🟡	🟡	🟡	🟡	🟡	🟡
Our organization may not be able to adapt its business model to embrace the evolving "new normal" imposed on our business by the current pandemic and emerging social change	🟡	🟡	🟡	🟡	🟡	🟡
Rapid speed of disruptive innovations enabled by new and emerging technologies (e.g., artificial intelligence, robotics, machine learning, hyper-scalable platforms, increasing bandwidth, faster data transmission) and/or other market forces may outpace our organization's ability to compete and/or manage the risk appropriately, without making significant changes to our business model	🟡	🟡	🟡	🟡	🟡	🟡
Performance shortfalls may trigger activist shareholders who seek significant changes to our organization's strategic plan and vision	🟢	🟡	🟡	🟡	🟢	🟡
Shifts in environmental, social and governance (ESG) preferences as well as expectations of key stakeholders about climate change, diversity and inclusion, and other governance and sustainability issues may be difficult for us to identify and address on a timely basis	🟢	🟡	🟡	🟢	🟢	🟡
Social media developments, 5G networks to improve mobility, extended bandwidth and data transmission, and other emerging innovations may significantly impact our brand, customer relationships, regulatory compliance processes and/or how we do business	🟢	🟢	🟢	🟡	🟡	🟢

TABLE OF CONTENTS

TABLE 12 (CONTINUED)

OPERATIONAL RISK ISSUES	FS	CPS	MD	TMT	HC	EU
Our organization may not be sufficiently prepared to manage cyber threats that have the potential to significantly disrupt core operations and/or damage our brand	●	●	●	●	●	●
Third-party risks arising from our reliance on outsourcing and strategic sourcing arrangements, IT vendor contracts, and other partnerships/joint ventures to achieve operational goals may prevent us from meeting organizational targets or impact our brand image	●	●	●	●	●	●
Our organization's succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets	●	●	●	●	●	●
Ensuring privacy/identity management and information security/system protection may require significant resources for us	●	●	●	●	●	●
Our existing operations, legacy IT infrastructure, lack of digital IQ in the workforce and insufficient embrace of digital thinking and capabilities may not meet performance expectations related to quality, time to market, cost and innovation as well as our competitors, especially new competitors that are "born digital" with a hyper-scalable business model and low cost base for their operations, or established competitors with superior operations	●	●	●	●	●	●
Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency may significantly affect our management of core operations and strategic plans	●	●	●	●	●	●
Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations	●	●	●	●	●	●
Our organization's culture may not sufficiently encourage the timely identification and escalation of risk issues that have the potential to significantly affect our core operations and achievement of strategic objectives	●	●	●	●	●	●

TABLE OF CONTENTS

TABLE 12 (CONTINUED)

OPERATIONAL RISK ISSUES (CONTINUED)	FS	CPS	MD	TMT	HC	EU
Ongoing demands on or expectations for a significant portion of our workforce to "work remotely" or increased expectations for a transformed, enhanced collaborative physical work environment may negatively impact the effectiveness and efficiency of how we operate our business	🟡	🟡	🟡	🟡	🟡	🟡
Our ability to meet expectations around protecting the health and safety of employees, customers, suppliers and the communities in which we operate may be insufficient to receive market permission to operate or encourage people to work for us or do business with us	🟢	🟡	🟡	🟡	🟡	🟡
Uncertainty surrounding the viability of key suppliers, scarcity of supply, or stable prices in the supply chain ecosystem may make it difficult to deliver our products or services at acceptable margins	🟢	🟡	🟡	🟡	🟡	🟡
The behaviors and personal conduct of the organization's management team and other key representatives may not conform to societal and ethical expectations	🟢	🟡	🟡	🟢	🟢	🟢

2021 Risk Issues

While Figure 19 reveals that respondents from every industry group, with the exception of the Technology, Media and Telecommunications industry group, perceive that the magnitude and severity of risks in the overall environment affecting their organization will be increased in 2021 from 2020 levels, a review of Table 12 suggests that the increase in overall risk impression is not a function of industry groups ranking more individual risks as "Significant Impact" risks. Rather, the increase is a result of an overall sense that the environment is riskier for 2021. In fact, when comparing the number of risks appearing in both 2021 and 2020 surveys that are rated as "Significant Impact" risks, there is a substantial decrease in the collective number of risks at that level across all industries for 2021 compared to 2020. The difference in their perceptions about the overall risk environment and their perception about specific risks suggests that there is a sense among the respondents that there may be a number of unidentified risks lurking on the horizon that may not yet be on the radar for most organizations.

Interestingly, there was a significant decrease in the number of operational risks rated as "Significant Impact" for 2021 across industry groups. Only the Healthcare industry group recognized one of the operational risks as "Significant Impact" in 2021, whereas in 2020 it rated seven operational risks as "Significant Impact." The Manufacturing and Distribution and Energy and Utilities industry groups decreased the number of "Significant Impact" operational risks to zero, from four in 2020, while the Technology, Media and Telecommunications and Financial Services industry groups decreased the number of risks at that level from three to zero in 2021.

Figures 20-25 summarize the top-rated risks by industry group separately for 2021 and 2030. Only the top five risks are reported and, where available, scores for 2020 and 2019 are also provided.

One noticeable observation from these figures is that each industry group, with the exception of the Technology, Media and Telecommunications group, rates the new macroeconomic risk of government policies surrounding public health practices as "Significant Impact" in 2021, and as the top 2021 risk. While that risk is consistently high across all industry groups, most industry groups do not rate any other risks for their industry at that level. However, the Healthcare industry group is a noticeable exception: All of its top five risk concerns for 2021 are at the "Significant Impact" level. The Consumer Products and Services industry group rates concerns about shifting market conditions due to COVID-19 impacting customer demand as a "Significant Impact" risk, as well.

Turning to strategic risks issues, the Healthcare and Consumer Products and Services industry groups rank the new strategic risk related to market conditions imposed by and in response to COVID-19 as a "Significant Impact" risk. Whereas in 2020 each industry group recognized at least one strategic risk as "Significant Impact," only the Healthcare industry group recognizes one of the 2020 risks as "Significant Impact" for 2021. The Financial Services, Manufacturing and Distribution, and Technology, Media and Telecommunications industry groups do not have any strategic risks in their 2021 top five risk concerns. The Healthcare and Energy and Utilities industry groups are most concerned with strategic risks, given two of their top five risk concerns are in that category; however, neither of these two industry groups rates an operational risk as a top five risk. In contrast, the Consumer Products and Services, Manufacturing and Distribution, and Technology, Media and Telecommunications industry groups rank two operational risks among their top five risk concerns.

2030 Risk Issues

Most industry groups appear more optimistic about risk conditions in 2030 as compared to 2021. Only the Healthcare industry group rates any of the 36 risks as "Significant Impact" risks (see Table 13).

> "As with all of our surveys over the years, each industry group reports risks unique to it. But what's new this year as we look forward to 2021 is every industry has an eye on the direction of government public health policies that could impact its markets. By contrast, for the next decade, every industry group has a line of sight on the future of work and the significant efforts required to upskill and reskill the workplace."
>
> Pat Scott, Executive Vice President, Global Industry, Client Programs and Marketing, Protiviti

Industry (2021+2030)

TABLE 13

MACROECONOMIC RISK ISSUES	YEAR	FS	CPS	MD	TMT	HC	EU
Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business	2021	🔴	🔴	🔴	🟡	🔴	🔴
	2030	🟢	🟡	🟡	🟢	🟡	🟡
Economic conditions in markets we currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for our organization	2021	🟡	🟡	🟡	🟡	🔴	🟡
	2030	🟡	🟡	🟡	🟡	🟡	🟡
The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees	2021	🟡	🟡	🟡	🟡	🔴	🟡
	2030	🟡	🟡	🟡	🟡	🔴	🟡
Anticipated volatility in global financial markets and currency exchange rates may create significantly challenging issues for our organization to address	2021	🟡	🟡	🟡	🟡	🟡	🟡
	2030	🟡	🟢	🟡	🟢	🟢	🟡
Political uncertainty surrounding the influence and continued tenure of key global leaders may impact national and international markets to the point of significantly limiting our growth opportunities	2021	🟡	🟡	🟡	🟡	🟡	🟡
	2030	🟡	🟡	🟡	🟡	🟡	🟡
Our ability to access sufficient capital/liquidity may restrict growth opportunities for our organization	2021	🟡	🟡	🟡	🟡	🟡	🟡
	2030	🟢	🟡	🟢	🟢	🟡	🟡

TABLE OF CONTENTS

TABLE 13 (CONTINUED)

MACROECONOMIC RISK ISSUES (CONTINUED)	YEAR	FS	CPS	MD	TMT	HC	EU
Anticipated increases in labor costs may affect our opportunity to meet profitability targets	2021	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
	2030	Teal	Yellow	Yellow	Yellow	Yellow	Teal
Shifts in perspectives and expectations about social issues and priorities surrounding diversity, equity and inclusion are occurring faster than the pace at which our organization is capable of managing effectively, which may significantly impact our ability to attract/retain talent and compete in the marketplace	2021	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
	2030	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Geopolitical shifts, regional conflicts and instability in governmental regimes or expansion of global terrorism may restrict the achievement of our global growth and profitability objectives	2021	Teal	Yellow	Yellow	Yellow	Teal	Yellow
	2030	Teal	Teal	Yellow	Teal	Teal	Yellow
The current interest rate environment may have a significant effect on the organization’s operations	2021	Yellow	Yellow	Yellow	Teal	Teal	Yellow
	2030	Yellow	Teal	Teal	Teal	Teal	Yellow
Evolving changes in global trade policies (e.g., Brexit, escalating tariffs and border restrictions) may limit our ability to operate effectively and efficiently in international markets	2021	Teal	Teal	Yellow	Yellow	Teal	Yellow
	2030	Teal	Teal	Yellow	Teal	Teal	Teal

TABLE 13 (CONTINUED)

STRATEGIC RISK ISSUES	YEAR	FS	CPS	MD	TMT	HC	EU
Market conditions imposed by and in response to COVID-19, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services	2021	🟡	🔴	🟡	🟡	🔴	🟡
	2030	🟡	🟡	🟡	🟡	🟡	🟡
Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered	2021	🟡	🟡	🟡	🟡	🔴	🟡
	2030	🟡	🟡	🟡	🟡	🔴	🟡
Ease of entrance of new competitors into the industry and marketplace or other significant changes in the competitive environment (such as major market concentrations due to M&A activity) may threaten our market share	2021	🟡	🟡	🟡	🟡	🟡	🟡
	2030	🟡	🟡	🟡	🟡	🟡	🟡
Our organization may not be sufficiently prepared to manage an unexpected crisis significantly impacting our reputation	2021	🟡	🟡	🟡	🟡	🟡	🟡
	2030	🟢	🟡	🟡	🟢	🟡	🟡
Growth opportunities through acquisitions, joint ventures and other partnership activities may be difficult to identify and implement	2021	🟡	🟡	🟡	🟡	🟡	🟡
	2030	🟢	🟡	🟡	🟢	🟡	🟡
Opportunities for organic growth through customer acquisition and/or enhancement may be significantly limited for our organization	2021	🟡	🟡	🟡	🟡	🟡	🟡
	2030	🟡	🟡	🟡	🟢	🟡	🟡
Substitute products and services may arise that affect the viability of our current business model and planned strategic initiatives	2021	🟡	🟡	🟡	🟡	🟡	🟡
	2030	🟡	🟡	🟡	🟡	🟡	🟡

TABLE OF CONTENTS

TABLE 13 (CONTINUED)

STRATEGIC RISK ISSUES (CONTINUED)	YEAR	FS	CPS	MD	TMT	HC	EU
Sustaining customer loyalty and retention may be increasingly difficult due to evolving customer preferences and/or demographic shifts in our existing customer base	2021	🟡	🟡	🟡	🟡	🟡	🟡
	2030	🟡	🟡	🟡	🟡	🟡	🟡
Our organization may not be able to adapt its business model to embrace the evolving "new normal" imposed on our business by the current pandemic and emerging social change	2021	🟡	🟡	🟡	🟡	🟡	🟡
	2030	🟢	🟡	🟢	🟢	🟡	🟢
Rapid speed of disruptive innovations enabled by new and emerging technologies (e.g., artificial intelligence, robotics, machine learning, hyper-scalable platforms, increasing bandwidth, faster data transmission) and/or other market forces may outpace our organization's ability to compete and/or manage the risk appropriately, without making significant changes to our business model	2021	🟡	🟡	🟡	🟡	🟡	🟡
	2030	🟡	🟡	🟡	🟡	🟡	🟡
Performance shortfalls may trigger activist shareholders who seek significant changes to our organization's strategic plan and vision	2021	🟢	🟡	🟡	🟡	🟢	🟡
	2030	🟢	🟢	🟡	🟢	🟢	🟡
Shifts in environmental, social and governance (ESG) preferences as well as expectations of key stakeholders about climate change, diversity and inclusion, and other governance and sustainability issues may be difficult for us to identify and address on a timely basis	2021	🟢	🟡	🟡	🟢	🟢	🟡
	2030	🟢	🟡	🟡	🟢	🟢	🟡
Social media developments, 5G networks to improve mobility, extended bandwidth and data transmission, and other emerging innovations may significantly impact our brand, customer relationships, regulatory compliance processes and/or how we do business	2021	🟢	🟢	🟢	🟡	🟡	🟢
	2030	🟢	🟡	🟢	🟡	🟡	🟢

TABLE OF CONTENTS

TABLE 13 (CONTINUED)

OPERATIONAL RISK ISSUES	YEAR	FS	CPS	MD	TMT	HC	EU
Our organization may not be sufficiently prepared to manage cyber threats that have the potential to significantly disrupt core operations and/or damage our brand	2021	🟡	🟡	🟡	🟡	🔴	🟡
	2030	🟡	🟡	🟡	🟡	🟡	🟡
Third-party risks arising from our reliance on outsourcing and strategic sourcing arrangements, IT vendor contracts, and other partnerships/joint ventures to achieve operational goals may prevent us from meeting organizational targets or impact our brand image	2021	🟡	🟡	🟡	🟡	🟡	🟡
	2030	🟡	🟡	🟡	🟡	🟡	🟡
Our organization's succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets	2021	🟡	🟡	🟡	🟡	🟡	🟡
	2030	🟡	🟡	🟡	🟡	🟡	🟡
Ensuring privacy/identity management and information security/system protection may require significant resources for us	2021	🟡	🟡	🟡	🟡	🟡	🟡
	2030	🟡	🟡	🟡	🟡	🔴	🟡
Our existing operations, legacy IT infrastructure, lack of digital IQ in the workforce and insufficient embrace of digital thinking and capabilities may not meet performance expectations related to quality, time to market, cost and innovation as well as our competitors, especially new competitors that are "born digital" with a hyper-scalable business model and low cost base for their operations, or established competitors with superior operations	2021	🟡	🟡	🟡	🟡	🟡	🟡
	2030	🟡	🟡	🟡	🟡	🟡	🟡
Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency may significantly affect our management of core operations and strategic plans	2021	🟡	🟡	🟡	🟡	🟡	🟡
	2030	🟡	🟡	🟡	🟡	🟡	🟡

TABLE OF CONTENTS

TABLE 13 (CONTINUED)

OPERATIONAL RISK ISSUES (CONTINUED)	YEAR	FS	CPS	MD	TMT	HC	EU
Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations	2021	🟡	🟡	🟡	🟡	🟡	🟡
	2030	🟡	🟡	🟡	🟡	🟡	🟡
Our organization's culture may not sufficiently encourage the timely identification and escalation of risk issues that have the potential to significantly affect our core operations and achievement of strategic objectives	2021	🟡	🟡	🟡	🟡	🟡	🟡
	2030	🟡	🟡	🟡	🟢	🟡	🟡
Ongoing demands on or expectations for a significant portion of our workforce to "work remotely" or increased expectations for a transformed, enhanced collaborative physical work environment may negatively impact the effectiveness and efficiency of how we operate our business	2021	🟡	🟡	🟡	🟡	🟡	🟡
	2030	🟢	🟢	🟡	🟢	🟡	🟡
Our ability to meet expectations around protecting the health and safety of employees, customers, suppliers and the communities in which we operate may be insufficient to receive market permission to operate or encourage people to work for us or do business with us	2021	🟢	🟡	🟡	🟡	🟡	🟡
	2030	🟢	🟢	🟢	🟢	🟢	🟢
Uncertainty surrounding the viability of key suppliers, scarcity of supply, or stable prices in the supply chain ecosystem may make it difficult to deliver our products or services at acceptable margins	2021	🟢	🟡	🟡	🟡	🟡	🟡
	2030	🟢	🟢	🟡	🟢	🟡	🟡
The behaviors and personal conduct of the organization's management team and other key representatives may not conform to societal and ethical expectations	2021	🟢	🟡	🟡	🟢	🟢	🟢
	2030	🟢	🟢	🟢	🟢	🟢	🟢

The Healthcare industry group seems to be the most concerned about risks on the horizon for 2030, given three of their top five risks are "Significant Impact" risks as reflected in Figure 24B.

Strategic risks, however, dominate most longer-term risk forecasts, with each industry group listing at least two strategic risks among their top five. Risks related to regulatory change and the rapid speed of disruptive innovation are ranked in four of the industry groups' top five risks, and overall, seven of the 13 strategic risks are represented in the various industry groups' top five rankings.

The Financial Services, Consumer Products and Services, Technology, Media and Telecommunications, and Healthcare industry groups rate at least four of the macroeconomic risks as "Less Significant Impact." The Financial Services and Technology, Media and Telecommunications industry groups are most optimistic about the long-term outlook, with each industry group identifying six of the 13 strategic risks as "Less Significant Impact."

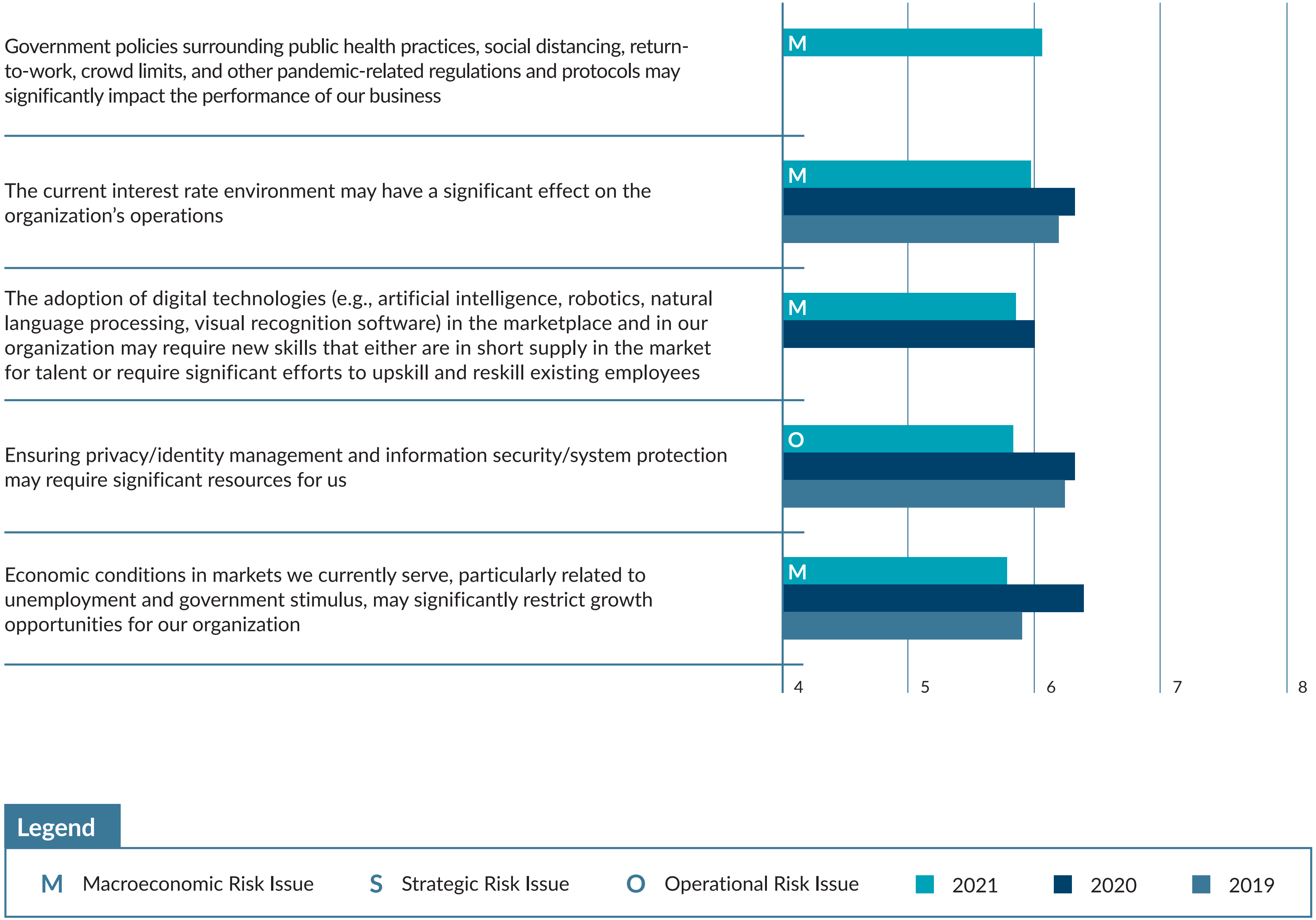
With the exception of the Energy and Utilities industry group, each of the other industry groups ranks at least one operational risk among its 2030 top five risks. The risk of ensuring privacy/identity management is ranked in the top five by four of the industry groups, while succession challenges and the ability to attract top talent is ranked in the top five by the Consumer Products and Services and Manufacturing and Distribution industry groups.

These noted differences in perceptions of risk issues across the different industry groups highlight the importance of understanding industry drivers and emerging developments in order to identify the most significant enterprise risks and emerging risk concerns in each industry. Following each bar chart by industry group, we provide additional commentary about industry-specific risk drivers.

> "Aside from the predominance of concerns over the future of work, three 2030 themes our results show across at least four of the six industry groups we examined are disruptive change, regulatory risk and data privacy concerns."
>
> Jim DeLoach, Managing Director, Global Thought Leadership Leader, Protiviti

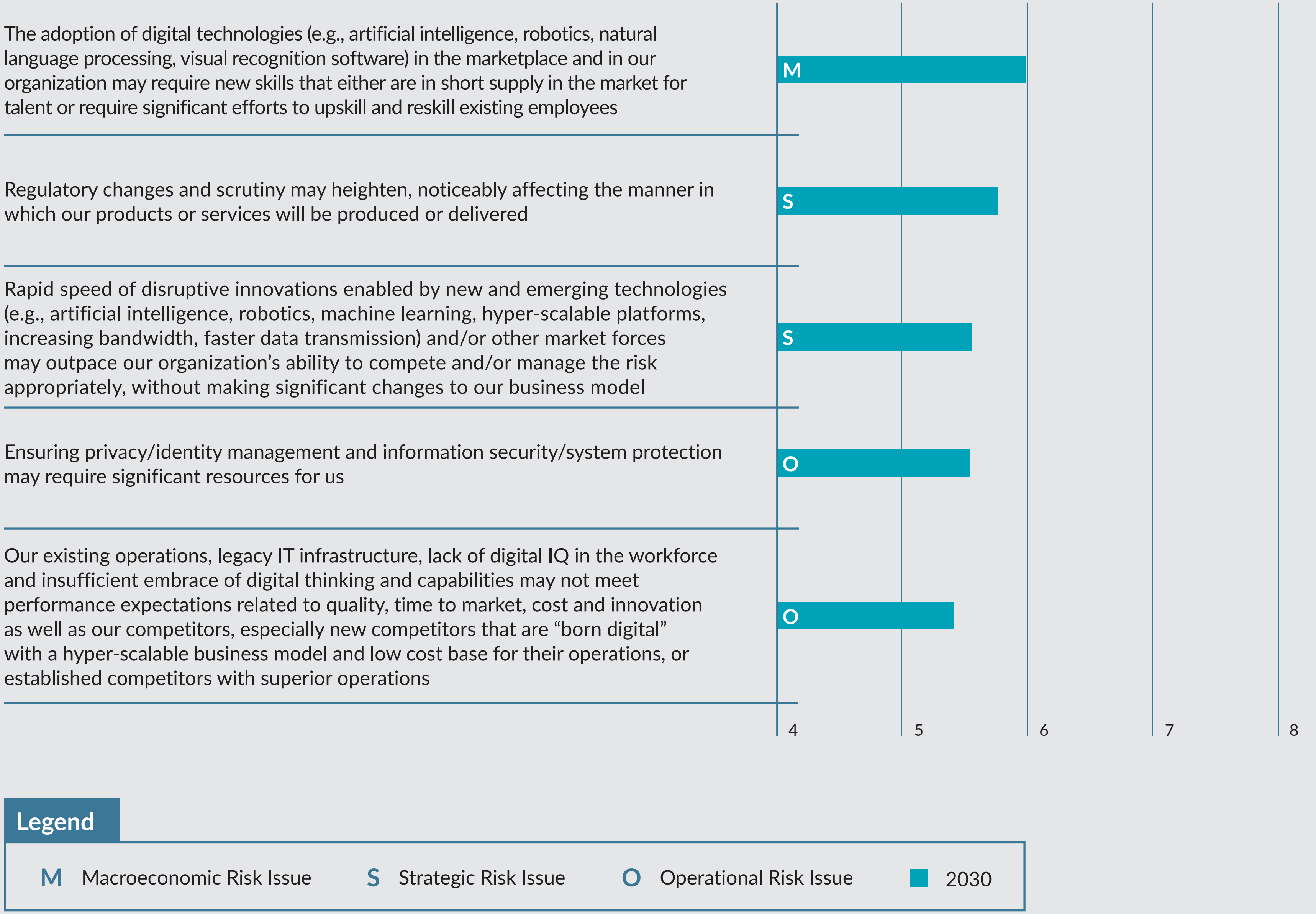
Financial Services – 2021

FIGURE 20A



Financial Services – 2030

FIGURE 20B



For more than a decade dating back to the years following the global financial crisis, regulatory compliance concerns have topped the risk agenda of financial services companies. Over time, the industry began shifting its attention to the future, keeping pace with digital innovation and competing with "born digital" competitors, but the challenges of regulatory compliance remained the major concern. This was true in our 2020 Top Risks survey, when regulatory compliance concerns and the threat of digital disruption were once again revealed as the top two risks. In addition, the Financial Services industry last year also signaled growing apprehension about the softening global economy, citing concerns that economic conditions might restrict growth opportunities and that changing interest rates might have a significant effect on operations.

And then ... COVID-19 arrived and thoroughly upended financial institutions' priorities, strategies, and how and where their employees work and serve their clients. Unsurprisingly, the effects of these dramatic changes dominate our Top Risks Survey results. In 2021, concerns about the economy and its impact on business have dislodged regulatory compliance concerns from its place at the top of the risk list, dropping it to the sixth place based on the aggregated global responses for the industry group. The two risks topping the list for financial services companies in 2021 are:

- **Pandemic-related policies and regulation impact business performance —** This is a new risk area that was added to the survey this year to recognize the environment in which we are living.
- **Current interest rate environment —** Interestingly, concern over this risk declined slightly from last year even as interest rates fell even further year over year. This likely reflects the expectation that ongoing extraordinarily high levels of fiscal stimulus across much of the world, coupled with increasing confidence that vaccine rollouts will enable an eventual economic recovery and surge, will finally create inflation pressure that will drive interest rates back to more normal (and for financial institutions, more profitable) levels.

Rounding out the 2021 top five risks for financial services are the adoption of digital technologies requiring new skills or significant efforts to upskill/reskill existing employees; economic conditions constraining growth opportunities; and privacy/identity management and information security.

The nexus between economic concerns and COVID-19 is apparent. While digital adoption is not new to the list, it, along with privacy/security risks, likely reflects the realities of COVID-19, which required financial organizations to pivot more quickly than planned to digital offerings requiring either limited or no face-to-face customer interaction. This raised new privacy/security concerns that were reinforced by frequent warnings and reported incidents of the cyber risks of remote operations.

Interestingly, although respondents' views of the magnitude and severity of the risks their organizations face this year increased compared to last year, expectations that additional resources would be dedicated to risk identification and management declined. Concerns about the ability to coordinate risk activities across the three lines of defense declined as well. Coupled with declining scores on digital risks, this suggests that financial institutions expect to remain laser-focused on managing the impacts of COVID throughout 2021, and that pre-existing transformation and aligned assurance efforts that don't directly benefit the COVID response may be de-prioritized this year.

Economic Concerns Reflect a Current and Future View

Since COVID-19 spread worldwide in Q1 2020, we've viewed the ultimate economic impact on financial institutions as being dependent on the duration and extent of government support for the economy on the one hand, versus the timeline and effectiveness of public health measures to bring the virus under control and allow economies to reopen on the other. Thus far across most of the world, ongoing government support has been sufficient to limit credit losses to a fraction of what many had anticipated as of Q2 2020, and many institutions have started to release loan loss reserves taken at that point. For most of the world, we expect this tenuous balance to hold and for COVID-19 ultimately to go down in the history books as a public health and economic disaster (particularly for lower income households and small businesses), but not one that spreads into a broader financial crisis.

In the United States, 2021 began both with the inauguration of a Democratic presidential administration and the Democrats now controlling both the House and the Senate. As a result, the likelihood increases that, if additional relief is needed to offset what has so far been a slower than expected vaccine rollout, it will be easier and faster to get bills to the floor for vote or to take advantage of the budget reconciliation process than what we observed in the second half of 2020.

After the immediate challenges posed by COVID-19 subside, the Financial Services industry faces a number of other economic risks. These include an uneven recovery likely to unfold as the economy moves into the "next normal" state, and the geographic and sector exposures that some institutions will face as a result. For example, how long will it take for the commercial office real estate market to recover, and will it ever fully recover to pre-COVID levels? Similar questions exist for industries dependent on business and international travel. Also, will the trend of migration out of larger cities and high-tax states continue if employees are no longer tethered to where their headquarters are based, and what does that mean for institutions that have credit or asset exposure in those "move from" markets? Finally, there is sure to be disruption in capital markets as all of the various government monetary and fiscal programs that took us through COVID are unwound — 2013's Federal Reserve "taper tantrum" may look tame by comparison — and many organizations likely will face higher corporate tax expenses as the bills for all of that deficit spending come due.

COVID-19 Advances the Digital Agenda

Concerns about the pace of digital transformation efforts and the threat of digital disruption remain high among our respondents, but scores related to this attribute declined slightly year over year. We view this as a temporary pivot to address the urgent pressures posed by COVID-19 and believe the aftereffects of the pandemic will accelerate, rather than diminish, digital transformation efforts.

In a matter of days or weeks, business functions in which it once would have been unthinkable to operate remotely, such as trading desks, were doing so – and on the whole, made this transition effectively. This necessitated rapid rollout of technology solutions for both the delivery of these services as well as for the necessary risk and compliance oversight controls related to them. For many institutions, these efforts were eased significantly by recent investments in legacy modernization, consolidation of previously disparate platform systems, and transitions to cloud computing environments, helping to validate the business case behind these massive projects.

At the same time, one of the most significant resiliency surprises and failures observed during COVID-19 was the inability of many lower cost business process outsourcing firms to transition to remote environments as effectively as the clients they serviced. This led to urgent "reshoring" efforts as those institutions had to take back those functions during the peak of the spring COVID wave. We think this will lead to a reckoning as firms conduct their COVID after-action reviews. The delivery model for services once viewed as commodities and outsourced to the lowest cost bidder will be revisited. Many organizations have found they are able to continue to perform these functions more effectively and with a higher level of confidence from a business continuity perspective than prior outsourcing efforts offered. For services that will remain outsourced, resiliency will be a more significant buying criterion than before the crisis, and firms will likely be willing to pay more for quality and redundancy.

As a result, we expect to see an increasing movement to "high/low" strategies for many operations and functions, where additional investments in process automation and AI allow truly routine, lower value servicing tasks to be performed at very low or marginal cost. For example, consider things like next-generation chatbots that can answer an ever-widening range of common client inquiries, or automated decisioning logic that can proactively grant isolated and low dollar fee waiver requests without having to involve an agent. This will free up funding for more critical activities that directly impact client satisfaction or key risks to be performed by dedicated and more highly trained and compensated FTEs, many of them located onshore in the same markets as the clients they support.

Regulatory Risk Likely to Resurface as a Key Risk

The perception that regulatory risk is not as high a concern as in the past may be short-lived and, to some extent, stems from the understandably overwhelming effect of COVID-19 as well as the timing of the survey (conducted from November 11 through December 18, 2020). Since the survey closed:

- The U.S. inaugurated a new president and learned that both houses of Congress would be controlled by Democrats.
- Following extensive negotiations, the UK and European Union finally agreed to a Brexit deal that came into effect on December 31, 2020.

In the U.S., the new administration and Democrat-controlled Congress portend a more challenging environment for the Financial Services industry, likely driven less by new laws and regulations than by the appointment of new leaders of industry regulatory agencies who are likely to be more enforcement minded. Congressional leaders have already made it clear that financial services companies can expect to participate in more hearings and congressional inquiries.

Even before the new Congress was in place, the prior Congress, in late December 2020, passed the most comprehensive anti-money laundering legislation, the AML Act of 2020, since the USA PATRIOT Act, which was enacted in 2001. Rulemaking for the new law will begin in 2021.

In the UK and Europe, now that Brexit is a reality, regulatory requirements and expectations will need to be revamped and reconciled.

Notwithstanding in-jurisdiction regulatory concerns, changes in regulation and supervision of financial institutions in the U.S. and the UK generally have far-reaching consequences given the significance of New York and London to the global financial services community.

