MARSH & McLENNAN COMPANIES

Global Risk Center

RESILIENCE AMID DISORDER

STEERING A PATH THROUGH SOCIAL AND POLITICAL UNREST

AUTHOR

Richard Smith-Bingham

- FRAMING THE CHALLENGE
- A YEAR OF DOMESTIC TURBULENCE
- DEEP-SEATED MALAISE
- COMPANY IMPERATIVES
- LEADING FOR THE LONG TERM

MARSH GUY CARPENTER MERCER OLIVER WYMAN

TEN TAKEAWAYS

1. Civil disturbances, domestic political crises, and extremist violence have dominated media headlines across the world for much of 2016, spawning new strategic uncertainties and operational risks for companies.

2. Social media have amplified instability by fanning populism, promoting radicalism, and enabling the mobilization of large numbers of people on short notice.

3. In advanced economies, many of the protests, strikes, gains by populist parties, and political leadership crises stem from a deep frustration with a political establishment that has failed to address persistent economic insecurity at the household level.

4. In emerging market countries, anger has been additionally fueled by endemic corruption and electoral malpractice, set against a backdrop of religious and ethnic conflict, entrenched insurgencies, and the need for complex economic transitions to achieve long-term national prosperity.

5. In all parts of the world, inequality may be exacerbated by intractable challenges such as demographic shifts, climate change, and workforce automation, which will increase the vulnerability of lower-income groups.

6. Stronger intelligence on key risk trends and the generation of plausible scenarios, both in specific markets and at a macro level, is a critical starting point for companies in identifying potential flashpoints, assessing resilience across the value chain, and being prepared for unexpected crises.

7. In particular, firms should carefully consider their exposure to far-reaching national economic protectionism and the increased vulnerability of countries with weak fiscal positions, fragile governance arrangements, and an inherent intolerance of popular dissent.

8. Investment risk can be alleviated by better aligning corporate strategic ambitions with political agenda, back-loading investment where possible, and making creative use of risk transfer facilities.

9. A spotlight on reputation risk and corporate social responsibility will help insulate firms against the greater political and public scrutiny that may result in targeted campaigns and instinctive backlashes – against responsible as well as less ethical operators.

10. Fresh thinking on the company's values, its social contract with personnel, and performance management framework will help mitigate operational and talent risks arising from mismatched role expectations and career insecurity concerns.

FRAMING THE CHALLENGE

Democratic politics are in a state of shock. At the same time, many of the world's more illiberal regimes are on high alert. Political leaders believed they had helped their economies weather the great recession and that their citizens had accepted the need to swallow the bitter pill of austerity, with the promise of better times to come. But in many countries, people have simply had enough, and their demands are beginning to reshape both the political and the economic landscape. A new political logic is in motion, and companies need to think hard about the volatility, surprises, and structural shifts that may confront them.

The standout global political crisis of 2014 was Russia's incursion into Ukraine. In 2015 came the surge of refugees from conflicts in the Middle East and further afield. And this year, outpourings of domestic popular indignation have defined the political landscape of many countries. Over the three years, incidents have shifted from external premier-led cross-border challenges to internal social unrest; economic reaction has evolved from imposing sanctions toward enacting protectionism. Societal volatility forms a common thread, with echoes of the Arab Spring and earlier revolutions: The Ukraine crisis started with the populace toppling President Viktor Yanukovych and the Syrian crisis with an uprising against President Bashar al-Assad.

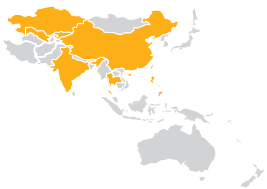
This report is part of a Marsh & McLennan Companies series on how firms should broaden their perspectives on emerging risks, especially those that lurk at the periphery of corporate risk radars, either because they don't fit into traditional risk categories or because their materiality is hard to demonstrate. It explores what can be understood from the social and political instability of 2016, as seen in advanced and emerging economies alike (see Exhibit 1). Our contention is that these events, and the potential fallout from them, give rise to significant strategic, as well as operational, considerations. As a result, companies should review how the underlying sentiment might cut across the business environment to amplify key uncertainties, sharpen consequential risks, and introduce new challenges.

