

 2021

ASIA-PACIFIC RISK
BENCHMARKING
SURVEY



Invest in us

Boards remain more engaged in risk than they were before the COVID crisis hit. But as our 2021 Asia-Pacific Risk Benchmarking Survey finds, while risk professionals manage a growing list of potentially devastating concerns, including supply chain disruption, cyber attacks, pandemics and much more, budgets are standing still. It's time to show us the money.

2021: YOUR TOP RISK CONCERNS

- 1 **IN PREVENTABLE:** SUPPLY CHAIN RISK
- 2 **NON-MOVER PREVENTABLE:** TARGETED CYBER ATTACK
- 3 **▼ EXTERNAL:** PANDEMIC/HEALTH ISSUES
- 4 **▲ EXTERNAL:** CHANGING REGULATION/ENFORCEMENT
- 4 **▼ EXTERNAL:** ECONOMIC SLOWDOWN/SLOW RECOVERY
- 6 **▼ STRATEGIC:** DAMAGE TO REPUTATION/BRAND
- 7 **▲ PREVENTABLE:** FAILURE OF CRITICAL INFRASTRUCTURE
- 8 **IN PREVENTABLE:** MAINTAINING A TALENTED WORKFORCE
- 9 **IN EXTERNAL:** CLIMATE CHANGE

LAST YEAR'S LIST

- 1 **EXTERNAL:** Pandemic/health issues
- 2 **PREVENTABLE:** Targeted cyber attack
- 3 **EXTERNAL:** Economic slowdown/slow recovery
- 4 **STRATEGIC:** Increasing/changing competitive landscape
- 5 **STRATEGIC:** Damage to reputation/brand
- 6 **STRATEGIC:** Failure to innovate
- 7 **EXTERNAL:** Macroeconomic change
- 8 **PREVENTABLE:** Failure of critical infrastructure
- 9 **EXTERNAL:** Changing regulation/enforcement

Asked about risks of greatest concern to their business in 2021, supply chain disruption jumped to the top spot for 84% of risk managers, pushing last year's top two risks – cyber attacks and pandemic – to second and third, respectively. It is clear the disruption to global supply chains in 2021, caused by factors including the pandemic, the Suez Canal disruption and the impact of natural catastrophes, has had a lasting and widespread impact over the past 12 months.

The effect of the ongoing economic slowdown and slow recovery remained a concern for 58% of respondents over the last 12 months, in joint fourth place with the risks arising from changing regulation (up from 9th position in 2020). Damage to reputation dropped one spot to sixth position, above failure of

critical infrastructure and a new top ten risk for 2021: maintaining a talented workforce.