Looking Ahead to 2030

For the first time in conducting annual risk surveys, we asked this year's respondents for their views on the top risks that they expect to emerge over the next decade. The top five future risks identified by Financial Services industry board members and executives are shown in Figure 20B. Following are our thoughts on these topics, along with several additional key insights we think industry stakeholders will need to address:

- Technology maturity and the ability to innovate quickly and effectively will be recognized as the most significant competitive advantage financial institutions can gain. Data is at the heart of these efforts and will increasingly be viewed as a priceless asset in a number of ways. Established providers will seek both to maximize the value of their vast historical data sets and protect them from upstart competitors in order to prevent disintermediation and loss of their clients. Of course, they must make sure they do so in a way that complies with what likely will be a rapidly evolving privacy compliance environment, which respondents also identified as a top emerging risk. Investments in data architecture, quality and accessibility will continue to accelerate and take an increasing share of firms' budgets, especially as ever more disruptive but exclusive enabling technologies like quantum computing come online. This will lead to difficult strategic choices between building the scale to be able to afford proprietary solutions in these areas — we expect M&A consolidation to accelerate significantly in the years ahead — and forging uneasy partnerships with the big tech firms that financial institutions will increasingly view as both indispensable and their most ominous future competitors.
- The fintech market will consolidate and the winners that emerge will be poised to take significant share from legacy providers. Jamie Dimon perhaps put it most directly on a recent analyst call, saying "Absolutely, we should be scared s---less about the threats posed from fintech competitors."[8] All of the ingredients are coming together for this threat to materialize. Regulatory authorities worldwide are maturing

[8] www.cnbc.com/2021/01/15/jamie-dimon-says-jpmorgan-chase-should-absolutely-be-scared-s-less-about-fintech-threat.html.

their strategies for offering expanded licenses or charters to fintech organizations. Public pressure to address income inequality and reduce the population of unbanked consumers is growing, and fintechs have a compelling story to tell in terms of their ability to reach this segment with their use of alternative data sources for evaluating creditworthiness and otherwise assessing eligibility. Large technology firms have gotten significantly more exposure to the Financial Services industry and a better understanding of regulatory requirements and expectations over the past several years due to their offering of services like cloud infrastructure and are, therefore, closer to being able to build directly competitive platforms should they choose to do so.

- One of the most significant and direct impacts that may result from fintech competition is that the industry will face a growing trend of historically profitable products being priced down to zero. A worst-case scenario for established financial institutions would resemble the impact that Amazon has had on bookselling and retail businesses, or how Netflix and other streaming services have changed traditional movie and TV production business models. This is already occurring in key consumer segments such as fee-free retail deposit accounts (Revolut in Europe is a good example), commission-free brokerage trading (driven by Robinhood as a key first mover, but now adopted by many competitors) and low/no-cost peer-to-peer funds transfers (PayPal/Venmo as a disrupter, followed by competitive bank-supported platforms such as Zelle). Mass market asset management is another segment that could see expense ratios shrink dramatically. Although obviously not a "price down to zero" candidate, residential real estate lending is another category that could see significant pricing pressure at least as it relates to origination fees.

  Existing financial services providers will not take this threat lying down. There is a strong sense of urgency and increasing investments in and cultural support for innovation efforts to remain relevant. However, for established firms this is not as simple as merely addressing the need to modernize legacy technology and compete for talent in order to keep pace. They must also consider the threat posed if capital markets prove willing to fund the competition based on metrics that would apply to technology companies by prioritizing market share and top line growth at all costs while still expecting legacy financial institutions to produce at historical earnings per share levels. Advocating for structural changes to reduce regulatory arbitrage and monitoring anti-trust efforts against big tech firms will be part of the playbook in this area.

- Finally, the significance of ESG expectations on financial institutions will continue to grow. This will manifest in a number of ways, including the likely issuance of more specific requirements to analyze and disclose the climate impacts of lending and investing activities. Income inequality, as mentioned above, will become a more pressing area of focus across the globe. We'll see tactical impacts in this area, such as more scrutiny on the ratio of executive to average employee pay, but also much more substantively with

> "Unsurprisingly, our 2021 survey of financial services executives saw a dramatic shift away from prior areas of focus in order to manage the risks that COVID-19 poses to their organizations. However, we believe that work done to respond to the pandemic has laid the foundation eventually to accelerate — not delay — previous trends in digital modernization and building future-ready workforces."
>
> Michael Brauneis, Managing Director, Americas Financial Services Industry Leader, Protiviti

increased government incentives and/or threats of regulatory sanctions designed to expand access to financial services to economically disadvantaged populations. Finally, ESG considerations will significantly impact the intersection of corporate strategy, cultural values, and how financial institutions attract and retain talent. In the U.S., for example, the banking industry has been whipsawed between Obama-era practices that discouraged serving certain politically disfavored industries,[9] to Trump-era guidance that sought to explicitly prohibit banks from blacklisting industries, to the likelihood that the Biden administration will unwind the recent Trump guidance. Even in the absence of specific legislative requirements or regulatory pressure, financial institutions will need to address increasingly vocal public pressure, as well as pressure from their employees and other business partners, to take a stand on their dealings with industries such as fossil fuels and firearms manufacturers. Getting to the right answer or balance will undoubtedly require more leadership time and attention to address effectively no matter what.

> "With the Asia-Pacific region the first to experience the full impact of COVID-19, the way Asia-Pacific financial institutions reacted to the unprecedented challenges and adapted their operations provided a first glimpse of how the global financial services industry would ultimately respond. The Top Risks Survey results for 2021 from Asia-Pacific signal that recovering from COVID-19 will be a complex undertaking with lingering effects that may have inalterably changed strategic priorities and business models."
>
> Carol Beaumier, Senior Managing Director, Asia-Pacific Financial Services Industry Leader, Protiviti

[9] www.americanbanker.com/opinion/beware-the-tidy-narrative-about-operation-choke-point.

TABLE OF CONTENTS

Consumer Products and Services – 2021

FIGURE 21A

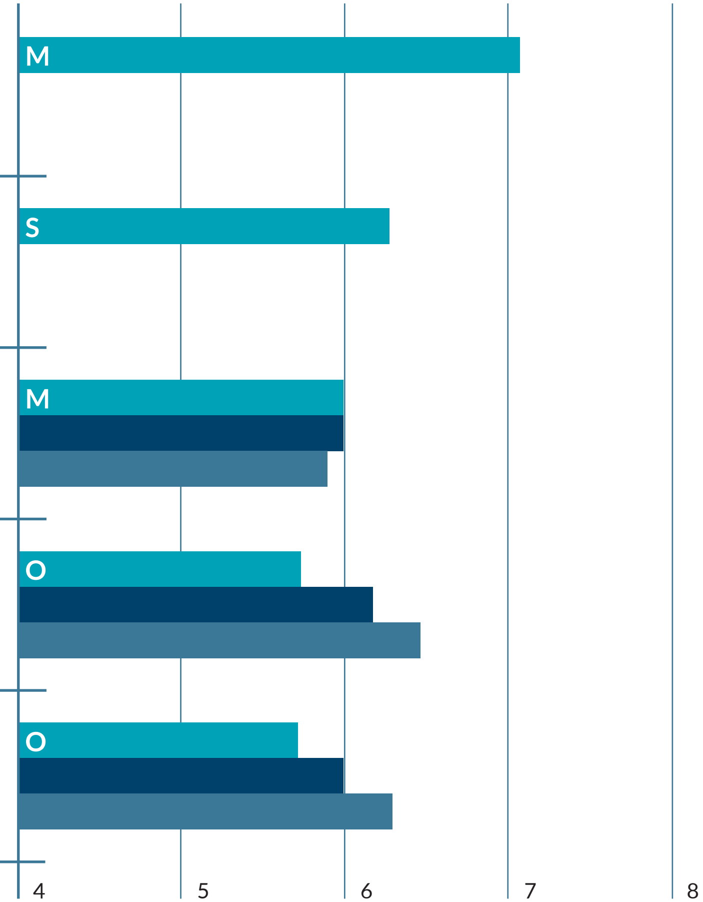
Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business

Market conditions imposed by and in response to COVID-19, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services

Economic conditions in markets we currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for our organization

Our organization's succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets

Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations

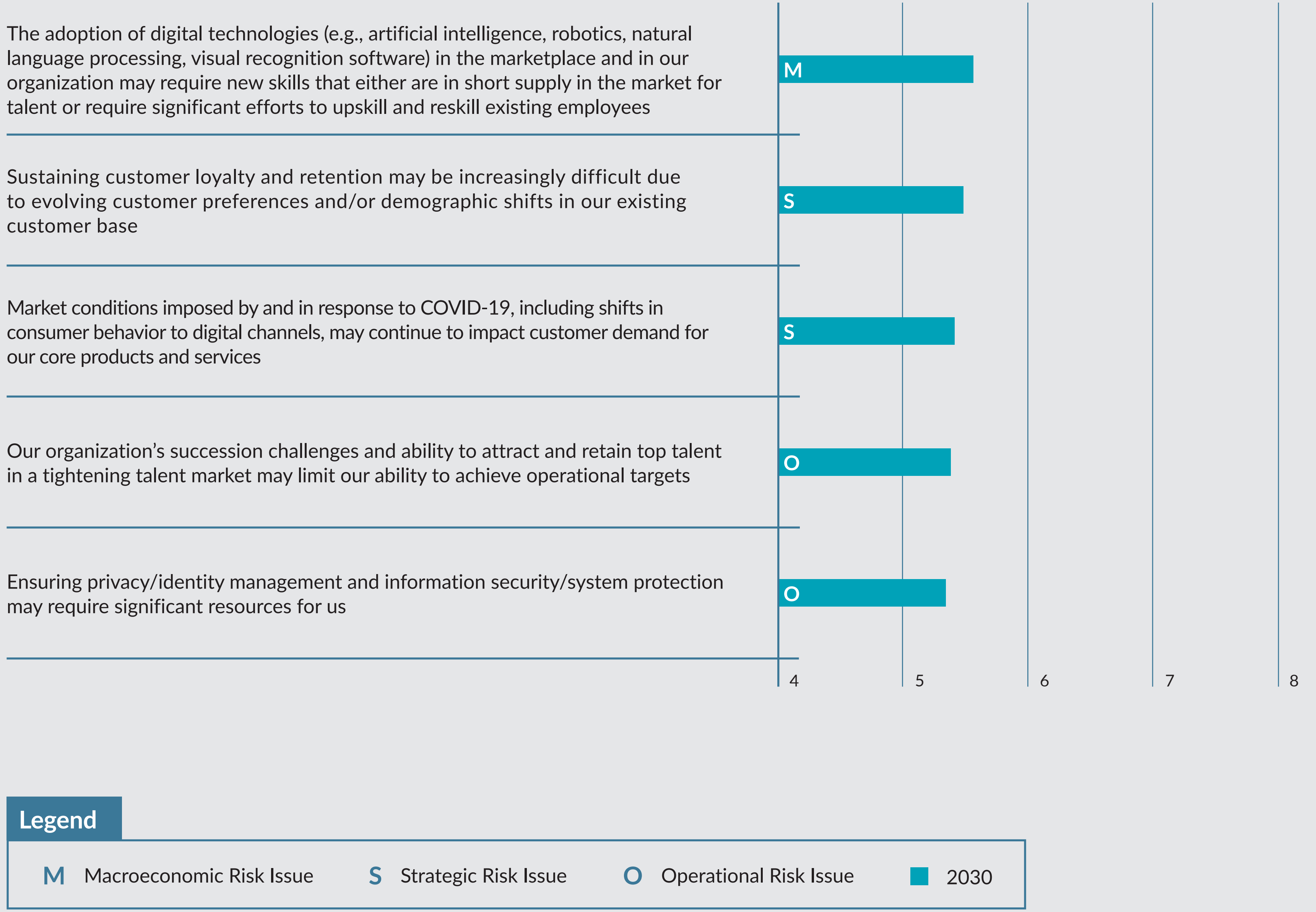


Legend

M Macroeconomic Risk Issue
S Strategic Risk Issue
O Operational Risk Issue
2021
2020
2019

Consumer Products and Services – 2030

FIGURE 21B



After a challenging 2020, many Consumer Products and Services (CPS) organizations are justifiably worried about the lingering effects of the pandemic, as well as operational challenges.

While some in the retail and consumer packaged goods sectors experienced record revenue growth due to the pandemic (like pharmacies, grocery stores, household products, food & beverage providers), many brick-and-mortar retailers (e.g., apparel and department stores) have seen their businesses flounder. The pandemic upended consumerism as we know it, hitting those without a strong online and digital presence particularly hard.

The results of our 2021 Top Risks Survey reflect the general angst among leaders throughout the CPS industry group, who are worried that a mix of macroeconomic, strategic and operational risks could significantly impact the performance of their businesses in the next 12 months. At the top of this list, board members and executives singled out additional government policies in response to the COVID-19 pandemic, a deterioration in market and economic conditions, talent retention and acquisition challenges, as well as internal resistance to cultural changes that may restrict their ability to adjust business models and core operations.

These top five risk issues apply to the broad Consumer Products and Services industry group, although the survey results show sub-industries such as retail, consumer packaged goods, hospitality and airlines have similar concerns, but with few exceptions. Below we discuss some of the unique concerns identified in individual top five risks for each sub-industry.

Retail

Among the top five risk issues identified by respondents in retail, the largest Consumer Products and Services sub-industry, the risk of cyber threats and anticipated increases in labor costs are ranked fourth and fifth, respectively. The first three are the same as those gathered from the broad Consumer Products and Services industry group.

It is no surprise that retailers are concerned about the potential for cyber threats to significantly disrupt their core operations and/or damage their brand. In the last 12 months, the cyberthreat landscape has deteriorated significantly, as more retailers move online to accommodate the surge in e-commerce. Last year, a number of household names were the target of sophisticated data breaches, including one major case in which 440 million records belonging to a cosmetic giant were exposed online.

The concern over anticipated increases in labor cost is notable given the significant workforce disruptions that many retailers have faced during this COVID era. As the slow and elongated process of reopening retail stores continues amid a resurgence of the virus, decisions around hiring (i.e., when to bring furloughed workers back, whether to rehire new employees with different skill sets, and how to protect customer-facing workers) will continue to pressure retailers.

According to the National Retail Federation, over 52 million people work in retail, making it the number one job sector in the United States, with a $3.9 trillion contribution to the annual GDP.

Consumer Packaged Goods

In addition to the top two risks — impact of COVID-19 on market conditions and potential government policies in response to the pandemic — the three issues below round up the top five risks identified by survey respondents from the consumer packaged goods (CPG) industry:

- Uncertainty surrounding the viability of key suppliers, scarcity of supply or stable prices in the supply chain ecosystem may make it difficult to deliver products or services at acceptable margins.
- Third-party risks arising from reliance on outsourcing and strategic sourcing arrangements, IT vendor contracts, and other partnerships/joint ventures to achieve operational goals may prevent achievement of organizational targets or impact brand image.
- Ongoing demands on or expectations for a significant portion of the workforce to "work remotely" or increased expectations for a transformed, enhanced collaborative physical work environment may negatively impact the effectiveness and efficiency of how the business is operated.

Across the global economy, supply chains have been hammered by the pandemic, forcing businesses to restructure their procurement operations in order to build in resilience. CPG companies are taking a broad range of actions to curb challenges, including increasing warehouse space, altering delivery methods and seeking more flexible supplier contracts. Still, their fragile situation could worsen if governments take further actions, like port closures and countrywide lockdowns, to control rising infections.

Meanwhile, to ensure that supply chains are operating at a high degree of dependability and cost effectiveness, management would be well-advised to move beyond a procurement mindset and embrace a more holistic methodology known as strategic sourcing.

Hospitality, Leisure and Travel

With hotel occupancy rates down, planes grounded and borders closed, the hospitality, leisure and travel sectors have been particularly devastated by the pandemic. The vaccine rollout and the prospect of an additional stimulus package from the Biden administration have offered some hope, although businesses in this space remain especially vulnerable to further lockdown and social distancing measures. As the survey results show, this is the top risk issue for the sector, followed by the impact of economic conditions related to unemployment and government stimulus on growth opportunities.

With 2020 revenues effectively written off, many hospitality, leisure and travel companies are exploring various growth opportunities, including acquisitions, joint ventures and other partnership activities. According to the survey results, the companies rank potential difficulty identifying and implementing these growth opportunities as the third most worrying risk issue.

Another major concern for the sector is its ability to meet expectations around protecting the health and safety of employees, customers, suppliers and the communities in which companies operate (this is their fifth biggest concern). Specifically, hospitality, leisure and travel companies fear that measures implemented in this regard may be insufficient to receive market permission to operate or encourage people to work for or do business with them.

Airlines

It goes without saying that the airline industry has struggled to take off during the pandemic. According to the International Air Transport Association, deep industry losses will continue into 2021, even though performance is expected to improve. The association is also predicting aggressive cost-cutting, even though airlines have already cut costs by 45.8%, but revenues are down 60.9%.

Indeed, many in the industry are surviving on financial life support from governments, and the flight to recovery is expected to be long and

> "With the clouds imposed by the pandemic, it is more difficult for Consumer Products and Services companies to see the future 'new normal' and how fast it will arrive. Traditional trends and patterns used in the past to predict demand and growth have been obscured, forcing industry players to place their bets on multiple sales and marketing channels, invest in digital capabilities, including e-commerce and shopping platforms, improve data analytics to better understand their customers and behaviors, rethink their supply chain strategies, train employees in the skills required to serve consumers in the digital economy, and reimagine branding strategies."
>
> Carol Raimo, Managing Director, Consumer Products and Services Industry Leader, Protiviti

turbulent. Airline respondents to our survey identified the ability to access sufficient capital or liquidity as their second biggest risk issue, bested by restrictive government policies in response to the pandemic.

Over the past 12 months, airlines have reduced staffing for a wide range of customer-facing and internal roles to match the decline in demand, but some of the deepest cuts in headcount have been in back-office functions. Despite these cuts, succession challenges and ability to attract and retain top talent in a tightening talent market remains a top concern for airlines. It is fifth on the industry top risk list, our survey results indicate. One powerful potential solution to this talent shortage problem is to invest in and expand the use of intelligent automation, such as combining robotic process automation (RPA) with AI. This strategy could help airlines emerge from the pandemic more efficient and resilient.

Looking Ahead — Long-Term Risk Issues

As part of the survey, board members and executives from the Consumer Products and Services industry group were asked to project their top five risk issues over the next decade. The impact of digital technologies on skilling and talent, as well as sustaining customer loyalty and retention, were identified by the respondents as their top two risk issues.

Interestingly, on the most pressing concerns for 2021, the risks related to adopting digital technologies does not make the top five list for the broad Consumer Products and Services industry group, given its myriad near-term challenges. However, it is clearly on the industry's radar, especially as pressure mounts on organizations to adopt new technologies like AI, robotics, natural language processing and visual recognition software. According to the survey, industry leaders are concerned that over the next 10 years the talent to support these digital technologies may be in short supply or would require significant efforts to upskill and reskill existing employees. On customer loyalty and retention, Consumer Products and Services industry group respondents worry that it would be increasingly difficult to sustain due to evolving customer preferences and/or demographic shifts in their existing customer base.

This industry group also reported the impact of market conditions imposed by COVID-19 on customer demand as the third-rated risk for 2030. It is the only industry group of the six we examined that included this risk in the top five for the long term, suggesting that industry leaders may have significant concerns over the lasting impact of COVID on the market and consumer, guest and passenger behavior.

The respondents identified two other top risks for the next decade:

- Succession and talent acquisition challenges.
- Ensuring privacy or identity management and information security protection with limited resources.

> "Given the uncertainty over how long it will take for the industry to return to pre-pandemic normals, airlines are adapting to the new business realities. We can expect the industry to consolidate, offer fewer flight options, and possibly experience a permanent haircut in business travel. International and leisure travel as well as hub and spoke routes will take time to recover. With excess capacity and rising cargo yields as shoppers turn to e-commerce, we can expect continued conversions of wide-body aircraft to service air freight demand. All of these and other factors impact the industry's fundamentals, and ultimately the percent of employees who will be returned from furloughs."
>
> Nichole Minice, Managing Director, Airline Industry Leader, Protiviti

Manufacturing and Distribution – 2021

FIGURE 22A

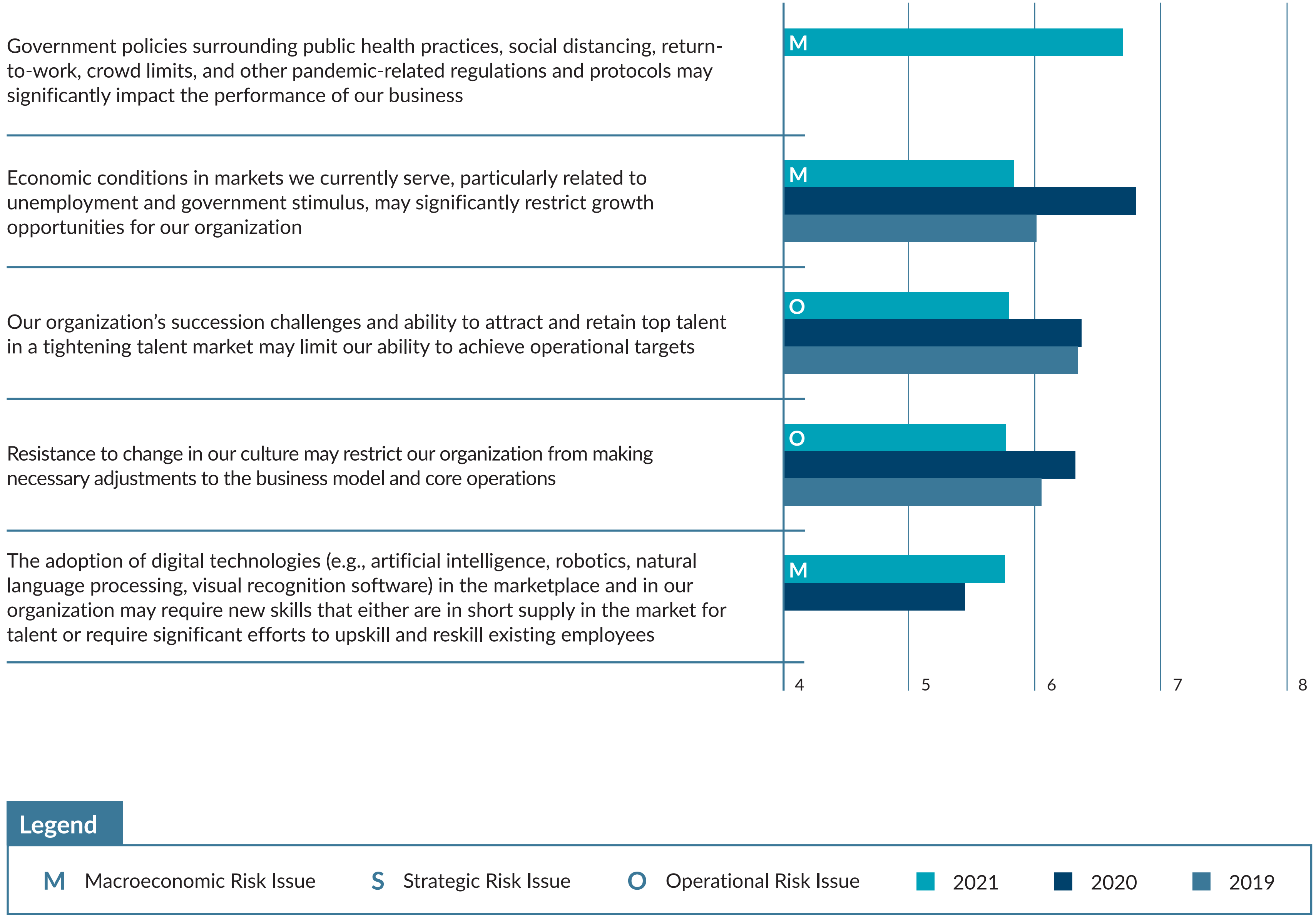
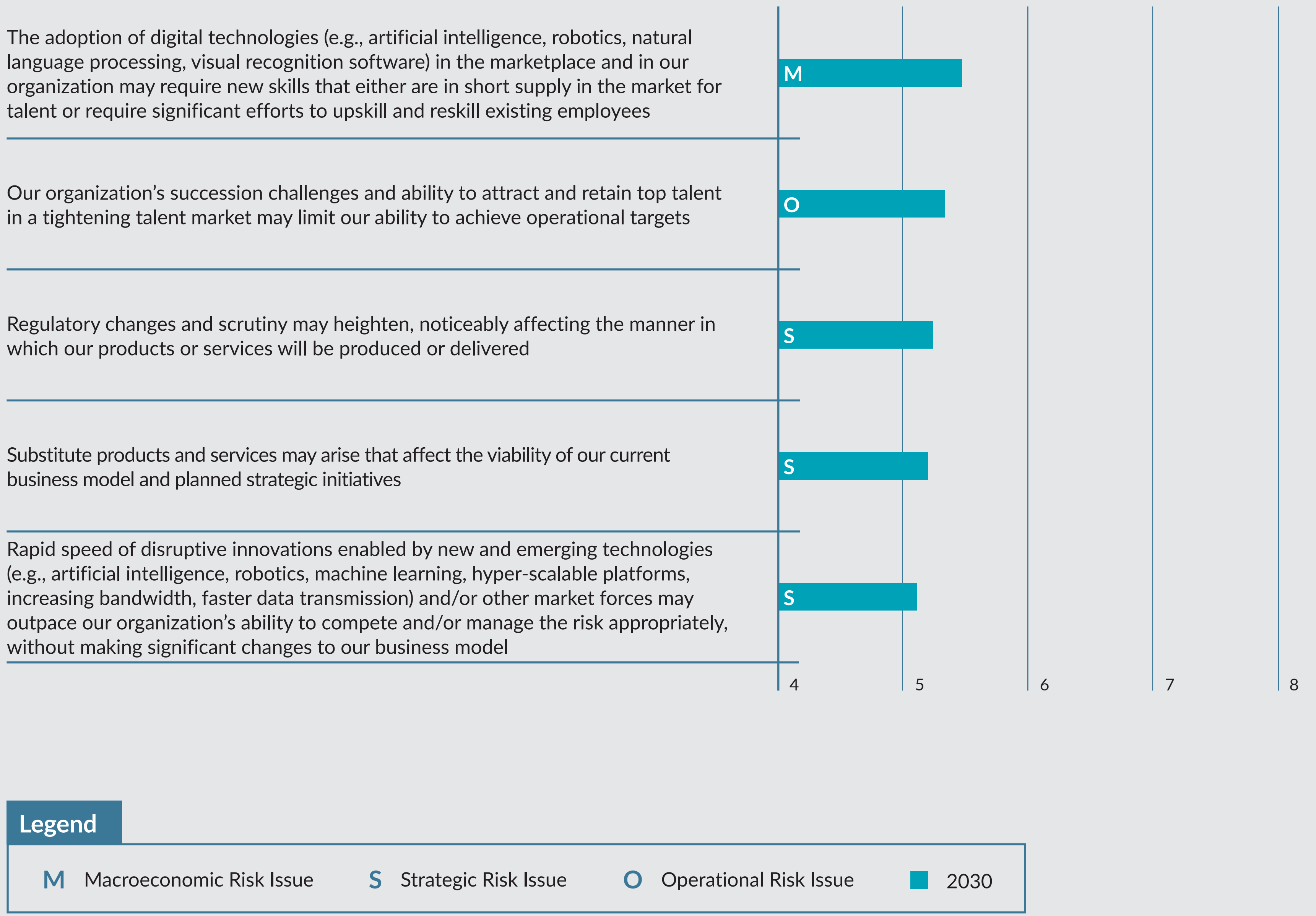


TABLE OF CONTENTS

Manufacturing and Distribution – 2030

FIGURE 22B



As manufacturing and distribution organizations head into 2021 and the second year of a tumultuous period, the COVID-19 global pandemic and its long-lasting effects are, as expected, top of mind for board members and executive management in the industry group. Furthermore, there are a number of common themes found when comparing the priorities for the next 12 months and those for the next decade.

Overview of Top Risk Issues in 2021

The industry group's top risk issue, not surprisingly, is pandemic-related government policies and regulation and their potential impact on business performance. Manufacturing and distribution organizations rate this risk at a higher level of significance than the global response in our study. This is understandable: These companies tend to be multilocation, with facilities located in different regions around the world. One of the most significant challenges they have faced over the past year, and will continue to address in 2021 and beyond, is that there is no one-size-fits-all approach to address various government regulations, health and safety requirements, mandatory operational protocols, and other country- and region-specific guidelines. Managing these issues for each location is a time-consuming challenge, particularly as changes are introduced and manufacturing and distribution organizations continue to navigate uncertainty amid the evolving new normal.

Underscoring the importance of pandemic-related government policies and regulations, this issue is the only "Significant Impact" risk for the industry group, with a score nearly one point higher than the second-ranked risk issue, economic conditions potentially constraining growth opportunities. This risk issue consistently ranks high among the list of concerns for boards and executive management in the industry group, though there are signs of optimism for the next 12 months, especially when contrasted with the global disruption during 2020. Financial results in the most recent third and fourth quarters showed indicators of improved economic stability. While the persistently resurgent COVID-19 pandemic remains a concern and may result in slower growth for manufacturing and distribution organizations in 2021, many within the industry group are cautiously optimistic about long-term economic prospects — at least compared to the turmoil of the past 12 months. Again, though, these views vary by region given the multilocation profile of many organizations in the industry group, as well as within the sub-industries in the group. For example, industrial products companies experienced numerous adverse economic impacts in 2020, while pharmaceutical companies understandably performed better. A final comment on economic concerns: One can argue that much of the economic stress is spawned by the pandemic.

Regarding the third-ranked risk issue, succession challenges and the ability to attract and retain top talent, this remains a critical concern for manufacturing and distribution organizations. Pre-pandemic, the industry group experienced persistent talent challenges resulting from a tight labor market with near-historic lows in unemployment levels, making it extremely difficult to be competitive for highly skilled people. In 2020, after initial rises in unemployment levels midyear, they were trending down as the year came to a close. These trends only increase ongoing talent challenges for manufacturing and distribution organizations that often require talent outside of more highly populated urban locations. Compounding the issue, they need specific talent that is in high demand. The combination of these two factors presents a significant ongoing challenge. These organizations also continue to debate whether to onshore, near-shore or offshore various operations, and how to access the necessary talent based on those decisions.

Amid the global market turmoil of the past year, manufacturing and distribution organizations were forced to adapt and pivot operations quickly. Many did so successfully but they, along with other organizations in the industry group that may not have fared as well, are asking themselves about their long-term positioning and the sustainability of needed changes. Do they have the right culture that will embrace changes in their business model and core operations? Have they adopted, or are they pursuing the adoption of, digital technologies to help transform the business, and to drive these efforts, do they have the right talent and

TABLE OF CONTENTS

skills in the organization? The answers to these and related questions lie in an organization's culture and a mindset, from the board and executive management down into all levels of the organization, to adapt to change successfully when the pace of change continues to increase.

These issues underscore resistance to change and the adoption of digital technologies — including Industry 4.0 advancements — which round out the top five near-term risk issues for the Manufacturing and Distribution industry group. The latter risk issue is particularly noteworthy, as it was not ranked among the top risk issues for the industry group last year. In what amounts to a silver lining amid the pandemic, these organizations expedited their Industry 4.0 initiatives in 2020, with notable success. The key question now for the board and executive management is: Do we have the right talent and skills in our organization to sustain this level of innovation and automation long-term?

Overview of Top Risk Issues in 2030

The top risk issues that boards and executives in the Manufacturing and Distribution industry group see for the next decade certainly reflect a number of the key themes and priorities for 2021 — namely, adoption of digital technologies and Industry 4.0, including the rapid speed of disruptive innovation, and access to talent and skills. Over the next 10 years, the ability of manufacturing and distribution organizations to innovate with new technologies will hinge largely on their ability to attract and retain the right talent to advance these initiatives and the organization. As noted earlier, manufacturing and distribution organizations face multiple challenges with regard to talent and skills. They must identify the skills they need to either acquire outright or nurture and develop within the organization; they must recruit talent into industries that may be perceived to be less enticing to younger generations than other industries (e.g., technology or finance); and they must do so for organizational locations that often fall outside of more highly populated urban areas, which shrinks the pool of potential candidates. Boards and executive management throughout the Manufacturing and Distribution industry group will be focusing significantly on these risk issues in the years to come, as the manner in which they are addressed will likely separate the winners and losers.

