RESILIENCE BAROMETER®

SOUTH AFRICA

OCTOBER 2021

Rebuild **Resilience.** Protect **Value.** Deliver **Growth.**

EXPERTS WITH IMPACT

Contents

Introduction

The FTI Consulting Resilience Barometer® provides a guideline to companies on how to navigate the continuing disruption and uncertainty and increase their resilience: that is, to ensure they are prepared for whatever comes next.

The emergence of new, vaccine-resistant COVID-19 variants was the most common concern (48%) among G20 companies across almost all jurisdictions and industries. In South Africa, however, it was ranked only fourth (45%). Moreover, concerns differed significantly on a jurisdictional level: more than half for our Asian respondents, compared to 40% of EU and UK respondents and 33% of US respondents.

Rising unemployment was the second most common concern cited by G20 business leaders. While this was true across almost all jurisdictions and industries, in South Africa, this was ranked the most common concern (62%).

In preparing for a post-COVID world, organisations must balance short-term imperatives against longer-term focus to rebuild resilience and protect value. FTI Consulting's Resilience Agenda provides fact-based and timely insights to enable decisions in a volatile and changing environment.

At the dawning of the post-pandemic era, facing unprecedented technological disruptions, rapidly outdating business models and the exposure of socio-economic fault lines – of which there will be far-reaching repercussions – C-Suites confront a concoction of risk. And looming over this mix, exacerbated by rising unemployment, ongoing corruption and financial criminality abetted by cybersecurity threats is the concern of new vaccine-resistant COVID-19 variants. How companies emerge into the light of day will depend on their resilience — their ability to successfully mitigate the risks and threats through informed insights and solid preparation.

"As the world's financial, political and social landscapes continue to shift, businesses face an increasingly complex and interconnected range of strategic challenges to their security and growth. From technological transformation and regulatory investigations to financial crime and employee wellness, new threats continue to emerge across every area of business, and within every jurisdiction in which G20 companies operate."

STEVEN GUNBY
President and Chief Executive Officer
FTI Consulting

C-Suite concerns

GLOBAL C-SUITE CONCERNS

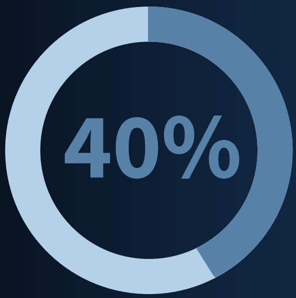
Unsurprisingly, the potential emergence of new, vaccine-resistant COVID-19 variants was the most common concern among G20 companies.

With
48%
reporting this fear.

This was true among all
jurisdictions and industries; however, the extent of the concern differed significantly on a jurisdictional level.

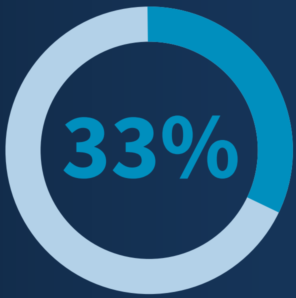
Well over half
our Asian respondents cited this as a concern,

compared to just



of EU and UK respondents

and

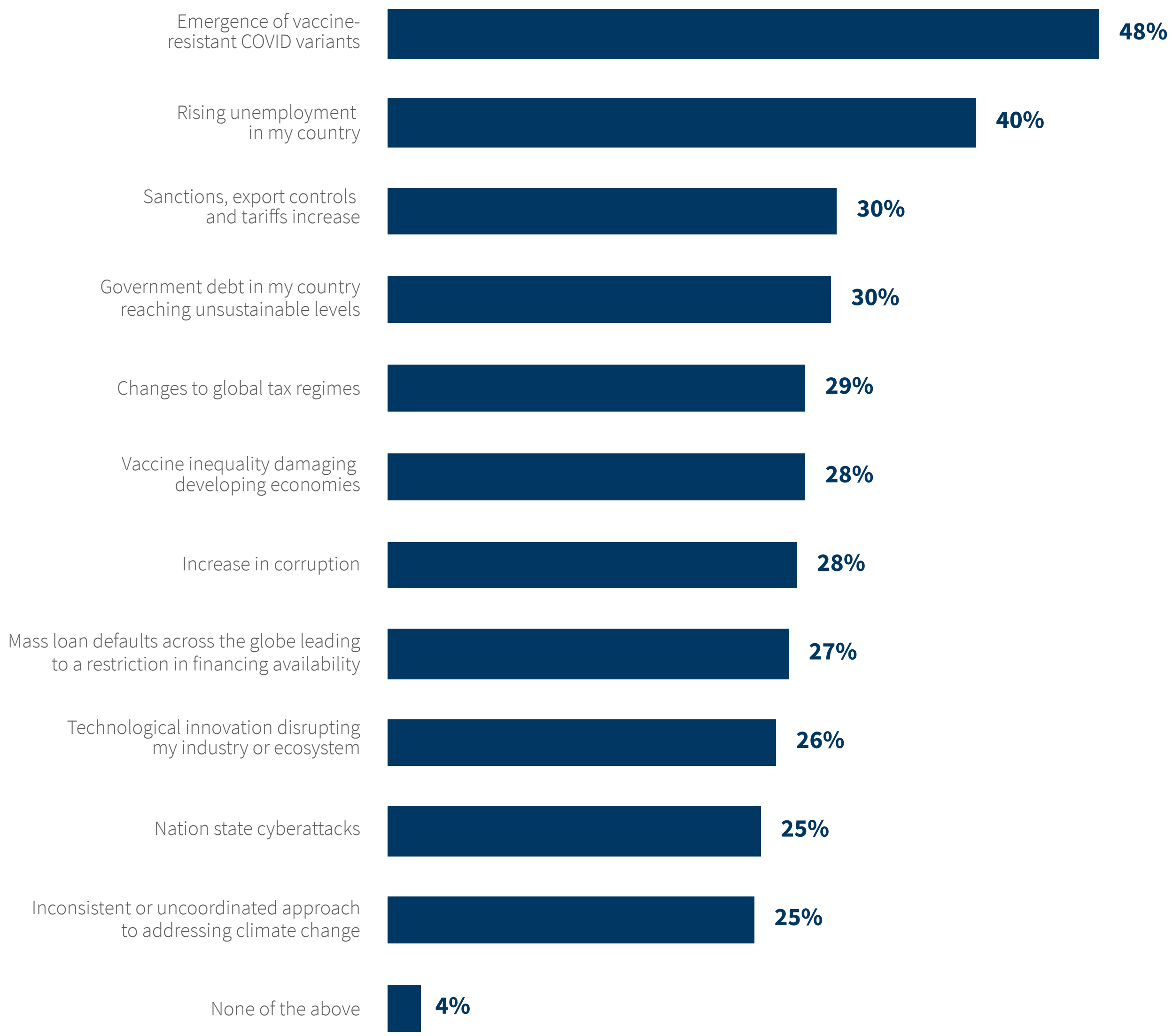


of US respondents.