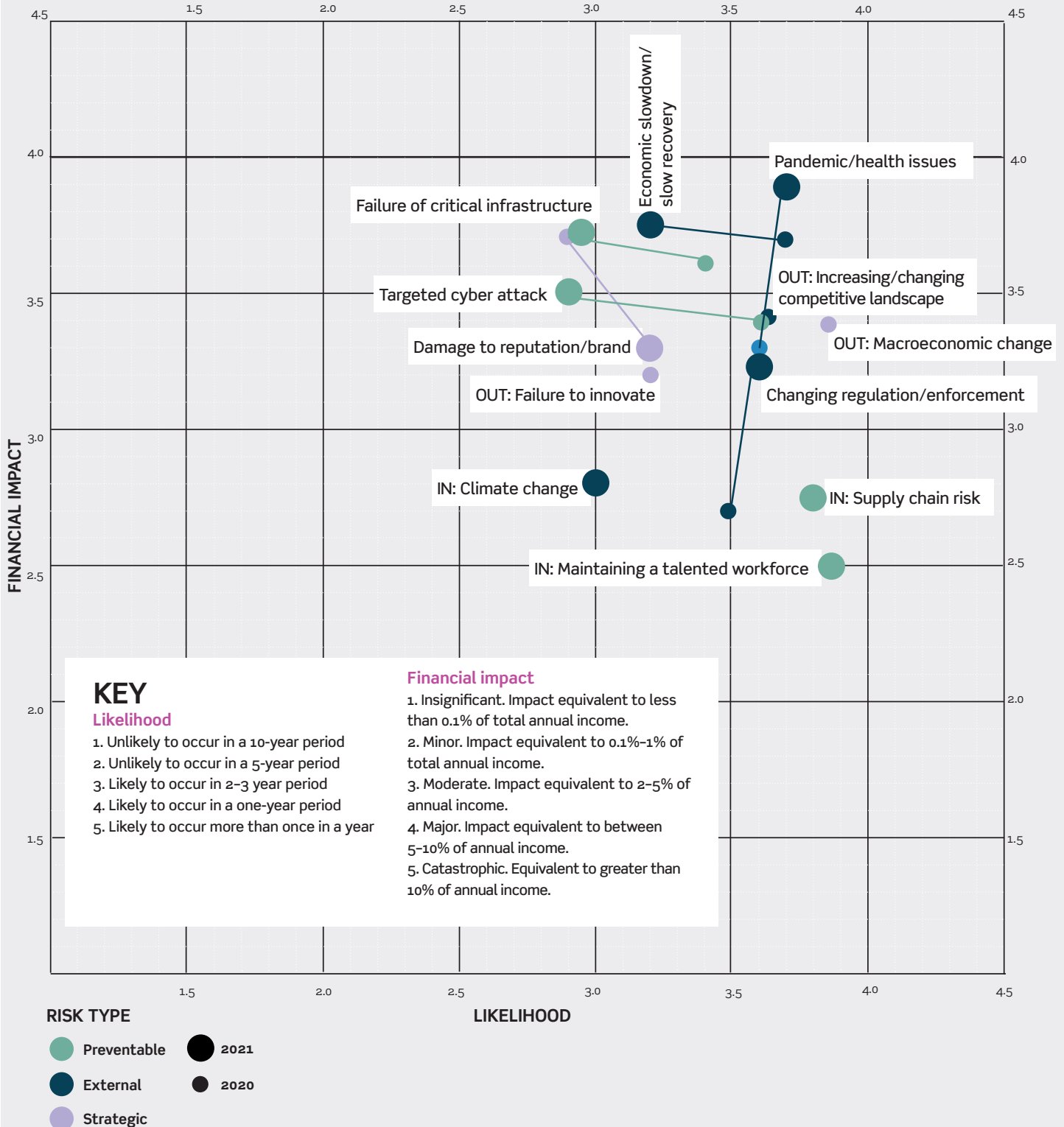
WHAT WILL 2022 LOOK LIKE?

Concern over new reporting requirements were reflected in respondents' plans for the next 12 months. ESG, regulatory compliance, key risk indicators and risk reporting were the areas our respondents said they and their teams would be focusing most effort over the coming year. This reflects a rapidly emerging legislative environment in Asia Pacific, with new rules regarding data protection, climate and supply chain among those in the pipeline.

The pandemic continues to impact organisations' approach to risk management, explained our respondents. "[COVID-19] created the opportunity to seize the upside of risk while carefully managing the downside," said a Thai-based risk and insurance