> "This year's study reveals three key takeaways for manufacturers and distributors. Currently, there is a strong focus on the impact of COVID on new market behaviors, employee safety considerations, supply chain vulnerabilities and operational resilience in the face of unprecedented economic uncertainty. Second, the outlook for the next decade envisions market and regulatory disruption. Finally, a comparison of the short-term and long-term results for the group discloses a concern with the future of work and the need for talent, whether acquired and retained or developed through upskilling or reskilling existing employees."
>
> Sharon Lindstrom, Managing Director, Manufacturing and Distribution Industry Leader, Protiviti

TABLE OF CONTENTS

Technology, Media and Telecommunications – 2021

FIGURE 23A

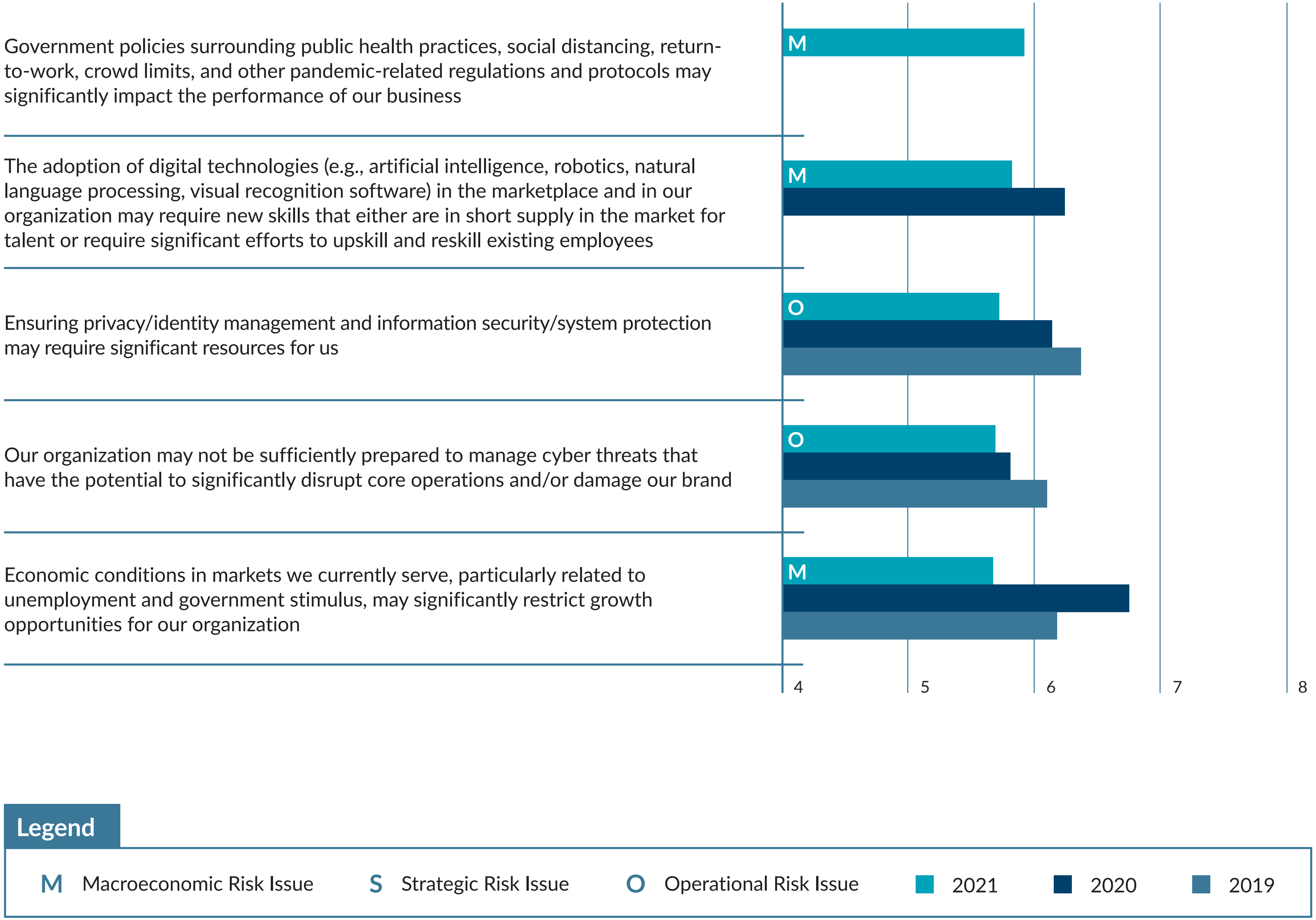


TABLE OF CONTENTS

Technology, Media and Telecommunications – 2030

FIGURE 23B

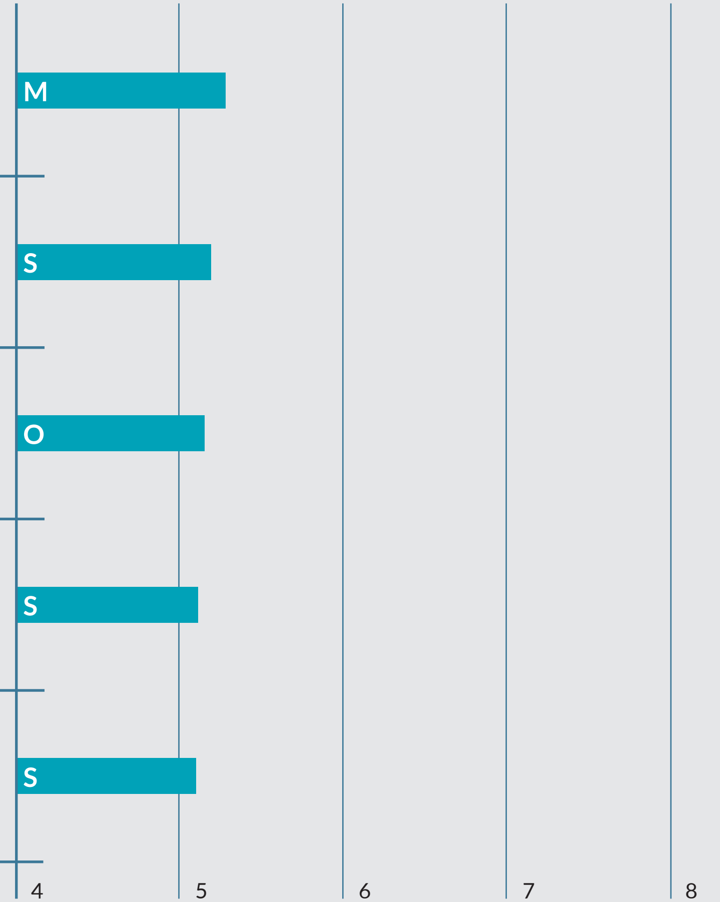
The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees

Ease of entrance of new competitors into the industry and marketplace or other significant changes in the competitive environment (such as major market concentrations due to M&A activity) may threaten our market share

Ensuring privacy/identity management and information security/system protection may require significant resources for us

Rapid speed of disruptive innovations enabled by new and emerging technologies (e.g., artificial intelligence, robotics, machine learning, hyper-scalable platforms, increasing bandwidth, faster data transmission) and/or other market forces may outpace our organization's ability to compete and/or manage the risk appropriately, without making significant changes to our business model

Substitute products and services may arise that affect the viability of our current business model and planned strategic initiatives



Legend

M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue ■ 2030

TMT sector lists pandemic policies, cyber threats, privacy and information security as top risk concerns in 2021

While technology, media and telecommunications (TMT) companies coursed through the wreckage of 2020 better than other industries, the path ahead is filled with many uncertainties, including operational, macroeconomic and strategic risks, which could hurt recovery and impede growth over the next 12 months.

Specifically, TMT executives singled out additional government response to the COVID-19 pandemic, adoption of digital technologies, data privacy and information security, cyber threats, and diminished economic activity as their top five risk concerns this year. The concerns over aggressive government policies and cyber threats are new to this year's top five list for the TMT sector.

Fallout from a lingering pandemic

Aided by a strong demand for digital services, collaboration tools and other technology infrastructure, TMT companies recorded record strong growth and profits during the pandemic. Still, TMT board members and executives indicated that their biggest concern has to do with the lingering impact of the pandemic. Mostly, they are worried about the impact of government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols on the performance of their businesses. The survey results show this risk issue is the primary concern among all organizations (not just TMT) this year.

In 2020, government restrictions on travel, congregating for social events and opening businesses had devastating impacts on organizations of all types and sizes. Even with the ongoing rollout of COVID-19 vaccines, many organizations still worry governments could introduce more aggressive actions to stem the virus and its new variants. Tighter restrictions on the movement of goods and people (such as requiring international air travelers to test negative for COVID-19) and the imposition of workplace safety measures (such as mask mandates) may create operational challenges for some businesses.

Regarding possible return-to-work restrictions, TMT appears to be better positioned to deal with related disruptions than other industry sectors. The industry's tech-savvy workforce was among the first to migrate to a remote set-up and many of its largest companies have fully embraced the new labor model, with some (like Twitter) offering employees the choice of working from home forever.

Aside from pandemic-driven regulations, additional industry regulation is a big concern with many leaders worried about further pressure and scrutiny from the new Biden administration. This risk issue ranks tenth on the list of top risk issues for the TMT sector.

Disruption from digital technologies

Digital technologies to support remote working, contactless payments, online entertainment and other physical distancing needs during the crisis have been a boon for TMT companies. However, the rapid rollout of technology has also created some big challenges for the industry. In the survey, TMT respondents identified the shortage of skilled workers to support the digital demand and increased cyber threats as their second and fourth top risks, respectively.

Talent-wise, TMT industry group executives worry that the need to adopt digital technologies such as AI, robotics, natural language processing and visual recognition software in the marketplace and in their respective organizations may require new skills that either are in short supply or require significant efforts to upskill and reskill existing employees.

Worsening cyber threat landscape

Cyber threats are not new to the TMT sector. Its companies are often the target of cyberattacks because of their rich customer profiles, payment information and highly visible brands. However, the level of urgency and concern has clearly escalated during this COVID era, with the survey showing that the cyber threat issue moved up six notches to fourth position this year on the top risk list. TMT organizations are rightfully concerned that they may not be sufficiently prepared to manage cyber threats that have the potential to significantly disrupt core operations and/or damage their brand.

TABLE OF CONTENTS

Before the pandemic, some media companies were looking to invest more in cybersecurity, although not necessarily because they recognized themselves as a likely target. Some firms were more concerned about cybersecurity risk disclosures because they were preparing for an initial public offering or merger and acquisition deal, for example. And others were elevating their cybersecurity practices as part of their efforts to step up ESG reporting. Now, media companies, like their counterparts in tech and telecommunications, are seeing an increase in direct cyberattacks — as hackers assume, correctly, that many are overwhelmed responding to the pandemic, and their attention is divided.

Privacy and information security

Like cyber threats, the new labor model and staffing changes have increased security and data privacy risks for TMT companies. This risk is compounded by the fact that more people now are shopping online and streaming videos from personal devices, actions that require sharing more personal data online. In the survey, TMT leaders indicated that their third biggest risk issue is ensuring they have adequate resources to provide privacy/identity management and information security protection.

This concern aligns with priorities identified by TMT CFOs and finance leaders, who, in a separate survey last year, indicated that they are ramping up their budgets for data security and privacy. Not only are the TMT finance leaders concerned about the vast numbers of employees accessing corporate networks remotely, but also many (like those working for software and social media companies) are increasingly worried about compromised or rogue employees getting unauthorized access to valuable customer data.

Gloomy economic picture

Before the COVID-19 outbreak, TMT executives identified economic conditions as their top risk for 2020. In 2019, this concern was not among the top five risk issues. Today, on the heels of a depressed economy and record unemployment, the sector is again beginning a new year with significant uncertainties about the economy. In response to the survey, TMT executives indicated that economic conditions in markets they currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for their organizations.

Where we go from here

TMT companies are clearly leveraging hard-earned lessons from the worldwide pandemic to strengthen organizational agility and resilience. Although many are concerned about pandemic-driven government policies, they have proven they can not only adapt but thrive under many of these restrictions. For example, under stay-at-home orders, TMT companies have managed to broaden talent search criteria to include more geographically dispersed talent. Prudent companies will invest time and resources to build out their compliance functions to prepare themselves for an increase in regulations that will impact their business. Also, we expect forward-thinking TMT leaders to continue to be proactive with their investments in cyber resilience and data protection capabilities, driven by the demands and expectations of boards and executive management.

Finally, the fact that macroeconomic concerns are dominating operational and strategic risk issues reflects the lingering sense of unease about the pandemic. In these times of uncertainty, TMT companies should continue to increase their focus on harnessing emerging technology, data and analytics, automation to manage workflow challenges, as well as social responsibility to the greater community, and other matters germane to preserving enterprise value for the long term.

Looking ahead — long-term risk issues

As part of the survey, TMT board members and executives also were asked to project their top risks over the next decade. They identified the impact of digital technologies on skilling and talent, as well as loss of market share due to new and emerging competitors as their top two risk issues. While the fear of losing market share is not on the industry's 2021 top five risk, the concern over digital technologies is ranked second on this year's top risk issues.

To wrap up the top five risks over the next decade, the TMT respondents identified the following:

- Ensuring privacy or identity management and information security protection may require significant resources.
- Impact of disruptive innovations enabled by new and emerging technologies on their organizations' ability to compete or manage risks.
- Potential influx of substitute products and services that could affect the viability of their current business model and strategic plans.

For TMT players, the message is innovate or die, disrupt or be disrupted.

> "Many TMT companies innovated and adapted their operations more in the last three quarters of 2020 than they have in years. The industry has also been at the heart of change across all industries as a catalyst and a disrupter. Our survey results provide insights as to what leaders in this dynamic industry group are thinking as they face a future filled with opportunity and yet is beset with challenges, particularly on the data privacy front. Perhaps the biggest issue, both directly and indirectly, deals with the future of work and the need to deal with upskilling and reskilling the workforce. This issue is not only within the TMT industry itself but across all industries experiencing significant job displacement impacted by digital transformation."
>
> Gordon Tucker, Managing Director, Technology, Media and Telecommunications Industry Leader, Protiviti

Healthcare – 2021

FIGURE 24A

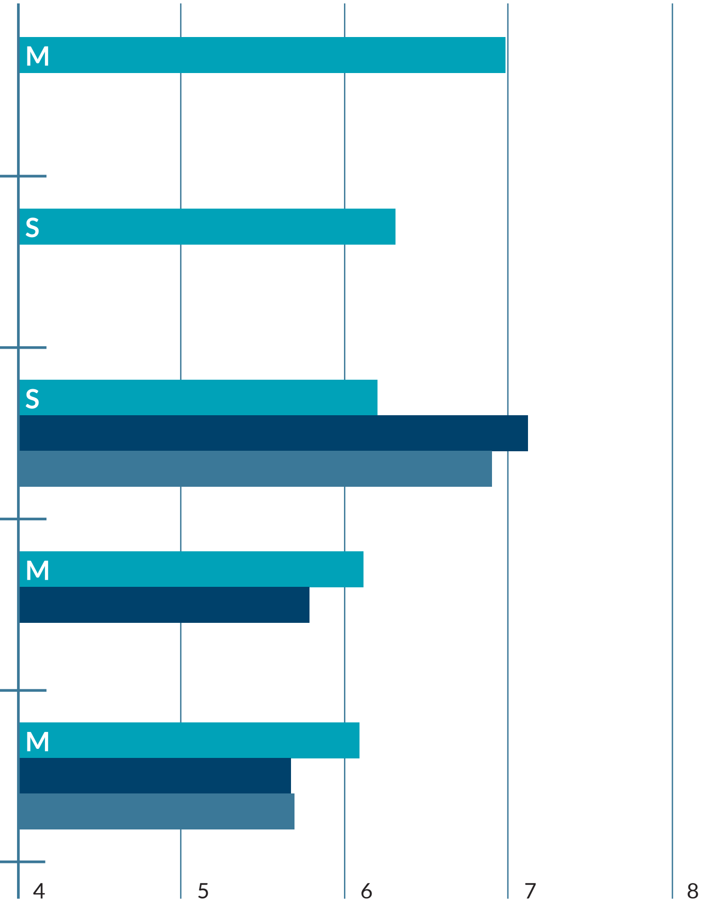
Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business

Market conditions imposed by and in response to COVID-19, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services

Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered

The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees

Economic conditions in markets we currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for our organization



Legend

M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue 2021 2020 2019

TABLE OF CONTENTS

Healthcare – 2030

FIGURE 24B

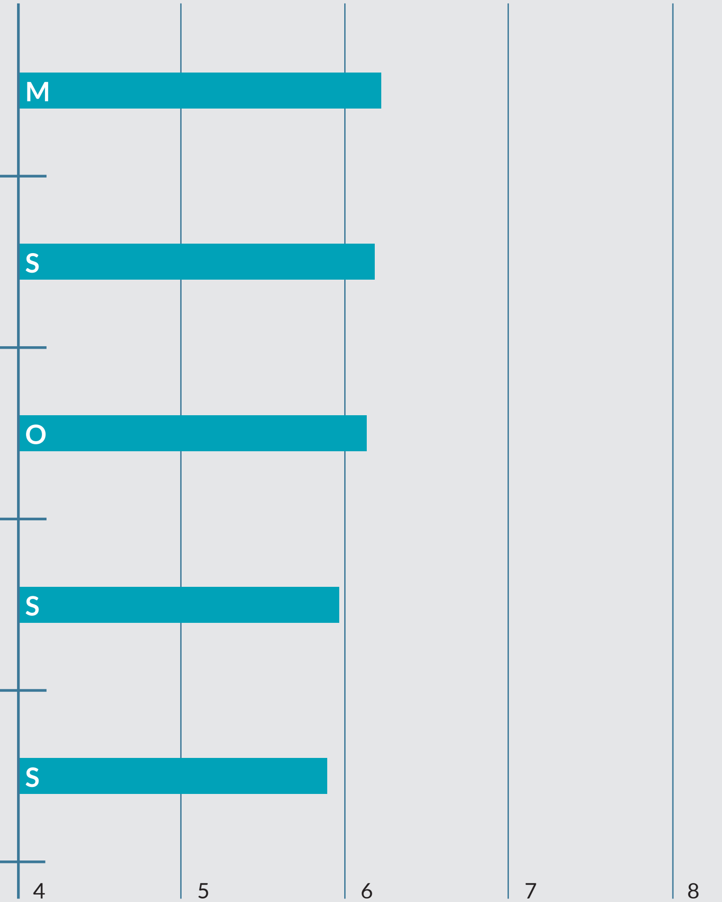
The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees

Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered

Ensuring privacy/identity management and information security/system protection may require significant resources for us

Rapid speed of disruptive innovations enabled by new and emerging technologies (e.g., artificial intelligence, robotics, machine learning, hyper-scalable platforms, increasing bandwidth, faster data transmission) and/or other market forces may outpace our organization's ability to compete and/or manage the risk appropriately, without making significant changes to our business model

Ease of entrance of new competitors into the industry and marketplace or other significant changes in the competitive environment (such as major market concentrations due to M&A activity) may threaten our market share



Legend

M Macroeconomic Risk Issue   S Strategic Risk Issue   O Operational Risk Issue   2030

Nearly all of the top risk issues among healthcare organizations are new to the top five list in 2021. While that list was dominated by operational risks last year, no operational risks are among this year's top five. Two pandemic-related risks (both new) top our industry's list this year. "Impact of regulatory change and scrutiny" is the only risk issue that remains in the top five since last year, although it dropped from the top risk in 2020 to the third risk in 2021. However, "Adoption of digital technologies may require new skills" and "Economic conditions impacting growth" are both perceived to be riskier in 2021 compared to 2020, jumping onto the shortlist from numbers 13 and 15, respectively. Following is commentary on the top five risks rated by board members and C-suite executives in the healthcare industry.

Healthcare organizations are facing unprecedented challenges because of the COVID-19 pandemic. With this in mind, it is easy to see why the top risk issue for this industry concerns pandemic-related government policies and regulation and their potential impact on business performance. In order to align organizational emergency management practices with public health emergency guidelines, most healthcare providers have had to create or revise policies for visitors, staff attestation, social distancing and so on; develop risk mitigation processes to address shortages in personal protective equipment (PPE); and bifurcate clinical areas to accommodate both COVID-positive and COVID-negative patients, to name a few.

Going forward, organizations should also incorporate COVID-19 infectious disease protocols into their existing emergency preparedness plans to accommodate simultaneous events in an all-hazards approach. Each organization will need to ensure that its business continuity plans (including department-specific plans) include a focus on public health safety and be prepared to provide adequate staffing to account for staff shortages, the increase in documentation related to the pandemic, new OSHA requirements, and the significant reporting requirements for COVID testing and vaccine distribution.

The second top risk issue concerns COVID-19 market conditions and shifts in consumer behavior. It is evident that COVID-19 has caused dramatic changes to the healthcare delivery system. Many patients are either unable or unwilling to have elective procedures and treatments. This traditional approach, which has been the most important driver of financial health, is leaving organizations with the need to re-envision the delivery of care. The exponential surge in the demand for telehealth and virtual services has resulted in not only rapid adoption but also high consumer satisfaction with virtual services and improved health outcomes with remote patient monitoring.

This increase in access to virtual disease management and mental health services is a positive change in care delivery for consumers, and this trend will have staying power beyond the pandemic. The future will rely on both bringing patients back for in-person services and providing a comprehensive virtual program. Consumer confidence in returning to in-person care can be improved with consumer outreach and education to reassure people that it is safe to receive care. Communicating which virtual services the organization provides and reinforcing the ease of use can inspire loyalty and improve convenience.

As the third risk issue shows, regulatory risk remains top of mind. Over the nine years we have conducted this survey, this risk has consistently been rated as one of the top five. Regulatory uncertainty continues to represent a major source of angst due to the administrative and financial costs of compliance as well as the difficulty of keeping up with the ever-changing regulatory and enforcement environment, especially while contending with COVID-19. The overarching issue relates to perceived concerns about how all types of regulatory requirements and oversight seem to be expanding in multiple areas that may lead to even greater disruptions in business models and constrict companies' ability to innovate in certain areas.

In the United States, the Biden administration will bring about further policy and regulatory changes impacting organizations across the healthcare industry, with a focus on the Affordable Care Act, value-based care, health disparities according to race, surprise billing, drug price transparency, expanding Medicare and Medicaid, and combatting COVID-19. In addition to these initiatives, recent regulatory changes such as the Stark Law, the Anti-Kickback Statute, the Cures Act Final Rule from the Office of the National Coordinator for Health Information Technology (ONC) of the Department of Health and Human Services (HHS), and newly proposed HIPAA Privacy Rules will likely generate increased enforcement trends throughout 2021.

The changing regulatory climate adds ambiguity to an already disruptive business environment that has been heavily impacted by the COVID-19 pandemic. Ultimately, maintaining effective compliance programs will continue to be paramount for organizations to appropriately identify, manage and mitigate compliance risks.

Another top risk for the healthcare industry is digital adoption, which in turn generates skills and talent needs. In 2021, the healthcare industry will continue to move into data-driven care in order to predict, manage and enhance health outcomes. These trends will increase the need to use skilled resources that can assess business and clinical processes and strategies and apply digital technologies to upset the status quo with the aim of enabling significant efficiency and effectiveness within healthcare.

These areas will likely include a focus on multiple areas, including population health, predicting health outcomes, optimizing revenue recognition, creating trending analytics on physicians and departments that provide the best care value, and proactively identifying departments that will need additional resources, as well as the overall increased use of automation. To enable these advances, recruiting, developing and retaining resources with new skills will be crucial for success. Individuals equipped to help enable these digital technologies are already becoming scarce, and the competition for their services is increasing across industries.

Furthermore, training up existing employees on some of these advanced technologies, such as AI, is not an easy or short task. Even when the right base skill sets are in place, the ability to know how to use the technology in a way that not only delivers the expected outcomes but also aligns with a baseline for appropriate controls is not something that develops without some trial and error, lessons learned, and so on. Healthcare organizations will have to find new ways to attract the right talent to help make significant improvements and headway using these new digital technologies.

Economic uncertainty has had an impact on every industry, and it is a top risk issue for healthcare organizations. The pandemic has had significant impacts on many in-person service businesses that typically employ large numbers of young to middle-aged people. These impacts include layoffs, unpaid furloughs, and business closures and bankruptcies. Increases in unemployment are typically accompanied by the reduction of commercially insured patients and an increase in Medicaid and uninsured patients. These developments have financial consequences for the industry.

Many healthcare organizations are already financially stressed by lower patient counts in profitable service areas and increased costs due to staffing shortages (requiring use of expensive temporary patient-care labor), new expenses for PPE, and reconfiguration of existing treatment space. The financial impact has been compounded by the relatively low payments for COVID-related care, which, in many cases, includes extended lengths of stay and the use of intensive care unit (ICU) resources.

In 2020, the federal government provided significant funding through the Coronavirus Aid, Relief and Economic Security (CARES) Act and other support. However, there is a high degree of concern that 2021 may see a marked decline in those grants and other financial support. Also, required stimulus reporting in the first quarter of 2022 and future HHS Office of Inspector General and other government audits investigating abuse of the Provider Relief Fund are expected.

Furthermore, many healthcare organizations may find themselves in a position of needing to simultaneously fund purchases of new technology, replenish critical supply inventories, deal with continued labor shortages, and pivot to deliver remote and virtual care, all while experiencing the operating margin pressures highlighted above.

This operating environment could be compounded by continued delays in patients seeking elective medical procedures due to pandemic concerns or uncertainty of employment and/or insurance coverage. Although many healthcare organizations have recently improved liquidity with debt issuances, concerns have been raised regarding the ability of some to access sufficient additional debt if a prolonged or severe recession develops in 2021.

In addition to the 2021 top five risk issues impacting healthcare organizations, cyber threats are still front and center for the healthcare industry, which saw numerous ransomware attacks throughout 2020. In October, the FBI and the HHS warned of "increased and imminent" cyber threats to hospitals, as attackers continued to increase their focus specifically on healthcare organizations.

While cyber attacks are still a very real threat to healthcare organizations, the other risks the industry is facing as a result of COVID-19 and the coming regulatory changes in the United States due to the recent shift of power inside the Beltway have overshadowed them in this year's survey. However, the more mergers, acquisitions, partnerships, joint ventures, data-sharing platforms and so on that an organization undertakes, the harder management of its cyber threats and vulnerabilities will become. Unfortunately, bad actors know how stretched and strained healthcare resources are right now, and they will continue to target the industry accordingly.

Overview of Top Risk Issues in 2030

As healthcare executives gaze forward and consider what the top risks in 2030 will look like, new pandemic-related risks fall by the wayside, strategic risks become even more important, and having resources with the proper digital technology skills becomes top of mind. Always present for healthcare organizations is the uncertainty of regulatory changes and ensuring privacy and security of healthcare's most valuable asset, public health information. Rounding out the top five healthcare risks for 2030 are new disruptive innovations and new competitors into the industry. As is becoming more and more common, the unknown of the future is of greatest concern to most executives.

> "The healthcare industry has been forever transformed by its fight against the largest pandemic in over a century. The changes the industry has undergone at such a breathless pace have permanently altered the provision of care as we know it. Telehealth, remote patient monitoring and access to virtual services (chronic disease management, mental health maintenance, etc.) are here to stay. The future success of healthcare providers hinges both on bringing patients back for in-person services and on providing a comprehensive, coordinated virtual program that inspires loyalty and improves convenience. Looking forward, industry leaders are steeling themselves for the next set of expected challenges — a growing need for employees with skill sets new to the industry, dramatic shifts both in applicable regulations and in the enforcement thereof, disruptive technological innovations, evolving data privacy threats, and new competition from nontraditional models."
>
> Richard Williams, Managing Director, Healthcare Industry Leader, Protiviti

Energy and Utilities – 2021

FIGURE 25A

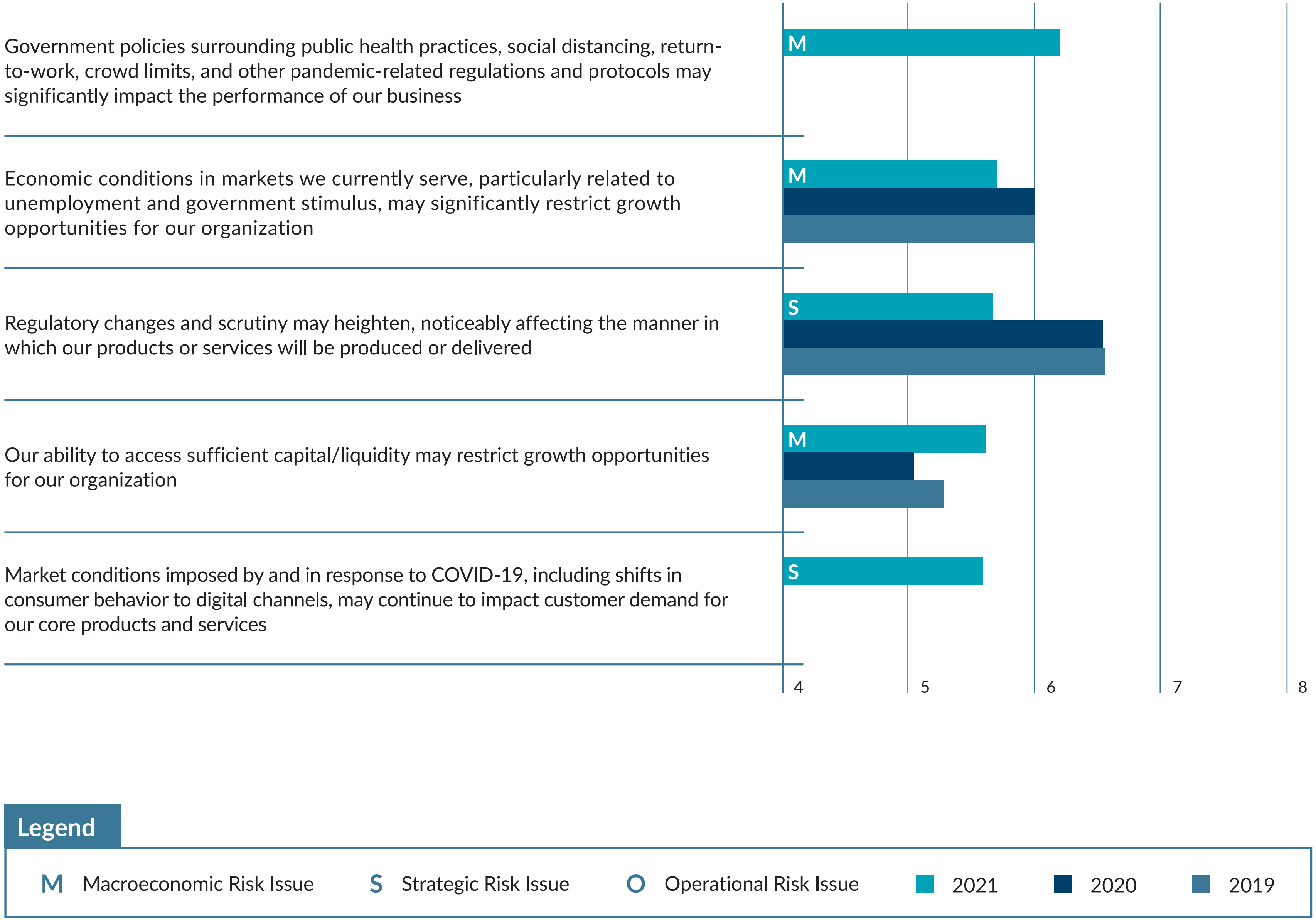
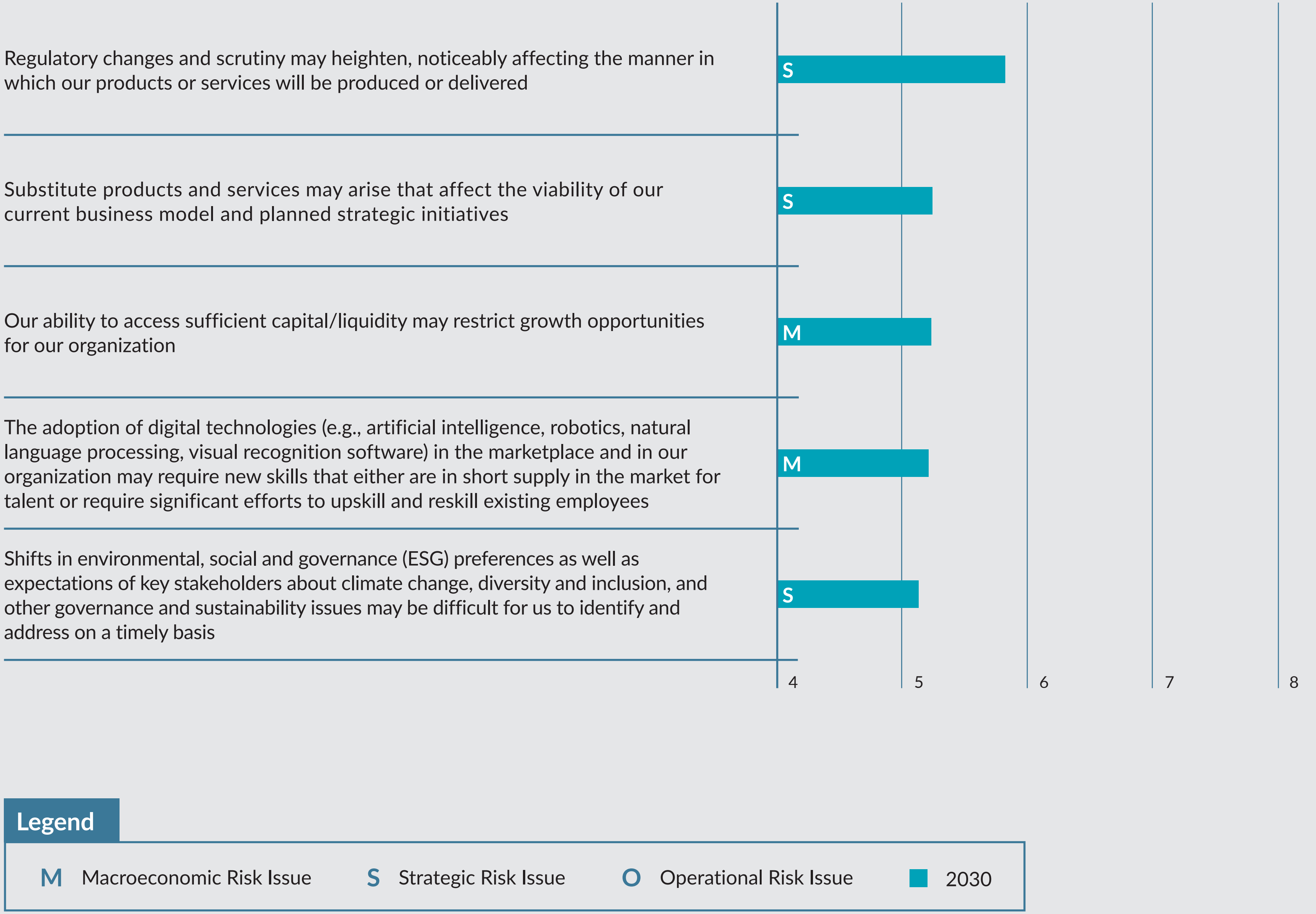


TABLE OF CONTENTS

Energy and Utilities – 2030

FIGURE 25B



The COVID-19 pandemic has had a dramatic impact on businesses in the Energy and Utilities industry group, and it appears these organizations are more worried than ever about future growth. That concern is underscored by the fact that all top five risks for 2021 for the industry group are either macroeconomic or strategic. By comparison, four of the five top risks in our 2020 study were operational.

