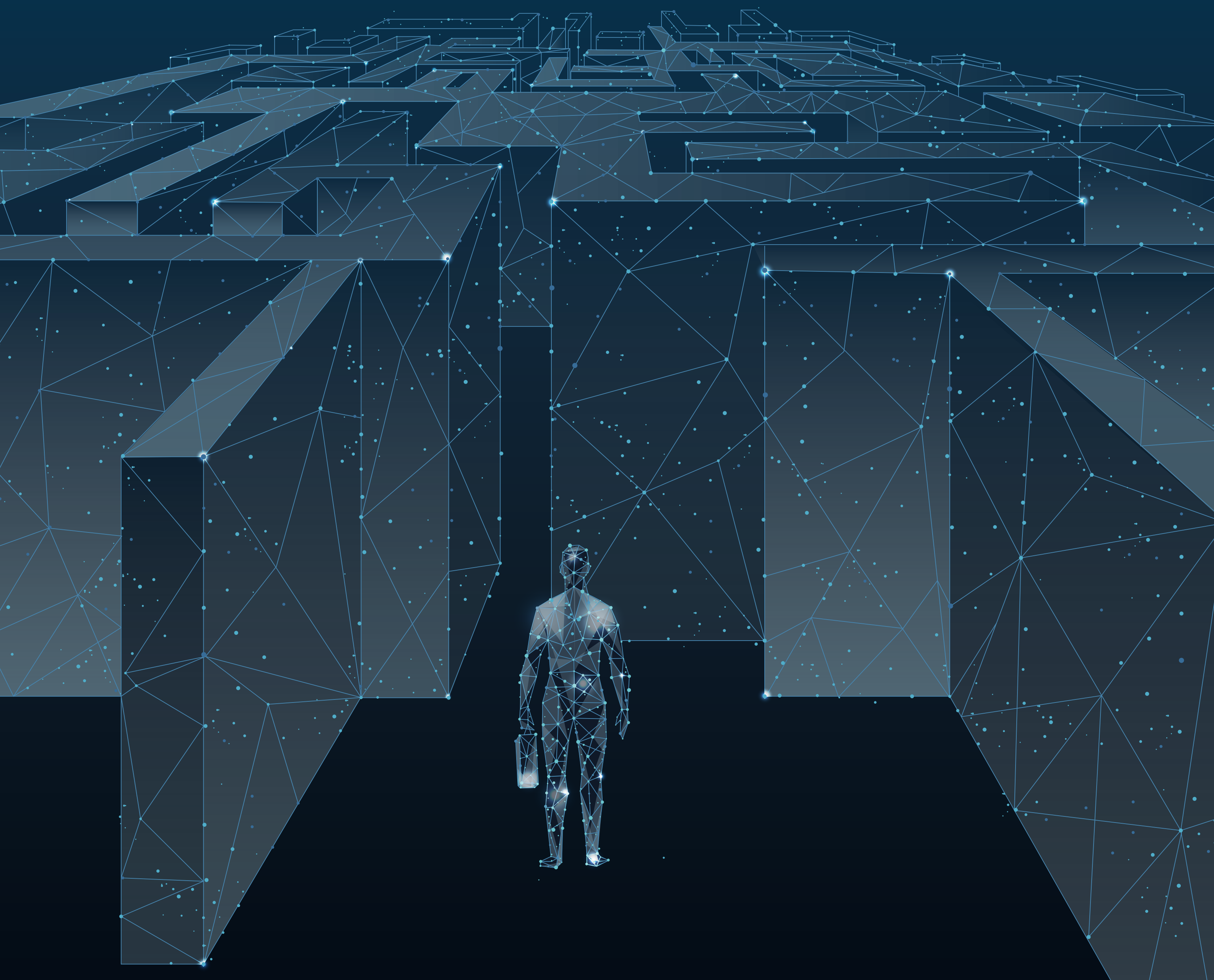
RESILIENCE BAROMETER®
AUTUMN 2021



Rebuild **Resilience** Protect **Value** Deliver **Growth**

EXPERTS WITH IMPACT™

FTI CONSULTING

Contents

Introduction

As the world's financial, political and social landscapes continue to shift, businesses face an increasingly complex and interconnected range of strategic challenges to their security and growth. From technological transformation and regulatory investigations to financial crime and employee wellness, new threats continue to emerge across every area of business, and within every jurisdiction in which G20 companies operate.

Yet whilst the nature and severity of these threats may change, ebb and flow, the way in which businesses can best mitigate growing risk remains consistent – and that is by being prepared.

By demanding 360-degree insights into the environment within which they operate, businesses can anticipate the challenges and opportunities they may face and can ensure their resilience.

Every day, FTI Consulting works with clients around the world to understand their specific challenges – helping them to anticipate from where and when threats may emerge, thereby empowering them to establish greater resilience.

Since the last FTI Consulting Resilience Barometer, businesses have continued to be considerably affected by the COVID-19 pandemic – our data shows that 58% of G20 companies have seen a reduction in their revenue and headcount since the start of the crisis.

Businesses are also facing broader disruptions, with public scrutiny and investigations becoming a major concern for business leaders. Our research shows that G20 companies are under increased pressure to integrate technology, strengthen reputations and improve Environmental, Social and Governance ("ESG") policies, programs and commitments. 83% of G20 companies expect to be investigated in the next 12 months.

Therefore, whilst both the primary and knock-on effects of the pandemic will continue to be felt over the next 12 months, businesses must also ensure other areas of risk – such as investigations – are given serious focus.

Despite these demands, there is a growing sense of optimism amongst business leaders, with more G20 companies returning to growth in 2021. Those businesses that invest in resilience hold the key not only to delivering on a sustainable basis for their stakeholders, but to the ability to strongly rebound, innovate and accelerate growth.

In this report, we share our insights into the challenges that G20 businesses will face over the coming 12 months. We hope that providing these insights will help more businesses begin to better understand and navigate their own challenges, uncertainties and potential for growth.

STEVEN H. GUNBY
President and Chief Executive Officer
FTI Consulting

Executive summary

Covid has sparked a revolution in business models and operations

90% of G20 companies are planning to adopt a hybrid working model – and **44%** expect at least half of their employees' work to be done remotely. In our last edition, these figures were **86%** and **36%** respectively

80% of G20 companies believe their business models need to fundamentally change to maintain or restore competitiveness

Three quarters of G20 companies have permanently changed their real estate footprint, or intend to in the next 12 months

Corporate Investigations – The Global Outlook

What proportion of companies are currently facing an investigation from public bodies, or expect to face one in the next 12 months?

01.	China	**94%**	**06.**	UK	**77%**
02.	India	**94%**	**07.**	US	**76%**
03.	Australia	**85%**	**08.**	Germany	**75%**
04.	Saudi Arabia	**81%**	**09.**	South Africa	**74%**
05.	France	**80%**	**10.**	Japan	**71%**

Digital Ecosystems

78% of G20 companies have suffered a cyber attack in the last 12 months, up on **75%** last year

Phishing attacks are particularly prevalent, with **over 1 in 3** G20 companies (**34%**) being negatively affected by these in the last 12 months – this is up on **29%** last year

Across our respondents, total revenue losses due to cyber attacks in the last 12 months was estimated to be **over USD$265bn**

1 in 4 G20 companies report that they had lost revenue as a result of data privacy issues in the last 12 months

Over half of G20 companies (**52%**) say they are taking proactive steps to manage data privacy risk

Finances post-pandemic

Since the start of the pandemic, the average G20 company estimates that it has lost:

-12% Revenue

-13% Headcount

In our Q4 2020 survey, these figures were **10%** and **12%** respectively

35% of companies say they are growing and fewer say they are in distress (**12%**) in comparison to last year (**27%** and **16%** respectively)

33% of G20 companies have sought refinancing or restructuring in the last year, up from **29%** in our last report

Business transformation and the future of work

Over 4 in 10 G20 companies report that they are under extreme pressure to integrate technology in their business, and 3 in 10 report similar pressure to improve their corporate culture

Over the last 12 months **30%** of G20 companies have experienced a shortage of talent and skills in their business

68% of G20 companies have seen an increase in in reports of mental health issues in their workforce during the pandemic compared to before the pandemic

Financial crime and regulatory risk

4 in 5 G20 business leaders think that a growing number of criminals are exploiting the financial system

Only 16% of G20 companies believe that their compliance vulnerabilities are under threat of exploitation by bad actors in the next year

Investing in compliance technology for crypto was a more popular measure for fighting financial crime than reducing portfolios of high-risk customers

52% vs **41%**

Disputes and litigation

83% of G20 companies are being investigated by public bodies, or expect to be in the next 12 months

Top three areas of concern are:

01. Business conduct and treatment of customers

02. Sustainability and ESG practices

03. Relationships with public bodies or procurement of government contracts

13% of G20 companies surveyed reported that they had been hit by class actions or mass claims in the last 12 months

On average, G20 companies expected to spend **17%** of their legal budgets on settlements from class actions and other disputes

Environmental, Social and Corporate Governance (ESG)

83% of G20 companies have increased their commitment to ESG and sustainability over the last 12 months

1 in 4 G20 companies believe they are falling short in their ESG performance and reporting

Top three industries currently experiencing or expecting investigations into their ESG and sustainability practices are:

01.	Renewables	**41%**
02.	Extractives	**35%**
03.	Financial Services	**33%**

Stakeholder engagement and crisis preparedness

97% of companies are actively investing in preparation for future crises, including use of tools such as AI and analytics to mitigate risk

37% of G20 companies report that they face extreme pressure to strengthen their reputations

Top three areas where G20 companies expect media scrutiny in the next 12 months are:

01. Post-pandemic employee wellbeing (**37%** expect this)

02. Data privacy (**35%**)

03. Sustainability and environmental impact (**33%**)

C-suite concerns

Amid the pandemic, increasing technological disruption, a shifting geopolitical landscape, growing social instability and the tightening of regulatory controls, G20 companies are facing an ever-growing and complex concoction of risk. Whilst each of these issues presents its own challenges, preparedness – and by extension resilience – is the key universal antidote that businesses must develop to mitigate these threats.

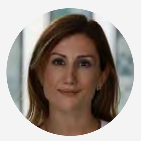
A new era of unforgiving public scrutiny, outdated business models and the repercussions of the pandemic are some of the diverse - yet interlinked - risks that are driving major C-suite concerns today. Underpinning these concerns is an increasingly relentless pressure: to withstand public, government and regulatory scrutiny; to meet growing stakeholder expectations; and to transform working practices and culture like never before.

Our data shows that companies are under extreme pressure to make changes across a wide range of business practices – including to integrate technology (41%), strengthen reputations (37%), improve ESG/sustainability practices (34%) and improve corporate culture (29%). These pressures come amid a growing expectation from companies of some form of investigation (83% are either being investigated, or expect to be investigated in the next 12 months), and growing demand from stakeholders to increase profits (51% expect significant pressure in this regard over the next year).

Whilst the emergence of vaccine-resistant COVID-19 variants was the most common concern amongst all but one of the G20 countries surveyed (with 48% of companies expressing this fear), it is, in the longer term, the socio-economic issues exposed by the pandemic, along with knock-on effects, that will be of greatest concern.

Employee wellbeing, talent shortages, financial crime, cybersecurity and ESG issues are just some of the concerns that have scaled the corporate agenda over the past 12 months, and with the growing risk of disputes and litigation, businesses are increasingly concerned about their relationships with key stakeholders – including customers, public bodies, governments and regulators.

> "The ability of businesses to handle crises has been a defining factor of their success during the pandemic. COVID-19 has exposed existing economic and social fault lines, and opened new ones: employee wellbeing, talent shortages, treatment of customers, ESG, financial crime and cybersecurity have all risen up the corporate agenda. 83% of G20 respondents are either being, or expect to be, investigated in the next 12 months, and 97% are already investing in preparation for future crises."



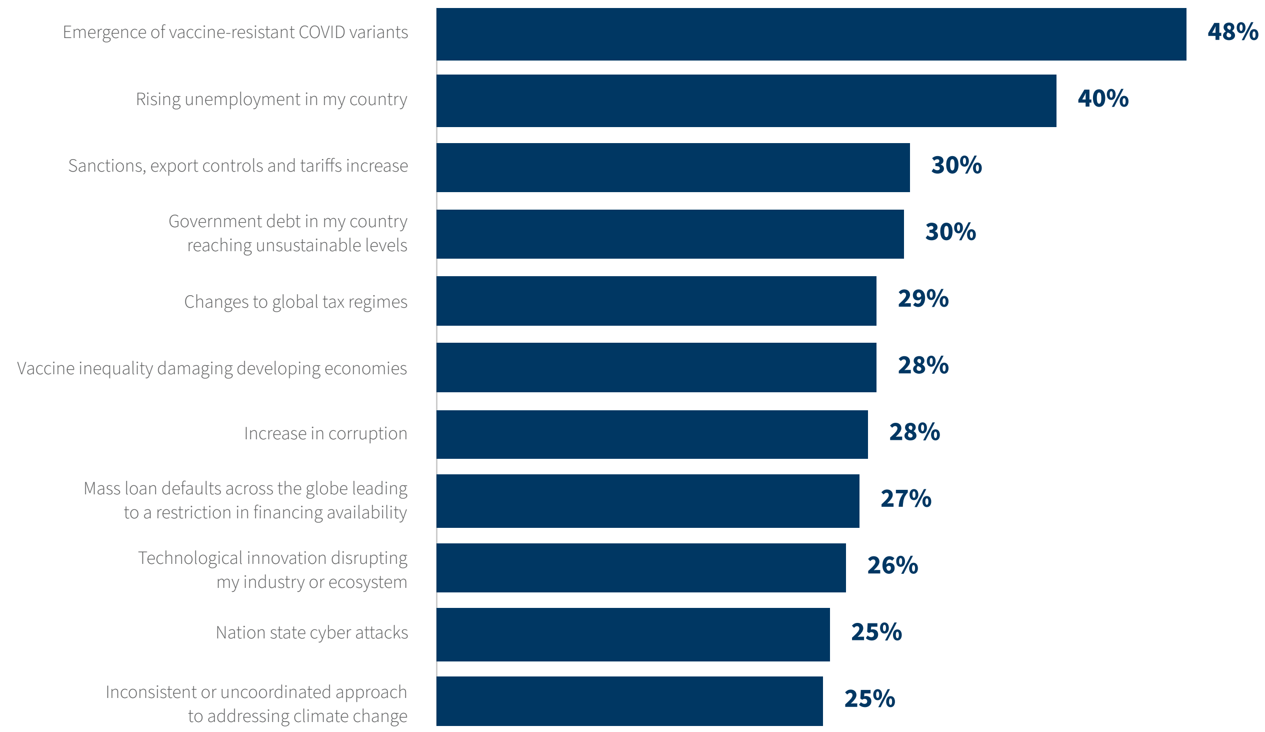
CAROLINE DAS-MONFRAIS
Global Resilience Lead

Cybersecurity threats, class action claims and skills shortages are some of the other major concerns to G20 companies. Nearly four out of five surveyed suffered a cyber attack in the past 12 months, with phishing attacks the most prevalent (34%), whilst a third agree that class action or mass claims are becoming more costly, with 17% of legal costs expected to be spent on settlements from class actions and other disputes.

Businesses also face workforce issues, with nearly a third of those surveyed experiencing a shortage of talent and skills, and 68% of staff reporting increased mental health issues in their workforce since the pandemic began. Addressing the skills gap and mental health issues will involve many companies having to reshape their corporate culture – something nearly one in three companies feel under extreme pressure to do.

With just 4% of companies surveyed stating they have no mainstream concerns about the next 12 months, almost every G20 business will need to be prepared for – and therefore resilient to – an ever-diversifying range of risks and concerns. By proactively building resilience now, companies are better positioning themselves for future growth. It is therefore reassuring that 97% of G20 companies are already investing in preparation for future crises.

WHAT GLOBAL EVENTS ARE A CONCERNING PROSPECT FOR THE C-SUITE OVER THE NEXT 12 MONTHS?



CONCERNS FROM AROUND THE GLOBE:

- **42%** of Chinese companies report that they are concerned by the prospect of technological innovation disrupting their industry – compared to a G20 average of 26%
- Argentinian and Russian respondents are the most likely to be concerned by an increase in international sanctions or tariffs (**43%**, compared to just 30% across the G20)
- Only **16%** of South Korean respondents are concerned by the prospect of nation state cyber attacks; compared to 25% of G20 countries overall
- In the European G20, French companies are the most likely to be concerned by rising unemployment (**31%**)

> "80% of our G20 respondents believe that their business model needs to fundamentally change in order to maintain or restore competitiveness. Now, more than ever, business leaders need real-time insights augmented by expert advice. 75% still feel inadequately prepared for the increasing number of crisis scenarios they are faced with."