Rising unemployment was the 2nd
most common concern cited by G20 business leaders – again, this was true across almost all jurisdictions and industries.

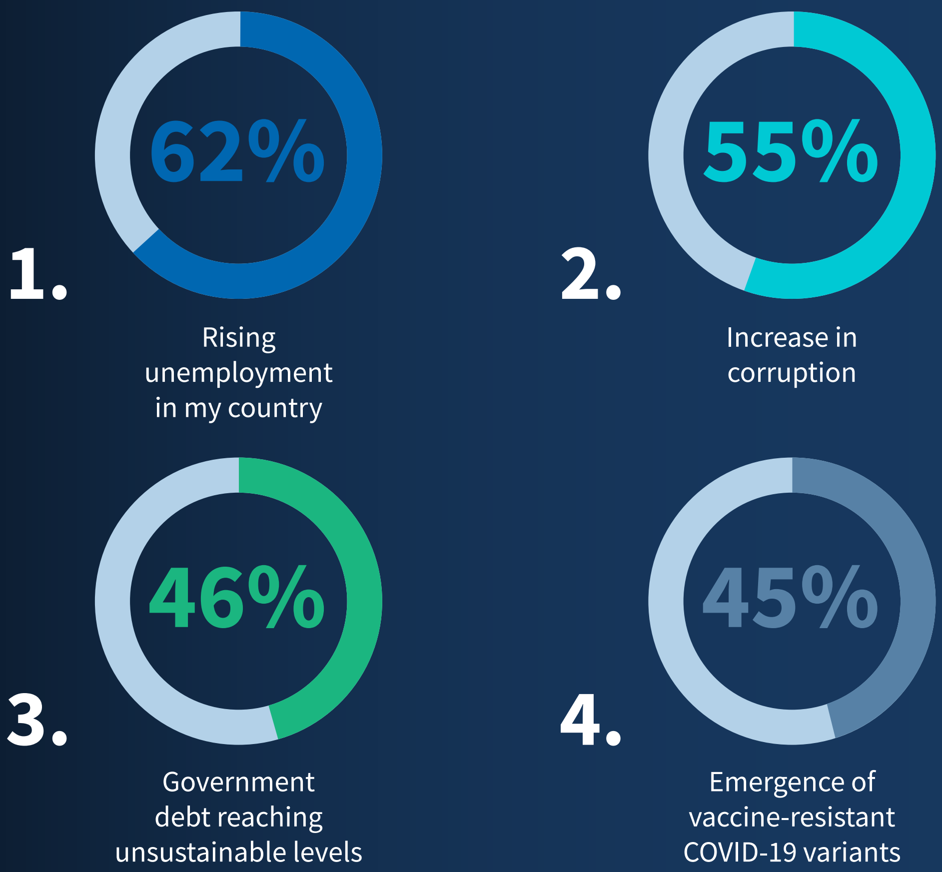
In response to the question:
"Which of the following are concerning scenarios over the next 12 months?",
the breakdown globally was as shown in the bar chart below:

GLOBAL C-SUITE CONCERNS



SOUTH AFRICA C-SUITE CONCERNS

For South Africa, rising unemployment was the most common concern (62%), ahead of increasing corruption (55%) and unsustainable government debt (46%). The emergence of new COVID-19 variants was the fourth most common concern cited (45%).



South Africa's economic outlook

South Africa's official unemployment rate rose to 34.4% in the 2nd quarter of 2021, while the expanded unemployment increased to 44.4%. These rates reflected the severity of the impact of the COVID-19 pandemic on the economy.

GDP

7.2%

South Africa's lacklustre performance in terms of GDP was worsened by the economic recession that characterised 2020. GDP declined by 7.2% in 2020, with National Treasury predicting that real GDP will only return to pre-pandemic levels (i.e., levels recorded in the 4th quarter of 2019) by the 2nd quarter of 2023.

Consumer spending decreased significantly across all classes of goods in 2020:

- durables (-5.90%),
- semi-durables (-16.1%),
- non-durables (-3.8%)
- and services (-5.9%).

While recovery is anticipated in 2021 and 2022, this will be slow, particularly in the services industry, including tourism, restaurants and entertainment – all large employers in the South African economy. International travel restrictions and non-pharmaceutical interventions to manage the transmission of COVID-19 within the local population have disproportionately affected these sectors.

CONSTRAINTS

In addition, South Africa faces major structural binding constraints on expanding its GDP. These include an unreliable energy supply and poor internet access, both of which are fundamental to achieving economic growth that is inclusive and sustained. Lack of clarity on when and how these constraints will be addressed places doubt in the ability of the economy to self-correct.

COVID-19

45%

Coming off the end of almost two years of operating in a pandemic, it is surprising that only 45%[1] of respondents saw a danger in the emergence of vaccine-resistant COVID-19 variants. Yet good lessons were learned (as is shown on page 20 under the Crisis chapter).

SOUTH AFRICA RESULTS AND TOP FINDINGS

40%

While rising unemployment was the second most concerning scenario for G20 companies (40%),

- it was top of the list for South Africa (62%),
- ahead of increasing corruption (55%)
- and unsustainable government debt (46%).

The emergence of new COVID-19 variants was the fourth most common concern they cited (45%).

"At the dawning of the post-pandemic era, facing unprecedented technological disruptions, rapidly outdating business models, and the exposure of socio-economic fault lines – of which there will be far-reaching repercussions – C-Suites confront a concoction of risk. And looming over this mix, exacerbated by rising unemployment, ongoing corruption and financial criminality abetted by cybersecurity threats, is the concern of new vaccine-resistant COVID-19 variants. How companies emerge into the light of day will depend on their resilience – that is, their ability to successfully mitigate the risks and threats through informed insights and solid preparation."

