RESILIENCE BAROMETER

COVID REPORT

FEBRUARY 2021

Rebuild **Resilience**. Protect **Value**

EXPERTS WITH IMPACT

F T I CONSULTING

Contents

Introduction

As we enter 2021, the humanitarian and economic toll of the COVID-19 pandemic endures for nations, corporations, communities and individuals.

This special edition of our Resilience Barometer™ series addresses the disruption and damage business leaders are facing as they move their organisations forward and evolve their strategies to reignite sustainable growth in the face of a new normal.

COVID-19 has tested businesses on all fronts – it has transformed the way we work, learn, consume, communicate and much more. And despite the unprecedented government stimulus packages supporting economies across the globe, our global economy remains in distress – from negative GDP growth to rising unemployment rates and unparalleled levels of government debt. This report examines the impact these trends and others have had on large businesses in G20 nations within the context of the pandemic, and the actions they are driving across their enterprise to plan for what is next and position their businesses to emerge even stronger.

I would like to thank the extensive network of business leaders who have shared not just the challenges they have faced, but also the stories of innovation and resilience that give them confidence they are doing the right things for their people, customers, shareholders and communities to drive sustainable growth for years to come.

STEVEN H. GUNBY
President and Chief Executive Officer
FTI Consulting

Executive Summary

The effect of COVID-19 in numbers

Average impact of the pandemic on G20 companies

Headcount **-12%**

Turnover **-10%**

Profit **-9%**

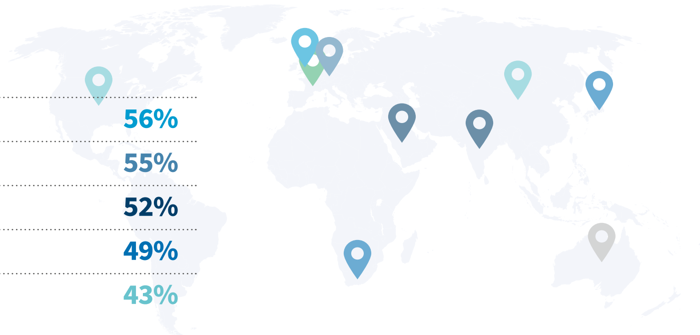
Over 40% of G20 companies have experienced a drop in productivity

70% of G20 companies are planning for a prolonged economic downturn due to COVID-19

Government Debt - The Global Outlook

What proportion of G20 companies are concerned about rising government debt in their country?

01.	India	**75%**
02.	South Africa	**75%**
03.	US	**71%**
04.	Australia	**67%**
05.	France	**60%**
06.	UK	**56%**
07.	Germany	**55%**
08.	Saudi Arabia	**52%**
09.	Japan	**49%**
10.	China	**43%**



SEVEN RESILIENCE LEVERS

Escalation Planning & Response

39%

of G20 companies found that their crisis response plans were insufficient to deal with the challenges of COVID-19

78%

of G20 companies use AI and analytics to monitor for scenarios that impact risk and compliance

Read more on **PAGE 15 >**

Business Model & Workforce Transformation

78%

of G20 companies have had to fundamentally re-evaluate their business models as a result of the pandemic

54%

of G20 companies are seriously concerned about the mental health of their employees

86% of G20 companies now use analytics to track the productivity of their workforce

Using before pandemic	**46%**
Started using **during** pandemic	**41%**

Read more on **PAGE 28 >**

Government & Stakeholder Relations

Governments have replaced customers as the most impactful stakeholder group on company strategy:

84%

of G20 companies say "Governments have a strong potential to impact their business" compared to 80% for customers

35%

of G20 companies point to extreme pressure to strengthen external stakeholder relationships in 2021

82%

of business leaders believe companies should be run in the interest of all stakeholders, not just shareholders

Read more on PAGE 22 >

Economic Impact & Sustainability

4 in 5 G20 companies say they have placed more emphasis on the social pillar of ESG since the start of the pandemic

3 in 4 G20 companies say they are more committed to climate change than they were a year ago

Over 85%

of companies see COVID-19 as a catalyst to accelerate or materially enhance their approach to ESG and sustainability

Read more on PAGE 25 >

Remediation & Dispute Resolution

65%

of G20 companies have stepped up dispute activity due to financial challenges and external market disruption

84%

of US companies have increased their budget allocation for investigations work since the start of the pandemic

69%

of G20 companies have seen or expect to see an increase in regulatory issues or investigations as a result of COVID-19

Read more on PAGE 18 >

Operational & Financial Resilience

Over 7 in 10

G20 companies believe supply chains have been permanently disrupted by COVID-19

3 in 10 G20 companies either have required — or expect to require — restructuring or refinancing since the start of the pandemic

16%

of G20 companies globally say they are in distress

60%

of G20 companies are facing challenges servicing their debt requirements

Read more on PAGE 31 >

Digital Trust & Ecosystems

60%

of business leaders said they are concerned by the prospect of nation state cyber attacks in 2021

G20 companies experienced **more cyber attacks in 2020 compared to 2019**.
Top 5 threats faced:

01.	Theft of customer data	**32%** (+6%)
02.	Theft of third party information	**29%** (+4%)
03.	Theft of intellectual property	**26%** (+7%)
04.	Data ransom/hostage	**26%** (+6%)
05.	Distributed denial-of-service	**24%** (+4%)

Read more on PAGE 34 >

Executive Summary

COVID-19 has shattered preconceptions about what a resilient company or economy looks like. The latest FTI data indicates that the average G20 company lost over 10% of its revenue due to the pandemic. Over 60% of G20 companies are concerned about rises in government debt in their country.

Such numbers make for grim headlines, but our data also tells a story about how businesses have protected their value and adapted to the most challenging global economic environment seen for generations. Moreover, it highlights the disparity in impact, and how some companies are already working to create competitive advantage for the long term.

> “In many ways, COVID-19 has not changed the direction of travel for global companies – it has massively accelerated pre-existing trends. What were previously competitive advantages for businesses are now commercial necessities, from effective online presence to robust supply chains. Common attributes can be seen amongst those companies which have weathered the crisis best: they are agile, technologically innovative and willing, even eager, to challenge old norms of doing business.

CAROLINE DAS-MONFRAIS
Global Resilience Lead

A harsh lesson

Real-time data insights have been a key facet of business resilience in the last year, allowing businesses to unpick the threats and challenges created by the disruption as they appear. From debt servicing to cyber threats, businesses are facing compounded crises on an unprecedented scale. With over three quarters of G20 companies now using artificial intelligence and analytics to monitor risk scenarios, resilient organisations are proactively taking steps to ensure they are prepared for what comes next. Patterns can be identified, and lessons learned.

One such lesson will be ensuring that future escalations do not catch business leaders unaware. Though the threat posed by COVID-19 has not subsided, many organisations are already considering how they can prepare for the next global crisis. With almost 40% of companies reporting that their response plans were insufficient to deal with the pandemic, the robustness of previous crisis response methods has been called into question. Central to the pandemic’s lethality was its unexpectedness – a crucial part of rebuilding resilience will hence be guarding against future unexpected events. Best practice is emerging across industries, with 90% of companies now placing greater emphasis on planning for unknown risks.

Preparing for the unknown means concentrating on business fundamentals: how can one stay operational and financially viable when disaster strikes? The answer often involves making difficult decisions – 3 in 10 G20 companies have required restructuring or refinancing as a result of the pandemic. Strategic actions like mergers and acquisitions are being re-evaluated. The integrity of production ecosystems is being closely examined: 75% of companies believe the pandemic has permanently disrupted supply chains. The hallmark of resilient companies will be their willingness to challenge existing practices from the balance sheet up, and seize opportunities to accelerate growth. Such opportunities range from e-commerce sites acquiring established high-street brands, to auto manufacturers investing in green mobility solutions.

Permanent change

Changes in consumer behaviour – anticipated to be permanent by 78% of G20 companies – will prevent a return to previous norms. Business models must adapt to account for this: as we look to 2021, 77% of G20 companies have had to fundamentally change theirs due to COVID-19. Longstanding assumptions are being questioned. Do large service businesses need inner city office space for all their staff? Is main street presence still beneficial for retailers?

The answers to such questions will impact employees as well as consumers. The pandemic has shown that many workforces can operate remotely. While this has clear potential advantages in many industries – flexibility for employees and cost-effectiveness for employers – there are definite risks in maintaining a physically dispersed workforce: for example, over half of the business leaders surveyed expressed serious concerns about the mental health of their employees.

Mass remote working is symptomatic of a larger trend – the digitisation of business ecosystems. Digital solutions drive growth and innovation, but their prevalence also fuels the increased threat from cyber attacks. As COVID-19 has pushed more global commerce online over the last 12 months, we have seen increases in incidents: almost 1 in 3 G20 companies lost customer/patient data to attacks in 2020, up from 1 in 4 for 2019. 74% of business leaders agree that cybersecurity has risen up their board's agenda as a result of the pandemic.

Scrutiny and opportunity

COVID-19 has reaffirmed that no business is an island – every company is sustained through a complex web of stakeholder interests. A key aspect of resilience is to effectively manage these interests. Governments have intervened in economies to an astonishing extent, and now rank even above customers as the stakeholder group with the strongest ability to influence companies' strategic direction. Public bodies will expect good governance from businesses they have helped. The wider stakeholder community will expect proactive engagement on key issues.

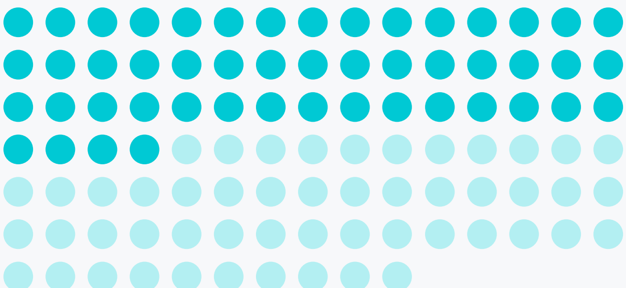
Even the best stakeholder engagement will not prevent contentious situations from emerging, particularly in times of crisis. Conflict has already manifested in the form of corporate disputes: 66% of our G20 respondents report stepping up their dispute activity since the start of the pandemic. Governments and regulators will also be keen to punish criminal or non-compliant activities that occurred during the crisis. Misconduct thrives when times are hard, and 69% of companies have seen or expect to see an increase in regulatory investigations as a result of COVID-19.

But the pandemic should not be viewed only as a catalyst for regulatory investigations or negative press. In 2020, businesses saw opportunities to reaffirm their social licence to operate. More than just an engine of financial value creation, companies can work with public bodies and society at large to drive broader positive change. Even with the financial pressures of the pandemic, 82% of G20 business leaders stated that companies should be run for the interest of all stakeholders, not just shareholders.

If 2020 has taught businesses anything, it is that the best way to follow through on these commitments is to be resilient to crises and prepare for emerging threats – those businesses that invest in resilience will be well placed to succeed when we emerge on the other side.

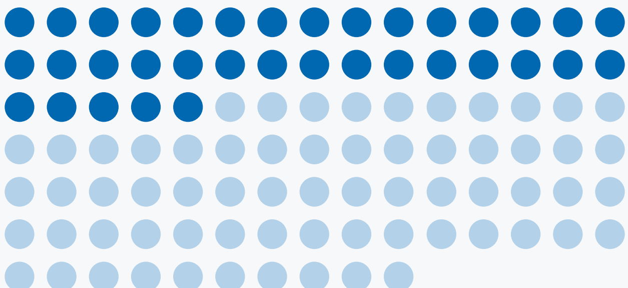
TMT is the best performing industry with a COVID Resilience score of

49/100



Food and beverage is the worst performing industry with a COVID Resilience score of

35/100



C-Suite Concerns

If 2020 taught businesses anything, it is that the risks they face extend far beyond the fluctuations of their particular industry or ecosystem. Global CEOs are concerned not just by market developments, but by geopolitical shifts, social movements, and the accelerated digital transformation of global commerce.

The pandemic was naturally the dominant concern, affecting every aspect of the world economy – but CEOs also found themselves called to action on issues such as climate change, social justice and diversity. Geopolitical changes are also high on the agenda as supply chains and business continuity risk being impacted by changes in trade relations between the US and China, Brexit, and increased fragmentation around the world.

More than any other crisis in recent memory, the pandemic has put huge pressure on business leaders. Irrespective of financial performance, CEOs have had to grapple with the human cost, be that to their employees, their companies or their communities. Business continuity has hinged on making immensely difficult decisions, and will continue to do so in 2021. Whole divisions have been shuttered, and many have watched years of hard work vanish due to circumstances beyond their control.

At a time when productivity is low and employee wellbeing is in question – over half of business leaders are seriously concerned about the mental health of their employees – compassionate and resilient leadership is more vital than ever. Even as the pandemic yields to human ingenuity and tenacity, CEOs must continue their focus on protecting staff as well as margins.

What will business leaders lose sleep over in 2021?

Future waves of COVID-19 are at the forefront of business leader concerns – 74% say they are troubled by this possibility, and almost 90% believed they are likely to face another wave in their country. This is unsurprising – even with vaccine rollouts across the world, the appearance of new variants is a reminder that the end of this is not within touching distance yet. The macroeconomic fallout from the pandemic, manifesting in rising unemployment and government debt, is also of pressing concern, and will continue to be for years to come.