KEVIN HEWITT
Chairman, Europe, Middle-East & Africa

Resilience agenda

Preconceptions about what a resilient company or economy looks like have been shattered in recent years. Systemic disruption, social upheaval, a worsening climate emergency and growing government intervention have radically changed expectations from all stakeholder groups. Greater scrutiny of organisations is the hallmark of an increasingly unforgiving environment, for which the only true countermeasure is resilience.

What it takes for a company to be resilient is constantly evolving, driven by macro socio-economic disruptions and micro business issues influencing a change in business models. The 14 resilience scenarios are a breakdown of these drivers, the key issues impacting the ability of a company to prepare for and mitigate a crises.

The Resilience Agenda© enables business leaders to navigate this volatile environment, identifying patterns and providing actionable insights at scale.

14 RESILIENCE SCENARIOS

01. Inability to plan proactively for the future

02. Damage to reputation and public perception

03. Impact from fraud and financial crime

04. Class-action lawsuits and the threat of litigation

05. Regulatory and political scrutiny

06. Shareholder activism and other stakeholder pressures

07. Operations disrupted by climate emergency

08. Social upheaval influencing corporate culture and ESG practices

09. Value proposition impacted by workforce and skills shortages

10. Business model becoming outdated

11. Increased difficulty in securing financing and cashflow disruption

12. Compliance vulnerabilities exploited by bad actors

13. Evolving cybersecurity threat landscape

14. Data breaches and privacy issues

IN NUMBERS

C-suite insights from

2869
LARGE G20 COMPANIES

Participating companies directly employ

58 million
PEOPLE

Representing a total

$37 trillion
GLOBAL TURNOVER

Sustainability and ESG

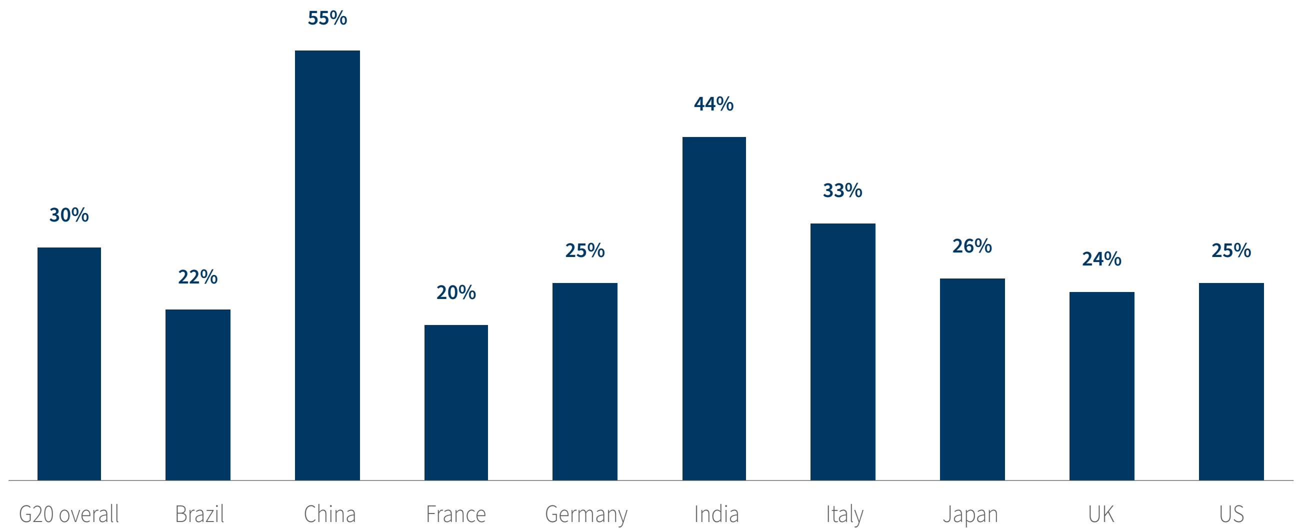
Once considered a box tick or supplementary PR exercise, today ESG permeates throughout every aspect of business – from investor relations and marketing to regulation and compliance; in turn, ESG has rapidly climbed the corporate agenda, becoming a major consideration for any company's leadership.

The pressures exerted on companies during 2020 – from the global pandemic to the push for greater diversity in the workforce – called into question their social license to operate in unprecedented fashion. It was thus unsurprising that, in our previous survey, four in every five G20 companies reported that Covid-19 had been a catalyst for them to materially enhance their approach to ESG and sustainability.

Our findings in 2021 show that ESG is increasingly impacting not just the 'softer' realms of business, but companies' bottom lines too: more than one in five G20 companies surveyed believe that ESG and sustainability developments have had a material adverse impact on their company's revenue over the past 12 months. Failure to present a compelling sustainability offering can undermine both investor confidence and consumer loyalty, as evidenced by recent IPO disappointments and customer boycotts due to ESG concerns.

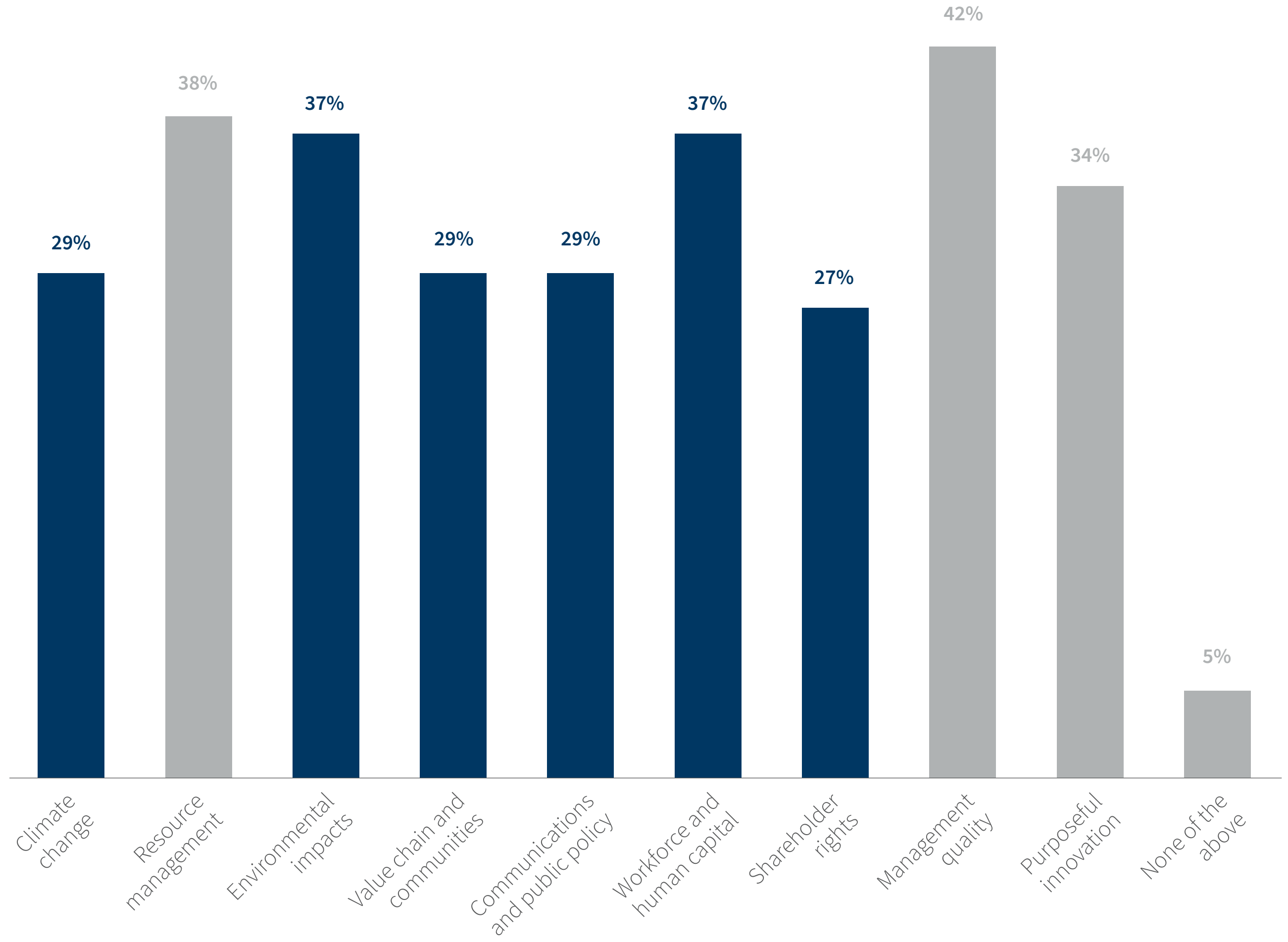
It is also clear that, whereas previously ESG may have solely been considered a risk to be managed, the vast majority of businesses now perceive ESG as a strategic opportunity to be seized; 85% of the businesses surveyed have shifted their approach from reactively managing ESG risk to proactively identifying new ESG-related business opportunities. 30% of G20 companies surveyed even expect to conduct M&A to improve the ESG credentials or capabilities in the next 12 months.

COMPANIES CURRENTLY EXPERIENCING OR EXPECTING SUSTAINABILITY / ESG INVESTIGATIONS IN THE NEXT 12 MONTHS



Given the reputational, financial and regulatory risks (and opportunities) posed by ESG, the vast majority of G20 companies are, consequentially, escalating their ESG efforts too; our research shows that 83% of G20 companies have increased their commitment to ESG and sustainability over the last 12 months, whilst 83% have been spending more on ESG resources (40% "strongly agree"; 43% "slightly agree"). Furthermore, 86% of G20 companies agreed that their company was actively aligning their business strategy with social purposes.

WHICH OF THE FOLLOWING HAS YOUR COMPANY INCREASED ITS COMMITMENT TO OVER THE LAST 12 MONTHS?



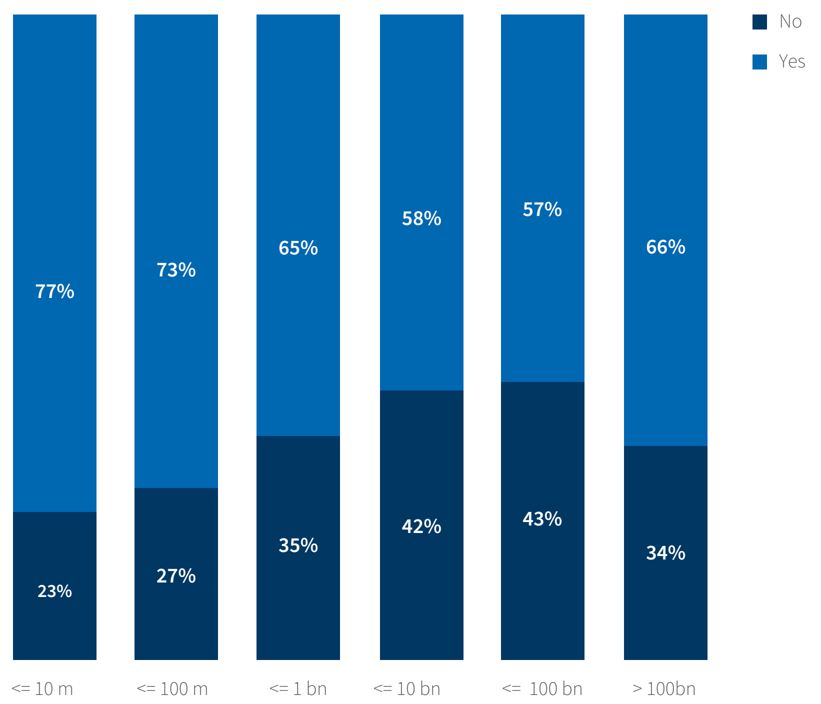
With this year's UN Climate Change Conference of the Parties (COP26) on the horizon, there is a possibility of new legislation, and increased regulation, around sustainability and environmental practices in particular. This is intended to drive innovation and create the market opportunities respondents now identify from the common ESG and sustainability agenda, but implementation may be less than uniform in different regional markets. As such, an inconsistent or uncoordinated approach to addressing climate change has this year become a key C-suite concern for more than four G20 companies (28%).

Our research also found that 30% of companies across the G20 expect to be investigated by regulatory or government bodies in the next 12 months on their sustainability and ESG practices. Furthermore, the industries with the highest expectancy of regulatory investigation into their practices are both environmental: renewable resources & alternative energy (41% of companies believe they will be investigated) and extractives & minerals processing (35%).

In China, over half (55%) of companies say they expect to be investigated on their ESG and sustainability practices in the next year - by far the highest figure of any G20 country. Chinese companies were also the most likely to believe that their ESG performance was falling short (97% reported this), and to have felt a material impact on their revenue from ESG concerns (38%).

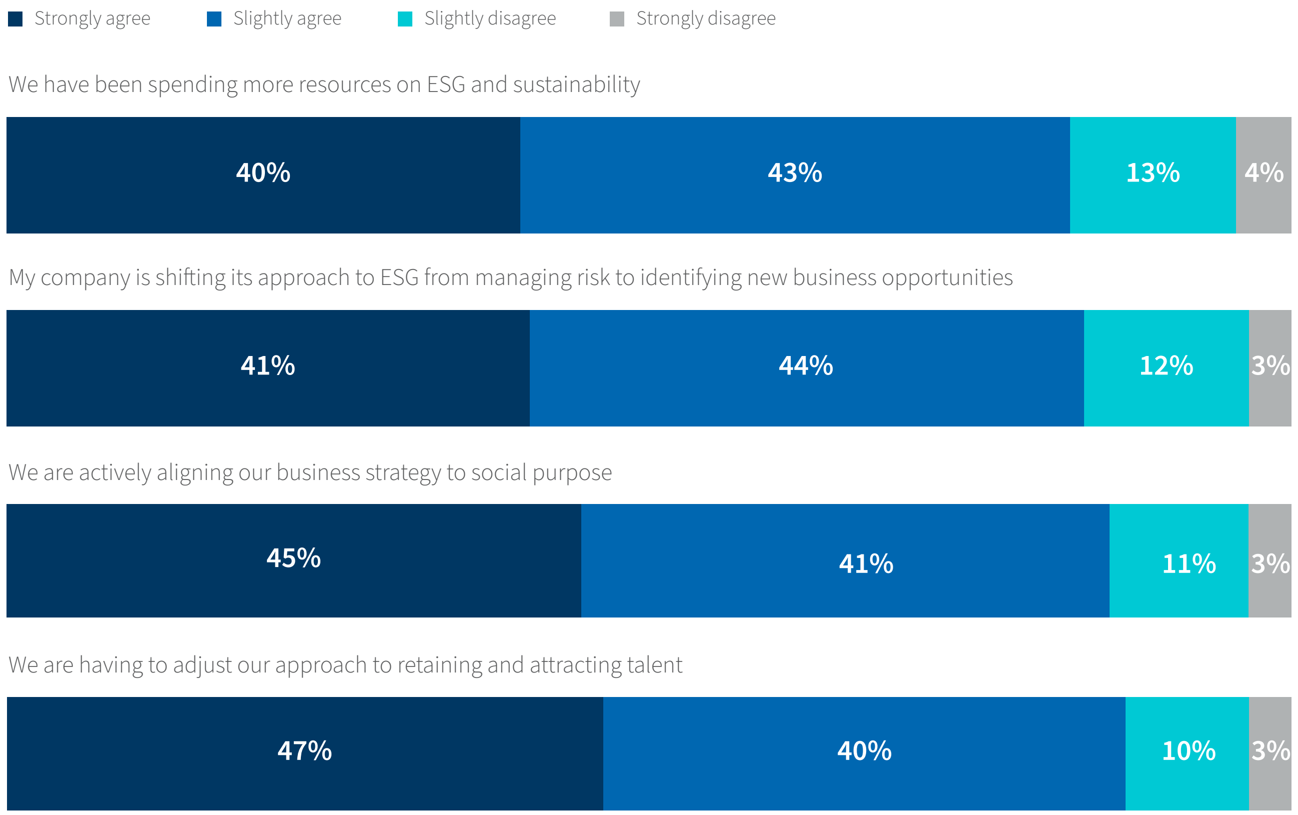
Potential sustainability regulation, coupled with the universal drive to increase ESG commitment, is, in turn, placing companies under increasing burden and scrutiny; over a third of G20 companies say they are under extreme pressure to improve in the area of ESG, whilst only 13% of G20 companies believe their sustainability and ESG practices are meeting expectations in all areas. Furthermore, over a quarter of companies (27%) believe their diversity strategy is falling short.