PETRUS MARAIS
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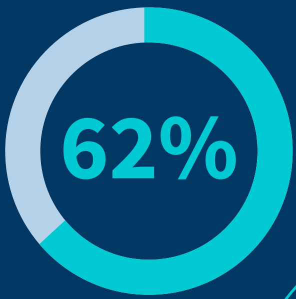
[1]Q14

1. RISING UNEMPLOYMENT IN SOUTH AFRICA [62%]



When respondents were asked regarding how likely and how concerned they are with regards to rising unemployment in their country for 2021, key outtakes were as follows:

How likely is a rise in unemployment?

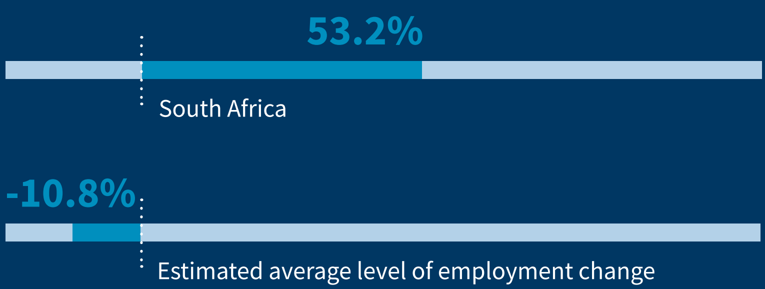
79.5% is the average score for the G20 countries combined.

With South Africa at **85.17%**

Mexico scoring the highest at **93.96%**

The majority of the respondents indicated it is likely.

Respondents indicated an estimated reduction in the level of their employment:



Of particular concern is the unemployment rate among South Africa's youth.

64.4% of 15 to 24-year-olds were unemployed in the 2nd quarter of 2021.

42.9% of 25 to 34-year-olds were unemployed.

42.0% of 15 to 34-year-olds were classified as "not in employment, education nor training".

86%
of respondents said they were most concerned with rising unemployment, making South Africa the most concerned country in the G20.

12.4%
is the score for the G20. South Africa's reduction in the average estimated level of employment is therefore slightly better.

-20.1%
was the average level of South Korea.

4%
is approximately the unemployment rate for South Korea.

30%+
is approximately the unemployment rate South Africa.

COVID-19 and the consequent economic effects have meant significant job losses for the people of South Africa. Many families have been affected, and our future generation (the youth) are affected immediately and in the long run. The impact of COVID-19 on access to education has been significant and disproportionately affected learners in poorer households. This immediate effect will have long-term consequences, which, coupled with the direct employment effects of COVID-19, are concerning.

2. CONCERN FOR THE INCREASE IN CORRUPTION IN SOUTH AFRICA [55%]

Corruption remains a significant challenge for South African businesses, with 55% believing that corruption will increase from its already unacceptably high levels.

This is not surprising given that the pandemic requires changes to business models, increased digitisation and digitalisation, and hybrid or remote working environments, among other disruptions. These situations of rapid and dramatic change are known to facilitate abuse by fraudsters.

The COVID-19 outbreak has brought about unexpected risks that companies were unprepared to deal with despite already having crisis response plans in place.

Respondents indicated an increase in corruption is likely in 2021

85.14%

of South African respondents indicated an increase in corruption compared to 79.48% for the G20.

97.75%

was the respondents score for Brazil, making it the country with the highest level.

The COVID-19 pandemic has exposed governance failures worldwide and led to increased calls for fundamental changes to our global political, economic and social systems. Against the backdrop of a looming global recession, addressing corruption and the misappropriation of state resources remains as important as ever.

South Africa needs to take firm action to protect limited state resources and ensure good governance of public finances if it is to deliver to its people the basic rights enshrined in its constitution and attract the necessary investment needed to fuel future economic growth.

57% will invest in technology to improve conducting and refreshing due diligence, activity monitoring and investigative data interrogation to meet the corruption challenge.

83% agree that greater transparency and increased availability of ultimate beneficial ownership information will help in the fight against corrupt activity.

Despite the widespread negative economic impacts wrought by the COVID-19 pandemic, the current political climate provides a unique opportunity to reinvigorate the country's fight against corruption.

To deal with corruption, the cabinet and the governing party have proposed various measures ranging from criminal prosecution to requiring officials to step down from public office if charged.

It is encouraging to hear the robust anti-corruption statements from the senior leadership in both government and the ANC and the initiatives and proposals of several courses of intended action.

The business community – and society at large – remains optimistic that a demonstratable "line in the sand" has been drawn and that action will be taken to push back against the malfeasances of state capture.

> "The exposure of corruption by various judicial commissions has heightened awareness and, slowly but surely, more matters are making their way through the judicial process of arrest and prosecution. In addition, while the police services and prosecution authorities remain under-resourced, we are starting to see consideration for non-trial resolution of criminal matters, such as plea bargains and deferred prosecution agreements, to speed up the imposition of penalties and sanctions."

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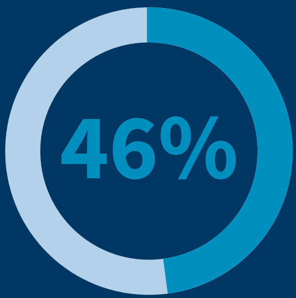
3. CONCERN FOR UNSUSTAINABLE GOVERNMENT DEBT [46%]



In Q2 2020, GDP contracted 17.1% relative to Q2 2019, primarily due to the economic impact of COVID-19.

Those worst affected by the economic decline have been those with the most tenuous links to the labour market. These are also the workers who will find it most challenging to secure employment following retrenchment. This has important implications for the socio-economic reality of South Africa and the level of inequality in the country.

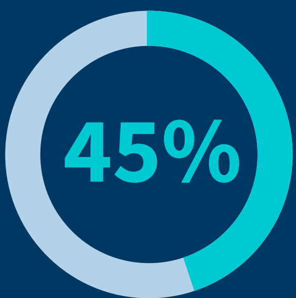
The criticism of ratings agencies and their role was amplified by the pandemic.

Within **06** months of the pandemic striking in 2020, **11** countries on the African continent were downgraded.

Some of the accusations are legitimate: the need for greater competition (three agencies control more than **90%** of the business), more rigorous regulation, greater transparency and accountability of the ratings process.