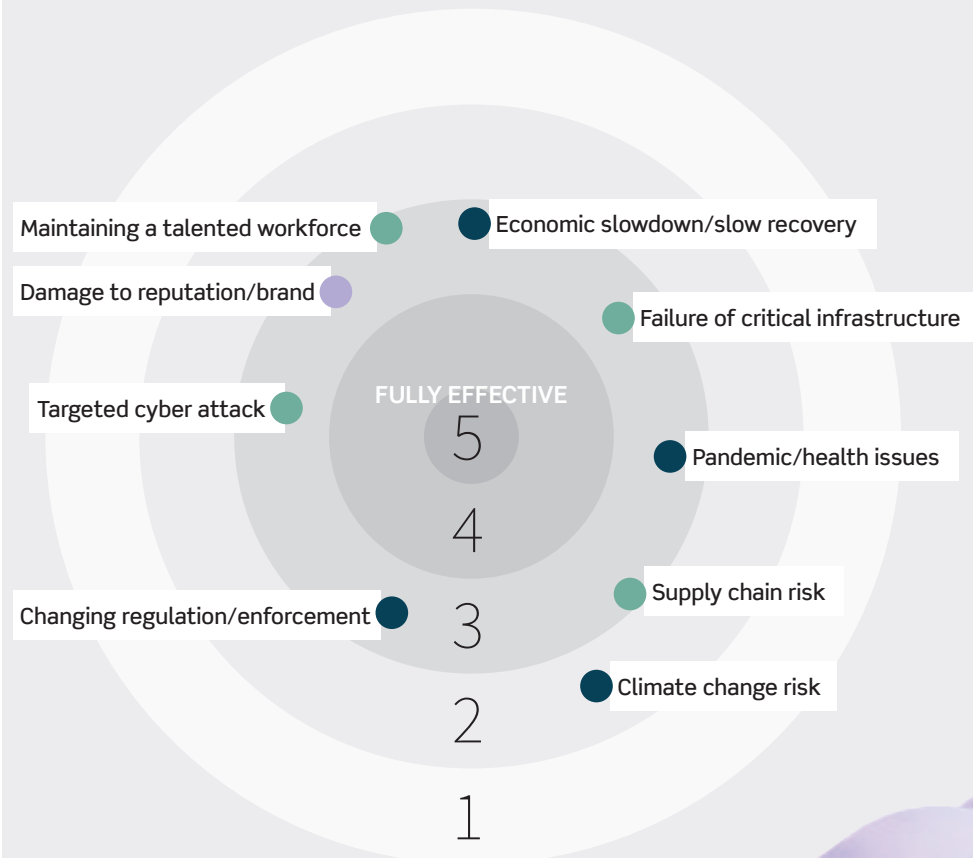
TOP RISKS, BY LIKELIHOOD AND FINANCIAL IMPACT: 2021 VS 2020

Respondents were asked to select risks of greatest concern, then to rate these risks by likelihood and financial impact. Comparing this year with 2020, things to note include the rise in anticipated financial impact of pandemic and changing regulation, as well as the decreased likelihood of cyber attacks, failure of critical infrastructure and economic slowdown.



HOW EFFECTIVE ARE YOUR CONTROLS?

We asked survey respondents to let us know the level of controls their organisations have in place to manage those risks rated of greatest concern. Respondents were non-committal as a rule, with almost all controls placed somewhere in the “partially effective” middle stream. The only concern deemed to have significant control gaps was climate change risk.



KEY

Effectiveness

1. INEFFECTIVE: No confidence in the control design or its effectiveness.
2. MOSTLY INEFFECTIVE: There are significant control gaps.
3. PARTIALLY EFFECTIVE: Some controls are effective, others are not.
4. MOSTLY EFFECTIVE: Most controls are designed correctly and are in place and effective.
5. FULLY EFFECTIVE: Nothing more to be done except review and monitor existing controls.

- Preventable
- External
- Strategic

manager, while a Hong Kong-based risk professional noted a shift in focus towards resilience in a world where it has become more difficult to predict the likelihood of events.

Meanwhile, there has been more focus and investment in a joined-up approach to operational risk management. “COVID has brought crisis management and business continuity management to the forefront, practically and in policy,” explained an Australia-based risk and compliance manager.

Meanwhile, a New Zealand-based risk and privacy manager said her organisation was putting more focus on supply chain risk management and seeking alternative providers.