COMPANIES UNDER 'EXTREME PRESSURE' IN RELATION TO ESG / SUSTAINABILITY – BY COMPANY TURNOVER



Overall, our research paints a picture of the vast majority of companies investing more into ESG efforts, but equally dissatisfied with their progress or impact to date; concerns over regulatory investigation are also considerable, though the vast majority of companies see ESG as a positive opportunity for growth.

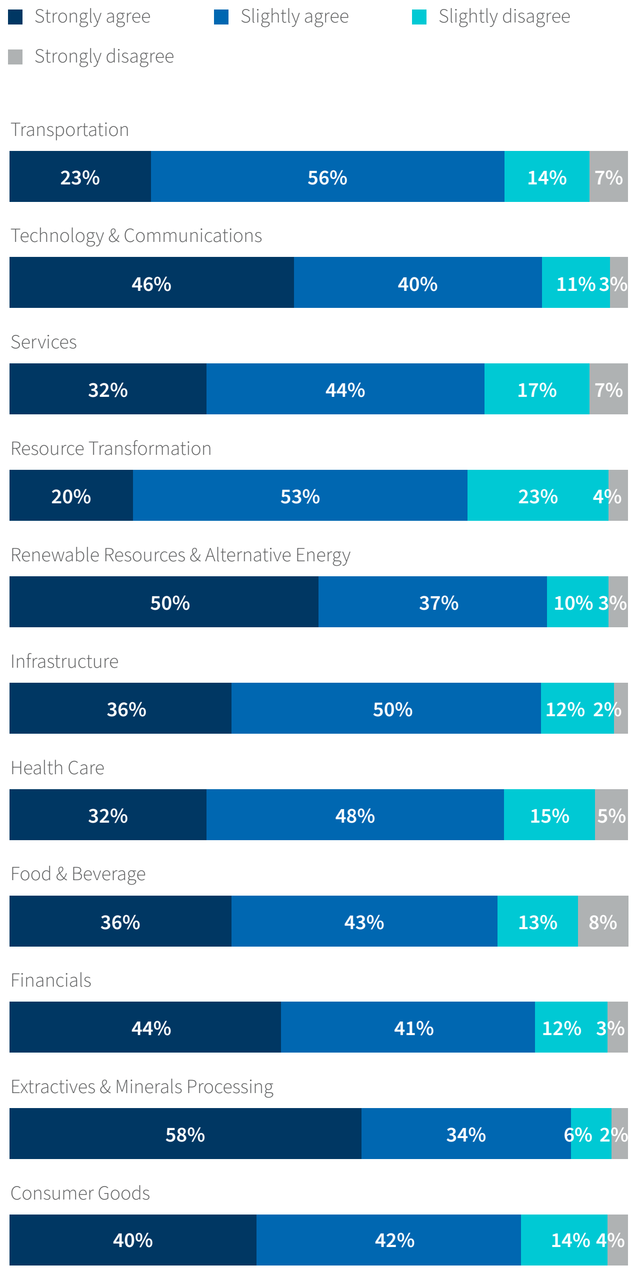
CHANGING SUSTAINABILITY AND ESG PRIORITIES



With sustainability increasingly becoming a key factor in determining a company's reputation and value, it is those businesses that comprehensively and transparently integrate ESG – and not only align it with but use it to define their strategies, structures and business models – that will be best equipped to handle related risks and take advantage of ESG – related opportunities to generate long term sustainable value.

WHICH INDUSTRIES ARE LEADING?

We have been spending more resources on ESG and sustainability



KERSTIN DUHME
Global ESG Lead, Strategic Communications

"As we emerge from the pandemic, businesses are revolutionising every aspect of their operations – from working patterns to technological infrastructure – and they are doing so with a newfound sense of social purpose. For resilient companies, sustainability is at the heart of this purpose. Organisations are looking beyond regulatory requirements for motivation, and instead contemplating how they can turn sustainable business models into competitive advantage."

78%

of G20 companies report that they are shifting their approach to ESG from managing risk to identifying new business opportunities

"With the rising tide of concerns around climate change, human capital management and social inequities will come a new wave of shareholder activism post-pandemic. ESG performance will increasingly be scrutinised – and acted upon – by investors, regulators and consumers. Though there's no cure-all for this kind of risk, an effective corporate response to shareholder activism requires developing a sound program to manage ESG risks and opportunities, delivering a consistent and reliable message to set expectations, and proactively engaging with shareholders."

RODOLFO ARAUJO
Head of Corporate Governance & Activism

ESG
Fact Sheet

Today ESG permeates every aspect of business and is a central boardroom issue. Companies that fail to effectively engage in ESG risk putting themselves at a competitive disadvantage.

FINANCIAL IMPACTS

Poor ESG strategies are affecting companies' bottom lines

Over one in five

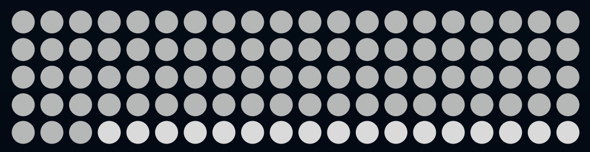
G20 businesses say their **revenue was hit** in the last year because of their lagging approach to ESG

STRATEGIC OPPORTUNITY

85% of businesses now view ESG as a strategic opportunity they can't afford to ignore, rather than a risk to mitigate.

30% of G20 companies even expect to conduct M&A in the next year to improve their ESG position

GROWING COMMITMENT



83%

G20 companies are making far greater commitments to ESG and ramping up their investment in their sustainability strategy

INVESTIGATIONS EXPECTED

Greater scrutiny will also drive change

30%

G20 companies are being investigated by regulatory or government bodies on sustainability and ESG – or expect to be in the next year

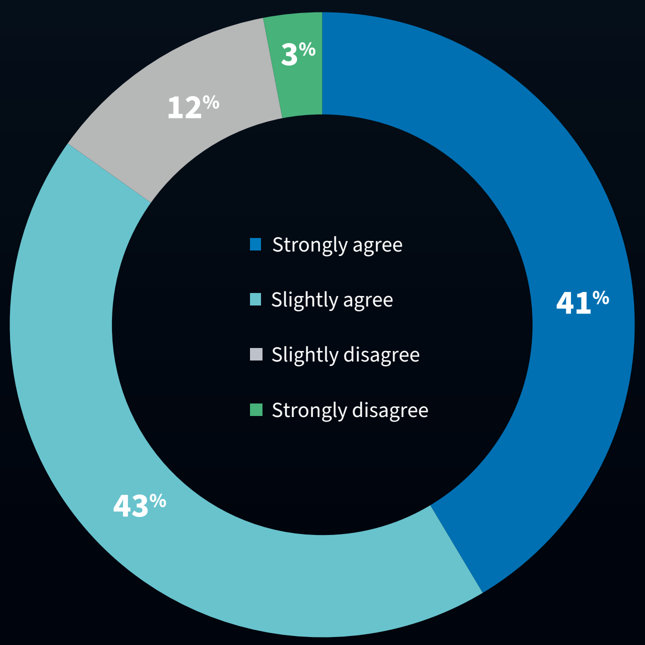
Businesses in China and India are the most concerned

13%

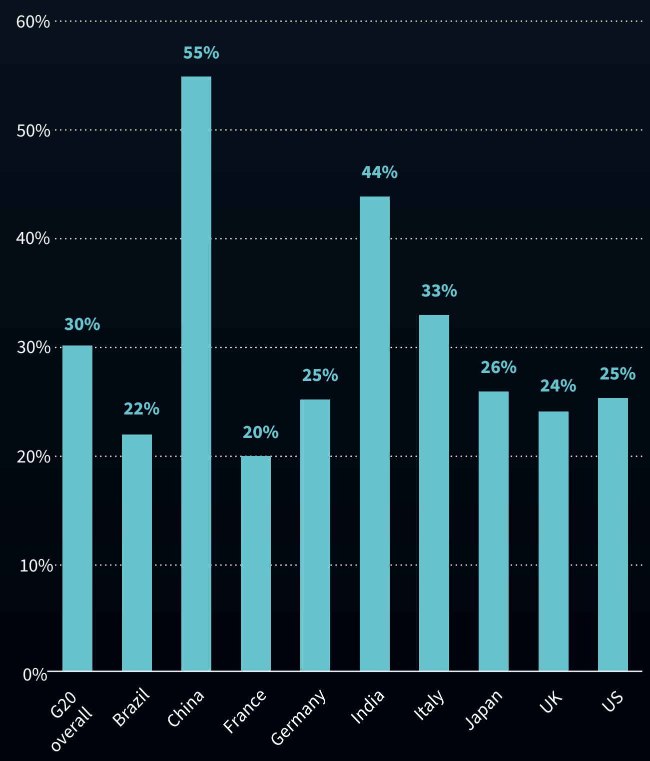
Only **13%** of G20 companies believe their strategies are meeting expectations in all areas

ESG IS SHIFTING FROM RISK MANAGEMENT TO BUSINESS OPPORTUNITY IDENTIFICATION

My company is shifting its approach to ESG from managing risk to identifying new business opportunities



INVESTIGATIONS LEVELS ARE HIGH



Digital ecosystems

As organisations embrace new digital working practices, new digital risks are introduced. From loss of data and intellectual property, to ransomware, DDoS, and phishing attacks, organisations are facing an unprecedented set of cybersecurity and data privacy challenges impacting their operations, finances, and reputation.

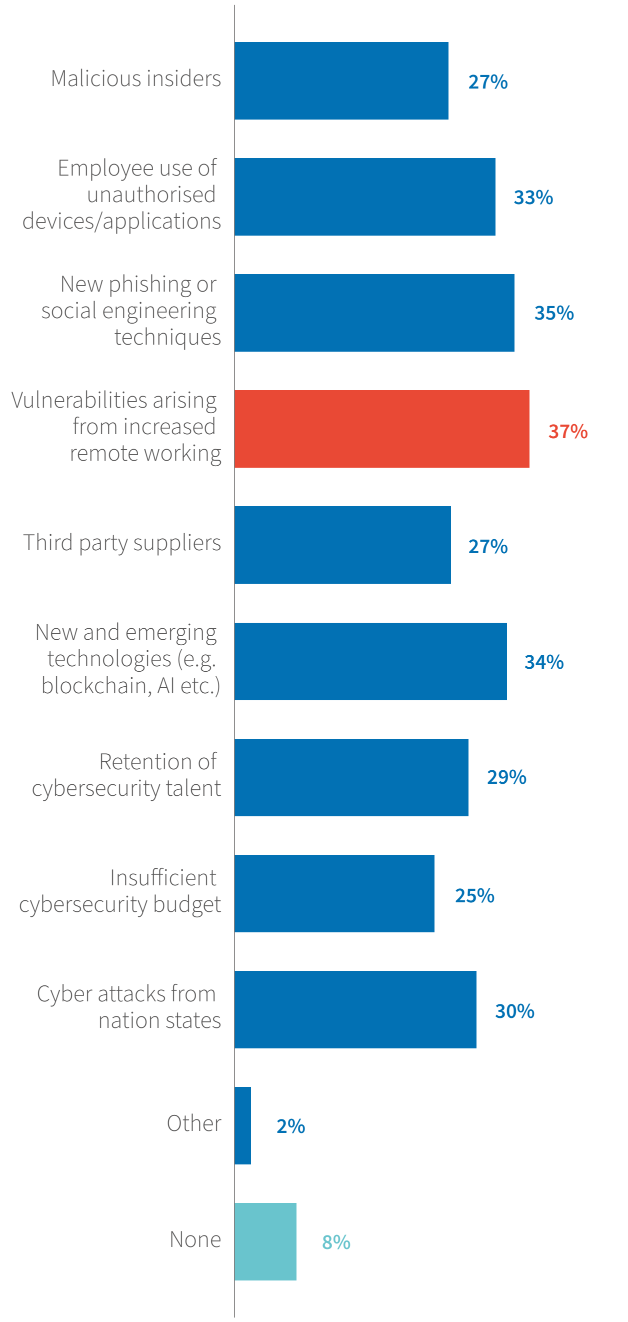
The global pandemic has accelerated digital decentralisation, with organisations operating in a wider ecosystem of partners, workers, suppliers, and customers. Whilst these third-party systems have helped organisations create efficiencies, they have also increased digital vulnerabilities and expanded attack surfaces. As such, the increase in remote working – heavily reliant on third-party systems – has, for the first time, become the greatest risk factor (37%) cited by G20 companies in our research.

According to our data, 81% of organisations agree that cybersecurity has risen up the board's agenda, and 85% agree that employees are more aware of cyber threats compared to the previous 12 months. However, 62% of G20 organisations admit they do not fully understand the cyber risk posed by their vendors, and only 27% said that third-party risk was a pressing concern. Of those organisations concerned with this area of risk, only 32% believe they effectively understand it.

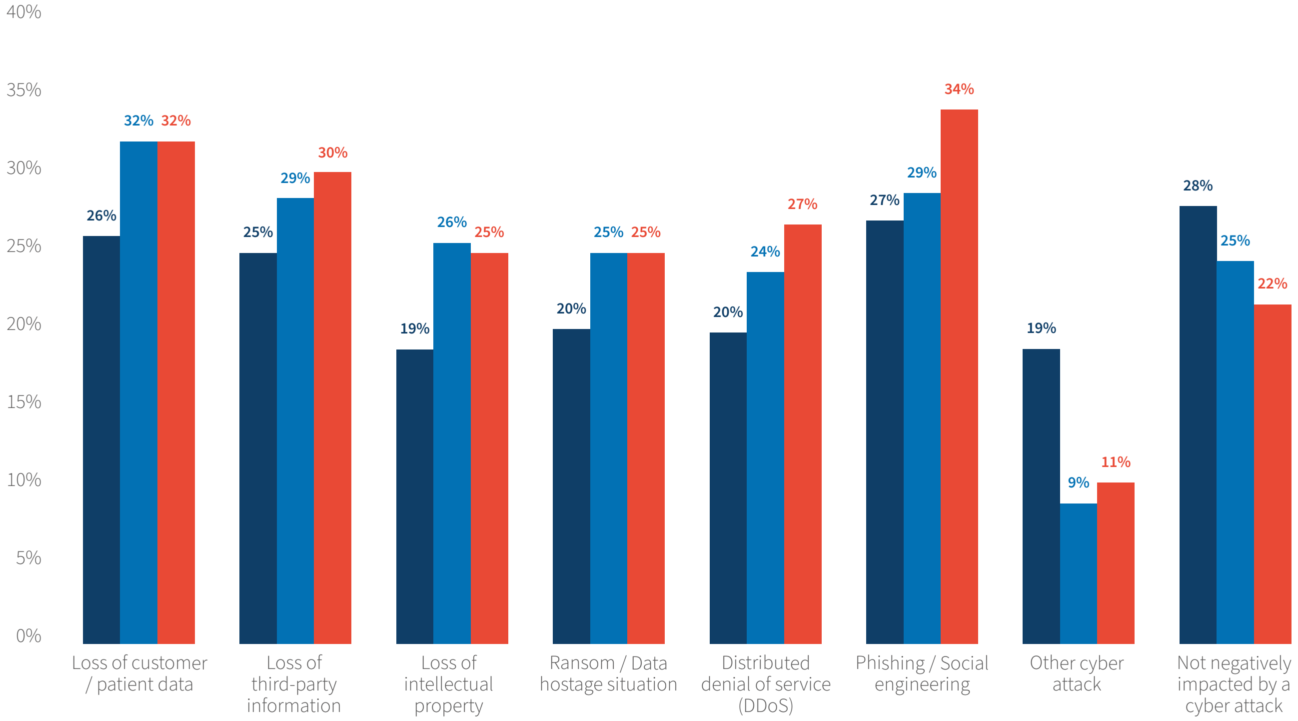
This demonstrates that whilst the majority of organisations are increasingly aware of cyber risks, they remain unsure as to how address the wide range of existing and emerging threats.