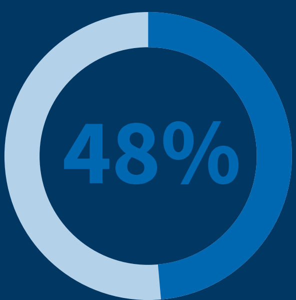
However, they remain an important mechanism to access global capital markets, a necessary source of funding for African sovereigns.

4. CONCERN FOR THE EMERGENCE OF NEW COVID-19 VARIANTS [45%]



Estimates from the Coronavirus Rapid Mobile Survey, which was run for participants in the National Income Dynamics Survey (NIDS CRAM Survey), indicated that unemployment related to the restrictions put in place to manage COVID-19 disproportionately affected vulnerable groups such as women, workers with relatively low levels of education, and younger workers.

Against South Africa's backdrop of persistent and deepening inequality, this is concerning for the socio-economic wellbeing of large parts of the population.



is the rating that G20 companies identified the potential emergence of new, vaccine-resistant COVID-19 variants as their uppermost common concern.

However South African companies only ranked it **4th**

Key findings in South Africa

Our team looked at findings in five key areas to further focus the Resilience Barometer® on issues specific to South Africa.

1. Financial Crime and Risk
2. Cybersecurity and Data Privacy
3. Media Scrutiny
4. Environmental, Social and Governance (ESG)
5. Crisis

The survey segmented these areas to provide detailed and relevant insight into the concerns of South African companies and how the best companies – the most resilient – can translate their preparedness into a competitive advantage.

1. FINANCIAL CRIME AND RISK

For the past decade or more, financial crime has been a top-of-mind agenda item for most of the board meetings of financial institutions in South Africa.

Specific questions were aimed at exploring the concerns of exposure to financial crime, the increasing incidences of company investigations, and company risk (for example, related to third-party data, anti-trust risk, sanctions and cryptocurrency).

Financial regulation and anti-money laundering

Considering the number of fraud events and the frequency of scandals reported in the last few years, it is not surprising that most South African businesses sentiment is that a growing number of criminals are exploiting the financial system.

"Financial regulation and anti-money laundering is increasing"

78%

of South African businesses agreed.

51%

of those businesses “strongly agreed” with this sentiment. This number is a relatively high percentage compared to

38%

of the global statistics, showing that companies strongly agreed with the statement.

There is no denying the strong perception that fraud and financial misstatement are rising –

26%

of respondents expected to be investigated by regulatory or government bodies in the next 12 months.

Top concern

said that their companies "relationship with public bodies or government contracts" would expose them to an investigation

2nd concern

said that the recent commencement date of important sections of the *Protection of Personal Information Act, 2013*, data privacy was another investigation concern.

In line with the significant focus by our European counterparts under the 5th EU Money Laundering Directive,

4/5 (83%[4])

of South African participants in the financial industry agreed that access to greater transparency and availability of beneficial ownership information would help their business tackle financial crime.

[2]Q26 and [3]Q24 and [4]Q26

Many have argued that access to (currently unavailable) beneficial ownership information would enable businesses to see through the veil of corporate structures that have been set up to conceal the benefit of politically exposed persons and financial criminals.

In comparison to the G20 countries, the South African financial industry appears to have a lower risk appetite when accepting clients from jurisdictions with a high financial crime risk.

4/10 (45%)

of South African respondents in the financial industry indicated that they would accept clients from a higher risk jurisdiction versus

7/10 (71.91%)

in the G20 financial sector.

> "In response to the growing risk of financial crime, businesses increasingly must implement risk identification and mitigation strategies. 52% of South African businesses are taking steps to review client bases and refreshing due diligence information due to changes in greylist and blacklist records. This indicates a need for companies to know who their clients are and understand their risk profiles."

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There is alignment between South Africa and the G20 when the risk crypto-assets bring to the table are under discussion. Both South African and the G20 financial industry agreed that crypto-assets increase the financial system's exposure to financial crime risk.

78.57% of the participants

expressed their concern about potential risk exposure concerning crypto-assets. As we understand the financial crime risk regarding crypto-assets better in the future, we might build controls that will sufficiently deal with the potential risk and fully embrace growth in this area.

71.43% & **84.55%**

of respondents in the financial industry of respondents in the financial industry of South African and G20, respectively, indicated that they have sufficient resources to control sanctions risk, compared to a few years ago, when the resources constraint was not only a local but a global challenge.

This seems to be replicated for the automated solutions and technological resources needed of financial institutions –71.43% of the South African respondents indicated that they had adequate technical resources to control sanctions risk.

Not surprisingly, the G20 counterparts are even more comfortable with their tech resources, showing an

85.63% satisfaction rate.

While South African respondents consider investors, clients and shareholders the three most important stakeholder groups with the potential to influence their organisations' performance and strategic direction, they also called for regulators to have a seat at the table with the stakeholders.

This may explain why despite most South African businesses feeling there is an increase in financial crime, they indicated they would allocate only

17% of legal spending

to internal investigations –

Of the 17% legal spend, the allocation is:

25% = "Adapting to new regulation/legislation"
22% = "Remediation"
17% = "Internal"

Which compared to

19% internationally,

where there is far less of a perceived increase in financial crime.

It is, however, concerning that South African businesses are spending less on these measures than their global counterparts.

Companies are obligated by *The Prevention and Combatting of Corrupt Activities Act (2004)* to report suspicion or evidence of fraud and other financial crimes, which are often only exposed through whistleblowing mechanisms and internal investigation.

Q26: How strongly do you agree with the following statements?

"My company fully understands its exposure to anti-trust risk"	88%
"My company has adequate human resources to control sanctions risk"	83%
"Greater transparency and availability of beneficial ownership information would help my business tackle financial crime"	83%
"My company has adequate technological resources to control sanctions risk"	81%
"Growing numbers of criminals are exploiting the financial system"	78%
"Cryptocurrencies increase the financial system's exposure to financial crime risk"	77%
"My company expects increased regulatory pressure in relation to cryptocurrencies over the next 12 months"	75%
"We understand and control virtual assets (e.g., cryptocurrencies) as well as other asset classes"	74%
"Class actions or mass claims are becoming more costly for my business"	64%
"We accept clients from jurisdictions that present a high financial crime risk"	51%

> “To proactively identify fraud and financial misstatement and considering the rise of financial crime, South African businesses should consider increasing effort and budget allocated to internal risk mitigation and identification measures.”

