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Foreword by Thomas Buberl, CEO of AXA

For the 8th consecutive year, AXA is publishing the Future Risks Report, a unique overview of the major risks of tomorrow, carried out with the help of more than 3,500 risk experts and 20,000 respondents from the general public.

This edition takes on a special meaning as we gradually emerge from a crisis that revealed the vulnerability of our societies to unexpected risks. In this context, the Future Risks Report perfectly illustrates our mission as an insurer: to protect against the risks of today while driving resilience to future threats. The first lesson we take from this edition is that climate change is back at the top of the agenda. This is good news, since last year we feared that the explosion of health risks may overshadow the climate emergency. Again, European respondents – both experts and the general public – place the strongest focus on climate change as a top priority. These are positive signals in the run-up to the COP 26 in Glasgow.

The second lesson of this report is the strong increase in cyber risk. With the massive use of digital solutions during lockdowns, we have seen an explosion in the number of cyber-attacks, sometimes with serious consequences for companies and administrations. For the first time, this risk has taken the top spot in the United States and the second place in all other geographies. This risk is here to stay, so prevention and innovation will be key to building collective resilience.

Finally, health risks still hold an important place in the overall ranking. The pandemic dropped from first to third place, but the health crisis has had a lasting impact on the perception of health and medicine risks. More than 70% of respondents said they are concerned about their vulnerability to health threats, such as exposure to toxic substances or chronic diseases.

For each of these risks, our survey reveals that respondents have limited confidence in the ability of public authorities to bring solutions alone. This is a concern because public action will be key in developing collective resilience. It is also a sign that today, more than ever, we need new partnerships to address risks that sometimes go beyond traditional protection mechanisms. Insurers will have an essential role to play, and AXA stands ready to take its part.

“Climate change is back at the top of the agenda. This is good news, since last year we feared that the explosion of health risks may overshadow the climate emergency.”
Foreword
by Ian Bremmer,
Eurasia Group and GZERO Media President

For the third year running, Eurasia Group is proud to partner with AXA on the Future Risks Report.

As the 2021 edition shows, the road to recovery from Covid-19 remains a long one—and shrouded in uncertainty. Even as we begin to look beyond the pandemic, the threat of new variants and Covid-related economic, political, and social disruptions is very real.

It’s not surprising that the risk of pandemics and infectious diseases remains top of mind for the general public. Meanwhile, risk management professionals have shifted their focus to other long-term threats, such as climate change and cyber security. These themes are urgent against the backdrop of high-profile cyber incidents and the alarming frequency of extreme weather events.

Still, Covid-19 will cast a long shadow on perceptions of risk for years to come. Broader health—including mental health—is emerging as an area of greater concern.

This year has also seen a change in leadership in the US, the world’s single and increasingly reluctant superpower. Despite the Biden administration’s commitment to multilateralism, repairing relationships with US allies will be easier said than done, especially after episodes like the troubled withdrawal from Afghanistan. Moreover, relations with rival powers, particularly China, remain frosty at best and are likely to further deteriorate.

In this environment, global cooperation is aspirational. Even the most clearly global challenges, such as curbing the effects of climate change, countering the threat of terrorism, and accelerating global vaccination efforts, are difficult to resolve.

The coming year therefore presents a test—and an opportunity—for our global leaders. Deeper coordination will be necessary to solidify climate commitments and increase the flow of vaccines to developing countries that desperately need them. Only concerted action will be successful in curbing the threats of cyber-crime, nuclear proliferation, and international terror. As this year’s report makes clear, the clock is ticking. We will suffer as the world waits.

Covid-19 will cast a long shadow on perceptions of risk for years to come. Broader health—including mental health—is emerging as an area of greater concern.”
Climate change is back at the top of the risk ranking.

We must be willing to act now to prevent irreversible damage, in spite of the unknown variables and risks.

Among experts, climate change has returned to the top spot after having been briefly displaced by pandemics as the #1 risk last year. Both experts and the public agree that governments are underprepared to face climate change, with just 19% of experts expressing faith in public authorities to mitigate the climate crisis.

Environmental policy accords between governments worldwide are necessary to open new doors and enable the private sector to take more risks in leading the climate mitigation agenda.

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<table>
<thead>
<tr>
<th>Risk</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st risk</td>
<td>Climate change</td>
<td>Climate change</td>
<td>Pandemics and infectious diseases</td>
<td>Climate change</td>
</tr>
<tr>
<td>2nd risk</td>
<td>Cybersecurity risks</td>
<td>Cybersecurity risks</td>
<td>Climate Change</td>
<td>Cybersecurity risks</td>
</tr>
<tr>
<td>3rd risk</td>
<td>Geopolitical instability</td>
<td>Geopolitical instability</td>
<td>Cybersecurity risks</td>
<td>Pandemics and infectious diseases</td>
</tr>
</tbody>
</table>

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Focus on youth

Respondents age 25 and below see environmental risks as top concerns across the board, including not only climate but also biodiversity and pollution among their top five risks.

Eurasia Group insights

The unstable geopolitical landscape is already limiting the world’s ability to collectively navigate climate change and clean energy risks, as exemplified by the many roadblocks facing international carbon pricing initiatives.

Risk spotlight

The transformation of the global energy sector from fossil fuels to low-carbon energy sources is the key to reaching net-zero by 2050. While the energy transition is yet to be recognized as a top priority risk by all, we see growing awareness among our corporate clients.

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Executive Summary

Over the last year and a half, the Covid-19 pandemic has dominated news headlines, policymakers’ attention and people’s daily lives. The many challenges resulting from the pandemic provide a stark warning about risk preparedness: we must be both more aware of other future risks and better prepared to deal with them as they emerge.

The 2021 AXA Future Risks Report surveys two groups: 3,500 risk experts and 20,000 members of the public around the world. Since the youth of today are the leaders of tomorrow, the 2021 report includes a focus on the perceptions of younger demographics – especially how respondents under age 25 view future risks.

From the findings of the AXA Future Risks Survey, we distil three key lessons.
Cyber risks are becoming ever more important.

The private sector, insurers and governments need to work more closely together on cyber security.

