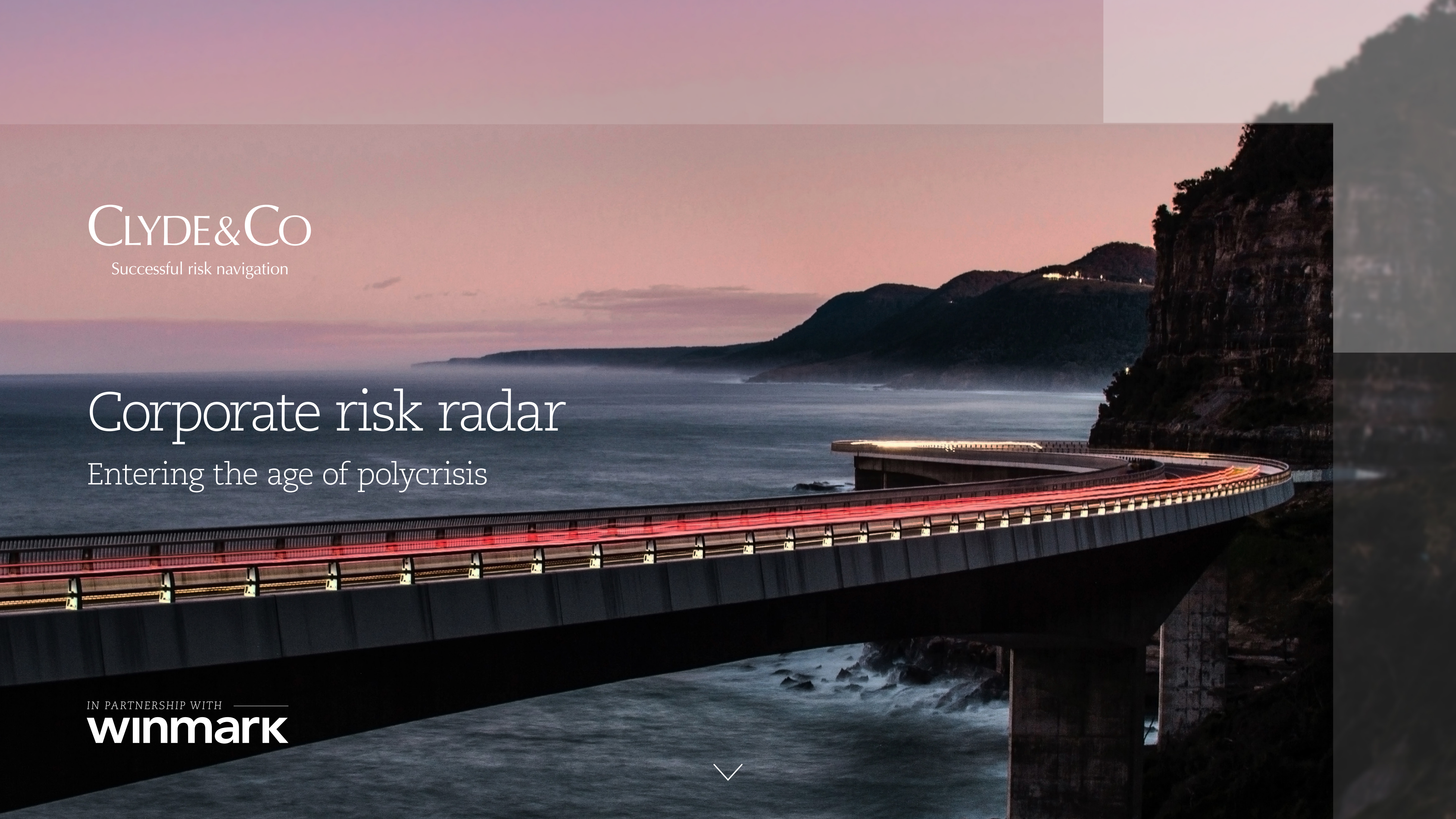




CLYDE&Co

Successful risk navigation

Corporate risk radar

Entering the age of polycrisis

IN PARTNERSHIP WITH

winmark





Contents

03

Foreword

04

Introduction

05

Executive summary

06

Top risks

26

Risk preparedness

32

Risk perceptions

37

Respondent profile

40

About Clyde & Co

41

About Winmark

42

Key contacts

Click on the topic
to find out more



Foreword

Business leaders are navigating a perfect storm of risk – fuelled by the convergence of continued economic uncertainty, rapid technological change, increased regulatory complexity, and a precarious geopolitical outlook. Underpinned by the disruptive power of AI, which continues to be a prominent feature in the risk landscape, these pressures are creating significant volatility.

Key challenges faced by GCs:

Every year, our Corporate risk radar seeks the opinions of C-Suite decision makers, their in-house legal teams and General Counsel. We do this to better understand the risk landscape that business leaders and their key counsel around the world are navigating as they pursue their strategic goals. We assess their concerns, their levels of preparedness and monitor the shifting risk landscape over time.

This year's report shows that the business of doing business has become more unpredictable than ever.

One in four business leaders feel that bold decision-making is being impeded by the complex risk landscape. With so many challenges, choosing the right course of action seems hard.

But businesses are responding. Leaders understand that risk preparedness unlocks potential rewards. There is a cost to standing still in such a dynamic risk environment.

Our survey and, indeed, our day-to-day experience working with multinational

organisations, suggests that ambitious businesses are rapidly building adaptability and agility into their business models in the face of these risks. They are shifting their mindsets, learning to recalibrate and pivot as circumstances change – as new risks emerge or abate.

Many are developing risk management systems to track and monitor market changes and assess their business impacts so that they can update strategies in real time. And there's a growing recognition that board-level proactivity is crucial too. Not only to identify and manage a full range of risks but to prioritise those that could cause significant disruption, even if they are deemed unlikely.

I hope you find this report engaging and useful. Thank you to the respondents who have generously contributed their experience and perspectives.

Clyde & Co is committed to helping businesses around the world successfully navigate the complex risk landscape so they can unlock value and pursue opportunity. If you would like to discuss any of the themes within this report, we would be very pleased to do so.



Carolena Gordon
Senior Partner, Clyde & Co

Introduction

The risk landscape continues to evolve at a dizzying pace, driven by economic volatility, the accelerating impact of AI and persistent geopolitical turbulence.

With insights gleaned from 225 General Counsel, C-Suite executives, and CEOs worldwide, the 2024 Corporate risk radar report sheds light on how business leaders will address the many challenges they face. The findings show

heightened risk across multiple fronts, but also reveal a sense of excitement about equipping organisations with the capability to succeed by anticipating and adapting to rapid change.

We hope you find this report useful, and please look out for two further reports based on this research, the first taking a deep dive into adapting to key risks, and the second exploring the continued rapid evolution of the GC role.