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2. CYBERSECURITY AND DATA PRIVACY

30%[5]

The possibility of an investigation by regulatory bodies regarding leaks of third-party data and data privacy breaches ranked and a second major concern among South African companies.

35%

of South African respondents are aware of their company experiencing a cyberattack or threat in the last 12 months,

30%

have experienced data privacy issues. Also, less than half of respondents proactively manage cyber threats, but more than half believe they are likely to pay a future data ransom.

With increased digitisation, companies globally and locally are having to focus more on managing and securing personal data and data privacy. Legislation in the European Union (General Data Protection Regulation) and here (*Protection of Personal Information Act*) means that companies are facing significant risks in this area.

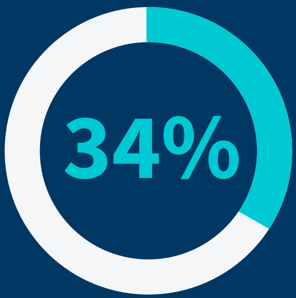
46%

of respondents in countries with recent or expected new privacy laws – Australia, The United Arab Emirates, India, South Africa and China – were the most likely to express plans to increase their investment in information governance and compliance.

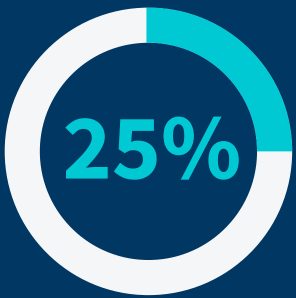
Cyberattacks and data privacy risks go together: cyber-attacks invariably lead to data leaks. The result for the company is a potential fine, but more damaging is the prospect of losing customer trust and the concomitant reputational damage.

The much-publicised local ransomware incidents and denial of service attacks have served to exacerbate the problem. (Transnet, Virgin Active, PPS, Metropolitan, Life Healthcare, ABSA have all experienced incidents since COVID started.)

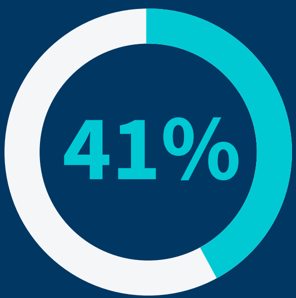
[5] Q24



of respondents reported a leak of sensitive data due to remote working and related risks over the past 12 months, 33% of companies are resigned to the fact that they are vulnerbale to cyberattacks.



of respondents have lost intellectual property in the last 12 months due to a cyber incident. Again, this is in line with the global responses.



of respondents expressed concerns about new and enhanced phishing and social engineering techniques and employee use of unauthorised devices and software.

Again, this is linked to the Work From Home (WFH) culture that introduced a higher level of risk regarding phishing attacks and vulnerabilities created by employees using home networks and equipment.

Home environments are often less secure and create opportunities for attack.

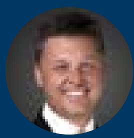
Home environments are often less secure and create opportunities for attack.

Based on our client experiences, employees appear to be less vigilant when working from home.

of South African companies report that over the next 12 months, their priority will be to invest in dedicated technology to conduct due diligence, monitoring and investigations concerning virtual assets .

These trends indicate that companies will need to engage and consult more with cybersecurity experts to put in place adequate incident response and “crisis readiness” strategies.

> “The WFH culture introduced a higher level of risk in respect of phishing attacks and vulnerabilities created using home networks and equipment. Home environments are often less secure and create opportunities for attack. Based on our client experiences, employees appear to be less vigilant when working from home.”



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[6]Q27

3. MEDIA SCRUTINY

South African participants in the financial industry noted that specific to their company, the top three areas which might be the focus of media scrutiny over the next 12 months are:

1st DATA PRIVACY

2nd FRAUD/ FINANCIAL CRIME

3rd CYBERATTACKS/ VULNERABILITIES

So, how does the next year's book of work for local financial crime compliance teams look like?

RANK 1

Invest in dedicated technology to conduct due diligence, monitoring and investigations concerning virtual assets

Indicated they have or will take this action

RANK 2

Acquire technology to control virtual asset

Indicated they have or will take this action

RANK 3

Review clients and refreshing due diligence due to changes in greylists or blacklists

Indicated they have or will take this action

RANK 4

Reduce portfolio of customers which present a high financial crime risk

Indicated they have or will take this action

RANK 5

Build greater cryptocurrency functionality in our user platforms

Indicated they have or will take this action[7]

[7] Q27

4. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

The pressures exerted on companies throughout 2021 have been unprecedented – from the fallout of COVID-19 to a drive for greater diversity and inclusion in the workplace – calling into question their social licence to operate. However, these factors have become a catalyst for business to enhance their approach to environmental, social and corporate governance (ESG) and sustainability.

ESG is no longer a niche business concern – but a key area to be considered from how it is embedded into business strategy through to governance and measurement.

Companies now realise that ESG is increasingly impacting them financially, from

LOWERING the bottom line to undermining investor confidence and customer loyalty

+

INCREASING the cost of capital.

Over the last 12 months, nearly

1/3

of companies have increased their commitments to environmental impacts and climate change

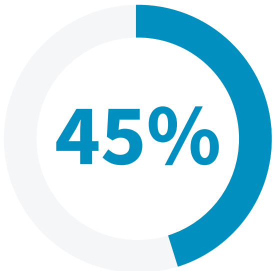
(32% + 31%)

respectively.

of companies strongly agree that as there is now recogintion to create a more sustainable and resilient future, companies should be run for the interest of all stakholders not just shareholders.

of respondents agree that companies should be run for the interest of stakeholders not just shareholders, to create a more sustainable and resilient future.[8]

However, despite greater scrutiny on ESG, companies surveyed confirmed they essentially take a reactive approach to managing risk in this area, which is



are proactively managing risks presented by ESG and sustainability developments.

Society and external organisations are looking at how companies respond to societal issues such as climate change, yet this is not as important as a cyber-related issue.

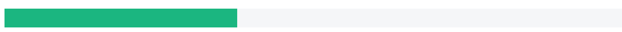
But trends have shown us that a company's inability to articulate its view on climate change can create a crisis on its own with pressure and lobby groups, especially during AGMs.

Companies, for instance, are showing a disconnect between the importance of an issue such as ESG versus the resources they are willing to invest in tackling those issues.