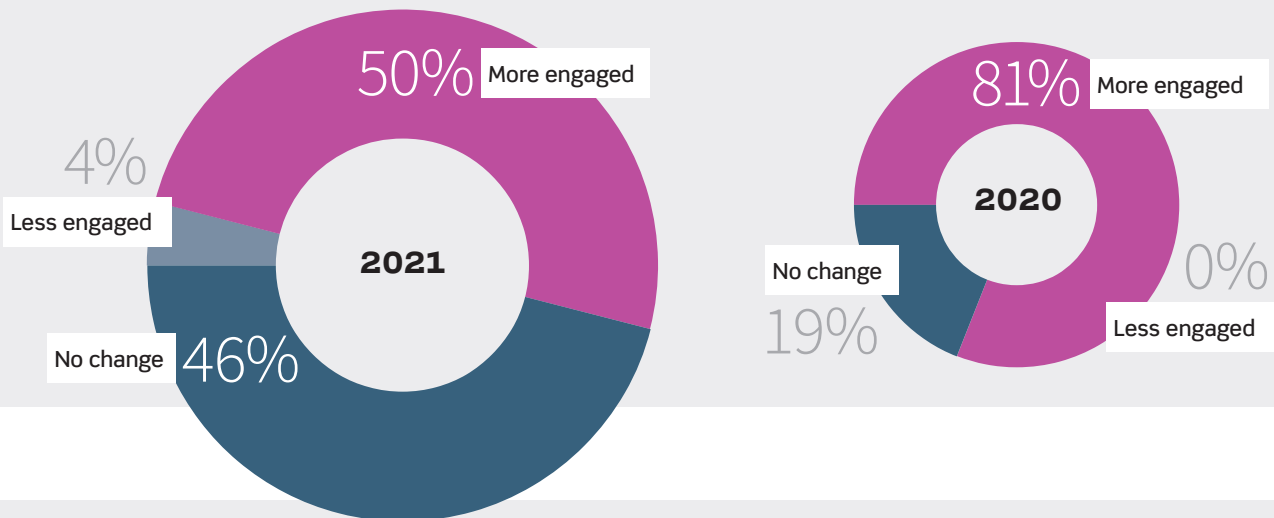
Anticipating what lies ahead remains challenging in a world that is still navigating the pandemic, the looming threats of climate change and extreme weather, and a more uncertain economic and geopolitical environment. We asked our APAC risk professionals to identify the emerging risks they are most concerned about going forward.

The first four were similar to last year. Respondents identified pandemics/infectious disease, climate



IS THE BOARD STILL WITH YOU?

We asked: In the past 12 months, how has senior management’s engagement in risk management changed at your organisation? After the huge jump in engagement levels in 2020, a mixture of “more engaged” and “no change” can be considered a good result and shows how the board continues to look to risk professionals for guidance.

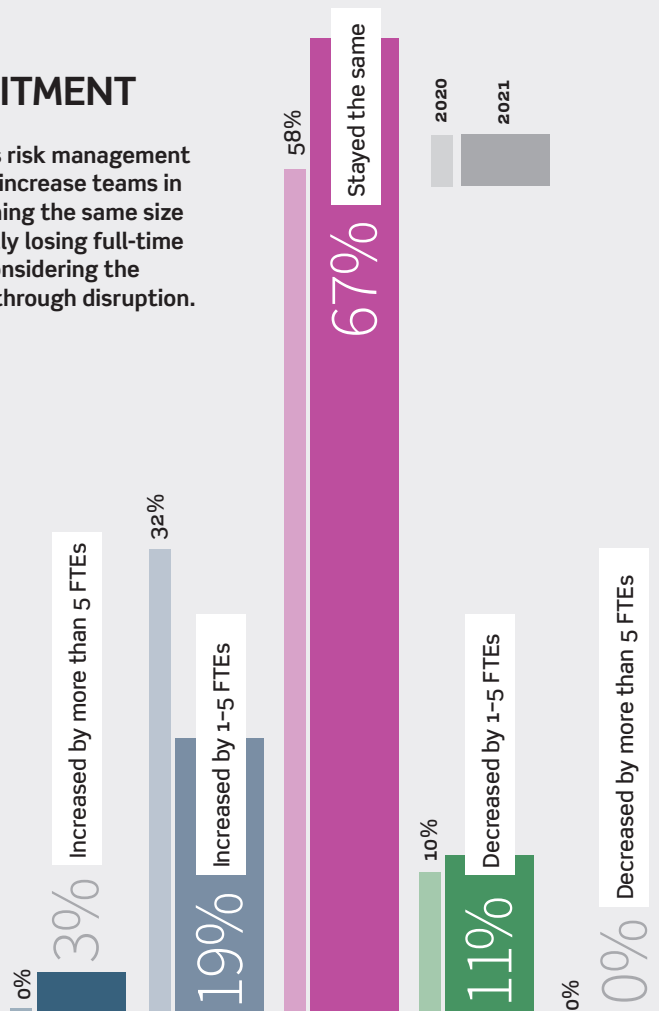


TEAM SIZES: NO BOOST IN RECRUITMENT

Respondents were asked: How has the size of your firm’s risk management team changed in the past 12 months? The brief move to increase teams in 2020 appears to have subsided, with the majority remaining the same size in 2021 and a slightly greater proportion of teams actually losing full-time employees (FTEs) than last year. This is disappointing considering the continued focus on the risk function to take companies through disruption.

