

A person wearing a blue protective suit, including a hood and gloves, is holding a realistic image of the Earth. The person's face is obscured by a white mask. The background is a solid blue color. A large red diagonal shape is overlaid on the Earth, serving as a background for the title text.

AXA Future Risks Report



Contents

5	Foreword by Thomas Buberl
6	Foreword by Ian Bremmer
8	Executive summary
10	Section 1 COVID-19 reshapes the emerging risk landscape
20	Section 2 Countries ignore climate change at their peril
26	Section 3 Cybersecurity and geopolitical tension remain formidable foes
32	Section 4 Experts now comfortable with tech risk, but new threats emerge
34	Section 5 Mental health and misinformation: candidates for tomorrow's top threat
38	About the research





Foreword

by Thomas Buberl,
CEO of AXA

As the world faces the unprecedented COVID-19 crisis and its consequences, AXA's Future Risks Report, now in its seventh year, has never been more relevant. Measuring and analyzing the perception of emerging risks to anticipate major trends is essential for an insurance company with a long-term focus and is beneficial for society at large.

The first lesson we take from this edition is that **health is now the top priority**. While it is unfortunate that it took such a tragic context for it to reach number one in our ranking, we find the increased awareness of health risks encouraging when compared with previous years. AXA has long been convinced that health is one of the most important challenges of our time and is committed to protecting people and societies from the associated risks.

The second lesson of this report is the **decreased perceived risk of climate change**. While it remains the highest priority for our European respondents, we note that climate change has dropped to second place overall. Given the context, this may not seem unusual, but the drop in absolute terms is concerning, especially among our American and Asian respondents, as we believe that shorter-term issues around the pandemic should not completely overshadow longer-term threats. I am convinced that we must remain fully committed to doing our part to tackle climate change, and AXA certainly is.

Last, this edition reinforced our observation from previous years: **risks are increasingly connected and interdependent**. The current pandemic exemplifies how they are global, complex, and, therefore, difficult to address. Insurers cannot tackle them alone. This is why AXA was the first insurer to suggest the creation of a pandemic insurance scheme to share the burden between governments and private actors.

“ **...health is now
the top priority** ”

— Thomas Buberl

Our research also shows that 73% of the general public and 83% of risk experts believe that populations around the world are more vulnerable today than they were five years ago. In an increasingly uncertain world with more complex and connected risks, I believe that insurance can offer protection, expertise, and clarity, thus contributing to individual peace of mind and collective improvement. This is why at AXA, in line with our purpose, we act for human progress by protecting what matters.



Foreword

by Ian Bremmer,
Eurasia Group and GZERO Media President

I'm so pleased that Eurasia Group is again collaborating with AXA on the Future Risks Report, especially as the world grapples with the response to and recovery from the COVID-19 pandemic.

This report—and the collaboration behind it—feels particularly urgent. We need deep, subject-specific expertise to navigate the risks explored in this report. But that's not enough. We also need to anticipate how governments and other actors will respond to new risks, and we need to understand how the risk landscape is shaped by changes underway in the global economy and its geopolitical foundations. The partnership between Eurasia Group and AXA allows us to develop that understanding.

Public health is, of course, now the top priority for nearly anyone who manages risk. COVID-19 and the economic and social damage it brings have shocked and challenged governments, people, and companies in every corner of the globe. It has required urgent adaptation from all of us, from how we live our daily lives to how we interact with others and how we work (and, for many, if and when we work).

Ultimately, however, the pandemic will make its deepest mark on the world as the great accelerator of technology, geopolitical, economic, and social trends already in place, but only incrementally emerging, when COVID-19 first hit. Before COVID-19, these trends were visible but looked set to unfold over five to ten years. With COVID-19, these transformations—digital adoption, remote learning, US-China technology competition, supply chain reordering, and many others—are taking place in a single year.

This great acceleration influences all the emerging and present risks identified and explored in this year's Future Risks Report. It makes all of them more urgent. As Thomas says, it also makes it more urgent that we work together to overcome the daunting set of challenges now facing the world.

“ COVID-19 has required urgent adaptation from all of us, from how we live our daily lives to how we interact with others and how we work.

— Ian Bremmer



Executive summary

Preparing for the future requires an in-depth assessment of emerging risks

Technological revolution, climate change, pandemics, and increasing geopolitical instability make it harder for policymakers, businesses, and individuals to anticipate coming changes, overcome challenges, and grasp opportunities.

Therefore, for the seventh consecutive year, AXA sought to highlight experts' perceptions of future risks by conducting a structured survey of more than 2,700 risk experts from 54 countries. In addition, this year, **AXA worked with the research specialist Ipsos to gauge the perception of the general public by surveying close to 20,000 people.** AXA has also continued its partnership with Eurasia Group for its unique take on geopolitical themes.

This edition of AXA's Future Risks Report was written in unprecedented circumstances. As this report was being written, more than 33 million people worldwide had been infected, and more than one million had died as a result of COVID-19.¹ Countries that had initially brought the virus under control were starting to experience a resurgence in cases.

The onset of COVID-19 transformed pandemics and infectious diseases—previously an important yet perhaps distant and unlikely risk—into an immediate and deadly threat to the entire global population. As a result, **surveyed experts today rank pandemics and infectious diseases as the emerging risk that is the greatest threat to society in the next five to ten years, up from eighth place last year.** In parallel, the general public

ranks health concerns as the risk to which they feel most vulnerable, alongside computer-related risks.

As pandemics and infectious diseases rose up the agenda, climate change slid for the first time since 2015, from the first to the second-most-important emerging risk to society. But more significantly, the breakdown of the survey results by country reveals strong disparities in the perception of climate-related risks. While European experts continue to identify climate risks as the most pressing threat to society, the number of North American-based experts that consider climate change to be a top emerging risk fell to 46%, from 71% last year. In parallel, experts located in Asia are less concerned about the impact of climate change than the global average.

The countries that downplay the risk of climate change are among those that contribute most to its acceleration and are most likely to feel its effects. There is, therefore, a real danger that in focusing only on COVID-19, the threat that is right in front of us, other long-term challenges are overlooked by the general public and decision-makers. Similarly, the survey data also shows that risks related to natural resources are decreasing in importance, even though the biodiversity crisis is accelerating.

In many ways, the crisis has been acting as an accelerant of existing or nascent trends. All of the emerging risks that experts consider most important today have been reshaped or exacerbated by COVID-19. Cybersecurity risk, which experts rank as third-most-important, has intensified as COVID-19-related phishing

¹ Worldometer, *Coronavirus death toll*, 28 September 2020



emails have surged and as employees have been using personal devices for work. Geopolitical instability, which experts rank as fourth-most-important, has heightened as some governments exert control over medical supplies and protect strategically important businesses. Even social discontent and local conflicts, experts' fifth-most-important risk, could surge as COVID-19 exposes and widens economic and social inequality.

That's all before taking into account the devastating impact of COVID-19 and resulting lockdowns on the economy; experts consider macroeconomic risk to be the seventh-most-important risk to society. In addition to the direct impact of lockdowns on economic activity, **there's a danger that the economic fallout will worsen if the pandemic causes prolonged feelings of uncertainty and vulnerability among the general population, which, in turn, leads to less consumption.** Our survey already finds evidence of this. Almost three-quarters of the general public say people feel more vulnerable compared with five years ago.

These examples illustrate **the growing connectivity of risks, which we presented as one of the main findings of last year's report.** This interlinking requires a global, interdisciplinary, and multi-stakeholder approach to prevention and protection.

In addition to uncovering the emerging risks considered most important today, this report also identifies the risks that have slipped under the radar. Last year, we highlighted pandemics and infectious diseases as an

overlooked risk. **This year, we believe mental health and misinformation are important risks that deserve focus and have not yet fully captured the attention of experts.**

This report endeavors to identify which risks matter to experts and the general public. The findings will hopefully stimulate a debate about how they can be mitigated. In doing so, we hope to further our purpose: **act for human progress by protecting what matters.**

We hope you enjoy reading it.

COVID-19 reshapes the emerging risk landscape

Pandemics are now the top emerging risk

Pandemics and infectious diseases are the most important risks to society in the next five to ten years, according to our surveyed experts. Last year, they ranked eighth. The number of experts that rank pandemics as a major emerging risk more than doubled, from 23% to 56%. The general public agrees: in our research, they rank health risks as their top cause of vulnerability, alongside computer-related risks.

This is no surprise. When the survey for this report was carried out in July 2020, more than half a million people worldwide had succumbed to COVID-19,² and many countries were in lockdown.

So, unlike some of the other risks discussed in this report, this is a risk that is playing out today in an extreme way. That is why 58% of experts describe this risk as “already there,” and more people say that the risk of pandemics and infectious diseases is already present than they do about any other emerging risk.

However, pandemics and infectious diseases are not just the top emerging risk because of the very current and tangible threat to the general population’s health. Spiralling public debt, escalating geopolitical tension, growing mental health concerns, and surging inequality are other emerging risks that have been triggered or accelerated by COVID-19. In addition, there is a risk that the public authorities’ focus on addressing COVID-19 might lead to the neglect of other major but less imminent threats.

Given the current focus on tackling COVID-19, it is natural that experts’ primary concern when it comes to pandemics and infectious diseases relates to new strains of diseases and that other threats are deprioritized. This is illustrated in our survey data: the proportion of experts who are concerned about antimicrobial resistance and superbugs, for example, has tumbled from 29% last year to 9% this year.