Respondents see navigating pandemic-related policies, regulations and protocols and the potential impact of those requirements on business performance as the top risk for their organizations in 2021. Concerns about economic conditions in markets currently served, and how they might impact growth opportunities, ranked second. Note that this risk was not among the top five risks for the industry group last year.

While concern about economic conditions rose up the ranks in importance from last year, the impact score shifted down from "Significant Impact" to "Potential Impact." That could be a reflection of ongoing uncertainty due to the pandemic and its impact on the rate of unemployment, whether future government stimulus packages are likely to be proposed and passed, and how quickly and effectively vaccines can be produced, distributed and administered.

However, even when the pandemic eases and economic conditions improve, there will be no "return to normal" for the oil and gas industry. Oil executives saw unprecedented destruction of demand in 2020 amid the sweeping lockdowns and travel restrictions, which rattled the industry's confidence and led to oil futures dipping into negative territory for the first time in history. Long-term uncertainty on travel and work from home leads to an unpredictable future that is certainly impacting the overall results of this survey.

Power and utilities organizations, meanwhile, saw energy consumption by businesses — their largest consumers — decline significantly due to pandemic-related shutdowns. However, they also watched household energy use surge as the pandemic forced millions of people to stay at home. There is a downside to this silver lining: Many people remain out of work or underemployed due to the pandemic. While power and utilities companies have offered financial assistance programs to consumers, many residential customers may struggle to pay their bills on time in the months ahead.

Power and utilities businesses must prepare for this reality, as well as the need to handle a backlog of payments from customers when outstanding balances are resolved. Companies that have not prioritized modernizing their finance function and other back-office operations before the pandemic may face difficulty with the continued changes in consumer priorities or expectations. This could undermine profitability and growth for organizations that are also looking at long-term strategic shifts in their business due to renewables.

The regulatory environment remains a top concern. That is understandable given how highly regulated the industry is and will continue to be with the new Biden administration's focus on climate change and with consumers and investors

> "In most industries, there is room for the future-ready organizations and the laggards. Not so for energy and utilities, as the future is on the doorstep. In our survey, this is the only industry group reporting shifts in ESG preferences and expectations of key stakeholders about climate change and other sustainability issues as a risk for the next decade. As important as financial reporting is, the ESG scorecard may prove more important to this industry group long term. Underscoring this importance, Energy and Utilities is the only industry group ranking access to sufficient capital/liquidity as a top five risk and it did so not only for 2030 but also for 2021."
>
> Tyler Chase, Managing Director, Energy and Utilities Industry Leader, Protiviti

increasingly focused on ESG criteria. Mandates related to data privacy, cybersecurity and other emerging areas are also top of mind for many of these companies. This year, the risk dropped to third as opposed to first in 2020; however, respondents cite this risk as the top concern for their organizations over the next decade. This is likely due to the continued focus on climate change and the role that the Energy and Utilities industry group's activities can play in helping countries reach climate-related goals, such as reducing greenhouse gas emissions and other activities that will continue to evolve the regulatory frameworks under which organizations must operate.

The fifth-ranked risk for 2021 — shifts in consumer behavior may continue to impact demand for core products and services — has a correlation to the fifth risk in 2020 that pertains to innovation, digital readiness and "born digital" competition. Energy and utilities organizations have been dealing with these shifts for some time and are expecting to face an increased pace of change as a result of the pandemic, technology advancements and changes in political leadership. As an example, we have seen major oil and gas companies' innovation in the field to capture renewable energy and investments in low-carbon renewable energy to diversify their offerings.

Many power and utilities companies have been focused on shifting away from fossil fuel-based energy production, and that shift is expected to intensify in 2021. On top of the heavy investments in renewables, these organizations are investing in smart grids, smart metering and other technologies to help balance overall consumption and achieve higher levels of sustainability. The potential long-term shift of the real estate footprint due to the pandemic and consumers' widening embrace of green energy is also prompting power and utilities companies to develop alternative distributed power systems, leveraging the advancements in solar and battery technology, to support businesses and communities.

The market is rewarding those energy and utilities organizations focused on these changes. Also, these investments are necessary amid the growing number of new entrants that are innovating in renewable technology and power systems and disrupting traditional business operations and consumer demand.

Businesses that don't respond to these expectations from investors, and the public at large, risk being unable to tap into the capital pipeline they need to grow. Respondents to our 2021 survey ranked the inability to access sufficient capital and liquidity among the top five risks for the industry this year and for the next decade as well. Note that in our 2020 survey, this risk was a concern for few businesses in the Energy and Utilities industry group: It held the 19th spot. Now it is top of mind.

Overview of Top Risk Issues in 2030

Looking ahead, businesses in this group are also wondering *how* the adoption of digital technologies by their organizations in the coming years will impact their workforce. More specifically, they are concerned about their ability to recruit new talent or upskill or reskill their existing employees to work with advanced technologies such as AI, automation in all of its forms and natural language processing.

These are the types of technologies that energy and utilities companies will need in order to meet the challenge of the second-ranked risk on our forward-looking list: Substitute products and services may arise that affect the viability of our current business model and planned strategic initiatives. Of course, top of mind in the energy space for substitutes is the topic of renewables as technological advancements continue to drive costs down. The message is that without the right technology — and workers with the right skills — industry players may struggle to adapt and stay relevant.

The adoption of digital technologies risk ranks fourth among top risks for the next decade; however, it does not appear on the 2021 list. No doubt this is due to workforce contraction related to COVID-19 disruption. For the moment, hiring is not a priority for many energy and utilities companies, particularly oil and gas businesses. However, these organizations may want to consider using this pre-recovery time to invest in building a workforce that will help them compete effectively in the future. As we've seen throughout the pandemic, companies further along with digital transformation efforts and supported by a digitally savvy workforce have generally been resilient throughout the crisis — and it's likely they will have an edge going into and emerging from the recovery as well.

Analysis of Differences Across Geographic Regions

We obtained responses from a sufficient number of organizations across the globe to split the sample into eight distinct regions. We analyze responses across these eight groups to determine whether respondents across different geographic locations rank-order risks differently.

Similar to our analysis summarized earlier in this report, we analyze responses about overall impressions of the magnitude and severity of risks across the three categories. Again, the scores reflected in Figure 26 reflect responses to the question about the overall impression of the magnitude and severity of risks using a 10-point scale where 1 = "Extremely Low" and 10 = "Extremely High."

GEOGRAPHIC REGION	NUMBER OF RESPONDENTS
North America	424
Europe	207
Australia/New Zealand	82
Asia	105
Latin America	108
Middle East	78
India	62
Africa	15
Total number of respondents	**1,081**

TABLE OF CONTENTS

FIGURE 26

Overall, what is your impression of the magnitude and severity of risks your organization will be facing with respect to achieving its objectives and reaching or exceeding profitability (or funding) targets over the next 12 months?

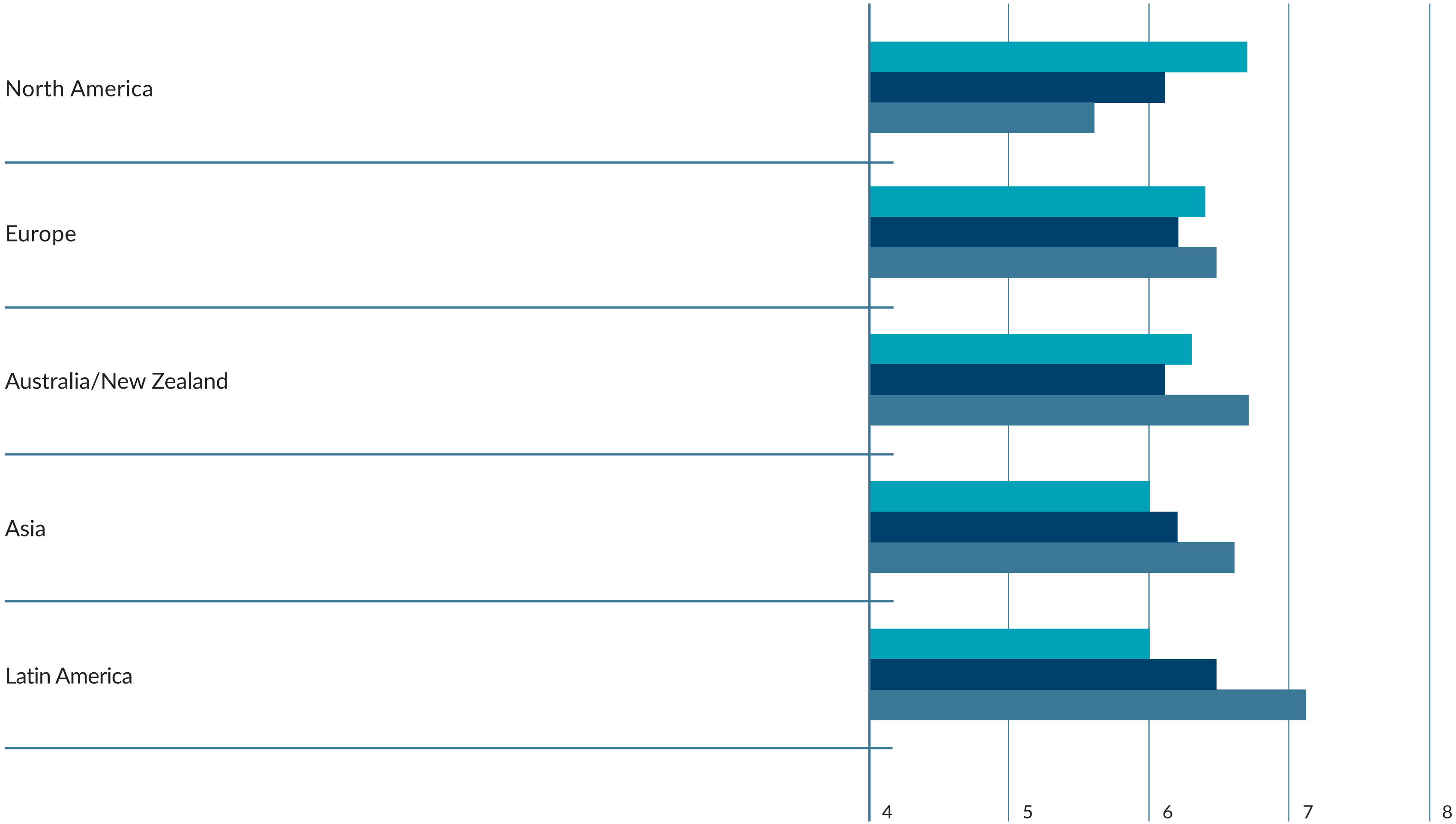
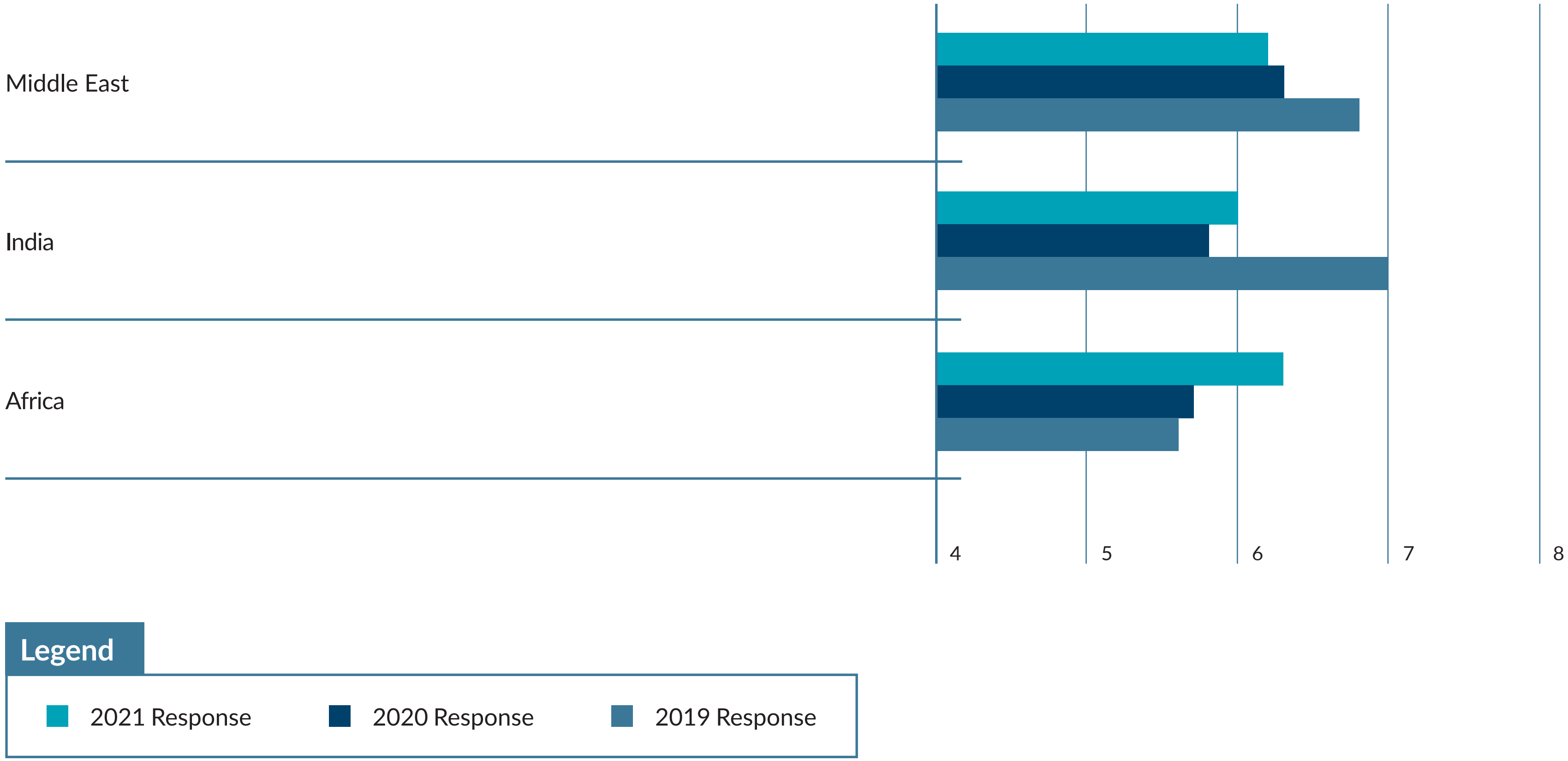


FIGURE 26 (CONTINUED)



Globally, organizations from all eight geographic regions agree that the overall magnitude and severity of risks are of a "Significant Impact" level in 2021. North American organizations rate the magnitude and severity most highly and, along with Africa-based organizations, exhibit the largest increase from 2020 to 2021.

2021 Risk Issues

While respondents in North America indicate higher levels of overall risk concerns for 2021 relative to other regions of the world, they actually rate much fewer of the 36 specific risks as "Significant Impact" risks. Figures 27-34 highlight the top five risks from each of the eight geographic regions we examine and include the risk scores for 2021 and, separately, for 2030, as well as, where available, scores for those risks reported in our 2020 and 2019 reports.

There are noticeable differences in views about risks around the globe, which is especially important for organizations that operate at a multinational level to consider. Based on a review of the top five risk concerns, respondents in North America and Europe rate only one of their top five risks as a "Significant Impact" risk, while respondents in Australia/New Zealand, Asia, Latin America, India and Africa rate all of their top five risks at the "Significant Impact" level (respondents in the Middle East rate four of their top five risks at that level). Respondents in Africa rate each of their top five risks higher than 6.5, indicating elevated levels of concern relative to other regions, with only Australia/New Zealand having two risks rated 6.5 or higher.

As expected, risks related to COVID-19 are a concern globally, with every region ranking the risk related to government policies surrounding public health practices or market conditions imposed by and in response to COVID-19 as their top risk. The Australia/New Zealand and Asia regions are most cognizant of the COVID-19 risk, ranking four and three, respectively, of the pandemic-related risks in their top five risks, all with rankings at the "Significant Impact" level.

Across the eight regions, the variation in top five results is striking. Only three other risks are common to at least four of the eight regions. The macroeconomic risks related to economic conditions in markets and the adoption of digital technologies and the operational risk related to resistance to change are ranked in the top five by at least four of the eight regions. With the exception of Australia/New Zealand, strategic risks are not seen as elevated for 2021.

2030 Risk Issues

Looking further out into 2030, strategic risks become more heightened for all regions, with the exception of Latin America. The concern over increased regulation and its impact on operational resilience, products and services is a top five risk for four of the eight regions. Three regions rate concerns over the rapid speed of disruptive innovation, sustaining customer loyalty and the ease of entrance of new competitors among their top five risks.

> "We are pleased with the broad geographic representation in this year's risk survey. Respondents from every region ranked the risk pertaining to government public health mandates in response to the COVID-19 pandemic as a top five risk. As for the other four risks in the top five list for 2021, there are marked differences across the eight regions. Regarding the long-term view to 2030, the top five risks reported by all eight regions reflected a more strategic perspective with variations in the risks reported by region. But a close examination of the 2030 top risks for each region suggests a common view that the world will never be the same."
>
> Gary Anderson, Managing Director, Asia-Pacific Regional Leader, Protiviti

North America HQ Organizations – 2021

FIGURE 27A

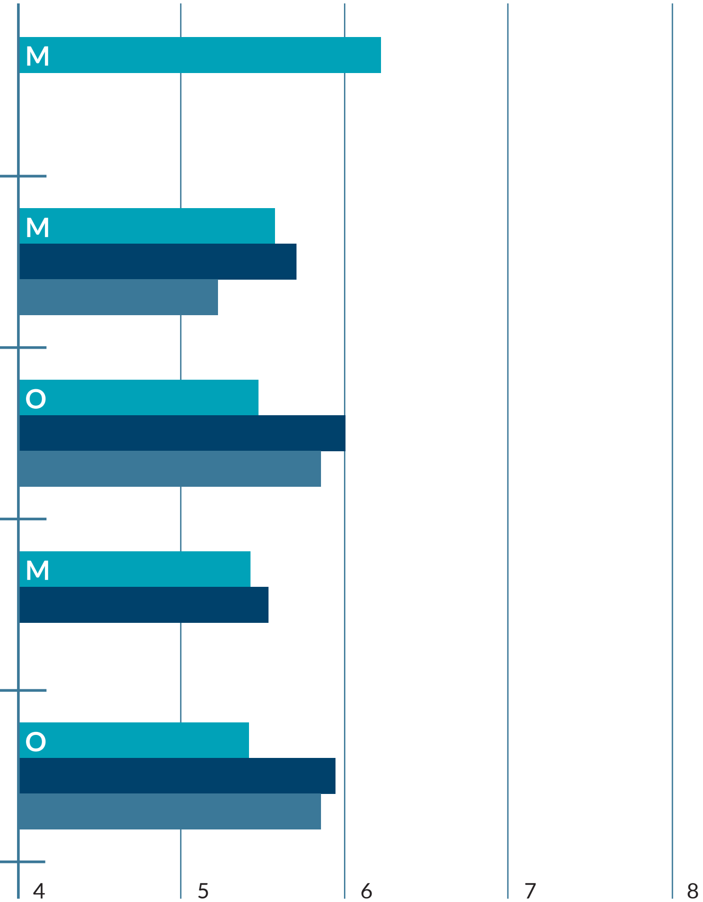
Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business

Economic conditions in markets we currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for our organization

Ensuring privacy/identity management and information security/system protection may require significant resources for us

The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees

Our organization may not be sufficiently prepared to manage cyber threats that have the potential to significantly disrupt core operations and/or damage our brand



Legend

M Macroeconomic Risk Issue   S Strategic Risk Issue   O Operational Risk Issue   2021   2020   2019

TABLE OF CONTENTS

North America HQ Organizations – 2030

FIGURE 27B

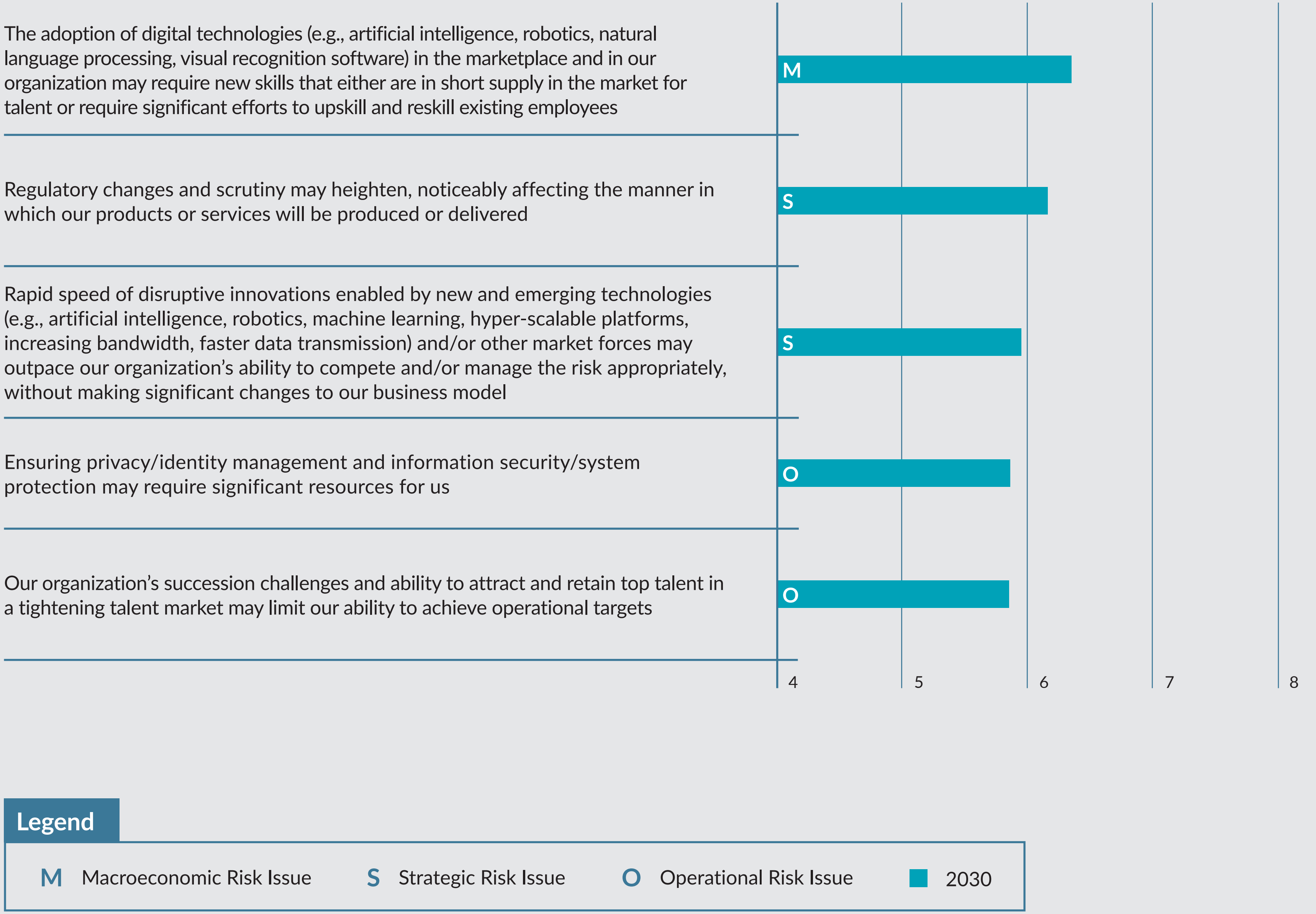


TABLE OF CONTENTS

Europe HQ Organizations – 2021

FIGURE 28A

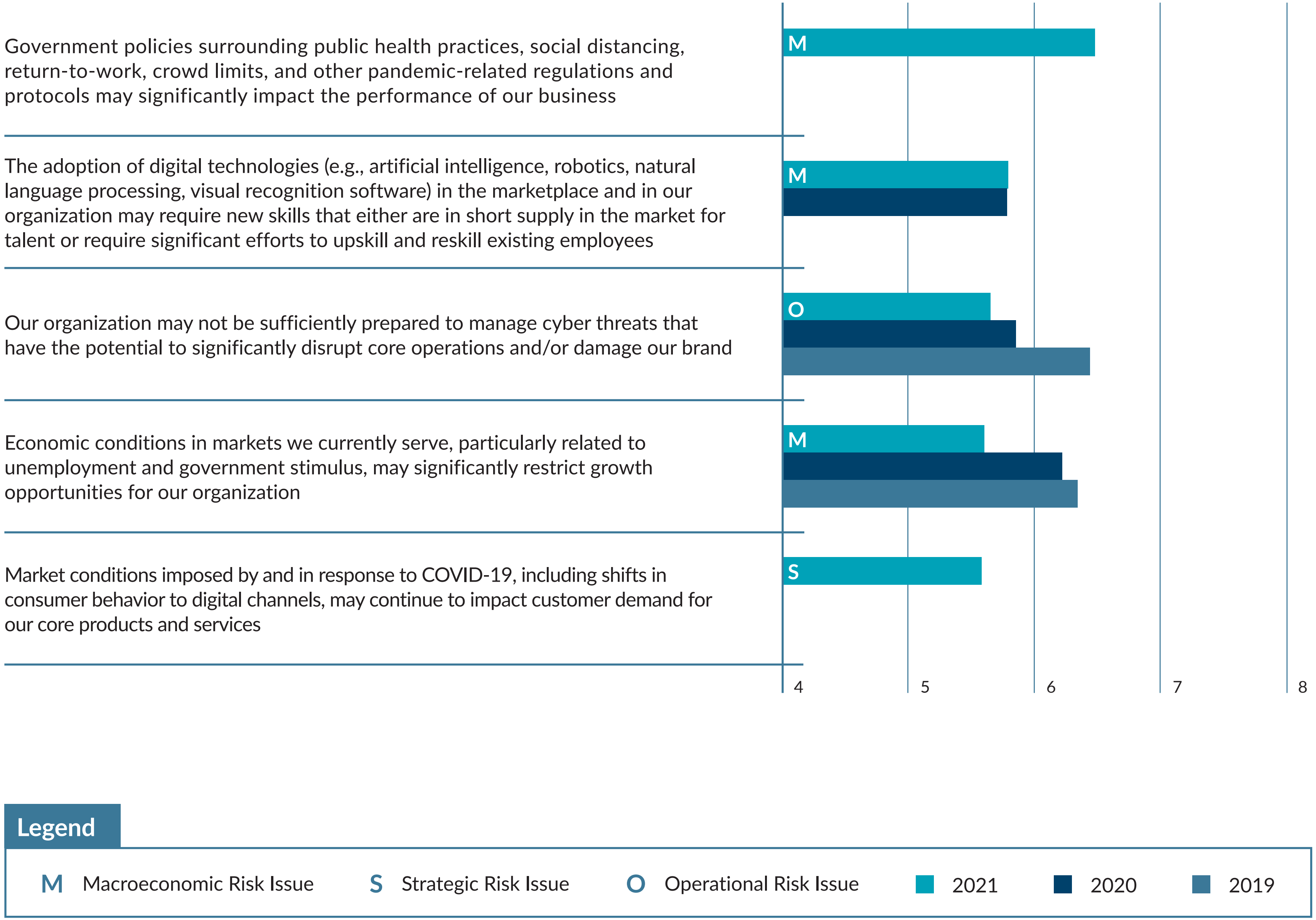


TABLE OF CONTENTS

Europe HQ Organizations – 2030

FIGURE 28B

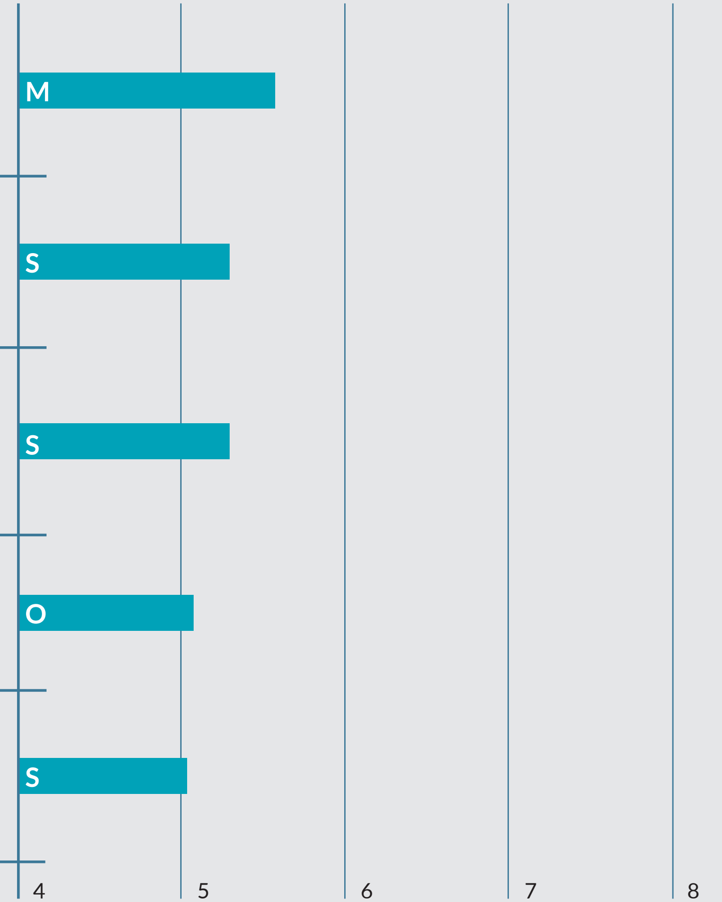
The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees

Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered

Rapid speed of disruptive innovations enabled by new and emerging technologies (e.g., artificial intelligence, robotics, machine learning, hyper-scalable platforms, increasing bandwidth, faster data transmission) and/or other market forces may outpace our organization's ability to compete and/or manage the risk appropriately, without making significant changes to our business model

Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency may significantly affect our management of core operations and strategic plans

Ease of entrance of new competitors into the industry and marketplace or other significant changes in the competitive environment (such as major market concentrations due to M&A activity) may threaten our market share



Legend

M Macroeconomic Risk Issue   S Strategic Risk Issue   O Operational Risk Issue   ■ 2030

TABLE OF CONTENTS

Australia/New Zealand HQ Organizations – 2021

FIGURE 29A

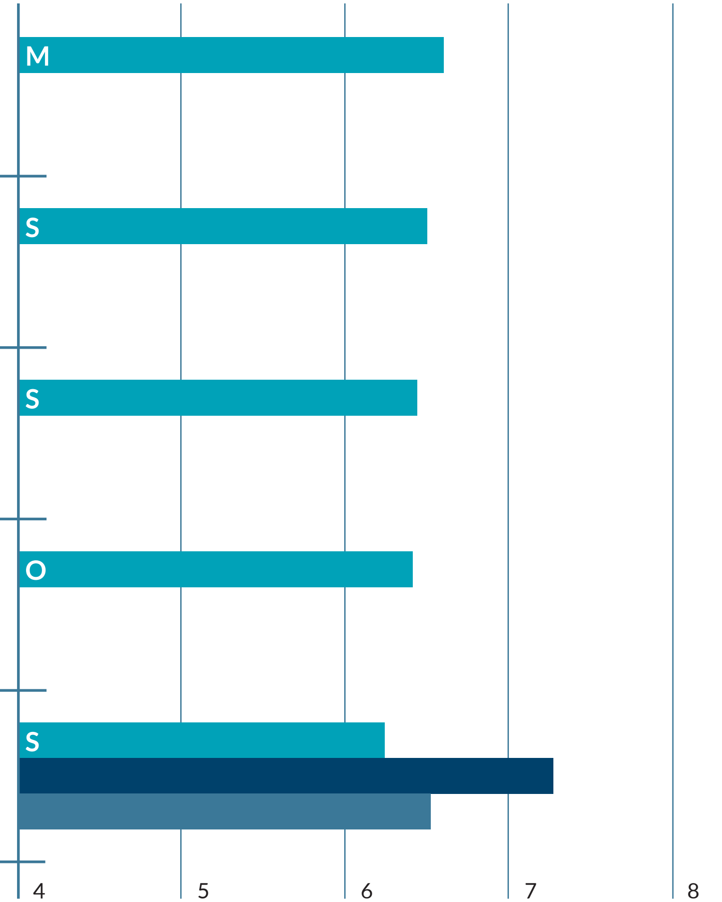
Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business

Our organization may not be able to adapt its business model to embrace the evolving “new normal” imposed on our business by the current pandemic and emerging social change

Market conditions imposed by and in response to COVID-19, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services

Ongoing demands on or expectations for a significant portion of our workforce to “work remotely” or increased expectations for a transformed, enhanced collaborative physical work environment may negatively impact the effectiveness and efficiency of how we operate our business

Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered



Legend

M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue ■ 2021 ■ 2020 ■ 2019

TABLE OF CONTENTS

Australia/New Zealand HQ Organizations – 2030

FIGURE 29B

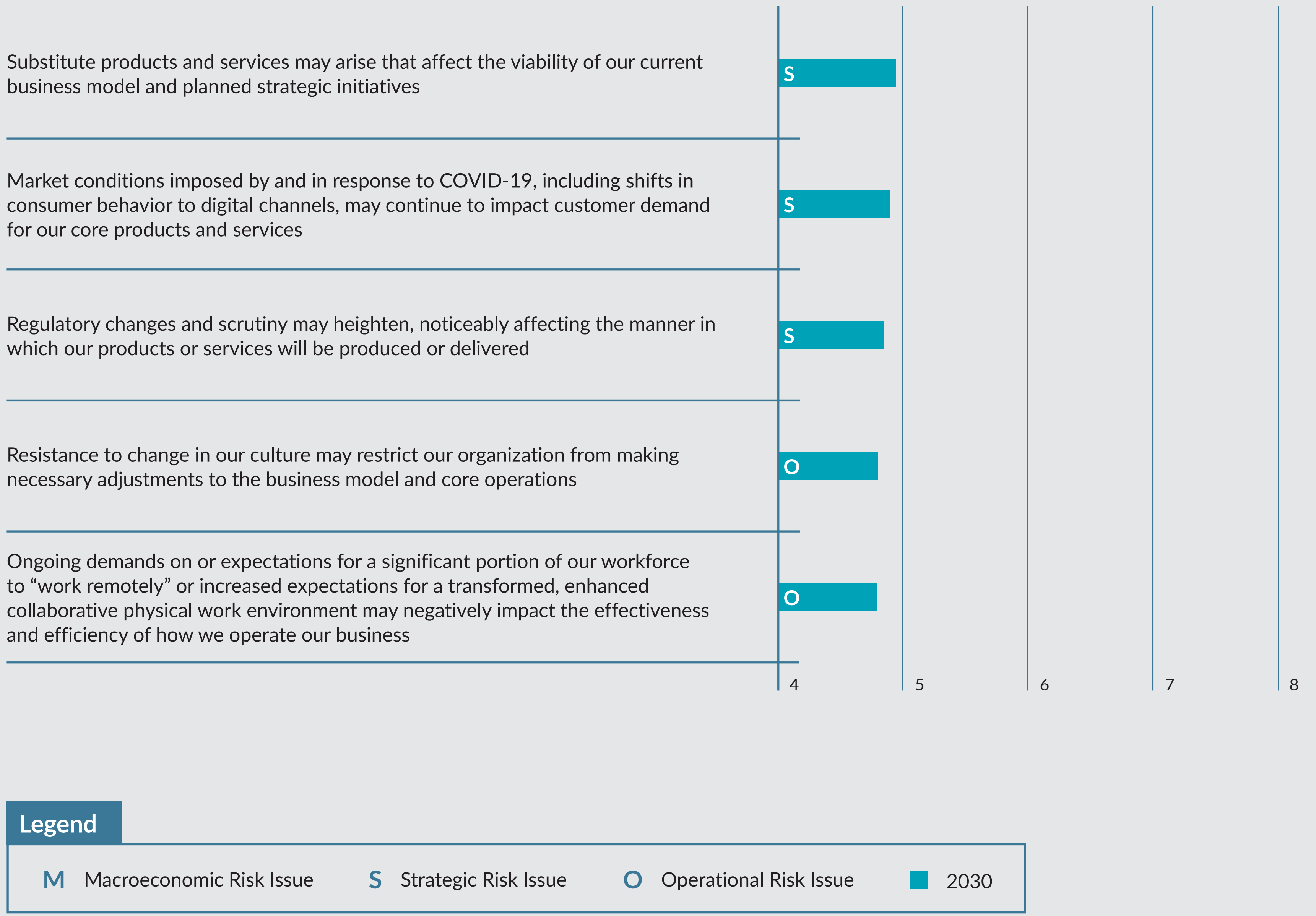


TABLE OF CONTENTS

Asia HQ Organizations – 2021

FIGURE 30A

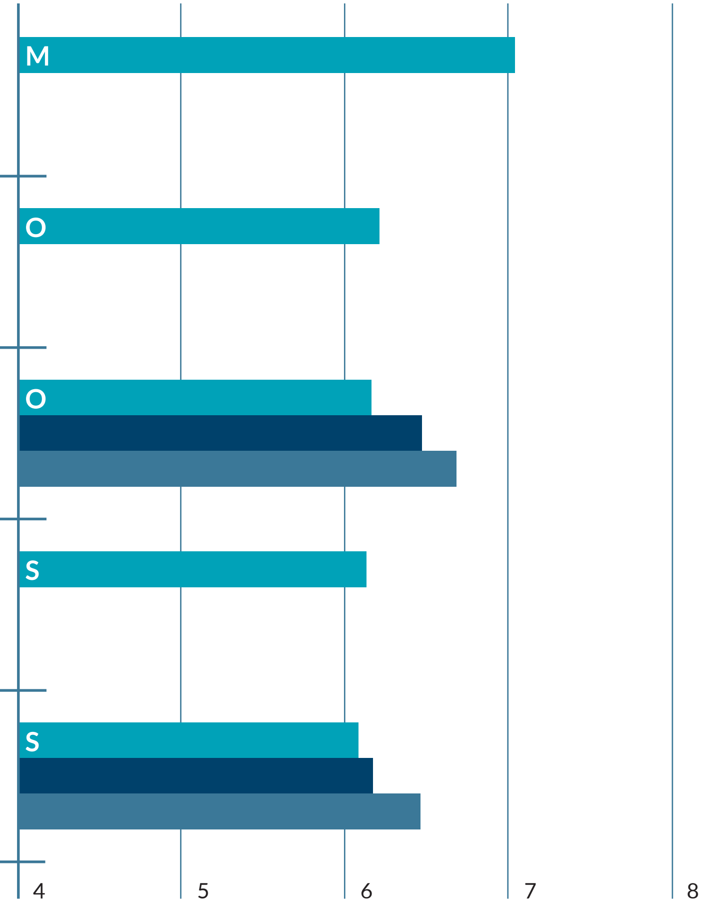
Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business

Ongoing demands on or expectations for a significant portion of our workforce to “work remotely” or increased expectations for a transformed, enhanced collaborative physical work environment may negatively impact the effectiveness and efficiency of how we operate our business

Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations

Market conditions imposed by and in response to COVID-19, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services

Our organization may not be sufficiently prepared to manage an unexpected crisis significantly impacting our reputation



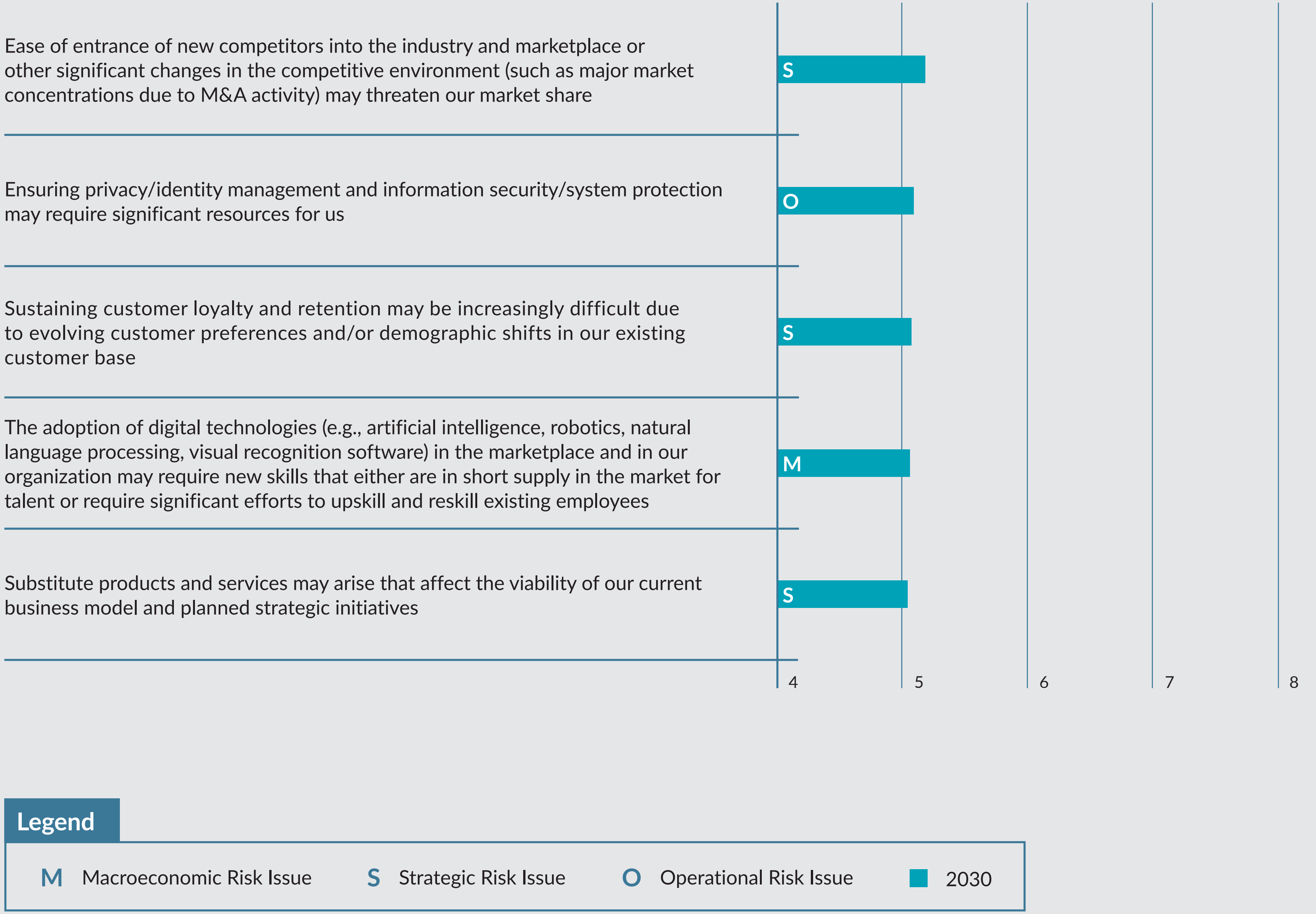
Legend

M Macroeconomic Risk Issue   S Strategic Risk Issue   O Operational Risk Issue   2021   2020   2019

TABLE OF CONTENTS

Asia HQ Organizations – 2030

FIGURE 30B



Latin America HQ Organizations – 2021

FIGURE 31A

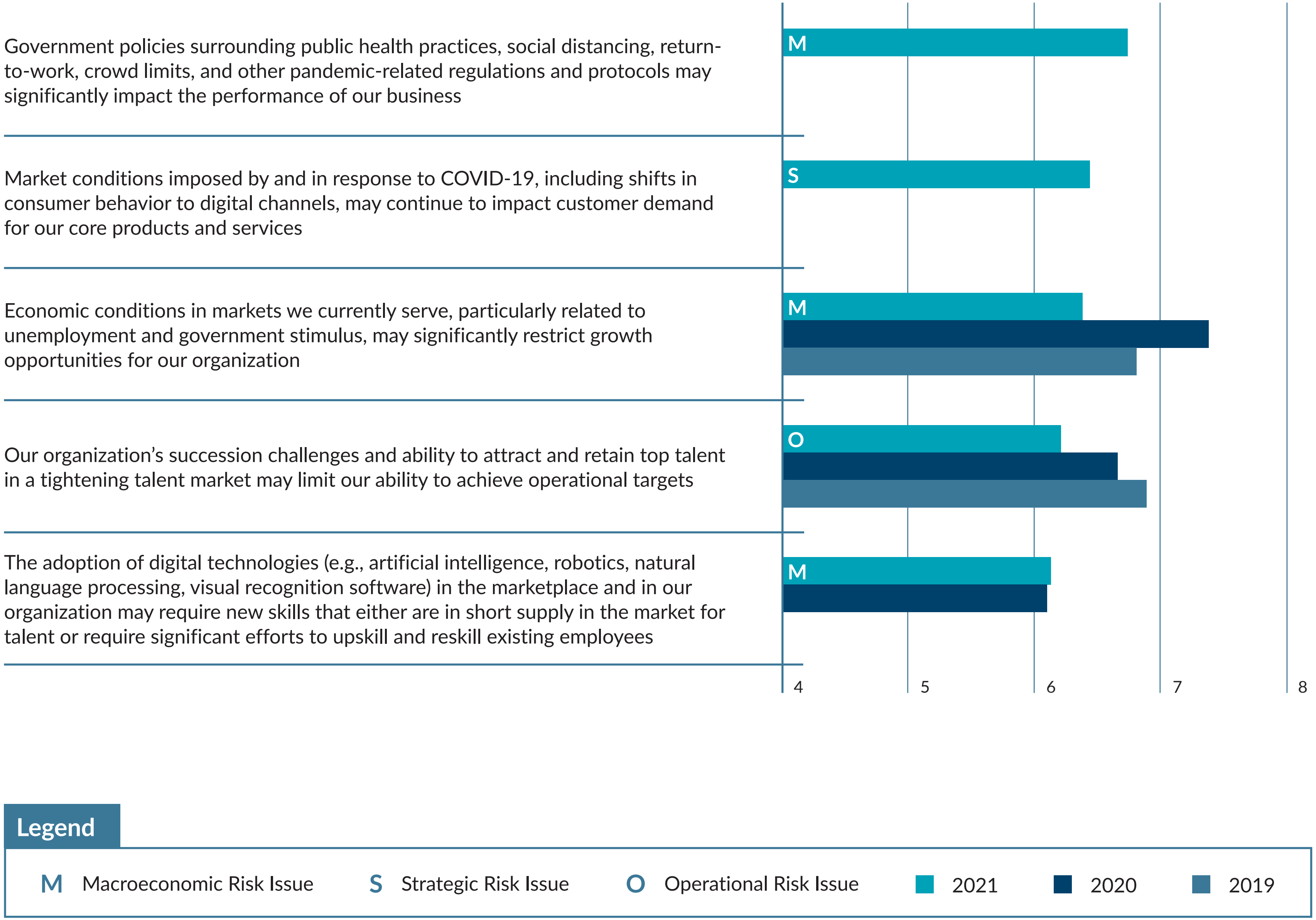


TABLE OF CONTENTS

Latin America HQ Organizations – 2030

FIGURE 31B

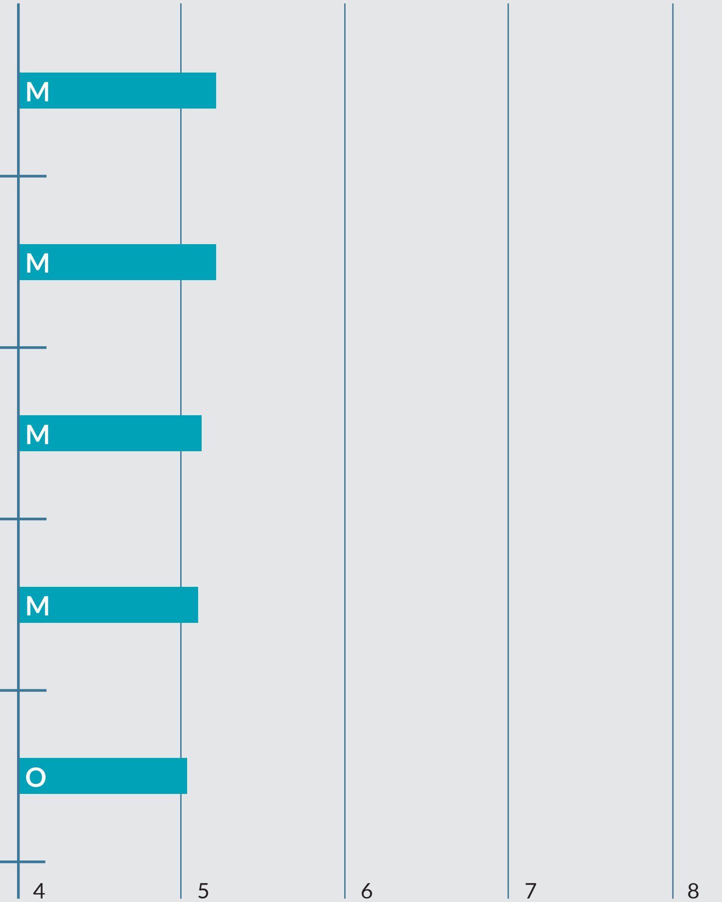
Economic conditions in markets we currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for our organization

The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees

Anticipated volatility in global financial markets and currency exchange rates may create significantly challenging issues for our organization to address

The current interest rate environment may have a significant effect on the organization’s operations

Our organization’s succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets



Legend

M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue 2030

Middle East HQ Organizations – 2021

FIGURE 32A

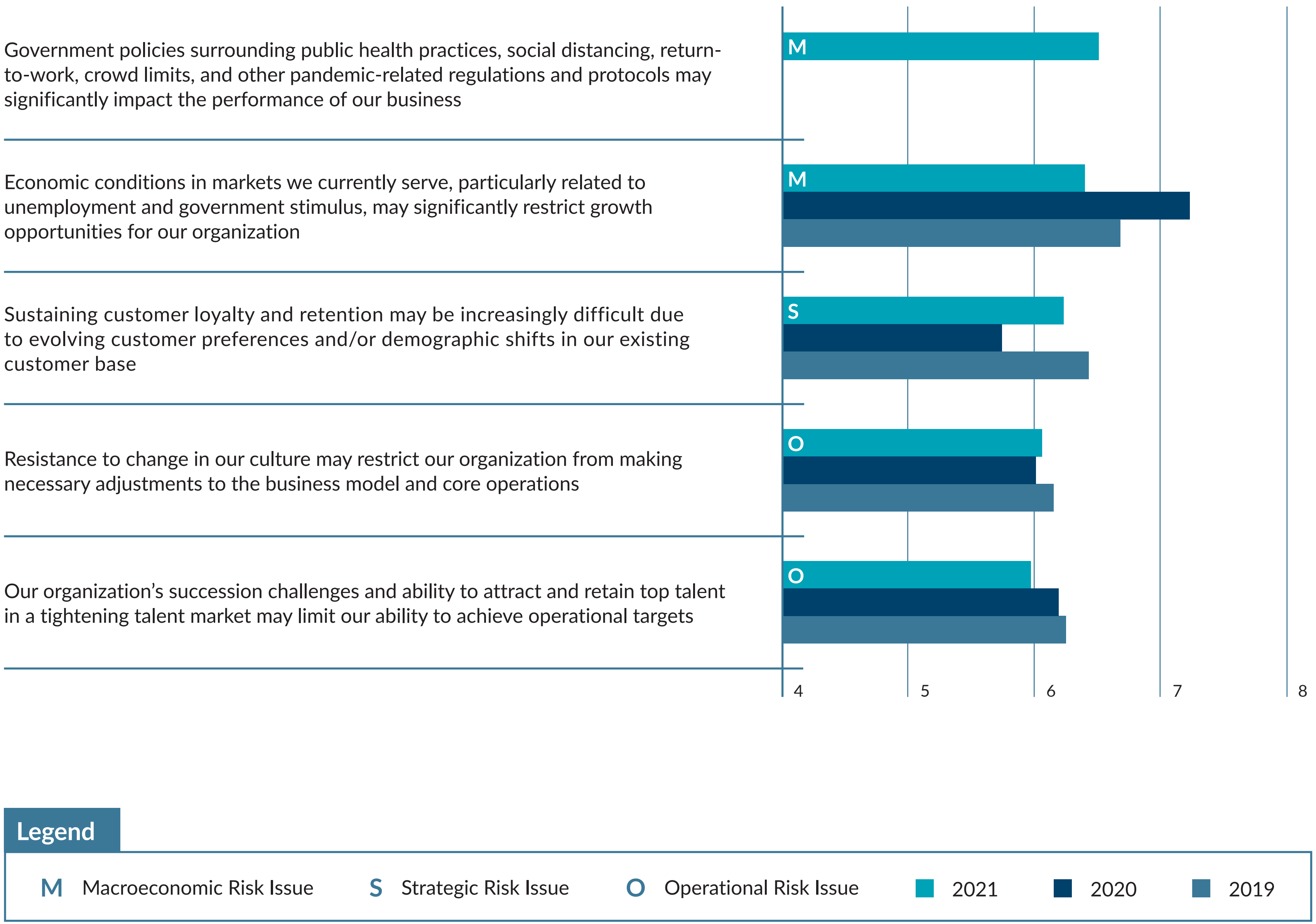


TABLE OF CONTENTS

Middle East HQ Organizations – 2030

FIGURE 32B

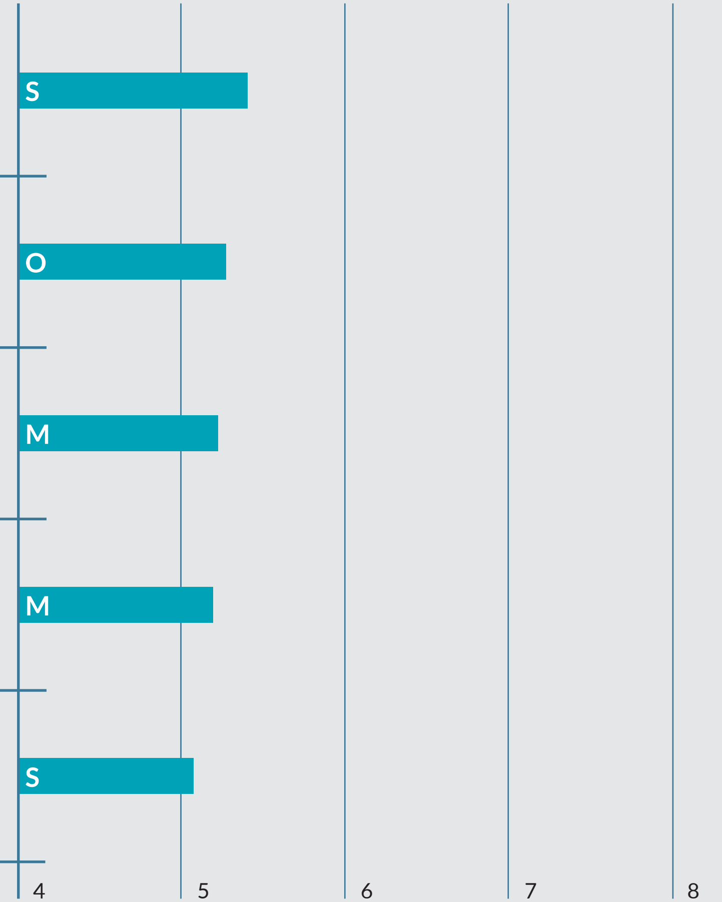
Sustaining customer loyalty and retention may be increasingly difficult due to evolving customer preferences and/or demographic shifts in our existing customer base

Our organization's succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets

The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees

Economic conditions in markets we currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for our organization

Ease of entrance of new competitors into the industry and marketplace or other significant changes in the competitive environment (such as major market concentrations due to M&A activity) may threaten our market share



Legend

M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue 2030

India HQ Organizations – 2021

FIGURE 33A

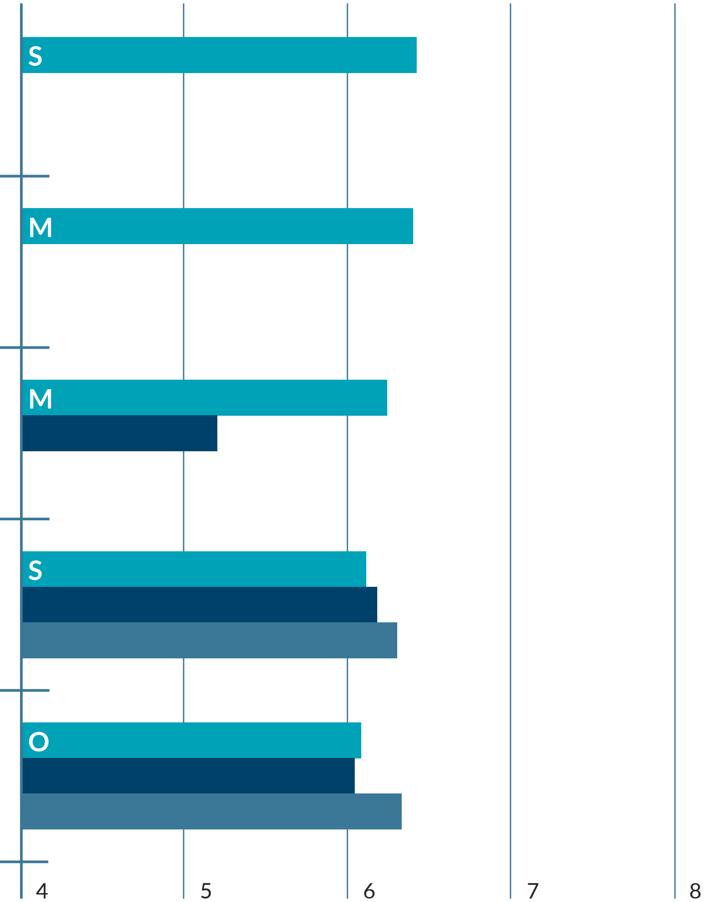
Market conditions imposed by and in response to COVID-19, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services

Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business

The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees

Sustaining customer loyalty and retention may be increasingly difficult due to evolving customer preferences and/or demographic shifts in our existing customer base

Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations



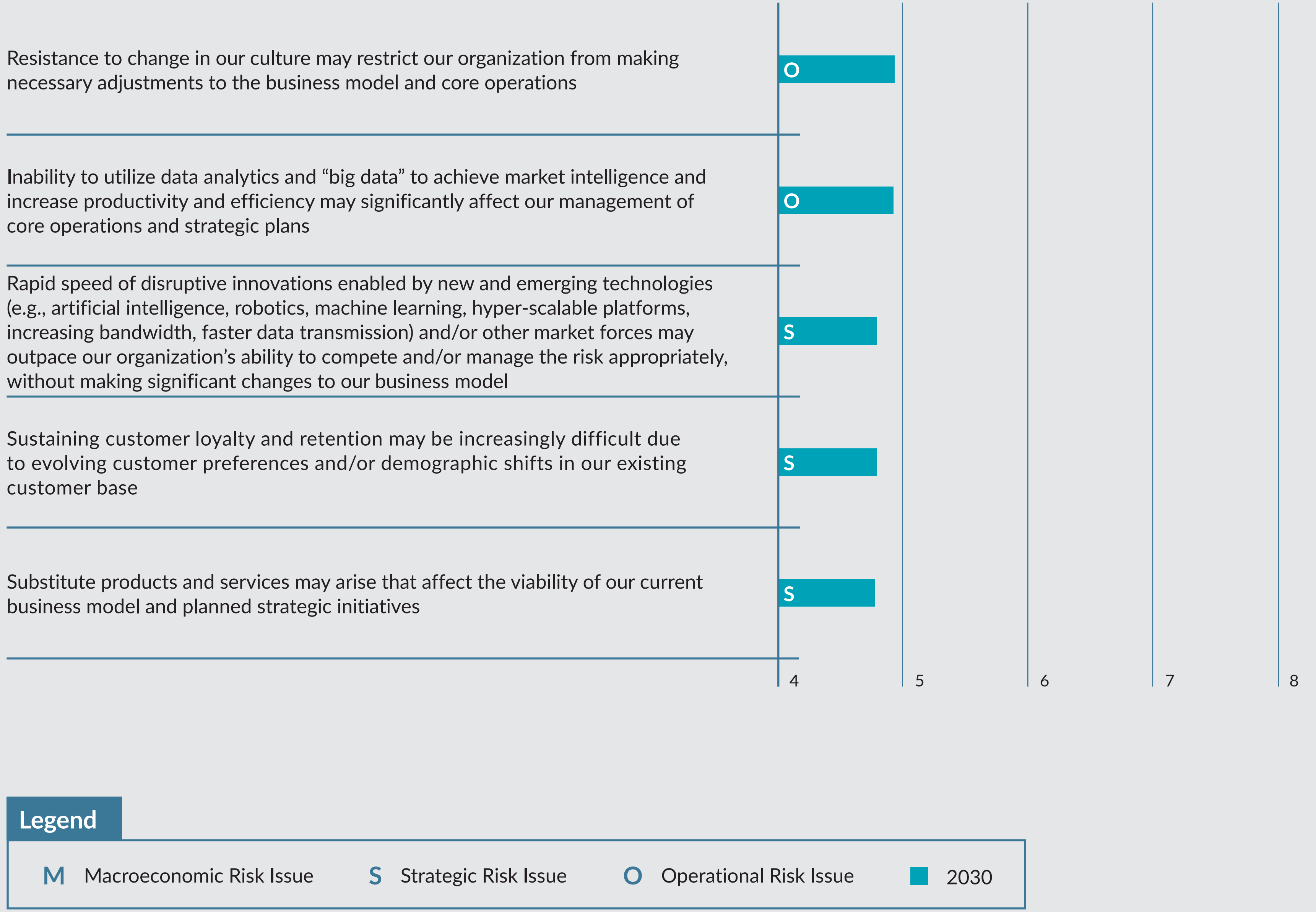
Legend

M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue 2021 2020 2019

TABLE OF CONTENTS

India HQ Organizations – 2030

FIGURE 33B



Africa HQ Organizations – 2021

FIGURE 34A

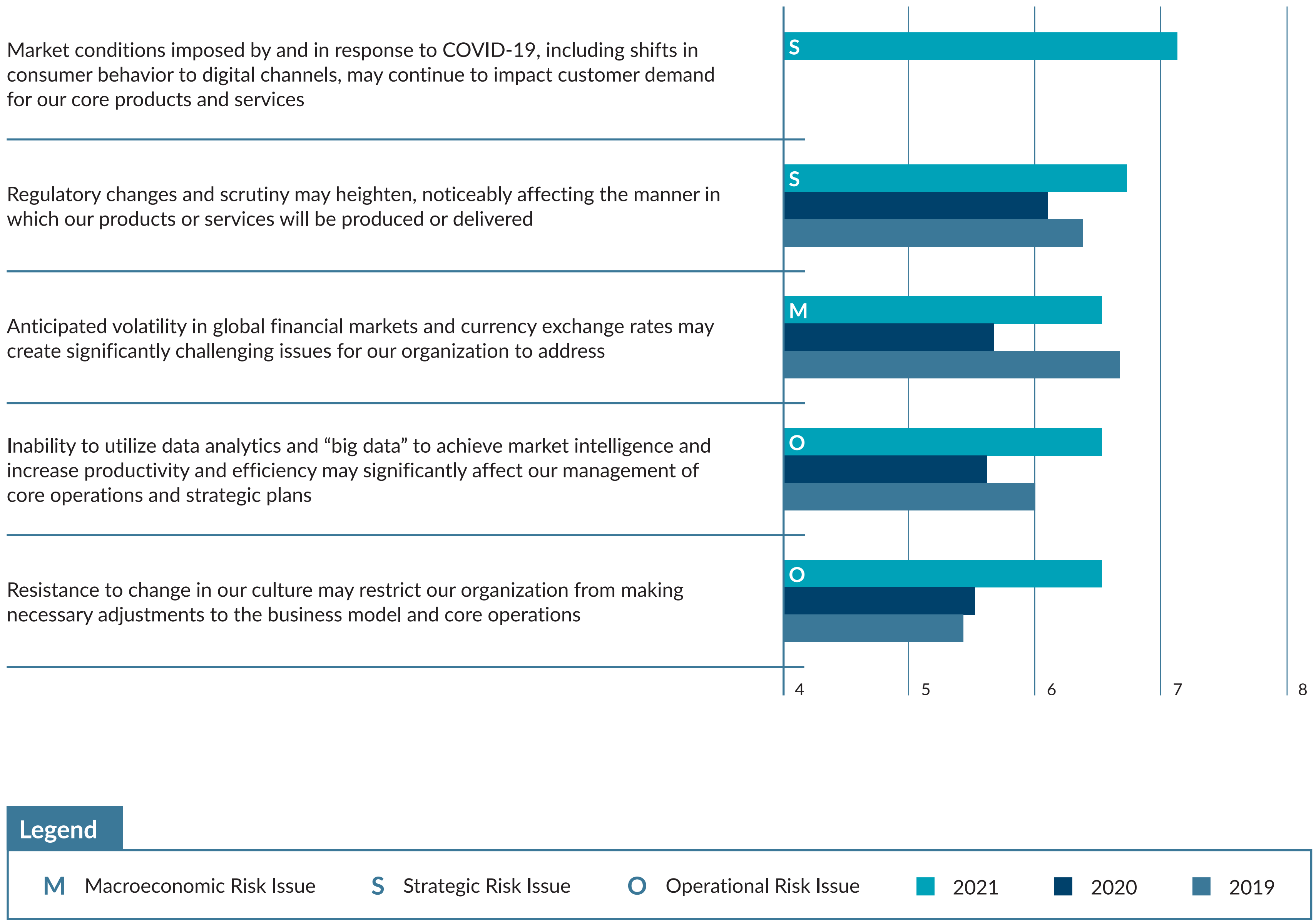


TABLE OF CONTENTS

Africa HQ Organizations – 2030

FIGURE 34B

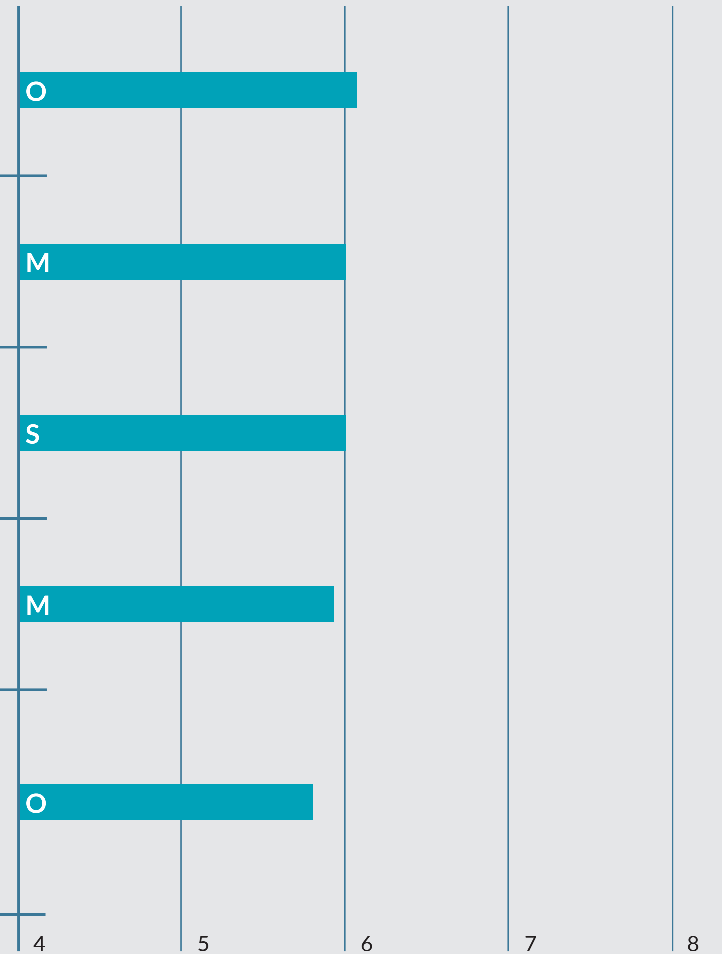
Our organization's succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets

Anticipated volatility in global financial markets and currency exchange rates may create significantly challenging issues for our organization to address

Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered

The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees

Our existing operations, legacy IT infrastructure, lack of digital IQ in the workforce and insufficient embrace of digital thinking and capabilities may not meet performance expectations related to quality, time to market, cost and innovation as well as our competitors, especially new competitors that are "born digital" with a hyper-scalable business model and low cost base for their operations, or established competitors with superior operations



Legend

M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue ■ 2030

TABLE OF CONTENTS

Analysis of Differences Across Public and Non-Public Entities

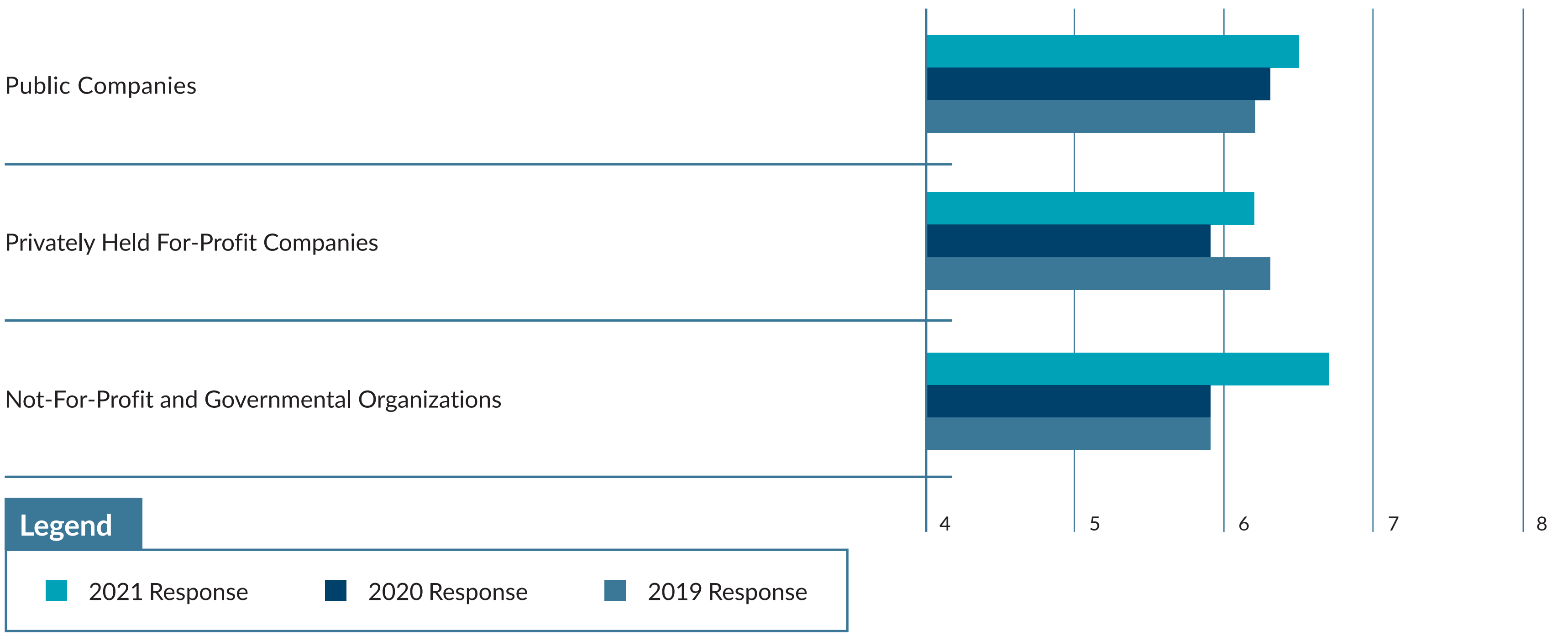
Participants in the survey represent three types of organizations: publicly traded companies (508 respondents), privately held for-profit entities (414 respondents), and not-for-profit and governmental organizations (159 respondents).