John Madden

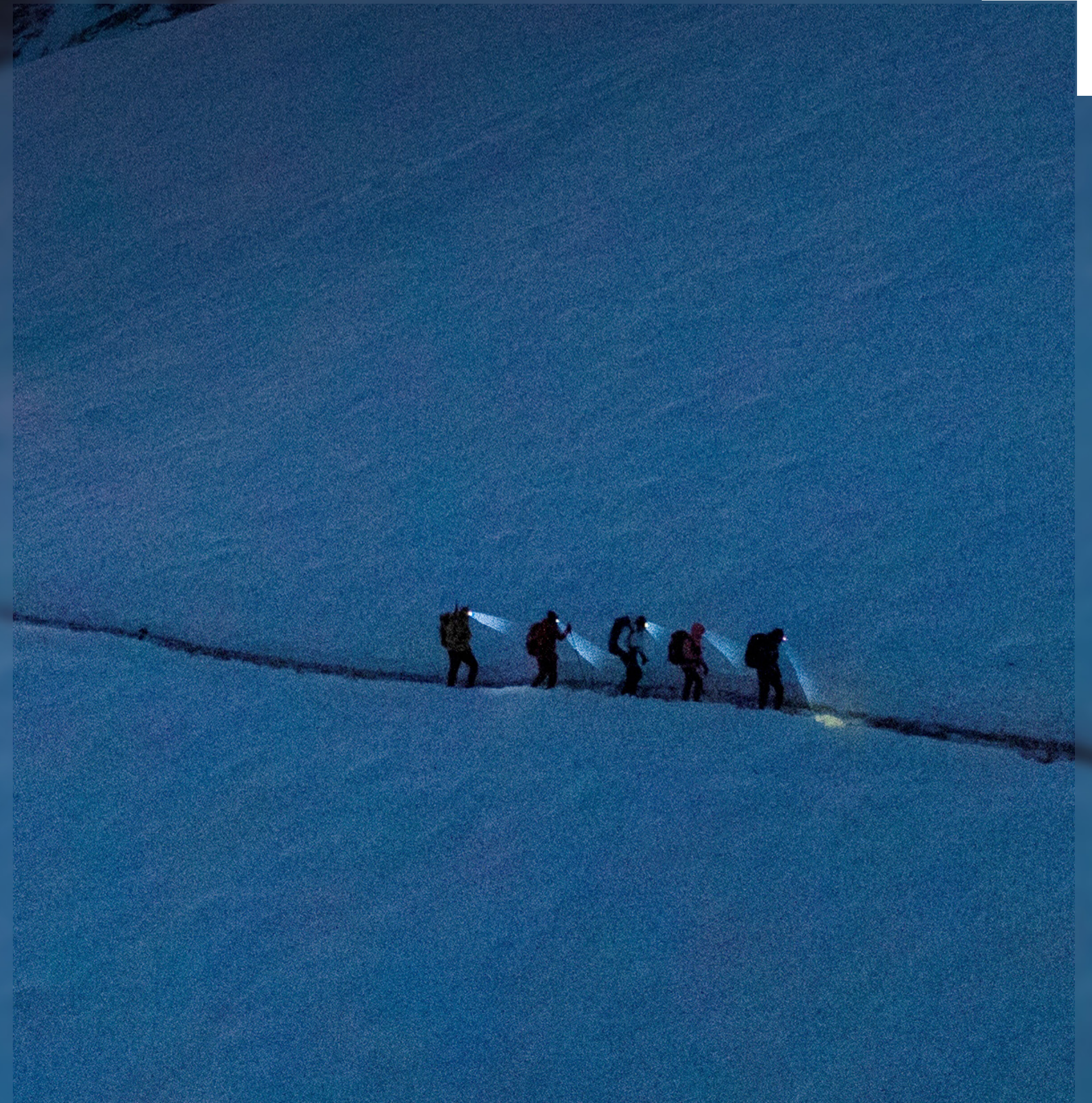
Research Director, Winmark

Executive summary

Key challenges faced by GCs:

- The 2024 Corporate risk radar reveals a **confluence of risk factors** greater than anything seen in the 12-year history of the study, overshadowing even the impacts of Covid-19, as business leaders face a perfect storm of **economic volatility, geopolitical turbulence**, and the accelerating **disruptive force of AI**.
- Escalating threats on multiple fronts have injected a sense of urgency, spurring organisations into decisive action to bolster **agility, foresight**, and **resilience**.
- **Economic threats** top the list of high impact risks, with 82% of respondents citing **inflation, rising interest rates** and **currency volatility** as critical concerns.
- **Regulatory and compliance** obligations are in joint second place, with respondents finding complex (and sometimes contradictory) global regulatory commitments to be more daunting than ever before (at 58%, up 9 percentage points since 2023). Negative views of the regulatory climate have also risen, with 43% now labelling increasing global regulations and enforcement as growing threats.
- **People challenges** share second place, and the difficulties of attracting and retaining a skilled workforce from a demanding and globally dispersed labour pool has also intensified (up 7 percentage points since 2023).
- Notably, over the past three years, **geopolitical risk** has risen rapidly in the hierarchy of high impact risks, up by 11 percentage points to 54%, and from seventh place to fourth in the rankings, fuelled by continuing conflict in Ukraine and Gaza, and a calendar year of elections taking place in key markets around the world including the US, India and UK.
- **Operational challenges** have also sharply escalated in 2024, largely because of the imperative to rapidly integrate AI to harness the productivity and efficiency benefits. AI has also intensified worries about **Market disruption** and the possibility of being outflanked and left behind by competitors in the AI ‘gold-rush’. Leaders are feeling pressure to invest and innovate in AI at a rapid, perhaps overly so, pace with ‘fear of missing out’ (FOMO) driving decision-making.
- As risk complexity intensifies, 67% of leaders say that the landscape is now ‘**many times more complex**’ than it was just two to three years ago. Against this volatile backdrop, over two-thirds (68%) say risk horizon scanning – searching out the next black swan – is a now a more important part of their role than ever.
- Crucially, the risk environment has become so hazardous that a quarter of respondents believe ‘**risk perception is impacting bold decision-making**’ as the potential rewards become insufficient to justify the risks involved. This inhibition is estimated to be costing 5% of revenues.
- To combat these intensifying challenges, board members are taking a more **proactive risk management** approach and boosting **cross-functional collaboration**. Successful organisations will need to implement **forward-looking strategies to anticipate risks**, drive **organisational adaptability** and enable **bold, but well-judged, risk-taking**.

Top risks





The age of polycrisis

Two years after the end of the Covid crisis, businesses find themselves grappling with one of the riskiest environments in a generation, with the outlook for the next two to three years looking increasingly tough.

This year's Corporate risk radar reveals a growing sense of apprehension as leaders combat a convergence of disruptive forces. Upheaval in the political and economic environment has accelerated, with ongoing and expanding global conflicts, a flurry of elections and volatile and unpredictable economic cycles.

These forces have the potential to reshape international power dynamics, leading to surges in protectionism, more regulations, foreign investment restrictions and heightened geopolitical tensions. This turbulence is compounded by the rise of AI which is changing ways of working, operational practices and business models at breakneck pace. The risk landscape in 2024 indicates a pivotal transformation that will reshape the way the world operates for the next five years.

As a result, organisations recognise the need for a heightened sensitivity to emerging risks, and the necessity to respond to shifting circumstances with greater agility and speed than ever before. This environment is forcing companies and businesses to be better attuned to emerging risks. Resilience, the ability to get ahead of challenges and react to changing circumstances with agility and speed is now more important than ever.

This sense of urgency is sharpening focus and fostering a committed response. Many leaders are taking decisive action to meet challenges, by overhauling and modernising risk management approaches, and investing in the relevant training and technology. The increasing interconnectedness of global risks is also encouraging a more collaborative approach to risk management.

There is a palpable sense of awareness across all leadership roles – C-Suite, board and GC – about the need to have an enterprise-wide risk mindset. Many boards are having to take a more proactive stance, providing strategic guidance to steer risk management efforts and ensure prioritisation of critical risks. And the GC's role as strategic risk advisor has never been more highly valued and crucial.

“

We are facing increased risk of recession and reduced overseas trade due to Brexit, Ukraine, Yemen, Iran, Israel and China issues. I expect a reduction in interest rates and inflation, but even so, the economy is fragile and susceptible to economic shocks from multiple directions.

Board Director, Business and professional services, UK

Climate concern drops as businesses fight growing fires on multiple fronts

The table on the following page shows the 2024 ranking of 'high impact risks'. The three risk areas that business leaders expect to have the biggest impact in the next two to three years are:

- Economic risk
- People challenges
- Regulation and compliance burden

Although these top three risks remain in the same position as in 2023, their perceived impact and, indeed, that of nine out of the ten risks has risen (with climate change being the only exception), reflecting an increasingly turbulent and unpredictable risk environment.

“

We find ourselves operating in a much riskier world today than we did just a few years ago. Our clients are operating in a world that's more complex than ever.