There may have been a decrease in the perceived severity of antimicrobial resistance, but it still has the potential to create a future health crisis. Global spread of bugs’ resistance to common antibiotics could dramatically raise the risk level of common healthcare treatments such as chemotherapy, organ transplants, caesarean sections, and hip replacements. This would not only prolong illness but also significantly increase the cost of healthcare. The impact of these risks may be less sudden than a pandemic, but the long-term effects have the potential to be equally devastating.



² Worldometer, *Coronavirus death toll*, 24 August 2020

Pandemics and infectious diseases now top emerging risk

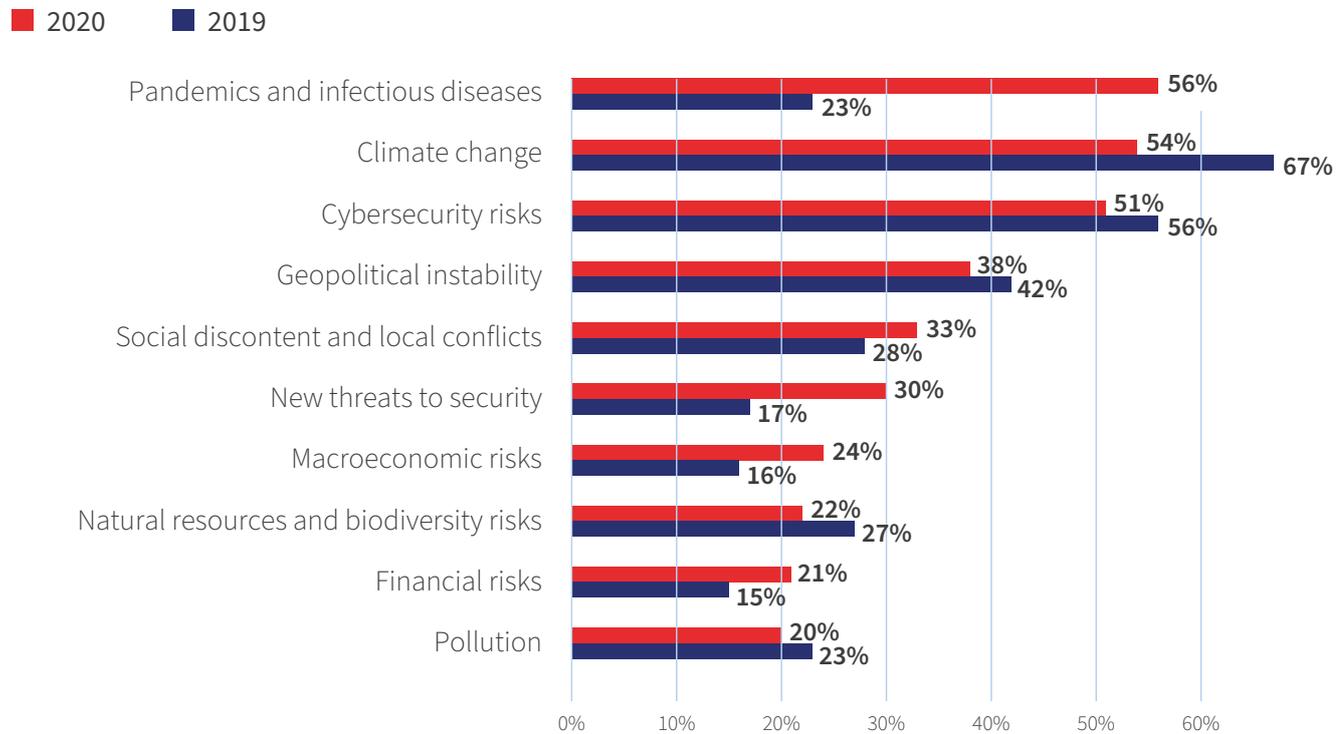


Fig 1 Q. Out of these 25 risks, please select the top five emerging risks that may have a significant impact on society at large in the next five to ten years.

The public feel most vulnerable to health and computer-related risks

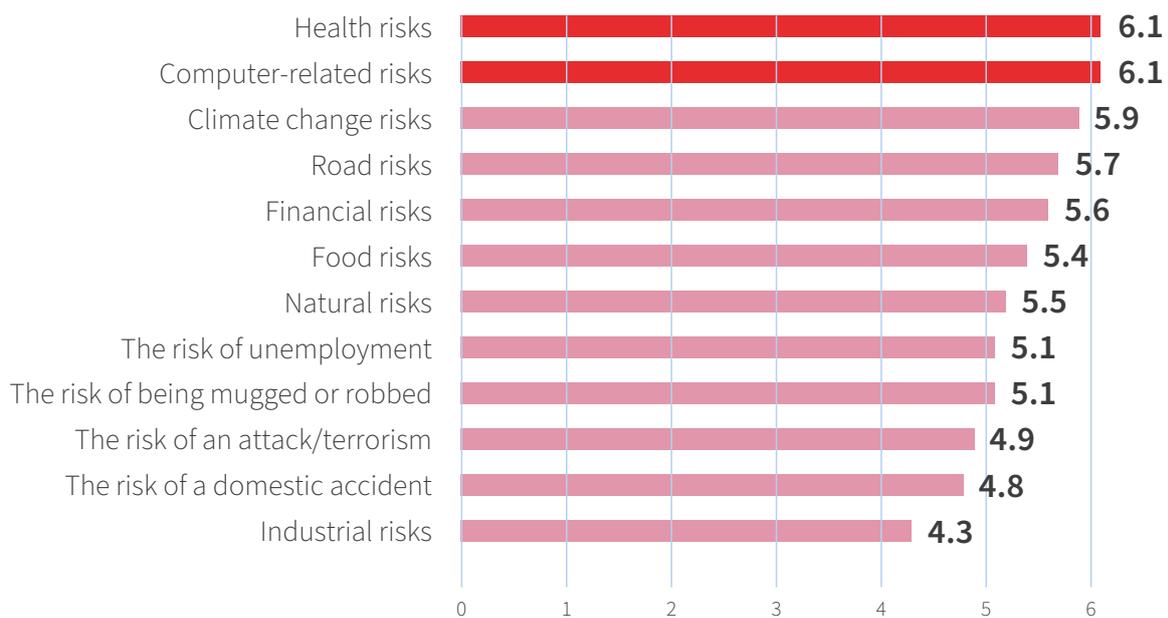


Fig 2 Q. How vulnerable do you feel to the following risks, on a scale of zero to ten? Zero meaning that you do not feel vulnerable at all, and ten that you feel highly vulnerable.

Are the authorities prepared to tackle the fallout from the pandemic?

Encouragingly, surveyed experts believe that public authorities are more prepared to tackle pandemics and infectious diseases than any other emerging risk. The proportion that believes public authorities are well prepared has increased to 33% from 22% last year.

Although there are clear examples of mistakes, most governments around the world acted decisively to address the impacts of COVID-19. In France, for instance, the “temporary unemployment” scheme, under which the state pays subsidies to businesses to fund the salaries of those prevented from working, was set up to avoid mass bankruptcies and layoffs. At the end of April 2020, close to nine million workers were benefiting from this emergency scheme. Many other countries have introduced similar measures.

“Governments reacted really quickly to COVID-19,” says George Stansfield, AXA Deputy Group CEO and Group General Secretary. “In most major industrialized countries, packages were put in place very quickly to protect workers from unemployment. This is in stark contrast to 2008.”

However, governments may have acted swiftly to mitigate the immediate direct impacts of COVID-19, but it remains to be seen how well they cope with the long-term challenges that may follow.

The perceived competence of public authorities varies significantly around the world. For example, 45% of experts in Asia-Pacific say that public authorities are well prepared for pandemics and infectious diseases, compared with 34% in Europe, 22% in Africa, and just 16% in the Americas. In 2019, only 31% of experts in Asia and 18% in Europe said that their public authorities were well prepared for pandemics and infectious diseases. This reflects the fact that many Asian countries have

more experience in dealing with infectious diseases, such as SARS in the early 2000s and, more recently, MERS in South Korea.

Public authorities in Asia-Pacific are considered best prepared for pandemics and infectious diseases

Percentage that are absolutely or somewhat prepared for pandemics and infectious diseases

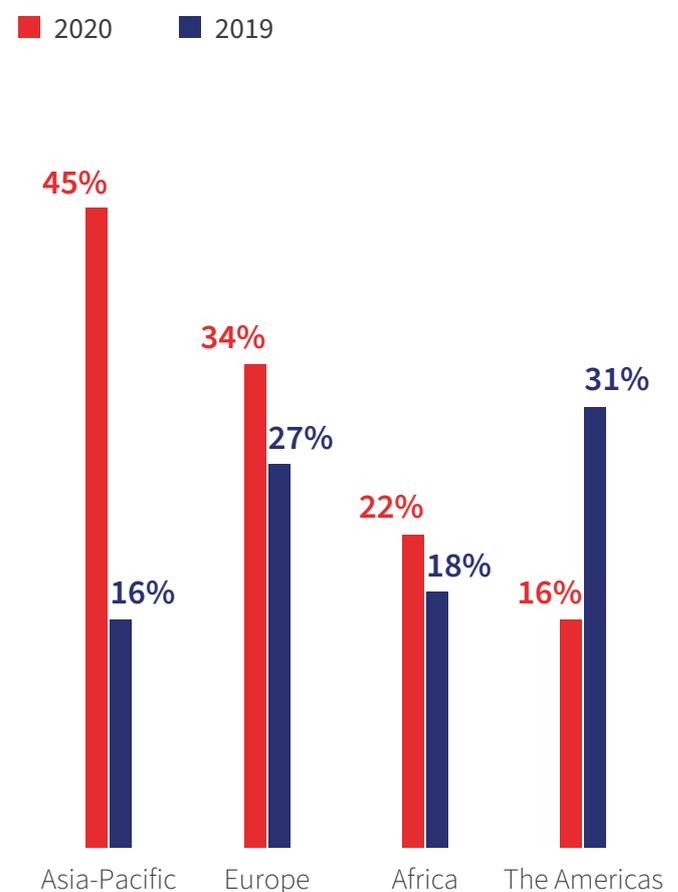


Fig 3 Q. Would you say that public authorities in your country are well prepared for the emergence of this risk?