The pandemic accelerated the digitalization of nearly all economic activities. This led to heightened cyber risks, from cyber attacks by private criminal organizations to acts of cyber war by nation states. The percentage of experts selecting cyber security among their top five risks has increased from 54% in the 2018 survey to 61% this year.

Only 26% of our experts believe that governments are prepared for cyber security risks, a figure that has not improved since we first asked the question in 2019.

Eurasia Group insights

There is little momentum to enact global rules that would effectively govern cyberspace, and a growing risk of disruption through spiralling reprisals for attacks.

Focus on youth

Younger survey respondents are more likely than older respondents to prioritize risks related to privacy and the use of their personal, genetic and biometric data.

Risk spotlight

The difficulty of distinguishing criminal cyber attacks from cyber war is a growing challenge that demands cooperation between governments and insurers.
Covid-19 has put both a strain and a spotlight on health risks and healthcare systems.

The general public are deeply concerned about the impact of health issues beyond the pandemic, highlighting chronic illnesses and long-term exposure to harmful substances as priorities. The long-term scars of the pandemic will continue to impact the health of families and communities well into the future, while climate change and ageing will increase pressure on healthcare service providers around the world.

Despite the many challenges related to future risks, it is not all doom and gloom. We have also identified three main reasons for optimism:

- Support for multinational cooperation on risk prevention remains strong, with 55% of respondents affirming that the most effective level of decision-making to tackle future risks is the global level.
- Despite media reports of rising anti-expert sentiments in recent years, trust in scientists and academics remains strong, with three-quarters of people agreeing that they trust these authorities to tackle future crises.
- Young people are less likely than older respondents to think that the world is becoming more vulnerable overall, and more hopeful that future risks can be overcome.

Focus on youth

Younger respondents view mental health risks as a bigger priority than their older counterparts.

Eurasia Group insights

Future innovations could be held back by the tension between defending intellectual property and ensuring equitable access to treatments.

Risk spotlight

Demographic change will continue to increase pressure on healthcare, with growing diversity of needs among older populations complicating the response.
TOP RISKS
CLIMATE AND CYBER
RISKS EDGE AHEAD
OF PANDEMIC RISK
Experts' Top 10 Risks

1. Climate change
2. Cyber security risks
3. Pandemics and infectious diseases
4. Geopolitical instability
5. Social discontent and local conflicts
6. Natural resources and biodiversity risks
7. New security threats and terrorism
8. Financial stability risks
9. Macro-economic risks
10. Risks related to Artificial Intelligence and big data
The AXA Future Risks Survey asks respondents from around the world to rank their top five future risks, based on their potential impact on society over the next 5 to 10 years. This year, we surveyed 3,500 risk experts from 60 countries, and asked them to choose from a selection of 25 risks. We also partnered with Ipsos to survey 20,000 individuals who make up a representative sample from 15 countries.

The AXA Future Risks Survey enables us to make comparisons: between regions and age groups, over time, and between the perceptions of experts and the general public.

This first section of the report highlights significant overall findings. The next three sections drill down into three key areas: climate, cyber and health.

**What are the top risks in 2021?**

**Climate change tops the rankings again.** Following last year, when pandemic risk bumped all other risks down the rankings, climate change is back at the top in 2021. Though Covid-19 lingers around the world, experts have again collectively identified climate change as the most pressing risk.

**Cyber security risk is becoming an ever-greater priority.** This year, 61% of experts selected cyber among their top-five risks, making it the most selected risk, above both climate and pandemics. Cyber risks will continue to grow, especially after pandemic lockdowns accelerated the shift to digital operations.

**A wide range of health risks loom large for the general public.** While pandemics are unsurprisingly still the top-ranked health risk by some distance, respondents from the general public are concerned about other risks such as chronic illnesses and exposure to harmful substances.
How has the experts’ view of risks evolved?

Experts are increasingly worried about risks related to the evolution of digital society. Ethical risks regarding the use of technology – which includes issues of privacy and algorithmic biases – rose into the top half of the ranking in 2021. When asked about the pace of emergence of risks, experts were more likely to identify ethical risks regarding the use of technology as more emerged in 2021 than in 2020, likely in response to the speedy digitalization of many parts of our lives over the past year. Tech-related economic risks, including cryptocurrencies, likewise rose eight places in comparison to 2020.

Concerns related to more futuristic technologies remain relatively low. In comparison, experts were less preoccupied by risks related to disruptive technologies (such as quantum computing), smart and autonomous systems (such as driverless vehicles), and medical advances and innovations (such as gene editing). All were chosen as a top-five risk by a slightly lower proportion of experts than in 2020, which could be related to perceptions that these risks are much more slowly emerging than other technology risks.

Experts are worried about financial instability. Financial stability risks have edged up in the ranking from ninth in 2020 to eighth this year, not having featured in the top ten in either 2018 or 2019. This could be attributed partially to exceptional increases in public spending during the Covid-19 pandemic and resulting lockdowns, as well as longer-term trends. When asked why they chose this risk, more than half the experts mentioned concern about a systemic failure in financial markets, while the second most popular answer was the risk of an asset bubble burst.

<table>
<thead>
<tr>
<th>Risks related to smart and autonomous systems</th>
<th>New medical advances and innovation</th>
<th>Disruptive technologies</th>
<th>Tech-related economic risks</th>
<th>Ethical risks regarding the use of technology</th>
<th>Cyber security risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slowly emerging</td>
<td>10%</td>
<td>13%</td>
<td>13%</td>
<td>19%</td>
<td>45%</td>
</tr>
<tr>
<td>Rapidly emerging</td>
<td>39%</td>
<td>36%</td>
<td>48%</td>
<td>52%</td>
<td>43%</td>
</tr>
<tr>
<td>Already there</td>
<td>51%</td>
<td>51%</td>
<td>39%</td>
<td>29%</td>
<td>17%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>29%</td>
<td>12%</td>
</tr>
</tbody>
</table>
Macro-economic risks could be looming

Eurasia Group is concerned about macro-economic risks, given the exceptionally loose monetary and fiscal policy and resulting high debt loads in both developed and emerging markets. In the US, legislation such as the CARES Act and American Rescue Plan will push up US gross public debt to more than 130% of GDP by the end of 2021, according to the IMF. In the EU, the European-level recovery fund and suspension of fiscal rules will push public debt above 100% of GDP, with much higher levels in some Southern member states.