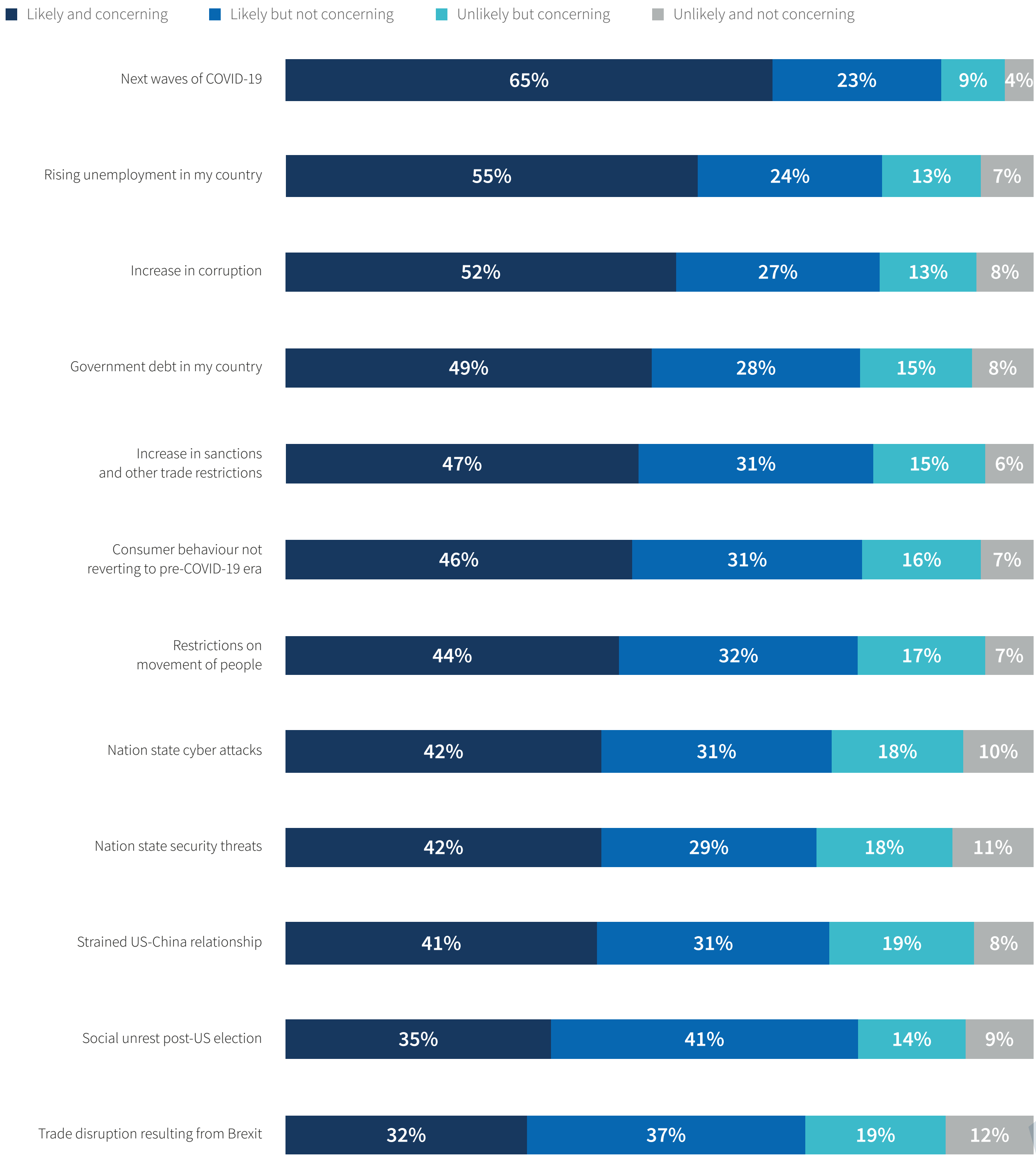
Political issues feature heavily on the C-Suite agenda, from rising corruption to sanctions and trade restrictions. Over three-quarters of G20 companies predict that these will increase in 2021, indicating that CEOs should prepare for a more contentious and complex commercial environment in the next 12 months. There is also concern over the presence of malicious cyber actors disrupting legitimate business on behalf of nation states. 72% of our respondents believe that nation state cyber attacks are likely in 2021, and these fears were confirmed in the US just as 2020 was drawing to a close.

> “Disruption and change defined 2020, and the burden on decision makers is to identify which changes are temporary and which are permanent. Discerning which ‘new normal’ scenarios will be realised post-pandemic – and building resilience accordingly – will be a distinct strategic advantage for businesses.

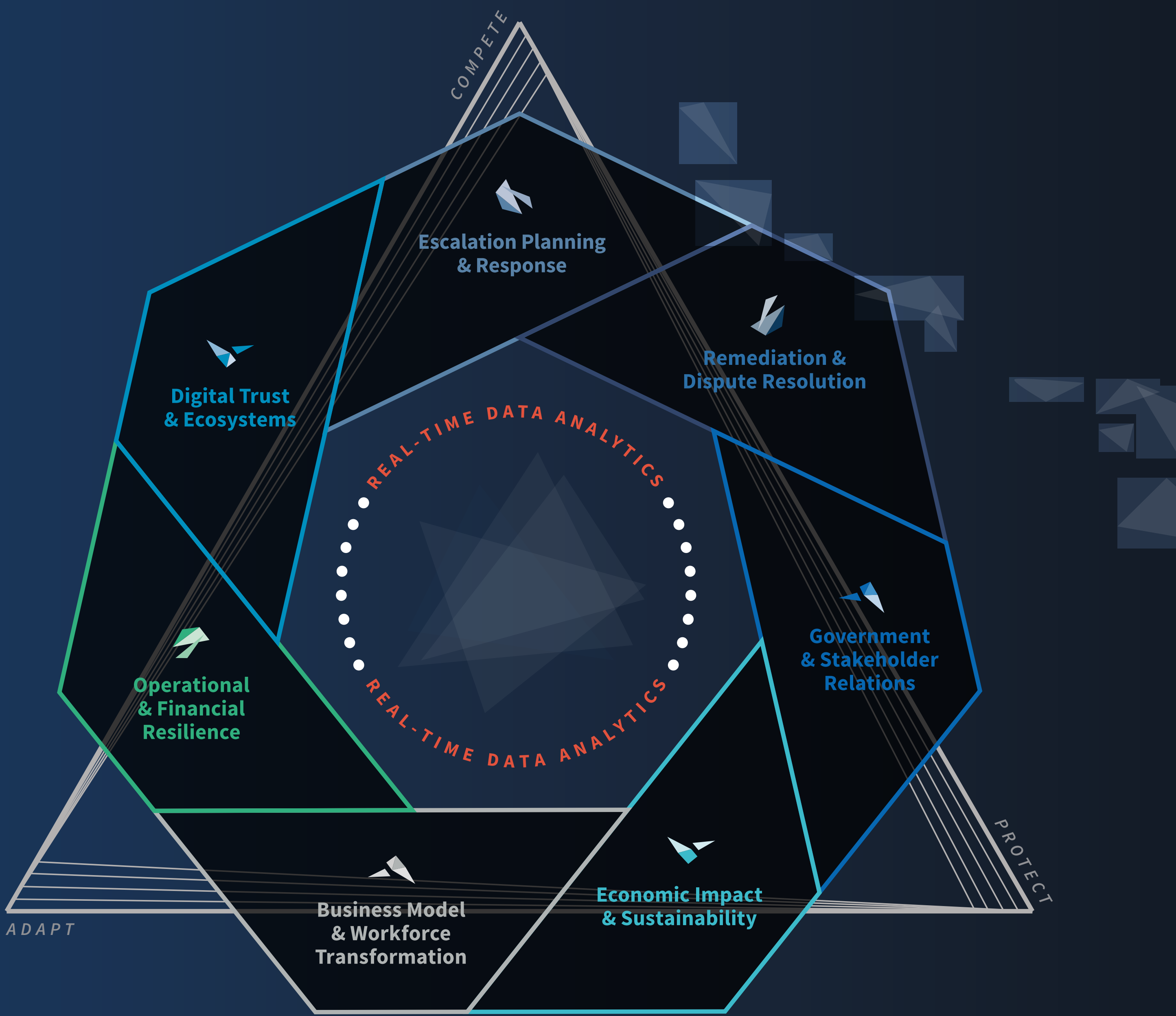
KEVIN HEWITT
Chairman
Europe, Middle East & Africa

C-Suite concerns for 2021

Q: Do you think that the following events are likely and/or concerning in 2021?



Resilience Agenda



The future is uncertain, and tectonic market shifts have a habit of striking on unexpected fronts. True business resilience is therefore not developed by concentrating on a single risk, but by building preparedness holistically against a variety of threats. This preparation must happen constantly; even in 'normal' times, resilient companies find their preparedness translates into competitive advantage.

Drawing on insights from global C-Suite professionals, FTI Consulting's Resilience Agenda© captures the experiences of business leaders facing major challenges – whether commercial, technological, reputational or legal.

These learnings are encapsulated in seven resilience levers: key areas of focus that decision makers must navigate in a fast-paced, disrupted environment.

14 RESILIENCE SCENARIOS

01. Inability to proactively plan for the future

02. A corporate crisis damaging your reputation

03. Uncovered fraudulent practices or victim of financial crime

04. Litigations and contract disputes

05. Activism or boycott by stakeholders

06. Scrutiny of regulatory compliance and investigations

07. Impacted by ESG and sustainability agenda

08. Shift in investment strategies as a result of industry convergence, regulatory or geopolitical changes

09. Drop in productivity or profitability

10. Pressure to innovate business model and accelerate digitisation

11. Disruption of cash flow

12. Supplier disruption or disputes

13. Cyber attacks and threats

14. Data privacy issues and leak of sensitive internal information

IN NUMBERS

We gathered perspectives of C-Suite and senior managers from

2185

LARGE G20 COMPANIES

The companies directly employ a total of

38 million

PEOPLE

Participating companies represent a sum aggregated

$30 trillion

GLOBAL TURNOVER

Real Time Data Analytics

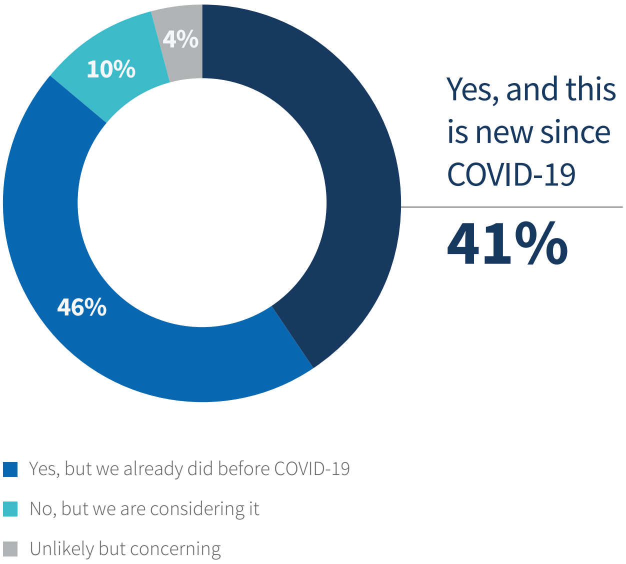
In recent years, the volume, variety and velocity of data used by companies have grown exponentially. Predictive models have likewise grown in complexity, and in their importance to companies' decision making. Effective use of data is now a hallmark of leading businesses across industries, but in times of crisis overreliance on past models can become a hindrance rather than an advantage.

All businesses are informational entities – gathering data on their environment, analysing it to model action and reaction, and assessing the results of the initiatives and activities that follow. The fallout from COVID-19 has shattered many of the assumptions underpinning businesses' analytical models: airlines used predictive analytics based on past flight uptake to set prices; restaurants used this to determine the best layouts – how many such models remain useful?

Not only are parameters changing on a daily basis, but a multitude of knock-on scenarios have been triggered. This is unprecedented in modern times, and has called into question pre-existing analytical tools. 78% of companies have been using AI and analytics to monitor for risk scenarios since the start of the pandemic. However, paradigm shifts such as mass remote working practices, new communication channels and their data security implications – including privacy – may not be captured within 'old' models. Assumptions about business models, supply chains, cybersecurity and compliance must be challenged to accommodate the latest fluctuations in the political, economic and social environment. An agile, adaptable approach to Data Driven Decision Making (DDDM) is required to reflect both temporary and permanent changes.

COMPANY USE OF ANALYTICS TO TRACK WORKFORCE PRODUCTIVITY

Q: Does your company use analytics to track workforce productivity?

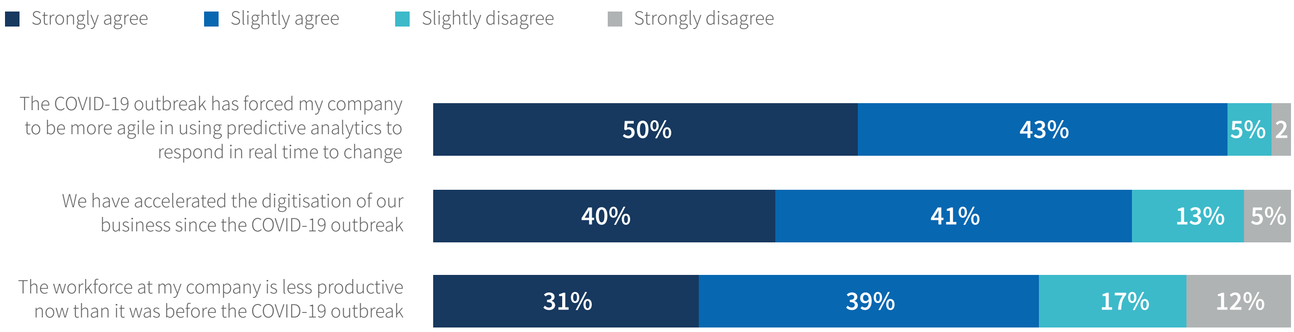


> Given the ballooning number of data sources, formats and volume now within scope for potential regulatory or legal matters, it is little wonder 78% of companies surveyed use AI and analytics to monitor scenarios which might impact risk and compliance. This rises to 91% in the US, highlighting the impact of regulatory differences.

RICHARD PALMER
Senior Managing Director
Technology

COVID-19 HAS ACCELERATED DATA TRENDS

Q: How strongly do you agree or disagree with the following statements?



Agile response & business continuity

There is significant investment from G20 companies in predictive analytics, with 93% of respondents indicating their business have used the technology to respond in real time to change since the start of the pandemic. The need for companies to adopt data-driven digital solutions during the crisis has been unprecedented, and over 80% say they have continued to invest in digital solutions despite financial pressures. However, implementing such solutions during a crisis is difficult – a fact reflected by 60% of companies agreeing that they have been unable to ramp up from a digital perspective.