Ben Knowles, Partner & Chair of the Global Arbitration Group and Dispute Resolution Practice



Climate concern drops as businesses fight growing fires on multiple fronts

2024 high impact risks			2023	
Rank	% High Impact	% Annual change	Rank	% High Impact
Economic risks Global economic performance, inflation, interest rates, currency volatility.	82%	+8%	1	74%
People challenges Attracting and retaining staff, upskilling staff, talent management, succession planning.	58%	+7%	2	51%
Increased regulatory & compliance burden Differing international regulatory regimes, compliance with bribery and corruption legislation / modern slavery / GDPR / ESG regulations.	58%	+9%	3	49%
Geopolitical risks Trade barriers [tariff and non-tariff], supply chain disruption, sanctions.	54%	+11%	5	43%
Technological risks IT disruption, data security & data loss issues, implementation of new technology.	52%	+7%	4	45%
Operational challenges Restructuring, implementing new business models, new technologies, merging systems etc.	42%	+13%	9	29%
Market disruption AI impacting a sector, new market entrants or technologies upending traditional business models.	42%	+9%	7	33%
Reputational risks Damage caused by operational, governance, service or quality issues, Investor pressure, Physical risk – i.e. natural disasters.	35%	+6%	8	29%
Climate change risks Climate change liabilities, natural disasters, energy transition.	31%	-6%	6	37%
Societal risks Rapid cultural or attitudinal shifts that change demand for products or services or perceptions of brands.	26%	+7%	10	19%

% respondents identifying each risk as expected to have a high or very high impact on their organisations

Global tensions boil over

The risk showing the biggest increase is geopolitical risk, up 11 percentage points since 2023 (from 43% to 54%), and now in fourth place in the 'high impact' risk hierarchy, up from just seventh place in 2023.

Little wonder. The war in Ukraine has entered its second year. The conflict in Gaza continues to threaten to ignite the wider region and multiple potential flashpoints from the Red Sea to the Straits of Taiwan endanger some of the world's busiest shipping lanes. Added to this already febrile climate is the prospect of dramatic change in the political landscape, with more than half of the world's population heading to the polls this year. Global supply chains, still fresh from the disruption of Covid-19 are assailed on multiple fronts.

This is giving way to a new 'hedging' approach to doing business, with leaders adopting a 'just in case' mentality as they try to anticipate market conditions and changing client expectation.

What's more, Brexit and its ongoing impact remains a concern for some, particularly due to the fog of uncertainty surrounding the UK's future direction. The economic dominance of the US and Chinese economies means organisations are particularly impacted by decisions made in those countries, and need to track events closely. All these factors create significant operational uncertainty about policymaking on critical issues such as protectionism, climate change, tech regulation and energy security.

“

We are in a time of political upheaval, we've got general elections all around the world this year, we've got hostile actors seeking to influence and disrupt these elections. It feels like a much more dangerous and difficult place to be doing business than it has ever been.

CFO, Government, UK

“

We have to anticipate client reaction to changing market conditions, with so many elections this year there is a real chance of significant disruption and market turmoil. Choosing the right way to manage our clients' expectations is more of a threat than executing to give effect to the expected outcomes.

Chief Information Officer (CIO), Financial services, UK

Global tensions boil over

“

You’ve got whole countries that are flatlined in terms of economic activity, or are dipping in and out of recession. That’s true around the world from what we can see.

Ross MacRae, Group HR Director & Deputy MD,
Orion Engineering Services Ltd

“

I’m concerned about the risks to energy security given the ongoing wars in Middle East and Ukraine. These will impact inflation, supply chains and general economic conditions negatively impacting growth potential.

CEO, Business and professional services, USA

“

The fact that there are so many elections around the world in a single year is clearly a huge issue and we also find ourselves at a slightly odd point in the economic cycle too – global themes are rarely obvious or straightforward.

Ben Knowles, Partner & Chair of the Global Arbitration
Group and Dispute Resolution Practice



The AI revolution: a catalyst for increasing operational risk

ChatGPT launched in November 2022 and ushered in a new wave of opportunity for organisations around the world. Ambitions around AI – the desire to capitalise on its potential and concerns over the threat of failing to do so (or to do so correctly) are dominating corporate discourse.

At the same time business leaders are grappling with the very human implications of integrating AI into their operations. This includes potential job displacement, training requirements, concerns about bias and governance and the need for people-led oversight and validation.

This is being reflected in perceptions of operational risk – up by 13 percentage points (from 29% to 42%). More familiar debates around the continued impact of hybrid working models on business operations also continue to exercise senior executives.

Leaders are strategically embedding AI into their operations under significant pressure to reap the rewards as quickly as possible to meet the demands of a tough economic environment. There is a tension between urgency for rapid investment and innovation and the need for appropriate use and oversight, particularly the need for strict human control of AI output.

AI is expected to eliminate some jobs while simplifying many others, and also to create opportunities for more meaningful work. It is expected to significantly impact the professional landscape for junior roles, where repetitive tasks will be increasingly completed by AI. AI's ability to develop software is also expected to drive a significant shift in operational processes, such as integrating financial tools.

“

For AI, the human validation point is pivotal. The type of industry we work in involves a lot of coding, support models and specific software for the complex modelling of buildings. For example, there is a risk of our staff generating Python code using AI without checking it. For us, that's problematic because if this is fed into a deliverable as part of a project and something was to go wrong, there are insurance implications.

Gary Davison, Group Legal Director and Company Secretary,
AKT II and Tyrens UK Holding, UK

AI FOMO and market disruption



As it becomes ubiquitous, where does the competitive advantage come from in AI? Is there going to be an AI arms race? There is definitely first mover advantage but that advantage will very quickly evaporate and everything can come down to a commodity price. We're going to see these applications bubble up with short term value attached to them, but that will quickly evaporate.

CFO, Government, UK

Market disruption risks have also increased significantly in 2024 - up by 9 percentage points, and again driven by the likely impact of AI.

Respondents say that AI is a potential source of huge competitive advantage. However, it also comes with major challenges, particularly in the realms of governance, job displacement, and cybersecurity.

Passive AI strategies do not seem to be an option. There is urgency to exploit new revenue streams and maximise the productivity and customer service potential of AI, but there is also a lack of clarity about how that can be achieved,

particularly as many organisations have an AI knowledge, skills and training deficit. There are also concerns about an AI arms race and the competitive advantages from AI being short-lived as early innovations become commoditised over time.

There is a 'gold rush' atmosphere around AI initiatives, with 'fear of missing out' (FOMO) driving decision-making. The ultimate winners will be those who successfully balance the imperative to exploit AI's potential with the necessary caution and maturity to avoid the potential pitfalls and hazards of rash decision-making.

Economic risk: rapid and volatile economic cycles

Economic risk tops the list of high impact risks, with 82% forecasting significant implications for their organisations. It is the top risk across leadership roles – board members, GCs and C-Suite executives.

Stubbornly high interest rates and volatile currencies are disrupting all global sectors, particularly businesses’ ability to attract capital and investment as private equity funding pivots to more stable markets. Construction firms, already operating on slim margins, are also particularly vulnerable to the impact of interest rate rises on the viability and profitability of their long-term projects.

Businesses are having to contend with more rapid and volatile economic cycles, making it harder to predict which sectors and regions will see long-term stagnation, recession or growth. Pricing pressures and recruitment challenges are forcing businesses to be more agile and adaptable.

“

A slowdown in global growth is occurring, but under a different set of economic parameters than previous cycles, heightening uncertainty. There is a lack of coherence in projections within and between economies, particularly with respect to inflation, interest rates and growth. Continued trade conflicts between the USA, European Union and China are adding to significant economic uncertainty ahead.

Chief Risk Officer (CRO), Oil & Gas / Energy, Africa

“

Foreign exchange, and extraction/repatriation of profits from other territories (China, in particular but also USA) will become more difficult. Inflation is likely to remain higher than recent historical trends, but will also be more volatile than we have become used to.

Board Director, Business and professional services, Construction, Global

Economic risk: rapid and volatile economic cycles

“

Inflation is a massive risk for private equity. Their model is predicated on delivering high returns, which can be achieved in low-interest rate environments. But with rates as they are today, it becomes much harder. It's the unpredictability that's the issue.

Ben Knowles, Partner & Chair of the Global Arbitration Group and Dispute Resolution Practice

“

The economy is cyclical, and that comes with peaks and troughs, but they are becoming more unpredictable, more heavily influenced by geopolitical and economic changes.

Ross MacRae, Group HR Director & Deputy MD,
Orion Engineering Services Ltd

“

The prospect of a potential recession will pose challenges such as decreased consumer spending, market volatility, and liquidity concerns. It will become imperative to closely monitor these economic indicators, reassess our risk mitigation strategies, and adapt our approach to ensure resilience.

C-Suite, Business and professional services, UK,
Europe, Asia-Pacific

People risk: the long war for talent

People issues is identified as the joint second highest impact risk overall (58% think it will have a high impact).