61%

ALIGNING BUSINESS STRATEGY TO SOCIAL PURPOSE

33%

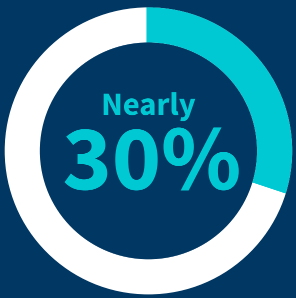


SPENDING MORE MONEY ON IT

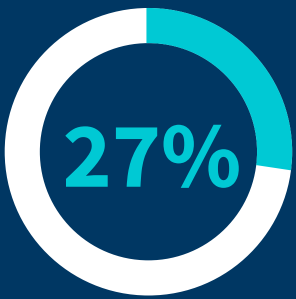
[8] Q29

Companies need to be seen walking the talk of what they say they are doing by resourcing it, so when a crisis emerges, they can reference the work they have been doing.

Not surprisingly, many are apprehensive about their ESG credentials.



of those surveyed expect their company to come under extreme pressure to improve their ESG and sustainability development over the next 12 months.



of corporates polled expect to court media scrutiny over the coming year around sustainability and environmental impact.

The three most anticipated topics for media scrutiny in the next 12 months are:

1. POST-PANDEMIC EMPLOYEE WELLBEING

Globally 37%
South Africa 42%

2. DATA PRIVACY CONCERNS

Globally 35%
South Africa 39%

3. SUSTAINABILITY AND ENVIRONMENTAL IMPACT

Globally 33%
South Africa 27%

[9]Q30 and [10]Q30

LATEST CHALLENGES

The forthcoming and widely anticipated UN Climate Change Conference of the Parties (COP26) at the beginning of November in Glasgow, UK, has underscored the possibility of new legislation and increased regulation, particularly around sustainability and environmental practices.

While intended to drive innovation and create market opportunities, adoption is unlikely to be harmonised regionally, and South Africa will need to decide how it chooses to implement any changes to enhance its green economy.

Nearly a **1/2**

of companies surveyed strongly agree that they are shifting their approach to ESG from managing risk to identifying new business opportunities. And this could be fuelling transactional activity.

Nearly a **1/3**

of companies citing improvements to ESG credentials and capabilities as a reason for mergers and acquisitions. (See below for more details on M&A.)

COMMON VULNERABILITIES

14% of South African companies acknowledged that they expected to be impacted by ESG and sustainability developments over the coming year.

As a result, companies fail to recognise the increasing support and momentum that ESG is garnering among stakeholders – from investors to policymakers – should they not be forthcoming on their ESG strategy and commitments.

35%[9] of respondents felt their company failed due to the lack of a climate action plan.

15% felt their company was falling short on ESG reporting and performance.

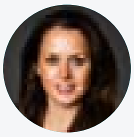
19% on its integrated sustainability strategy.

24% on its diversity strategy.[10]

The COVID-19 pandemic has highlighted how businesses must rethink their strategy and the way they approach ESG to protect their licence to operate.

Regulation and shareholder pressure are factors in this decision, but many of our companies surveyed now recognise that competitive advantage can be driven by more sustainable business models that address broader stakeholder concerns and drivers.

> "Companies focused on resiliency are rightly placing sustainability at their heart. An effective corporate response towards a greater emphasis on ESG requires it to be genuinely embedded in the business strategy. A robust programme that manages both risks and opportunities must be deployed and requires proactive engagement with stakeholders to deliver a consistent narrative articulating their ESG journey. This must demonstrate the standards they have set themselves, the progress they are making and the robustness of the governance to measure that."



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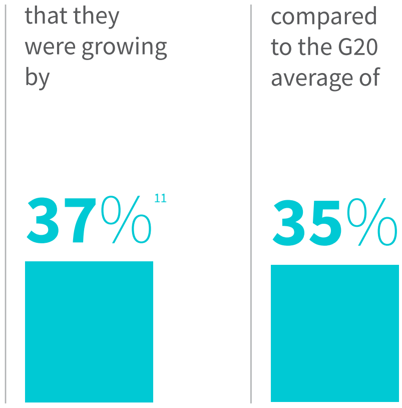
REASONS FOR MERGERS AND ACQUISITIONS

The percentage of radical shift in the approach and attention towards ESG and sustainability for managing risk to identifying new business. Infrastructure funds and private equity firms are actively seeking new opportunities offered by sustainable enterprises, and niche tech-based businesses especially are increasingly a target for M&A transactions. Of particular interest is the technology media and telecoms (TMT) and the information and communication technology (ICT) sectors, which continued to grow globally during the pandemic. This was driven largely by convergence, the increasing shift towards digitalisation and the situation of the pandemic-induced WFH culture.

More than **1/3** of South African respondents in general reported:



GLOBALLY, THIS INCLUDED:

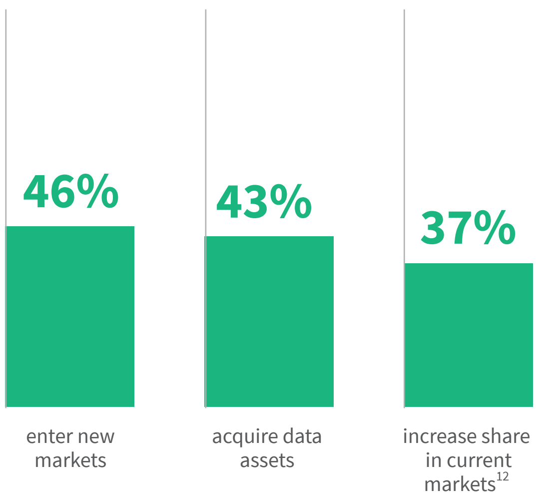
39% growth in financial services.

37% extractives and minerals processing.

37% renewable resources.

The growth reported in renewables is driven by the shift towards clean energy and concerns about sustainability. Again, this is influenced by the increased focus on ESG.

AMONG SOUTH AFRICAN RESPONDENTS, M&A IS A VEHICLE TO:



[11]Q12 and [12]Q37

This reflects the companies' drive for diversification into adjacent markets in pursuit of growth. Interestingly, South African companies and their G20 counterparts are almost equally looking to acquire technological platforms and systems (34% vs 33%).

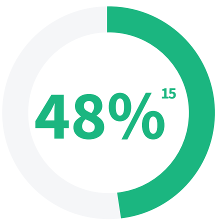
27%[13]

MASS LOAN DEFAULTS

of South African respondents (which ranked third) cited their increasing concerns about mass loan defaults and indicated that debt restructuring will feature strongly over the next 12 months.