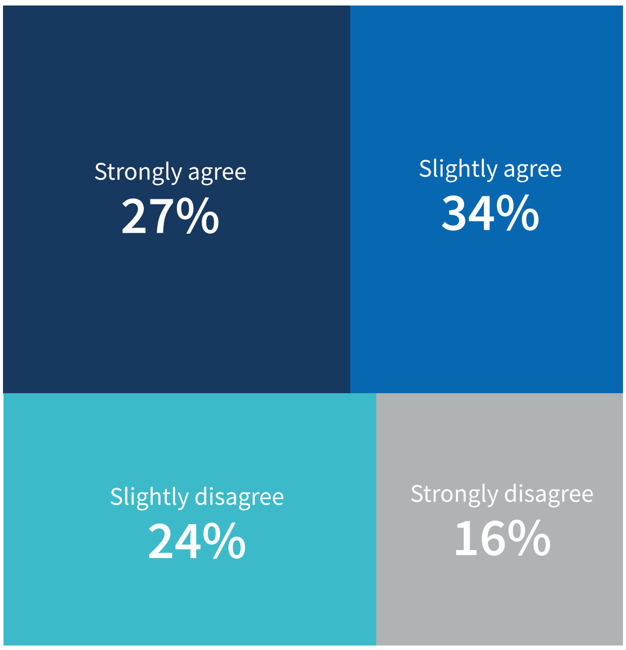
The example of the healthcare industry highlights these challenges. Even with current interest in modelling and predicting infections and hospitalisations, the industry showed the greatest lag in adopting agile predictive analytics: 15% of healthcare companies disagreed with the statement that the COVID-19 outbreak had seen improved use of these tools and systems. Furthermore, 66% said they had been unable to effectively adopt digital solutions (the highest figure of any industry). This is no indictment of healthcare companies' technical ability – it is symptomatic of their position at the frontline of the COVID-19 response. At the sharp end of a crisis, implementing analytical measures is hard. Resilient organisations are thus early adopters, growing their data analysis capabilities in easier times to enable business continuity when times are hard.

A key component of business continuity is maintaining productivity. G20 companies considered drops in productivity they suffered to be the single largest source of turnover lost in the COVID-19 crisis. Companies have responded to the mass shift to remote working with a large increase in their use of workforce analytics: 86% of our respondents said their company uses analytics to track workforce productivity, and almost half of these have done so only since the pandemic began.

DIFFICULTIES IN DIGITAL ADOPTION

Q: How strongly do you agree or disagree with the following statements?

"My company has been unable to ramp up from a digital perspective."

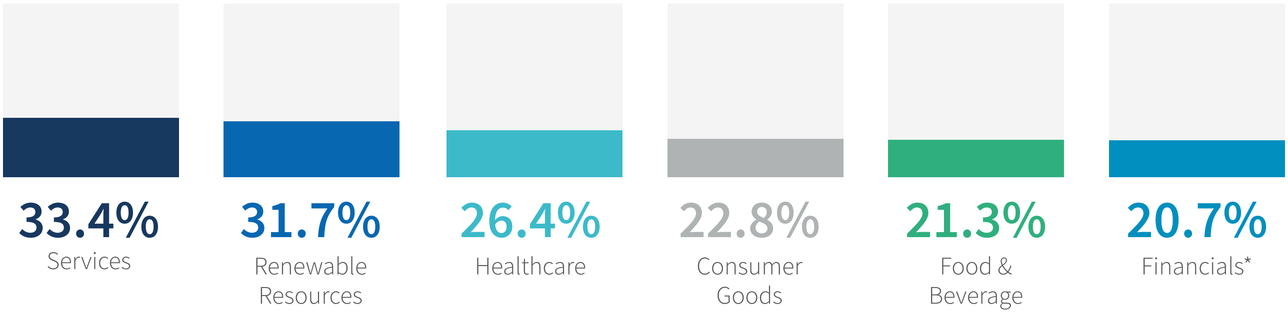


> "The key to building business resilience and organisational agility is to get the right information to the right people at the right time. This can be achieved by creating an integrated AI analytics strategy with an operating model that incentivises innovation, and devolves and distributes decision making to experts.

IAN DUNCAN
Senior Managing Director
Digital Science

WHICH INDUSTRIES ARE LAGGING?

Proportion of companies which are *not* utilising AI and analytics to monitor risk scenarios



Data security risks

Mass remote working has both encouraged and facilitated this increased use of productivity analytics – many employees engage with their work exclusively through digital means, unlocking a vast ecosystem of data sources. However, there are privacy, data security and transparency repercussions to these changes:

1. **Dispersion of communications.** The displacement of email as a corporate communication channel creates a compliance and surveillance challenge, as well as information governance issues around mapping and preserving the corporate data universe. Rapid adoption of video conferencing tools has increased the dispersion of a company's communication channels.

2. **Distribution across storage venues.** With communications widely dispersed, key data will be increasingly distributed from corporate on-site systems to cloud archives around the globe. This complicates tracking the generation and storage of data, making it difficult to monitor key decisions and employee conduct. With cloud providers in control, companies will lose visibility into their data retention policies, which are likely to diverge from the organisation's retention, retrieval and disposal needs.

What next for 'the new oil'?

Demand for adoption of cloud technologies and machine learning capabilities will continue to grow. These solutions will become more widely available and utilised as continued improvements will reduce costs and improve performance. Smart automation will play a growing role in the supply chain – indeed, 76% of G20 companies reported that they are looking into automation to cope with financial pressures.

Investing in digital capabilities when coupled with changes to an organisations' operating model will lead to immediate benefits. The key to building business resilience and organisational agility is to get the right information to the right people at the right time. This can be achieved by creating an integrated AI analytics strategy with an operating model that incentivises innovation, and devolves and distributes decision making to experts.

J NICHOLAS HOURIGAN
Head of Data Analytics EMEA

"A compounding difficulty in this pandemic is that while most otherwise healthy businesses have had to direct priority resources in a fight to maintain status quo, criminals have not – and the actions of these criminal elements will become manifest in regulatory enquiry. Resilient organizations are treating data points, regardless of form or origin, as potential advisors, and deploying analytics to enable human expertise within their business — creating organisational collective intelligence — that protects and preserves more effectively."

93%

of G20 companies say the pandemic has forced them to be more agile in using predictive analytics

Escalation Planning and Response

COVID-19 has been a crisis like no other. For many companies, it has stretched their crisis preparation and response procedures to the limit and beyond.

Nearly 40% of businesses across the G20 reported that their crisis plans were insufficient to deal with the scale, complexity and extent of the pandemic. Many found that their pre-existing response plans lacked flexibility and were not sufficiently expansive in the risks they covered. Over 3 in 10 reported only partially activating their plans; a further 30% stated their company had declared a crisis but gone on to manage it using methods which diverged from prior escalation plans.

Into the unknown

The unexpectedness and severity of the challenge posed by COVID-19 have been an eye-opener. A new focus for companies is preparing for the extraordinary – scenarios that existed outside previous risk parameters are now of the utmost concern. The practical measures businesses are now taking reflect this shift. The most common measure is the identification of potential crises and the assessment of readiness against them. 51% of respondents said they would do this, and a similar proportion said they would update their crisis response plans.

Given the massive operational challenges wrought by the COVID-19 crisis, it is unsurprising that organisations across our surveyed sectors have placed emphasis on investments in crisis planning for particular operational areas. For example, some 45% of G20 companies expect to conduct regular health checks on supply chains as part of their preparations, and 40% expect to conduct cybersecurity audits. The latter is all the more pressing given the extensive transition to remote working, and the resulting increased vulnerability to cyber threats.

For all that specific risks can be anticipated and mitigated, it is impossible to have a plan for every eventuality. It is little wonder then that 90% of respondents across the G20 agree that their company now has a greater focus on planning in principle for unknown risks.

The industry view

Industries varied widely in the ability of their pre-existing plans to deal with the pandemic. Despite being at the frontline of the crisis, healthcare organisations have demonstrated remarkable preparedness: over 70% of healthcare respondents considered their crisis response plans to have been effective in the face of the pandemic, a far higher figure than any other industry. This reiterates the fact that the crisis is primarily one of public health, where organisations with significant health infrastructure and expertise are well-placed to weather the storm.

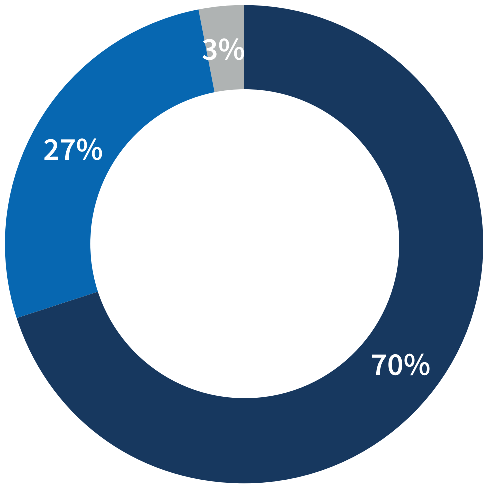
Healthcare is an outlier – other industries' preparations have been found wanting to a much greater extent. Food and beverage companies have performed particularly poorly, with over 45% finding their crisis response plans insufficient to deal with COVID-19. Lack of preparedness translates to commercial damage: 1 in 4 food and beverage businesses reported to be in distress, and the average company in this sector has shed over a quarter of its workforce since the start of the pandemic – the highest of any industry. Notably, this huge reduction in workforce is tempered by a comparatively low average reduction in profit (around 10%), reflecting the short-term impact of government support schemes across the world.

> “Effective crisis response should incorporate an internal communications component that goes far beyond operational protocols and procedures. Resilient companies put transparency, flexibility and empathy at the heart of their internal comms in an effort to reassure employees and preserve corporate culture. They recognise the unique challenges facing each segment of their workforce and tailor engagement strategies accordingly as the crisis unfolds.

TOM EVRARD
Head of Crisis & Issue Management
Asia Pacific

CONTINGENCY PLANNING

Q: Is your company undertaking contingency planning in anticipation of a prolonged economic downside?



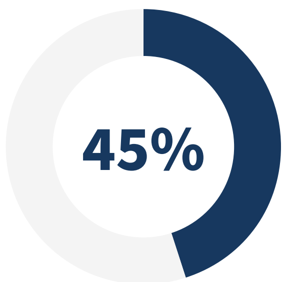
- We are already doing this
- We are not doing this yet, but are planning to
- We are not doing this yet, and are not planning to

Likewise, the transport and extractives industries were unprepared for a slowdown in global commerce. Transport is notable for being the industry with the most heavily affected bottom line – the average firm has experienced a 16% reduction in profit – and the lowest proportion of businesses growing. A quarter of extractive companies reported to be in distress, and the industry has experienced the second-highest reduction in profit since the start of the pandemic: 15%.

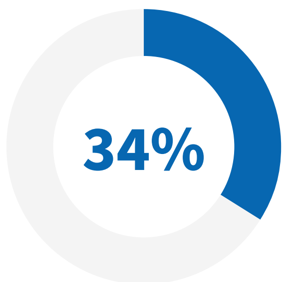
Both industries found their response measures severely lacking: transportation respondents were amongst the least likely to have triggered their crisis response plans at all (just 40% did so), while extractives companies were the most likely to have found their plans, once activated, to be insufficient to deal with the fallout from the pandemic. Few crisis planners in transport or extractives believed a global shutdown in travel was possible – and the industries were hit hard as a result.

ACTIONS TAKEN

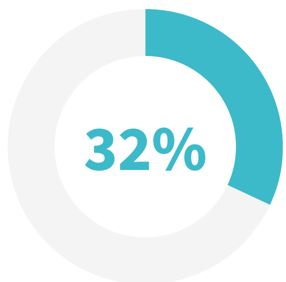
Q: What actions has your company taken to respond to COVID-19 and its effects?



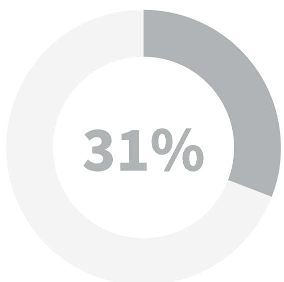
Used our business continuity or crisis management plans or processes



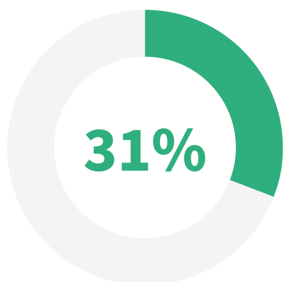
Have used some plans, but this has not really fallen into any of our business continuity or crisis categories



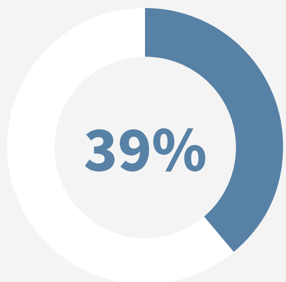
Have declared a crisis, but had to manage it in a different way to how the plans suggest



Declared a company crisis or emergency and followed plans and protocols designed to help us manage them



Have already updated our crisis plans and processes to match the new challenging environment



of companies found the plans they had in place to be insufficient for the challenges posed by COVID-19

Expecting the unexpected

Traditional crisis planning has focused on anticipating given scenarios, with the major drawback that planners are constrained by historical precedent: you can only plan for what you can imagine, and what you can imagine is based on what has happened before. If the global pandemic has taught businesses anything, it is that the worst crises emerge from outside the realms of imagination.

Truly resilient businesses are ones that do not hang their hopes on the imagination of their contingency planners; they go back to first principles, prioritising flexibility and universality. Furthermore, they focus on accommodating their workforce and facilitating engagement from anywhere – it is not so much a question of the event itself, but how the firm reacts to crises of all kinds. Then, weaknesses with respect to the principles are removed by challenging the business to improve by expansive crisis rehearsals. The end result is that crisis response becomes a reflex rather than a reaction.

“For all that specific risks can be anticipated and mitigated, it is impossible to have a plan for every eventuality. It is little wonder then that the majority of respondents across the G20 agree that their company now has a greater focus on planning in principle for unknown risks.

KATE BRADER
Managing Director
Crisis Management

JAMES MELVILLE-ROSS
Head of Crisis & Issue Management EMEA

“The unexpectedness and severity of the challenge posed by COVID-19 have been an eye-opener. A new focus for companies is preparing for the extraordinary – scenarios that existed outside previous risk parameters are now of the utmost concern.”