Much of the pandemic recovery spending was warranted, given the extraordinary nature of the crisis, and can also contribute to longer term recovery if directed toward investments in infrastructure and human capital that were arguably long overdue. Nonetheless, it could also fuel inflation and require tighter monetary policy down the line. The prospect of higher interest rates could then slow growth in the West, derail recoveries in emerging markets and raise the risk of financial instability. In the longer term, large public debt overhangs may mean higher taxes and fewer resources for future investment.

The pace of recovery within countries is likely to differ across demographic groups based on their skills, the sector they work in, and income levels, in what economists call a “K-shaped” recovery. Some people, particularly those who can work remotely, will thrive. Others – especially workers in low-wage, face-to-face services – may increasingly suffer. Already-disadvantaged populations will bear a disproportionate burden, including women, new immigrants, and ethnic and racial minorities. This threatens to undermine economic resilience and widen socio-economic cleavages.

Macro-economic risks are especially concerning when viewed in combination with the continuing trend over recent years towards more populist politics. Together they could fuel a greater appetite for unorthodox economic policies in the years to come, with implications for all asset classes across global markets.

### Fiscal balances are worsening worldwide

<table>
<thead>
<tr>
<th>Country</th>
<th>2021 government balance, % GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Rep.</td>
<td>-12</td>
</tr>
<tr>
<td>Colombia</td>
<td>-11</td>
</tr>
<tr>
<td>S. Africa</td>
<td>-8</td>
</tr>
<tr>
<td>Israel</td>
<td>-8</td>
</tr>
<tr>
<td>Hungary</td>
<td>-6</td>
</tr>
<tr>
<td>Poland</td>
<td>-6</td>
</tr>
<tr>
<td>Indonesia</td>
<td>-4</td>
</tr>
<tr>
<td>Peru</td>
<td>-4</td>
</tr>
<tr>
<td>China</td>
<td>-2</td>
</tr>
<tr>
<td>S. Korea</td>
<td>-2</td>
</tr>
<tr>
<td>Russia</td>
<td>-2</td>
</tr>
<tr>
<td>India</td>
<td>0</td>
</tr>
<tr>
<td>Brazil</td>
<td>2</td>
</tr>
<tr>
<td>Malaysia</td>
<td>4</td>
</tr>
<tr>
<td>Mexico</td>
<td>6</td>
</tr>
<tr>
<td>Turkey</td>
<td>8</td>
</tr>
<tr>
<td>Chile</td>
<td>12</td>
</tr>
</tbody>
</table>

**Difference between 2021 and 2019**
How do experts and the general public differ?

The general public is still primarily concerned about pandemics. While the attention of experts has shifted back to climate change, members of the public surveyed for the Future Risks Report continued to put pandemics and infectious diseases at the top of their list of risks. This is not surprising, as Covid-19 continues to affect daily life for many people, and also reflects the public's wider prioritization of health risks.

Pollution looms large in the public consciousness. Respondents from the general public see pollution as a top priority along with climate, ranking it in fifth place. Experts, however, view pollution as a lower priority, especially in comparison to other environmental risks like climate change and biodiversity risks.

Terrorism worries the public more than experts. New security threats and terrorism ranks third in the public responses, but only seventh among experts. Members of the public who selected this risk were most likely to say they were concerned about lone wolves and small groups of terrorists using new methods of attack, whereas the experts who selected this risk were motivated more by state-sponsored cyber attacks.
How do risk perceptions compare across regions?

Experts in all regions prioritize the same concerns.
The experts’ top four risks overall featured in their top five in every region: climate change, cyber security, pandemics and infectious diseases, and geopolitical instability. This globalization of risks is a trend we identified in last year’s report, and it is again apparent in the 2021 survey.

The general public are also broadly aligned on priorities across all regions. Nine risks feature in the top ten in every region, with two risks – pandemics and climate change – ranking in the top five of public responses in every region.

Europeans lead the way in focusing on climate change. Just as in 2020, Europe remains the region where people are most concerned about climate change – it topped the list for both experts and the general public, while in other regions neither group ranked it first. More than 60% of European experts selected the risk among their top five.

Cyber risks are top of mind for American experts. The Americas are the only region in which experts ranked cyber security risks in top position. This is likely to reflect the many high-profile cyber attacks which have taken place in the US over the past year. Among the general public in the Americas, both cyber risks and new security threats and terrorism – another tech-related risk – ranked in the top five.

Respondents in Asia and Africa are focused on health – but in different ways. Both experts and the general public in the Africa and Asia regions put pandemics and infectious diseases at the top of their lists. However, respondents from Asia were more likely to highlight mental health, while those in Africa prioritized chronic illnesses and risks related to medical advances and innovations.
Why do people feel more vulnerable in 2021?

Our survey asked respondents if they believe people are more or less vulnerable to future risks now than they were five years ago. Among experts, 84% said people globally are more vulnerable, with more experts choosing “much” more vulnerable than “a little” more. Among the general public, that figure was 80%, up from 73% in 2020.

When asked more specifically about feelings of personal vulnerability to the top five risks respondents selected, themes of health, environment, and technology surfaced to the top. More specifically, the three highest-scoring risks were all ones that both ranked relatively highly overall and have loomed large in everyday life over the preceding 12 months. These were pandemics and infectious diseases, as Covid-19 continued; ethical risks regarding the use of technology, as more of life moved online; and, in top place, pollution.

From the stark realization of how quickly pollution cleared and wildlife returned during early lockdowns, to heightened questions of digital privacy as our lives moved predominantly online, the past year highlighted these risks, demonstrating the fragility of our planet, our health, and even our identities.

This could reflect the way perceptions shifted as the lockdowns revealed a different world. As the results of pandemic lockdowns, from closed factories, reduced traffic, and empty city centres, led to clean air and waterways, many people experienced for the first time living somewhere with clean air. This showed them how quickly wildlife can return and nature regenerate given the chance.