The changing nature of how organisations conduct business has instigated a shift in the prevalence and type of cyber attacks. For the third year in a row, the number of G20 organisations affected by cyber attacks has increased – up to 78% in 2021 from 75% in 2020. The frequency of phishing/social engineering attacks, which rose 5% in the last year to 34% in 2021, have become the most common form of cyber attack.

WHICH OF THE FOLLOWING CYBERSECURITY RISKS ARE YOU PRESENTLY CONCERNED ABOUT?



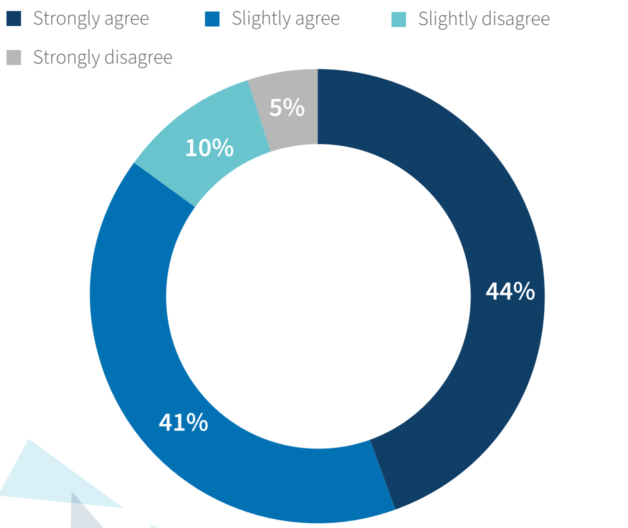
WHAT CYBER ATTACKS ARE COMPANIES FACING IN 2021?



In light of the increasing and shifting nature of cyber attacks, resilience has never been more important. An organisation's ability to manage cyber threats is not based solely on an incident response plan and the ability to react quickly once an attack has occurred, but also the cybersecurity readiness measures implemented in advance to prevent, or minimalize the damage of, an attack in the first place.

There remains, however, a considerable discrepancy between the damage – reputational, regulatory, and financial – that cyber attacks are causing to these organisations and their state of preparedness.

MY EMPLOYEES ARE MORE AWARE OF CYBER THREATS THAN 12 MONTHS AGO



> "Cybersecurity resilience is largely about having a plan – one that is detailed, practiced, and updated regularly. Where organisations typically fall short is accounting for new dynamics. As evidenced by this last year, the threats organisations face, the way we interact with our colleagues, and the attitudes of external stakeholders can quickly change. Considering alternative scenarios, testing the plan under such hypotheticals, and reviewing gaps and weaknesses is critical to keeping a plan updated and building cybersecurity resilience."

JORDAN RAE KELLY
Head of Cybersecurity, Americas

Data privacy risks on the rise

One in four organisations say they have lost revenue as a result of data privacy issues in the last 12 months and nearly one-third expect to experience a data privacy investigation in the coming year. Despite this, many organisations continue to overlook data privacy compliance until an incident arises. Across the G20, respondents revealed several areas of persistent challenge, as well as opportunity, regarding data privacy risks.

More than 635 G20 organisations in our sample were affected by data privacy events and lost a total of $290bn this year as a result.

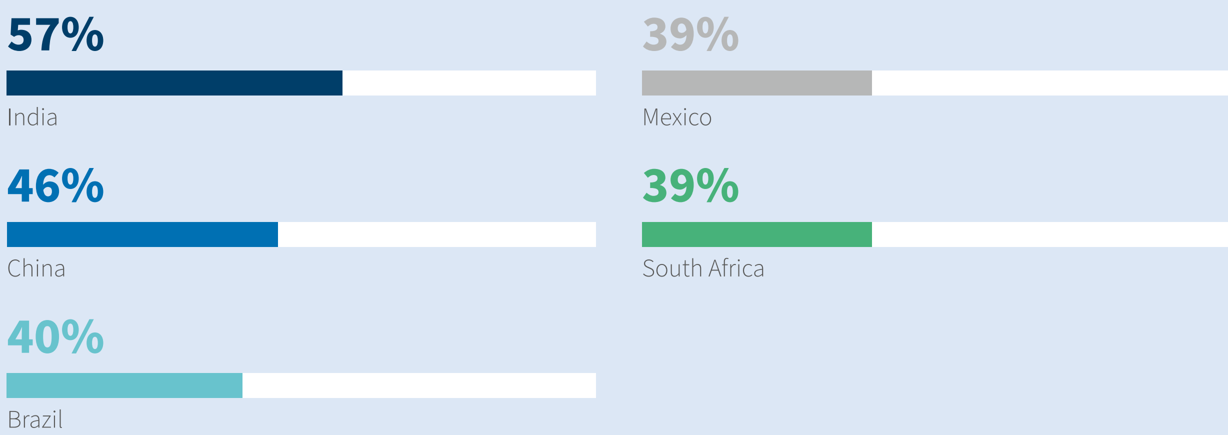
Additional findings include:

- Only 52% of companies are mainly proactive in managing data privacy risk
- 27% of companies are being investigated or expect to be investigated in the next 12 months in relation to data privacy
- Respondents in countries with recent or expected new privacy laws — Australia, The United Arab Emirates, India, South Africa and China — were the most likely (46%) to express plans to increase their investment in compliance
- In the U.S., organisations are allocating more than 21% of their legal spend to adapting to new regulations, which suggests an increase in the scope of impact global data privacy and cybersecurity laws are placing on corporate budgets
- 35% of respondents identified data privacy as an anticipated topic of public/media scrutiny, with respondents in countries including India, China and Brazil expressing heightened concern

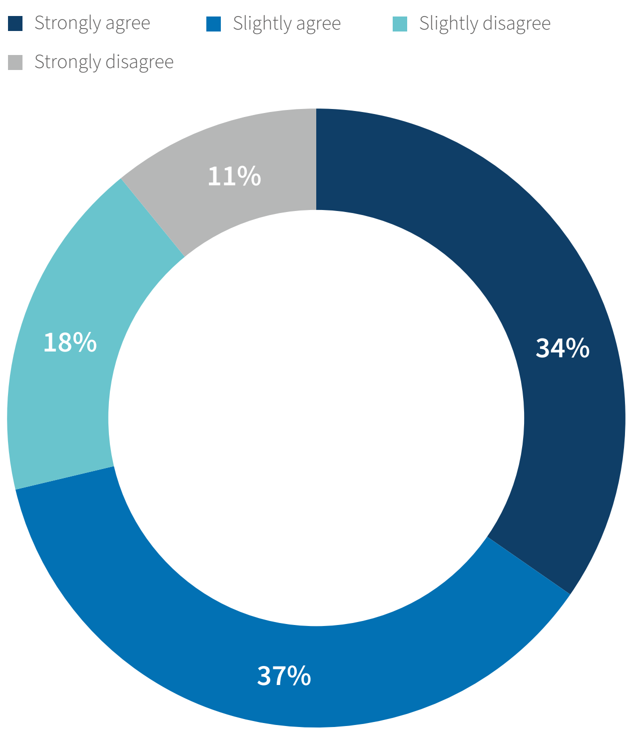
SONIA CHENG
Head of Information Governance & Privacy, EMEA

> "The business cost of a data privacy violation or data breach extends far beyond the immediate expense of addressing the incident. Diminished public trust, long-term reputational fallout, lost revenue and legal actions can quickly multiply the financial impacts of regulatory penalties and incident response. Data privacy has historically been seen as a cost centre, but considering that the typical G20 respondent has lost roughly $3.4m in revenue in the last year due to data privacy issues, a proactive approach to data privacy and breach readiness should actually be viewed as a business opportunity."

EXPECT TO FACE MEDIA SCRUTINY ON DATA PRIVACY IN THE NEXT 12 MONTHS



DATA PRIVACY CONCERNS HAVE IMPACTED OUR M&A DECISIONS



A quarter of G20 organisations have lost revenue as a result of data privacy issues, from loss of trust, to impact on sales, compliance costs, restricted data flows, direct incident costs, and regulatory fines. The average organisation affected by such activity loses 1.82% of turnover – or $3.4m for the median firm. The regulatory risks surrounding cyber attacks and data privacy violations are also increasing. More than 25% of G20 organisations are currently experiencing a data privacy investigation or expect to in the year ahead. Organisations affected by cyber attacks typically lose 1.75% of turnover – $3.4m for the median firm. Yet despite these vast financial risks and an increasingly pressurised regulatory environment, investment and proactive mitigation of these issues are stagnating.

Digital resilience has become inextricably linked to company value, regulatory compliance and legal risk. The ability to demonstrate satisfactory data privacy and cybersecurity measures has also become a growing focus of transactional due diligence. In light of these pressures, there are increased expectations for organisations to proactively prepare for cyber attacks, implement data protection measures, strengthen trust, and maintain stakeholder confidence and relations.

ANTHONY J. FERRANTE
Global Head of Cybersecurity

"Cybersecurity is no longer just an issue for those safeguarding our networks. In fact, cybersecurity can now make or break a business, and executives and boards have never been more aware of the need to build cybersecurity resiliency into their current policies, processes, and procedures. The success of our businesses, the privacy of our information, and the protection of our infrastructure depends on our ability to navigate a new dynamic and complex environment, more than ever before."

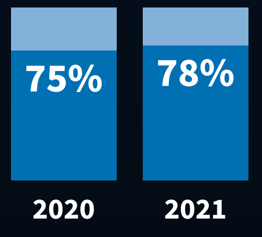
over
$265bn
estimated total revenue losses due to cyber attacks in the last 12 months

Cybersecurity Fact Sheet

Cyber risks are more complex, and attacks are more frequent as the attack surface continues to expand. With organisations increasingly relying on digital technologies, managing cybersecurity has never been more crucial.

CYBER ATTACKS CONTINUE RISING

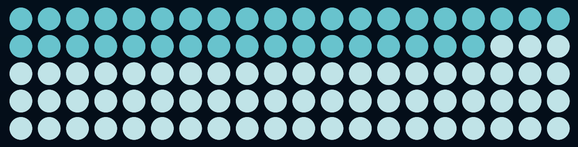
The number of G20 organisations hit by a cyber attack **continued to increase** in the last year – up to 78% in 2021 from 75% in 2020



34%

Phishing/social engineering attacks are the **most common** attack type (34%), rising 5% from 2020

REMOTE WORKING RISKS



37%

Remote working and its reliance on third-party systems is now the greatest cyber risk (**37%**) for G20 organisations. As organisations shift to hybrid workforce structures, cyber threats from working away from the office will remain

DATA PRIVACY CONCERNS

Data privacy is a major problem

32%

Nearly a third of organisations (**32%**) lost customer data in the last year

A quarter of G20 organisations saw a decrease in revenue due to data privacy issues

25%

are either being **investigated now** about their data privacy policies or **expect to be** in the next 12 months

BOARDROOM PRIORITY

Cybersecurity has long been a boardroom concern, but it is increasing in importance

81%

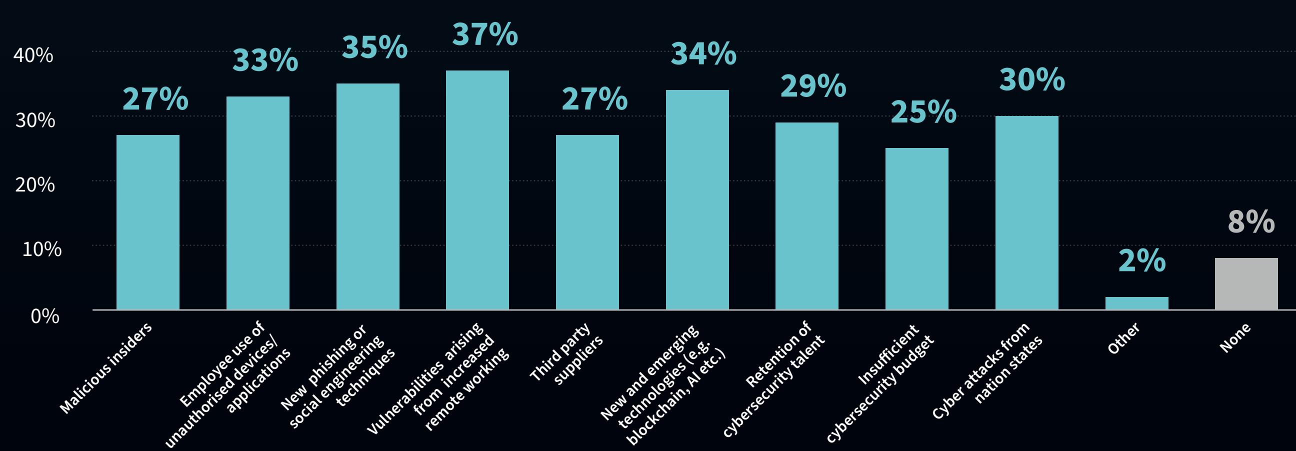
of organisations say that cybersecurity has climbed the board's agenda. It will remain a key priority as organisations become increasingly digital

52%

However, **only half** (**52%**) of G20 organisations say they are taking mainly proactive steps in managing data privacy risk

COMPANIES ARE CONCERNED ABOUT MULTIPLE CYBER ISSUES

Which of the following cybersecurity risks are you presently concerned about?



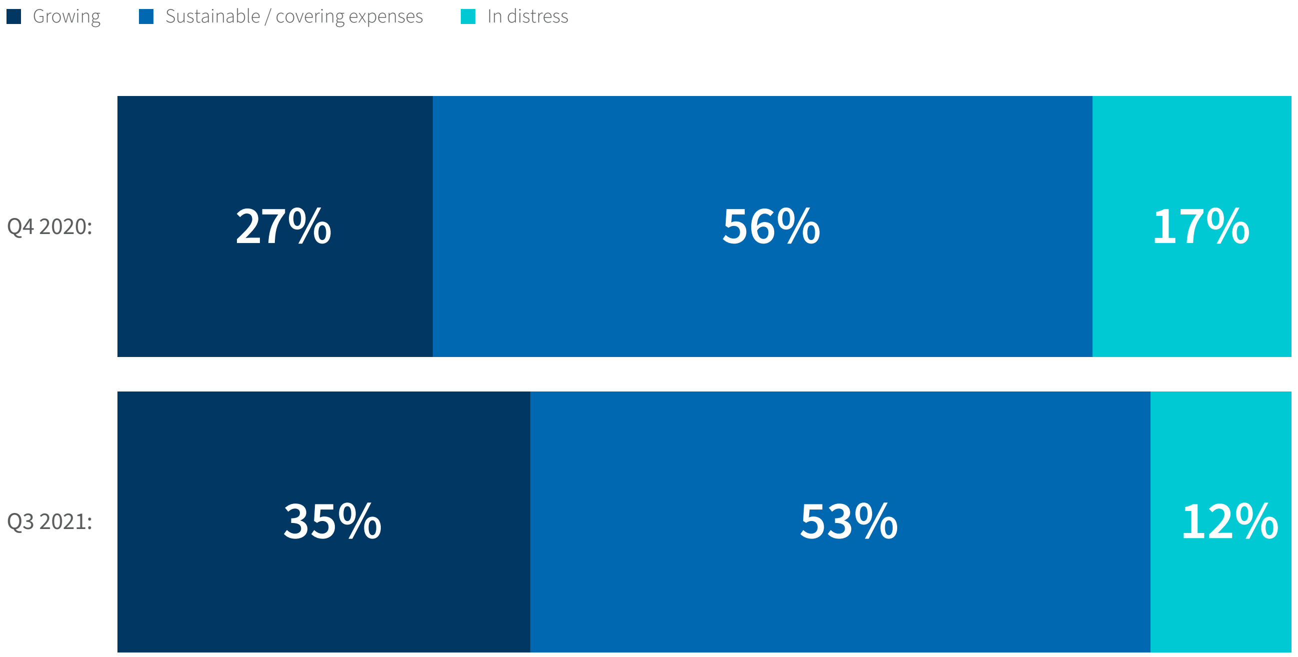
Finances post-pandemic

With the Covid-19 pandemic continuing to cast a shadow over the global economy, G20 companies are taking increasingly strenuous measures to service their debts and meet their financial obligations. And whilst there are firm indications that economies are entering an initial recovery growth phase, a potential perfect storm of stress events looms on the horizon – one that will require a longer-term preparedness and resilience to navigate.