Why did AXA participate in the development of an insurance mechanism against exceptional risks?



Alban de Mailly Nesle, AXA Group Chief Risks & Investment Officer

The crisis we are currently experiencing is exceptional in many ways and presents a so-called “systemic” risk event (i.e., it affects the entire system). It is worth mentioning that insurance is based on the principle of mutualization of risks between policyholders, which is how insurance premiums are calculated. If all individuals are affected, which is the case in a systemic risk event, insurance can no longer function as traditionally understood.

It, therefore, seemed important to consider these new risks and the insurance mechanisms that could be put in place to deal with them. This is why AXA joined the *Fédération Française de l'Assurance* working group at the end of April to participate in the definition of a possible future insurance scheme for exceptional catastrophes (“CATEX” scheme) through the appointment of Jacques de Peretti, CEO of AXA France, as co-sponsor of the industry working group.

How would this scheme work?

The French scheme is intended to be a simple mechanism with a rapid compensation process. In the event of a claim, it is crucial to provide financial support as quickly as possible to professionals, particularly SMEs, who face sudden interruptions or significant reductions in their business income.

Accordingly, the CATEX scheme has two main features. First, compensation would be automatic, based on the principle of parametric insurance. Compensation would then be triggered when one (or more) pre-defined event(s)—such as an administrative closure linked to a pandemic, natural disaster, or terrorist act—is pronounced by the public authorities. Then, the compensation would be a lump sum. This would avoid the need to assess the operating losses incurred, thus significantly speeding up the claims management and, therefore, the compensation process.

Regarding the amount of the lump-sum compensation, this system would be based on a public-private partnership. The insurers and reinsurers would commit to an annual compensation capacity based on a proportion of the premiums collected. The CATEX project thus provides for an annual compensation capacity by insurers and reinsurers of up to two billion euros. Beyond this capacity, the state alone would take over through CCR, the public reinsurer.

What are the next steps?

Last June, the CATEX project was presented to the Ministry of the Economy and Finance, which chose to open public consultation on the subject in order to allow all interested stakeholders, such as companies and industry associations, to express their needs and preferences in terms of coverage for exceptional risks such as pandemics before a debate with French MPs. The consultation ended on August 31, and we are now awaiting the directions that the Minister wishes to give to this project.



COVID-19 accelerates long-term shifts in the risk landscape: insights from Eurasia Group

The COVID-19 pandemic is stress testing governments around the world, straining their resilience, institutional capacity, and response effectiveness. In key global markets in Europe, North America, and Asia, the pandemic is bringing about a wide range of destabilizing shocks to healthcare systems, economies, and households.

Each of these will continue to force governments to respond to and recover from shocks that are already realized and prevent and mitigate the impact of those that are still to come. Insufficient responses will prolong the economic and financial damage from the pandemic and, in some cases, will cause political instability as dissatisfied citizens punish ineffective governments.

Most immediately, the pandemic is exposing global public health vulnerabilities, highlighting weakness in national and global preparedness around healthcare capacity, response coordination, and readiness around therapeutic and preventative responses, including vaccine development and equitable distribution. As the world shifts in late 2020 and into 2021 from crisis response to treatment and recovery, the geopolitics of health—challenged by greater nationalism and an impaired multilateral system of governance—will continue to shape how quickly and how well the world emerges from the pandemic.

Beyond health, the pandemic is acting as an accelerant of existing or nascent geopolitical themes and trends. These pre-existing trends now accelerated by COVID-19 include the trajectory of China's relationship with the world (and especially the United States), technology competition, supply chain reordering, policy responses to global climate change, nationalist and protectionist policies, and the role and appropriate use of industrial policy, among many other themes.

Moreover, the pandemic's potential role as an accelerant goes beyond economic and geopolitical trends; it has the potential to accelerate the rise of all emerging risks in unforeseen and unexpected ways. For so many of these themes and their associated risks, the pandemic means that what otherwise would have unfolded over many years is, instead, taking place over just months. In other words, slow tectonic shifts in the landscape have instead become earthquakes, bringing ruptures and large-scale dislocations to the global risk landscape.

Heightened interconnectivity demands a coordinated response

Last year's Future Risks Report found that there is an increasing potential for risks to influence each other in unpredictable ways. The COVID-19 pandemic is adding to that interconnectivity.

Take social discontent and local conflicts, which our experts rank as the fifth-most-important emerging risk to society. COVID-19 could plunge an estimated 49 million people around the world into extreme poverty in 2020.³ This will accelerate local conflicts and discontent, both in lower- and high-income countries.

Interdependencies between risks demand greater collaboration: governments must act together to address truly global threats such as climate change and pandemics. When asked the level at which decisions should be taken to counteract emerging risks, 50% of the general public say at the global level, and 11% say at the continental level. Just 30% say that decisions should be taken at the country level, and just 9% say at the city level. Interestingly, European cities still have a long way to go: the general public is not convinced by the effectiveness of city-level decisions to face emerging risks.

Public authorities, the private sector, and civil society must collaborate to address challenges that need a multifaceted and coordinated response. Even within individual businesses, leadership must work together to understand how a risk in one area of the business could morph to impact another.

"Today's emerging risks are more integrated and have multiple angles, so businesses need everyone in the room when it comes to tackling them," says George Stansfield, AXA Deputy Group CEO and Group General Secretary.

"At the government level, one of the positive outcomes of this could be better collaboration with the private sector. It's in the interest of both to work together to address some of the most important threats, such as climate change."

“ The pandemic has exacerbated inequality. The fact that white-collar workers could safely work from home during lockdowns, but blue-collar workers couldn't, and were therefore more exposed to the virus, symbolized this. It's another factor that may undermine social cohesion in many Western countries.



— Renaud Guidée, AXA Group Chief Risk Officer

³ The World Bank, *The impact of COVID-19 on global poverty*, 20 April 2020

COVID-19 deepens the public's sense of vulnerability, but will it last?

Unlike previous crises, COVID-19 and the resulting lockdown measures are having a direct and personal impact on people of all ages in all countries. As a result, 73% of the general population say they believe that people across the world feel more vulnerable than they did five years ago. Notably, people in Italy, Mexico, and Spain, some of the areas most impacted by COVID-19, feel more vulnerable to emerging risks than those in the UK, Germany, and Switzerland. Risk experts are even more pessimistic: 83% consider that the vulnerability of populations has increased worldwide in the past five years.

In addition to feeling more vulnerable, the general public is now more risk-averse: 65% now take less risk in their daily lives than before COVID-19. Heightened feelings of vulnerability and risk aversion have their own associated impacts. For example, 81% of the general population say that emerging risks have or will soon affect their travel plans, and three-quarters say that they have negatively affected their purchasing power.

This lower risk tolerance explains most of the decisions made by governments in the first months of the COVID-19 crisis. It is also a key driver of the general public's increased demand for protection: even though 85% agree that zero risk does not exist, they want and expect to be protected, both by public authorities and private insurers.

The emerging risk landscape is so dominated by COVID-19 that it is not yet clear whether these behavioral trends will continue when the pandemic ultimately recedes. If they do, such a long-term shift in public behavior will have a profound impact, not only on civil society but also on the economy.

People in Mexico, Italy and Spain feel most vulnerable to emerging risks

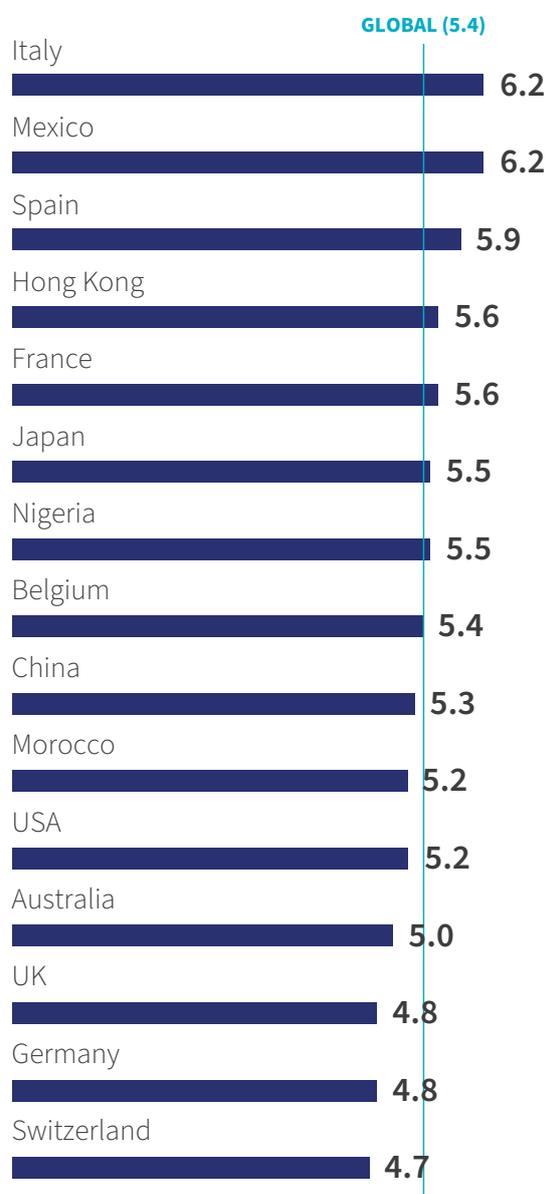


Fig 4 Q. How vulnerable do you feel to the following risks, on a scale of 0 to 10? 0 meaning you do not feel vulnerable at all, and ten that you feel highly vulnerable.

