

# How did risk managers see risks in 2020 prior to the Covid-19 crisis?

Between 2018 and 2020, multiple events disrupted the European risk climate: economic and political developments, technological changes and growing environmental pressures among them. This was before Covid-19.

*“With external threats in the spotlight and the post-pandemic economic situation yet to come, the risk manager is at the intersection between risks and opportunities more than ever.” FERMA*



The survey asked risk managers to select and rank the major threats to their organisation’s growth prospects at different time horizons (12 months, 3 years and 10 years). The results are presented as follows:

- Top 5 short-term risks, compared below to previous surveys (2016 and 2018);
- Top 15 short-term risks, highlighting their evolution from the previous survey and the new risks identified;
- Two Top 3 risks: a medium-term and a long-term perspective.

## Top 5 critical threats to the organisation’s growth prospects within the next 12 months

Two risks remain on top of priorities over the years: the uncertainty around economic growth and the pace of regulatory change. Cyber threats, which entered the Top 5 in 2018 at pole position, remain the most critical concern in 2020.

In the 2020 Top 5, two new threats reached the highest level of concern of risk managers: **the availability of key skills** and **the data fraud or theft**. The first draws attention to the difficulty of attracting, developing and retaining the skills required to adapt to new technologies and ways of working. The second highlights the threats related to the expansion of data management and use.



The Covid-19 crisis heightens the importance of the top concerns of risk managers:

- There has been a spectacular increase in cyber-attacks exploiting the increased number of digital connexions during the confinement and the potential vulnerabilities of people working from home.
- Uncertain economic growth was already in evidence before Covid-19. During the pandemic, many

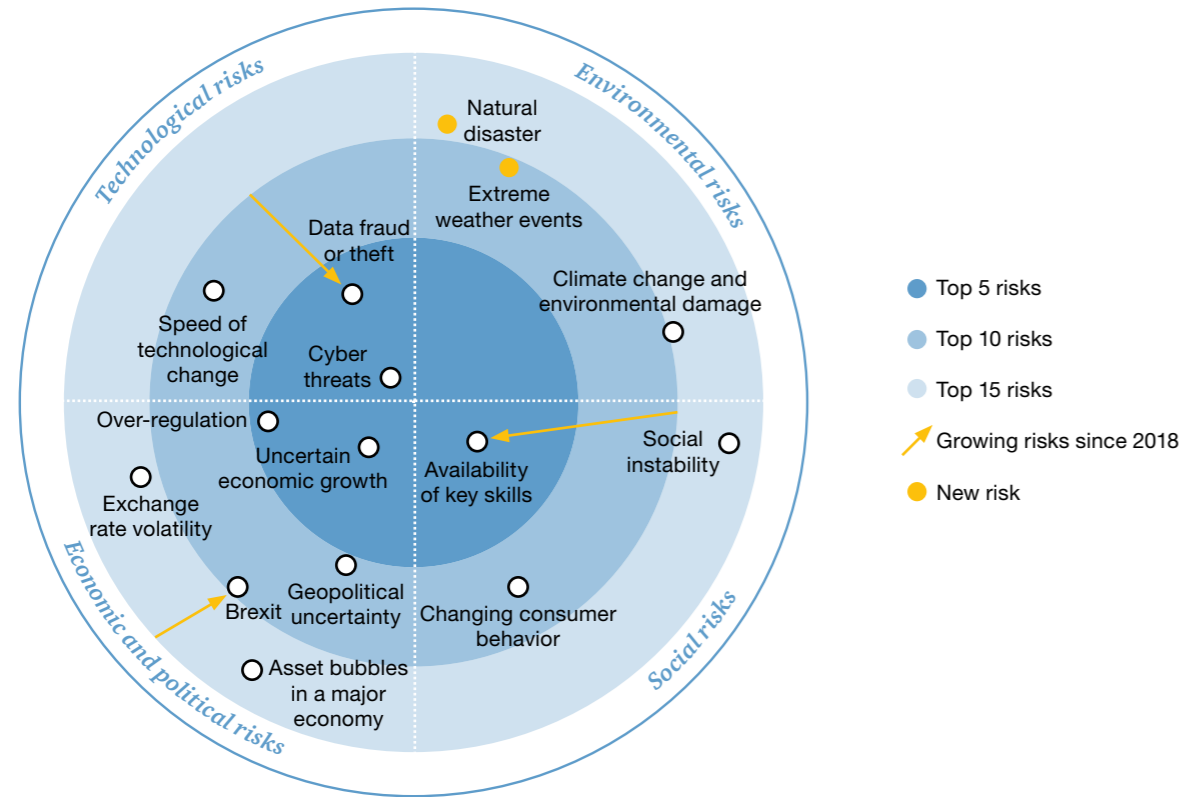
businesses stopped their operations or significantly reduced activity. European economies shrank during the first quarter with an economic recession predicted.