Our data indicates that despite the widespread rollout of vaccines across most G20 nations, the impact of the pandemic continues to be significant. 58% of companies have experienced a reduction in turnover since the start of the pandemic, with the average G20 business reporting a 12% decrease in turnover and a 13% drop in headcount in comparison to pre-pandemic levels.

As economies begin to open again, there are some initial signs of growth recovery. In comparison to Q4 2020, a higher proportion of companies say they are growing (35% today vs 27% Q4 2020) and fewer say they are in distress (12% today vs 16% Q4 2020).

HOPE ON THE HORIZON?

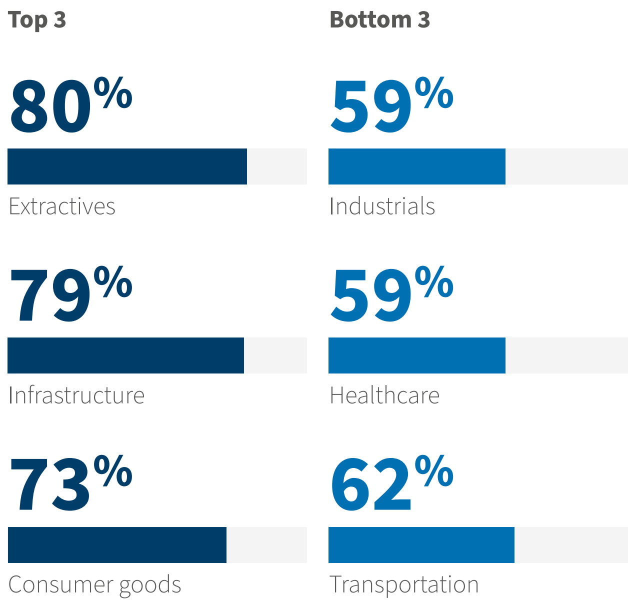


These indications of a resurgence of growth may, however, be deceptive, and do not indicate that G20 companies are out of the woods yet. Whilst these initial signs of recovery are optimistic, the legacy of the pandemic in terms of cash flow and debt are only beginning to be felt.

As our data indicates, cash flow is becoming a considerable issue for many companies. 40% of G20 companies have had to introduce cash flow management strategies over the last 12 months, and 24% of those surveyed have had to defer loan repayments to manage cash flows as a result of the pandemic.

One of the expected knock-on effects of companies deferring their loan repayments is that they are now facing challenges servicing their debts – 69% of G20 companies are now in this situation, up from 62% in Q4 2020.

WHICH INDUSTRIES ARE FACING CHALLENGES SERVICING THEIR DEBTS?



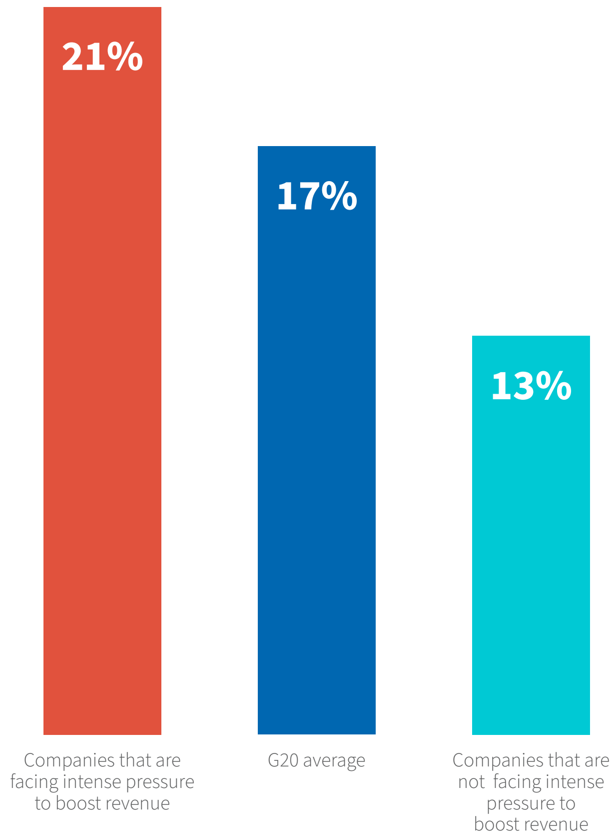
Many business leaders are also increasingly concerned about the wider financial effects of these factors, including a lack of access to finance. Over a quarter of respondents are concerned that mass loan defaults may lead to a restriction in financing availability, whilst 24% of companies have already reported difficulty in securing finance over the last year.

In the wake of the pandemic, companies are also set to face a broader range of government, regulatory and legal scenarios that may further threaten recovery. Whilst 82% of G20 companies have received government support over the past 12 months, this support will subside – and with it, the financial health of numerous businesses. Indeed, 17% of our G20 respondents reported that they would be in distress if they had not received government financial support over the last 12 months.

At the top of regulatory concerns will be the potential fraudulent practices that emerged during the crisis – particularly those related to government contracts or use of government aid. 40% of G20 companies expect to have experienced either media or regulatory scrutiny in relation to their use of state financial aid in the next 12 months. Likewise, as corporates comb through their finances, they too might identify instances of internal misconduct or financial misstatement.

G20 companies are heavily invested in combatting the risk of fraud, but are unlikely to believe that they will actually be the victim of these practices. Whilst only 17% predict that they will discover fraud or financial misstatement in their business in the next 12 months, 45% report that they are proactively managing that risk. Interestingly, the prediction for discovering fraud is most common among those companies that face extreme pressure to increase their revenue.

DO YOU EXPECT YOUR COMPANY TO DISCOVER FRAUD AND FINANCIAL MISSTATEMENT IN THE NEXT 12 MONTHS?

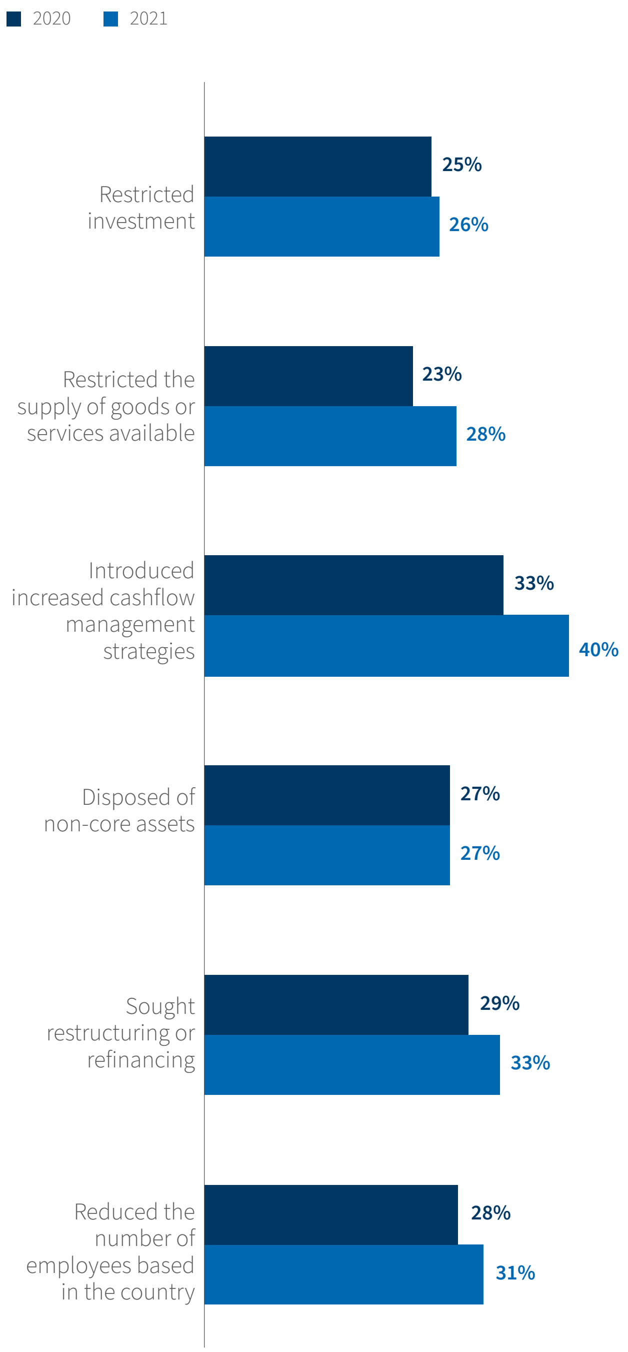


> "Resilient businesses are characterised by their ability to be efficient in their efforts to combat numerous pressures. With 69% of G20 companies struggling to service their current debts, the coming years will be characterised by radical changes to corporate balance sheets – and 71% of G20 companies predict that they will require restructuring or refinancing in the next 12 months. Leading businesses will be those that can integrate this radical change into their post-pandemic strategy, and emerge leaner, smarter and tech-driven."

DAVID MORRIS
Head of UK Restructuring
Corporate Finance

As a result of these issues, companies are increasingly undertaking corporate refinancing and restructuring. 33% of G20 companies has sought refinancing or restructuring over the last year (up from 29% in 2020), whilst around a quarter have disposed of non-core assets, restricted capital expenditure or deferred loan repayments.

WHAT ACTIONS HAS YOUR COMPANY TAKEN OVER THE LAST 12 MONTHS AS A RESULT OF FINANCIAL PRESSURES?



Furthermore, refinancing and restructuring activity is only set to further ramp up considerably, with 71% of G20 companies saying they expect to have to refinance or restructure over the coming 12 months. Although these measures may be difficult, by doing so, companies are working to reduce pressure, increase resilience and ultimately meet targets. 51% of G20 companies expect significant pressure to achieve increased profits over the next 12 months.

All these factors will ultimately increase the number of corporate failures and defaults. As government funding subsides and financing is harder to come by, there will be an uptick in administrations and associated litigation. As companies are tipped into administration, further fraud schemes and financial misstatement fraud might also be identified.

CARLYN TAYLOR
Global Head of Corporate Finance & Restructuring

"Beyond putting huge strain on company finances, the pandemic has challenged commercial paradigms. Market movements that were previously emerging trends are now the new normal: digital-first customer interaction, hybrid working patterns, data-driven strategies, the list goes on. Technological capability will be the foundation of success in this new landscape – and a third of G20 companies are looking to M&A as their means of growing this capability."

33%

of G20 companies expect to conduct M&A in order to acquire technological platforms or systems in the next 12 months

Business transformation and the future of work

The combination of the global pandemic, changing consumer patterns, digitalisation and new means of working are presenting companies with unique opportunities to transform - as well as increased vulnerabilities and risk. The transformation businesses require to face these challenges and maintain competitiveness will be underpinned by a resilience based on flexibility, future planning, M&A activity and new technological tools.

Our data shows that 72% of G20 businesses agree that the pandemic has caused lasting damage to their industry, and that a third estimate the pandemic has seen revenue losses of 30% or higher (13% have suffered losses of 70% or more). Businesses are therefore looking to transform, as a means of optimising operations and driving greater efficiencies.

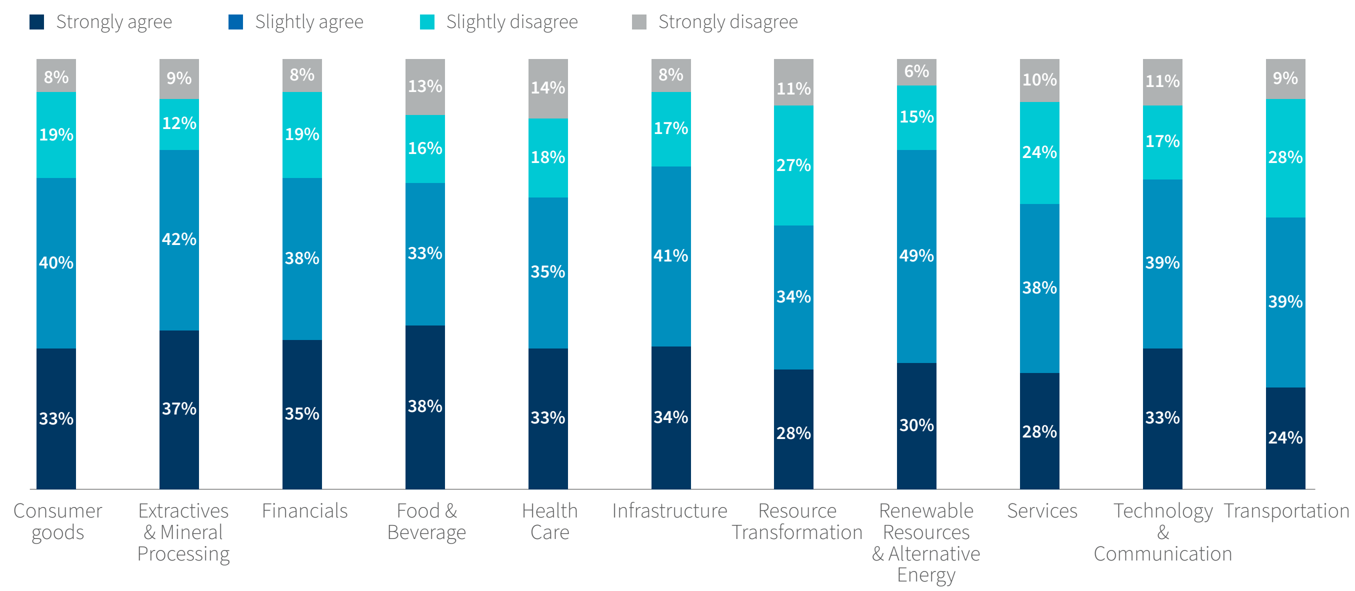
It is clear that businesses increasingly understand the imperative to transform — one in five businesses state that they have experienced their business model becoming outdated over the past 12 months, and 80% of all G20 respondents agreed that their business model needs to fundamentally change in order to maintain or restore competitiveness.

There remains however a degree of discrepancy between businesses understanding that they need to transform, and their proactivity in — and understanding of — how to do so.

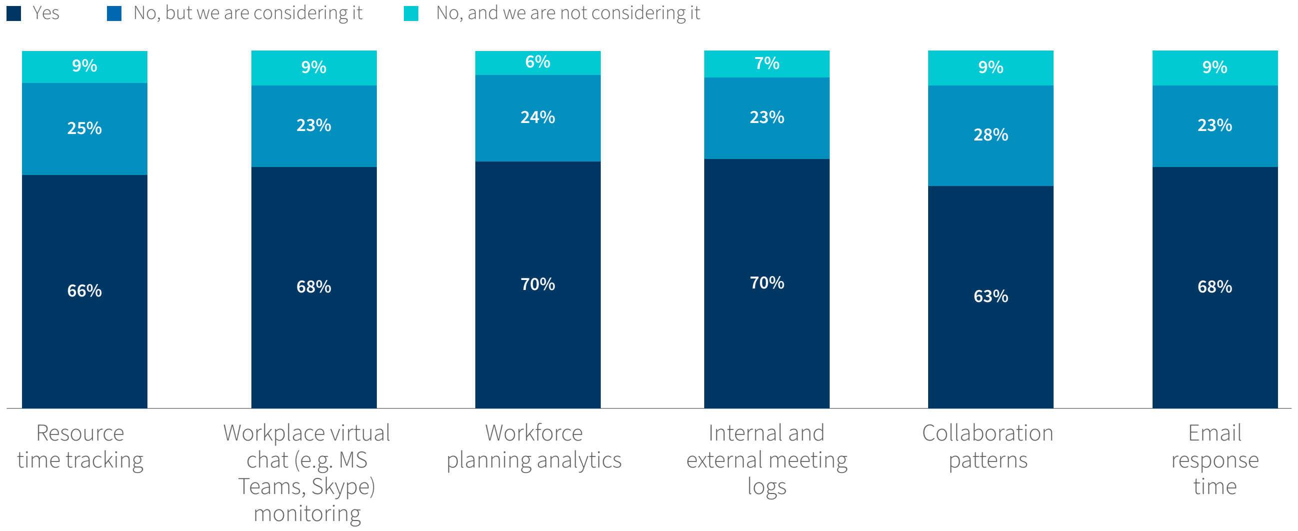
In certain transformation areas, such as hybrid working, businesses have demonstrated a clear ability to proactively pivot and adjust.

Whilst 30% of businesses have highlighted a shortage in workforce and skills as an issue (and one that is responsible for the greatest proportion of lost turnover), 90% of companies understand they will need to apply a hybrid working model (which may help counter a workforce shortage), and 99% of G20 companies are using some form of workplace productivity analytics to manage their remote workforce or are considering using it.