Respondents in the US and Hong Kong experience the greatest increase in vulnerability

Percentage that are more vulnerable compared with five years ago

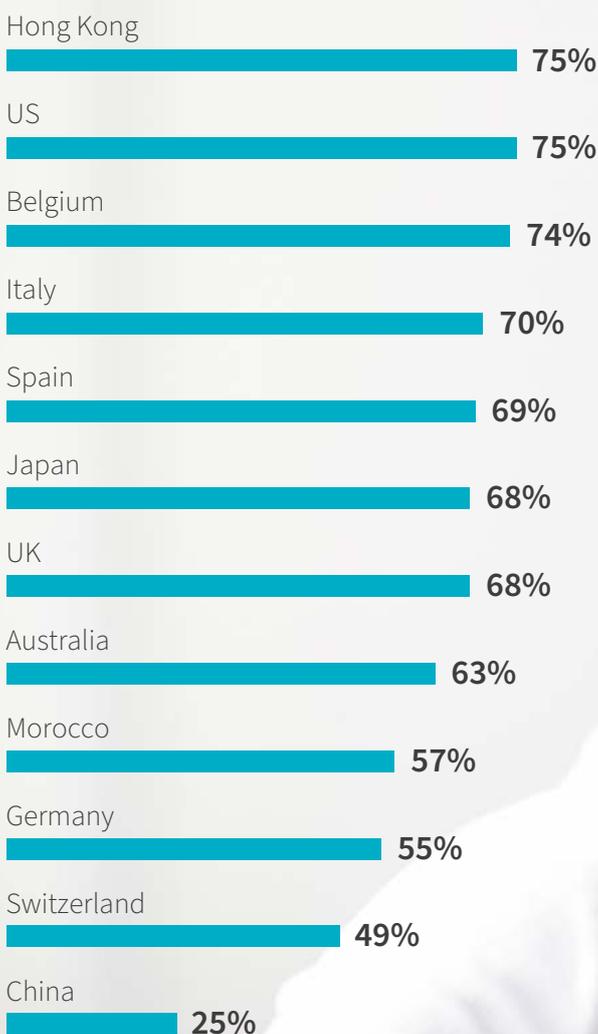


Fig 5 Q. When you think about the way in which things have been evolving in the past five years, would you say that people are more or less vulnerable?



Macroeconomic risk shoots up the agenda

The COVID-19 pandemic is just as much an economic crisis as it is a health crisis. Lockdowns caused GDP to plunge 12% in the EU⁴ and 33% in the US⁵ in the second quarter of 2020. Globally, the IMF predicts that GDP will shrink by 4.9% in 2020.⁶

It is, therefore, no surprise that experts now consider macroeconomic risk to be the seventh-most-important emerging risk. Last year, they ranked it tenth. When asked which macroeconomic risks are most important, experts rank durable mass unemployment first. In the long term, younger people who are just entering the job market are likely to be affected most.

Macroeconomic risk is felt most acutely in Spain (where 35% of experts consider it an important risk), Italy (31%), and Mexico (31%). This could be because these countries have been particularly affected by COVID-19. However, unemployment in the US has risen to above 10%, yet just 13% of US experts consider macroeconomic risk to be important—the lowest proportion globally.

Financial risks have also risen up the agenda to be experts' ninth-most-important emerging risk this year, and increased public and private debt levels are of particular concern. Global net public debt is expected to rise to 85.3% this year from 69.4% last year.⁷ This will change the playing field for younger generations, who will inherit unprecedented levels of debt.

“Debt is going to be a major issue in the next 10 to 20 years,” says Gilles Moëc, Chief Economist of AXA Group. “We are responding to the crisis by allowing a massive increase in both public and private sector debt. It’s unavoidable and the right thing to do, but we must acknowledge that many countries will have more debt as a percentage of GDP than at any time since the Second World War. That’s fine now, as monetary policy is very accommodating, but when normal monetary policy resumes, it may cause a crisis—particularly for emerging markets.”

Are public authorities prepared to respond to macroeconomic and financial risks? Our surveyed experts are confident that they can respond to financial risks, but are much less confident when it comes to macroeconomic risks.

This reflects the fact that while many governments and central banks have already responded much more rapidly than they did to the 2008 crisis, it may not be enough given the unprecedented scale of the economic impact.

⁴ Eurostat, *GDP down by 12.1% in the euro area and by 11.9% in the EU*, 31 July 2020

⁵ CNBC, *Second-quarter GDP plunged by worst-ever 32.9% amid virus-induced shutdown*, 30 July 2020

⁶ IMF, *World Economic Outlook Update, June 2020*, 24 June 2020

⁷ Financial Times, *Governments face ‘massive’ rise in public debt, IMF warns*, 15 April 2020

Experts in Spain, Mexico and Singapore are most concerned about macroeconomic risk

Percentage that rank macroeconomic risk as a top five emerging risk

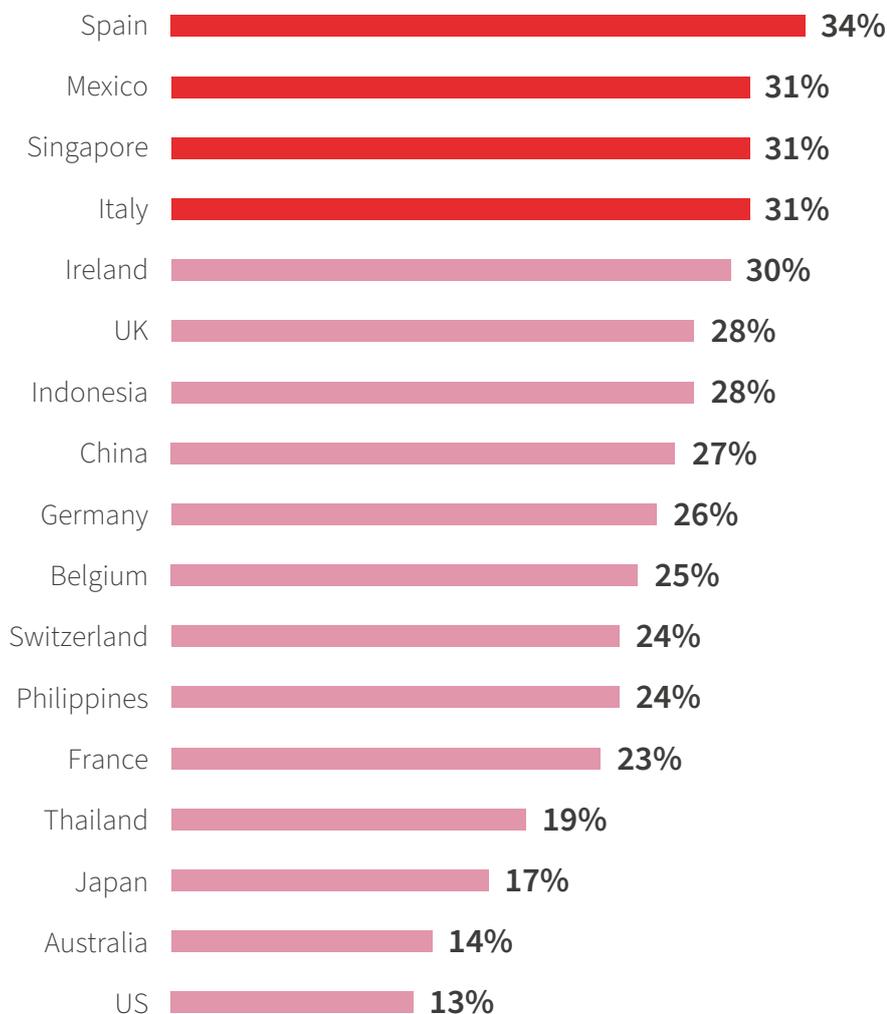


Fig 6 Q. Out of these 25 risks, please select the top five emerging risks that may have a significant impact on society at large in the next 5–10 years.



Countries ignore climate change at their peril

Experts outside Europe deprioritize climate change risk at an alarming rate

In recent years, there has been a growing consensus that climate change poses an immense threat to society, as shown by our survey data. Now, however, that consensus appears to be weakening. Climate change has slid from the first to the second-most-important emerging risk to society, with the number of experts that selected it as significant falling from 67% to 54%.