- Attracting and retaining talent, particularly from overseas, is becoming more difficult and costly.
- Managing a geographically dispersed workforce with complex and varying employment law practices is a growing challenge – and maintaining data protection standards for remote employees has added yet more complexity to data security policies.
- Leaders recognise that employees are the backbone of their organisations, and that addressing people challenges will be a crucial if they're to avoid further economic risk fuelled by high turnover or low productivity.

While younger employees (those aged 40 and under) increasingly favour remote work's flexibility, many leaders are concerned about how a lack of face-to-face engagement is reducing the opportunity for impromptu discussions and brainstorming sessions, with a damaging impact on innovation and staff development.

A potential decline in employee loyalty and motivation is also a concern, as interpersonal relationships built from close mentoring and day to day contact declines. The uncertainty of AI's impact on professions over the next 5 to 10 years could also potentially demotivate new entrants who may fear their chosen vocation becoming obsolescent.

“

In very established countries, whether it's the Netherlands or Germany, there are very complex employment law practices which we struggle with.

Ross MacRae, Group HR Director & Deputy MD,
Orion Engineering Services Ltd

The tension between enabling a hybrid workforce while also maintaining compliance with data protection rules is posing challenges.

Rebecca Kelly, Partner & Executive Member of the Global
Regulatory & Investigations Group, Clyde & Co

Regulatory risk: red tape and reputations

A surge in regulation, which is often different and sometimes contradictory across jurisdictions, has been identified as a significantly important risk in this year's survey. Regulatory & compliance is up by 9 percentage points and is the joint second place risk.

AI's rapid proliferation is the prime disruptor, forcing legal and tech teams to revise and update internal AI governance procedures and processes to align with external frameworks such as The AIGA AI Governance Framework. Commercial leaders are also grappling with regulatory uncertainty around new products, services and business models being developed by AI-enabled market competitors and their own R&D teams.

Regulatory uncertainty around AI is exacerbated by the varying approaches taken by different jurisdictions. In the US, AI regulation is relatively light touch compared to the EU, and the UK's position appears to be moving from a laissez-faire approach towards more regulation.

An increasing number of companies are explicitly factoring in the regulatory climate into decisions about where to locate their financial and manufacturing operations.

There is strong feeling that intensifying regulatory oversight, particularly around digital services and e-commerce, is inflicting significant compliance burdens on businesses. Restructuring internal reporting and monitoring mechanisms has become an imperative to keep up with the pace of this regulatory change, and the perceived burden on resources is no doubt aggravated by the increased economic pressures many companies are experiencing.

Regulations are no longer confined to traditionally heavily regulated sectors like finance and energy. Industries across the board are now grappling with an ever-increasing regulatory burden spanning data protection, ESG considerations, and sanctions enforcement.

To mitigate regulatory risk, organisations are increasingly having to prioritise and focus on their biggest risks. Companies are conducting in-depth risk assessments, developing comprehensive exit strategies for high-risk jurisdictions, and maintaining a clear understanding of potential liabilities. Dynamic horizon scanning is increasingly vital, and GRC (governance, risk management, and compliance) technology continues to be an important tool to manage growing regulatory complexity.

“

The regulatory changes we are dealing with are excessive and overarching. We are trying to prepare as much as we can in response to the always changing regulatory environment because the legislator in the European Union...is focusing on the e-commerce segment. This is a tough period for us in terms of regulatory demands. We are much more focused on online presence rather than offline presence, because having an online channel is faster in terms of responding to regulatory changes.

Legal, Compliance and Public Affairs Director,
Retail, Europe

Regulatory risk: red tape and reputations

“

Two years ago, companies knew what legislation was going to impact their operations. But with the EU, US and UK having extra-territorial application of laws that apply cross-borders, companies are now having to comply with domestic legislation but also with these international regimes.

Rebecca Kelly, Partner & Executive Member of the Global Regulatory & Investigations Group, Clyde & Co

We have intense regulatory uncertainty on a range of topics. Take AI, where there is already considerable divergence between the approaches being taken by nations.

Ben Knowles, Partner & Chair of the Global Arbitration Group and Dispute Resolution Practice

“

In relation to disputes, AI-specific revisions or clauses are in the spotlight in arbitration courts. We are seeing the initial stages of how we are going to manage them, but we are still at least 12 months away from regulatory compliance. There is potential for AI to be embraced across industries, but it also poses a disruption risk that clients must be ready for.

Rebecca Kelly, Partner & Executive Member of the Global Regulatory & Investigations Group, Clyde & Co

“

Strict enforcement means there is an increased risk of financial and criminal penalties for those failing to comply. The appetite for enforcement by regulators is much higher than it has ever been before.

Rebecca Kelly, Partner & Executive Member of the Global Regulatory & Investigations Group, Clyde & Co

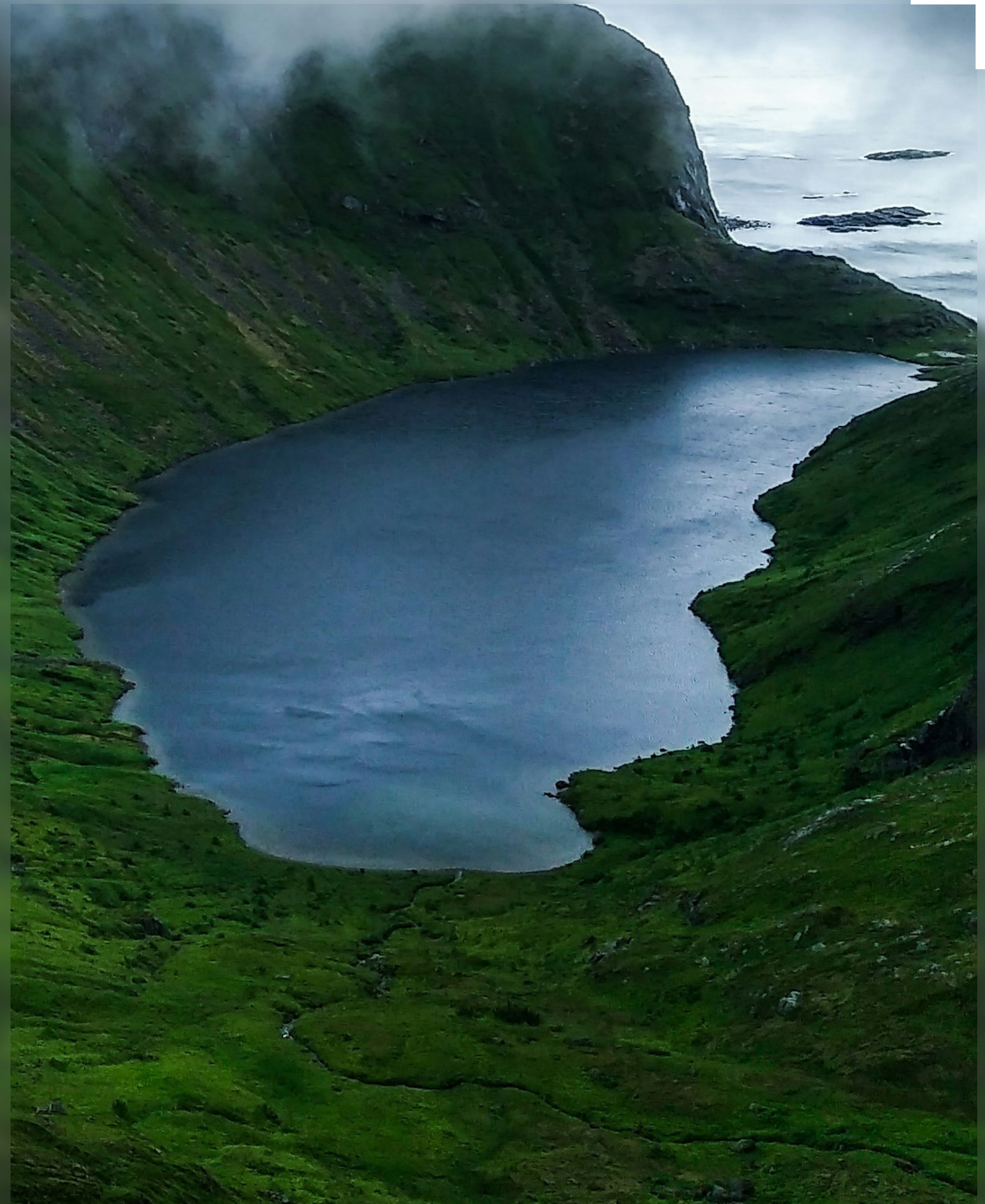
Constant change is very much upon us, so if you are only passing in and out of countries for short periods of time, it is very difficult to be fully compliant because it's so difficult to understand the landscape unless you're there for a long time.

