

Control Risks Global Risk Survey 2022

Cyber threats will be worse in 2022 than they were last year and are the greatest risk for business in the coming year, according to the Global Risk Survey. While geopolitics and climate related hazards loom large, it is not clear that enough businesses have learned the lessons of the pandemic to be ready for the next big disruption.

Drawn from Control Risks' global client base and select LinkedIn followers, our 342 respondents come from multiple sectors across the world, with most working in a security or risk function. Respondents' companies and organisations ranged from some of the world's biggest international businesses to national operators. A noteworthy finding of the survey is that size, sector and geography are not significant factors in the distribution of responses. The scope of the survey is broad: we wanted to know what businesses think about cyber and digital risks; learnings from Covid; the energy transition; the global terrorist threat; climate change; and where ESG issues sit on the risk-opportunity spectrum.

The most consensus is around cyber and digital threats: more than 80% of respondents agree that the cyber threat landscape will be significantly worse this year than it was in 2021. Cyber is also the area that attracts the biggest share of responses when we ask what the biggest overall risk is in 2022.

The survey also addresses opportunities coming in 2022 and here the biggest clustering is around the notion of getting back to business without all the restrictions and disruptions of the Covid pandemic. It's

become clear that putting Covid completely behind us may never happen and that a different normal lies ahead. Alongside this hunger to conduct business unfettered, more than half of respondents say their organisation is ready for the next disruption on a scale similar to or exceeding that of the pandemic. But it isn't much more than half: 27% remain neutral on their organisation's readiness and a not insignificant 16% do not think they are ready. We don't know what this next disruption will be, but if Covid has taught us anything, it is to keep tabs on those low probability, high impact risks and to not ignore them in scenario planning.

Other topics bring a bit more nuance, but clear majorities see geopolitics, climate-related hazards, and conflict/instability as significant enough threats to cause their organisation to reassess strategies and security programmes.

Miscalculations in meeting the expectations of the broad group of stakeholders that track companies' performance on environmental, social and governance (ESG) issues bring significant reputational risk. However, almost three quarters of respondents see the growing focus on ESG issues as an opportunity. Despite the risks in getting ESG wrong, inaction is the riskiest path of all.

Cyber threats are front of mind and worsening in 2022

In line with one of the key assessments in RiskMap 2022, more than 80% of respondents think that the cyber threat landscape will be significantly worse this year than in 2021.

Growing offensive cyber capabilities among rising numbers of state and non-state actors combined with insufficient government or institutional response are the main drivers of this threat. This last point is keenly felt among survey respondents, who overwhelmingly agree that the ownership of systemic cyber risk is unclear and that the private sector is largely on its own in terms of response. Considering this unambiguous response, it comes as no surprise that in the open field question on the top risk for 2022, by far the biggest grouping is in the cyber and digital domain (see page 10).

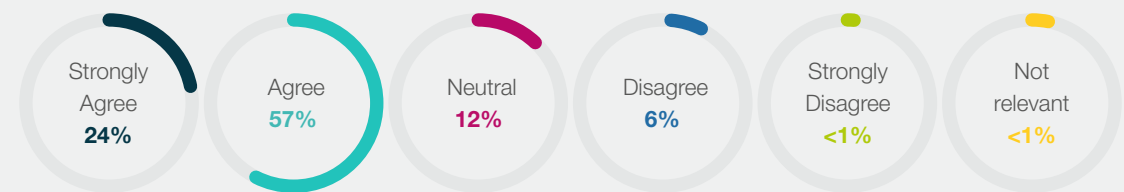
Fig. 1 In 2022, the cyber threat landscape will be significantly worse that it was in 2021

The majority of respondents see a marked increase in cyber risk in 2022.



Fig. 2 Between governments, international organisations and business, ownership of systemic cyber risk is unclear and companies are largely on their own terms of response

Responding to cyber risks is predominantly viewed as an issue that companies deal with alone.