91%

of companies now have a greater focus on planning for unknown risks

Remediation and Dispute Resolution

A global crisis is the perfect breeding ground for opportunistic fraudsters, internal misconduct, and a game of 'shift the blame'. Whilst business leaders focus their attention on keeping their business afloat, underlying vulnerabilities are being exposed, triggering a new wave of investigations and disputes.

Under the spotlight

Since the start of the COVID-19 pandemic, 71% of G20 companies have had, or are currently having, an investigation on financial practices. Additionally, 69% reported investigations on regulatory compliance, 70% reported investigations on their products or services, and 64% reported investigations on the use of state aid. With this trend set to continue in 2021, it is not surprising that over 68% of companies have increased their budget for investigations, and in the US this figure is even higher at 84%.

Despite moving up the boardroom agenda, one mantra rings true: prevention is better than cure. Often, we find that action is taken too late. Many businesses lack the time and resources to roll out a bulletproof risk prevention strategy, especially during a crisis. 37% of G20 companies admitted to being 'mainly reactive' at managing scrutiny and regulatory compliance, with 39% being reactive at managing fraud-related risks.

As pressure mounts from stakeholders far and wide, 65% of G20 companies have struggled to deal with the volume of regulatory alerts since the COVID-19 outbreak. The healthcare industry carries the biggest weight on its shoulders, with over 38% of respondents saying they are under extreme pressure to improve regulatory safeguards over the next 12 months. Companies across all sectors are turning to technology to minimise the burden; 79% are using AI and analytics to monitor scenarios that might impact risk and compliance, and these technologies are also being leveraged by investigators.

Looking ahead, an increase in anti-corruption and sanctions investigations seems likely. 52% of respondents rated corruption as 'likely and concerning' in the next 12 months, and 47% said the same for an increase in sanctions. Companies should therefore fine tune their compliance programmes to account for this increased risk. Furthermore, history tells us that investigations on the use of state aid are likely to emerge in 2022 and beyond once governments have the bandwidth to investigate the use of these funds. To this day, we still see investigations evolving from the 2008 financial crisis.

> "With data breaches on the rise, personal data is increasingly compromised. This often leaves millions of individuals vulnerable, and exposes companies to potential fines, lost market share and sales delays as a consequence of poor information governance. Resilient organisations must invest in privacy beyond the legal minimum and embed privacy by design across the organisation, aligned with the culture of the firm, to sustain change in the long term.

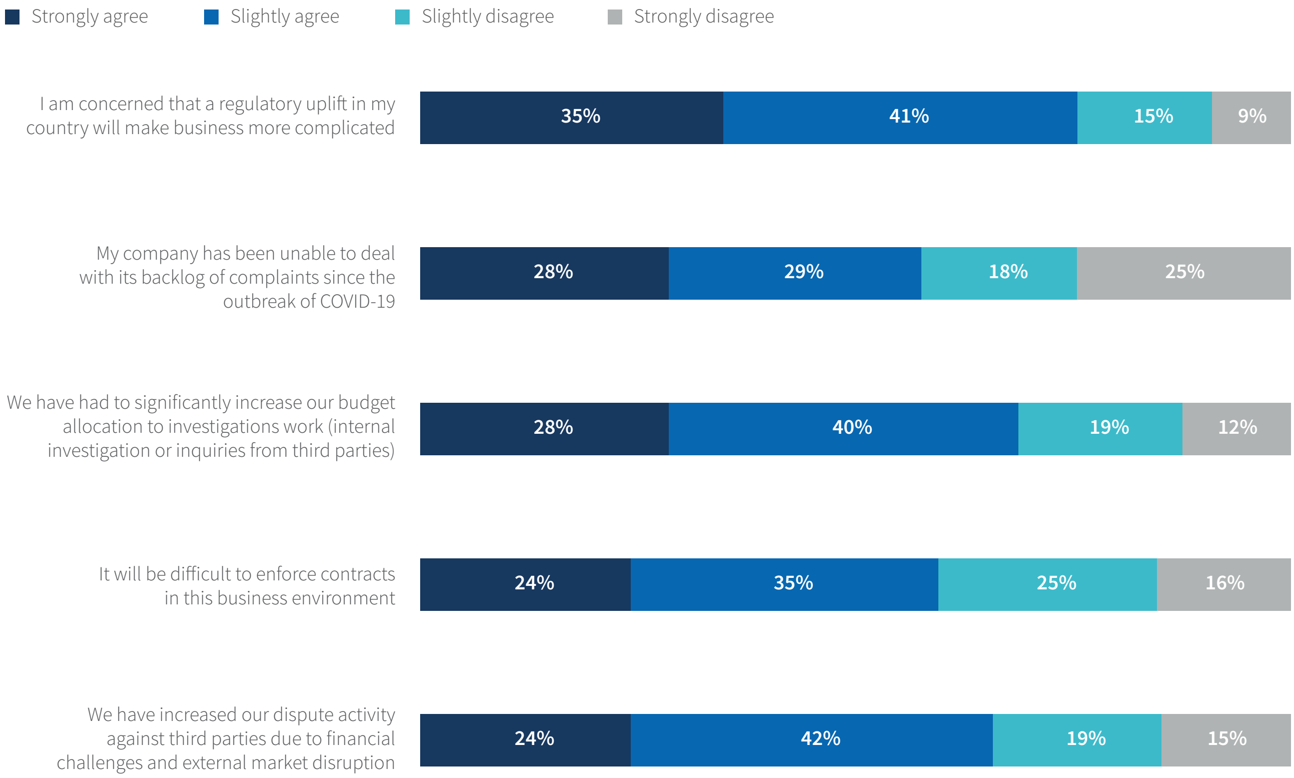
SONIA CHENG
Head of Information Governance & Privacy, EMEA

39%

of G20 companies admitted to being 'mainly reactive' at managing fraud-related risks

DISPUTE CONCERNS

Q: How strongly do you agree or disagree with the following statements?



2021 – a rising tide of dispute activity

With supply chains in flux, businesses must deal with an environment where customers, suppliers and partners may face insolvency and restructuring, and where they themselves may face serious adverse consequences in maintaining pre-existing obligations.

The value and volume of disputed contracts illustrate this issue. Across the G20, business leaders reported that 20% of the total value of their customer or supplier contracts were under dispute. Financial and healthcare companies were the worst affected, with each industry seeing nearly 24% of their contract values disputed.

With company cash flows under significant strain, over 65% of G20 companies have resorted to stepping up their dispute activity to protect financial health. Given the length of time it takes to resolve such issues, coupled with the ongoing disruption induced by global lockdowns, disputes are set to increase in the year ahead – a sentiment echoed by our survey respondents.

Across sectors, 15% fear that arbitration or contract disputes are 'likely and concerning' over the next 12 months – financial and renewable resources companies are the most concerned (18%). Moreover, 20% consider supplier disruption or disputes 'likely and concerning', with respondents in the renewable resources and infrastructure sectors being most anxious (3 in 10).

> COVID-19 has opened a Pandora's box of disputes. Financial pressures are forcing businesses to attempt to escape contractual obligations with some parties, and seek reassurance or damages from others. Meanwhile, arbitration hearings continue apace – albeit virtually.

JOHN ELLISON
Senior Managing Director
Economic & Financial Consulting

Customer protection claims have been an even more salient feature of dispute and remediation activity; 40% of businesses have seen a spike in this already. With approximately 46% of businesses in each sector saying they have seen a surge in such claims, food and beverage and financial companies are the worst affected – as might be expected, given hospitality shutdowns and the many insurance claims of the period.

The storm that is COVID-19 has by no means abated, and though it may yet subside with the distribution of working vaccines in 2021, its business effects will linger. As companies continue to absorb losses, and both supply chains and business expectations reshape themselves to fit their changing environment, business leaders must continue to expect and plan for pressure on customer and client relationships.

ED WESTERMAN
Global Investigations Lead

"As digital solutions evolve to create ever-expanding information sets, investigations experts are prioritising the landscape of innovation in data analytics and data science as a critical component of delivery models. Through the utilisation of the latest tools, augmented with deep expertise, companies can efficiently evaluate enormous volumes of data and pinpoint key insights in support of their forensic investigations and disputes."

69%

of companies saw an increase in regulatory breaches and investigations in 2020 or expect to see one in 2021

INVESTIGATIONS OUTLOOK

Q: Which of the following has happened, or are you expecting to happen, to your company in your country?

Top 3 investigations experienced in 2020:

76%

Market dominance

72%

Staff health & safety

71%

Financial practices

Top 3 investigations expected in 2021:

20%

Use of state/government aid

19%

Use of third party data

19%

Regulatory compliance

"Financial crime thrives during crises on the scale of the pandemic. Attention is diverted away from bad actors as nations and businesses contend with pressure exerted on their infrastructure, and new typologies of financial crime evolve to exploit the disruption.

FEDERICA TACCOGNA
Senior Managing Director
Forensic & Litigation Consulting

Regulatory Resilience

Crises expose systemic weaknesses across entire sectors. The damage from these failings is not confined to businesses within the industry – whole economies can be destabilised. Regulatory upheaval follows from these events, as public bodies seek to avoid repeating past mistakes. It is thus unsurprising that over 3 in 4 G20 companies expect to have seen an increase in regulation by the end of 2022 as a result of COVID-19; 1 in 4 predict this will happen in the first half of 2021.

As nations rebuild their economies, regulators will take a leading role in restoring the integrity of industries. However, jurisdictional variances in approach will risk global regulatory fragmentation, opening the door to malicious elements. The numerous financial crime scandals which have emerged in the US and Europe over the last decade – and will continue to emerge as we move into the next – are a perfect example: some jurisdictions saw relaxed oversight as a way of attracting foreign investment after the crash of 2008, and money-launderers took full advantage. Adapting to regional variances precipitated by the pandemic whilst also pursuing international regulatory goals will be a defining challenge for resilient regulation. Likewise, companies must be prepared to navigate global fragmentation as they grapple with international disputes and investigations.

KAREN BRIGGS
Head of Forensic and Litigation Consulting & Technology, EMEA

"The majority of G20 companies now use AI and analytics to proactively monitor risk and compliance scenarios. In a business landscape characterised by rapidly developing and complex threats, intelligent use of this technology is critical to proactively planning for the future and generating strategic advantage. This is especially true in the realms of dispute management, compliance and investigations – where lack of preparation can result in regulatory enforcement, liability for damages or worse."

78%

of companies now use AI and analytics to monitor for scenarios which impact risk and compliance

Government and Stakeholder Relations

In uncertain times, good stakeholder relationships are more vital than ever. Decisions made by governments can have a critical impact on businesses' performance and strategic direction, and organisations will continue to be heavily scrutinised by the wider stakeholder community. The pandemic intensified this trend, pushing government and stakeholder relations further into the boardroom and to the heart of businesses.

How COVID-19 has changed the rules of engagement

The pandemic has significantly altered the public-private sector dynamic. According to G20 companies, governments are the stakeholder group with the most impact on their business performance and strategic direction – 85% of respondents across sectors agreed that governments strongly impact this direction, compared to 80% for customers. 78% also highlighted how regulators have a strong or very strong impact on the strategic direction of their business. We can expect this level of influence to be a lasting feature of the global business outlook, as governments remain integral to the COVID-19 economic recovery.

Improving stakeholder relations will be a key priority for companies in the coming year. 35.2% of respondents said their organisation is under 'extreme' pressure to strengthen external stakeholder relationships over the next 12 months. Facilitating engagement to ensure that commercial priorities are understood and reflected upon by stakeholders is an important facet of business resilience.

The opportunities and threats from government and wider regulatory intervention are significant. Companies that approach external engagement in a disciplined way are able to position themselves well to secure a beneficial regulatory and policy environment for a wide range of stakeholders in the long term, and able to successfully and quickly respond to legislative threats or reputational challenges in the short term. At the crux of successful government engagement lies strong relationships.

Behind these relationships are carefully tailored programmes which work to strengthen reputation, protect and promote interests, and generate commercial and political capital. Amid the enormous challenges wrought by the COVID-19 crisis, no organisation can afford to neglect this strategic imperative.

Over the past year, we have seen the most consequential set of public policy and mass behaviour changes in our lifetimes. Indeed, over three-quarters of surveyed G20 business leaders believe consumer behaviour will be permanently changed by COVID-19. It is evident that unprecedented levels of intervention in national economies will be more enduring than previously anticipated.

“The drastic reduction of in-person contact during COVID-19 has clearly changed how we manage our stakeholder relationships. However, the data shows definitively that most companies want to increase their levels of external engagement – and we are fortunate to be in an age when technology makes this possible.