THE PANDEMIC HAS CAUSED LASTING DAMAGE TO MY INDUSTRY



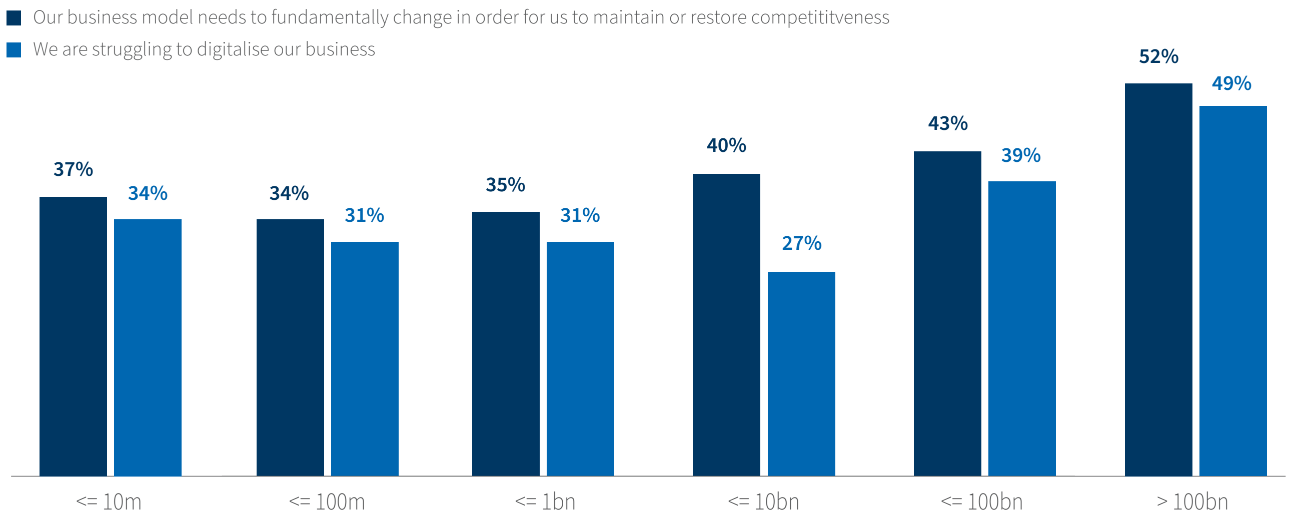
IS YOUR COMPANY USING THE FOLLOWING KINDS OF WORKPLACE ANALYTICS?



Overall, however, the degree of transformation we are seeing is much more mixed; one in five companies have experienced an inability to plan for the future, and only half of all G20 businesses are addressing pressing transformation issues proactively, for example.

In some instances, it is clear that businesses that are investing in certain transformation areas but are struggling to reap the benefits – with digitalisation being a clear example.

PROPORTION OF COMPANIES 'STRONGLY AGREEING' (BY SIZE OF TURNOVER)



On one hand, our research shows that 84% of businesses agree that, as a result of Covid-19, they have become more agile by using predictive analytics, and that 80% of businesses agree they are using AI and analytics to monitor for risk scenarios.

Furthermore, one in three G20 companies are conducting M&A expressly to acquire technological platforms and systems, and 29% to acquire data assets. However, despite these efforts and investments, the vast majority of businesses (69%) are still struggling to digitalise their business.

Our research also shows that, along with digitalisation, both supply chains and wider M&A activity are two areas in which businesses are making considerable efforts to transform.

With 63% of businesses agreeing that the pandemic has caused permanent disruption to their supply chain, 43% of businesses are planning to conduct regular 'health checks' on their supply chains, 46% are updating continuity plans and 45% are looking to identify potential crises and assess readiness.

The vast majority of companies (89%) also report that they will be actively seeking M&As as a vehicle of growth and transformation, with 37% of those businesses looking to enter new markets, 33% looking to increase market share in current markets and 30% looking to improve their ESG credentials through M&A.

Democratising innovation – the new paradigm for business leaders

As businesses emerge from the pandemic, leaders are placing increased focus on improving performance over the next 12 months; 51% say they are under extreme pressure to increase profitability, 40% to increase market share and 44% to increase revenue.

These performance expectations — coupled with external supply chain disruption and shifting consumer behaviours — are seeing businesses increasingly look to re-think and transform their outdated business models as a result.

To build business resilience via transformation, leaders will need to consider two key components: firstly, the ability to redesign their business model to adapt agile practices; and secondly, the building of data-driven decision-making capabilities.

Adapting agile practices involves restructuring and organising teams for fast and effective decision making, including the delegation of key decisions to teams and individuals who are best placed and equipped to respond to those specific issues.

From a personnel perspective, business employees are increasingly seeking autonomy, purpose and learning – and through agile practice working, individuals are enabled to be increased empowered. Under agile working practices, the role of a leader becomes one of mentor and storyteller – by providing autonomy and empowering others.

The rules of engagement between businesses and employees are therefore changing, and we are seeing the development of a new relationship between business leaders and their teams.

The building of data-driven decision-making capabilities ensures that businesses are able to make better, more timely decisions. Through the employment of technologies, such as AI and machine learning, businesses are able to better understand their customers, manage supply chain disruption and better anticipate risks to their business. By making data-driven decisions, businesses are also able to increase their agility — one of the key hallmarks of resilience.

For many businesses, the Covid-19 pandemic kick-started or accelerated a process of change; companies are increasingly appreciating however that, whilst their external environments remain in a state of flux, the process of business transformation is an ongoing one, and that continuous change to business models may be required.

"Many leaders recognise that they are only at the beginning of the transformational journey, and worry that the forward momentum achieved in transforming their business model – made necessary by the pandemic – may wane, as their teams are tired and look to adjust ways of working back to patterns that existed per pandemic."

IAN DUNCAN
Senior Managing Director
Digital Science

JOHN MALONEY
Senior Managing Director
Business Transformation

"With the majority of our respondents agreeing that the pandemic has caused lasting change to their industry, it is unsurprising that 80% of G20 companies believe that their business model now needs to fundamentally change. The defining characteristic of those businesses which thrive post-pandemic will be their willingness to embrace this change across all aspects of their operations – from strategy through to workforce productivity and supply chains."

80%

of G20 companies believe that their business model needs to fundamentally change in order to maintain or restore competitiveness

Business Transformation Fact Sheet

The unprecedented disruption caused by the global pandemic, and the impact on consumption, digitalisation and working presents c ompanies with the need to transform. It also brings greater uncertainty and risk. The challenges are complex.

LASTING DAMAGE

Many companies have much to recover

A third

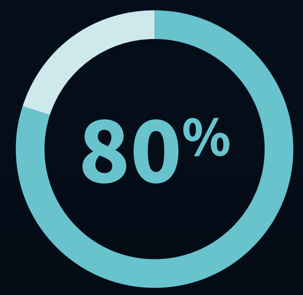
of them have been hit with revenue losses of 30% or more

72%

of G20 businesses say COVID-19 has caused long term damage to their industry

TRANSFORMATION NEEDED

Businesses know they must transform



of G20 companies admit that their business model needs to **fundamentally change** to maintain or restore competitiveness

SHIFTING TO HYBRID WORKING

The move to hybrid working is happening

95%

of companies recognise they need to operate a hybrid structure

99%

of G20 businesses are using or thinking about productivity analytics to manage remote working

CHANGE IS TOUGH

But transformation is hard

Half of G20 businesses admit they aren't being proactive enough in driving change

Digitalisation is critical, but over **two thirds** of businesses (**69%**) are struggling with it

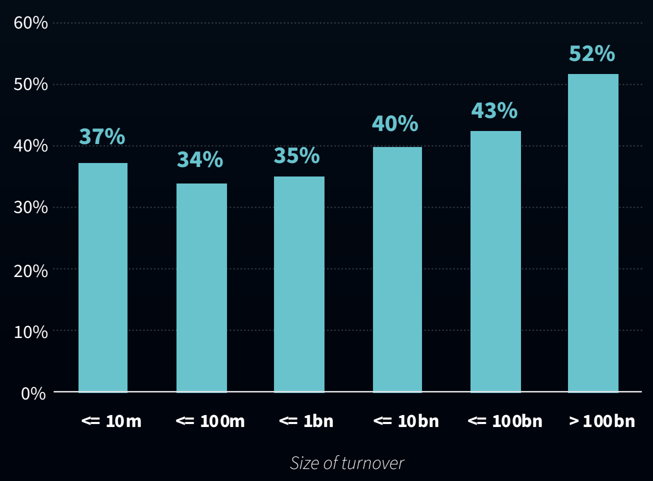
Supply chains are another area to fix

63% of companies say theirs has been permanently disrupted by the pandemic

89% also plan to use M&A for transformation, but many takeovers fail

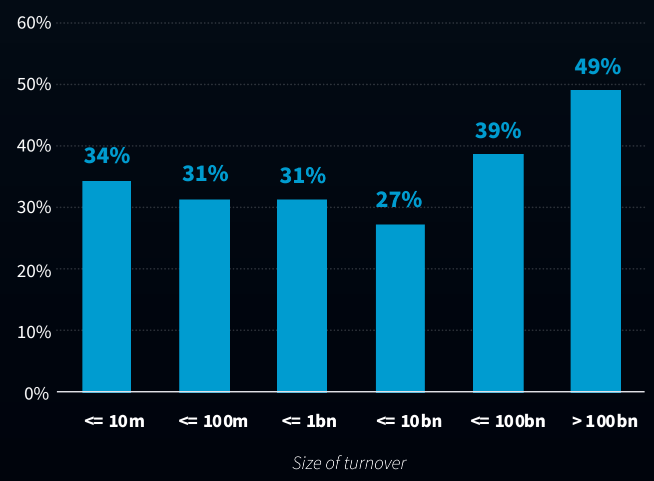
BUSINESS MODELS HAVE TO CHANGE

Proportion of companies 'strongly agreeing' our business model needs to fundamentally change in order for us to maintain or restore competitiveness



DIGITALISATION IS VITAL

Proportion of companies 'strongly agreeing' we are struggling to digitalise our business



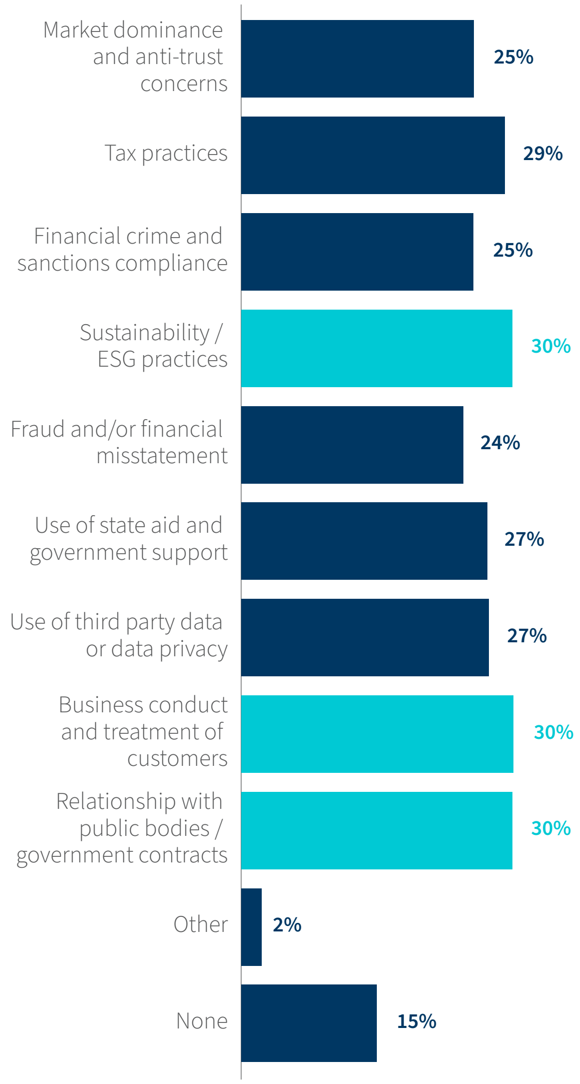
Financial crime and regulatory risks

New technologies coupled with economic uncertainty present a perfect storm upon which financial criminals are increasingly looking to capitalise. The fragmented nature of the regulatory landscape has also been further exacerbated by the pandemic, leading to more inconsistency between jurisdictions and the heightened potential for arbitrage.

Our data paints a picture of increased criminal exploitation, counterbalanced by confidence among business leaders in both their ability to manage this threat and to fulfil compliance requirements. Whilst four in five G20 business leaders think a growing number of criminals are exploiting the financial system, only 16% are concerned about bad actors being able to exploit their compliance vulnerabilities. A quarter of business leaders expect to be investigated in relation to their financial crime compliance in the next year. Business leaders also consider themselves to have a 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.

Business leaders have also expressed confidence in their management of sanctions risk. Whilst 47% of those surveyed identified increased sanctions and trade restrictions as likely and concerning, 84% of G20 companies believe they have adequate human resources to control sanctions risk. The same percentage of companies described themselves as having adequate technological resources to control sanctions risk.

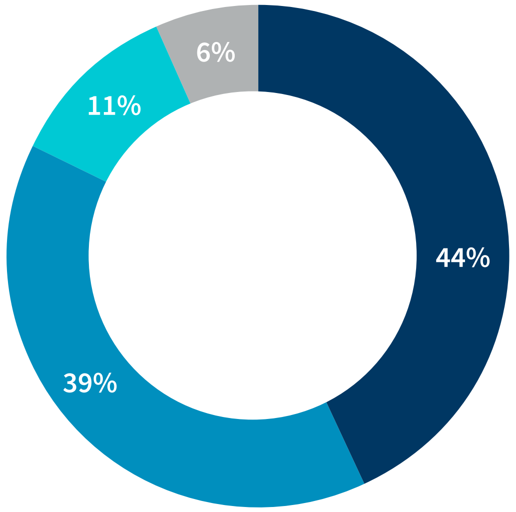
IN WHICH OF THE FOLLOWING AREAS IS YOUR COMPANY BEING INVESTIGATED OR EXPECTING TO BE INVESTIGATED IN THE NEXT 12 MONTHS?



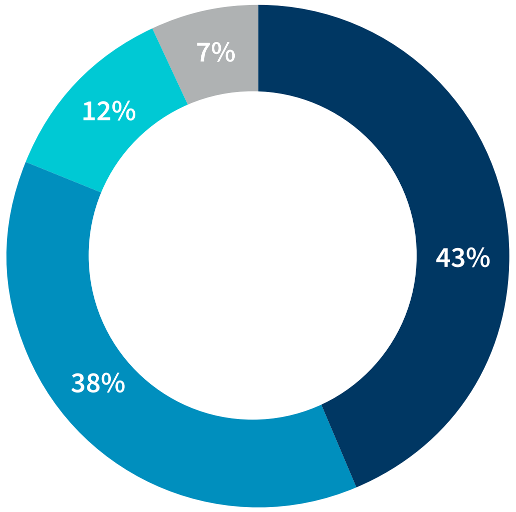
1. Coronavirus: The impact on Public Affairs and the future of Advocacy (October 23, 2020)

DOES YOUR COMPANY DEAL WITH THE FOLLOWING AREAS PROACTIVELY OR REACTIVELY?

Regulatory or political scrutiny



Compliance vulnerabilities exploited by bad actors



■ Mainly proactive ■ Mainly reactive ■ Don't manage at all ■ Don't know

As a result of proactive preparations, and the checks and measures these businesses have in place to counter financial crime, they remain broadly comfortable with continuing to onboard customers from higher-risk jurisdictions. More than two-thirds of respondents said they onboarded customers from jurisdictions that present a high financial crime risk, and only 41% said they intended to offboard high-risk customers as part of their financial crime risk management.

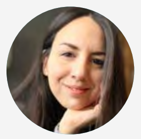
Despite this confidence amongst G20 businesses, there remains caution – and an appreciation that changes to sanctions and the regulatory landscape do still pose significant risks.

Poor cooperation in fighting financial crime, and a lack of transparency from certain countries, are seeing international bodies such as the FATF place an increasing number of jurisdictions on greylists and blacklists. Businesses may therefore increasingly face the dilemma of either having to enhance their controls or face the risk of having to offboard clients from these countries.

Accordingly, 48% of businesses surveyed said they plan to review clients and refresh due diligence in response to changes in these lists.