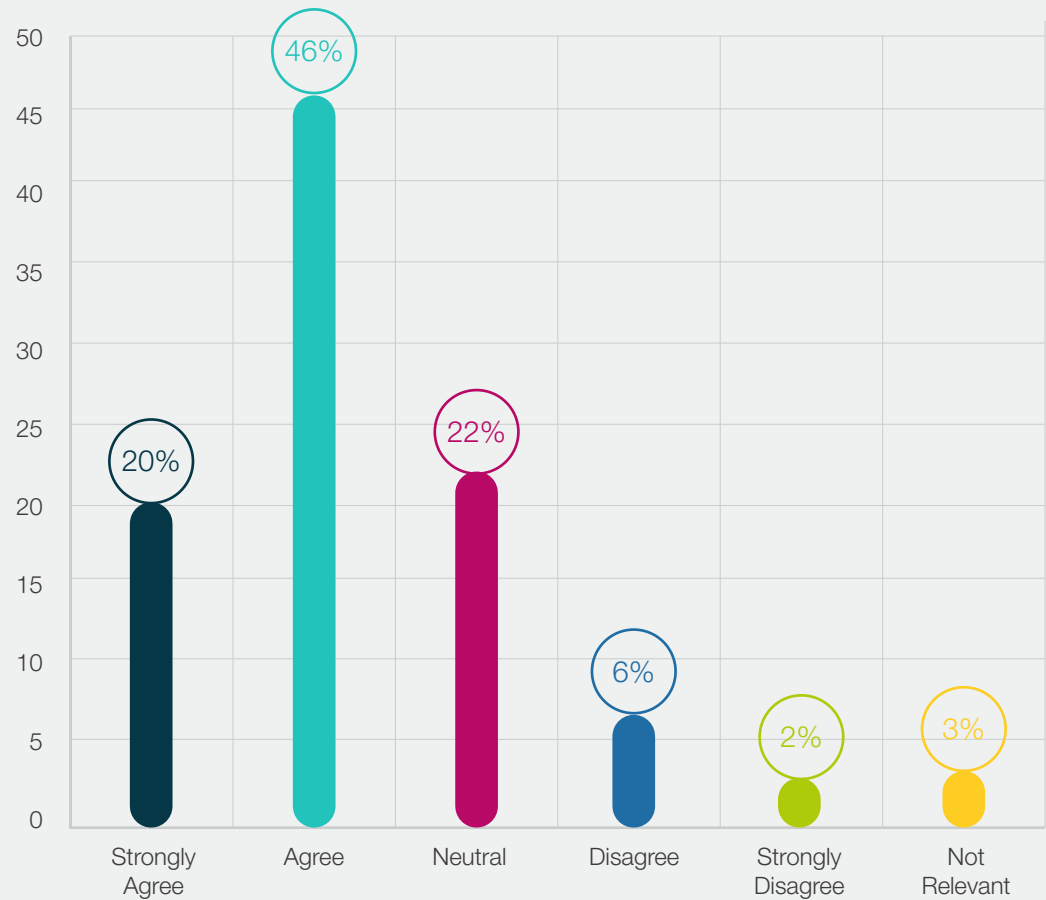
Geopolitics really matter in 2022

In 2022, geopolitical risk will need to be understood, managed and monitored more actively than it has for decades.

Whether it is tension over Ukraine, Iran’s nuclear programme or other issues, the geopolitical in-tray is very full. Our survey shows that most companies understand this well, with 66% of respondents saying that their organisation is re-evaluating its strategy in responses to changes in geopolitics and international relations. A Top Risk in RiskMap 2022 is *The Grand Geopolitical Repositioning*. It was written when the US withdrawal from Afghanistan was still bitter on the palate as a final-seeming act in a long process of American global retreat. Other global and regional powers are poised to fill any space or exploit perceived weakness. Now is the time to really see the shape of things to come.

► Fig. 3 My organisation is re-evaluating its strategy in response to changes in geopolitical and international relations

The majority of respondents say geopolitics and international relations are shaping 2022 strategies.