When we asked about perceptions of people’s vulnerability regionally rather than globally, Asian respondents were the most optimistic – significantly more so than respondents in America.
The public are increasingly keen on global cooperation to address future risks. When we asked the general public in 2020 about the most effective level of decision-making to tackle future risks, 50% said the global level. In the 2021 survey, that number rose to 55%. Respondents were also more likely to highlight the continental level as appropriate for confronting risks, especially in Europe. These figures suggest that the past year has reinforced people’s understanding of global interdependence and the need for multinational cooperation, regionally and globally.

Three-quarters of people trust scientists and academics to tackle future crises. Reassuringly, despite widespread concerns about disinformation, a solid majority of people value expertise and knowledge in policymaking. Our survey found that most of the general public (75%) – as well as most experts (87%) – trust in scientists’ and academics’ capability to limit future crises.

Young people are more hopeful that risks can be overcome. While all age demographics recognize increasing levels of overall vulnerability, the trend is least pronounced among young people. They were also significantly more hopeful about the ability of international organizations, scientists and academia to mitigate future crises.
The private sector and governments must take risks in climate action.
Climate change is back at the top of the future risk rankings. Experts ranked it as the top risk in 2018 and 2019, but it slipped to second in 2020 in light of the pandemic. Climate crisis mitigation will require both the public and private sector to take immediate action by investing in solutions despite uncertainty around the scale of their potential impact. The risk of such investments failing is far outweighed by the risk of acting too late.

Both experts and the general public who selected climate change in their top five risks overwhelmingly identified physical risks as a primary concern, as opposed to financial or liability risks. This is no surprise in a year that has seen record high temperatures in the Pacific Northwest, devastating floods in Germany and China, droughts in Madagascar, and forest fires in Siberia and southern Europe. The reality of the changing climate has become impossible to ignore.

We also found that people are keenly aware of the imminent personal threat of climate change: members of the public were more likely to select climate change as a top risk if they live on an island or a peninsula, including the UK, Italy and Japan. In the US – despite lower levels of climate concern overall – the same was true of respondents in the Pacific coast region, which also faces the threat of rising sea levels.

Only 19% of experts believing that governments are prepared for the emergence of Climate change.
Most respondents view public authorities as unprepared for climate change, with only 19% of experts believing that governments are prepared. While this represents a slight increase since we first asked this question two years ago, it also masks regional differences: just 10% of respondents in Africa and 11% in the Americas express confidence in their national government on the issue.

To strengthen their positive impact on climate change mitigation and environmental protection, these national governments should strive for consistency and continuity in environmental regulation policy across administrations. Widespread roll-backs of environmental regulations, even if only in place for a few years, generate long-lasting impacts and require many years to rebuild lost progress. To support and reinforce both national level regulation and ongoing negotiations at the global level, the private sector should continue to make bold moves through environmental initiatives. The disastrous risk of inaction on this issue is far too high.

Focus on youth: Environmental issues are the top priority for young respondents - even in outer space

Under-25s were the only age group among survey respondents from the general public to rank climate change as their top risk – all older age groups ranked it second to the pandemic. The survey results also show that younger age groups feel less vulnerable than average to climate change, suggesting that their concern is rooted more in awareness of the global consequences than a sense of personal threat.

In general, the younger the respondent, the more likely they are to rank environmental risks higher. The youngest demographic was the only one to include three environmental risks among their top five. Along with climate, they ranked pollution in third, and natural resources and biodiversity risks in fourth.

Three out of the five top risks selected by young respondents are environmental risks

<table>
<thead>
<tr>
<th>Risk</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change</td>
<td>1</td>
</tr>
<tr>
<td>Pandemics and infectious diseases</td>
<td>2</td>
</tr>
<tr>
<td>Pollution</td>
<td>3</td>
</tr>
<tr>
<td>Natural resources and biodiversity risks</td>
<td>4</td>
</tr>
<tr>
<td>New security threats and terrorism</td>
<td>5</td>
</tr>
</tbody>
</table>

Broadening the definition of “environment”, the youngest age group was also more likely than their older counterparts to choose space and planetary risks, ranking this risk 19th in comparison to 23rd place overall. Within this risk, young respondents highlighted space debris and waste in orbit as their primary concern, extending themes of pollution and sustainability beyond the earth itself.

Progress in the last year shows that decision-makers – including investors, governments and executives – are finding it harder to ignore Millennial and Gen-Z demands for more determined climate action. Young activists have mastered tactics for exerting pressure, through both virtual and physical protests.
The geopolitics of climate change and clean energy

Tensions between the great powers are growing more rapidly than international institutions are evolving to handle them. The result will be continued instability in the global system, posing risks to corporations and investors. Nowhere is this truer than for climate change policy and clean energy.

The EU’s proposal for a “carbon border adjustment mechanism” is one potential source of tension. Though designed to comply with international trade rules, it effectively imposes a levy on importing goods from countries which allow more emissions. The aim is to protect EU companies while incentivizing high-polluting countries to introduce carbon pricing – but it risks prompting retaliatory trade measures.

Competition between China and the West for dominance in the green technology sector is another potential flashpoint: with many Western governments set to prioritize clean energy in post-pandemic stimulus spending, geopolitical tensions could lead to the decoupling of parts of the clean energy supply chain.

An unstable geopolitical climate will make it more challenging to navigate these risks. Eurasia Group believes that developments over the next twelve months will be critical in shaping the geopolitical landscape, from the results of the US mid-term elections to the EU’s direction after Angela Merkel’s departure, prospects for a nuclear deal between the US and Iran, and the long-term impacts of vaccine diplomacy on international relations.

Production vs. consumption of liquid fuels worldwide

Million bbls per day
The energy transition is the most important step to achieve net-zero by 2050

Every day, individuals around the world contribute to fighting the climate change by adopting new behaviours and consumption patterns, from food and diet to clothing and transportation. While these choices can make a huge difference in the aggregate, the single biggest shift that could ensure net-zero objectives are met by 2050, potentially changing the fate of our planet, is the transformation of the global energy sector from fossil-fuels to low-carbon sources. The energy transition, however, is often overshadowed by concern with related environmental risks, as demonstrated by our survey results: both experts and the general public ranked energy transition risks in the bottom half of all 25 risks, significantly lower than climate change and pollution.