Over a 1/3[14]

of South African respondents cited debt restructuring or refinancing had been necessary during the last 12 months.



STRUGGLE TO SERVICE DEBTS

of respondents reporting that they were struggling to service all their debts, this was largely due to the impact of the pandemic.

21%[16]

NON-CORE ASSETS

of respondents reported that much of this activity is driven by a portfolio optimisation strategy to streamline the disposal of non-core assets. The M&A activity, therefore, has targeted distressed businesses that have a diversified footprint.

[13]Q14 and [14]Q39 and [15]Q38 and [16]Q39

"In general, the percentage of companies reporting that they struggled to service their debts rose from 62% in Q4 2020 to almost 70% currently. These trends indicate there is an opportunity to work with restructuring teams in the banking and investment institutions."

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COMPANY SUSTAINABILTY

Q29: How strongly do you agree the following applies to your company?

"Companies should be run for the interest of all stakeholders, not just shareholders."

STRONGLY AGREE **58%**

STRONGLY DISAGREE **5%**

"Business leaders should publicly engage with pressing social or political discourse."

STRONGLY AGREE **46%**

STRONGLY DISAGREE **8%**

"There is intense pressure to demonstrate strong governance when receiving government aid or contracts."

STRONGLY AGREE **45%**

STRONGLY DISAGREE **8%**

5. CRISIS

A crisis is an event – external or internal – directly related to the company and its assets that can have a material impact on its reputation and future sustainability.

Most companies reference external events– such as rising unemployment and cyberattacks – as chief crisis case scenarios.

Yet, they rank reputational risks – internal events –versus unemployment and cyberattacks at only 14%.[17] **14%**

Reputational risk should be given equal weight.

While 62% of respondents ranked unemployment – an external event – as the most concerning scenario over the next 12 months (62%), **62%**

and cyberattacks at 31%, **31%**

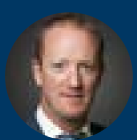
a massive 55%[18] saw increasing danger in the high levels of corruption – an internal event. **55%**

A company's reputation plays a role in its ability to source and transform the business. So, how are they aligning the future-proofing of the business to how they see emerging threats?

Many respondents recognised that their decisions during the pandemic could "present a reputational risk" (76%). **76%**

However, in general, 54% believed their organisation did not "adequately plan for an increasing number of crisis scenarios." [19] **54%**

"Investors/shareholders receive a disproportionate emphasis as having the most substantial impact on reputation, but clients and especially regulators now have a greater say in a company's reputation and ability to manage a crisis. Very little attention is also given to the impact of social media and the role it plays in how a crisis narrative unfolds in the public eye."



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When asked what actions or investments they had made to prepare for future crises:

59%[20]
"Updating their business continuity plan" was top priority.

47%
Of less importance was making sure the leadership team was prepared to "manage unexpected crises"

45%
or the need to "assess cybersecurity programs, including policies, procedures and technology."

So, how do companies respond to a crisis – external and internal? Does the C-Suite have the agility and ability to take ownership of the issue and provide clear guidance on responding?

Critical in all of this is the systems and processes in place to deal with a crisis. The Resilience Barometer highlights those areas that need attention to help answer to and make decisions about:

- What is the decision tree?
- Who takes responsibility?
- What are the defined roles of the people in the organisation?
- Have monitoring systems been put in place?
- Do you know when you need to talk to regulators, staff, clients, shareholders and who should do the talking?

"I am under pressure to personally communicate on social media"

STRONGLY AGREE
33%

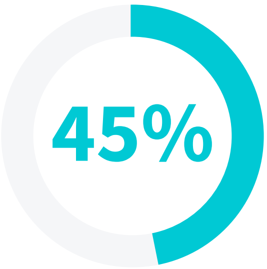
SLIGHTLY AGREE
23%

SLIGHTLY DISAGREE
22%

STRONGLY DISAGREE
23%

[17]Q16 and [18]Q14 and [19]Q22 and [20]Q21

POST-COVID SCENARIO



of respondents saw a danger in the emergence of vaccine-resistant Covid variants, this is surprising considering we are coming off the end of almost two years of operating in a pandemic.

Yet, good lessons were learned due to the pandemic.

The pandemic revealed support for how corporate leaders have reacted.

84%[22]

of respondents now consider leadership is "better prepared for future crises" as a result.

88%

believe their company "has a greater focus on planning for unknown risks".

South Africa's vaccination rollout has gathered impressive momentum and has successfully reached more

200,000

VACCINATIONS PER DAY

However, vaccine hesitancy remains high and poses a threat to re-opening the economy.

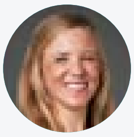
Until a large proportion of the adult population –

60% -70%

ARE FULLY VACCINATED,

the risk of restrictions on movement and economic activity remains.

> "South Africa's vaccine rollout provides a good example of the capacity for public, private partnerships to deliver healthcare and public services. While most vaccination sites are public sector sites, approximately 30% of sites are private sector run. Importantly, private sector facilities are available to public healthcare system users allowing for the expedited rollout of vaccines in the country. This serves as a valuable model for public-private partnerships in future."



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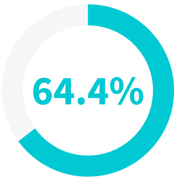
[21]Q14 and [22]Q22

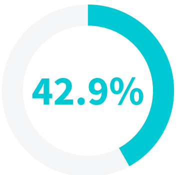
Conclusion

South Africa is the country in the G20 most concerned with rising unemployment, with 86% of respondents expressing this. More than half (53.2%) of South African respondents indicated an estimated reduction in their employment levels.



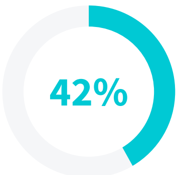
15 TO 24-YEAR-OLDS

was the unemployment rate among 15 to 24-year-olds, in the 2nd quarter of 2021. This is of particular concern because of the high unemployment rate among South Africa's youth.



25 TO 34-YEAR-OLDS

was the unemployment rate among 25 to 34-year-olds,



15 TO 34-YEAR-OLDS

was the score for 15 to 34-year-olds being classified as *"not in employment, education and training."*

In addition, the consequent economic effects of COVID-19 and the impact the pandemic has had on access to education significantly and disproportionately affected poorer households. This immediate effect will have long-term consequences.