▶ The risk in climate change, the opportunity in the energy transition

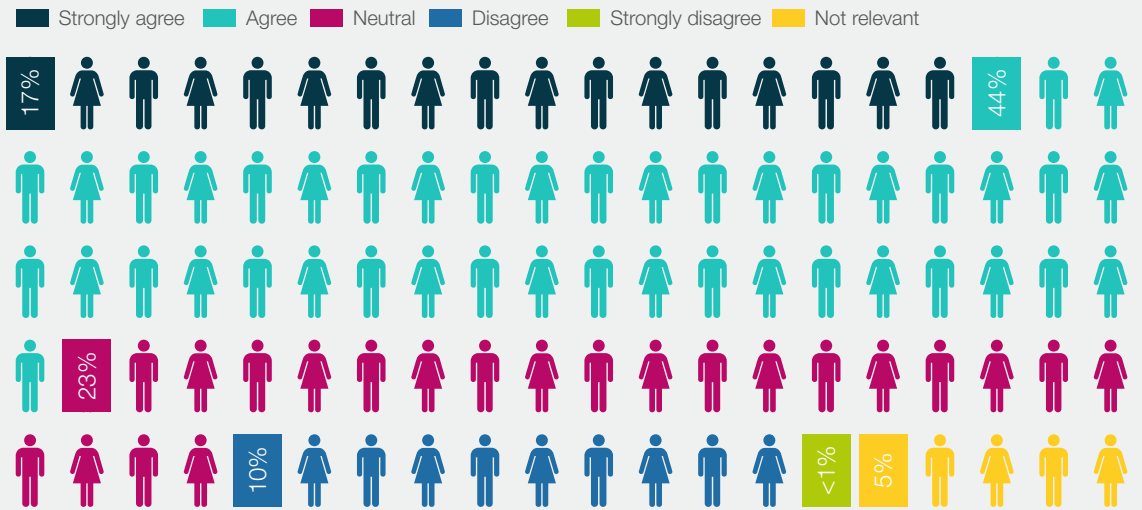
The survey shows climate change and the energy transition as two sides of a coin: on one side is risk, on the other side, opportunity.

The cutting edge of climate change risk for many organisations is the range of increasingly frequent and severe weather-related hazards. Whether we are talking about fast-moving, high-impact events like wildfires and floods, or gradual change in water tables or permafrost, more than 60% of respondents see climate related hazards and disasters as a critical risk to their organisation. In RiskMap 2022, we judge climate change impacts to be number one operational risk to business now.

If transitioning to new forms of energy and reducing carbon emissions are essential to tackling climate change, businesses appear to be moving in the right direction. 62% of respondents to the survey say their organisation has made a commitment to become carbon-neutral and will do this by switching to renewable sources of energy and adapting activities to emit less carbon. When asked to state the biggest opportunity in 2022, the energy transition is the second most cited after getting back to business as usual (see page 10).

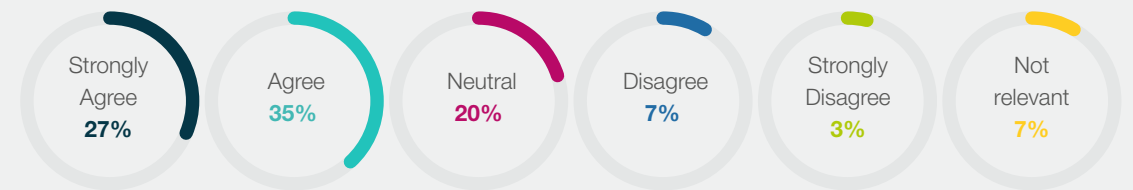
▶ Fig. 4 Climate related hazards and disasters are a critical risk to my organisation and we have/are bringing in mitigation measures

More respondents are aware of climate risks and are bringing in measures to mitigate.