There is an exception: experts in Europe—Germany, Italy, Belgium, Switzerland, and the UK in particular—still consider climate change to be the greatest emerging risk to society and even rank it above pandemic risk. But the proportion of North America-based experts who consider climate change to be a top emerging risk has fallen to 46% from 71% last year, and experts located in Indonesia, Thailand, Mexico, and the Philippines are all less concerned about the impact of climate change than the global average.

This is likely to be a direct consequence of the COVID-19 crisis: public authorities and experts are focusing on what they see as a more imminent threat at the expense of longer-term challenges such as climate change. It is concerning because it is still a risk that demands urgent, coordinated action by governments, businesses, and the general public around the world. Without it, climate change will not only cause more extreme weather events such as flooding, forest fires, and heatwaves, but also accelerate other emerging risks. For example, if climate change leads to mass migration from sub-Saharan Africa

to Europe, it will inflame geopolitical tensions. This is not far-fetched: the UN International Organization for Migration predicts that there could be up to a billion environmental migrants moving within or across borders by 2050.⁸

The general population's perception of the severity of climate change risk reflects that of the experts. Europeans score climate change risk 6.3 out of 10 on **AXA's vulnerability index**, which scores each emerging risk based on the general population's perceived vulnerability to it. Climate change is the emerging risk that Europeans feel most vulnerable to. In contrast, the general population in the US gives climate change risk a score of 5.7 out of 10, and those in Africa score it at 5.3.

Surveyed experts and the general public in certain countries appear to be less concerned about the threat posed by climate change, but the more important issue is what governments do. The two are interlinked: by expressing their concerns, the public can nudge decision-makers towards policies and regulations that address what some have called the "greatest threat of the 21st century".

Yet just 16% of experts believe that public authorities are well prepared to deal with the threat posed by climate change. While this represents a four percentage point increase from last year, the lack of confidence is stark, given the scale of government intervention

⁸ CMCC, *Environmental Migrants: Up to 1 Billion by 2050*, 22 May 2019

and support that is needed. Of course, it is not only governments that are responsible for addressing climate change; businesses also have a role to play. However, the pandemic means that there is a risk that businesses, like governments, prioritize survival and recovery at the expense of climate change initiatives.

“ There is a danger that, in focusing on COVID-19, the issue that is most pressing and visible, other emerging risks such as climate change or pollution get overshadowed.



— Renaud Guidée, AXA Group Chief Risk Officer

Climate change risk considered most important in Europe

Percentage that are more vulnerable compared with five years ago

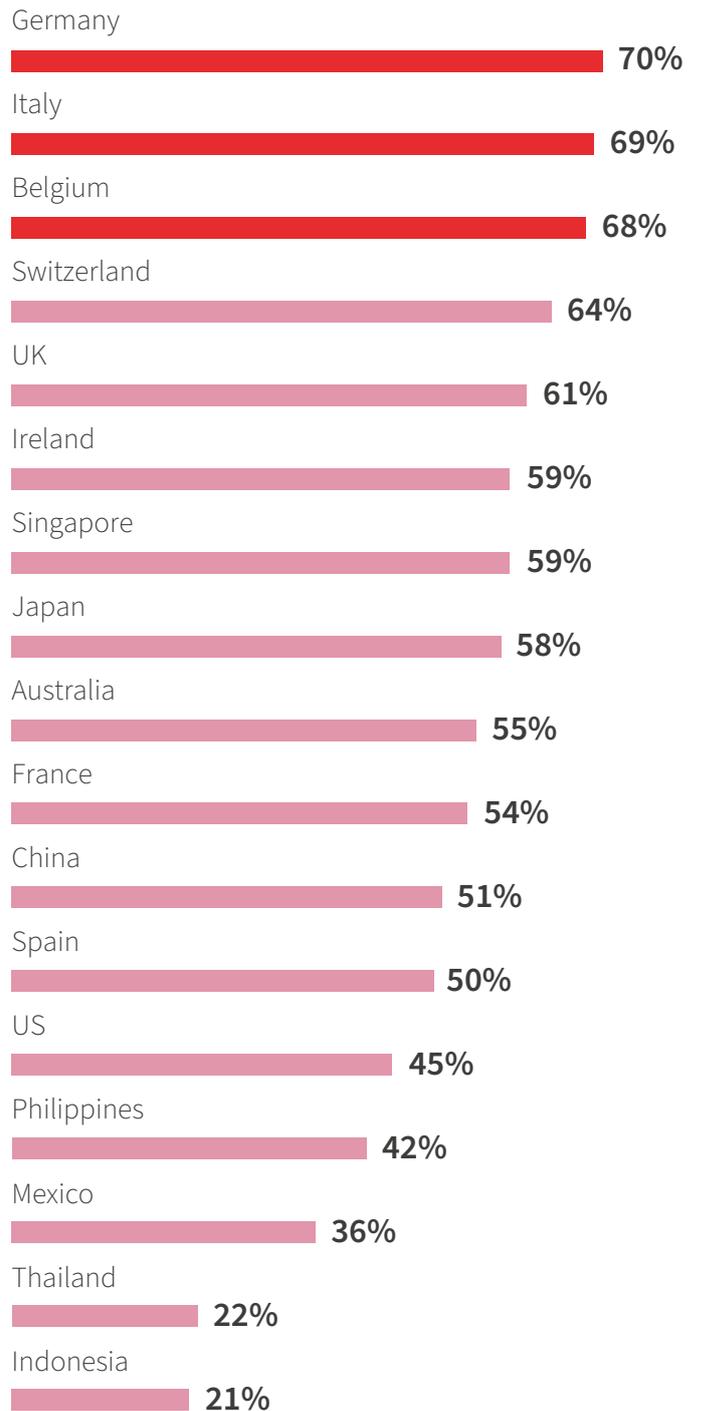


Fig 7 Q. Out of these 25 risks, please select the top five emerging risks that may have a significant impact on society at large in the next five to ten years.

Only 16% of experts believe public authorities are well prepared for climate change risk

■ Yes, absolutely ■ Yes, somewhat ■ No, not really ■ No, not at all

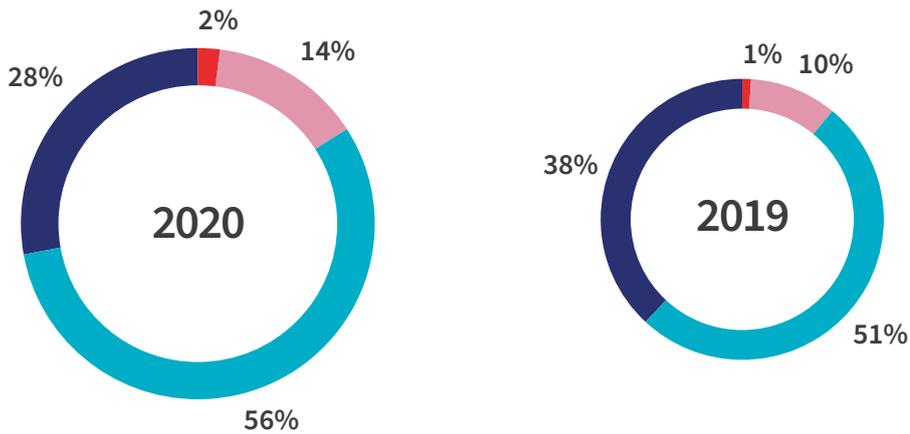


Fig 8 Q. Would you say that public authorities in your country are well prepared for the emergence of climate change risk?



What is AXA doing to tackle climate change?



Ulrike Decoene, AXA Group Head of Communication, Brand, and Corporate Responsibility

“Businesses should and will take a more active role in addressing climate change. To be meaningful, there must be a collective effort from institutional investors like us, corporates, and public authorities.

AXA has developed a clear climate change strategy. Its core elements are a commitment to achieve investment climate neutrality by 2050, double our green investment target to €24bn by 2023, launch transition bonds, and totally exit the coal industry through underwriting restrictions.

We are active members of the Net-Zero Asset Owner Alliance (NZAOA) and the Task Force on Climate-related Financial Disclosures (TCFD), and we chair the World Economic Forum CEO Action Group for a European Green Deal.

Corporates must engage firmly with the fight against climate change by adopting ambitious transition plans, and AXA, as an insurer and investor, is ready to support and help those corporates to transition to greener, more sustainable activities.”

Experts overlook natural resources risk as the biodiversity crisis accelerates



Like climate change, natural resource management and biodiversity risk have dropped down the agenda, and experts now rank this as the eighth-most-important risk to society: in 2019, they ranked it fifth and, in 2018, fourth. Experts outside Europe do not even consider it a top-ten risk to society.

They should not underestimate the threat. According to a major study by the UN, about one million animal and plant species are under threat of extinction – many within the next few decades.⁹ This is more than at any other point in human history, and it is not just an environmental issue: the UN finds that declining biodiversity will slow progress on 80% of its Sustainable Development Goals relating to poverty, health, hunger, and water.

There are multiple ways governments can address the decline in biodiversity, for example, promoting sustainable agricultural practices, fishing quotas, and green spaces in urban areas. But experts surveyed are not confident in public authorities' abilities: just 13% believe these bodies are prepared for the emergence of this risk, which makes it a risk they are second-worst equipped to handle.