Ross MacRae, Group HR Director & Deputy MD, Orion Engineering Services Ltd

“

We used to talk about ‘heavily regulated businesses’ like financial services and energy. But today there is so much regulation that spans sectors. Take data protection or ESG, all sectors and industries are feeling the impact of regulation. The proliferation of sanctions, often coming into force very quickly given geopolitical tensions, are weighing heavily on companies too. You need to understand your supply chain in huge detail, understanding threats from money laundering, links to terrorist financing, while there are human rights violations and ESG compliance to consider. Organisations are having to deal with risks that were never on their radar in the past.

Eva-Maria Barbosa, Partner & Chair of the Global Corporate & Advisory Group, Clyde & Co



Regulatory risk: red tape and reputations

“

Increased engagement from our regulator which could result in a lower or low consumer grading, has reputational risk for us. This could also have an impact on our lending ability and our ability to get grant funding.

Head of Governance, Property, UK

Sometimes the sheer number of risks can feel overwhelming, so it comes down to effective planning and prioritisation. Horizon scanning is also becoming more important than ever. What's the forward view on regulation and how will it develop?

Eva-Maria Barbosa, Partner & Chair of the Global Corporate & Advisory Group, Clyde & Co

“

We now use this 'risk on a page' approach, which has been a collaborative work in progress with our Chair of the audit and risk committee. For each risk, we lay out what the actual risk is, what controls are in place, and what additional actions are needed. The approach works very well, rather than just presenting unhelpful risk registers.

Iain Turner, Head of Governance and Compliance, Wandle, UK

“

What clients are having to do is assess the risks, focus on what they think are the biggest risks, and then keep revisiting that risk assessment. Bigger companies are well used to thinking about lots of risks - the difficulty at the moment is understanding what the dominant risks are.

Ben Knowles, Partner & Chair of the Global Arbitration Group and Dispute Resolution Practice

Economic and geopolitical risks sideline climate change

The analysis on the following page shows the current ranking of 'high impact risks' (on the right) and how the hierarchy of risks has changed over the past three years.

- Economic risk maintains first place after rapidly rising up the hierarchy in 2023.
- Geopolitical risk has steadily climbed up the hierarchy for three years in a row (from seventh place in 2022, fifth place in 2023, and fourth now).
- Climate change has slipped down the hierarchy from sixth place in 2022 and 2023, to ninth place in 2024, and is the only risk to see its perceived impact diminish (from 37% in 2023 down to 31% this year).

This de-prioritisation of Climate change is inextricably linked to the intensifying of Economic and Geopolitical risks.

- Financial constraints have severely impacted organisations' ability to prioritise climate related initiatives, and short-term activities with short-term measurable ROI activities taking precedence..
- Political instability has bred regulatory uncertainty around climate policies, hampering long-range planning. This unpredictability has hampered businesses' ability to engage in long-range planning related to climate change mitigation and adaptation strategies.
- In an economically challenging environment, cost considerations often take precedence over environmental factors, inhibiting consumer demand for greener products and services, particularly in sectors like automotive where more affordable but less eco-friendly options are available.

“

Climate risk concern may have fallen because of a perception that its impacts are outside a company's control. When you look at other pressing risks, such as regulatory risk, businesses feel like they can better manage these challenges. Perhaps there is also an underappreciation of the impact climate change is posing to operations at a time when regulatory burdens are becoming heavier and enforcement risk is felt more strongly.

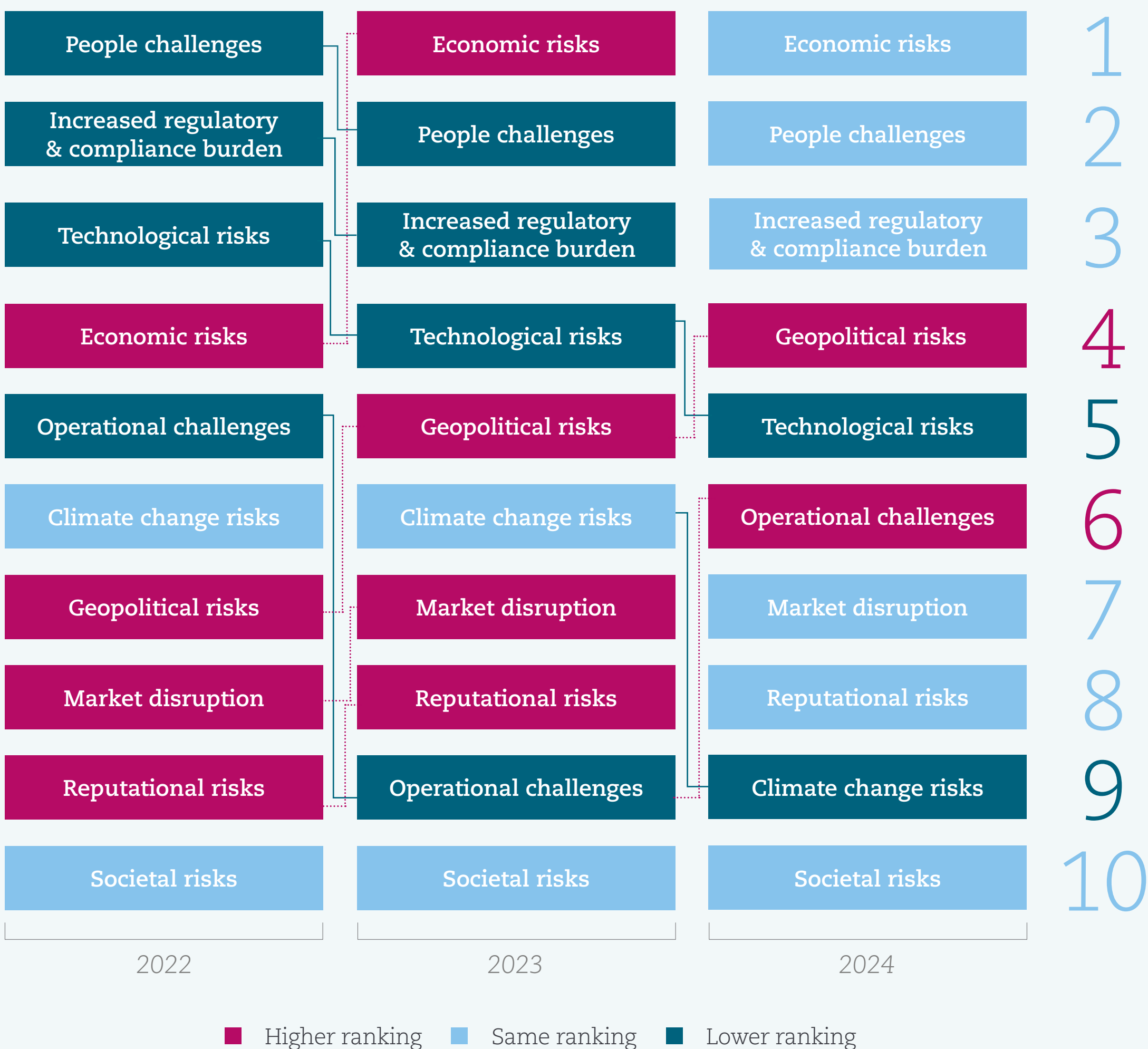
Rebecca Kelly, Partner & Executive Member of the Global Regulatory & Investigations Group, Clyde & Co

Economic and geopolitical risks sideline climate change

This is not to say that businesses don't recognise the importance of climate change and broader sustainability policies, and different countries will be at different stages of engagement (for example presidency of COP28 and new ESG regulations may have increased the priority of climate change for UAE based organisations).

Nevertheless, other more immediate short-and medium term priorities have taken precedence for many. Ultimately, while the urgency of addressing climate change remains, businesses are currently grappling with a confluence of acute risks that demand their immediate attention and resources.

Ranking of 'high impact risks': change over the past three years



Economic and geopolitical risks sideline climate change

“

Consumers continue to need and prefer non-energy efficient options for cars and housing, but this is bad for climate risks and for regulatory compliance.