ALEX DEANE
UK Head of Public Affairs

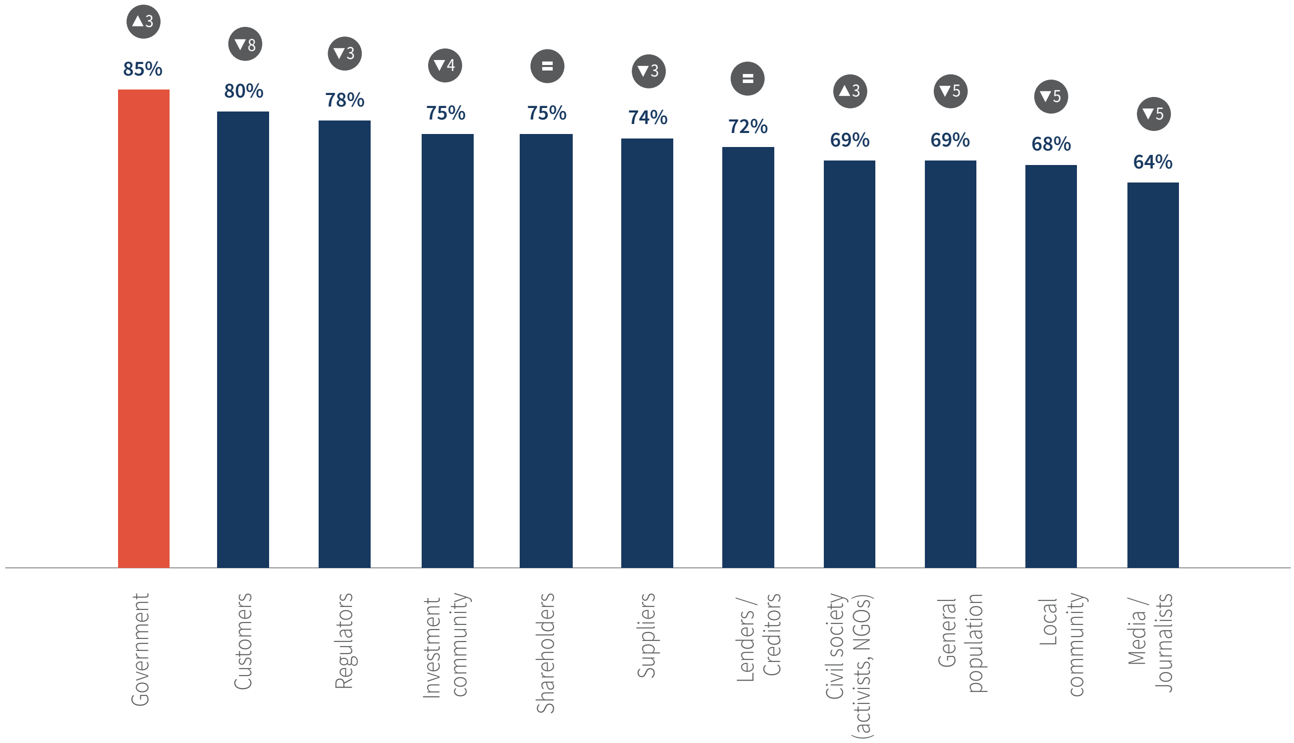
In a changing world, communication is key

In general, participants were confident in the quality of their stakeholder communications, with 81% rating it as either 'excellent' or 'good'. The majority recognised the importance of bolstering stakeholder communication, with 79% of companies pointing to extreme or significant pressure to strengthen stakeholder relationships over the next 12 months. Further research into this area showed that 84% of respondents feel that the pandemic has had a detrimental effect on their ability to begin and develop relationships with new stakeholders.[1] Companies showed the highest confidence in their communication with customers; 81% of respondents across the G20 said this was 'excellent' or 'good'.

1. Coronavirus: The impact on Public Affairs and the future of Advocacy (October 23, 2020)

STAKEHOLDER IMPACT

Q: Groups with a strong potential to impact strategic direction of the business – comparison with 2019 data



However, it is evident from our data that certain sectors have had more communications challenges than others. The renewable resources sector stands out for its issues in this regard, with 1 in 4 industry respondents rating communications with customers, local communities and clients as' fair' or 'poor'.

This likely reflects the growing pressure on all companies regarding sustainability and socio-political positioning. The renewable resources sector is of intense public interest; consumers and politicians therefore have higher expectations of those companies with regard to socio-political positioning in particular, placing these companies under the spotlight.

The COVID-19 outbreak and mass movements such as Black Lives Matter have put companies under pressure to focus on the social and governance elements of ESG, and to communicate their positions effectively to stakeholders. Indeed, 4 out of 5 global businesses agree that since the COVID-19 outbreak, they have been focusing more on the 'social' pillar of ESG. Many companies are implementing human rights policies and raising expectations for senior management to improve diversity efforts. Investors are increasingly focused on boardroom diversity in line with companies' corporate policies. This trend looks set to continue.

The value of responsible business

The pandemic has subjected companies to greater scrutiny from all stakeholders, with conditionality attached to government support and high expectations about meaningful contributions to societal and national economic goals in the aftermath. This trend is likely to accelerate.

85% of large companies globally see COVID-19 as a catalyst to accelerate or materially enhance their approach to ESG and sustainability issues. Across all sectors, respondents demonstrated a keen awareness of the need to build trust and credibility across stakeholder groups. Business leaders emphasised the need for transparent leadership communication, with over three-quarters rating this as 'very important'. Rated second was the provision of proof of adherence to regulatory, compliance, corporate diligence and other required standards, with 68% of respondents stating this to be 'very important'.

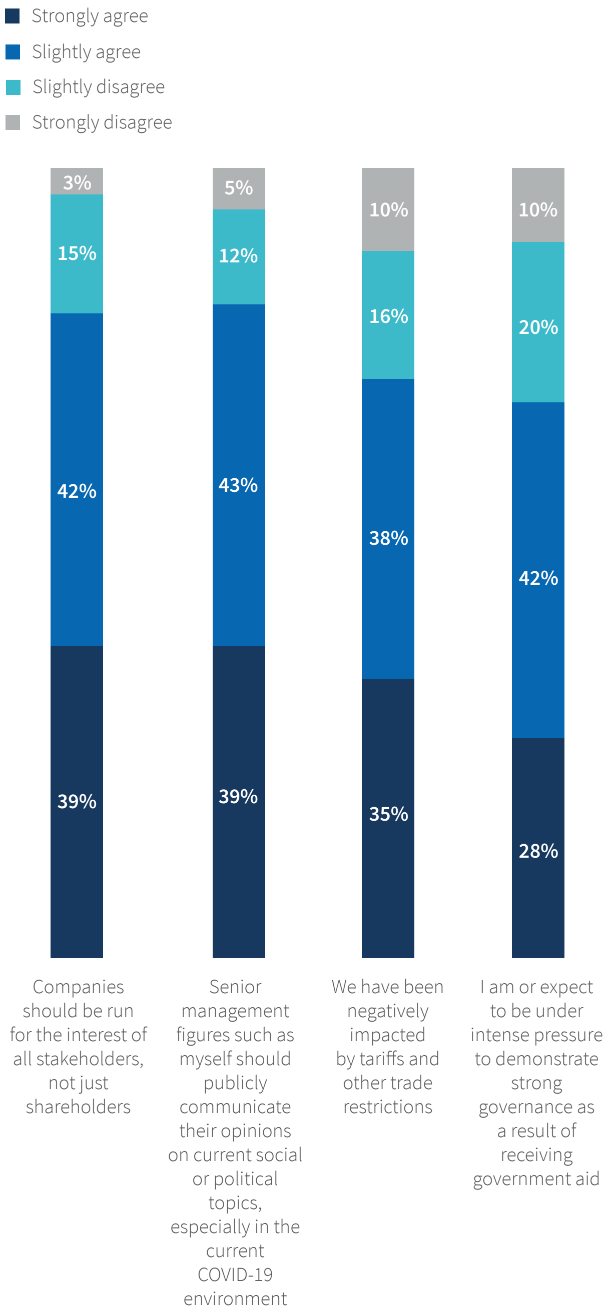
> "The world's largest financial services institutions are used to external scrutiny and regulatory change in the aftermath of a crisis – and 82% say they are well placed to tackle political change in 2021. Despite the short- to medium-term disruption, financial services firms have weathered the COVID-19 storm relatively well compared to other industries. Many see this period as an opportunity to rebuild the trust that was eroded as a result of the global financial crisis in 2009.

SIMON LEWIS
Vice Chairman EMEA
Global Head of Financial Services, Strategic Communications

Reflecting awareness of shifting political and societal values, 82% of business leaders agreed that companies should be run in the interest of all stakeholders, not just shareholders. Indeed, corporate leaders deemed themselves to have responsibility to communicate their opinions on social and political topics, with 83% in agreement that these are matters about which they ought to make public statements. An awareness of the need for authentic dialogue with external stakeholders demonstrates the understanding across our global executives that a resilient business must engage proactively and consistently.

IMPACT OF REGULATORY RESTRICTIONS/ CHALLENGES AND STAKEHOLDER RELATIONS

Q: How strongly do you agree the following applies to your company in your country?



> “Challenging as recent months have been, the events of 2020 have put much greater emphasis on the value of communications. Companies and their management teams need to engage with customers, employees, shareholders and governments on what matters to each of them.

CHARLIE PALMER
Global TMT Lead

JULIA HARRISON
Global Head of Public Affairs

“This colossal year has left little untouched. Governments, policy and regulation have all been upended. Early relaxation of competition rules, state aid and equity stakes in vital industries will be followed by intense government scrutiny of use of funds and regulatory/anti-trust assessments of technology businesses that have helped build our pandemic resilience. Governments and business must now work together to devise a sustainable, workable, and much more resilient way forward.”

79%

of companies point to extreme or significant pressure to strengthen external stakeholder relationships over the next 12 months

Economic Impact and Sustainability

Whether due to the global health pandemic, the climate and biodiversity emergency, widespread social inequality or demand for transparent and accountable corporate governance, the global case for a genuinely sustainable model has come of age.

Environmental, social and governance (ESG) performance has been significantly elevated up the corporate agenda. The definition of ESG criteria, and their role in a company's value and strategy, has grown over the past two decades into a matter of necessity. In many geographies, implementing tangible ESG programming and reporting has evolved from a compliance obligation to a key part of a corporate strategic agenda.

Consequently, as the business and investment communities continue to integrate sustainability issues into their business operations and investment criteria, ESG ratings and performance will increasingly be top-of-mind.

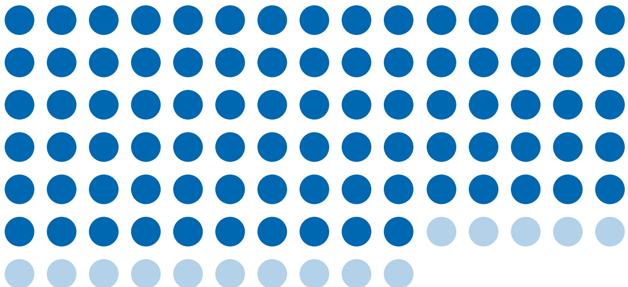
> "Business leaders are becoming increasingly aware of the value corporate ESG strategies bring in driving financial performance and innovation, often delivering a competitive advantage and greater resilience. ESG-led stakeholder engagement, from investor relations and consumer marketing, to public affairs and corporate communications, must not only reflect this – it must also help lead the ESG strategy itself.

MARTIN PORTER
Executive Chair, CISL Brussels
Senior Advisor, FTI Consulting

BUILD BACK BETTER

Over
85%

of companies see COVID-19 as a catalyst to accelerate or materially enhance their approach to ESG and sustainability



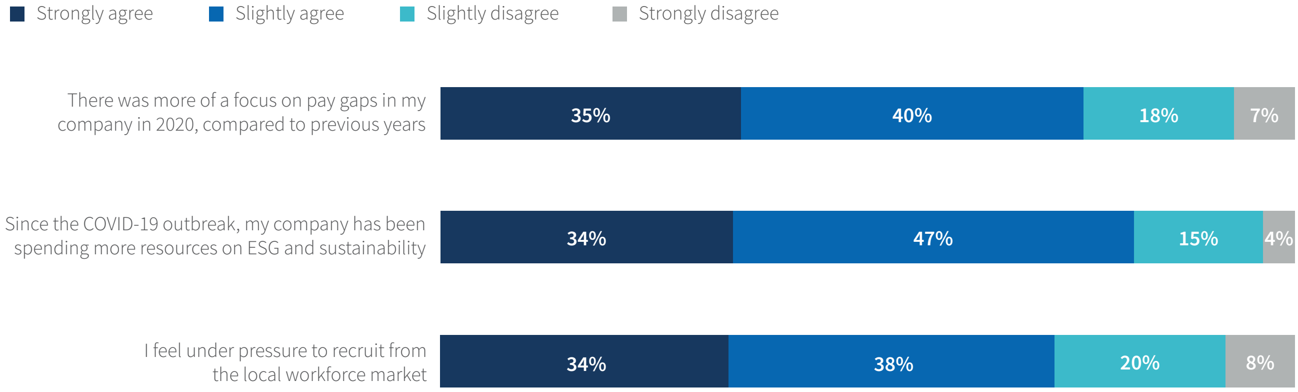
Our research shows that some 81% of G20 business leaders agreed that their company has been spending more resources on ESG and sustainability since the COVID-19 outbreak, and 85% of them agreed that their company is using COVID-19 as an opportunity to materially enhance its approach to ESG and sustainability issues. As well they might – 1 in 3 said that their organisations are under 'extreme' pressure to improve their ESG and sustainability performance over the next 12 months.

(E)nvironmental sustainability

On the 'E' issue of climate change, international agreements and national policies are transforming national economies, albeit at different speeds. With larger economies now committing to climate neutrality by mid-century, the race to net-zero has been critical in elevating corporate engagement with ESG. More than 3 in 4 G20 business leaders said that their company has become more committed to combatting climate change over the last 12 months, meaning that this sphere of activity has seen the highest rise in attention among businesses surveyed. The food and beverage and extractives sectors were the most likely to say that their company had committed to more climate change action, with 81% of respondents from both stating this.

ACCELERATING CHANGE

Q: How strongly do you agree the following applies to your company in your country?



> The way in which a company utilises its ESG framework to create value continues to drive dialogue in boards and beyond, as it moves from a voluntary approach to one that in some jurisdictions is increasingly subject to mandatory reporting.

HELEN NOWICKA
ESG Lead
EMEA

(S)ocial responsibility

For 'S' factors, companies are more varied in their approach. While some sectors with clear supply chains and operational footprints have long emphasised safety or human rights observance, others have defined social responsibility as community giving or corporate values. The broad use of the term 'social' may have contributed to a failure to conceptualise the 'S' in ESG, leading to an absence of focus and measurement from the market.

With the arrival of the pandemic, that situation changed in short order. 4 in 5 G20 businesses agree that since the COVID-19 outbreak, they have been focusing more on the social pillar. Social equality movements entered the public discourse in 2020 more powerfully than before, bringing unprecedented urgency to the topic of workplace diversity and inclusion. Support for the BLM movement empowered employee-led discussions around how to increase workplace diversity. 75% of G20 companies reported an increase in pay gap reporting in 2020, reflecting the growing focus on issues of inequality within businesses as well as in wider society. Changes to our way of life inside and outside work mean a greater emphasis has been placed on staff health and welfare as companies grapple with working life during lockdown.