While out of these 5 principal risks, cyber threats are present in all sectors of activities, uncertainty of economic growth was more marked in the industry and services sectors (respectively 33 and 23% of respondents) before Covid-19.



\* Public sector is less representative as only 4% of respondents (refer to survey sample).

# Top 15 critical threats within the 12 next months



This radar highlights 2 new risks in 2020:

- Extreme weather events
- Natural disaster

### A CEO Perspective:

The 23<sup>rd</sup> CEOs survey<sup>1</sup> which gathers the opinions of 1581 CEOs in 83 countries, shows that CEOs and risk managers have a **common and increasing worry about climate change and environmental damage**. There was a 25% increase in the number of CEOs “extremely concerned” about this subject between 2019 and 2020. Indeed, **the green transition is becoming a major point of focus in Europe**.



“No matter where CEOs look or from where they are looking, the path forward is fraught with uncertainty. And uncertainty weighs on growth. In the past two years, the percentage of CEOs who believe global GDP growth will decline has increased tenfold (from 5% to 53%). In every region, CEOs report increased pessimism. And in almost every region, they show significantly diminished confidence in their own organisation’s 12-month revenue growth prospects. CEOs are more sanguine about the prospects for the coming three years; however, confidence levels are still at a low not seen since 2009. Over-regulation remains the top threat, but concern is also rising over **uncertain economic growth**, as well as over trade conflicts, **climate change and cyber**.”

The 23<sup>rd</sup> PwC CEOs Survey

1 23<sup>rd</sup> CEOs Survey: <https://www.pwc.com/gx/en/ceo-survey/2020/reports/pwc-23rd-global-ceo-survey.pdf>

# Top 3 critical threats within the next 3 years and next 10 years

## Top 3 risks within the next 3 years



This medium- and long-term risk ranking shows that the risk managers have 2 major concerns:

- In the medium term, **digital transformation** as a result of the speed of technological change and cyber threats, in a context of economic uncertainty;
- In the longer term, **the transition towards a sustainable environment** with a major accent on environmental damage, climate change and extreme weather events.

## Top 3 risks within the next 10 years



These broad issues also relate to changes in customer behaviour that 11% of risk managers see coming in the next 10 years.

As such topics are prevalent, complex and transversal, **ERM is diversifying risk mapping** to address them through a specific risk assessment exercise. This highlights a **trend away from compliance-led risk mapping to a resilience-led risk mapping**, which the current global pandemic crisis is expected to amplify.

Risk mapping remains one of the most important activities on the risk manager’s agenda. Risk maps conducted at corporate level and for certain business units have increased, while the top down approach slightly decreased.

Data privacy and strategic risks are subject to specific risk mapping and relate to digital transformation, as well as the transition towards a sustainable environment.

The proportion of risk managers mapping CSR risks has increased slightly (from 8% in 2018 to 11%). This is consistent with their identification of climate change and environmental damage (17%) and extreme weather events (10%) as among the most critical threats within the next 10 years. In addition, the pressure from regulators in the context of the European Green Deal and the EU sustainable finance strategy pushes companies to increase the disclosure of their sustainable activities.

## To what extent does your organisation prioritise risks by mapping them?

