

## Summary of Environmental Scan for Strategic Risks

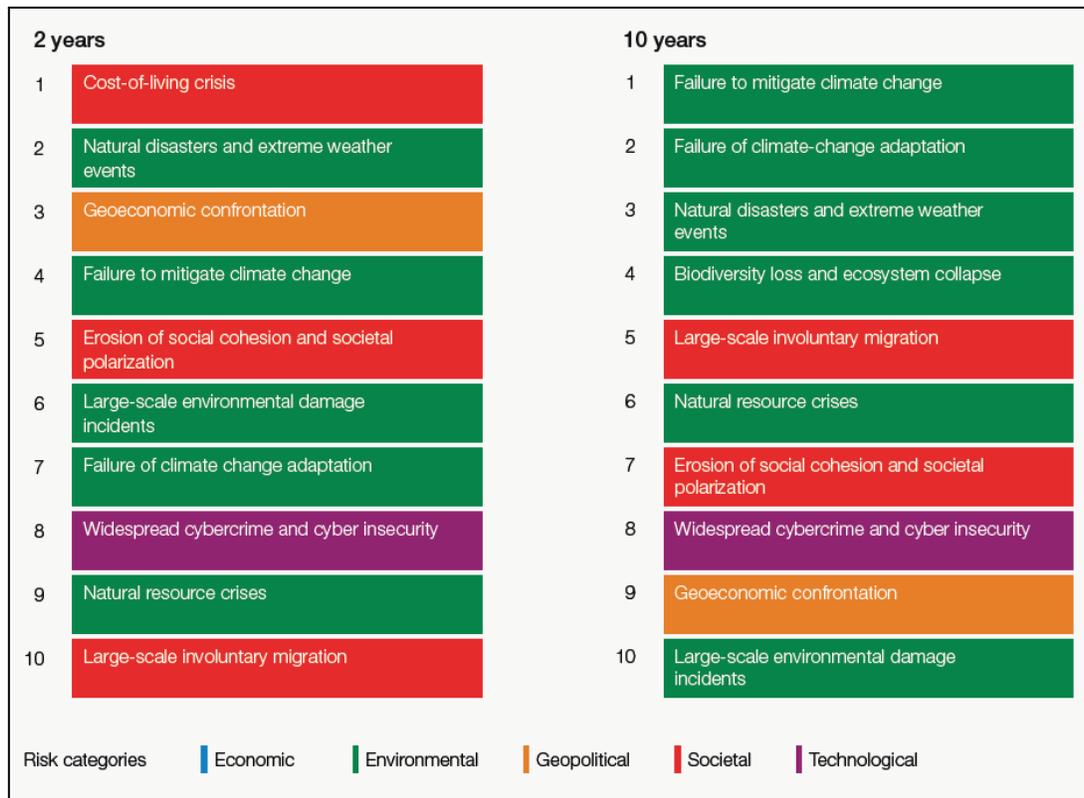
This information is to help prepare leaders and share key findings on strategic risk trends across multiple sources of global surveys and research internally from subject matter experts.

Risk reporting and industry based studies are used globally and generate rich trend analysis and expert opinions. In order to integrate this into the City’s work, the ERM framework has started to use three sources of information to help assist with understanding of risks and trends.

### 1. World Economic Forum (WEF) Annual Global Risks Report (2022 and 2023)

The World Economic Forum Global Risks Report is a compilation of two surveys. The main survey is the Global Risks Perception Survey (GRPS), which comprises responses from nearly 1,000 global experts and leaders on risk. The second survey, which supports the report, is the Executive Opinion Survey of over 12,000 leaders across 124 countries. The report uniquely segments the trends on risks within short and long-term timeframes. Both 2022 and 2023 reports were considered for this research.

The figure below provides the top 10 severe risks over two years and 10 years:



<sup>1</sup> World Economic Forum Global Risks Report 2023 - Figure A: Global risks ranked by severity over the short and long term, page 6.

## Attachment 1

Major environmental and societal risks dominate the top 10 severe risks. The report also highlights the shift in top priorities when looking at the short-term perspectives. The economic focus of the high cost of living and the war between Ukraine and Russia are prominently in the top three risks for leaders. The balance of addressing immediate risks and working towards large long-term challenges are clearly represented in these results. Balancing action and resources to address these challenges are equally important and intensifies the need for an integrated approach to planning and allocating resources for all organizations.

In 2023, cyber security threats and attacks were elevated as a top 10 focus for all time frames. 2022 data suggested cyber threats increased by over 350 per cent since 2020 and have started to exceed the ability to respond. However, data also suggests that 95 per cent of cybersecurity issues are traced to human error, which means that an organization's preventative controls are effective but vigilance and compliance from users to follow the controls are the challenge.

In the 2022 report, the pandemic response and recovery were impactful and exacerbated further deterioration of the three societal risks, and the economic health of organizations and governments. The full impact and scars of COVID-19 are not fully known but the report highlights two critical factors for effective management: "a governments' readiness to adjust response strategies, and the ability to maintain societal trust through principles-based decisions and effective communications."<sup>2</sup>

Finally, emphasis was placed on the growing importance of "collaboration on global challenges" to address, prepare and mitigate these risks from climate transition, societal divergence and economic interdependence among nations.

### 2. The Institute of Internal Auditors (IIA) Annual OnRisk Report (2022)

The IIA report provides a unique focus on 90 C-Suite executives from private industry across the roles of CEO, Board Directors and Chief Audit Executives. This survey also offers a unique lens through three key questions asked on risks:

1. What is your belief on the risk relevance?
2. What is your personal knowledge on the risk itself?
3. What do you believe is your organization's capability to address this risk?