Board Director, UK

“

Climate change risk is now considered in terms of regulation rather than the physical risk of change. I don't believe climate change risk is being ignored, it is something that has become part of the risk management equation.

Eva-Maria Barbosa, Partner & Chair of the Global Corporate & Advisory Group, Clyde & Co

“

There's been a decline in concerns around climate change risks overall but it depends where you are. In Dubai they are probably more concerned with climate change than they were a month ago after the recent extreme flooding.

Ben Knowles, Partner & Chair of the Global Arbitration Group and Dispute Resolution Practice

Consensus among board, GC and C-Suite executives on risk priorities

The table to the right shows the top ‘high impact risks’ for each respondent type:

- **Board:** Board Directors and CEOs
- **General Counsel (GC):** GCs, CLOs, Heads of Legal and other senior in-house legal roles
- **C-Suite:** Senior C-Suite executives including CFOs, CIOs, COOs and CROs

The top three risks for each group are highlighted in green, and show that board, GC and C-Suite executive are in unanimous agreement that Economic risk is the highest priority, and they broadly agree on the other high-impact risk challenges facing them in the next two to three years.

	All	Board	GC	C-Suite
Top three highlighted in green				
Economic risks	82%	86%	84%	76%
People challenges	58%	66%	66%	50%
Increased regulatory & compliance burden	58%	49%	74%	57%
Geopolitical risks	54%	47%	65%	56%
Technological risks.	52%	54%	50%	52%
Operational challenges	42%	39%	46%	44%
Market disruption	42%	46%	42%	35%
Reputational risks	35%	34%	34%	39%
Climate change risks	31%	25%	42%	28%
Societal risks	26%	25%	20%	31%

% respondents identifying each risk as expected to have a high or very high impact on their organisations

Consensus among board, GC and C-Suite executives on risk priorities

When looking at change in perceived risk (see the table to the right), the standout change in 2024 is an increase in ‘Operational challenges’, up by 13 percentage points overall, and with a significant increase across all roles (+13 points with GCs, +12 points with board respondents and +17 points with C-Suite executives).

The unified vision of the board, GC, and C-Suite executives bodes well for a shared understanding to guide successful strategic planning and decision-making in the future. Effective collaboration and communication across different levels and departments is crucial to solving difficult problems, and agreement on the highest priority risks will help support better risk mitigation strategies and stronger, more decisive leadership.

	All	Board	GC	C-Suite
Operational challenges	+13%	+12%	+13%	+17%
Geopolitical risks	+11%	+10%	+20%	+9%
Increased regulatory & compliance burden	+9%	-5%	+13%	+24%
Market disruption	+9%	+13%	+11%	+2%
Economic risks	+8%	+15%	+8%	+3%
Societal risks	+7%	+9%	+1%	+10%
Technological risks	+7%	-3%	+5%	+16%
People challenges	+7%	+15%	+17%	-2%
Reputational risks	+6%	+5%	+6%	+8%
Climate change risks	-6%	-10%	+5%	-11%

Change in % respondents identifying risk as having a high or very high impact on their organisations

Risk preparedness



Leaders least prepared for market disruption

The table to the right shows the risks that respondents feel **least prepared** to address. The most noticeable change in 2024 is the rise of Market disruption to first place - up 11 percentage points from 19% in 2023 to 30%; and moving ahead of climate change, geopolitical and societal risks.

The rapid pace of AI implementation is the primary driving force behind this shift, with generative AI technologies set to disrupt business models and create a wave of new market entrants.

2024 high impact risks			2023	
Rank	% Not prepared	% Annual change	Rank	% Not prepared
Market disruption	30%	+11%	5	19%
Climate change risks	29%	+4%	2	25%
Geopolitical risks (e.g. Trade barriers	27%	-2%	1	29%
Societal risks	25%	+5%	3	20%
Technological risks	19%	-	4	19%
People challenges	17%	-1%	6	18%
Economic risks	14%	-	7	14%
Increased regulatory & compliance burden	12%	-	8	12%
Operational challenges	11%	-1%	9	12%
Reputational risks	10%	-1%	10	11%

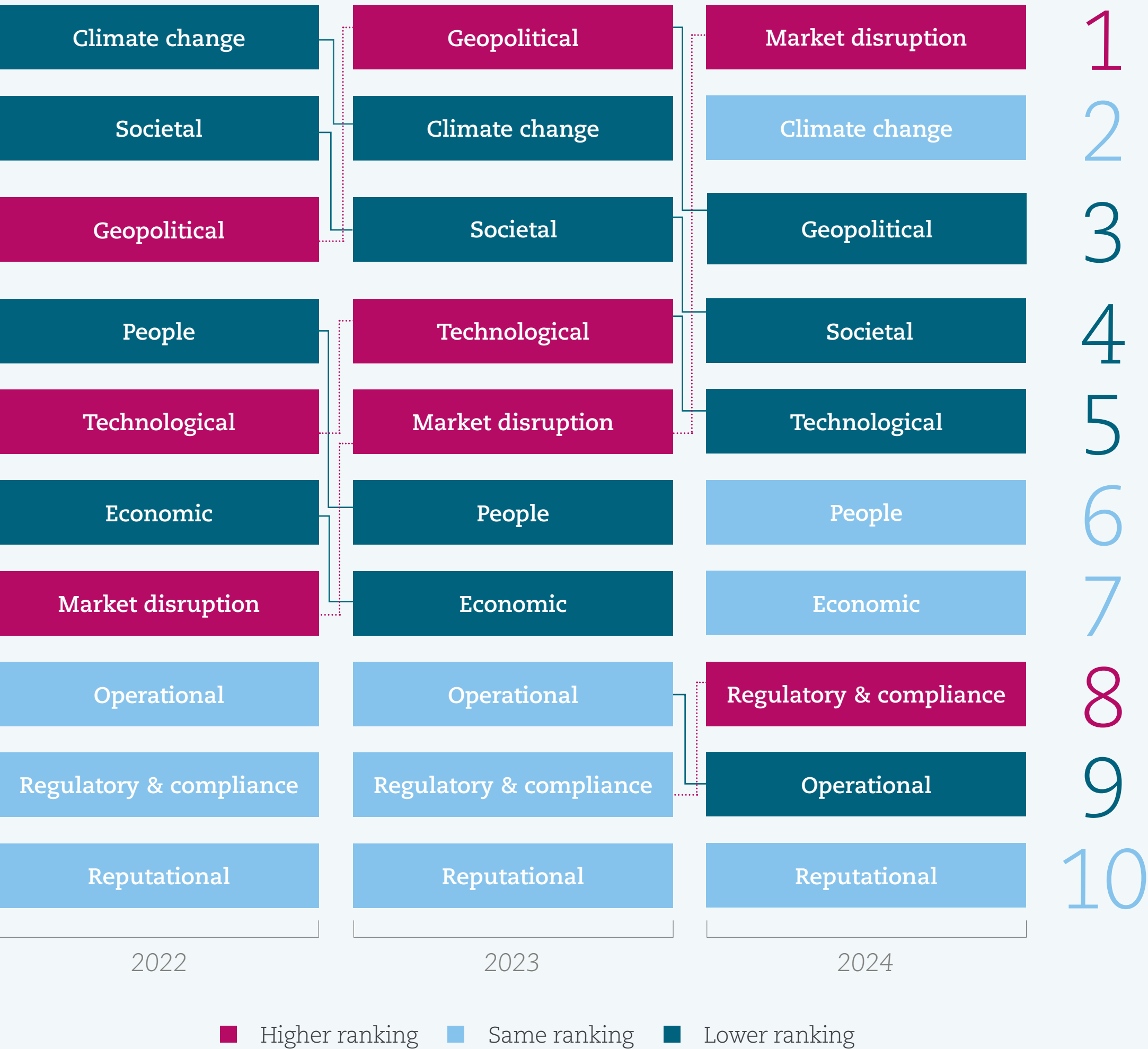
Is your organisation prepared for high impact risks? % respondents answering **not prepared**

Leaders least prepared for market disruption

Over the past three years, organisations have been consistent about the risks they feel least prepared to address, however market disruption stands out as a clear exception, rising from seventh place in 2022 to fifth in 2023 and now occupying first place (see following graphic).

The ascent of AI and generative AI have emerged as a focal point of both market opportunity and threat, with many leaders feeling behind the curve and unprepared to meet the challenge.