Corporate (G)overnance

Leadership will be scrutinised in the aftermath of COVID-19; 85% of respondents expect an investigation into their use of state aid, 82% believe that companies should not solely be run in the interest of shareholders, and 83% believe that senior management should publicly communicate their opinions on social and political topics. Beyond the continued momentum behind both E and S, this is a testament to demand for responsible, forward-looking governance (G). Despite greater interest in climate change and the increasing importance of ESG, the primary focus of corporate executives was unsurprisingly those pertaining to the survival of their businesses. Management quality was the most likely corporate attribute to be deemed both favourable and important by G20 respondents, with some 60% describing it in these terms. In the long term, the survival of their business may be predicated on the ability of strong management to accommodate these changing expectations.

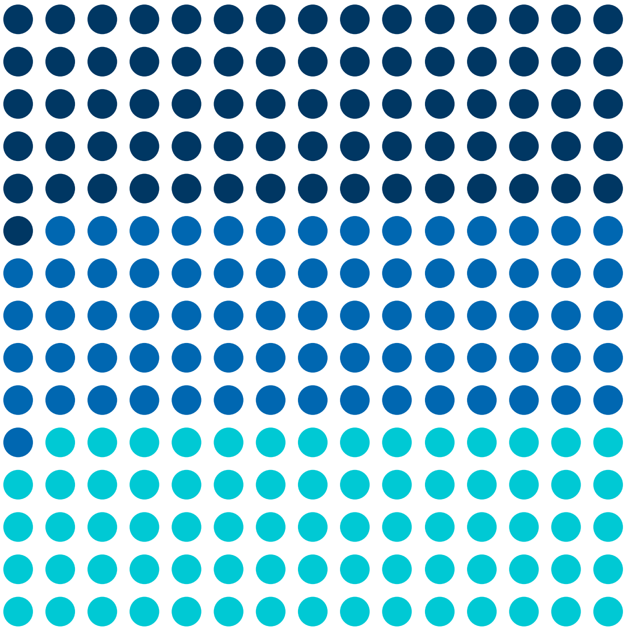
> Discussions and decisions have shifted to how economies can develop sustainably, and how companies can support prosperity for their stakeholders and shareholders. Whether led by an investor-driven ESG perspective or policymakers' focus on sustainable development, these are now mainstream and strategic issues for all companies.

CHRISTINE DI BARTOLO
ESG Lead
Americas

The future

The direction of travel is clear. The transition to sustainability is an ongoing corporate imperative – an opportunity for innovation, increased resilience and value creation. Investors see inaction and minimal adaptation to this agenda as risking value destruction, vulnerability to market shocks, or reputational damage. FTI's Global Investor Insights research found that 82% of institutional investors believed a company's value increased 20% or more when it had a positive ESG rating. The advent of Sustainability-linked Bonds – which require proceeds to be allocated to specific green projects linked to KPIs – is symptomatic of these evolving investor appetites. Additionally, the third quarter of 2020 saw $80bn allocated to global sustainable funds, and the AUM of these vehicles reached a high water mark of $1.23tn. As a whole, companies with superior ESG credentials outperformed their peers in 2020. The growing and changing appetite for sustainable investment outlets, social equality and responsible governance begs the question: are resilience and sustainability two sides of the same coin?

ESG ISSUES RISING UP THE AGENDA



KERSTIN DUHME
Global ESG Lead

"Engagement and communications are an essential element of successful financial performance, both for short-term resilience and longer-term sustainability. However, planning must be rooted in a robust understanding of ESG and financial performance data relative to legal compliance requirements, insight into policy and regulation, as well as stakeholder and shareholder views."

82%

of business leaders agree that companies should be run in the interest of all stakeholders, not just shareholders

The top 3 ESG issues of increased importance for companies in 2020 are:

1.	Pay gaps	**76%**
2.	Climate change	**75%**
3.	Corporate purpose and resilience	**74%**

Business Model and Workforce Transformation

The economic realities of the pandemic, some of which are yet to be fully realised, have led companies to challenge norms, practices and business models that have been in place for decades. COVID-19 has reshaped the fabric of our daily lives, and resilient businesses are leading the way.

Our data indicates that there is little doubt in the business community about the depth of changes occurring. Amongst large G20 companies, 78% agree that the pandemic has made them realise that their business model needs to change fundamentally. Digitisation has become a critical consideration for businesses that want to continue to thrive in 2021 and beyond.

Technological capability defines resilient business models

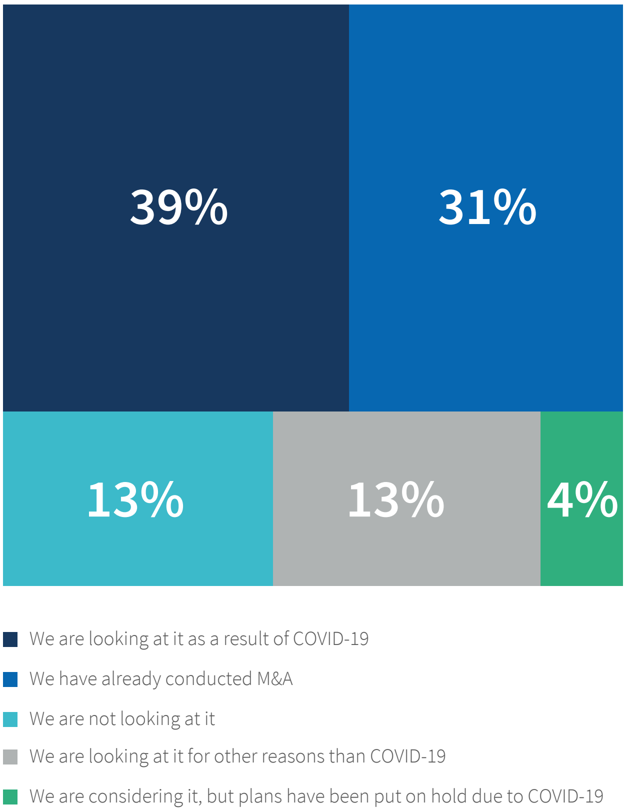
The pandemic has forced individuals and companies to embrace technology in new ways and at an accelerated pace. Technologies that were once a novelty – such as videoconferencing, telemedicine and instant deliveries – have become cornerstones of everyday life.

> Business leaders expect a more fluid mix of working at home and in the office post-pandemic. This shift will require companies to fundamentally rethink how they connect with their employees, and how their employees connect with each other. To preserve well-being and performance, such re-evaluation must occur across all manner of operations: from onboarding new talent to transforming business divisions.

VICTORIA GRAEFIN STRACHWITZ
Global Co-Head
People & Change

M&A OUTLOOK

Q: Which of the following best describes your company's approach to M&A since the outbreak of COVID-19?



For businesses, these technologies have enabled operational continuity under extreme restrictions. Organisations have had little choice in adopting comprehensive digital enablement: 93% of G20 businesses report that the pandemic has forced them to adopt real-time analytics as a means of incident response, and over 80% have accelerated digitisation since the start of the pandemic. It is important to recognise, however, that not all businesses have managed to keep up with the level of transformation required – 60% of business leaders say their companies have struggled to ramp up from a digital perspective.

With entire countries instituting social distancing measures and lockdowns, many businesses have had to radically alter how they service their customers.

Infrastructure, technology and communications, and consumer goods appear to have been the worst-affected industries, with 85% of these reporting that they have been forced to fundamentally re-think their client service offering. Not all sectors have seen an such an extreme impact – around three-quarters of healthcare and renewables businesses have made similar adjustments – but it is clear that the pandemic has caused widespread and profound changes to the interaction between businesses and customers.

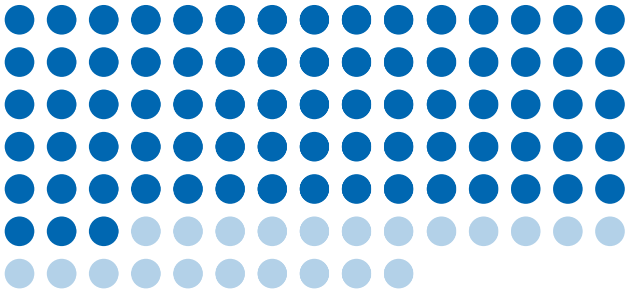
Staying connected

A fundamental change from a global workforce viewpoint has been the move to remote working. Prior to the pandemic, G20 companies estimated that an average of 30% of their workforce worked remotely. COVID-19 saw this rise to 44%, and those companies predict that after the pandemic this will reduce to 37%. Due to a combination of health implications (even in light of the development of effective vaccines), employee desires and commercial imperatives, the home office is likely to remain a significant part of working life. Businesses will need to review their workforce strategy and business model, considering the practical implications of this shift. Keeping the workforce engaged and motivated, reviewing performance management processes, and ensuring mental health and wellbeing will all be key factors in driving employee retention and satisfaction.

The pandemic made

78%

of companies fundamentally re-evaluate their business models

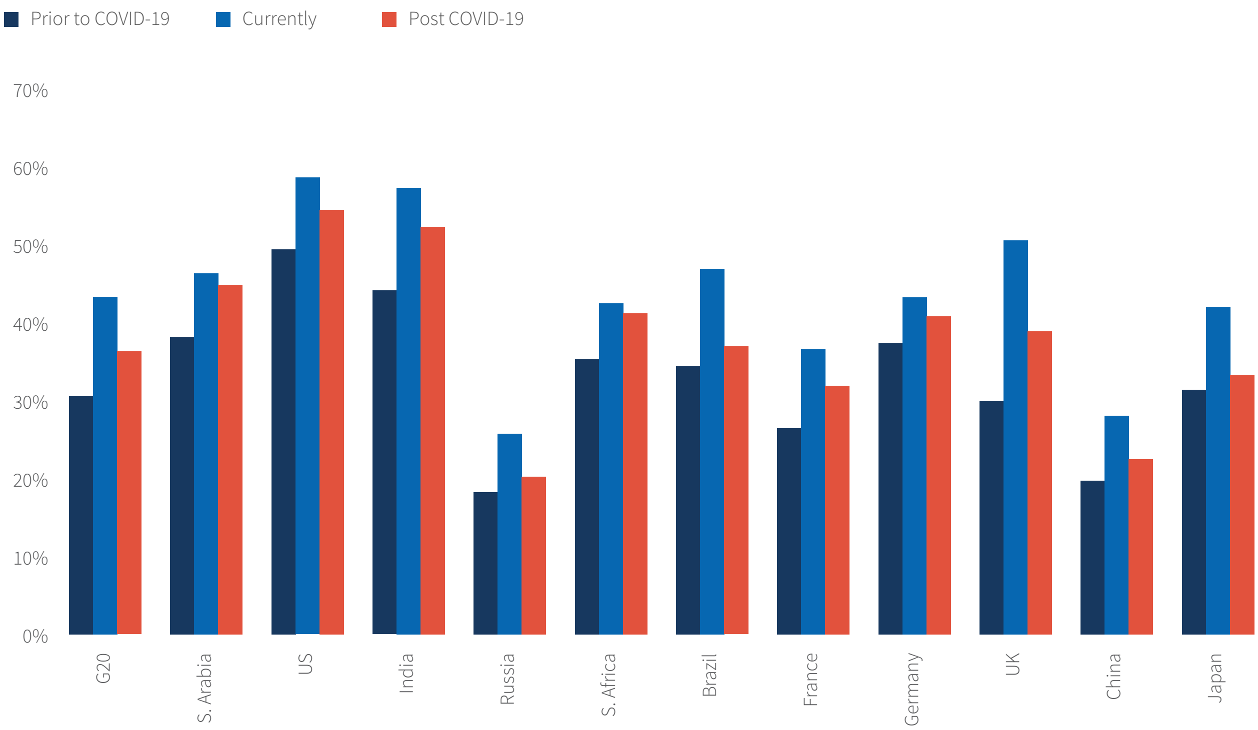


54%

of companies are seriously concerned about the mental health of their employees

MASS REMOTE WORKING – HERE TO STAY?

Q: Please indicate the percentage of remote work carried out by your employees prior to the COVID-19 pandemic; currently; prediction for post-pandemic



A remote workforce presents new challenges for businesses. One key realisation from the pandemic is that co-locality is no longer as important as it once was. This means that geography becomes less of a barrier when seeking new employment, allowing individuals greater freedom when looking for their next job. Future organisations will have to compete on a global scale for talent, making it harder and more costly to recruit. Equally, employees will be competing with a broader pool of candidates for each job.

Productivity has been a key discussion point for most executives. Whilst some businesses believe that the pandemic has led to greater workforce productivity, the majority do not share this view. 70% of G20 business leaders feel that their workforce is less productive than it was before the pandemic, and 91% are concerned about productivity losses. Of all the challenges posed to organisations, lost productivity is having the most significant impact on revenue. Companies are turning to technology to address this issue. Whilst 46% of G20 respondents used analytics to monitor productivity prior to the pandemic, COVID-19 has prompted a further 41% of businesses to start using such tools.

> “Whether you are transforming, restructuring, integrating or trying to improve performance, ensuring the resilience of your organisation will require a robust examination of the very real challenges your people face. To safeguard their wellbeing, engagement and focused productivity, all difficulties must be considered – whether personal or professional, locally or across business operations.

LESLIE BENSON
Global Co-Head
People & Change

What comes next?

For most businesses, the aim is to survive this period of uncertainty and adapt in a way that allows them to remain competitive. To do this, the business model must be fit for purpose. This means reshaping the organisation to respond to a post-pandemic world, having the right digital capabilities and tools to offer a seamless client experience, and being able to retain key personnel and boost workforce productivity. Organisations that are forward-thinking and ready to embrace change will be well placed to thrive when the dust settles.

JOHN MALONEY
Senior Managing Director
Business Transformation

“Business models and entire industries have been under pressure to rapidly evolve in the aftermath of the pandemic. To survive the multiple overlapping challenges, companies are highly focused on cash and maintaining business integrity. For many businesses, digitisation and analytics have also been core drivers of resilience in adapting to the challenge. Whether the goal is to offer a seamless client experience, boost workforce productivity or survive a downturn, companies’ financial and operational strategies, tools and processes all need to align to pivot effectively.”

80%

of G20 companies have continued to invest in digitisation during the pandemic despite cost pressures

Operational and Financial Resilience

Resilient organisations must be able to withstand disruption and shocks, both internally and in their external markets. Before COVID-19, many businesses were already facing major structural challenges, many of which have now been amplified by the pandemic and have required businesses to make rapid changes to both their capital and operational structures.