We analyze responses across these three types of entities to determine whether different types of organizations rank-order risks differently. Similar to our analysis summarized earlier, we analyze responses about overall impressions of the magnitude and severity of risks across the three organizational type categories.

Again, the scores reflected in Figure 35 reflect responses to the question about the overall impression of the magnitude and severity of risks using a 10-point scale where 1 = "Extremely Low" and 10 = "Extremely High."

Overall, what is your impression of the magnitude and severity of risks your organization will be facing with respect to achieving its objectives and reaching or exceeding profitability (or funding) targets over the next 12 months?

FIGURE 35



All three entity types agree that the overall magnitude and severity of risks are of a "Significant Impact" level in 2021, with not-for-profit and governmental organizations experiencing the greatest increase versus 2020.

Figures 36-38 highlight the top five risks identified by each type of organization.

2021 Risk Issues

All three groups of organizations rank the risk related to economic conditions in markets currently served as a top five risk. Public and private companies agree that the risk related to the adoption of digital technologies is a top five risk concern. Private and not-for-profit and governmental organizations each view ensuring privacy/identity management as a top five risk concern.

2030 Risk Issues

Concern over the adoption of digital technologies is viewed as the top risk for 2030 by all organizations, with not-for-profit and governmental organizations ranking that risk at the "Significant Impact" level. There are universal concerns about succession and talent challenges, with that issue in the top five risks for 2030 for each of the organization types. Technology-focused risks, such as ensuring privacy/identity management and the rapid speed of disruptive innovation, are also ranked in the top five by each of the organization groups.

Not-for-profit and governmental organizations appear to be more concerned about operational risk concerns as they look ahead to the next decade, while strategic risk concerns dominate the top five for privately held for-profit companies.

> "As with other analyses in our study, pandemic-related risks dominated the 2021 top five risks list for public companies, privately held for-profit companies, and not-for-profit and governmental organizations. As for the long-term outlook, the future of work, talent acquisition and retention, and disruptive change were common themes across all three types of organizations."
>
> Dr. Don Pagach, Professor of Accounting, Director of Research, Enterprise Risk Management Initiative, Poole College of Management, NC State University

Public Companies – 2021

FIGURE 36A

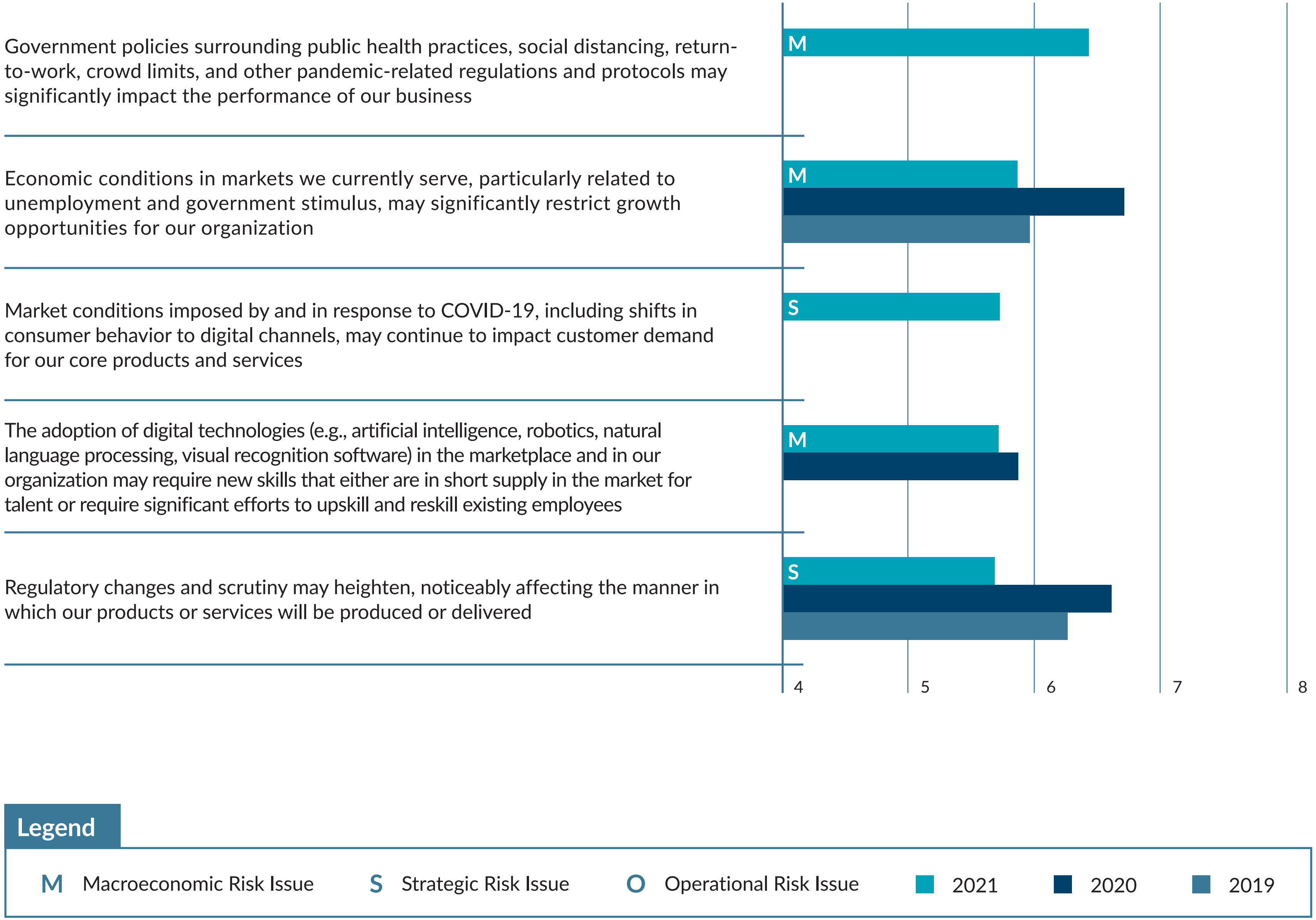
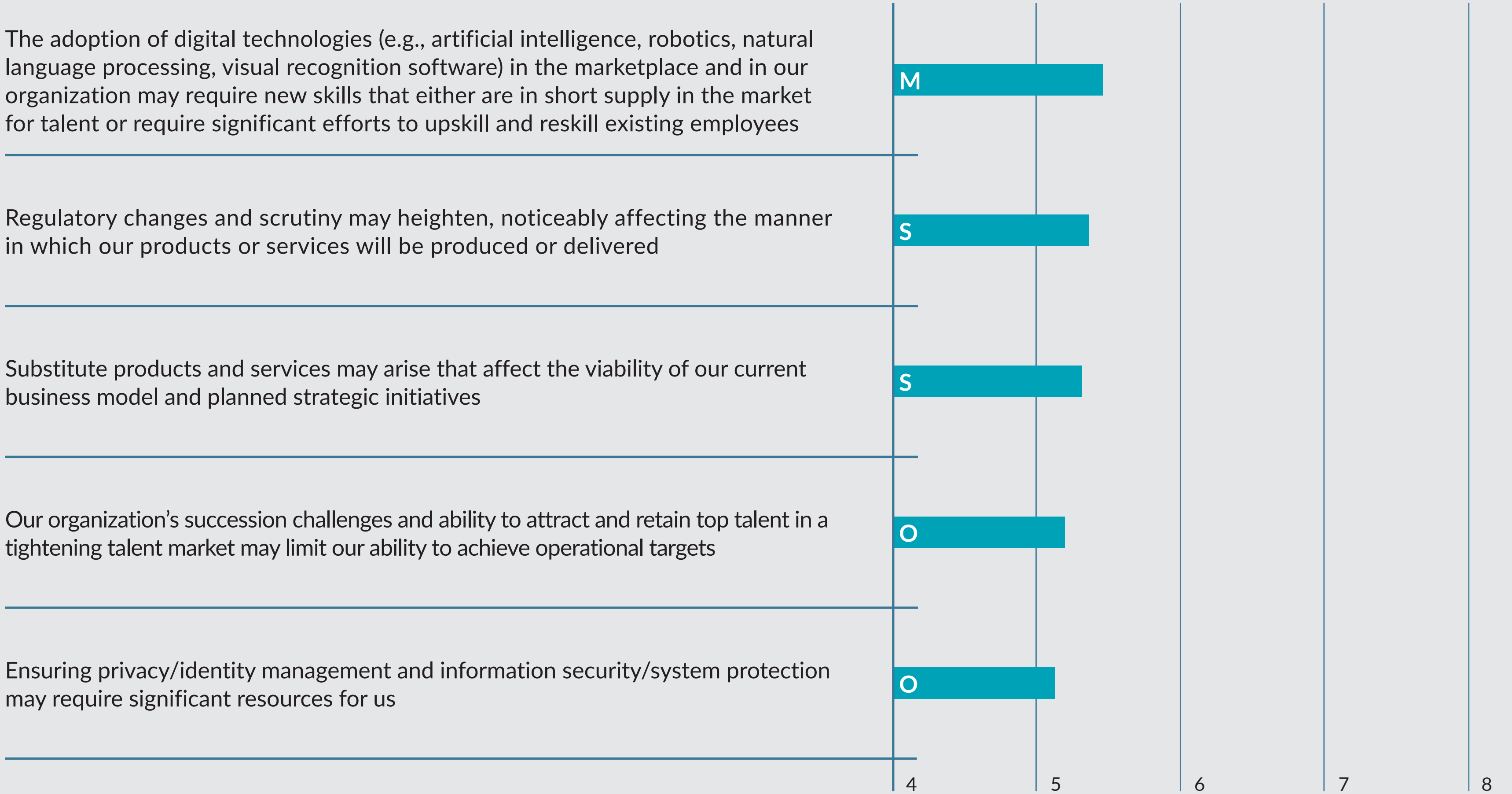


TABLE OF CONTENTS

Public Companies – 2030

FIGURE 36B



Legend

M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue ■ 2030

TABLE OF CONTENTS

Privately Held For-Profit Companies – 2021

FIGURE 37A

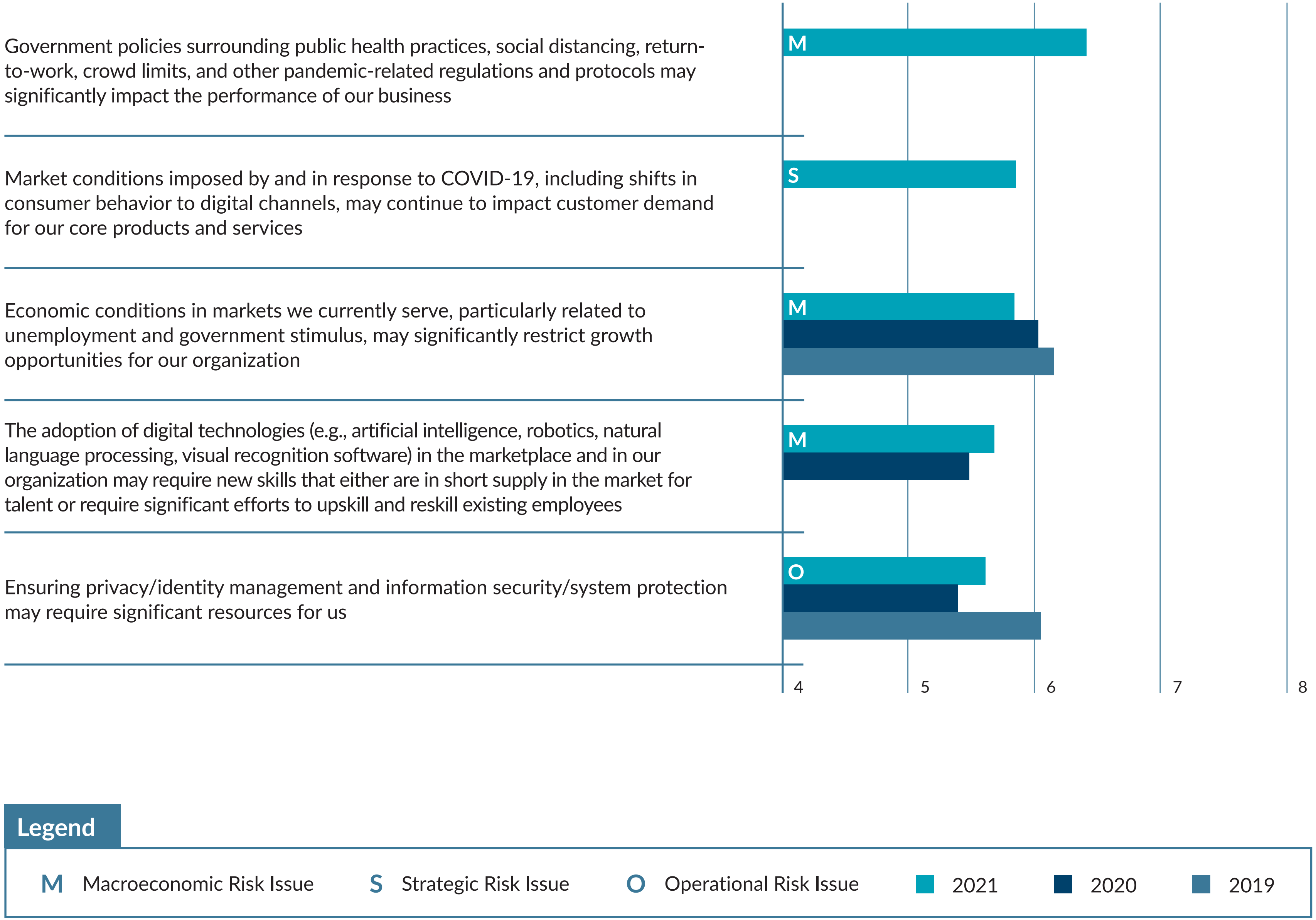
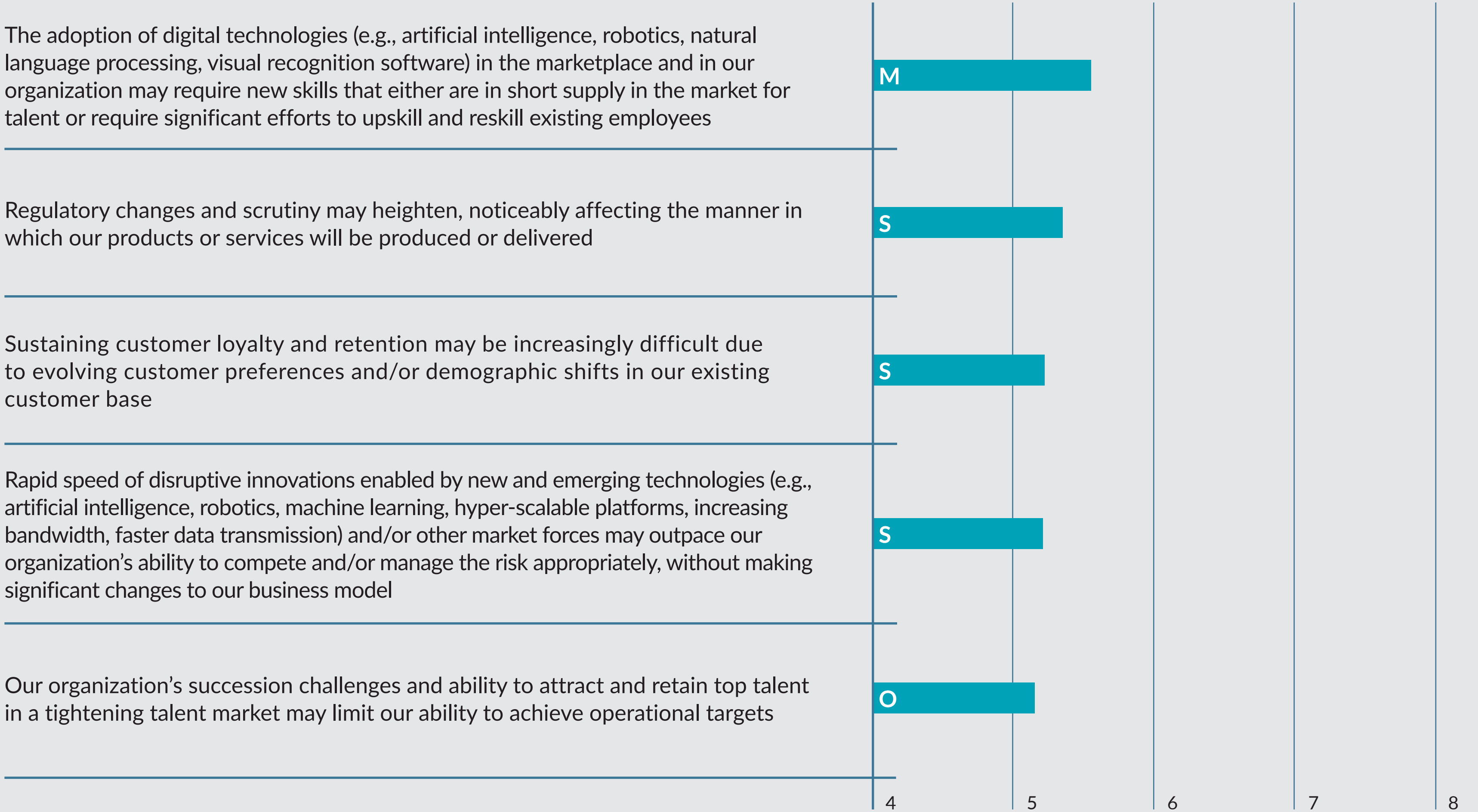


TABLE OF CONTENTS

Privately Held For-Profit Companies – 2030

FIGURE 37B



Legend

M Macroeconomic Risk Issue   S Strategic Risk Issue   O Operational Risk Issue   2030

TABLE OF CONTENTS

Not-For-Profit and Governmental Organizations – 2021

FIGURE 38A

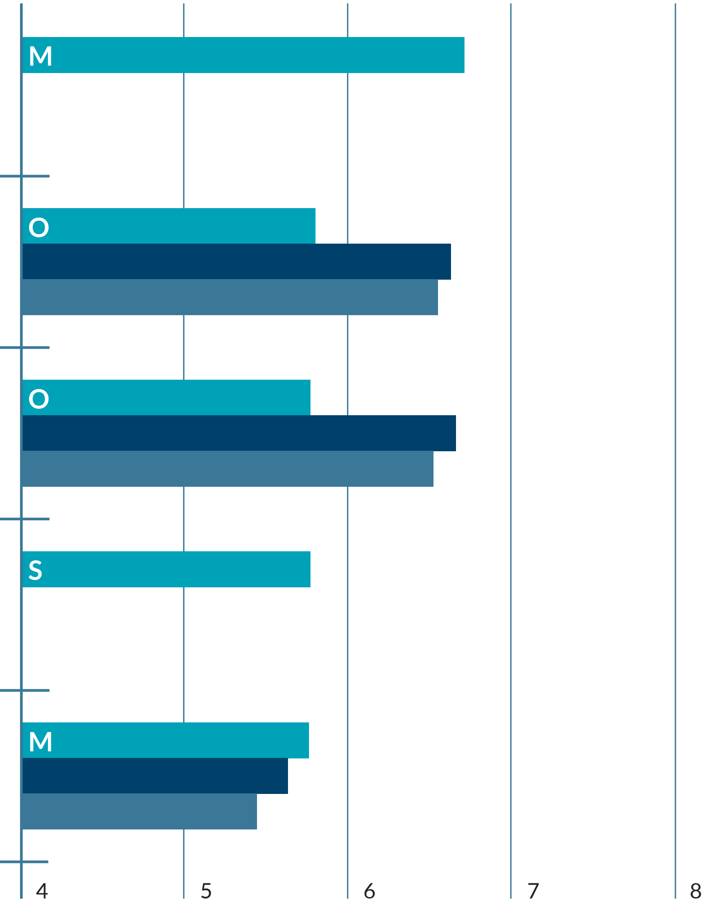
Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business

Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations

Ensuring privacy/identity management and information security/system protection may require significant resources for us

Market conditions imposed by and in response to COVID-19, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services

Economic conditions in markets we currently serve, particularly related to unemployment and government stimulus, may significantly restrict growth opportunities for our organization

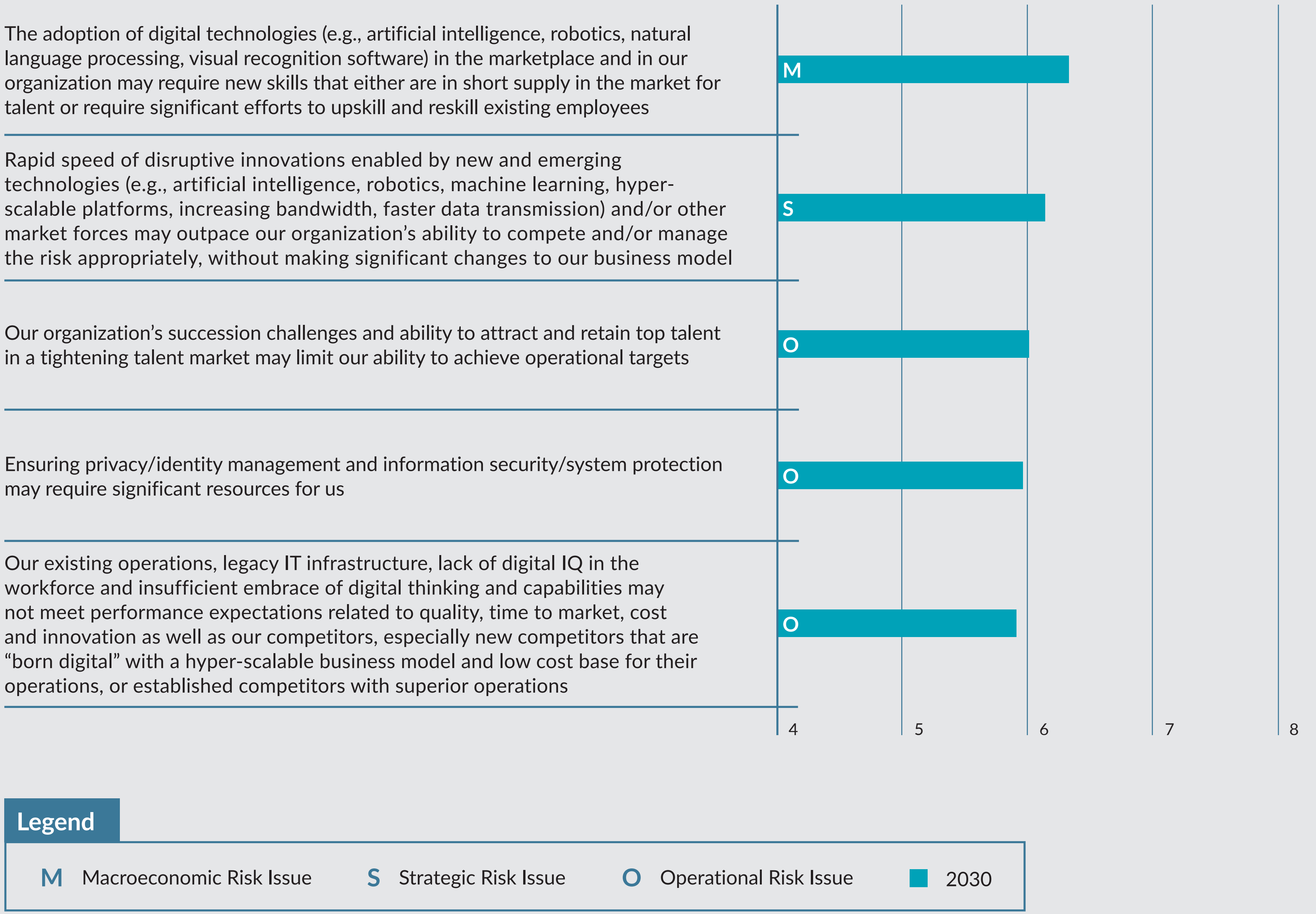


Legend

M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue 2021 2020 2019

Not-For-Profit and Governmental Organizations – 2030

FIGURE 38B



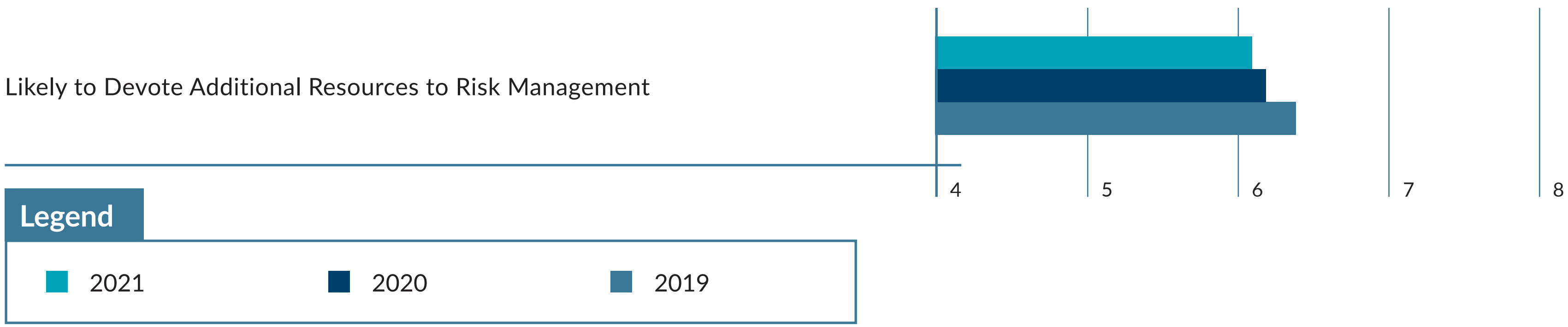
Plans to Deploy Resources to Enhance Risk Management Capabilities

Recall that we asked respondents about their overall impression of the perceived magnitude and severity of risks to be faced in 2021. The respondents' average overall response indicates a perceived increase in the nature of the overall risk environment, with an average score of 6.4 in 2021 relative to 6.1 in 2020.

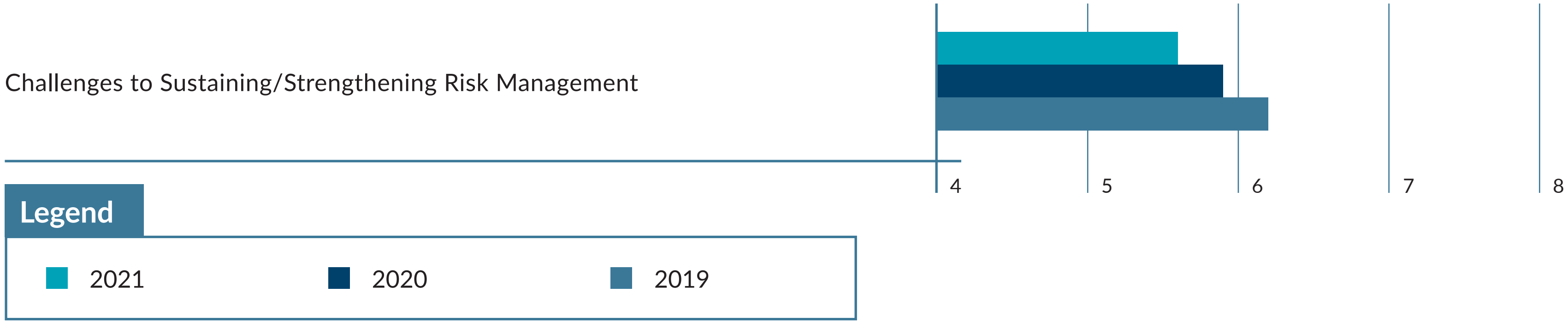
We also asked executives to provide insights about whether their organization plans to devote additional resources to improve risk management over the next 12 months. We used a 10-point scale, whereby 1 signifies "Extremely Unlikely to Make Changes" and 10 signifies "Extremely Likely to Make Changes."

In contrast with the finding that respondents noted an increase in their impression about the magnitude and severity of overall risks for 2021 relative to the prior year, they indicate a lower likelihood of deploying more resources to risk management in 2021 relative to 2020 (and 2019).

We find this a surprising result and believe there continues to be a need to invest in more robust risk management capabilities, especially in light of increased perceptions of the risk environment looking forward into 2021.



Finally, we also asked respondents, "Over the next 12 months, to what degree do you believe your organization will experience challenges to sustaining and/or strengthening the coordination and exchange of risk information among senior management, front-line business unit and process owners, second-line risk management leaders, and relevant subject-matter experts within the organization?" On a scale of 1 to 10, the average score for this question was 5.6, a decline from the 5.9 score reported in 2020, and a significant drop from the 2019 score of 6.2.