“THERE IS A HEIGHTENED SENSE OF AWARENESS OF THE IMPACT OF RISK ON THE ORGANISATION INCOME AND BRAND/ REPUTATION.”

RISK MANAGER, MALAYSIA



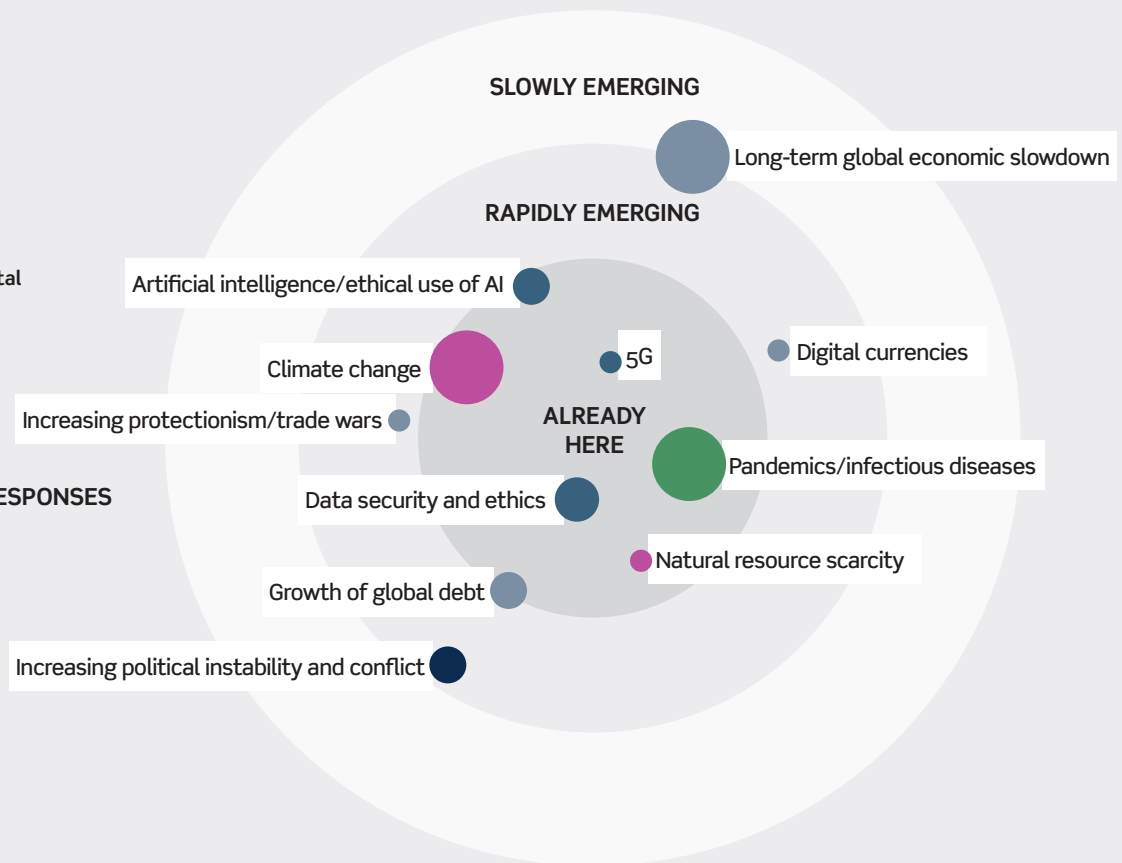
TOP EMERGING RISKS

Respondents were asked to select the emerging risks that are of greatest concern and then rate them by speed of emergence. The biggest hitters were predictably stated as pandemic, economic slowdown and climate change.