Nonetheless, we are encouraged by the finding that AXA’s corporate clients ranked it among their top 10 risks. It is critical that private corporations prioritize the energy transition and work to provide innovative solutions regarding energy storage and decentralized production and distribution.
In 2019, we joined the UNEP-FI sponsored Net-Zero Asset Owner Alliance (NZAOA) to align our investment portfolio with a net-zero trajectory by 2050. This led us to set an intermediary target to decrease the carbon footprint of AXA’s general account assets by 20% by 2025. We are now going one step further with the creation of the Net-Zero Insurance Alliance (NZIA), which focuses on the other side of our balance sheet.

Can you tell us more about the Net-Zero Insurance Alliance?

AXA has made a lot of progress on the investment side. For instance, we doubled our green investment objective, launched a new type of bonds – transition bonds –, and issued our first green bonds. Beyond such achievements, we need to accelerate on all fronts, as we are going through a decade that will prove defining in the fight against climate change.

Investments are a welcome first step but they have to be complemented through the insurance coverage we provide. That is why, in December 2020, AXA called for the creation of the Net-Zero Insurance Alliance (NZIA). Like the NZAOA, the NZIA extends carbon neutrality commitments to the insurance business. This AXA-chaired international coalition brings together 7 other major insurers and reinsurers. Our objective is to establish a target-setting protocol enable to NZIA members to individually align insurance portfolios with the Paris Agreement trajectory. The NZIA is also part of the Glasgow Financial Alliance for Net-Zero, which gathers the main initiatives aimed at accelerating the transition of the financial sector and global economy towards a net zero emission objective.

What do you take away from the recent IPCC Working Group 1’s report?

The report has been described by the UN Secretary-General as “a code red for humanity”, and we could not agree more on the urgency of the situation. Every region faces an increasing impact from climate change, many of the observed changes are unprecedented (and may even be irreversible), and human influence is “unequivocal”, with more definitive evidence than ever. Since the Paris agreement in 2015, awareness of the climate crisis has increased, but we must continue to act. Current nationally determined contributions (NDCs) take us to a world that is 2.7°C warmer by the end of the century. Drastic cuts in emissions are necessary to reach net-zero by 2050 and to maintain a livable climate through the end of the century.

What is AXA doing to contribute to climate change mitigation?

The insurance industry is uniquely poised to support the transition towards a resilient, net-zero emissions economy, and should use all available levers to do so. At AXA, we believe that a holistic approach to carbon neutrality is key, tackling net zero across both the liability and asset sides of our balance sheet. This way, we can deliver impact on climate not only through our investment decisions, but also through our underwriting actions.

In 2019, we joined the UNEP-Fi sponsored Net-Zero Asset Owner Alliance (NZAOA) to align our investment portfolio with a net-zero trajectory by 2050. This led us to set an intermediary target to decrease the carbon footprint of AXA’s general account assets by 20% by 2025. We are now going one step further with the creation of the Net-Zero Insurance Alliance (NZIA), which focuses on the other side of our balance sheet.

Can you tell us more about the Net-Zero Insurance Alliance?

AXA has made a lot of progress on the investment side. For instance, we doubled our green investment objective, launched a new type of bonds – transition bonds –, and issued our first green bonds. Beyond such achievements, we need to accelerate on all fronts, as we are going through a decade that will prove defining in the fight against climate change. Investments are a welcome first step but they have to be complemented through the insurance coverage we provide.

That is why, in December 2020, AXA called for the creation of the Net-Zero Insurance Alliance (NZIA). Like the NZAOA, the NZIA extends carbon neutrality commitments to the insurance business. This AXA-chaired international coalition brings together 7 other major insurers and reinsurers. Our objective is to establish a target-setting protocol enable to NZIA members to individually align insurance portfolios with the Paris Agreement trajectory. The NZIA is also part of the Glasgow Financial Alliance for Net-Zero, which gathers the main initiatives aimed at accelerating the transition of the financial sector and global economy towards a net zero emission objective.
Cyber risks are becoming ever more serious and require a coordinated response.
As more economic and social activities move online, experts are becoming more concerned by cyber security risk. The risk was top-ranked in the Americas in this year’s survey, and ranked second in Asia, Africa and Europe. When asked what aspect of cyber security risk prompted them to choose this risk among their top five, experts were most likely to select “shutdown of essential services and critical infrastructure” (47%) and “cyber extortion and ransomware” (21%).

Among the public, awareness of these risks has not yet reached the same levels. The public ranked cyber security risk two places lower than the experts at fourth overall – and when asked why they chose that risk, they were more likely than experts to nominate the alternative options of “identity theft” (30%) and “loss of privacy” (18%) instead.

Even so, cyber attacks are increasingly imposing on the public consciousness. The Colonial pipeline attack, which disrupted fuel supplies in parts of the US, pointed to the growing potential of these attacks to disrupt local economies and jeopardize public health and safety. Alongside other high-profile attacks, from SolarWinds to Kaseya, it is not surprising that American expert respondents were most concerned about cyber risks.

Hospitals can also be especially vulnerable to attacks, as demonstrated by high-profile cases over the last year in France, New Zealand and Ireland. Health systems often tend to focus their scarce financial resources on meeting urgent patient needs rather than investing in updating their IT infrastructure. Such cyber attacks are becoming increasingly sophisticated. Cybercrime syndicates are organized, well-financed, innovative and agile. Just like non-criminal businesses, they make strategic plans and pivot their business models as new opportunities arise. The rise of newer cryptocurrencies has made ransomware attacks more lucrative by providing more hard-to-track ways to transfer ransom payments.
The growing prevalence of cyber attacks is making it urgent to clarify the roles of the state and insurers in helping to secure vital economic functions. It also raises geopolitical risks, with the US becoming more assertive over the last year in blaming Russia for allowing cybercrime gangs to operate from their territory. President Biden pledged to elevate cyber security as a priority after the SolarWinds hack, and many governments have recently made similar pledges on cybersecurity: in February 2021, for example, French President Emmanuel Macron responded to the hospital cyber attacks by promising to invest €1 billion in a national cybersecurity strategy.¹

Nonetheless, experts generally think governments remain under-prepared for cyber risk. Only 26% of experts believe that public authorities are prepared for the emergence of cyber security risks. More tellingly, this figure has not improved since we first asked the question in 2019, even though experts have noticed increased preparedness by public authorities on other risks in this timeframe.