Ranking of 'least prepared risks': change over the past three years



Board Directors more optimistic

There is consistency about the degree of perceived preparedness across roles (see table to the right), with GCs, board members and C-Suite executives reasonably aligned in their perception of their organisations’ preparedness to tackle risk.

GCs tend to be less optimistic than Board Directors about their readiness to deal with market disruption, economic risk and regulatory challenges (see table on following page). GCs may have a more immediate and visceral understanding of the direct impact of these issues and their associated risks from having hands-on experience of dealing with an increasing volume of contract breaches and disputes, regulatory compliance challenges and litigation.

The board may also be more inclined to see Market disruption more positively, seeing it as an opportunity for strategic transformation. They might focus on the long-term benefits of adapting to market changes, while GCs are more likely to be concerned with the immediate legal and operational implications.

Some respondents suggest that boards should take a more hands-on role in prioritising critical risks rather than relying too heavily on executives to identify and present risks.

GCs continue to transcend their traditional roles as legal advisors to become integral risk managers within organisations. This evolution underscores the growing importance of the GC’s role in navigating risk.

	All	Board	GC	C-Suite
Top three highlighted in red				
Market disruption	30%	23%	37%	35%
Climate change risks	29%	28%	23%	35%
Geopolitical risks (e.g. Trade barriers)	27%	26%	22%	33%
Societal risks	25%	28%	26%	18%
Technological risks	19%	23%	14%	18%
People challenges	17%	14%	21%	18%
Economic risks	14%	11%	21%	14%
Increased regulatory & compliance burden	12%	9%	19%	10%
Operational challenges	11%	8%	14%	12%
Reputational risks	10%	11%	14%	4%

Is your organisation prepared for high impact risks? % respondents answering **not prepared**

Board Directors more optimistic



Boards could be more proactive in managing risk. Risk management is largely reliant on executives, putting together a risk profile, making sure they are identifying, assessing and addressing risks correctly, then presenting them to the board for discussion. This can mean that too many less significant risks get brought to the board table. Boards should be steering the discussion on the truly significant risks, which is typically no more than three to five in number. Attempting to address more can mean there is less time spent on the truly fundamental issues that pose the greatest threats.

Stephen Bellamy, NED, Medical, New Zealand

	Board Not prepared	GC Not prepared	C-Suite GCs more or less positive than board (%)
Market disruption	23%	37%	-14%
Climate change risks	28%	23%	5%
Geopolitical risks (e.g. Trade barriers	26%	23%	3%
Societal risks	28%	26%	2%
Technological risks	23%	14%	9%
People challenges	14%	21%	-7%
Economic risks	11%	21%	-10%
Increased regulatory & compliance burden	9%	19%	-10%
Operational challenges	8%	14%	-6%
Reputational risks	11%	14%	-3%

Is your organisation prepared for high impact risks? % respondents answering **not prepared**

“

GCs are central to internal committees that work with risk management. More and more issues are being identified as being legal issues. So the role of the GC is more important than ever.

Eva-Maria Barbosa, Partner & Chair of the Global Corporate & Advisory Group, Clyde & Co



Risk perceptions





Risk becoming more complex - and frustrating

The consensus is that the risk environment has become significantly more challenging this year, presenting unprecedented challenges. Two thirds (67%) agree that ‘The risk landscape is many times more complex than it was two to three years ago’ indicating a substantive change in sentiment as interconnected risks emerge more rapidly than ever.

Over two thirds (68%) also agree that ‘Risk horizon scanning is a more important part of my role than it was two to three years ago’.

The perception of increased risk complexity and unpredictability is exacerbated by a widespread belief that, ‘Increasing global regulations and enforcement are a growing threat to organisations.’ Over two fifths (43%) see the regulatory burden as a growing threat, partly driven by a time and budget constrained commercial environment, and some frustration at new regulatory burdens, for example, around AI governance.

- More than half (56%) of respondents say that ‘Budget pressures on my department are increasing significantly.’
- More than a third of respondents say that ‘AI and related technologies are rapidly changing the way my business operates’ a situation that will have extensive regulatory and risk implications.

Frustration is also expressed at a perceived lack of clarity and certainty in regulatory frameworks, caused by inconsistency and instability amongst some political institutions and governing bodies, adding another layer of complexity to the already challenging risk environment.

There is also a view that, especially since Covid, governments around the world are more ready to intervene in markets than they were previously (such as the UK government intervening in the water and rail industries). Organisations will need to consider the implications of potentially more interventionist jurisdictions around the world.

“

It’s a legacy of the Covid environment that governments around the world are increasingly ready to step in to solve an issue, to support companies or individuals from a particular risk. Government direct engagement is more likely than it might have been. Less is going to be left to the markets than would have been the case in the past.

Ben Knowles, Partner & Chair of the Global Arbitration Group and Dispute Resolution Practice

Risk becoming more complex - and frustrating



Frustration arises from overregulation and excessive specificity in regulations, dictating precisely what must be done and how it must be accomplished. Public companies endure excessive regulation compared to private firms despite similar governance goals.

Stephen Bellamy, NED, Medical, New Zealand

Horizon scanning is now increasingly important. But this has to be dynamic, not focused on a single element because all the key risks highlighted in the report are increasingly interlinked.

Ben Knowles, Partner & Chair of the Global Arbitration Group and Dispute Resolution Practice

	All	Board/CEO	GC	C-Suite
Top two highlighted in green				
The risk landscape is many times more complex than it was two to three years ago.	67%	61%	67%	75%
Risk horizon scanning is a more important part of my role than it was two to three years ago.	68%	70%	65%	67%
Increasing global regulations and enforcement are a growing threat to organisations.	43%	37%	42%	56%
Budget pressures on my department are increasing significantly.	56%	53%	60%	56%
AI and related technologies are rapidly changing the way my business operates.	37%	42%	37%	29%

% respondents answering **agree or agree strongly**

Risk caution is costing revenue

This year’s Corporate risk radar provides evidence that the increasingly complex and challenging risk environment is having a negative impact on company revenues.

A quarter of respondents agree that, ‘Risk perception is impacting bold decision-making within my organisation and losing potential revenue’. When these respondents are asked to quantify the percentage impact on revenue, answers range from 2% to 70%, with a median response of 20%.

This suggests that inhibited decision-making because of a difficult risk environment could be costing organisations an overall 5% of revenue.

A third (33%) of respondents also agree that, “My organisation would generate higher revenue / growth if it was better prepared for mitigating emerging risks’, reinforcing the conclusion that improved risk management processes can directly boost the bottom line.

Companies in emerging markets, who might be accustomed to a higher risk environment, may be well-placed to gain competitive advantage over their more cautious rivals in other regions.

	All	Board/CEO	GC	C-Suite
Risk perception is impacting bold decision-making within my organisation and losing potential revenue.	26%	33%	20%	20%
My organisation would generate higher revenue / growth if it was better prepared for mitigating emerging risks.	33%	30%	30%	40%

% respondents answering **agree or agree strongly**

These findings underscore the critical importance of implementing a robust risk management strategy to help leaders make informed decisions when identifying and assessing risks. They also point towards encouraging a culture of calculated risk-taking. Proactive risk management, informed by horizon-scanning and effective prioritisation, has become essential for organisations to navigate geopolitical dynamics, regulatory shifts, and emerging risks.

Findings also emphasise the importance of leveraging data to better understand risk probability and impact, and so reduce unwarranted caution when making decisions.

By cultivating a confident culture of risk awareness and preparedness, businesses can bolster their resilience and maintain their ability to seize strategic opportunities in a volatile environment. This approach not only mitigates risks but also unlocks potential for growth and innovation.

“

In the non-traditional markets away from Europe and the US, companies are used to tolerating higher risk. They accept that rewards are higher, so are happy to take on more risk.