▶ Fig. 5 My organisation has made a commitment to become carbon-neutral and we will do this by switching to renewable sources of energy and adapting our activities to emit less carbon

More than half of respondents are making the commitment to become carbon-neutral



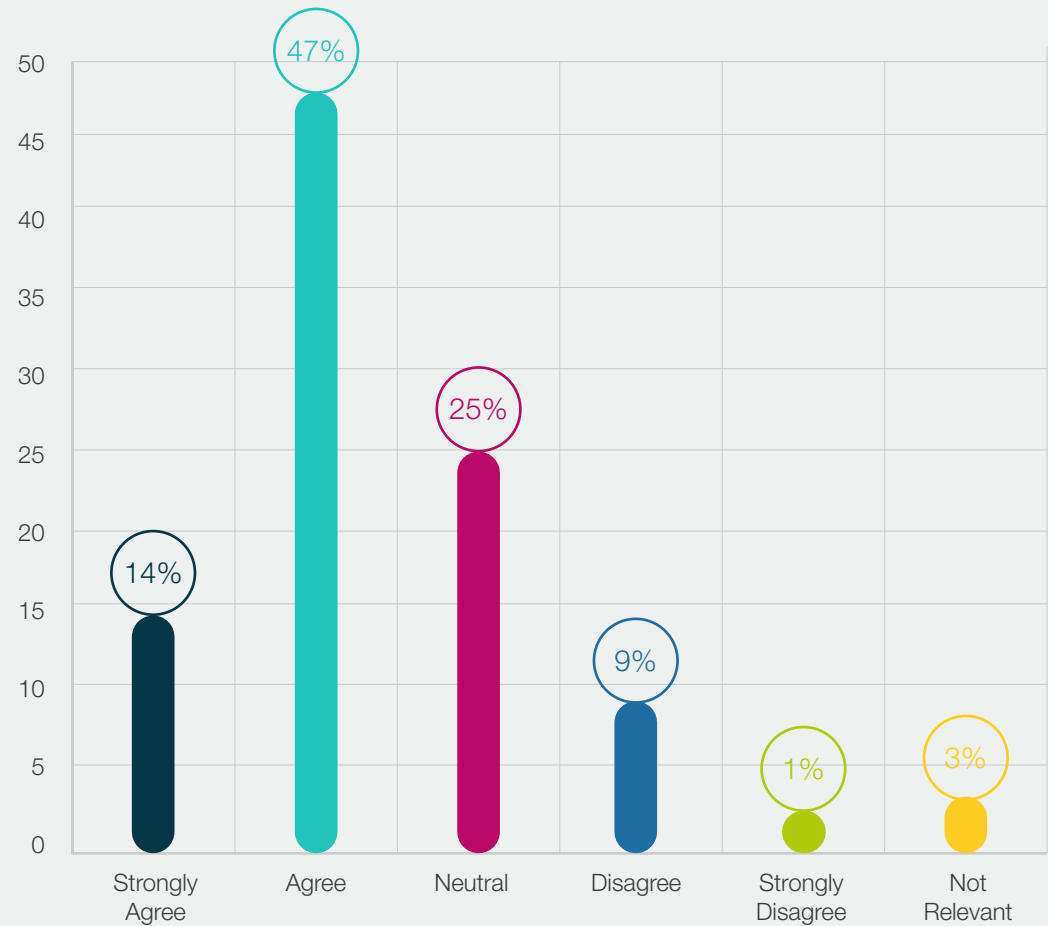
► Instability and conflict from the rising number of fragile states

A majority of respondents to the survey say that the likelihood of a rise in civil conflict is causing or may soon cause their organisation to re-evaluate its security programme.

We think that the main security risk facing businesses and organisations in 2022 is the rising number of dysfunctional, vulnerable, and fragile states across the globe. The pandemic both caused and exposed political and institutional fragility – at a much higher rate than would have been expected. We might have anticipated this outcome in the global South, but we saw it in the more prosperous North, too.

► Fig. 6 The likelihood of a rise in civil conflict and instability around the world is causing/may soon cause my organisation to re-evaluate its security programme

Most respondents are or think they soon will be re-evaluating their security programmes because of conflict and instability.