Further cooperation between governments and companies is necessary to improve cyber security protection and responses for essential public services, especially given that many corporations bring strong cyber expertise.

“Further cooperation between governments and companies is necessary to improve cyber security protection and responses for essential public services.”

### American experts are the least convinced that their governments are prepared to face cyber security risks

Percentage of experts who believe that public authorities are prepared for cyber risks, by region

- **Europe**: 24%
- **Asia Pacific**: 36%
- **America**: 20%
- **Africa**: 23%

Anarchy in cyberspace

In the last year, cybersecurity has finally broken into the top tier of issues for many governments. Nonetheless, there is little momentum to enact global rules that would effectively govern cyberspace. Ideally, a mix of punitive actions and diplomacy would establish norms for governments to keep cyber espionage within limits, and not tolerate ransomware gangs operating from their territory. Espionage will likely continue, since states have strong incentives to try to gain surreptitious access to their adversaries’ networks and a growing market in hacking-for-hire services is bringing advanced hacking tools into the reach of more state actors.

Domestic pressure is growing on the US government to take a more confrontational response to potentially state-sponsored cyber attacks, and a major incident could make it hard for more cautious voices to be heard. However, aggressive reprisals for attacks could end up in a spiral of retaliation that causes serious disruption, escalating beyond cyberspace.

There are also risks for companies and investors from new regulation. One current policy proposal up for debate involves making it illegal for companies to make ransomware payments. There are also pressures to regulate cryptocurrencies more tightly, which could create new compliance burdens for companies offering services in the cryptocurrency ecosystem.

“Aggressive reprisals for attacks could end up in a spiral of retaliation that causes serious disruption, escalating beyond cyberspace.”

Number of significant cyber incidents since 2003
Focus on Youth: Tech ethics and privacy are top concerns for Gen-Z respondents

While all demographics were seriously concerned about a range of risks related to new technology, the survey results reveal a difference in emphasis between younger and older respondents. When the respondents who ranked cyber security among their top five risks were asked to highlight their main concern regarding this risk, older respondents were more likely to mention shutdown of essential services and critical infrastructure, while younger respondents put relatively greater weight on identity theft and loss of privacy.

Also, the younger the respondent, the more likely they were to select ethical risks regarding use of technology in their top five risks – with 16% of under-25s selecting this risk, falling to just 11% of over-65s. The top concern for all age demographics here was the privacy of personal information, including biometric and genetic data.

These divergences suggest that younger individuals have a different relationship with technology than their older counterparts, being more wary about the potential for misuse of their data to drive inequalities and overstep ethics boundaries.
Cyber warfare is on the horizon

Recent years have seen an increasing frequency of suspected state-sponsored cyber attacks, alongside concern about the potential for malicious use of innovations such as 3D printing and drones. With the pandemic having accelerated the ongoing shift online of work and social activities, there is greater potential than ever before for cyber warfare and terrorism to have wide-ranging negative impacts on society.

However, experts did not rank new security threats and terrorism within their top five, and while the general public ranked this risk in third place, they prioritized traditional terrorism concerns over cyber warfare and malicious use of new technologies when asked about their main concern.

The risk presents growing challenges not only for governments and companies, but also for insurers. Insurance contracts have traditionally excluded acts of war, and cyber risk insurance is no exception. However, the difficulty of attributing cyber attacks can make it hard to distinguish criminal attempts at extortion from acts of cyber war. The distinction is further blurred by the fact that targets of attack may be privately owned but provide services that are essential to the smooth functioning of society, such as water and electricity.

As this risk continues to evolve, insurers should work in cooperation with governments and multinational organizations to establish a common methodology for defining cyber attacks as acts of cyber war, and to improve protection against all kinds of attack.

In November 2021, the AXA Research Fund will release a report on cyber resilience, in which academic, business, and institutional expertise from across the board highlight the changing dynamics of the cyber landscape with a view to help mitigate the associated risks and protect what matters.
Can you tell us about the unique value provided by AXA cyber experts?

Immediate post-breach services come to mind first. These services are, arguably, just as important as subsequent financial pay-outs. By providing these end-to-end pre- and post-attack services, we ensure that our clients are following regulatory requirements, as well as protecting their reputation and stakeholder trust in the aftermath of an attack. Of course, we are also there later down the road to call on our breach response vendor panel to assist in the recovery of IT systems and data. Coverage may also include providing compensation of business interruption losses that may arise.

What kind of post-breach services do you have in mind?

These services include setting up a call centre within 24 hours of the attack to field enquiries from clients, enlisting computer forensic experts to determine how the unauthorized access occurred and what data was exposed or compromised, as well as support from a legal team with expertise in disclosure requirements in all relevant jurisdictions. While some clients can handle these tasks themselves, most will need their insurance partners, like AXA XL, to be ready on short notice to help them take the necessary steps and corrective actions.

How is the market for cyber insurance evolving?

In recent years, we’ve seen a sharp increase in cyber incidents, and as a result, a rising demand for cyber insurance. As so many economic activities have rapidly digitalized during the pandemic, companies are increasingly vulnerable to attacks.

As today’s cyber criminals are highly sophisticated actors, generally large, agile, and well-financed criminal organizations, it is critical for organizations to have a strong cyber security posture and dedicated insurance partner to help navigate an incident. We want to help our clients before they become a target. As a part of our cyber insurance policies, we offer our clients access to expert vendor partners who provide proactive cyber risk mitigation services at negotiated preferred rates.

Are you seeing an increase in demand from firms that have previously done without cyber insurance?

Yes, we are seeing an increase in demand from organisations which traditionally did not purchase cyber insurance coverage. In these cases, we begin by learning about the security measures the organisation has in place already, to assess the extent of their cyber vulnerabilities. From there, we can advise on specific risk management actions to take to prevent a loss, and when a loss occurs, help the client get their organization back up and running.

As cyber-attacks continue to increase and losses mount, clients' prevention and security measures will be a significant focus of the underwriting process. Buyers with poor security hygiene or those unwilling to improve their security posture may have a tougher time finding coverage.