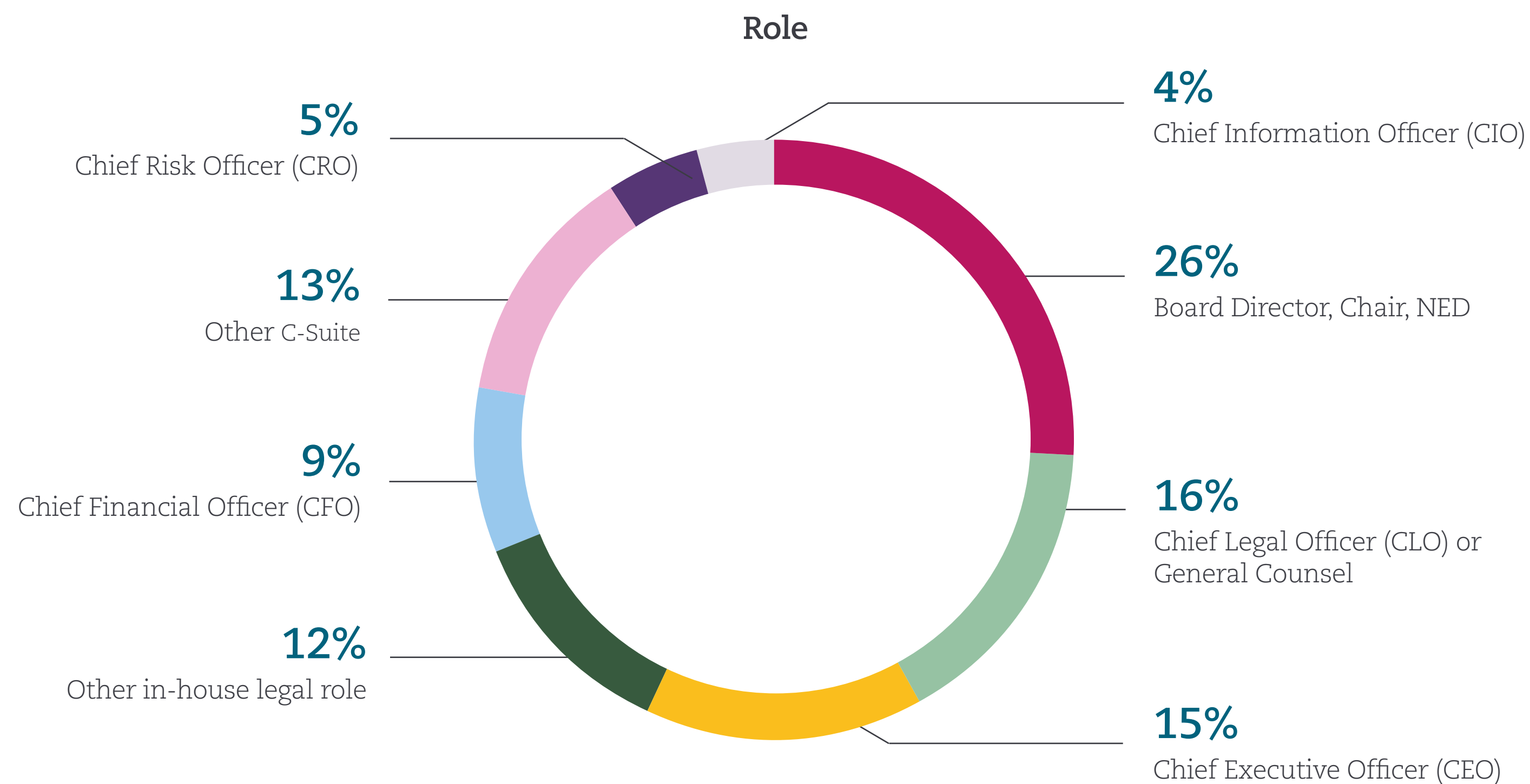
Ben Knowles, Partner & Chair of the Global Arbitration Group and Dispute Resolution Practice



Respondent profile

225 interviews (215 online and 10 qualitative) with senior business leaders (our largest sample to date)

- **81** Board Directors and CEOs
- **72** General Counsel (GCs) and Heads of Legal
- **72** senior C-Suite executives (including CFOs, CIOs, COOs and CROs).





The organisations we have consulted have a genuine global footprint, with over a third headquartered outside the UK (Europe 10%, Asia-Pacific 10%, North America 6%, Africa 7% and Middle East 2%) and with operations and individual professional responsibility at a global level (see following table).

Respondent profile

Region	Respondent responsibility	Organisation operations	HQ location
UK	79%	79%	63%
Europe (outside UK)	47%	51%	10%
Asia-Pacific	39%	51%	10%
North America	34%	38%	6%
Middle East	34%	31%	4%
Africa	33%	41%	7%
South America	20%	20%	2%



Sector	% of respondents
Aviation	3%
Business and Professional Services	14%
Construction	7%
Financial services	10%
Government / public sector / charity / non-profit	16%
Healthcare	4%
Hospitality	1%
ICT / communications / telecoms	4%
Infrastructure	3%
Insurance & Reinsurance	6%
Manufacturing	6%
Marine	2%
Media	2%
Mining and Natural Resources	2%
Oil & Gas / Energy	6%
Pharmaceutical	1%
Real estate	4%
Retail & Consumer	7%
Transportation	4%
Travel & tourism	1%

About Clyde & Co

Navigating trade and commercial risks around the world

With over 5,000 people operating from almost 70 offices and associated offices across six continents, Clyde & Co is committed to creating successful outcomes for our clients. Our globally integrated teams of disputes, regulatory and transactional lawyers provide a comprehensive range of legal services and advice to businesses operating at the heart of global trade and commerce.

Our success in the past 90 years has been built on our vision of a single global partnership, providing a platform that offers rapid access to expertise, wherever you operate in the world.

As our clients have evolved, so have our core values. We believe that these values reflect our firm, our strategy and our commitment to delivering commercially-minded legal advice, client-focused services, and innovative technological solutions to support our clients.

Aligned with these values is Clyde & Co's commitment to being a responsible business. We take responsibility for the impact we have on the environment, seeking to reduce it as much and as quickly as possible. We strive to be a positive contributor to the communities in which we operate across our entire global network. We take steps to foster a truly diverse and inclusive workplace, that allows all of our people to flourish, for the benefit of our colleagues, the firm and our clients.

The firm has 490 partners, 2,700 lawyers, 3,200 legal professionals and 5,500 staff in almost 70 offices [and associated offices] worldwide.



About winmark

Winmark operates networks for the entire Board and executive team, enabling the sharing of knowledge and ideas across the C-Suite. Membership benefits include:

- **Research:** Access to our dedicated programme of thought leadership and research, regular collated insights (via our C-Suites Insights e-mail, and behind the scenes access to innovative organisations). Winmark Research is an effective resource for identifying trends, generating ideas, gathering insights and achieving effective distribution amongst all C-Suite functions.
- **Meetings and Conferences:** An unrivalled programme of meetings and events with peers and members across all networks. Check out upcoming events here.
- **Personal Support:** A dedicated account manager understands your needs and matches your objectives with tailored solutions, introductions, profile raising initiatives and help with career development and transition.
- **Team Development and Masterclasses:** Key members of your leadership team are included in your membership and can participate in events. They also receive unlimited access to our renowned programme of Masterclasses with the opportunity to earn up to 84 CPD points by completing our Deep Tech Leadership Certificate (DTLC), Business Leadership Certificate (BLC) and People Leadership Certificate (PLC).
- **Best Practice Tools:** Essential frameworks, guides and templates for your role.
- **‘Consult the Membership’ Service:** Allows you to anonymously crowdsource ideas, templates and solutions with other members.
- **Digital Community:** An exclusive private members platform for you and your team to access on-demand meeting recordings and resources.



John Madden

Research Director, Winmark

+44 (0) 20 7605 8000,

+44 (0) 7808 614 116

john.madden@winmarkglobal.com



Key contacts



Eva-Maria Barbosa
Partner & Chair of the Global
Corporate & Advisory Group
+49 89 244420 101
eva-maria.barbosa@clydeco.com





Rebecca Kelly
Partner & Executive Member
of the Global Regulatory &
Investigations Group
+971 4 384 4174
rebecca.kelly@clydeco.ae





Ben Knowles
Partner & Chair of the Global
Arbitration Group
+44 20 7876 4732
ben.knowles@clydeco.com



490

Partners

2,400

Lawyers

3,200

Legal professionals

5,500

Total staff

60+

Offices worldwide*

clydeco.com

*includes associated offices

Clyde & Co LLP is a limited liability partnership registered in England and Wales. Authorised and regulated by the Solicitors Regulation Authority.

© Clyde & Co LLP 2024

4371239 - 06 - 2024