➤ The increasingly diverse threat of violent extremism and terrorism

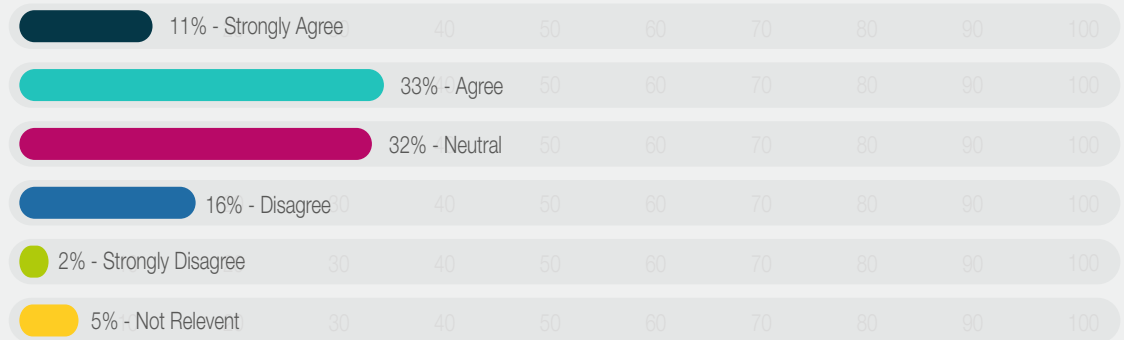
The Taliban takeover of Afghanistan might have been the more attention-grabbing shift in the terrorist threat landscape, but it is the Covid pandemic that has had the most immediate impact of the drivers on violent extremism and terrorism.

Nearly half of survey respondents agree that the social and political fallout from the pandemic have had more impact on the violent extremist and terrorist threat to their organisation than the Taliban takeover of Afghanistan is likely to. We examine these two dynamics in RiskMap 2022, and how they are contributing to an increasingly diverse threat landscape.

There is less concern that violent extremism and terrorism will be a more prominent threat this year than in 2021, with just over a third of respondents saying they face an increased threat.

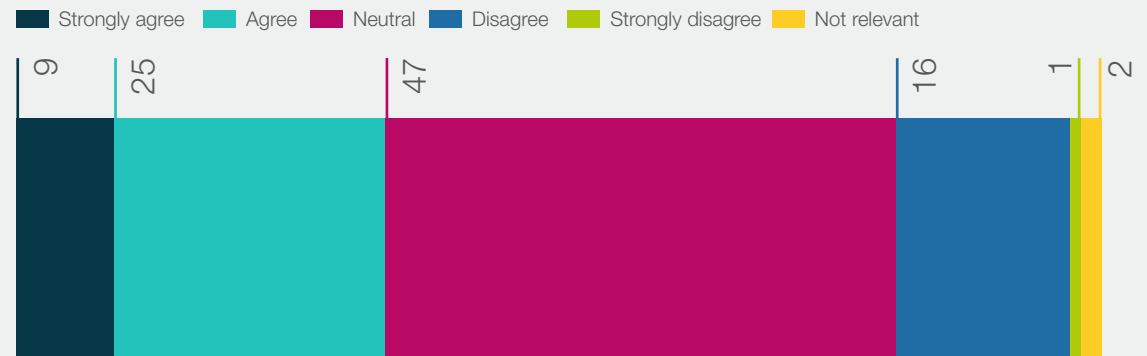
➤ Fig. 7 The social and political fallout from the pandemic have had more impact on the violent extremist and terrorist threat to my organisation than the Taliban takeover of Afghanistan is likely to

While more agree than disagree that the pandemic has had a greater impact on the violent extremist and terrorist threat than the Taliban takeover of Afghanistan, nearly a third are neutral on the matter.



➤ Fig. 8 In 2022, violent extremism and terrorism will be a more prominent threat to my organisation than in 2021

Most respondents are either neutral towards or disagree with the idea that violent extremism and terrorism are a bigger threat this year than last.



ESG is an opportunity

Almost three-quarters of respondents see the growing focus on environmental, social and governance issues as an opportunity for their organisation.

While the ESG drive is certainly a positive development, implementing a credible and future-proof ESG programme is not without reputational risk. The cutting edge of ESG is the E part: investor pressure, activist shareholders, regulatory action, consumers, and governments scrambling to make up for lost time on climate action are all hitting companies hard. Get this wrong and accusations of greenwashing will fly, and regulatory hits will surely come. And, as we argue RiskMap 2022, you ignore the social and governance parts at your peril.