55%

of South African businesses, most of whom believe it is corruption is rising and poses a significant challenge. as corruption is already at unacceptably high levels This is not surprising given that the pandemic requires a change to business models, increased digitisation and digitalisation, and hybrid or remote working environments, among other disruptions – such situations of rapid and dramatic change are known to facilitate abuse by fraudsters.

Real-time data insights have been a key facet of business resilience in the last year, allowing businesses to unpick the threats and challenges created by the disruption as they appear. From mass unemployment to corruption and debt servicing to cyber threats, businesses face compounded crises on an unprecedented scale.

With over

3/4

of G20 companies now using artificial intelligence and analytics to monitor risk scenarios, resilient organisations proactively take steps to ensure they are prepared for what comes next.

If 2021 has taught businesses anything,

it is that the best way to follow through on these commitments is to be resilient to crises and prepare for emerging threats – those businesses that invest in resilience will be well placed to succeed when we emerge on the other side.

Cybersecurity is increasingly a source of competitive advantage for organisations and those that choose to underinvest face significant risk. The pandemic altered the threat landscape, and organisations will be obliged to address workforce cybersecurity in new, more flexible ways.

CYBERSECURITY =
COMPETITIVE ADVANTAGE

There is evidence that this is already on the minds of leaders at G20 organisations.

GREATER FOCUS ON PLANNING FOR UNKNOWN RISKS

of South African companies, due to COVID-19, have a greater focus on planning for unknown risks.

BETTER PREPARED FOR FUTURE CRISIS

believe that management is better prepared for future crises.

The vulnerabilities exposed and the cyber threats that emerged because of COVID-19 made cybersecurity a critical consideration for all organisations, and data suggests that these significant cyber risks are being taken seriously.

> The difference between working towards cyber resilience or ignoring it can be devastating, and those opting for the latter are playing a risky game.

> “The FTI Consulting Resilience Barometer™ is more than a measure – it is a manual to identify the challenges, make informed decisions and take decisive action. This year, it shows us that if the fastest-growing economies in the world, including those on the African continent, want to attract the investment required for inclusive growth, governments and private sector players must prioritise the fight against corruption. Moreover, if we wish to tackle unemployment – our primary concern – investors need to be confident that their money will be safe in our country to build their businesses.”

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[23] Q22

FTI Consulting Resilience Barometer®

METHODOLOGY

The FTI 2021 Resilience Barometer® survey incorporates the views of 2,869 decision-makers in large companies across all G20 countries. Large companies are defined as those with over 250 employees, or over $50 million in annual global turnover, or with a balance sheet of over $43 million.

From 7 to 20 July 2021, FTI Consulting's Strategy Consulting & Research team conducted a quantitative survey with respondent profile replicating those used in the previous waves of Resilience Barometer® research.

73%

of respondents were C-Suite and senior managers/ executives from privately owned companies

79%

(February 2021 Covid Resilience report),

27%

were from publicly listed companies (February 2021 Covid Resilience report: 21%).

Over the past 12 months, respondents reported

$13 billion an average global turnover

$14 billion (February 2021 Covid Resilience report:

$17 billion and January 2020 report: $17 billion)

Companies reporting a global turnover of more than $100 billion,

5%

made up of the respondent set

5%

(February 2021 Covid resilience report: 5%)

In total, participating companies employ a global sum of

58 million people,

with each company employing an average of

20,342 individuals.

This marks an increase

compared to the previous survey (February 2021 Covid resilience report:

17,287 employees

January 2020:

23,336 employees).

Each country's results have been weighted so that each country represents a similar proportion in the total G20 results.

Membership of the G20 consists of

19
INDIVIDUAL COUNTRIES
plus the European Union (EU).

The EU is represented by the European Commission and the European Central Bank. Collectively, the G20 economies account for around

OF THE GROSS WORLD PRODUCT

OF WORLD TRADE

and

2/3

of the world population.

Please note that the standard convention for rounding has been applied and consequently some totals do not add up to 100%.

110

TOP companies in South Africa participated in our survey.

RESILIENCE SCENARIOS

01. Inability to proactively plan for the future
02. Damage to reputation and public perception
03. Impact from fraud and financial crime
04. Class-action lawsuits and the threat of litigation
05. Regulatory and political scrutiny
06. Shareholder activism and other stakeholder pressures
07. Operations disrupted by climate emergency
08. Social upheaval influencing corporate culture and ESG practices
09. Value proposition impacted by workforce and skills shortages
10. Business model becoming outdated
11. Increased difficulty in securing financing and cashflow disruption
12. Compliance vulnerabilities exploited by bad actors
13. Evolving cybersecurity threat landscape
14. Data breaches and privacy issues

Preconceptions about what a resilient company or economy looks like have been shattered in recent years. Systemic disruption, social upheaval, a worsening climate emergency and growing government intervention have radically changed expectations from all stakeholder groups. Greater scrutiny of organisations is the hallmark of an increasingly unforgiving environment, for which the only true countermeasure is resilience.

What it takes for a company to be resilient is constantly evolving, driven by macro socio-economic disruptions and micro business issues influencing a change in business models.

The 14 resilience scenarios are a breakdown of these drivers, the key issues impacting the ability of a company to prepare for and mitigate a crisis.

The Resilience Agenda© enables business leaders to navigate this volatile environment, identifying patterns and providing actionable insights at scale.

Resilience Agenda©

GLOBAL:

IN NUMBERS

C-Suite insights from

2,869

LARGE G20 COMPANIES

Participating companies directly employ

58 million

PEOPLE

Representing a total

$37 trillion

GLOBAL TURNOVER

Our experts

C-SUITE CONCERNS

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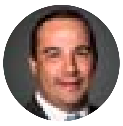
BUSINESS TRANSFORMATION



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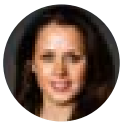
SUSTAINABILITY & ESG



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CRISIS PREPAREDNESS

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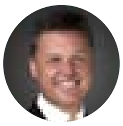
DIGITAL ECOSYSTEMS



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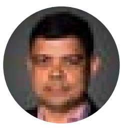
INVESTIGATIONS



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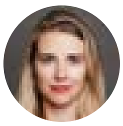
GENERAL ENQUIRIES & MEDIA CONTACT



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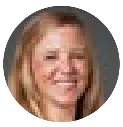

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EXPERTS WITH IMPACT™