⁹ United Nations, *Nature's dangerous decline 'Unprecedented'; Species extinction rates 'Accelerating'*, 6 May 2019



Reshaping the global climate agenda – Insights from Eurasia Group

In many ways, the COVID-19 pandemic demonstrates the trajectory of the world if climate change is not addressed. Zoonotic diseases—those that jump from animals to humans—and the effects of a changing climate share the same pathology in that they stem from physical and chemical changes in the natural environment and cause massive disruption to lives and livelihoods.

With a 1.5-degree temperature rise looking increasingly inevitable because of historical emissions, the physical impact of climate change is likely to interact with and help drive other emerging risks. Already, climate change is widely recognized as a primary source or accelerant of the forces leading to several political watershed moments in the past decade, including the Africa–EU and Central America–US migrant flows, the Arab Spring, and the conflicts in Yemen and Syria. Looking ahead, with changing temperatures and extreme weather events affecting populations around the world, the likelihood of local and regional conflicts over food, water, shelter, and energy can be expected to rise.

The question—brought into sharp relief by COVID-19—is when and how to bring about this decarbonization and keep the world focused on the challenges from a changing climate. From the early days of the crisis, there were calls to “#buildbackbetter” and implement “green stimulus.” Several governments have responded, led by the EU, and with notable commitments from South Korea, India, and Canada, channeling money into green projects in some cases and attaching green conditionality to a “vanilla” stimulus in others. China has

recently pledged to be carbon neutral by 2060. Several companies and investors have also heeded the call, committing serious amounts of cash and strategic capital to accelerate decarbonization.

But caution is warranted. Some governments—most notably the US, Brazil, and Mexico—have rolled back green programs or supported fossil fuel industries without green conditionality, thus potentially “locking in” additional greenhouse gas emissions. There is also some anecdotal evidence that companies and investors are paring back climate action because of economic distress, such as the shipping industry, where several owners and operators talked of slowing the transition of their fleets to decarbonized fuels because of a fall in shipping demand, as economic activity and trade have cooled.

Multilateral approaches to climate change were just starting to recover from the withdrawal of the US from the Paris Agreement, and now, the pandemic is accelerating a new form of climate multilateralism—one based on highly ambitious national and regional actions that raise the collective global bar. The EU’s Green Deal and its provisions on trade and border carbon adjustments have forced a rethink on climate action in countries that otherwise would not be predisposed to high climate-change ambition, for example, Brazil. Similarly, investor-led efforts have at least partially contributed to a change in approach from countries like Japan, which had initially resisted efforts to restrict overseas coal financing and issued a stronger national pledge, with both positions now under review.

Cybersecurity and geopolitical tension remain formidable foes

Experts and the public are on high alert

Cybersecurity has fallen one place to be the third-most-important risk to society in the next five to ten years, but it is still considered to be a major threat. More than half (51%) of experts identify it as a top risk. The public is also aware of this threat: computer-related risk is the threat they feel second-most vulnerable to.

COVID-19 has exacerbated cybersecurity risk. Many people now use more online devices and systems to communicate with colleagues, friends, and family, which increases the points of cyber vulnerability. And people working from home may also be using personal devices, which, unlike office equipment, may not be equipped with the latest cyber defenses.

The number of attacks has also increased.¹⁰ For example, phishing emails increased 600% between February and March 2020, as criminals used widespread awareness of the pandemic to lure people into clicking on dangerous content. And hospitals are prime targets: Brno University Hospital, for instance, the site of one of the Czech Republic's biggest COVID-19 testing laboratories, was forced to shut down its entire IT system after suffering a cyber-attack.

Cyber-attacks are a significant threat to society because they can strike anywhere—from a retail bank that holds the personal data of millions of customers to a utility that controls critical power infrastructure. And the increasing sophistication of attacks means that cybersecurity is also closely tied with another important risk—new threats

to security—which experts rank as their sixth-most-important, up from ninth place last year. Experts in the US, UK, Australia, and France are particularly concerned about new security threats. Of the experts that consider this a major risk, 47% say that cyber warfare is their main concern, up from 37% last year.

How can organizations respond? One of the most effective and overlooked methods is to extensively train the workforce, which means that cybersecurity spending must be maintained or increased. It may be tempting to reduce investment in the current economic climate, but it is a high-risk strategy.

“We worry that organizations are cutting their IT spend or delaying system upgrades to save money, but they really shouldn't, because the risk is elevated at the moment,” says Nancy Bewlay, Global Chief Underwriting Officer at AXA XL. “Organizations must do many things to protect themselves, and educating the workforce—which is the first line of defense—is particularly important. It's a great starting point if employees can practice safe habits and spot phishing emails and malicious links.”

¹⁰ Infosecurity, *COVID-19 drives phishing emails up 667% in under a month*, 26 March 2020



Cyber warfare considered the most important new threat to security

■ 2020 ■ 2019

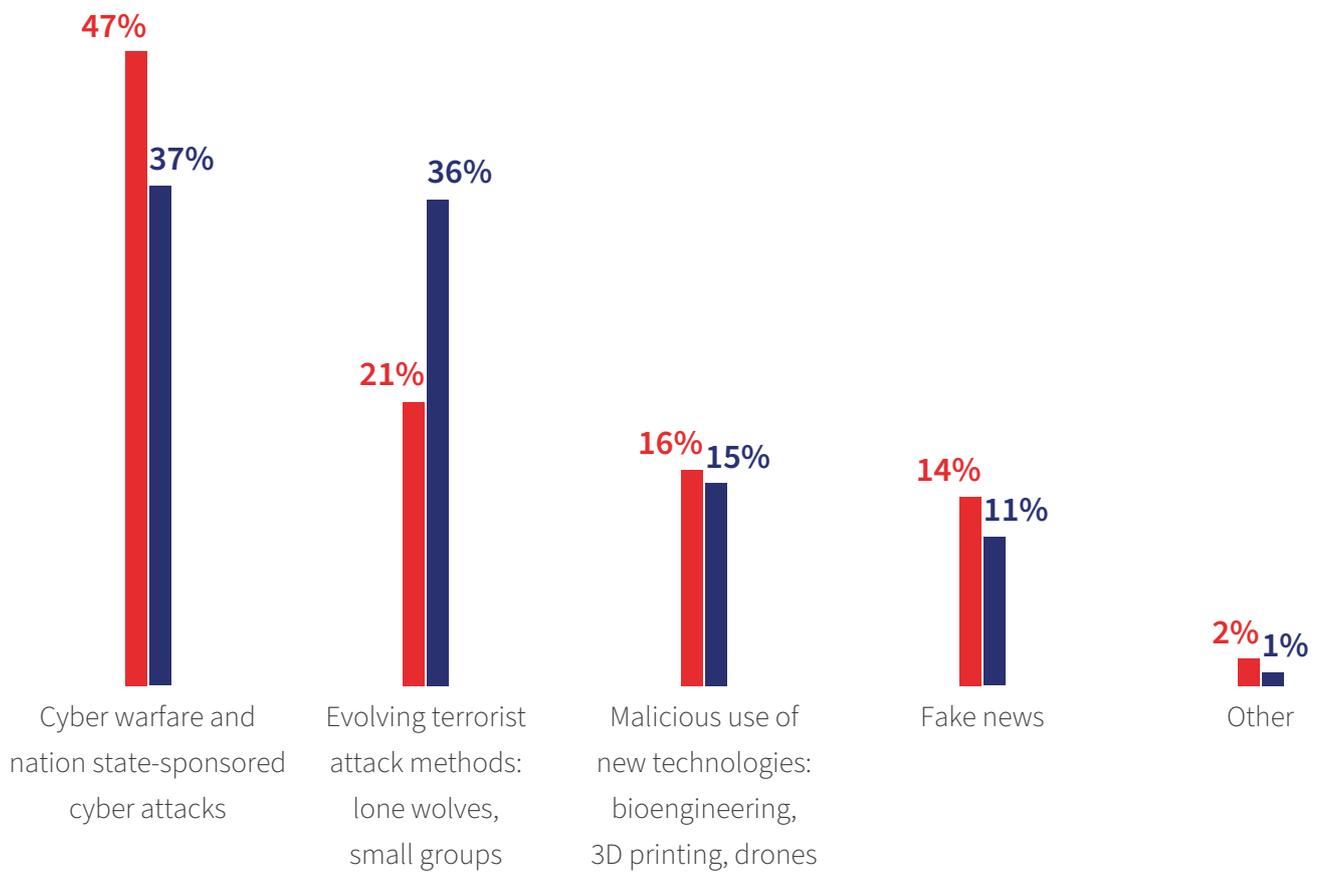


Fig 9 Q. What is your main concern about new threats to security?



Technology bolsters economic resilience to COVID-19: insights from Eurasia Group

As the COVID-19 virus spread around the world earlier this year, rapid lockdowns forced millions of citizens, students, and businesses to shift their work, education, and entertainment to a digital world. This was an unprecedented transition, compressing several years' worth of evolution in digital business models into a few months.

Most notably, the pandemic has showcased the strength of the internet. Despite some early concerns about how telecommunication and data networks would handle substantially increased loads, in general, internet infrastructure has held up well during the crisis. Telecommunication carriers, internet service providers, and related companies adapted to meet extraordinary demands on bandwidth, with internet traffic rising 60% in some regions, according to the OECD.¹¹

The fact that the rapid and unprecedented shift to distance working and learning via broadband occurred without major damage or disruption to the service underscored the basic underlying resilience of the internet's decentralized architecture and investments in facilities-based services in most countries.