Businesses will also need to be sensitive to the inconsistency of sanctions and regulations. With compliance complicated by different sanctions-issuing bodies operating in different ways across different jurisdictions, often as a result of geopolitical tensions, achieving universal compliance is getting more difficult. Regulatory arbitrage is also growing as a result.

> "The fight against financial crime is ever-evolving – especially when widespread operational disruption coincides with the emergence of new technologies. Financial services firms in particular face a multi-faceted challenge. On the one hand, their pre-existing control frameworks have been stretched to work remotely; on the other, consumer demand for crypto-asset and fintech-like services has pushed them towards integrating technologies which are ripe for exploitation by bad actors."



FEDERICA TACCOGNA
Senior Managing Director
Forensic & Litigation Consulting

As such, the sanctions landscape may well become more complex in the next year – a scenario nearly a third of G20 business leaders have said they are concerned about.

Although 78% of companies say they understand and control virtual assets, inconsistently regulated and poorly controlled virtual assets and digital payment providers remain a major financial crime vulnerability. The use of this system for illegal means has grown during the pandemic, with criminals seeking to compensate for loss of income or to transfer illicit funds.

As such, 52% of companies are investing in dedicated technology to conduct due diligence, monitoring and investigations in relation to virtual assets; 45% are acquiring technology to control virtual assets; and 39% are building greater cryptocurrency functionality into their user platforms.

Fraudulent practices are another major concern for G20 companies, and our data reveals a considerable discrepancy between the proactive management of fraud and other crime risks. Less than half of G20 companies (45%) say they proactively manage the risk of fraudulent practices or financial misstatement within their business. A rise in misappropriation during the pandemic will most likely lead to a wave of in investigations and litigation in coming years, meaning companies will need to be better prepared as a means of increasing resilience.

> "Global Resilience Barometer respondents are increasingly aware of the myriad risks and business opportunities relating to cryptocurrency, which is underscored by the fact that 52% have or plan to invest in technology to conduct due diligence, monitoring and investigations for virtual assets in the coming year."

STEVE S. MCNEW
Head of Blockchain Advisory Services
Technology

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

"As many organisations emerge from the pandemic with a drive towards leaner operating models, efficiency will be at the top of the compliance agenda for years to come. Technology will obviously play a key role in this, as will deep understanding of compliance topics. But what will really set resilient businesses apart is their capacity to monitor for those threats which will impact their compliance at a strategic level – be that the introduction of new regulation, financial, or operational pressures."

80%

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

Financial Crime
Fact Sheet

The Pandemic breeds opportunity for financial crime. New technologies, greater economic uncertainty and the fragmented regulatory landscape present a perfect storm for financial criminals.

CONFIDENCE HANDLING INCREASED CRIME

Risks are high but companies feel in control

4 in 5

G20 business leader respondents believe a growing number of criminals are exploiting the financial system, but...

Only **16%** of companies are concerned about bad actors being able to exploit their compliance vulnerabilities

SANCTIONS RISK MANAGED

Nearly half of G20 survey respondents expect more sanctions and trade restrictions

Most companies say they are well resourced to control the risk in terms of

HUMAN RESOURCES **84%**

TECHNOLOGICAL RESOURCES **84%**

But **a third** of G20 companies are concerned about the sanctions landscape becoming more complex

CLIENTS UNDER REVIEW

As many as:

48% of G20 survey respondents have claimed to plan a review of clients and refreshing due diligence, due to changes in greylists or blacklists of various jurisdictions by international money laundering watchdogs

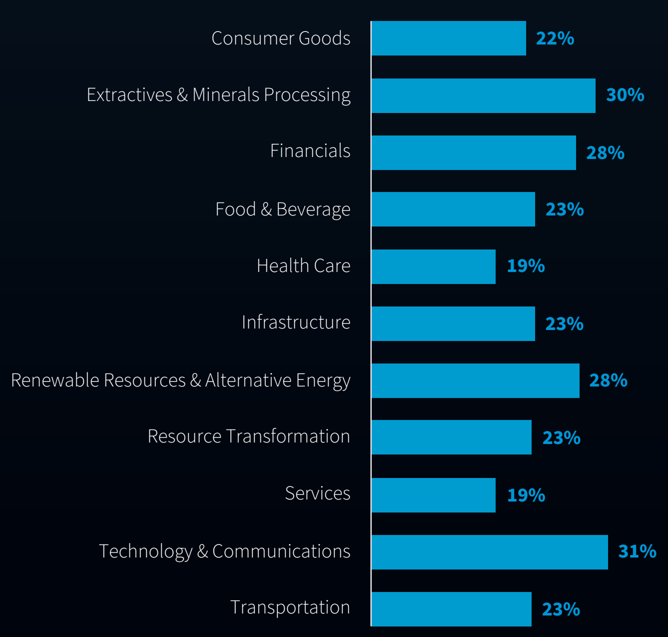
FRAUD POORLY MANAGED

Companies need to manage fraud better

45% **Less than half** of G20 survey respondents say they proactively manage the risk of fraudulent practices or financial misstatement within their business

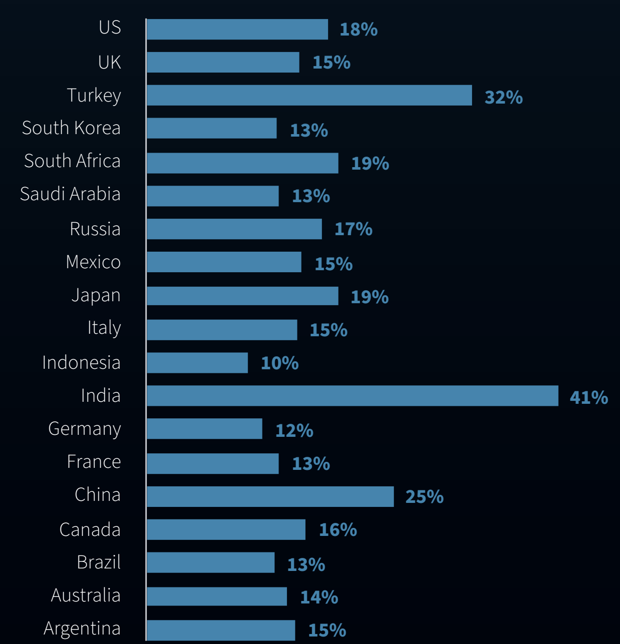
A WAVE OF INVESTIGATIONS EXPECTED IN THE NEXT 12 MONTHS

Industries expecting to be investigated by regulatory/government bodies in the next 12 months in relation to financial crime and sanctions compliance



COMPANIES HAVE SUFFERED FROM COMPLIANCE VULNERABILITIES

Companies aware of compliance vulnerabilities in the last 12 months



Disputes and litigation

Amid a shifting investigatory landscape, increased media scrutiny and a new group - litigation culture, disputes and litigation risks have become a growing area of C-suite concern. From sustainability and compliance to tax practice and data privacy, G20 businesses are facing an ever-widening range of investigation sensitivities. Companies will therefore need to be increasingly prepared - and thus resilient - for what is being referred to as the "Decade of Disputes."

Our research indicates that being investigated has, for the vast majority of G20 companies, become the norm: 83% of companies are either currently being investigated by regulatory or government bodies, or expect to be in the next 12 months.

It is also clear that companies feel susceptible to a diverse range of potential investigations, and that the investigative sensitivities they are most concerned about are changing. In 2020, the use of state aid was the most commonly predicted concern for G20 companies.

This year, however, companies are most worried about business conduct and treatment of customers, sustainability and ESG, and their relationship with public bodies and government. For companies in the US, market dominance and anti-trust investigations have significantly grown in prominence over the last year. In our previous survey, US companies were by far the least likely in the G20 to report that they were currently facing or predicting to face these kinds of investigations. Now, one in four US companies report this, ahead of countries such as the UK (19%), Japan (22%), France (21%) and Germany (17%).

Whereas class actions and group litigation have typically been associated with the US legal system, collective actions such as these are also on the rise in the UK and Europe.

With the growing trend for issues such as data privacy breaches and ESG misconduct to be litigated through class action lawsuits, the likelihood of class action and mass consumer claims is increasingly on G20 companies' radars. 13% of G20 companies have experienced these claims in the past 12 months, and 13% expect to experience a class action or mass consumer claim in the next 12 months. A third of companies also strongly agree that class actions or mass claims are becoming more costly for their business.

COMPANIES FACING SIGNIFICANT INCREASE IN COST OF CLASS ACTIONS AND MASS CLAIMS

Top 3

42% Financial services

34% Consumer Goods

33% Tech & Comms

Bottom 3

22% Industrials

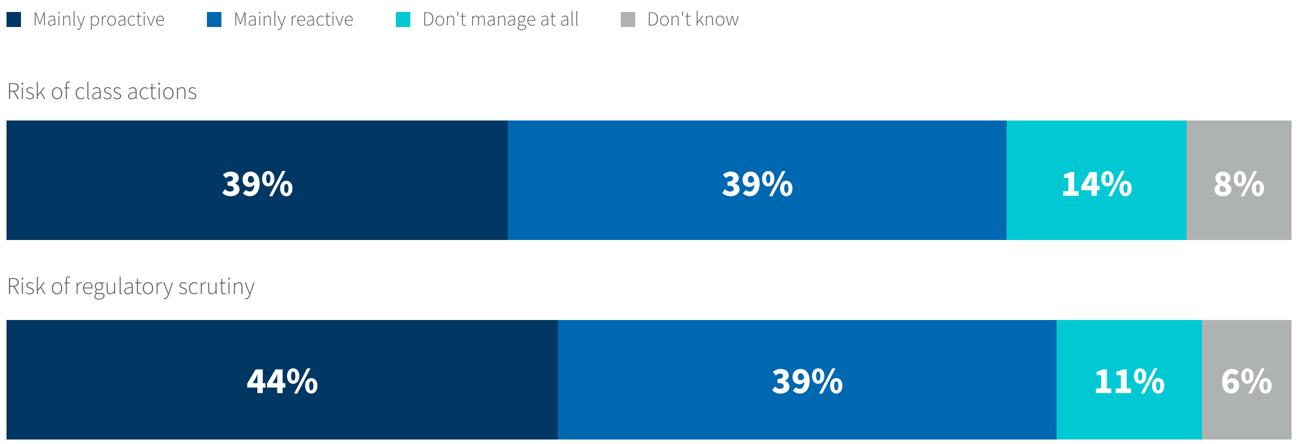
24% Services

25% Transportation

Given that companies outside the US are far less experienced in handling class action claims than their American counterparts, taking proactive steps to increase awareness around these changes and to address these risks would be well advised. Despite this, the majority of G20 companies are either reactive when it comes to managing the risk of class actions, or do not manage the risk at all.

In similar fashion to some other types of risk, there remains a considerable discrepancy between businesses' awareness of dispute and litigation risk and changes, and their level of proactive preparation to mitigate this. Despite only 17% of businesses saying they predict no investigative concerns from regulatory or government bodies over the next 12 months, just 43% of businesses claim to be proactively managing the risk of such scrutiny.

HOW ARE G20 COMPANIES APPROACHING THE RISK OF DISPUTES AND REGULATORY SCRUTINY?



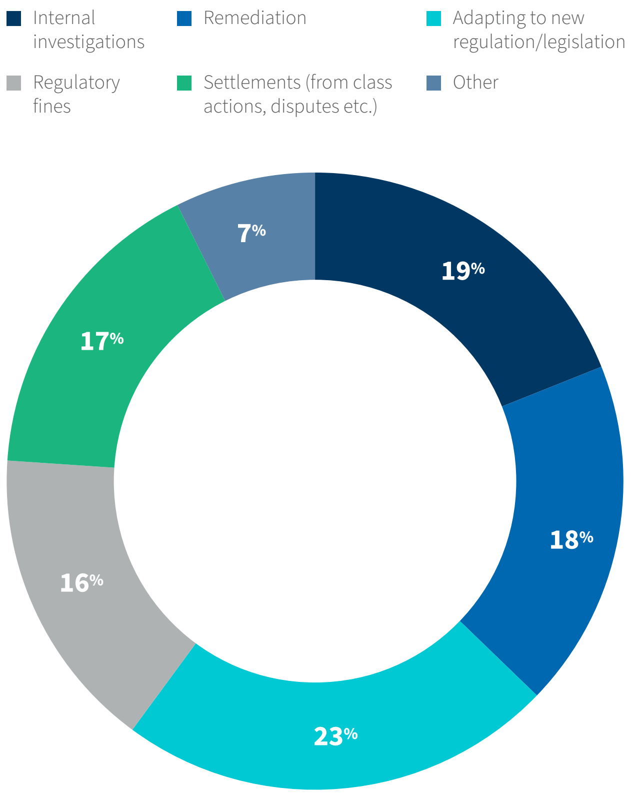
With litigation developing into an increasingly complex minefield, comprehensive and proactive preparation for disputes has never been so vital. Through preparation, businesses can not only increase their resilience for when a dispute may arise, but are also better equipped to forecast — and address — potential disputes and litigation before they can develop.

> "After a brief respite instigated by Covid, we are starting to see an uptick in the antitrust pressures on US firms. As the economy reopens, scrutiny on firms in dominant positions will continue to mount – especially in those industries that have been left relatively unscathed by the pandemic. In a market that has been so heavily disrupted, it is unsurprising that one in five US companies report that they do not fully understand their exposure to antitrust risk."

NICOLE WELLS
Senior Managing Director
Forensic & Litigation Consulting
North America

Beyond the obvious legal implications of litigation, disputes have a considerable financial and reputational impact on companies too. One in five are expecting media scrutiny around their litigation over the next 12 months, while 17% of G20 companies' legal spend is expected to be on settlements. With investors considering litigation and public opinion as an important factor when assessing investment opportunities, the damage of litigation has the potential to spread far further than just the specific dispute itself.

G20 COMPANIES' ESTIMATED ALLOCATION OF LEGAL SPEND OVER THE NEXT 12 MONTHS



EDWARD J. WESTERMAN
Global Investigations Lead

> "The ever-changing landscape will put the onus on companies to take a proactive stance in managing investigations. Leveraging new technologies and data analytics can help companies efficiently manage an ongoing investigation. It can also mitigate the risk of future crises."

83%

of G20 businesses are being, or expect to be, investigated in the next 12 months

> "Forewarned is forearmed – especially when it comes to dealing with regulators. Businesses emerging from the pandemic face pressure on three fronts: the future investigations landscape, characterised by sustainability, data privacy and treatment of customers; the exploitation from bad actors during the crisis; and finally, the pre-Covid concerns like financial crime and market dominance, which have not gone away. Resilient firms are proactively identifying the data sources that are key to understanding their exposure – and building collective organisational insights in anticipation of regulatory enquiry."

J. NICHOLAS HOURIGAN
Head of Data Analytics
EMEA

Investigations Fact Sheet

From sustainability, tax compliance and sanction regimes, G20 businesses are facing an increasing range of investigation sensitivities. Resilience is required for what seems to be ahead of the world and businesses.

THE INCREASINGLY NEW NORMALITY

For most G20 companies being inspected has become part of business as usual

83% have stated that they are currently being investigated by regulatory or governmental bodies or expect to be in the next year

1 in 5 companies expect media scrutiny around their litigation, and **17% of legal spend is anticipated to go on settlements**

CHANGING CONCERNS

In 2020, state aid was the biggest investigative worry for G20 companies

The biggest concerns today are:

- BUSINESS CONDUCT AND TREATMENT OF CUSTOMERS
- SUSTAINABILITY AND ESG
- RELATIONSHIPS WITH PUBLIC BODIES AND GOVERNMENTS

CLASS ACTIONS OF THE RISE

G20 companies are wary of class actions and mass consumer claims, including for data privacy breaches and ESG misconduct

13% of respondents have been hit by related litigation in the last 12 months and the same proportion expect a claim in the coming year

A third of companies also say class actions and mass claims are costing them increasing amounts

COMPANIES TOO REACTIVE

Looking at the survey results, companies don't seem to be proactive enough in managing disputes and regulatory scrutiny

Half of G20 companies claim they are either mainly reactive when it comes to managing the risk of class actions, or do not manage the risk at all

Only **44%** say they mainly proactively manage regulatory risk

TOP EXPECTED AREAS FOR INVESTIGATION

In which of the folllowing areas is your company being investigated or expecting to be investigated in the next 12 months?