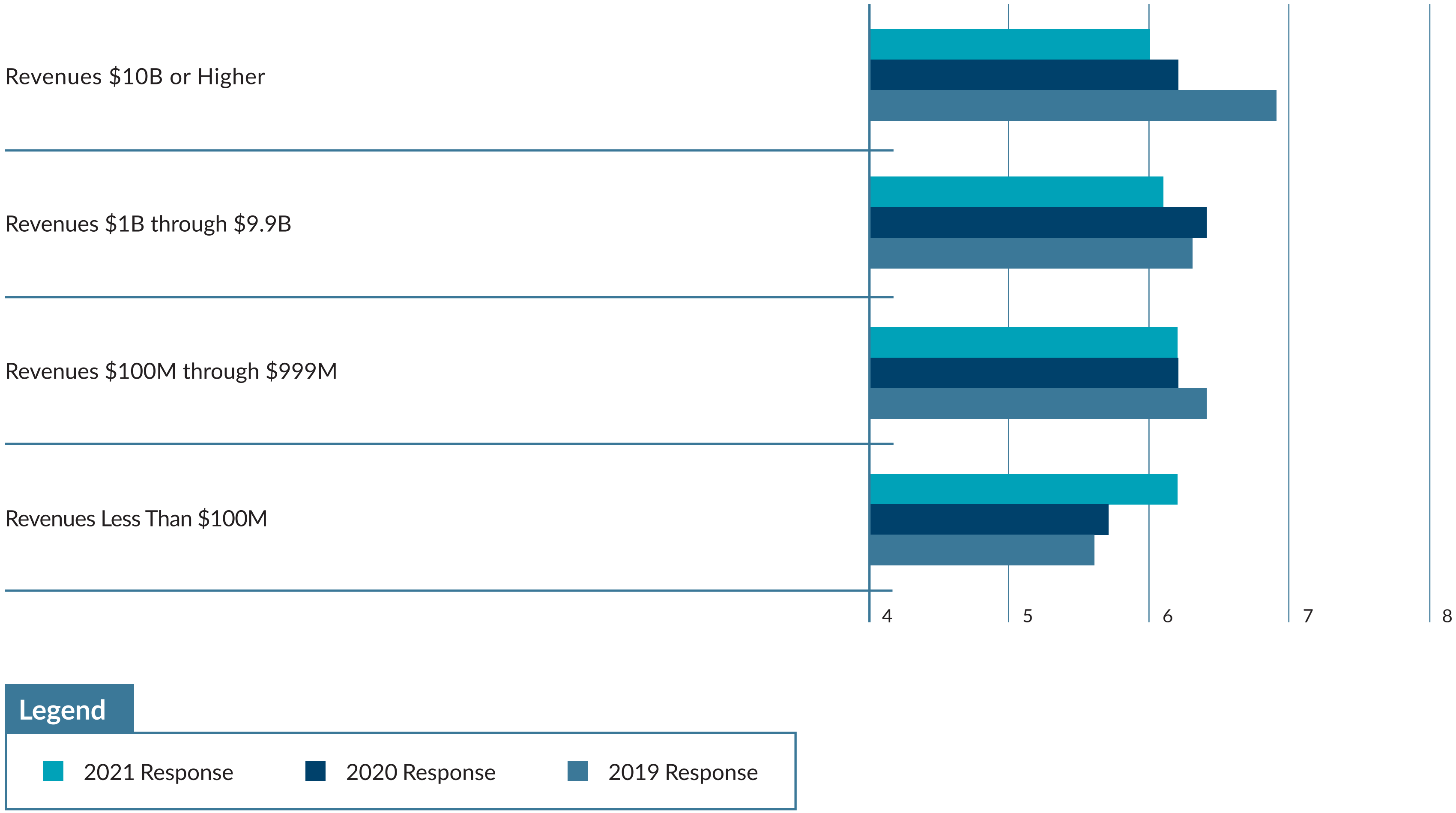


Organization Size Analysis

We also analyze responses to these two questions across different sizes of organizations.

This year we observe that it is the smallest organizations that indicate an increase in the likelihood of greater investment in risk management processes. The two groups of large firms (with revenues in excess of $1 billion) both indicate a lower likelihood of increased investment in 2021 relative to 2020 and 2019.

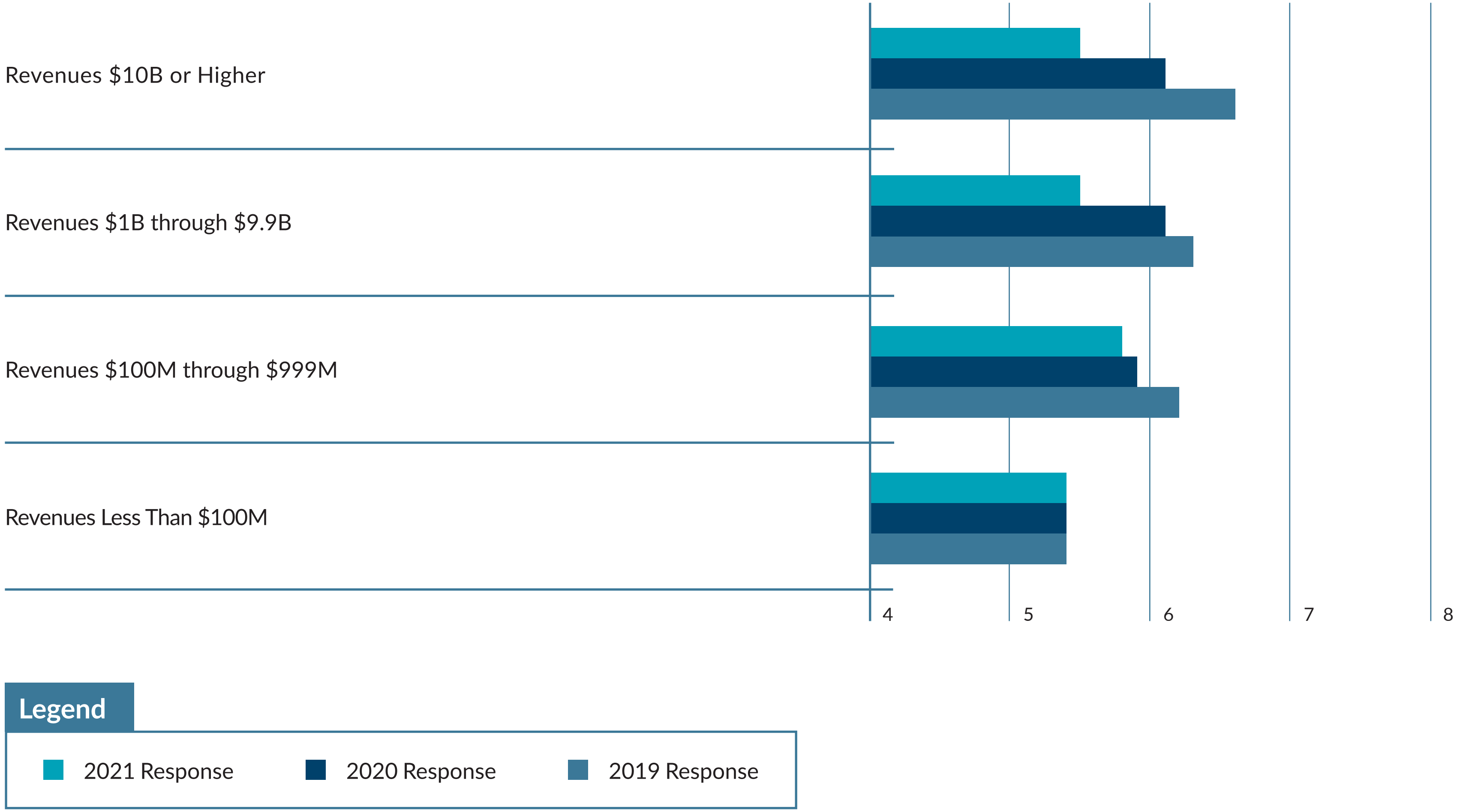
• • • *How likely or unlikely is it that your organization will devote additional time and/or resources to risk identification and management over the next 12 months?*



The three largest groups of organizations believe they will face lower levels of challenges in sustaining or strengthening their risk management processes in 2021 as compared to 2020 and 2019 (note that for the smallest organizations this perception has remained constant over the past three years). Perhaps the lessons learned in the COVID-19 pandemic have confirmed for many that risk management activities play a vital role in the ongoing viability of their organizations. If so, we would expect to see a reduced belief that such activities will pose a challenge going forward.

TABLE OF CONTENTS

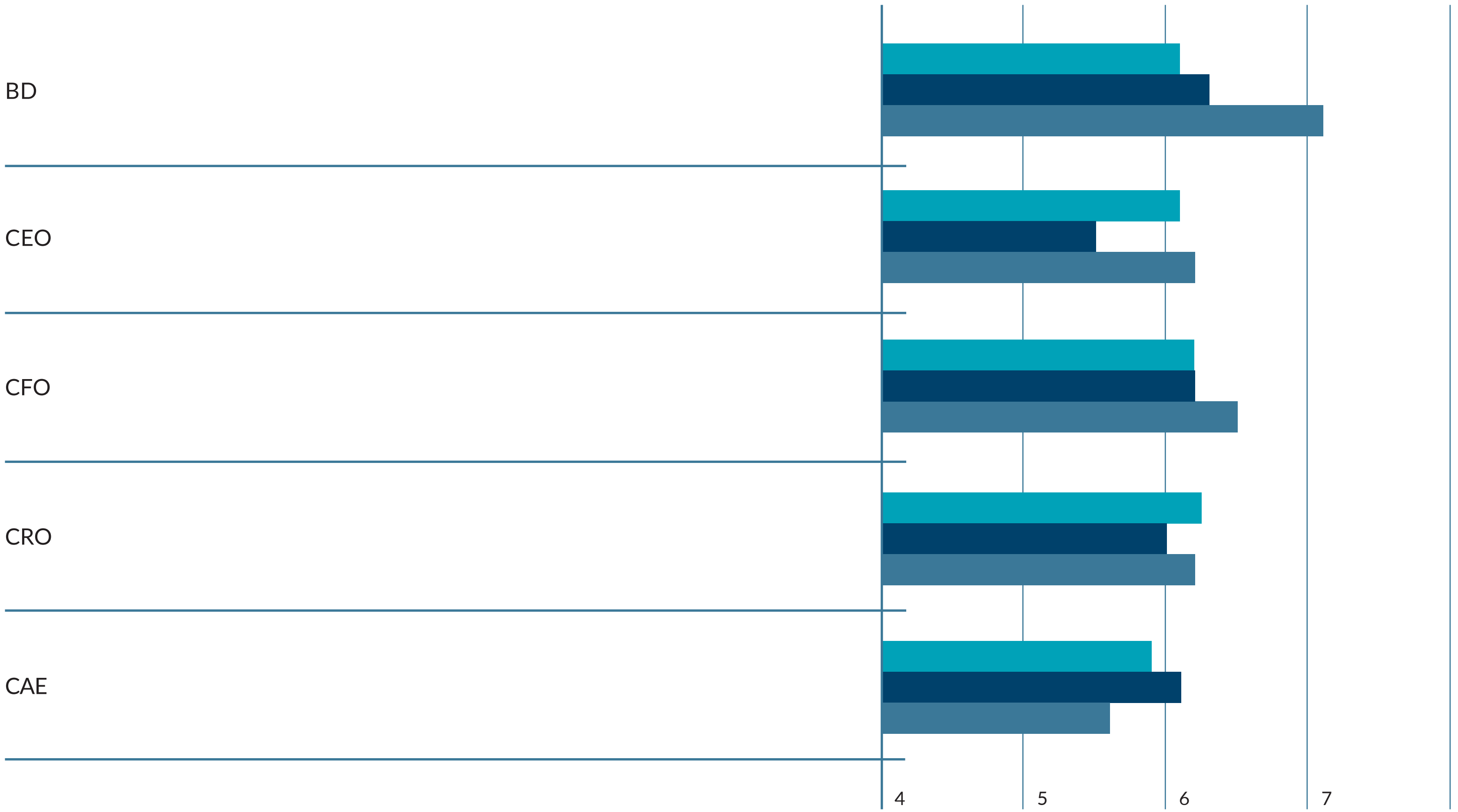
• • • *Over the next 12 months, to what degree do you believe your organization will experience challenges to sustaining and/or strengthening the coordination and exchange of risk information among senior management, front-line business unit and process owners, second-line risk management leaders, and relevant subject-matter experts within the organization?*



Respondent Position Analysis

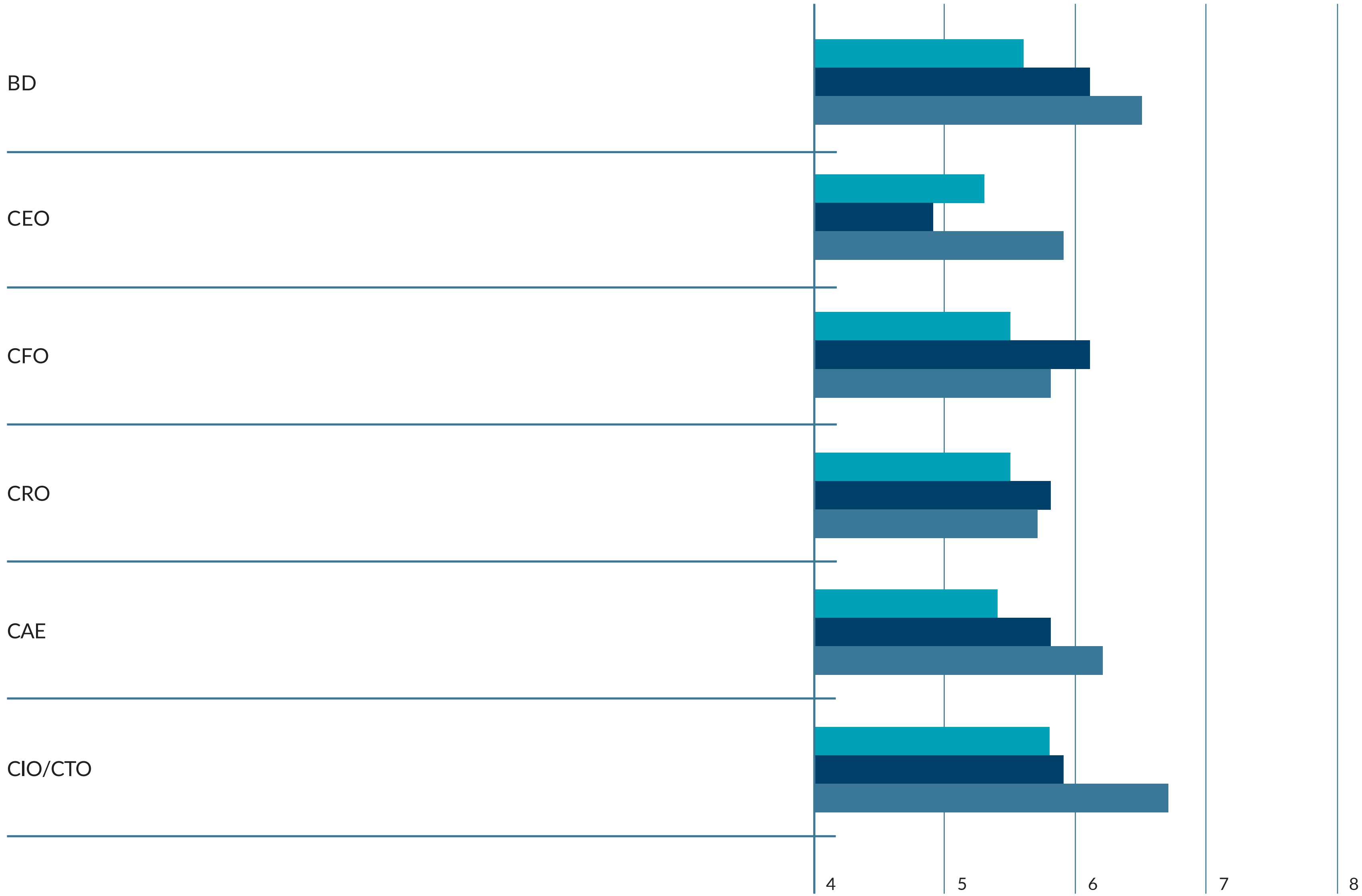
Interestingly, CEOs are much more in agreement with board members and C-suite executives with respect to the likelihood of committing enhanced resources to risk management capabilities in 2021. In 2020, CEOs were an outlier relative to all other position groups. CDOs responded most strongly in 2021, with a 6.8 average response. CIOs/CTOs (6.2 in 2021) and Other C-Suite executives (6.1 in 2021) exhibit the largest drop from their 2020 response.

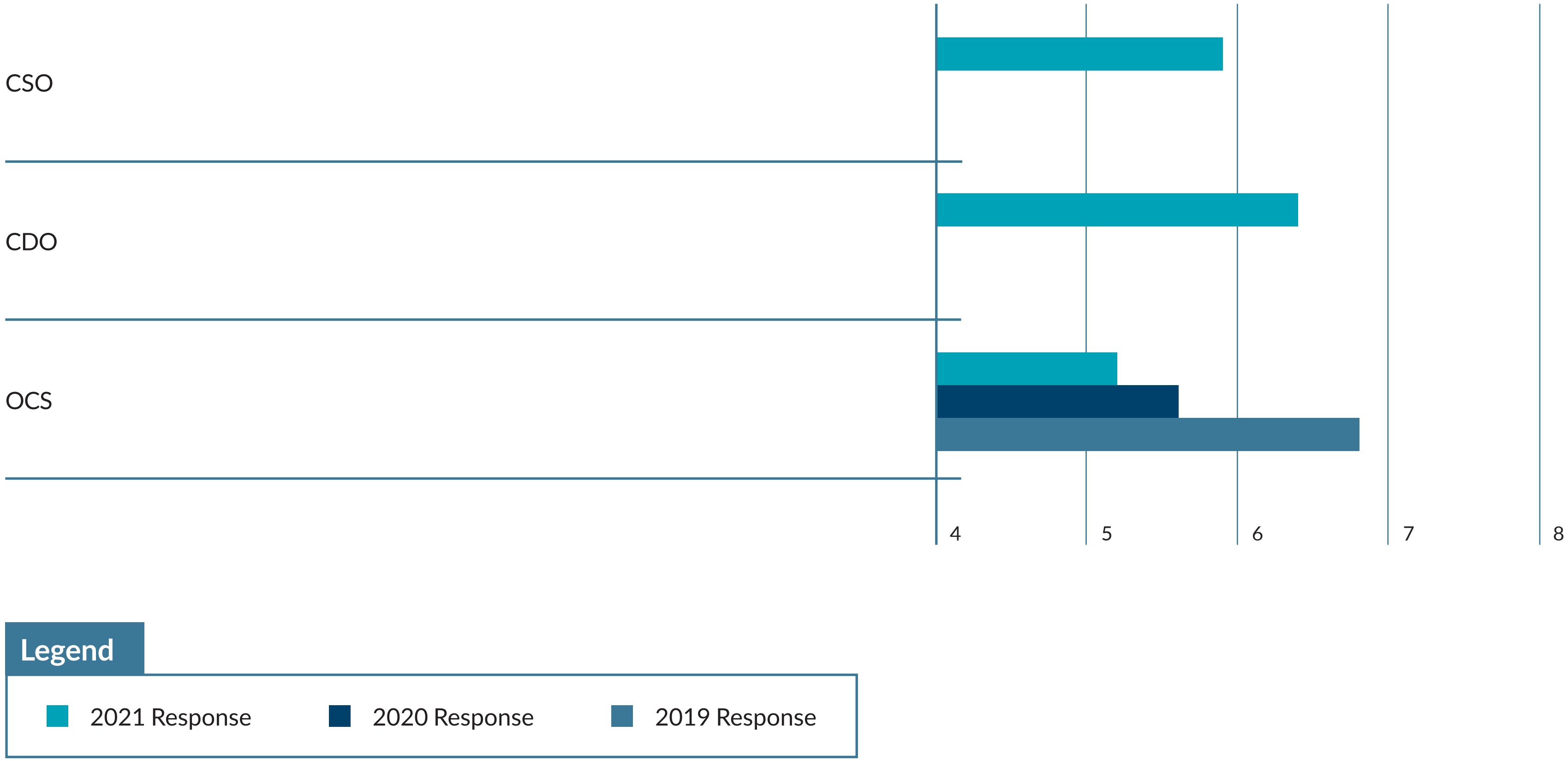
• • • *How likely or unlikely is it that your organization will devote additional time and/or resources to risk identification and management over the next 12 months?*



In addition, CDOs sense the greatest level of challenges in sustaining and strengthening the coordination and exchange of risk information among senior executives, with the remaining position groups all fairly consistent, ranging from 5.2 (Other C-Suite executives) to 5.9 (CSOs).

• • • *Over the next 12 months, to what degree do you believe your organization will experience challenges to sustaining and/or strengthening the coordination and exchange of risk information among senior management, front-line business unit and process owners, second-line risk management leaders, and relevant subject-matter experts within the organization?*





Industry Analysis

The Healthcare and Energy and Utilities industry groups express the greatest likelihood to devote additional time and resources toward risk management in 2021, followed by the Consumer Products and Services industry group. The Financial Services and Manufacturing and Distribution industry groups indicate a lower likelihood to invest more in risk management capabilities in 2021 relative to 2020, with the Financial Services industry group decreasing the most (from 6.6 in 2020 to 6.1 in 2021).

- *How likely or unlikely is it that your organization will devote additional time and/or resources to risk identification and management over the next 12 months?*

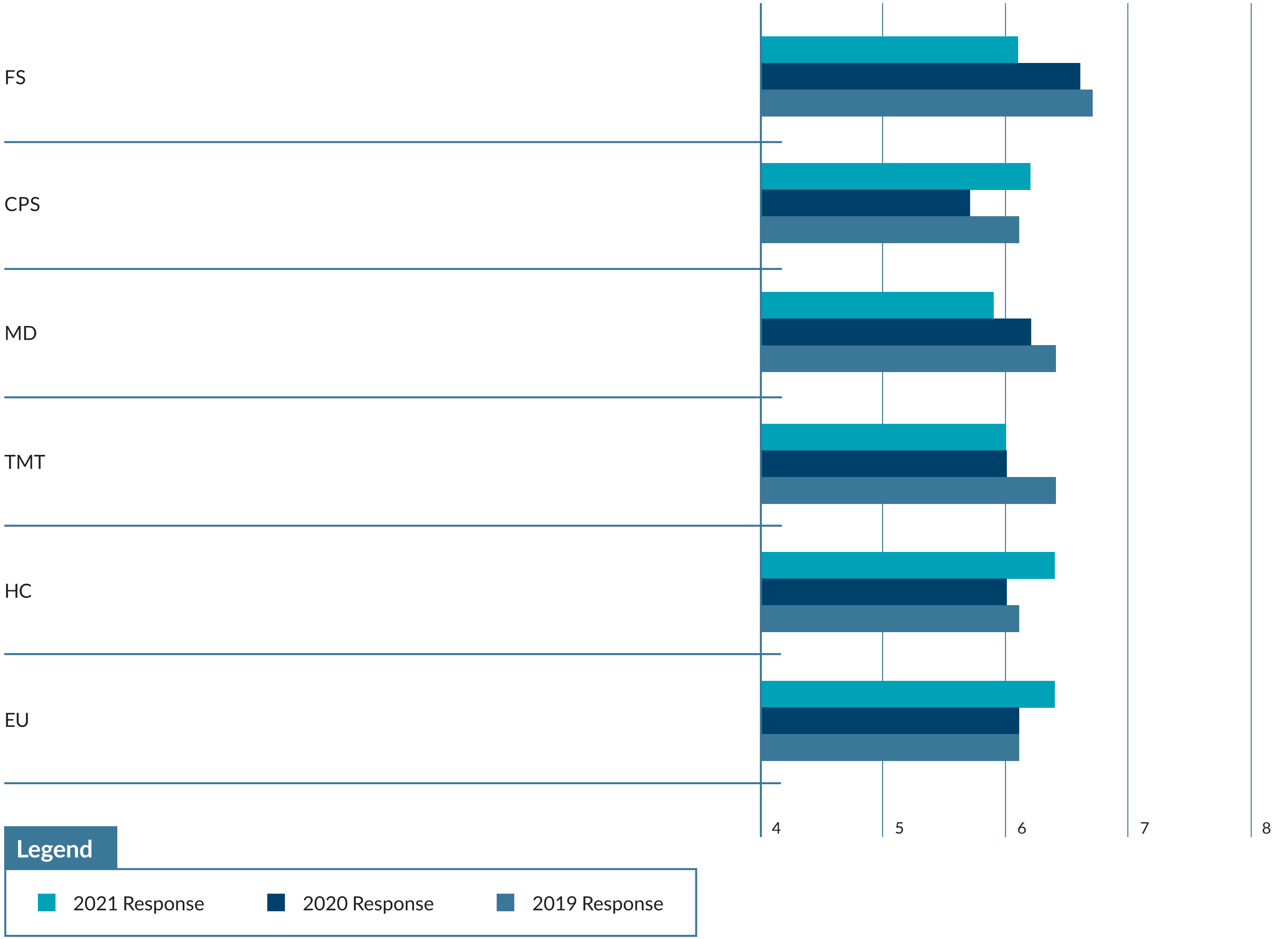
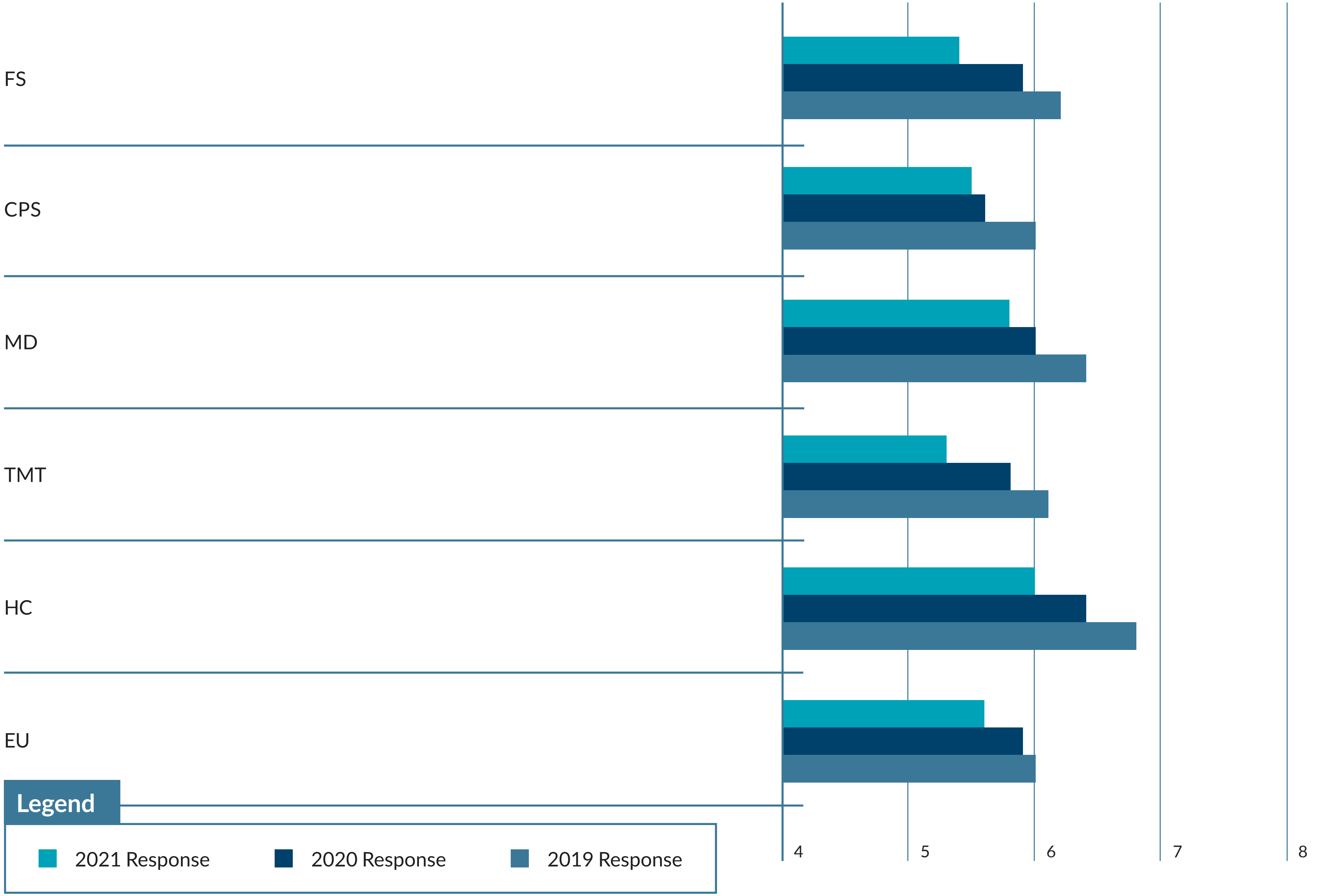


TABLE OF CONTENTS

In a multiyear trend, all six industry groups continue to report a decrease when asked about challenges they face in sustaining or strengthening the coordination and exchange of risk information within their organizations. Perhaps this trend is a result of continued investment in developing more robust risk management processes over time.

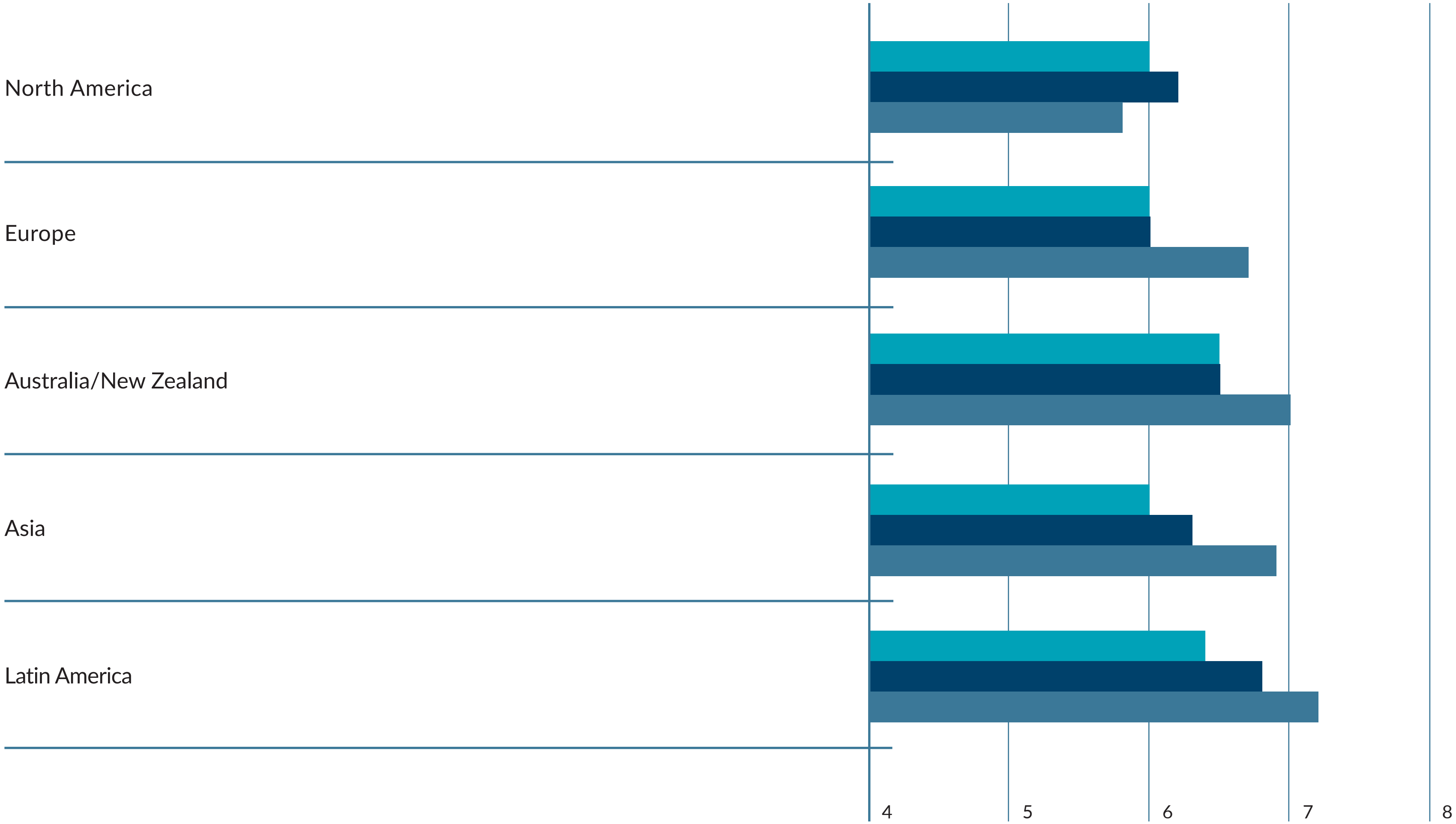
- *Over the next 12 months, to what degree do you believe your organization will experience challenges to sustaining and/or strengthening the coordination and exchange of risk information among senior management, front-line business unit and process owners, second-line risk management leaders, and relevant subject-matter experts within the organization?*



Geographic Region Analysis

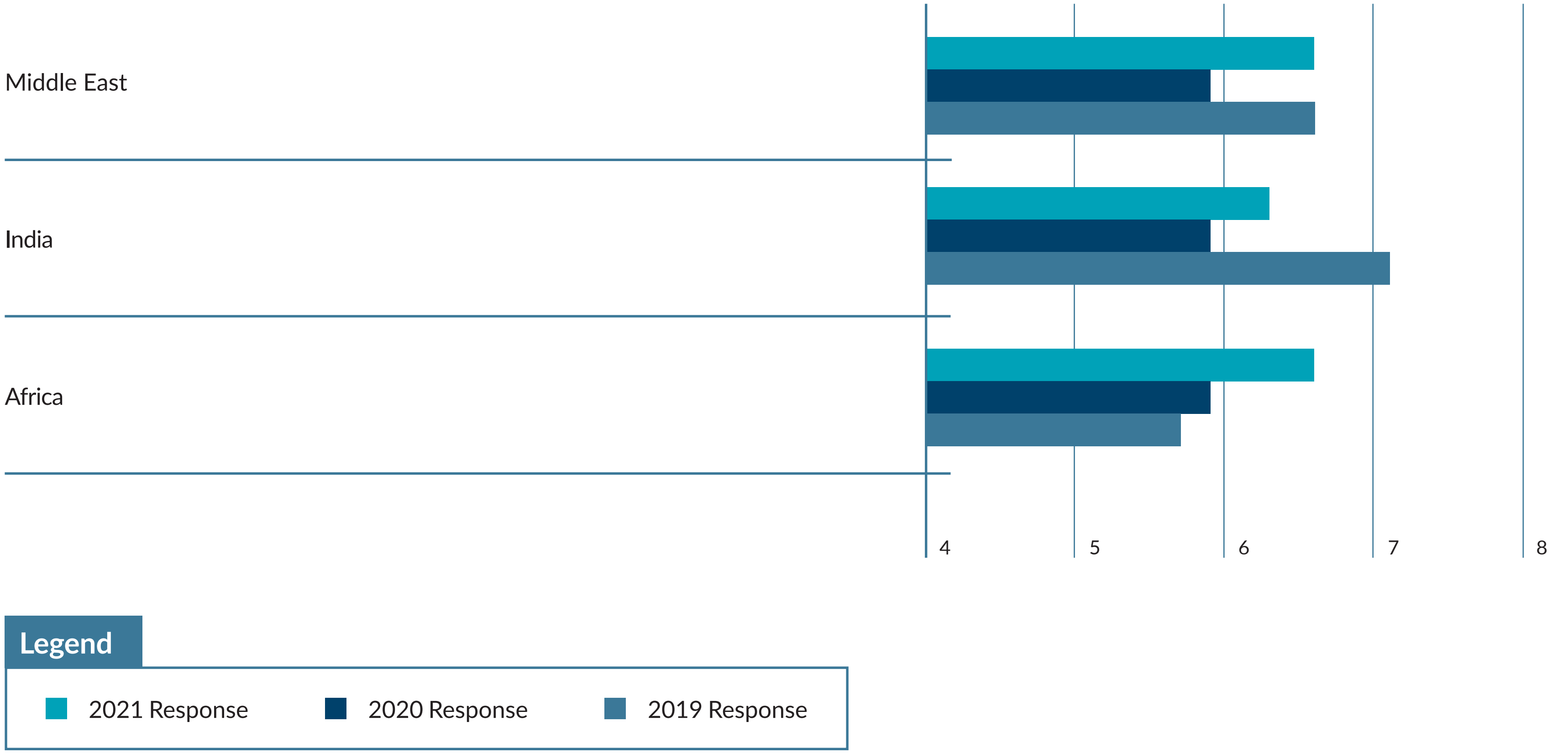
Organizations with headquarters based in Australia/New Zealand, the Middle East and Africa indicate the greatest likelihood that they will devote additional resources to risk management in 2021. In addition, organizations based in India, the Middle East and Africa all reflect the largest increase in likelihood relative to 2020 responses, with Middle Eastern and African organizations both increasing from 5.9 in 2020 to 6.6 in 2021. Latin America-based organizations exhibit the sharpest drop, falling from 6.8 in 2020 to 6.4 in 2021.

