

ENERGY AND UTILITIES

Executive Perspectives on Top Risks 2021 and 2030

The range of uncertainties facing Energy and Utilities business leaders around the globe is overwhelming. Challenges triggered by a once-in-a-century pandemic continue to unfold, combined with numerous other risk issues, such as growing social unrest and polarization, and ever-present challenges associated with technology, digital transformation and innovation. Staying abreast of emerging risk issues and opportunities is becoming increasingly difficult.

KEY TAKEAWAYS

- 1. Prepare for the next decade by embracing the megatrends, for the future may arrive sooner than you think.** Only digitally mature companies were future ready when COVID-19 hit.
- 2. The pandemic experience has changed the world.** Digital leaders have stood out in pivoting and quickly reacting to the pandemic's new normal.
- 3. The future of work looms large on the horizon.** Adoption of AI, automation and other digital advances are expected to displace as well as create millions of job functions.
- 4. Building organizational resilience and an innovative, scalable culture is imperative.** As organizations move further into the energy transition, with renewables and emerging technology becoming more prominent, attracting top talent with the needed skills, the ability to innovate on scale and a strong customer focus are vital to navigating disruptive change.
- 5. No one expects data security and cybersecurity to diminish.** Cyber threats remain a moving target and data privacy concerns only promise to become more complex in the digital age.
- 6. Regulatory risk is elevated when viewed through the lens of a longer time horizon.** Portends a focus on environmental priorities, social change and tax increases, as well as an impetus for developing alternative products and services.

| TOP 10 RISKS FOR 2021* | | 2021 | 2020 (rank) |
|---|--|------|-------------|
|  | 1. Pandemic-related policies and regulation impact business performance | 6.20 | N/A (new) |
|  | 2. Economic conditions constrain growth opportunities | 5.70 | 6.00 (6) |
|  | 3. Impact of regulatory change and scrutiny on operational resilience, products, and services | 5.67 | 6.54 (1) |
|  | 4. Ability to access sufficient capital/liquidity | 5.61 | 5.04 (19) |
|  | 5. Pandemic-related market conditions reduce customer demand | 5.59 | N/A (new) |
|  | 6. Adoption of digital technologies may require new skills or significant efforts to upskill/reskill existing employees | 5.50 | 5.38 (15) |
|  | 7. Resistance to change operations and business model | 5.48 | 6.33 (2) |
|  | 8. Political uncertainty | 5.40 | 4.82 (25) |
|  | 9. Greater expectations for our workforce to "work remotely" or for a transformed, collaborative physical work environment | 5.38 | N/A (new) |
|  | 10. Privacy/identity management and information security | 5.36 | 5.85 (7) |

| TOP 10 RISKS FOR 2030* | | 2030 |
|---|--|------|
|  | 1. Impact of regulatory change and scrutiny on operational resilience, products, and services | 5.82 |
|  | 2. Substitute products and services may arise that affect the viability of our business | 5.24 |
|  | 3. Ability to access sufficient capital/liquidity | 5.23 |
|  | 4. Adoption of digital technologies may require new skills or significant efforts to upskill/reskill existing employees | 5.21 |
|  | 5. Shifts in ESG preferences and expectations of key stakeholders about climate change, diversity and inclusion, and other sustainability issues | 5.13 |
|  | 6. Succession challenges; ability to attract and retain top talent | 5.13 |
|  | 7. Political uncertainty | 5.06 |
|  | 8. Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency | 5.00 |
|  | 9. Limited opportunities for organic growth | 4.96 |
|  | 10. Economic conditions constrain growth opportunities | 4.94 |

* Scores are based on a 10-point scale, with "10" representing that the risk issue will have an extensive impact on the organization.

Results are based on a survey of more than 1,000 board members and C-suite executives worldwide. The full survey report, *Executive Perspectives on Top Risks*, may be accessed at erm.ncsu.edu or protiviti.com/toprisks. It includes detailed breakdowns of the results by respondent role, organization size, industry, geography and other categories.

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