Our survey shows a strong majority (65%) of respondents feel that their organisation has a clear plan for integrating ESG issues into long-term strategy. This is good news: amid the risks of getting ESG wrong, inaction poses the greatest risk of all.

Fig. 9 The growing focus on ESG issues is an opportunity for my organisation

Most respondents have identified business opportunities in ESG issues.

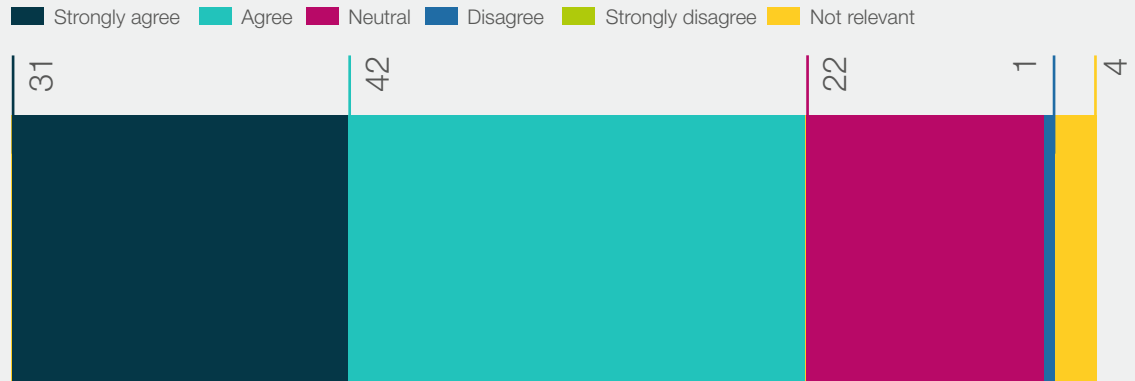
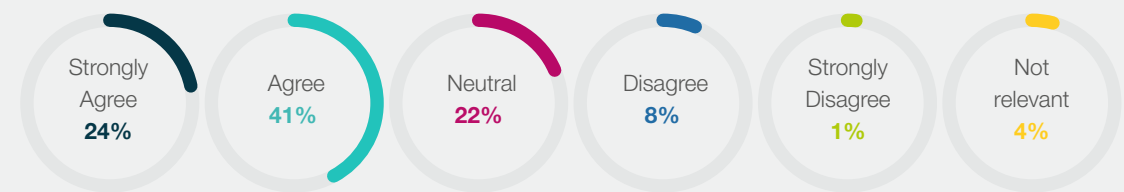


Fig. 10 My organisation has a clear plan for integrating ESG issues into long-term strategy

A lot of our respondents have established plans for including ESG issues in their strategies.



Ready for the next Covid?