TYPE OF RISK

- Technology
- Economic
- Health
- Political
- Environmental

NUMBER OF RESPONSES



change, long-term global economic slowdown and data security and ethics. New entrants included natural resource scarcity, growth of global debt and digital currencies. In terms of how quickly these risks are unfolding, most respondents said these threats were rapidly emerging, if not already here.

SPOTLIGHT STILL ON RISK, FOR NOW

Exactly half of you told us your senior management had become more engaged in risk management over the past 12 months (there had been no change for 46%). This was down from 81% in the 2020 survey, but suggests the value proposition of risk management is still being taken more seriously in a post-COVID world than it once was. As an India-based insurance professional explained: “The threat has improved our perception of the importance of risk management.”

Respondents identified the pandemic, more severe natural catastrophes and other risks affecting the business as driving greater attention to and appreciation of risk management practices at a

senior level. According to an Australian public sector risk manager, greater resourcing has been provided and there is “a growing understanding of risk management in decision-making support” at their organisation.

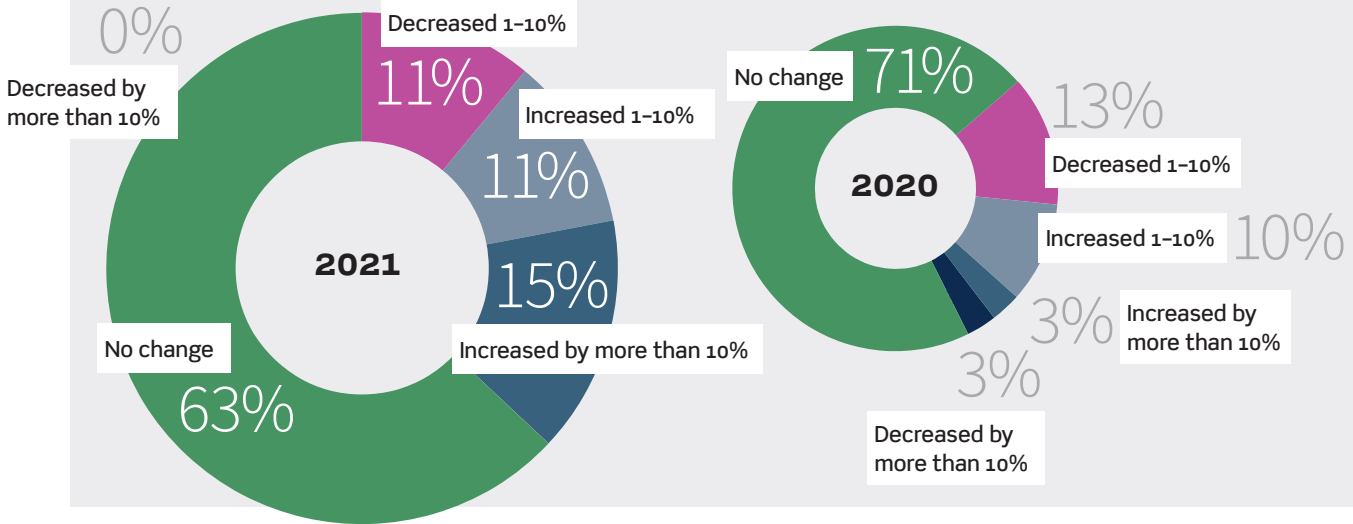
PUT YOUR MONEY WHERE YOUR MOUTH IS

For nearly two-thirds (63%), their risk management budget has remained unchanged over the last year and their team size has stayed the same (67%). For the lucky 26% who had received more budget in 2021, the additional investment is primarily being spent on expanding their teams or software/technology.