The consequences of this resilience can't be overstated: although economies around the world took severe hits as governments imposed lockdowns to contain the virus, the ability to shift rapidly to online business and commerce via video conferencing, email, and social media messaging apps likely averted an even more severe economic crash, rise in unemployment, and associated welfare losses.

Despite this notable success, business continuity is now increasingly reliant on a small number of influential technology companies. As lockdowns took hold, previously unknown videoconferencing apps became household names overnight, as millions of companies and households came to rely on their services to conduct business and stay in touch with friends and family. Grocery stores, restaurants, and other retailers adapted to an unprecedented shock to their business models by embracing online ordering and delivery. E-commerce sites became hubs for the distribution of essential goods, including personal protective equipment. Digitalization now appears to be a vital prerequisite for businesses. Only a year ago, it may have been just one component among others in a long-term strategy.

¹¹ OECD, *Keeping the internet up and running in times of crisis*, 4 May 2020

Geopolitical risk drives businesses to reassess supply chains

Surveyed experts rank geopolitical instability as the fourth-most-important risk to society; last year, they ranked it third. This does not mean that geopolitical risk is subsiding; it has slipped one place in the rankings to accommodate the surge in the importance of pandemic risk.

Of the experts who consider geopolitical tension an important emerging risk, 51% are most concerned with the rise of nationalism and populism, while 31% are most worried about tensions between nation-states.

Geopolitical risk encompasses several intricate issues, from the erection of non-tariff trade barriers to the undermining of global multilateral institutions, many of which have become more complex because of COVID-19.

For example, many governments around the world have taken ownership stakes in strategically important businesses to prevent them from going bankrupt during the pandemic. With greater control of businesses, they may be tempted to use protectionist measures, such as stopping investment from a foreign-owned competitor or setting import restrictions.

“I’m concerned that we might go back to the 1950s and 1960s type of day-to-day government management of companies,” says Gilles Moëc, Chief Economist of AXA Group. “Companies that received a lot of support from the state during COVID-19 will, to an extent, come under state control. And with populations needing results, it will be very tempting for governments to protect national champions. I’m seeing a lot of temptation to go back to some pretty inefficient practices.”

“Many businesses are re-evaluating their supply chains, especially if they are very complex—across a number of countries, with inter-related suppliers. When there is a sudden pandemic, trade tariff, or cybersecurity event, you need supply chain resilience, and complex supply chains are not conducive to this. It may not be the most cost-effective supply chain, but it may be better to incur higher costs and have more flexibility.



— Scott Gunter, CEO, AXA XL

The extent to which geopolitical instability is perceived as a significant emerging risk varies by country. In China, for example, 69% of experts consider it a major risk, which makes it the joint-most-important emerging threat alongside cybersecurity. Large proportions of experts in Belgium (56%), Australia (48%), Germany (47%), and France (45%) also consider it a major risk. In contrast, it is a major risk for fewer than 30% of experts in Thailand, the Philippines, Indonesia, Ireland, and Mexico.

How can businesses respond? With geopolitical tension and the impact of COVID-19 in mind, many are looking at their supply chains: reducing their dependency on certain suppliers, or suppliers from particular countries, and creating more flexible and/or regionalized supply chains.

Experts in China are most concerned about geopolitical tension

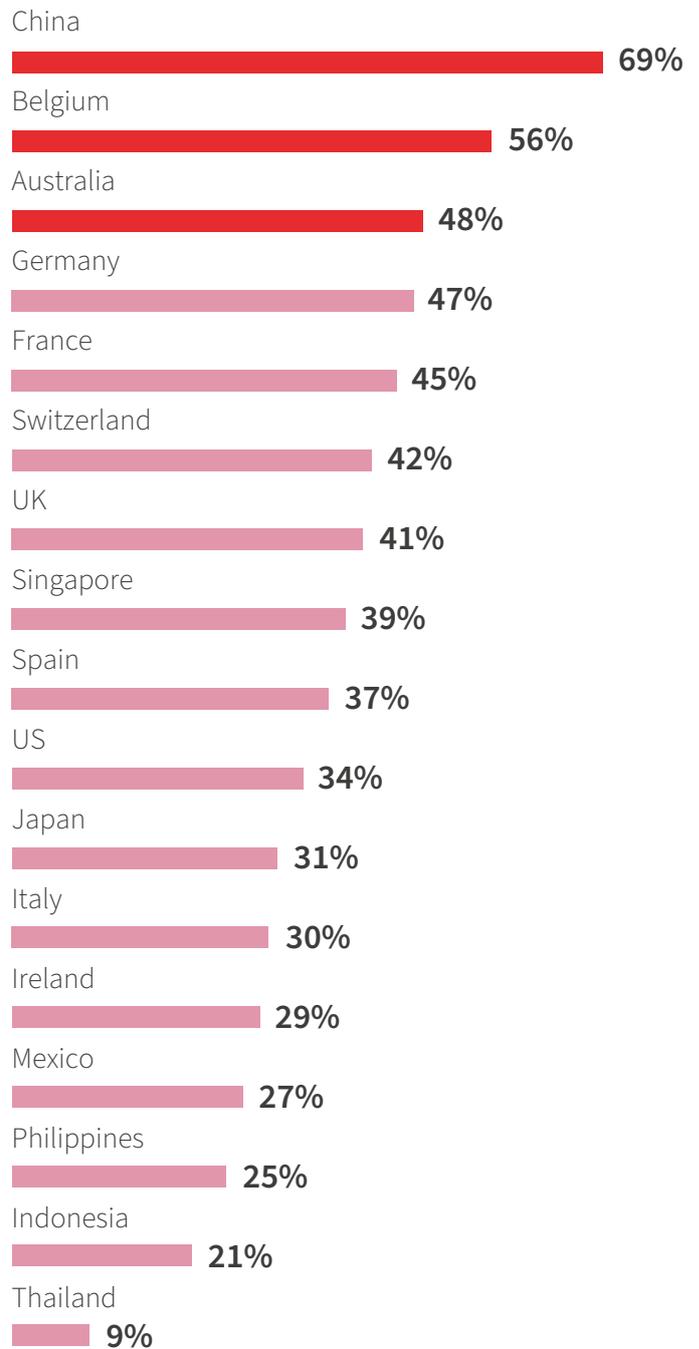


Fig 10 Q. Out of these 25 risks, please select the top five emerging risks that may have a significant impact on society at large in the next five to ten years.



Trade, supply chains, and deglobalization in the COVID-19 era: insights from Eurasia Group

The pandemic is likely to play a major role in helping reshape global supply chains. It will undoubtedly produce additional friction to cross-border trade and investment, aggravating nascent trends toward the nationalization and regionalization of supply chains and broader deglobalization forces in play before the pandemic. Already, COVID-19 has generated destabilizing shocks across many global industries. Some of these, of course, have come from the sudden decline in demand, but longer-lasting effects may happen on the supply side from permanent job losses and the disruption to supply chains.

The slowing (or, in some cases, ending) of production because of COVID-related disruptions is resulting in some shortages of essential goods (including medical equipment, pharmaceuticals, food, and other basic essentials) and difficulties in distributing them to where they are needed.

Moreover, as the political backlash and, in some cases, outright social unrest faced by governments perceived to have mishandled their crisis response grows, many governments will intervene in certain industries because of their importance to the overall economy, people's basic well-being, and governmental control and security. Governments that are concerned about social discontent and local conflict may be more willing to intervene in the economy to the extent of mitigating social unrest.

Economic nationalism will accelerate in the name of post-pandemic security.

In recent years, several governments, including the United States, have taken actions widely viewed as nationalist. They have implemented protectionist trade policies on global trade, including more frequent use of tariffs and non-tariff barriers; they have increased barriers to immigration and disregarded, or even actively weakened, international organizations meant to foster multilateral governance. More global data flows are now subject to data localization policies and pressures than they were a few years ago. A number of developed economies, reacting to the rise of populist and nationalist forces in their own countries, have been more sensitive to concerns that globalization has damaged their domestic industrial and manufacturing capacity, and they are now more actively trying to “reshore” much of this capacity.

Following the pandemic, national security concerns will increasingly be injected into efforts to regulate once largely neglected strategic sectors. In other words, governments will argue that enhanced state intervention is needed to ensure national economic and security interests; healthcare, food, and technology are the three national security domains most likely to attract heightened scrutiny in the wake of the pandemic.

Experts now comfortable with tech risk, but new threats emerge

Experts appear less alarmed about the impact of technology-related risks on society this year. For example, they ranked artificial intelligence and big data as the sixth-most-important risk in 2018 and 2019, but only as the twelfth-most-important risk this year. In addition, fewer experts consider several technology-related risks to be “rapidly emerging” this year. For example, the proportion that considers risks associated with disruptive technology and artificial intelligence to be “rapidly emerging” has fallen by around 15 percentage points compared with 2019.

Why are technology-related risks now considered less important? Perhaps it’s because COVID-19 has triggered a surge in the use of technology, whether it is families communicating for the first time via video conferencing platforms, bank customers increasingly seeking assistance via online channels, or manufacturing businesses investigating the potential of robotics to replace manual workers on production lines. As individuals and businesses become more familiar with technology and better understand the benefits, they may be more accepting of the risks and the downsides of technology.

This is illustrated by the major fall in the ranking of risks relating to medical advances and innovations. Experts

ranked this risk 22nd in 2020, a sharp decrease from 13th in 2019. This is likely because, in the current climate of heightened health concerns, people are perhaps more accepting of the potential risks associated with medical advances and innovations if it provides them with access to higher quality healthcare.