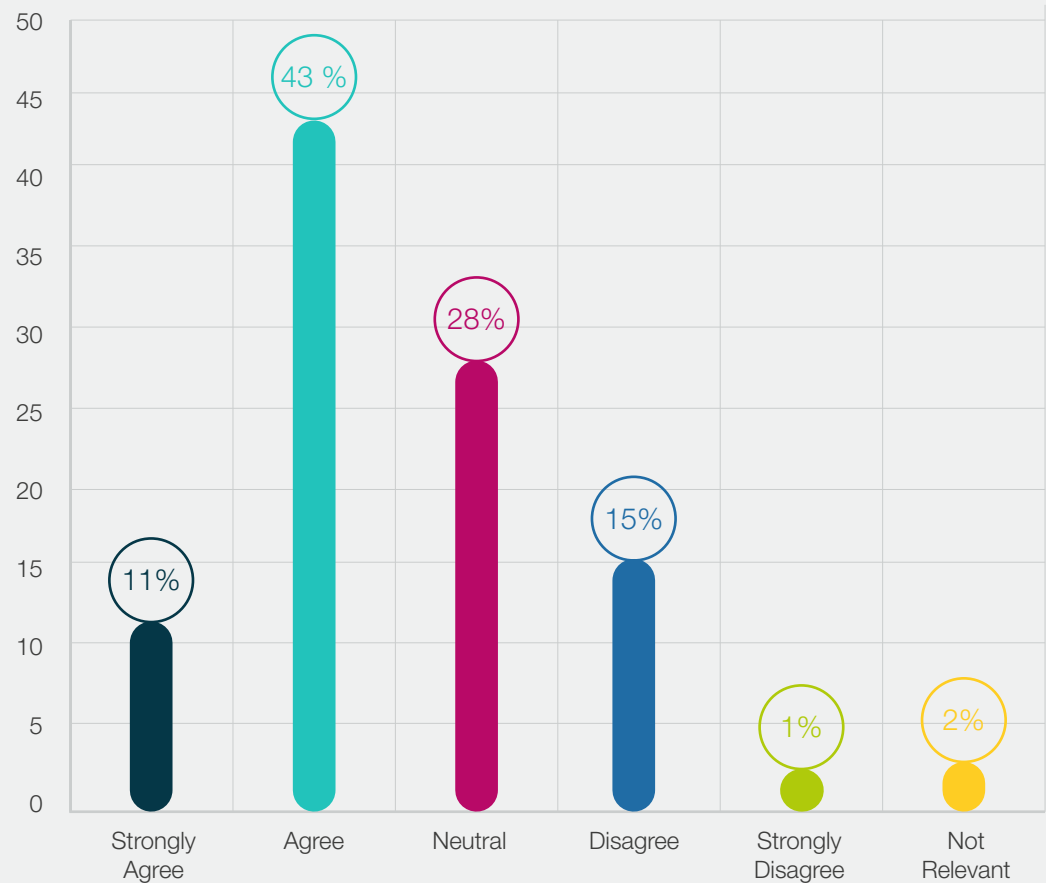
Business have learned much about themselves and their clients during the pandemic.

Lessons have been hard and sometimes terrifyingly fast. As people begin to say endemic where once they said pandemic, the big question is: "What comes next?" Another variant of Covid with a new, policy challenging set of characteristics? Or maybe something completely different but equally encompassing. When we asked whether people think their organisation is ready for the next disruption on a scale similar to Covid, the response was muted: just over half of respondents say they are ready. Only 16% said their organisation was not ready, but there is a noteworthy middle of 27% who declared themselves neutral on the matter. Some may still be in crisis management mode or still processing lessons learned, others may lack the capacity to properly address vulnerabilities to such disruptions.

A global pandemic was on risk registers, but generally far down the list. Not any more. As we now surely know, the low probability, high impact scenarios need a plan.

Fig. 11 My organisation is ready for the next disruption on a scale similar to or exceeding that brought by COVID-19

More than half of respondents feel ready for a disruptive event on scale similar to or exceeding the Covid pandemic.



What are the main risks and opportunities in 2022?

We asked what the top overall risk to respondents' organisations is in 2022, and also where the greatest opportunity lies in the year ahead.

Cyber, Covid and geopolitics loom large in the risks category. Sitting above dynamics such as the energy transition, the increasing importance of ESG and, technology, the biggest clustering in the opportunity category was a broad range of sentiment around being able to conduct business without the restrictions of the pandemic.

As these were open text responses, there was a lot of variety; some risks only had single mentions. The inputs have been collated into broad categories and capped at the top 250 responses.

Fig. 12 What is the greatest risk and the greatest opportunity for your organisation in 2022?

Cyber threats are the main risk in 2022, while getting back to business without the restrictions of the pandemic, followed closely by the energy transition, are the main opportunity areas.



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If you would like to speak to any of our experts about the issues raised in this survey or any other requirements, please contact enquiries@controlrisks.com

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Control Risks is a specialist global risk consultancy that helps to create secure, compliant and resilient organisations in an age of ever-changing risk. Working across disciplines, technologies and geographies, everything we do is based on our belief that taking risks is essential to our clients' success. We provide our clients with the insight to focus resources and ensure they are prepared to resolve the issues and crises that occur in any ambitious global organisation. We go beyond problem-solving and provide the insight and intelligence needed to realise opportunities and grow.

We would like to thank our clients and LinkedIn followers who took part in the Global Risk Survey. (22040)

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