Yet while COVID-19 has caused major upheaval for businesses, it has also provided a catalyst for them to consider their market positioning and wider business strategy, particularly in anticipation of a much-altered marketplace in the post-pandemic environment. Businesses need to ensure they are taking a long-term view to building resilience across their financial and operational structures, to ensure that they are well prepared for this new reality, and able to harness any potential future opportunities.

The impact of COVID-19 on businesses

The pandemic has caused huge disruption to the financial planning of many organisations. Over 6 in 10 surveyed companies across the G20 agreed that the crisis has meant their organisation is finding it hard to service all their debt requirements. 16.5% of G20 companies deem themselves to be 'in distress'.

Though maintaining liquidity ensures the short-term continuity of the business, any longer-term survival is dependent on having a viable operating model. Over three-quarters of G20 companies believe their business models must fundamentally change as a result of the pandemic, and COVID-19 has forced companies to fundamentally re-imagine their client/customer experience service (83% agree). The impact of the pandemic on supply chains has been monumental: 75% of G20 companies agree that supply chains have been permanently disrupted by COVID-19.

When faced with a crisis, the apparent operational and financial resilience of specific sectors largely hinges upon the nature of their business. Capital-intensive sectors such as infrastructure, extractives and transport have different cost profiles to food and beverage. In certain industries, remote working and general social distancing have had a comparatively mild impact on the specialised knowledge production activities with which they are associated; technology and communications workforces, and those of the financial sector, have been in many cases able to continue with minimal operational disruption. By contrast, the food and beverage sector is heavily affected by rules that limit the ability of people to congregate in social settings. For example, food and beverage organisations were the most likely to report that supply chains had been permanently disrupted, with over 82% agreeing with this statement.

> "When considering changes to their operational or capital structures, it can be difficult for management teams to look at their business afresh and challenge long-held assumptions. However, if they can drive a successful restructuring, they will often end up with a better business model, more geared towards their target market and more able to sustain itself in the long-term.

SIMON GRANGER
Head of Corporate Finance & Restructuring, EMEA

How organisations are responding to the crisis

In responding to the pandemic, short-term financial survival has been the key priority for many businesses. As well as seeking to conserve cash and access fresh liquidity, many companies have quickly adjusted their business model to cope with the immediate step-change, buying time to make necessary longer-term structural adjustments.

The crisis has also led to many businesses considering how they can improve their capital structures and generate new money – 29% of G20 companies have taken steps to restructure or refinance. This can often lead to a reduction in debt service costs.

STRENGTHENING BALANCE SHEETS

Q: What actions has your company taken as a result of present or expected (non-regulatory) conditions since the COVID-19 outbreak?

33%
Introduced increased cashflow management strategies

29%
Required restructuring or refinancing

28%
Invested in R&D

28%
Reduced the number of employees based in the country

27%
Disposed of non-core assets

27%
Reduced the overall workforce size

25%
Restricted investment

23%
Restricted the supply of goods or services available

Wider operational cost reduction plans are also being implemented to optimise capacity, review physical footprint (such as office/store locations), supply chain and workforce arrangements. However, businesses are also bringing forward moves they have been debating for some time, and considering new operational models across people, process, systems and assets. Looking forward, further automation and digitisation is a way in which many organisations are choosing to increase their financial resilience and improve efficiency; 76% of G20 companies are looking towards such measures to reduce cash flow issues.

The pandemic has led to a tightening of controls and significant changes to the way that organisations monitor and plan their operations and finances. Over 50% of G20 companies are looking to update their crisis response plans as a result of the pandemic, and 91% stated that their organisation has a greater focus on planning for unknown risks than before.

> "Normal operations in the healthcare sector have been derailed by the COVID-19 crisis. Expectations from stakeholders on how healthcare should be provided have dramatically changed. While recovery and restoration are on everyone's mind, the pandemic has helped shift the focus in extraordinary ways to demonstrate the need for resilience aided by data, digital adoption and examining new ways to support the needs of patients.

SUDHI RAO
Senior Managing Director
Health Solutions

Many organisations have embarked on a period of retrenchment. 1 in 4 G20 companies reported that they have restricted investment. Faced with a rapidly changing public health environment, and with many leadership teams reassessing the business strategy and operations of their organisations, M&A activity and investment have been widely reduced. Despite this, our research on the Global Financial Crisis shows that waiting for good times to return may not always be prudent: between 2007 and 2011, most buyers demonstrated they could deliver shareholder returns after completing £100m+ acquisitions. In contrast, most acquirers buying businesses in 2013 – at the time the economy recovered – failed to deliver shareholder returns. It is a buyers' market, and the opportunities are there for those who are ready for them.

THE EFFECT OF COVID-19 IN NUMBERS

Q: As of this moment, what would you now estimate the percentage change has been to the following for your company since before COVID-19?

Headcount **-12%**

Turnover **-10%**

Profit **-9%**

Positioning for the future

Organisations have had to build resilience rapidly to withstand the shockwaves caused by the pandemic, and 70% of G20 companies stated that they have already taken decisions that impact their business strategy and model that will be difficult to reverse. But businesses also need to think to their longer-term future: why their organisation will be relevant in the next five years, where it is best positioned to be successful, and how it will get there. As 70% of respondents are already undertaking contingency planning in anticipation of a prolonged downside, businesses should fully assess their options and ensure they make 'no regret' decisions that will leave their business more resilient and able to thrive in the long term.

CARLYN TAYLOR
Global Head of Corporate Finance & Restructuring

"At a time when customer behaviour is shifting rapidly due to COVID-19, we're seeing businesses transform their operating models to meet continually evolving challenges and long-range disruption. They must build better customer experience and implement digital transformation initiatives to ensure that they are strengthening their business to compete in the modern economy."

61%

of companies have faced challenges servicing all of their debt requirements since the start of the pandemic

Q: As of this moment, which of the following would you use to describe your company?

In distress	Sustainable/covering expenses	Growing
16%	56%	27%

Digital Trust and Ecosystems

Digital ecosystems sit at the heart of global commerce, and have been instrumental in our adjustment to COVID-19. Workforces shifting to remote environments, and increased reliance on technology, have forced comprehensive adoption and integration of technologies into personal and working lives. Such rapid and widespread implementation is, however, fraught with risk. As their digital capabilities grow, resilient businesses must also build trust in those capabilities.

The digital threat landscape

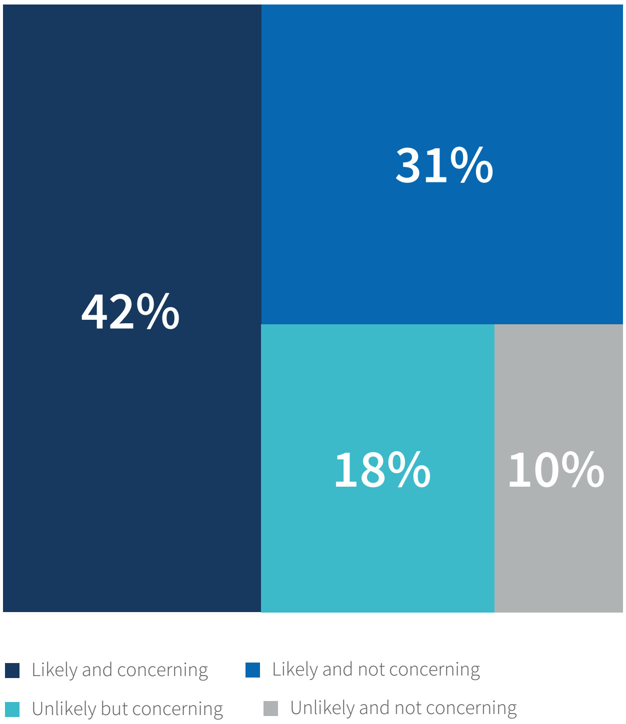
The accelerating rate of change in digitisation is happening in parallel with a broadening of the cybersecurity threat. Organisations are facing risks from nation states, organised criminal groups, “hacktivist” campaigns and terrorists. The end of 2020 saw a cyber attack carried out against U.S. federal agencies and high-profile companies by sophisticated nation state actors. This specific threat vector was already on the mind of G20 companies, as 60% of business leaders said they are concerned by the prospect of nation state cyber attacks in 2021.

On the other end of the cyber risk spectrum are those already within a digital ecosystem: insiders. Prior to the pandemic, insider threats posed significant risks to all organisations – granting access to a cyber attacker can be as simple as a single employee clicking on a malicious link. However, as working remotely quickly became the norm, additional risks were added, ranging from individuals using their personal devices for work purposes, to connecting to unsecure Wi-Fi networks using their work computers. This altered the attack surface and provided cyber actors with additional points of entry to exploit. As a result of COVID-19, 60% of G20 companies are experiencing a heightened level of threat from insiders.

Already a board-level issue, cybersecurity is moving even more to the forefront of corporate agendas. Because of the significant risks and potential costly damage from cyber incidents that the pandemic has exposed, online is the new frontline. As expected, 3 in 4 companies have seen cybersecurity climb board agendas as a result of COVID-19.

CONCERN OVER NATION STATE CYBER ATTACKS

Q: Do you believe nation state cyber attacks in 2021 to be likely and/or concerning?

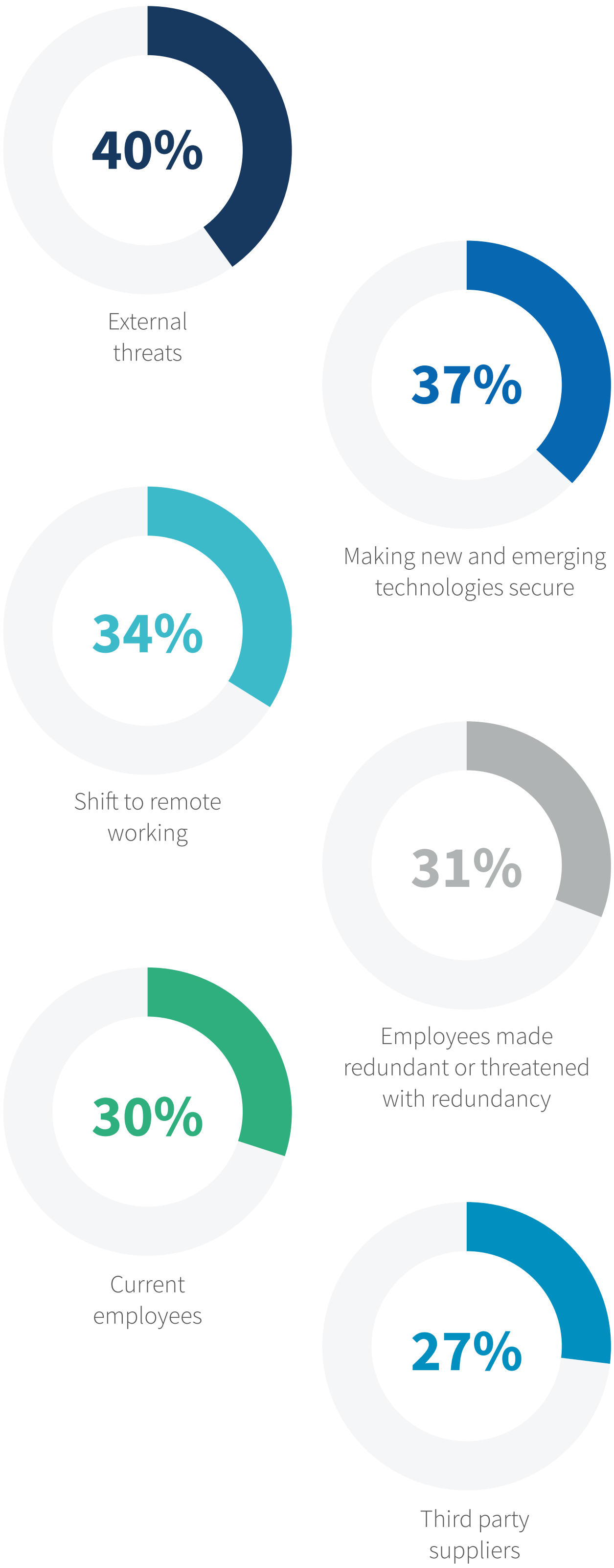


“One of the biggest risks to organisations are those with a friendly face - 60% of companies are experiencing a heightened level of threat from insiders. Sometimes this is a calculated attack, possibly from a disillusioned employee, but more often it is because someone inside the organisation has been taken advantage of. The fact is, it is easier to hack the human than the organisation. Some of 2020’s most prolific cyber attacks were conducted in this manner.

KYUNG KIM
Head of Cybersecurity
Asia Pacific

CYBERSECURITY RISKS OF PARTICULAR CONCERN

Q: Which of the following cybersecurity risks are you concerned about post COVID-19?



> "The private sector is increasingly on the front line of cyber attacks, with COVID-19 triggering exponentially growing cybersecurity risks. Businesses are facing risks from nation-states, organised criminal groups, 'hacktivist' campaigns, terrorists and even insiders. This was highlighted at end of 2020 when a cyber attack carried out against high-profile companies, organisations and U.S. federal agencies by sophisticated nation-state actors. It's no wonder that 60% of business leaders are concerned by the prospect of nation state cyber attacks in 2021.

JORDAN RAE KELLY
Head of Cybersecurity, Americas

Preparedness vs Risk

The key to both responding to and recovering from a cybersecurity incident is resilience. Compared to competitors, organisations that make resilience a priority will be less at risk of a breach that leaves them scrambling for a solution. With tested processes and procedures already in place, they will be better suited to immediately respond should an incident occur, and know what measures to take regarding maintaining their reputation and the trust of their customers.

Failure to build cyber resilience can lead to significant business impacts and cost. Across the G20 respondents, roughly $18bn of lost revenue in 2020 can be attributed to cyber attacks alone. In a year when revenue was down in many industries, many organisations cannot afford the additional losses brought on by cyber actors.

Cyber attacks are not limited to a select group or industry. Only one-quarter of G20 organisations surveyed were not negatively impacted by a cyber attack in 2020. These risks are real and carry damaging consequences. It is difficult to overstate the cost of not pursuing cyber resilience.