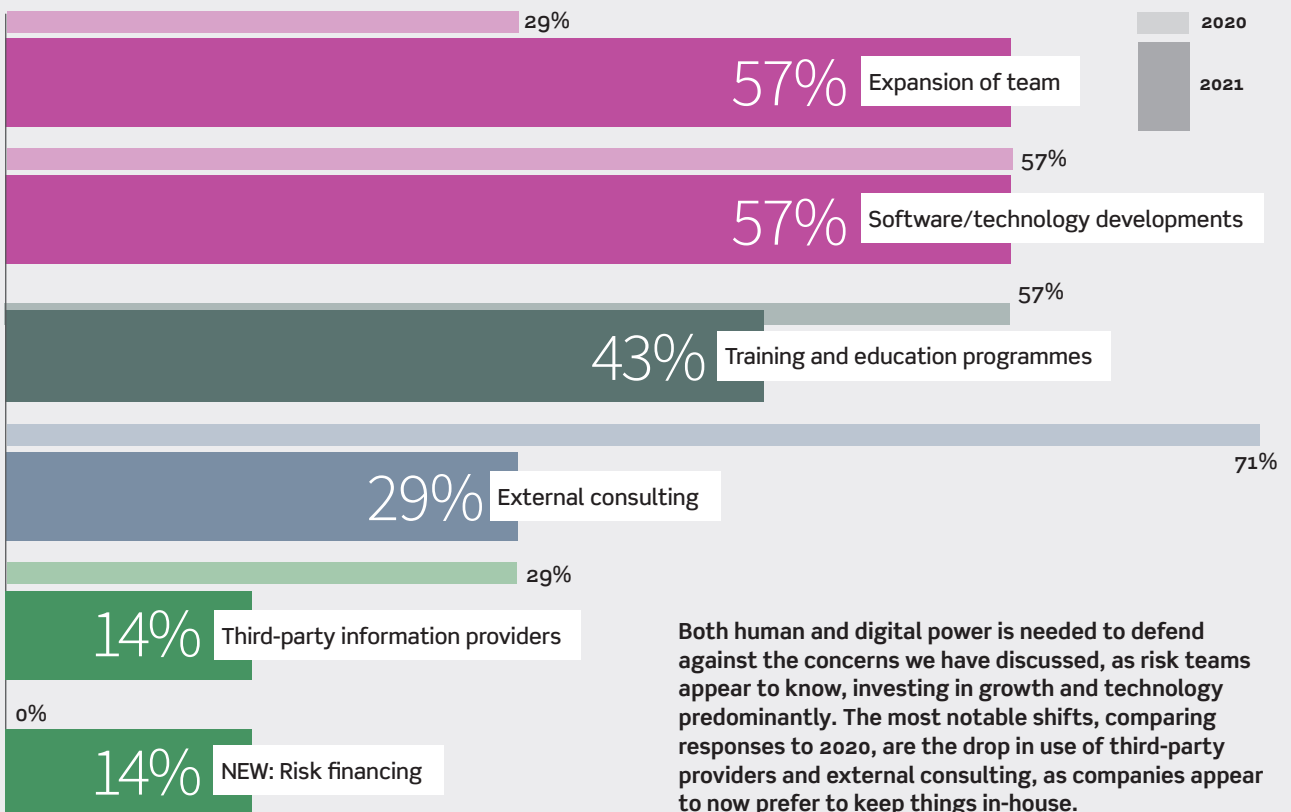
Clearly, where the funding is available, organisations are recognising the skills and talent that risk and insurance managers bring to the table. This signals an opportunity, given the change in focus brought about by the pandemic and related shocks, to build on this momentum. Risk managers must continue to demonstrate the value their skills and profession brings to organisations navigating an uncertain and ever-changing threat landscape. **SR**

HOW HAS YOUR BUDGET CHANGED THIS YEAR?