How likely or unlikely is it that your organization will devote additional time and/or resources to risk identification and management over the next 12 months?



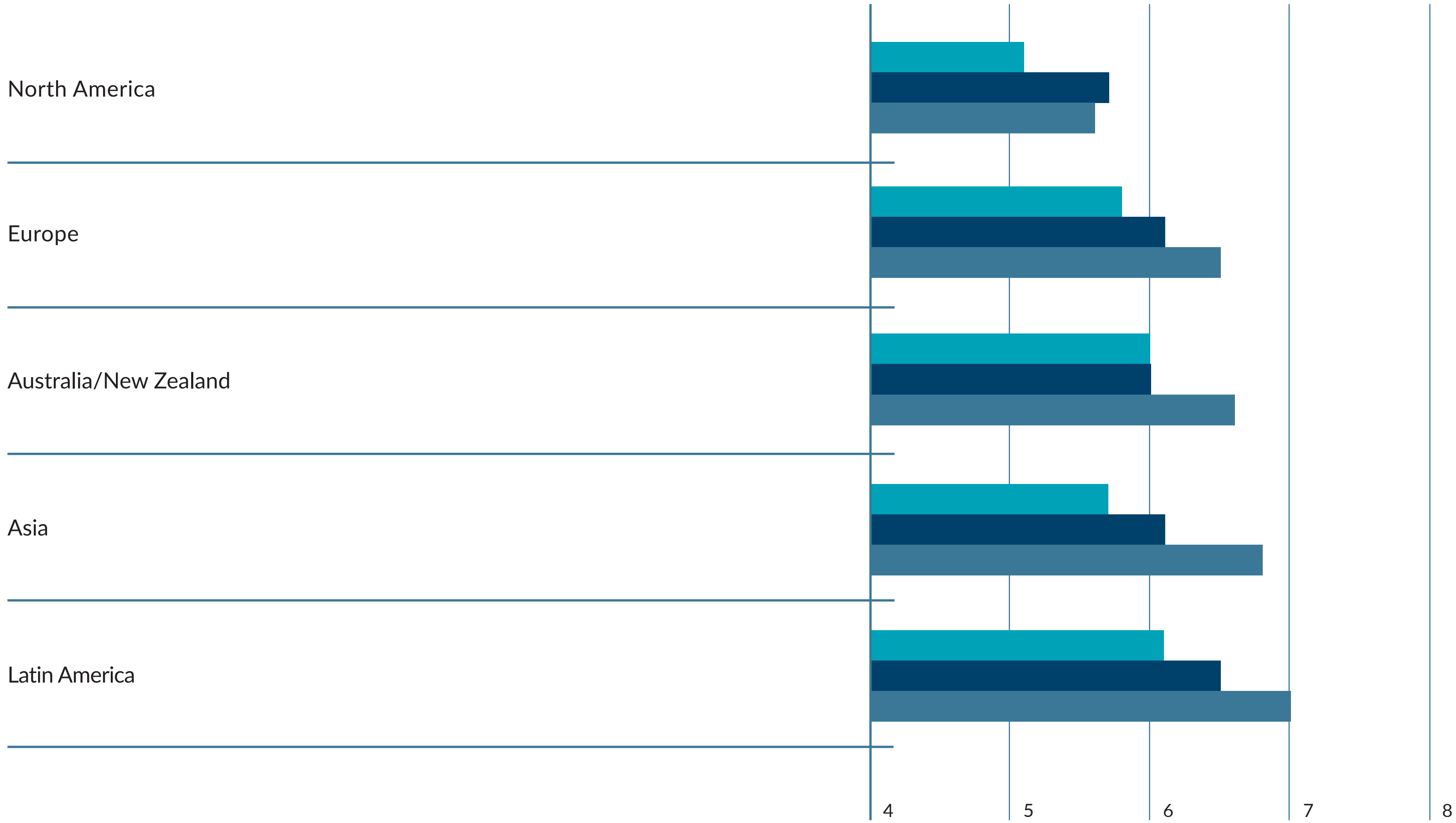
How likely or unlikely is it that your organization will devote additional time and/or resources to risk identification and management over the next 12 months?

(CONTINUED)

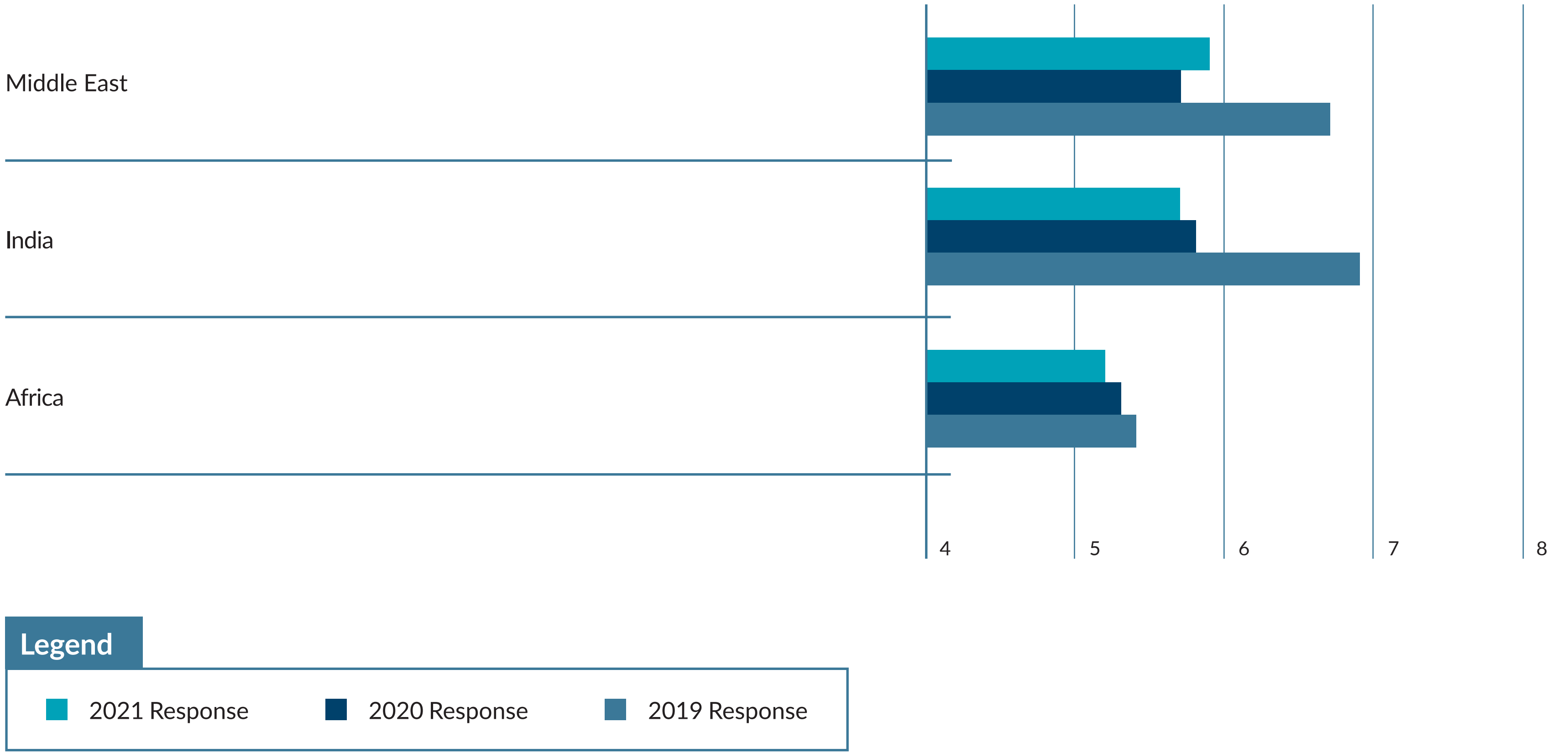


Organizations in six of the eight geographic regions indicate reduced concerns over challenges in sustaining and strengthening the coordination and exchange of risk information among senior management, with organizations based in the Australia/New Zealand region unchanged. Only those organizations based in the Middle East responded with a slight increase in 2021 (5.9) relative to their 2020 response (5.7).

Over the next 12 months, to what degree do you believe your organization will experience challenges to sustaining and/or strengthening the coordination and exchange of risk information among senior management, front-line business unit and process owners, second-line risk management leaders, and relevant subject-matter experts within the organization?



Over the next 12 months, to what degree do you believe your organization will experience challenges to sustaining and/or strengthening the coordination and exchange of risk information among senior management, front-line business unit and process owners, second-line risk management leaders, and relevant subject-matter experts within the organization? (CONTINUED)



Organization Type Analysis

Public companies expressed lower levels of likelihood that they plan to invest more time and resources in building out their risk management infrastructure in 2021 (6.1) relative to 2020 (6.4) and 2019 (6.5). On the other hand, private for-profit entities and not-for-profit and governmental organizations all indicate an increased level of investment in 2021 compared to 2020.

• • • *How likely or unlikely is it that your organization will devote additional time and/or resources to risk identification and management over the next 12 months?*

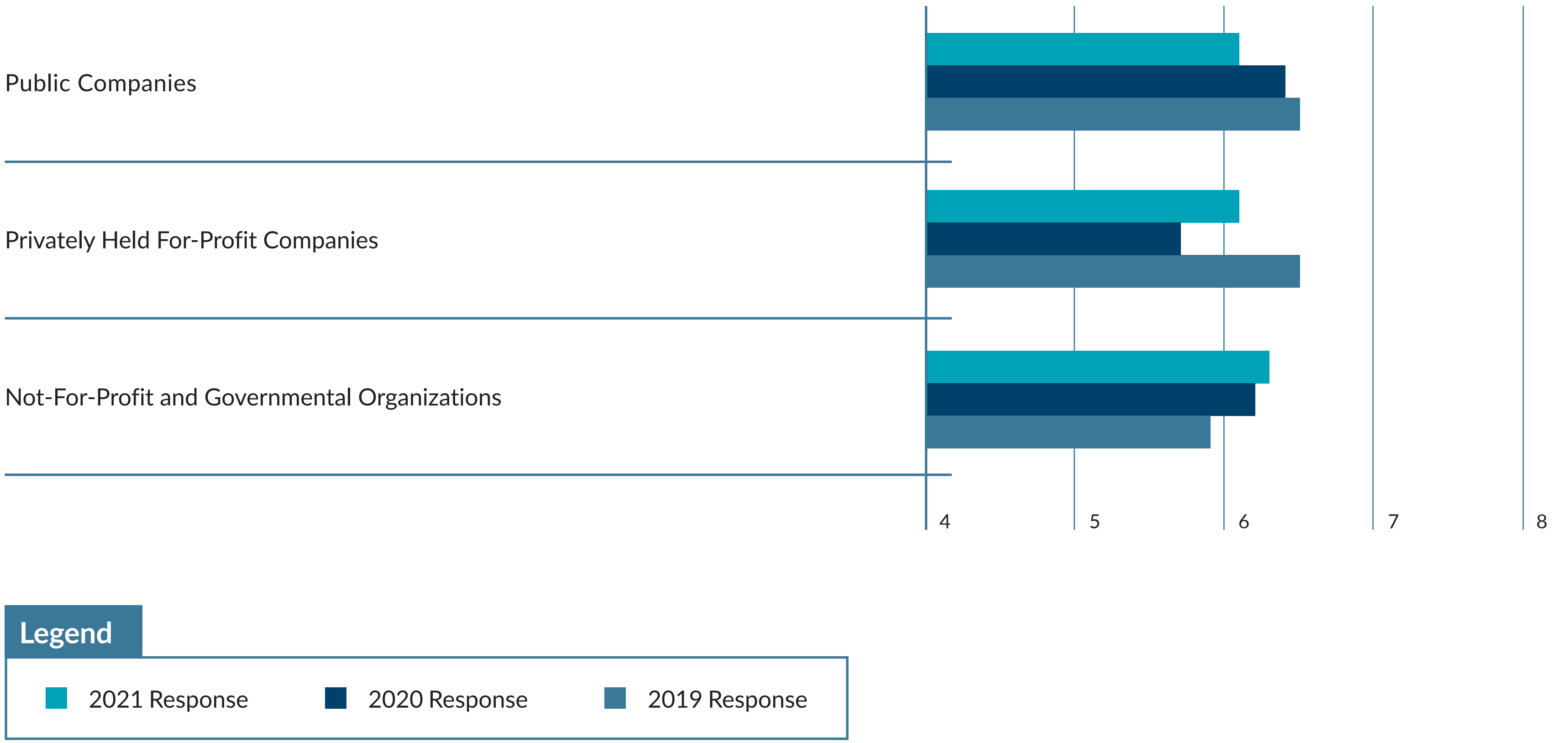


TABLE OF CONTENTS

The increased enthusiasm among private for-profit entities this year for continued investment in risk management activities is consistent with the increased concern they express over anticipated challenges in sustaining and/or strengthening the coordination and exchange of risk information (increasing from 5.4 in 2020 to 5.6 in 2021). Both public companies as well as not-for-profit and governmental organizations anticipate fewer challenges in 2021 relative to both 2020 and 2019.

• • • *Over the next 12 months, to what degree do you believe your organization will experience challenges to sustaining and/or strengthening the coordination and exchange of risk information among senior management, front-line business unit and process owners, second-line risk management leaders, and relevant subject-matter experts within the organization?*

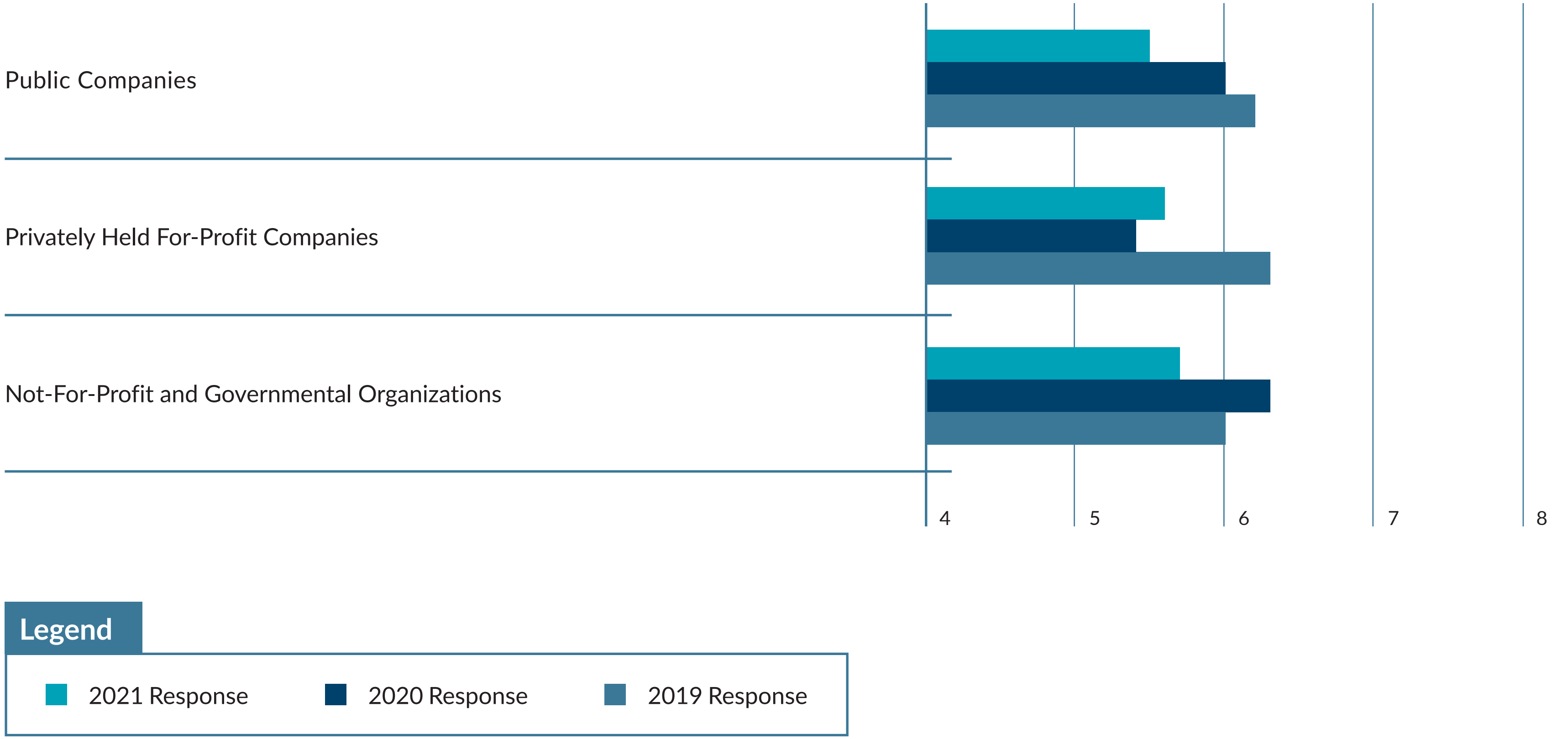


TABLE OF CONTENTS

A Call to Action: Questions to Consider

This report provides insights from 1,081 board members and executives about risks that are likely to affect their organizations over the next 12 months (and also looking ahead to 2030). Our respondents rate the overall business environment as more risky in 2021 vis-à-vis 2020, although when examining individual risks, respondents rate 22 of the 30 risks included in the 2020 survey as lower in 2021 than they were rated in 2020 (recall we added six new risks this year). This suggests that there is uneasiness among executives about what risks might be out there that management and the board currently do not see or understand. They may be concerned about the extent of disruptive risks that may arise but are not currently "known" to them. As a painful example, a global pandemic and associated economic ills were unlikely to have appeared on many organizations' top 10 lists of risks for 2020 at the beginning of the previous year.

The ongoing events of 2020 continue to present major challenges as we move deeper into 2021. The level of uncertainty in today's marketplace is rapidly evolving and presenting new risks that many previously thought were unimaginable.

The ever-changing risk landscape and the overall perceived magnitude and severity of risks should prompt boards and senior executives to closely scrutinize the approaches they use to keep an eye on emerging risks.

Unfortunately, some organizations continue to manage risks the way they have for many years, even though the profile of risks is evolving as business transforms in the digital economy. Their risk profile is most certainly not yesterday's risks, and a focus on financial and compliance risks using static analog-age tools without any conception of the organization's risk appetite leaves decision-makers across the company to their own devices. Soon those organizations may realize, once it's too late, that the level of investment in risk management and their willingness to engage in robust tools are inadequate.

Hopefully the experiences of navigating the complexities of the ongoing pandemic, social unrest and the extreme polarization of viewpoints revealed by the events of 2020 have highlighted for executives and boards weak points in their organizations' approach to risk management. At the same time, many organizations have benefitted from the "all-hands-on-deck" approach to how their leadership teams have come together to quickly assess emerging situations and respond to risks never seen before. Ongoing communications and transparent discussions about risks on the horizon are attributes worth preserving once the firestorm caused by the pandemic subsides. As business leaders think about issues they have had to confront in recent months, they may benefit from an honest assessment of their risk management infrastructure and its intersection with strategic planning and value creation.

Given the disruptive environment, now may be an opportune time for boards and C-suites to closely examine how their organization approaches risk management and oversight in the digital age to pinpoint aspects demanding significant improvement. Managing today's risks using outdated techniques and tools may leave the organization exposed to significant, undesirable and potentially disruptive risk events that could obviate its strategy and business model and threaten its brand and reputation — even its very survival.

Accordingly, in the interest of evaluating and improving the risk assessment process in light of

TABLE OF CONTENTS

the findings in this report, we offer executives and directors the following diagnostic questions to consider when evaluating their organization's risk assessment and risk management process:

Ensure our risk management approach is sufficiently robust

Because risks are constantly changing, the risk management process needs to be repeatable, clearly defined and adequately resourced to ensure business leaders are staying abreast of emerging issues:

- What insights have the ongoing pandemic and other 2020 risk issues revealed about limitations in our organization's approach to risk management?
  - To what extent was the risk of a pandemic on our risk radar prior to early 2020? If so, how did having it in our risk register help us prepare for what we have faced?
  - How prepared was our organization to deal with the challenges we have experienced?
  - How effective was our organization's business continuity plan in addressing the enterprise-wide impact of COVID-19? What holes in the plan have been revealed thus far?
  - Did our employees have all the technology and tools they needed? Did urgent efforts to adopt new tools and technologies and transition to a virtual workplace achieve acceptable productivity and returns? Did those efforts create information security issues?
  - Was our culture resilient enough to pivot in response to the pandemic's effects on our customers, employees, third-party relationships and supply chain?
  - What do we now understand that we wish we had known prior to the pandemic? Why didn't we better anticipate those issues?
- Is the process supported by an effective, robust methodology that is definable, repeatable and understood by key stakeholders?
  - To what extent is our risk management process mostly focused on internal, operational types of risks using a bottom-up approach to risk identification?
  - How well does our approach to risk identification foster consideration of risks that may have a higher-level strategic impact and that may be triggered by external events or competitor moves that are beyond our organization's control?
  - Would most stakeholders describe our approach to risk management as one that is siloed across disparate functions in the organization and/or one that is more ad hoc than structured?
  - Does the process delineate the critical enterprise risks from the day-to-day risks of managing the business so as to focus the dialogue in the C-suite and boardroom on the risks that matter most?
  - Do we engage all the right stakeholders in the risk identification process?
  - How frequently do we refresh our risk inventory? Do we use a formal or an informal risk assessment process? Is it often enough?
  - How extensively do we evaluate the effectiveness of responses that are intended to help prevent risk events from occurring and that might reduce the impact of the risk events should they occur?
- Is there a process for identifying emerging risks? Does the risk identification process allow the board and management enough time to adequately consider response plans to these risks?
- To what extent does our management dashboard system include robust key risk indicators that help the leadership team monitor shifts in risk trends?

Evaluate whether our risk focus is sufficiently comprehensive

Given the pace of change experienced in the industry and the relative riskiness and nature of the organization's operations:

- To what extent are we centering our focus on risks in the context of our organization executing its strategy, achieving its business objectives, sustaining its operations, and preserving its brand image and reputation?
- What have we learned from our management of risks triggered by the pandemic about the importance of focusing our attention on risks that are most critical to our core business operations and strategic initiatives?
  - The pandemic has helped many to focus on risks that threaten the organization's ability to deliver core products and services. How is that focus different from the focus of our risk management activities prior to the emergence of COVID-19?
  - What kinds of risk management activities are we addressing during the pandemic that we were not engaged in previously?
  - In response to risks triggered by the pandemic, what changes have we made to our business model that should be preserved for the long term?
  - What risks has our organization been forced to take in light of the pandemic that now represent risk opportunities we should leverage for greater value going forward?
- To what extent is the knowledge of top risks identified by the organization's risk management process serving as a critical input to the strategic planning process?
- Does our risk management process consider a sufficient time horizon to pick up strategic risks and emerging risks looming on the horizon ("gray rhinos"), e.g., the longer the horizon, the more likely new risk issues will present themselves?
- To what extent is our focus on external risks linked to geopolitical shifts, emerging disruptive innovations and changes in macroeconomic factors?
- In our ongoing assessment of risk, do we consider the effects of changes in internal operations, personnel, processes, technologies, suppliers and third-party vendors?
- Does our risk management process consider extreme as well as plausible scenarios? Do we have meaningful discussions of "black swan" and "gray rhino" events?
- Are we encouraging the identification of opportunities to take on more risk on a managed basis? For example, is risk management integrated with strategy-setting to help leaders make the best bets from a risk/reward standpoint that have the greatest potential for creating enterprise value?
- Do the board and senior management receive risk-informed insights, competitive intelligence and opportunities to secure early-mover positioning in the marketplace, fostering more effective dialogue in decision-making processes and improved anticipation of future exposures and vulnerabilities?

Clarify accountabilities for managing risks

Following completion of a formal or informal risk assessment:

- Who is involved in risk management activities as we navigate the ongoing environment but was not involved prior to COVID-19? To what extent should those individuals continue to participate over the long term?
- What groups (committees, councils, task forces) of individuals have been regularly involved in helping the leadership team navigate the multitude of risks triggered by the pandemic, social unrest, political dysfunction and other events of the prior year? To what extent do those groups need to be formalized so that they continue to provide risk management leadership and inform decision-making for the future?
- Are risk owners assigned for newly identified risks?
- Are effective risk response action plans developed to address the risk at the source? Are risk owners accountable for the design and execution of those responses?
- What are the biggest gaps in risk response that have been revealed by the events of 2020? How does the presence of those gaps reveal limitations in the organization's risk management processes? Who should be accountable for reducing those gaps?
- To what extent does the organization need to elevate its oversight and governance of its

business continuity planning and operational resilience activities? To what extent are these efforts limited to certain aspects of the organization (i.e., information technology, supply chain operations) and not enterprise-wide?

- Is there an effort to source the root causes of certain risks that warrant a better understanding? Does the process look for patterns that connect potential interrelated risk events?
- Are we monitoring the business environment over time for evidence of changes that may invalidate one or more critical assumptions underlying the organization's strategy? If so, when there is evidence that one or more critical assumptions underlying the strategy are becoming, or have become, invalid, does management act in a timely fashion on that knowledge to revisit the strategy and undertake necessary mid-course adjustments?
- Do decision-making processes consider the impact of a decision on the organization's risk profile?
  - Have we sufficiently communicated the relative value and importance of considering risk in decision-making across the enterprise?
  - Is the board sufficiently involved in the decision-making process, particularly when it involves acquisition of new businesses, entry into new markets, the introduction of innovative technologies, or alteration of key assumptions underlying the strategy?
  - Is there actionable, current risk information that is widely shared to enable more informed decision-making?
- Are significant risks related to the execution of the strategy and business model monitored over time to consider whether changes have occurred requiring corrective action and whether the organization continues to operate within established risk tolerances in meeting key business objectives?

Communicate an enterprise view of top risks and board risk oversight

With respect to communicating and overseeing the risk profile:

- Is the board informed of the results of management's risk assessment on a timely basis? Do directors agree with management's determination of the significant risks?
- Are significant risk issues warranting attention by executive management and the board escalated to their attention on a timely basis? Does management apprise the board in a timely manner of significant emerging risks or significant changes in the organization's risk profile?
- With respect to the most critical risks facing the organization, do directors understand at a high level the organization's responses to these risks? Is there an enterprise-wide process in place that directors can point to that answers these questions and is that process informing the board's risk oversight effectively?
- Is there a periodic board-level dialogue regarding management's appetite for risk and whether the organization's risk profile is consistent with that risk appetite? Is the board satisfied that the strategy-setting process appropriately considers a substantive assessment of the risks the enterprise is taking on as strategic alternatives are considered and the selected strategy is implemented?
- Given the organization's risk profile, does the board periodically consider whether it has access to the diverse expertise and experience needed — either on the board itself or through access to external advisers — to provide the necessary oversight and advice to management?

Assess impact of leadership and culture on our risk management process

Because culture and leadership significantly impact the organization's approach to risk oversight:

- Is the board's and the C-suite's support for more robust risk management processes evident to key stakeholders across the organization?
  - To what extent is our risk management process helping to foster robust discussion

and dialogue about top risk issues among senior management and the board?

  – Is the board asking for more risk management information or is the board relatively uninterested in advancing the organization's risk management processes?

- How have lines of communication about risk issues improved as the organization deals with the pandemic situation? What has led to that improvement and how can the benefits be preserved for the long haul?
- To what extent is there a willingness among the leadership team to be more transparent about existing risk issues when sharing information with one another? What positive aspects of the organization's culture have contributed to this improvement? What aspects continue to limit openness and transparency about risks?
- Do we have an accurate read on how our organization's culture is affecting how employees engage in risk management processes and conversations? If so, how do we know?
- Are warning signs posted by the risk management function, compliance and ethics function, or internal audit addressed in a timely fashion by executive and operational management?
- Do we have a "speak up" culture that encourages transparency and sharing of contrarian information and bad news? Are our employees convinced they can "speak up" without fear of repercussions to their careers or compensation? For example, does the process:
  – Encourage an open, positive dialogue for identifying and evaluating opportunities and risks?
  – Focus on reducing the risk of undue bias and groupthink?
  – Give adequate attention to differences in viewpoints that may exist across different executives and different global jurisdictions?
- Is adequate attention given to red flags indicating warning signs of a dysfunctional culture that suppresses escalation of important risk information or encourages unacceptable risk taking?

These and other questions can assist organizations in defining their specific risks and assessing the adequacy of the processes informing their risk management and board risk oversight. We hope the important insights about the perceived risks on the horizon for 2021 and 2030 provided in this report prove useful. We also hope that the insights serve as a catalyst for an updated assessment of risks and the risk management capabilities in place within all organizations, as well as improvement in their risk assessment processes and risk management capabilities.

> "As we look back on 2020, there are lessons to be learned. Disruptive events, such as COVID-19, can quickly alter the balance between traditional and new business models. For many industries, the effect of the virus has been extreme and traditional business models were shut down overnight. What separated the organizations that were resilient and prospered from those that struggled to survive? Why were they more prepared? Enterprise risk management has an important role to play in strengthening and nurturing the appropriate risk culture that facilitates the initiative, creativity, innovation and digital thinking so critical to making risk-informed decisions."
>
> Emma Marcandalli, Managing Director, Protiviti

“My takeaway from this year’s risk survey is, ‘Prepare for the next decade and embrace the megatrends, for the future may arrive sooner than you predict.’ The market has been talking about megatrends, including pandemics, for many years. And the signs were there — SARS and Ebola, to name but two, in the past few years, as well as overpopulation, large and dense cities, global travel, and other factors. The point is that companies need to plan for the future. If they are ‘future ready,’ they will prosper. If the focus is only on the present, then they will ultimately lose. It is not a matter of if, but when. The challenge is that getting ‘future ready’ may have some impact on the bottom line over the short term. But it may well mean the difference between thriving and surviving when the inevitable existential threat comes. ”

Jonathan Wyatt, Managing Director, European Regional Leader, Protiviti

TABLE OF CONTENTS

Research Team

This research project was conducted in partnership between Protiviti and NC State University's Enterprise Risk Management Initiative. Individuals participating in this project include:

NC State University's ERM Initiative

- Mark Beasley
- Bruce Branson
- Don Pagach

Protiviti

Principal Research Team

- Jim DeLoach
- Kevin Donahue
- Antonia Laplanche

Advisors

- Pat Scott
- Brian Christensen
- Emma Marcandalli
- Jonathan Wyatt
- Dolores Atallo
- Matthew Moore

About Protiviti

Protiviti (www.protiviti.com) is a global consulting firm that delivers deep expertise, objective insights, a tailored approach and unparalleled collaboration to help leaders confidently face the future. Protiviti and our independent and locally owned Member Firms provide clients with consulting and managed solutions in finance, technology, operations, data, analytics, governance, risk and internal audit through our network of more than 85 offices in over 25 countries.

Named to the 2020 Fortune 100 Best Companies to Work For® list, Protiviti has served more than 60 percent of *Fortune* 1000 and 35 percent of *Fortune* Global 500 companies. The firm also works with smaller, growing companies, including those looking to go public, as well as with government agencies. Protiviti is a wholly owned subsidiary of Robert Half (NYSE: RHI). Founded in 1948, Robert Half is a member of the S&P 500 index.

About NC State University's ERM Initiative

The Enterprise Risk Management (ERM) Initiative in the Poole College of Management at NC State University provides thought leadership about ERM practices and their integration with strategy and corporate governance. Faculty in the ERM Initiative frequently work with boards of directors and senior management teams helping them link ERM to strategy and governance, host executive workshops and educational training sessions, and issue research and thought papers on practical approaches to implementing more effective risk oversight techniques (www.erm.ncsu.edu).

NC STATE Poole College of Management
Enterprise Risk Management Initiative

www.erm.ncsu.edu

protiviti®

www.protiviti.com