Data from the Resilience Barometer™ indicates that negative impacts from cyber attacks have increased in several areas when compared with 2019. For example, approximately 1 in 3 G20 organisations lost customer / patient data in 2020, a number that was 1 in 4 for 2019.

The pandemic gave rise to new health-related phishing attacks and created new vulnerabilities. With the sudden need to pivot to a remote work environment, many organisations relied on shadow IT systems that were spun up quickly to maintain business operations and allow employees to continue working – with minimal security considerations. These systems likely have vulnerabilities and will need to be dismantled once offices are re-opened. G20 organisations are aware of these cyber threats, as more than a third responded that this is a concerning risk in a post-COVID world.

Outlook for 2021

Cybersecurity will increasingly become a source of competitive advantage for organisations, and those that choose to remain underinvested will face significant risk. The pandemic has altered the threat landscape, and as a result, organisations will be obliged to address workforce cybersecurity in new, more flexible ways. There is evidence that this is already on the minds of leaders at G20 organisations. Due to COVID-19, 49% of G20 businesses are expected to update their response plans, and the same percentage also plan to identify potential crises and assess crisis readiness. Assessing and testing incident response plans are crucial to building resilience, as an outdated plan is not an effective one.

The vulnerabilities exposed and the cyber threats that emerged as a result of COVID-19 made cybersecurity even more of a critical consideration for all organisations, and data suggests that these significant cyber risks are being taken seriously. Indeed, only 3% of G20 organisations are not preparing in any way for crises. When the difference between working towards cyber resilience or staying put can be devastating, these organisations are playing a risky game.

JOSHUA BURCH
Head of Cybersecurity
Europe, Middle East, India & Africa

"COVID-19 prompted 80% of companies we surveyed to accelerate the digitalisation of their businesses. In parallel, we are seeing a broadening of the cybersecurity threat landscape. 75% of the organisations we surveyed were impacted by a cyber attack in 2020. We are seeing more unlocked doors for threat actors to open than ever before. It is now time to focus on how we build cybersecurity resilience into the core of every organisation."

74%

of companies say that cybersecurity has risen up their board's agenda as a result of COVID-19

CYBER ATTACKS IN 2020

Q: Which of the following cyber attacks has your company been negatively impacted by over the last 12 months?

	2020	2019
Distributed denial of service	24%	20%
Ransom or data hostage situation	25%	20%
Theft of IP	26%	19%
Theft of third party information	29%	25%
Phishing or social engineering	29%	27%
Theft of customer data	32%	26%

Research Methodology

The latest quarterly FTI Resilience Barometer™ report incorporates the views of 2,185 decision makers in large companies across all G20 countries. The quantitative survey was conducted between 2-15 October 2020, and the results tested in expert-led focus groups from December 2020 - January 2021.

Respondent profiles replicate those used in the previous waves of research. The majority of respondents were C-Suite and senior executives from privately owned companies (79%, January 2020 report: 74%), while 21% were from publicly listed entities (January 2020 report: 26%).

Reported global turnovers as compared to our January 2020 report have highlighted a decline, reflective of the global economic downturn brought about by the pandemic, with respondents reporting an average global turnover of $13.7bn (January 2020 report: $17.4bn) over the past 12 months. Companies reporting a global turnover of more than $100bn made up 5% (January 2020 report: 7%). In total, participating companies employ a global sum of 38 million people, employing an average of 17,287 (January 2020: 23,336).

Membership of the G20 consists of 19 individual countries plus the European Union. The EU is represented by the European Commission and by the European Central Bank. Collectively, the G20 economies account for around 90% of Gross World Product, 80% of global trade and two-thirds of the world population.

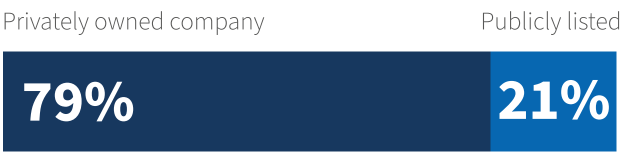
Each country's results have been weighted so that they represent a similar proportion in the total G20 results. The results were also weighted so that the industry breakdown of each country is similar to the breakdown of the 2020 Resilience Barometer™.

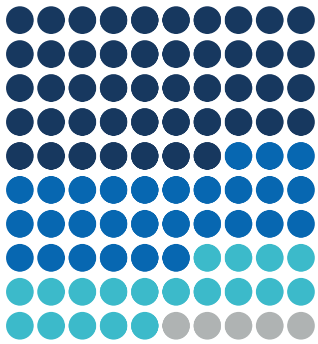
> “This research presents the realities of the 2020 corporate environment resulting from both direct and indirect impacts of COVID-19. We identified 14 key risk scenarios in this edition – each aligned with one of our Resilience Levers. Though the arguably short-term productivity drop is most significantly impacting industries, more fundamental long-term issues like outdated business models will prove a greater challenge for leaders.

DAN HEALY
Head of Research
EMEA

COUNTRY RESPONDENT NUMBERS

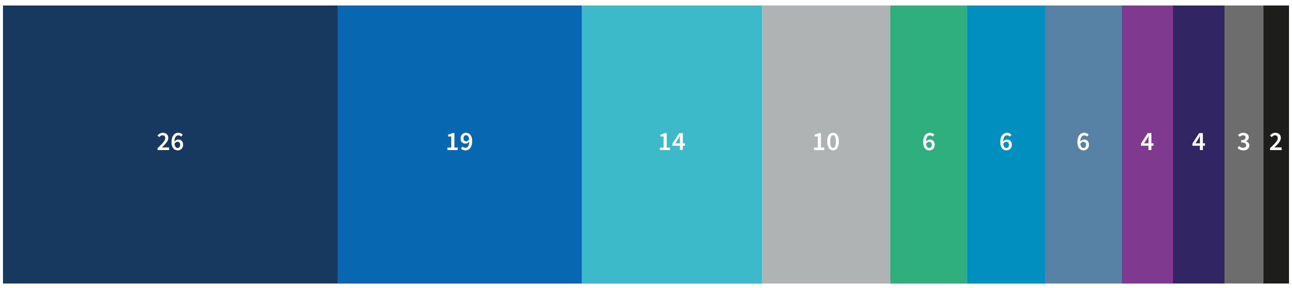
RESPONDENT PROFILE





- Senior management 47%
- C-Suite 28%
- Board member (exec) 19%
- Board member (non-exec) 5%

INDUSTRY CLASSIFICATION



Technology & Communication
Software & IT Services, Electronic Manufacturing Services & Original Design Manufacturing, Hardware, Internet Media & Services, Semiconductors, Telecommunication Services

Consumer Goods
E-commerce, Apparel, Accessories & Footwear, Appliance Manufacturing, Building Products & Furnishings, Household & Personal Products, Toys & Sporting Goods, Multiline and Specialty Retailers & Distributors

Financials
Retail and Investment Banks, Insurers, Asset Managers, Brokerages, Consumer Finance

Services
Professional & Commercial Services, Advertising & Marketing, Media & Entertainment, Casinos & Gaming, Hotels & Lodging, Leisure Facilities, Education

Infrastructure
Electric Utilities & Power Generators, Gas Utilities & Distributors, Water Utilities & Services, Engineering & Construction Services, Home Builders, Real Estate, Real Estate Services, Waste Management

Food & Beverage
Agricultural Products, Meat, Poultry & Dairy, Processed Foods, Alcoholic Beverages, Non-Alcoholic Beverages, Food Retailers & Distributors, Restaurants, Tobacco

Healthcare
Biotechnology & Pharmaceuticals, Drug Retailers, Healthcare Delivery, Healthcare Distributors, Managed Care, Medical Equipment & Supplies

Extractives & Minerals Processing
Coal Operations, Construction Materials, Iron & Steel Producers, Metals & Mining, Oil & Gas – Exploration & Production, Oil & Gas – Midstream, Oil & Gas – Refining & Marketing, Oil & Gas – Services

Transportation
Airlines, Air Freight & Logistics, Automobiles, Auto Parts, Car Rental & Leasing, Cruise Lines, Marine Transportation, Rail Transportation, Road Transportation

Renewable Resources & Alternative Energy
Biofuels, Fuel Cells & Industrial Batteries, Solar Technology & Project Developers, Wind Technology & Project Developers, Forestry Management, Pulp & Paper Products

Resource Transformation
Aerospace & Defense, Containers & Packaging, Electrical & Electronic Equipment, Industrial Machinery & Goods, Chemicals

About us

FTI Consulting is an independent global business advisory firm dedicated to helping organisations manage change, mitigate risk and resolve disputes.

Operating globally across 27 countries on six continents, we offer a comprehensive suite of services designed to assist clients right across the business cycle – from proactive risk management to the ability to respond rapidly to unexpected events and dynamic environments.

CORPORATE FINANCE AND RESTRUCTURING

- Business Transformation
- Turnaround & Restructuring
- Transactions
- Valuation & Financial Advisory
- Dispute Advisory
- Tax
- Executive Compensation & Corporate Governance

ECONOMIC AND FINANCIAL CONSULTING

- Antitrust and Competition
- Valuation
- Intellectual Property
- International Arbitration
- Labour and Employment
- Public Policy
- Regulated Industries
- Securities Litigation & Risk Management
- Centre for Healthcare Economics and Policy
- Economic Impact & Market Modelling

FORENSIC AND LITIGATION CONSULTING

- Forensic Accounting and Advisory Services
- Global Risk & Investigations Practice
- Dispute Advisory Services
- Trial Services
- Compliance, Monitoring and Receivership
- Anti-Corruption Investigations & Compliance
- Anti-Money Laundering
- Export Controls & Sanctions

STRATEGIC COMMUNICATIONS

- M&A, Crisis Communications & Special Situations
- Capital Markets Communications
- Corporate Reputation
- Public Affairs & Government Relations
- People & Transformation
- Digital & Insights
- Strategy Consulting & Research

TECHNOLOGY

- E-Discovery Consulting
- Managed Document Review
- Collections & Computer Forensics
- Information Governance, Privacy & Security
- Contract Intelligence
- Radiance Visual Analytics Software
- Strategic IT

SPECIALIST SERVICES

- Cybersecurity
- Private Capital Advisory
- Office of the CFO
- Activism and M&A Solutions
- Family Enterprise Services
- Applied Statistical Data Sciences & Data & Analytics

fticonsulting.com

Our Experts

EXECUTIVE SUMMARY

CAROLINE DAS MONFRAIS
Global Resilience Lead
Caroline.Das-Monfrais @fticonsulting.com

DATA ANALYTICS

RICHARD PALMER
Senior Managing Director Technology
Richard.Palmer@fticonsulting.com

IAN DUNCAN
Senior Managing Director, Digital Science
Ian.Duncan@fticonsulting.com

J NICHOLAS HOURIGAN
Head of Data Analytics EMEA
Nick.Hourigan@fticonsulting.com

ESCALATION PLANNING & RESPONSE

TOM EVRARD
Head of Crisis & Issue Management Asia Pacific
Tom.Evrard@fticonsulting.com

KATE BRADER
Managing Director, Crisis Management
Kate.Brader@fticonsulting.com

JAMES MELVILLE-ROSS
Head of Crisis & Issue Management EMEA
James.Melville-Ross@fticonsulting.com

REMEDIATION & DISPUTE RESOLUTION

SONIA CHENG
Head of Information Governance & Privacy, EMEA
Sonia.Cheng@fticonsulting.com

JOHN ELLISON
Senior Managing Director Economic & Financial Consulting
John.Ellison@fticonsulting.com

ED WESTERMAN
Global Investigations Lead
Edward.Westerman@fticonsulting.com

FEDERICA TACCOGNA
Senior Managing Director, Forensic & Litigation Consulting
Federica.Taccogna@fticonsulting.com

KAREN BRIGGS
Head of Forensic and Litigation Consulting & Technology, EMEA
Karen.Briggs@fticonsulting.com

GOVERNMENT & STAKEHOLDER RELATIONS

ALEX DEANE
UK Head of Public Affairs
Alex.Deane@fticonsulting.com

SIMON LEWIS
Vice Chairman EMEA, Global Head of Financial Services, Strategic Communications
Simon.Lewis@fticonsulting.com

Our Experts

CHARLIE PALMER
Global TMT Lead
Charles.Palmer@fticonsulting.com

JULIA HARRISON
Global Head of Public Affairs
Julia.Harrison@fticonsulting.com

ECONOMIC IMPACT & SUSTAINABILITY

MARTIN PORTER
Executive Chair, CISL Brussels, Senior Advisor, FTI Consulting
Martin.Porter@fticonsulting.com

HELEN NOWICKA
ESG Lead EMEA
Helen.Nowicka@fticonsulting.com

CHRISTINE DI BARTOLO
ESG Lead, Americas
Christine.DiBartolo@fticonsulting.com

KERSTIN DUHME
Global ESG Lead
Kerstin.Duhme@fticonsulting.com

BUSINESS MODEL & WORKFORCE TRANSFORMATION

VICTORIA GRAEFIN STRACHWITZ
Global Co-Head, People & Change
Victoria.Strachwitz@fticonsulting.com

LESLIE BENSON
Global Co-Head, People & Change
Leslie.Benson@fticonsulting.com

JOHN MALONEY
Senior Managing Director, Business Transformation
John.Maloney@fticonsulting.com

OPERATIONAL & FINANCIAL RESILIENCE

SIMON GRANGER
Head of Corporate Finance & Restructuring, EMEA
Simon.Granger@fticonsulting.com

SUDHI RAO
Senior Managing Director, Health Solutions
Sudhi.Rao@fticonsulting.com

CARLYN TAYLOR
Global Head of Corporate Finance & Restructuring
Carlyn.Taylor@fticonsulting.com

DIGITAL TRUST & ECOSYSTEMS

KYUNG KIM
Head of Cybersecurity, Asia Pacific
Kyung.Kim@fticonsulting.com

JORDAN RAE KELLY
Head of Cybersecurity, Americas
Jordan.Kelly@fticonsulting.com

JOSHUA BURCH
Head of Cybersecurity
Europe, Middle East, India & Africa
Joshua.Burch@fticonsulting.com

RESEARCH METHODOLOGY

DAN HEALY
Head of Research, EMEA
Dan.Healy@fticonsulting.com

FTI CONSULTING™

EXPERTS WITH IMPACT