As the Global Chief Underwriting Officer at AXA XL, what are you most optimistic about/ proud about?

I am proud of the leadership position that we’ve achieved in helping our clients address their growing cyber risk concerns. We’re partnering with and supporting our clients globally to help them manage their risk profile and ultimately reduce the chances of having a claim. But when things go wrong, we are there to help put them back on their feet and get them back to business.
Covid-19 has made the public more attuned to wider health risks.
Health risks have long been underestimated in the Future Risks Survey, especially in comparison to technological and environmental risks. Until last year, when pandemic risk shot to the top of the ranking, no health risks had ever broken into the top five. In the 2020 report, we anticipated that the pandemic would lead to a lasting prioritization of health risks beyond Covid-19.

Health risks indeed weighed heavily on the minds of respondents from the general population in 2021, with three of the five risks in this category making the top half of the ranking: 22% chose chronic illnesses as one of their top five risks, 18% chose long-term exposure to harmful substances, and 13% chose risks related to changing health practices and occupational diseases. Public concern about health risks spans the globe, with chronic illnesses making the top ten in every region.

The Covid-19 pandemic has not only boosted sentiments of vulnerability to health risks, but has also transformed the existing difficulties facing public health systems, challenging both the short and long-term sustainability of these systems just as the public is growing more concerned about health. In many countries, healthcare workers are suffering from burnout, meaning that difficulties in recruiting and retaining healthcare workers are likely to persist even after the pandemic wanes. The pandemic has also put a monumental strain on public finances, just as healthcare systems are coming under more stress from having to care for ageing populations.

People feel especially vulnerable to health risks in their daily life

<table>
<thead>
<tr>
<th>Risk</th>
<th>% of general population that feel vulnerable to this risk</th>
</tr>
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<tbody>
<tr>
<td>Pollution</td>
<td>74</td>
</tr>
<tr>
<td>Ethical risks regarding the use of technology</td>
<td>72</td>
</tr>
<tr>
<td>Pandemics and infectious diseases</td>
<td>72</td>
</tr>
<tr>
<td>Chronic illnesses</td>
<td>71</td>
</tr>
<tr>
<td>Long-term exposure to harmful substances</td>
<td>71</td>
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<tr>
<td>Climate change</td>
<td>71</td>
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<tr>
<td>Cyber security risks</td>
<td>71</td>
</tr>
<tr>
<td>Health risks</td>
<td>32</td>
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</tbody>
</table>

PANDEMS & INFECTIOUS DISEASES
The pandemic has created an opportunity for the public and decision-makers to recognize the interdependency of health and the environment.

More positively, the pandemic has created an opportunity for the public and decision-makers to recognize the interdependency of health and the environment. It presented an urgent, life-or-death situation which parallels ways in which health impacts of the climate crisis are expected to manifest in the coming years: from wildfire smoke worsening respiratory illnesses, to rising temperatures widening the zones in which tropical pathogens can spread a range of infectious diseases, to more frequent heat waves leading to a rise in heat-related mortality among the elderly.

With efforts to raise public awareness on the future health impacts of climate change, the experience of the pandemic could lead us to reconceptualize our collective vulnerability to our changing surroundings and expedite progress on climate mitigation. AXA has made health a priority, with the goal of both expanding traditional health coverage and pioneering new health services, as well as taking a leading role in combating climate change and environmental degradation.
Data privacy and intellectual property, the post-pandemic healthcare battlegrounds

The pandemic exposed the weaknesses of healthcare systems while also demonstrating that medical innovations can be developed and deployed with unprecedented speed. We expect that a focus on strengthening health systems and preparing for future emergencies will bring two emerging controversies to the fore.

First, we are likely to see renewed efforts to harmonize healthcare data collection and analysis. Individuals increasingly use personalized tools to monitor their own lifestyles and health indicators, while healthcare providers routinely collect data but often not in a form that can be aggregated across systems and used by researchers to drive innovation and improve early detection and intervention.

The potential upside of aggregating more data is significant – but greater efforts to collect and use personal data will raise concerns about privacy and the potential for malicious use, by state or non-state actors.

A broad international effort to define the rules of engagement and create privacy safeguards for health data is necessary.

Second, the success of the new mRNA platform in producing highly effective vaccines has led to tension between defending intellectual property rights and ensuring equitable access to treatments and prevention. Currently, there is a push for more mRNA manufacturing capacity to be built in poorer countries, even if this involves overriding intellectual property protections and exposing sensitive trade secrets.

The mRNA platform may be transformational – not only for vaccines, but also for other therapeutics including cancer treatments. How governments and regulators decide to balance the provision of public goods with setting incentives for future investment is likely to have a significant impact on how and to what extent its potential is realized.
Focus on youth: Mental illness concerns outweigh other health risks, according to younger respondents

Young people take mental health very seriously. A significantly larger share of younger individuals selected changing health practices and occupational diseases as a top risk, compared to older individuals. Of respondents who chose this risk, younger people were more likely to highlight mental health as their main concern within it.

In the 2020 report, we argued that mental health risks were being underestimated – not only due to the short-term impact of the pandemic and lockdowns, but also due to demographic factors. This relatively higher prioritization of mental health by younger respondents supports the case that mental health will be a growing issue in the longer term, as the younger population grows.

Perhaps unsurprisingly, given the relative risks of Covid-19, younger respondents were less likely than older respondents to select pandemics and infectious diseases as a top-five risk. Those who did so were more likely to say they were motivated by concerns other than Covid-19, such as declining vaccination rates and the re-emergence of old diseases.

When asked whether they consider a risk to be slowly emerging, rapidly emerging or fully emerged, younger respondents were less likely to say that the risk of pandemics and infectious diseases was fully emerged, suggesting they take a longer view, and are perhaps more realistic about the potential of future similar outbreaks and variants.

“Given the relative risks of Covid-19, younger respondents were less likely than older respondents to select pandemics and infectious diseases as a top-five risk.”
The many shades of ageing

With lengthening life expectancies and falling birth rates, societies around the world face the challenge of caring for an increasingly elderly population with a shrinking workforce. With attention dominated by the pandemic, this long-term risk has gone relatively under the radar: just 17% of experts and 14% of the general public chose risks related to changing demographics in their top five. Members of both groups were most likely to say they were concerned primarily by the burden of pensions and healthcare on public finances.