But new technology-related threats are looming. For instance, although experts only rank ethical risks regarding the use of technology as their fourteenth-most-important emerging risk, the proportion who say the public is aware of this threat rose to 32% from 19% last year.

Ethical risks associated with technology of most concern are data privacy and the potential for algorithms to entrench bias and discrimination. As technology is increasingly deployed by businesses and governments, public perception of this risk will continue to worsen unless careful steps are taken to rid bias from any technology. For example, algorithmic bias dominated the news agenda in the UK for a number of days in August 2020 when it was revealed that the technology used to generate student grades in lieu of exams disproportionately lowered the grades of pupils living in poorer areas and not attending private schools.

“ Advanced technologies, such as AI and machine learning, are increasingly being used to predict the future. There’s a real risk that these predictions will be wrong or biased if the models are incorrect or are not based on enough data.



— Nancy Bewlay, Global Chief Underwriting Officer, AXA XL



Mental health and misinformation: candidates for tomorrow's top threat

Although pandemics and infectious diseases were only considered the eighth-most-important emerging risk last year, we flagged it as an under-the-radar threat that had the potential to cause significant disruption. This year, we highlight two additional risks that

may be underestimated for now: mental health and misinformation. These are not new, yet both threats have the potential to grow exponentially in the aftermath of COVID-19.

“ Understanding the factors influencing mental health issues in this unique setting is very important for us so that we can extend our help in the right direction. Therefore, we triggered a conversation on this very relevant topic by surveying 5,800 people during the lockdown across seven countries: Belgium, France, Italy, Germany, Switzerland, the UK, and Spain. We have derived unique insights and strong learnings that can help individuals and society as a whole. The grave effects of the pandemic on mental health inspired us to carry out this study.



— Antimo Perretta, CEO, AXA Europe

(Check out [A Report on Mental Health and Wellbeing in Europe](#) to be published on October 8 at [axa.com](#))

Mental health: COVID-19 intensifies an existing major challenge

Only 7% of surveyed experts identify changing health practices and new occupational diseases, including mental health, as a major emerging risk to society, meaning it does not even enter the top 20 most-important threats.

However, mental health challenges must not be overlooked. Depression affects 264 million people globally. Suicide is the second-leading cause of death in those aged 15–29, and more than one in five people that live in a region impacted by conflict have a mental health condition.¹² The human cost is vast, but so too is the impact on the economy: depression and anxiety cost the global economy more than \$1tn per year.¹²

This was the situation before COVID-19 unfolded. The United Nations predicts that the pandemic has the potential to make the situation much worse, potentially causing a major global mental health crisis that will affect children, young people, and healthcare workers.¹³ In addition to the trauma caused by disease and death, social isolation and economic uncertainty have heightened anxiety and depression.

This is reflected in our survey data: 58% of surveyed individuals say that emerging risks are already affecting their mental health or that they will in the future. Individuals in Hong Kong, Japan, China, and Australia are most likely to say that emerging risks are already or will soon affect their mental health.

Public investment in prevention and treatment services has not kept pace with the growing problem. Countries, on average, spend just 2% of their health budgets on

mental health.¹² No wonder 81% of experts do not believe public authorities are prepared for the emergence of health-related risks.

Businesses can play a role too. “A lot of companies look after their employees’ health through offering health insurance, which is useful, but primarily focuses on physical health,” explains Karima Silvent, AXA Chief Human Resources Officer. “Companies can do more on mental health by educating managers about it because, while they can’t necessarily solve the issue, they can be equipped to identify and discuss issues with employees and direct them to where they can receive support.”

By addressing mental health as a key component of the response to the pandemic, countries, businesses, and the general population can emerge much more informed about mental health and better prepared to identify and treat conditions when they arise.

More than half of individuals believe emerging risks have already or will shortly affect their mental health

■ Yes ■ No, but it will happen in the near future
■ No and it won't happen

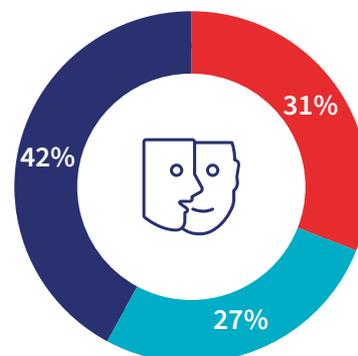


Fig 11 Q. Have these risks had any of the following consequences? (Answer with respect to mental health)

¹² United Nations, *COVID-19 and the Need for Action on Mental Health*, May 13 2020

¹³ World Economic Forum, *U.N. warns of global mental health crisis due to COVID-19 pandemic*, May 14 2020

“ People are stressed about keeping themselves and their families safe and healthy, and also anxious and depressed due to the lack of job security, the uncertainty ahead, and prolonged social distancing measures. As demand for mental healthcare increases, support services will overload. If this situation persists, there is a possibility that this will lead to a social crisis.



— Sally Wan, CEO, AXA Hong Kong and Macau



What is AXA doing to improve mental health?

Gordon Watson, CEO, AXA Asia

Sally Wan, CEO, AXA Hong Kong and Macau

“As a responsible and committed insurer in Asia, we acknowledge the mental health challenge and have devised intervention measures for the benefit of our employees, customers, and other stakeholders. We are on a mission to overcome mental health stigma. By leveraging our expertise, we plan to create and promote treatment and intervention strategies aimed at creating a more resilient and inclusive society.

One example is Mind Charger, which we developed in partnership with a mental health start-up in Hong Kong. This free support service offers mindfulness advice that helps people relax, unwind, and tackle challenges. It is offered to not only all AXA customers but also the wider community.

We have also developed what we call a “Mind Health Program”, a comprehensive mental health scheme for businesses that provides mental health education, prevention, and support. It includes a full calendar of talks, webinars, and events designed to raise awareness of and eradicate stigma about common mental health conditions.

In addition, across Asia, we will give away five million free teleconsultations to help improve the health and well-being of customers who have either been in lockdown, cannot access healthcare or would prefer the convenience of a digital healthcare solution.”

Fake news and misinformation undermine the understanding of emerging threats

Today, surveyed experts do not consider emerging risks associated with fake news and the spread of misinformation a top priority. Illustrating this, just 14% that consider new threats to security a major emerging risk are primarily concerned about fake news.

Yet this emerging risk requires close attention. Politicians around the world have criticized other nation-states of interfering in their democratic processes by accelerating the spread of misinformation. Fake news also impacts public health. In February 2020, the World Health Organization warned that the rapid spread of misinformation about COVID-19—a so-called infodemic—made it difficult for people to find reliable advice.

“The speed at which misinformation spreads has been amplified exponentially by the proliferation of smart phones and social media,” says George Stansfield, AXA Deputy Group CEO and Group General Secretary. “There’s a huge risk of blurring between fact and opinion and that science is debased.”

The spread of misinformation about COVID-19 and the resulting underestimation of its severity among some sections of the population illustrates the profound impact that it has on the public’s understanding of emerging risks. Only by fully understanding and recognizing the risks that society faces can we start to address them.

To conclude, as one surveyed expert put it, “currently, most communication to the public about highly complex issues reduces them to soundbites. The interconnectedness of cause and effect on these highly complex risks needs to be understood and communicated in a way where we can understand what decisions will have the greatest positive impact on reducing the risk without negatively affecting something else. Perhaps the biggest emerging risk is our ever-reducing faith in science and facts.”



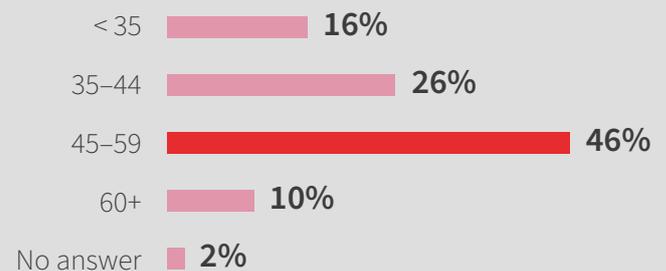
About the research

The Future Risks survey targeted two different groups: experts, as in 2019 and previous years, and the general population. This is the first year that the general population has been surveyed for this report.

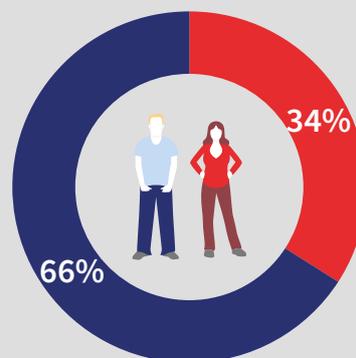
For the expert survey, AXA invited its community of internal experts, partners, clients, and peers to answer the survey based on their knowledge of risk-related matters. More than 2,600 experts from 53 countries in all continents answered online from June 26 to July 17, 2020.

The sample of experts who participated in the 2020 survey is 63% larger and more diverse than last year. More than 1,600 AXA experts participated in the survey: they mainly came from professional disciplines with a strategic outlook on risks, such as risk management, underwriting, distribution, IT and security, or finance.

Age of respondents



Gender of respondents



For the general population survey, 18,997 interviews were conducted online in 15 countries via Ipsos Access Panel, from July 2 to July 21, 2020.

Representative samples of the population aged 18 years and over were interviewed in each country (5,000 people in the US, 1,000 people per country everywhere else). Quotas were applied to gender, age, occupation, region, and market size.