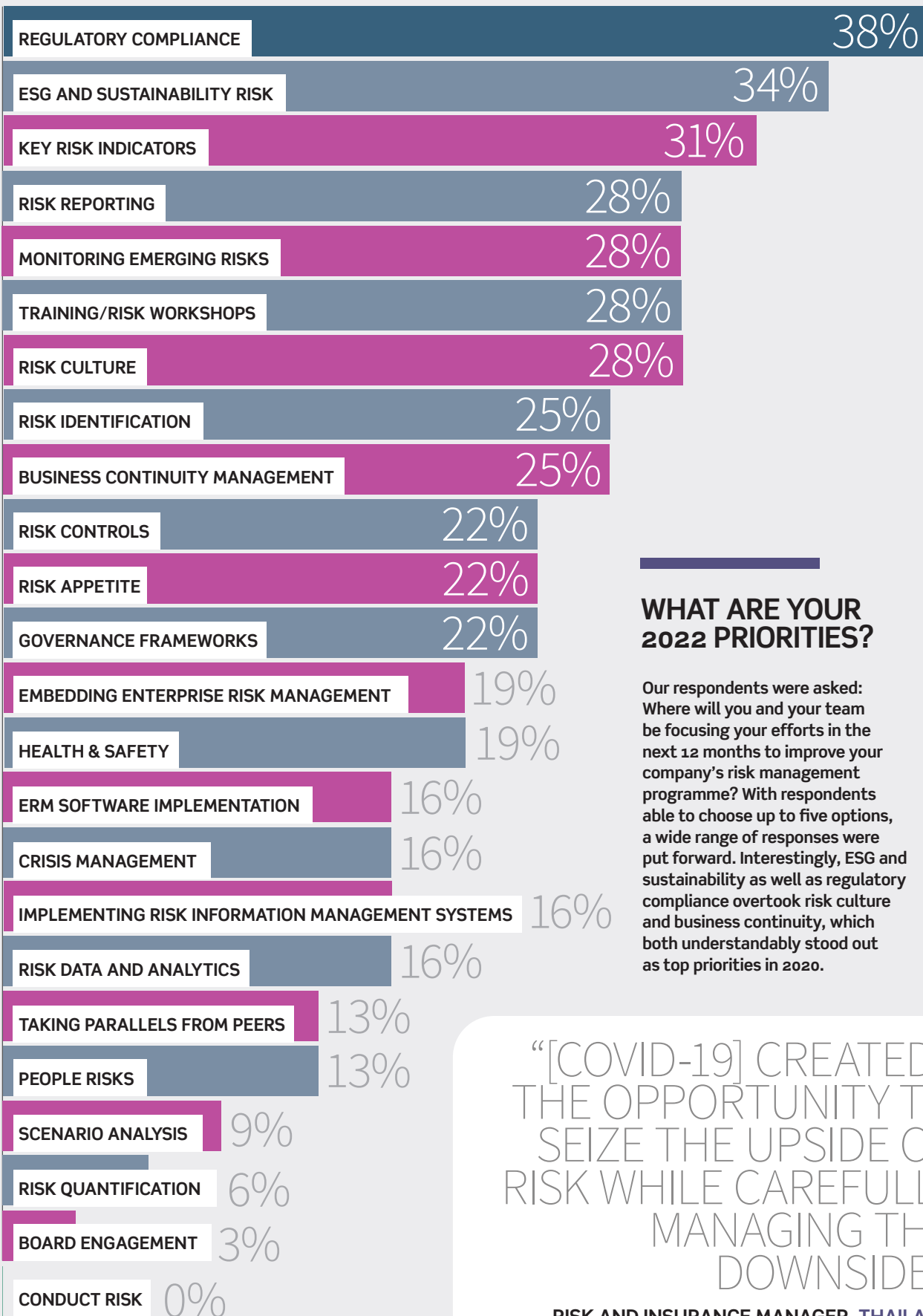
This year's results are slightly more promising than 2020, with fewer respondents reporting no change in budget and more saying they had seen an increase. However, numbers have certainly not risen to match the elevated position the risk profession is now starting to enjoy.



WHERE ARE YOU FOCUSING ANY ADDITIONAL INVESTMENT?



Both human and digital power is needed to defend against the concerns we have discussed, as risk teams appear to know, investing in growth and technology predominantly. The most notable shifts, comparing responses to 2020, are the drop in use of third-party providers and external consulting, as companies appear to now prefer to keep things in-house.



WHAT ARE YOUR 2022 PRIORITIES?

Our respondents were asked: Where will you and your team be focusing your efforts in the next 12 months to improve your company's risk management programme? With respondents able to choose up to five options, a wide range of responses were put forward. Interestingly, ESG and sustainability as well as regulatory compliance overtook risk culture and business continuity, which both understandably stood out as top priorities in 2020.

“[COVID-19] CREATED THE OPPORTUNITY TO SEIZE THE UPSIDE OF RISK WHILE CAREFULLY MANAGING THE DOWNSIDE.”

RISK AND INSURANCE MANAGER, THAILAND