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<sup>2</sup> World Economic Forum Global Risks Report 2022, Chapter 6: Refreshing Resilience - COVID-19 Lessons for a Whole-of-Society response, Page 82.

## Attachment 1

The results not only provide the sentiment of top leaders but also create a distinction among recognition of risk, personal knowledge required to address the risks and the confidence in one's organizational capabilities to address the risk.

The additional lens of the second and third questions provides a unique perspective of leaders demonstrating trust in expert staff within their organization to address risks and then the fine balance of limited resources to address each risk.

The interesting trend from this report, which differs from the WEF, is the fact that the top five risks are predominantly focused on what leaders believe the organization can plan and make more internal impact on through its chosen strategies and actions. The remaining top seven risks are more macro focused external situations that influence an organization. This counterbalance supports the view that leaders are keenly aware of the world around them but focus on what is within their control first. The strong focus on talent management and culture also supports the view on an organization's requirement to remain competitive in attracting and retaining great people as modern employment evolves.

The chart<sup>3</sup> on the following page displays the average ratings provided through answers to IIA's survey. A link to the full report is provided at the end of this attachment.

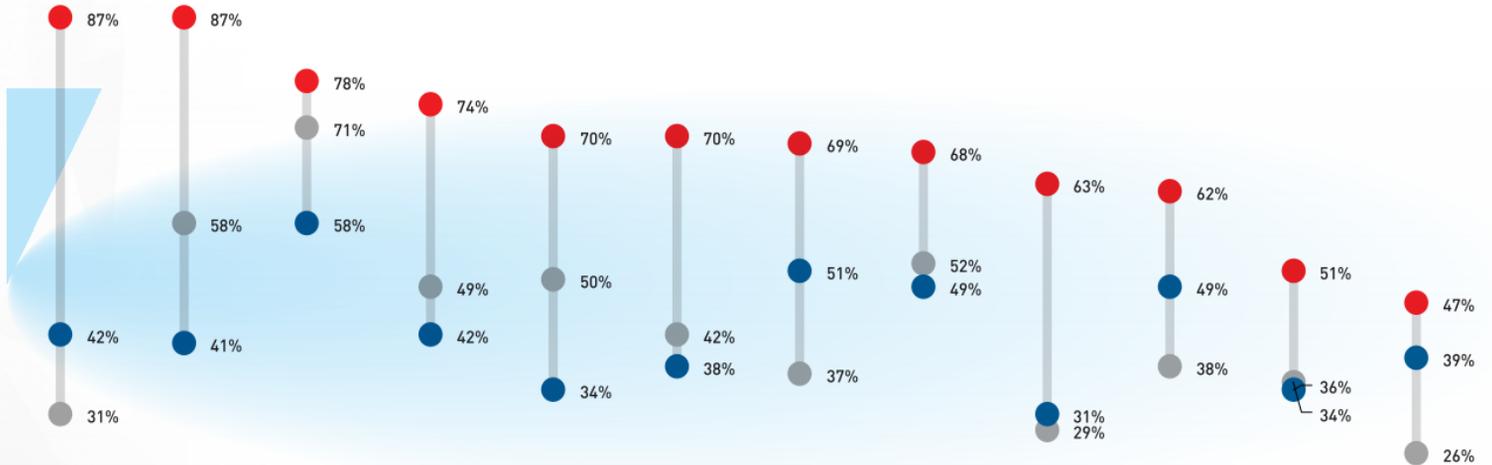
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<sup>3</sup> The Institute of Internal Auditors Annual OnRisk Report (2022) - Figure 3: Average ratings per risk area, page 10.

# AVERAGE RATINGS PER RISK AREA

Percentage who gave a rating of 6 or 7 on a scale of 1 to 7

● PERSONAL KNOWLEDGE ● ORGANIZATIONAL CAPABILITY ● RISK RELEVANCE



Cybersecurity

Talent management

Organizational governance

Data privacy

Culture

Economic & political volatility

Change in regulatory environment

Supplier & vendor management

Disruptive innovation

Social sustainability

Supply chain disruption

Environmental sustainability

### 3. Internal staff expertise in areas of economics, environment, insurance and technology

Finally, through discussions with internal staff experts and analysis of risk registers, the following trends are presented for contextual information:

- Changing Employment Landscape:
  - Hybrid work is changing the view of management roles, span of control in traditional organizations and increased competition for recruitment.
  - Increasing frontline service staff due to demand and expectations will drive cost of services, in particular for safety of the public.
  - Aging and hyper technological advancements are creating rapid knowledge gaps.
- Increased Social Divide and Class Disparity:
  - Elevated social consciousness and equity lens increasing expected social standards.
  - Increasing social economic gaps negatively impacted by the environment, economics, technology and politics.

These are some of the main themes based on work across the City in multiple areas and the results of risk register updates for 2023.

#### Full Reports:

- *World Economic Forum 2023 Global Risks Report* - available at [www3.weforum.org/docs/WEF\\_Global\\_Risks\\_Report\\_2023.pdf](http://www3.weforum.org/docs/WEF_Global_Risks_Report_2023.pdf)
- *World Economic Forum 2022 Global Risks Report* - available at [www3.weforum.org/docs/WEF\\_The\\_Global\\_Risks\\_Report\\_2022.pdf](http://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2022.pdf)
- *Institute of Internal Auditors 2022 OnRisk Report* - available at [iaa.no/wp-content/uploads/2021/10/2022-OnRisk-Report.pdf](http://iaa.no/wp-content/uploads/2021/10/2022-OnRisk-Report.pdf)