As the economic damage caused by the pandemic becomes more apparent, the fiscal implications of ongoing demographic change may increasingly come to the fore. However, the public health response must be more than just more resources: in many countries, the older population is increasingly diverse, and the experience of ageing reflects accumulation of health inequities over a lifetime of differing physical and social environments.

Both migrant populations and members of the LGBTQ community, for example, may face unique challenges as they grow older, due to the hardships they have faced throughout their lifetimes. While mental health issues are more prevalent among young people, they also impact a significant proportion of older people, both exacerbating and being exacerbated by declining physical health.

With recent demographic shifts, elderly people are increasingly likely to be childless, meaning their social care needs are more complex to meet and they lack close family members to advocate for them. The technological advances in health care delivery accelerated by the pandemic may also create new challenges in catering to the older population, who in general are less comfortable using digital devices to access essential services. In some countries, the digital divide among elderly people is more pronounced for minorities. In the coming years, grappling with these problems will become increasingly critical to how societies handle shifting demographics.

Experts and the general public have the same concerns regarding demographic changes

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<thead>
<tr>
<th>Concern</th>
<th>Experts</th>
<th>General population</th>
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</thead>
<tbody>
<tr>
<td>Healthcare and pensions burden on public finances</td>
<td>1</td>
<td>1</td>
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<tr>
<td>Rising intergenerational imbalances and tensions between generations</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Concerns relating to migration</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

1. https://journals.openedition.org/cybergeo/33224
2. https://www.who.int/news-room/fact-sheets/detail/mental-health-of-older-adults
Were there any positives to come out of the pandemic?

Indeed, the pandemic accelerated our drive to put systems in place to improve preventive care and early diagnosis. We have also rapidly improved our ability to interact digitally with healthcare clients. As one of the world’s largest health insurers, we are able to test different ways of interacting digitally with clients, learn what works, and scale it up quickly – taking advantage of our large global footprint to develop local solutions for domestic markets.

How has the Covid-19 pandemic impacted access to healthcare?

Throughout the past year, we have witnessed how the pandemic has restricted access to routine healthcare. According to our report on Women’s Health and Covid-19, around 50% of women in Spain say they’ve not been for regular check-ups during the crisis, including cancer checks.1 This reduced access to healthcare will likely result in longer-term health problems, as well as more expensive care – especially if cases of cancer, diabetes, or heart disease go undetected or untreated. Strengthening prevention and protection is more important than ever.

Can you tell us more about these digital solutions?

We are observing that patients around the world are seeking out digital healthcare access, most notably in Spain, where, for example, nearly 50% of all women expressed interest in easier and faster access to medical professionals through telemedicine. This is one of the reasons why AXA partnered with Microsoft to launch a digital healthcare platform that provides access to an ecosystem of integrated services and simplifies the journey for people using it.2 On this one single platform, patients can use a self-diagnosis tool, have a teleconsultation, or book an in person appointment. We plan to roll out the first use cases of the digital healthcare platform in Spain in the coming months.

As CEO of AXA Spain, what are you most proud of?

Undoubtedly, it is to have made our purpose a reality every day. “Act for human progress by protecting what matters” is at the heart of what we do: protecting employees, customers, distributors, and society. We have strengthened our commitment to health through our vertical integration strategy with Igualatorio de Cantabria and a Medical Center in Barcelona. We have attended millions of claims and we have innovated to find solutions to unprecedented situations in the context of the worst world pandemic experienced in recent history. Finally, we have also been directly supporting healthcare workers and vulnerable populations through solidarity funds, food banks, and NGOs, as well as funding researchers who work every day to find solutions to combat Covid-19. We have every reason to be proud.

About the research

The AXA Future Risks Survey 2021 was conducted by Ipsos on behalf of AXA. It involved presenting online questionnaires to two distinct groups: experts and members of the public.

Experts
We surveyed 3,448 experts in 60 countries between 6 and 28 May 2021. The average age of respondents was 45. 60% were men, and 39% women. Most – 78% – worked at AXA, with underwriting and risk management the most represented professions. The remaining 22% were drawn from AXA’s professional networks, primarily working in the financial services sector and for large companies.

The global spread comprised:
- Europe: 1,674 (top countries: France – 410; United Kingdom – 400; Germany – 177)
- Asia-Pacific: 969 (top countries: Indonesia – 187; India – 146; Japan – 120)
- Americas: 678 (top countries: United States – 444; Colombia – 93; Mexico – 75)
- Africa: 118
- Other: 9

General public
We surveyed 19,001 members of the public in 15 countries between 21 May and 15 June 2021. Respondents were sampled among people aged 18 and over to be representative in terms of age, gender and occupation, with countries chosen by region and market size.

We surveyed 5,000 people in the United States, 1,001 in the UK and 1,000 in each of Australia, Belgium, China, France, Germany, Hong Kong, Italy, Japan, Mexico, Morocco, Nigeria, Spain and Switzerland. Country results were weighted to produce the global and regional results.

The 25 risks
We presented survey respondents with 25 risks, divided into five categories, and asked them to choose their top five. We ranked the results by assigning 5 points to each top answer, 4 to the second answer, etc.

- **Health and medicine**: chronic illnesses; long-term exposure to harmful substances; pandemics and infectious diseases; risks related to changing health practices and new occupational diseases; and risks related to medical advances and innovations.
- **Environment and energy**: climate change; energy transition risks; pollution; space and planetary risks; natural resources and biodiversity risks.
- **Technology and data**: cyber security risks; disruptive technologies; ethical risks regarding the use of technology; risks related to smart and autonomous systems; risks related to artificial intelligence and big data.
- **Economics, finance and business environment**: financial stability risks; macro-economic risks; monetary and fiscal policy risks; risks related to the future of work; tech-related economic risks.
- **Society, politics and regulation**: geopolitical instability; new security risks and terrorism; risks related to changing demographics; risks related to evolving regulation and litigation; social discontent and local conflicts.