Business conduct and treatment of customers	30%
Sustainability/ ESG practices	30%
Relationship with public bodies/government contracts	30%
Tax practices	29%
Use of state aid and government support	27%
Use of third party data or data privacy	27%
Market dominance and anti-trust concerns	25%
Financial crime and sanctions compliance	25%
Fraud and/or financial misstatement	24%

COMPANIES FACING SIGNIFICANT INCREASE IN COST OF CLASS ACTIONS AND MASS CLAIMS

Top 3

Financial Services	42%
Consumer Goods	34%
Tech & Comms	33%

Bottom 3

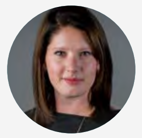
Industrials	22%
Services	24%
Transportation	25%

Stakeholder engagement and crisis preparedness

The nature of crises that companies are facing, their ability to monitor and plan for risk, and the way in which they respond to crisis scenarios is rapidly changing in an ever-shifting financial, social and regulatory world. As a result, G20 businesses are having to be increasingly proactive in their public discourse and engagement, and are employing new crisis mitigation techniques to increase resilience.

Our data reveals a varying degree of confidence amongst companies in their ability to plan and prepare for future crisis scenarios. On one hand, 97% of G20 companies claim to be taking actions or investments over the next 12 months to prepare for future crises. The vast majority of companies (87%) also believe that their leaders are better prepared for future crises, and nearly half (46%) are updating their business continuity plans.

> "The last 18 months have highlighted the pivotal role which companies have in the social fabric, and the importance of meaningful engagement which comes from that position. Couple this with stakeholders' desire for authentic leadership communications, and it is little wonder that the majority of our respondents feel that business leaders are under pressure to publicly engage with social or political discourse."



LAUREN BURGE
Head of Corporate Reputation

WHICH INDUSTRIES' LEADERS FEEL THEY HAVE LEARNED FROM THE PANDEMIC?

87% of G20 companies across all industries believe their leaders are now better prepared for future crises

Renewables	91%
Food & Beverage	90%
Financial Services	90%
Infrastructure	81%
Industrials	80%
Transportation	74%

Despite this investment, three quarters of G20 business leaders still believe, however, that their company struggles to adequately plan for an increasing number of crisis scenarios. As a result, a growing number of companies (39%) are increasingly employing AI analytics to monitor for risk scenarios to ensure better preparedness.

Furthermore, there are a number of regional discrepancies between nations in relation to their preparedness – 63% of Chinese companies say they are assessing their cybersecurity programmes, whilst just 37% of companies in the US are doing so, for example.

CRISIS PREPAREDNESS MEASURE: WHICH COUNTRIES ARE LEADING, OR LAGGING?

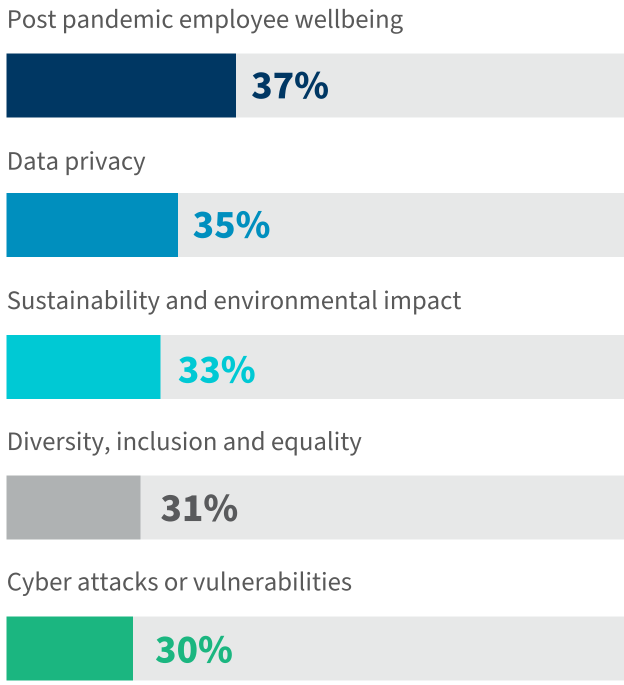
Leaders			Laggards	
Indonesia	62%	Identify potential crises and assess crisis preparedness	Germany	32%
South Africa	59%	Update our business continuity plans	Germany	34%
India	54%	Preperation of leadership teams to manage unexpected crises	Italy	33%
Argentina	52%	Conduct regular 'health checks' on supply chain	France	30%
South Africa	50%	Increase in compliance spend	Argentina	24%
China	54%	Proactive audit of 3rd party data usage	South Korea	24%
China	63%	Assess cybersecurity program including policies, procedures and technology	Italy	35%

With the global pandemic having placed unprecedented pressure on companies and their staff over the past 12 months, G20 companies expect post-pandemic employee wellbeing to be the greatest area of media scrutiny over the next 12 months, with over a third of companies expecting scrutiny in this area.

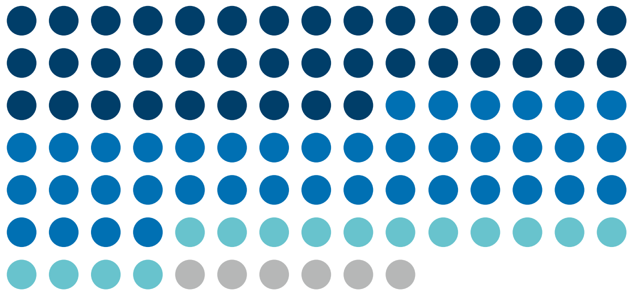
Data privacy, ESG, cybersecurity, business leadership conduct, tax, aid, financial crime and litigation are the other key areas in which G20 companies expect media scrutiny over the next 12 months, with between one in five (litigation or class actions) and one in three companies (data privacy) expecting scrutiny across these topics. One in ten companies remain confident that they will face no media scrutiny over the next 12 months, however.

Whereas previously companies may have solely reacted to crises and stakeholder concerns, companies are increasingly appreciating that they can no longer afford to be caught flat-footed. As well as employing AI to monitor for and predict risk, a considerable majority of companies are today trying to proactively influence the narrative around key issues such as employee wellbeing, privacy and ESG – more than four in five companies (82%) have said they should be engaging with pressing social or political discourse.

TOP FIVE AREAS WHERE G20 COMPANIES EXPECT MEDIA SCRUNITY IN THE NEXT 12 MONTHS



ARE G20 COMPANIES PROACTIVE IN MANAGING THE RISK OF STAKEHOLDER DISRUPTION?



Mainly proactive	39%
Mainly reactive	40%
Don't manage at all	14%
Don't know	7%

A wide range of stakeholder groups continue to influence the strategic direction of G20 companies, although there has been a degree of shift around which groups influence the most. As was the case 12 months ago, customers continue to be a major influence on the strategic direction of companies (the most influential group in 2021 and the second most influential group in 2020). However, whereas customers and regulators were in the top three influencers on G20 companies in 2020, they have been replaced by investors and shareholders in second and third place respectively this year.

"Our latest survey reveals that, whilst financial services firms continue to weather the pandemic relatively well, emerging concerns around the state of the global economy are likely to push these businesses into the spotlight again. Indeed, financial services respondents across the G20 were the most likely to have faced regulatory or political scrutiny over the last 12 months, as well as predicting increased media scrutiny on their company in the next 12 months."

SIMON LEWIS
Vice-Chairman, EMEA

JULIA HARRISON
Global Head of Public Affairs

"The pandemic intertwined the workings of government and private enterprise to an unprecedented extent, thus significantly increasing scrutiny and geopolitical interdependencies. As optimism increases that the end of the pandemic is on the horizon, **88% of G20 companies agree that businesses should continue to be run in the interest of all stakeholders**, not just shareholders, going forward. The question for organisations will be "how" they maintain the shared purpose that has been so prevalent over the last 18 months. How can business leaders work with stakeholders to put this intention into practice?"

Our research also shows that civil society and the media continue to be two of the least influential groups on G20 companies' strategic direction, with civil society being the second least influential in 2020 and the least influential this year, and vice versa for the media.

G20 companies are facing an increasingly diverse range of crisis scenarios, and by extension increased stakeholder demands. It is those G20 companies that are resiliently prepared – through the adoption of AI analytics, proactively engagement with social and political discourse, and by investing in crisis preparations – that will be best placed to weather future storms.

Resilience Barometer Autumn 2021 Headlines
Fact Sheet

The pandemic has changed everything. As economies reopen, the range and interplay of challenges and stakeholder demands businesses face is the toughest for years.

EXTREME PRESSURE

Companies are feeling the strain

41%

of G20 businesses feel under "extreme" pressure to integrate technology in the next 12 months

37%

Companies say the same about strengthening their reputation

34%

Improving their ESG/sustainability practices

29%

Enhancing their corporate culture

INVESTIGATIONS - THE NEW NORMAL

Being inspected by regulatory or governmental bodies is now business as usual

83% of G20 companies are **currently being investigated**, or expect to be in the next year

The **top three** investigation worries are:

01. Business conduct and the treatment of customers

02. Sustainability and ESG

03. Relationships with public bodies and government contracts

23%

Services and **financial businesses** are most in the spot light, with **nearly a quarter** (**23%**) reporting an investigation in the last year

CYBER RISK CONTINUES TO WORSEN

78% of G20 companies were hit by a **cyber attack** in the past 12 months

34%

There was a **rise** in phishing attacks and data breaches are increasingly damaging

32% of companies lost customer data

30% lost third-party information

CLASS ACTIONS ON THE RISE

Companies are increasingly wary of class actions and mass consumer claims

13%

of G20 companies have experienced such law suits in the **last 12 months**

A third of companies say class actions and mass claims are **costing them much more**

17%

of upcoming legal costs are expected to be for **class actions** and other **dispute settlements**

THE "GREAT RESIGNATION"

Skills shortages are a major issue as many people plan to change their job in what's being termed the "**Great Resignation**"

30%

In the last year almost a third of G20 companies (**30%**) said they were short of the right skills

BUSINESS MODELS THREATENED

Companies are having to transform themselves

80%

of organisations say their business model needs to fundamentally change to remain competitive

Research methodology

The FTI 2021 Resilience survey incorporates the views of 2,869 decision-makers in large companies across all G20 countries. Large companies are defined as those with over 250 employees, or over USD 50 million in annual global turnover, or with a balance sheet of over $43 million.

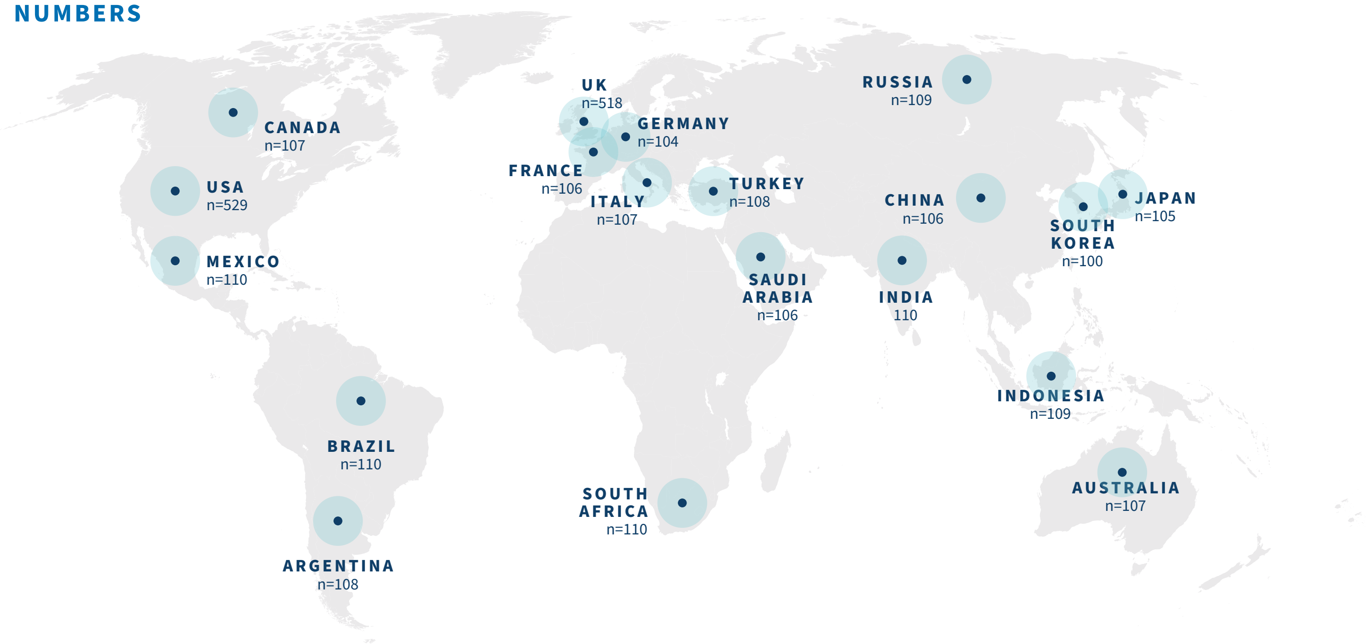
From 7th July to 20th July 2021, FTI Consulting's Strategy Consulting & Research team conducted a quantitative survey with respondent profiles replicating those used in the previous waves of Resilience Barometer® research. 73% of respondents were C-suite and senior managers/executives from privately owned companies (February 2021 Covid Resilience report: 79%), while 27% were from publicly listed companies (February 2021 Covid Resilience report: 21%).

Respondents report an average global turnover of USD 13 billion (February 2021 Covid Resilience report: USD 14 billion, and January 2020 report: USD 17 billion) over the past 12 months. Companies reporting a global turnover of more than USD 100 billion, made up 5% of the respondent set (February 2021 Covid resilience report: 5%). In total, participating companies employ a global sum of 58 million people, with each company employing an average of 20,342 individuals. This marks an increase compared to the previous survey (February 2021 Covid resilience report: 17,287 employees, January 2020: 23,336 employees).

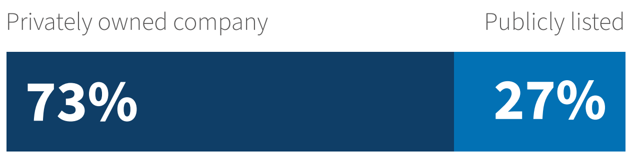
Each country's results have been weighted so that each country represents a similar proportion in the total 'G20' results. Membership of the G20 consists of 19 individual countries plus the European Union (EU). The EU is represented by the European Commission and the European Central Bank. Collectively, the G20 economies account for around 90% of the gross world product, 80% of world trade, and two-thirds of the world population.

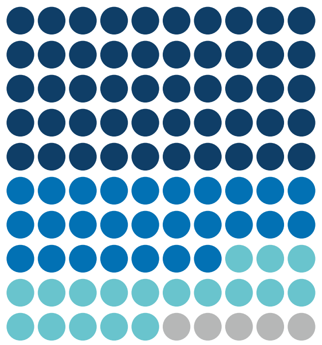
Please note that the standard convention for rounding has been applied and consequently some totals do not add up to 100%.

COUNTRY RESPONDENT NUMBERS



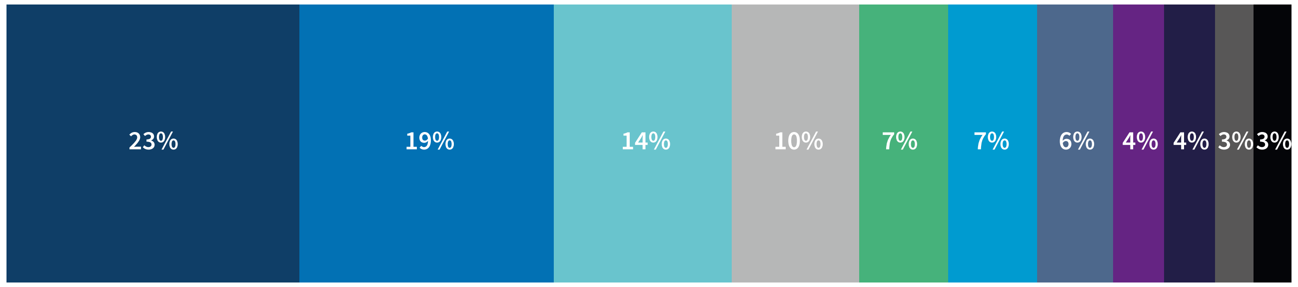
RESPONDENT PROFILE





- Senior management 50%
- C-suite 27%
- Board member (exec) 18%
- 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

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

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

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

Renewable Resources & Alternative Energy
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Resource Transformation
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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.

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

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- Valuation
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