Our reflections suggest four overarching messages. First, ignore public sentiment at your peril, as the discontent we are witnessing is widespread and deep-seated, and may materialize in different guises. Second, expect political surprises, because heightened sensitivity to popular demands may lead to policy vacillation, inconsistency, and even reversals. Third, anticipate market constraints, as a growing policy focus on domestic concerns and local industries could encumber multinational operations. And fourth, re-energize efforts to enhance corporate reputation, as greater scrutiny raises the prospect of a concerted backlash by policymakers and the public against current company practices.

Copyright © 2016 Marsh & McLennan Companies, Inc.

This report starts by exploring the connections between the key disturbances of 2016, before offering perspectives on how this year's events might shape the future risk environment. The following section identifies the main economic and political drivers that have shaped societal unrest, and then evaluates the key amplifiers of future volatility that might signal a paradigm shift rather than simply a passing phase of turbulence. The final main section considers the implications of pronounced social and political instability for companies – their changing exposures and the types of action that will enable them to strengthen resilience and capture opportunities that may arise. A short conclusion presents some thoughts on how leaders can better attune their companies to emerging risks and uncertainties.

Exhibit 1: Political and social instability in 2016 to date

REGION	INCIDENTS (SELECTED)
	• **US:** Heightened racial and police tensions, lone-wolf terror attacks, incendiary campaigns for presidential primaries and run-off • **Venezuela:** Chronic food and energy shortages, soaring inflation, widespread unrest, institution of emergency powers • **Brazil:** Senior politicians engulfed by Petrobras scandal, mass anti-regime and anti-corruption protests, President Rousseff impeached • **Chile:** Violent student demonstrations, mass protests against ailing state pension system • **Argentina:** Former President implicated in corruption scandals, prolonged anti-austerity protests
	• **UK:** Historic referendum vote to exit EU, resignation of Prime Minister, spike in hate crime and abuse, resurgence of Scottish nationalism hopes • **Germany:** Turkish-refugee tension, lone-wolf terror attacks, regional election gains by anti-refugee party • **Belgium:** Brussels bombings, high ethnic tensions, violent anti-austerity protests, mass strikes • **France:** Multiple demonstrations and worker strikes, lone-wolf terror attacks, high religious and ethnic tension (burkini ban) • **Spain:** Prolonged political gridlock, separatist determination with significant public support (Catalunya)
	• **China:** Ongoing protests and Uighur terrorist attacks, Hong Kong seats won by anti-Beijing activists • **India:** Rise in Kashmir violence after the killing of a separatist icon, strike by ~150 million against Prime Minister Modi's 'anti-labor' policies • **Thailand:** Army-endorsed constitution following tightly controlled referendum, coordinated bomb attacks on tourist resorts • **Philippines:** Violent anti-drugs campaign of new populist President, 'state of lawlessness' declared following Davao bomb attack • **The '-stans':** Land protests and suppression in Kazakhstan, bombing of Chinese embassy in Bishkek, uncertainty following the death of the Uzbek President after 27-year rule
	• **Turkey:** Multiple terrorist attacks, attempted military coup, institution of emergency powers, crackdown against the Kurds, incursion into Syria • **Tunisia:** Repeated extensions of nationwide state of emergency, violent unemployment protests, multiple terrorist attacks • **Saudi Arabia:** Protests and strikes over layoffs and the non-payment of wages, suicide bombings at holy sites and US consulate • **Syria:** Prolonged conflict and refugee crisis due to the competing interests of regional and global powers • **Libya:** Ongoing civil war, ailing internationally-backed government, oil terminals captured by opposition forces, coup attempt
	• **Nigeria:** Renewed Niger Delta Avenger militancy in the oil-rich South, Boko Haram insurgency in North East, famine concerns • **Gabon:** Disputed re-election of President Bongo, violent demonstrations (1000+ arrests), parliament building set on fire • **Burundi:** Prolonged political violence and civil unrest arising from debate around constitutionality of President's third term • **Ethiopia:** Protests and anti-government violence, destruction of foreign company property • **South Africa:** President Zuma corruption charges reinstated, violent protests and nationwide strikes, African National Congress election losses

Source: Press, analyst reports, MMC analysis

Copyright © 2016 Marsh & McLennan Companies, Inc.

A YEAR OF DOMESTIC TURBULENCE

Across the globe, people are sending a very clear message to political leaders. They are hurting, frustrated, and angry. They feel let down and they want change. Now. And they are prepared to take action. Governments have been thrown into disarray and distracted from the normal business of policymaking and regulation, almost to the point of paralysis.

THE UNHEARD HAVE BECOME VOCIFEROUS

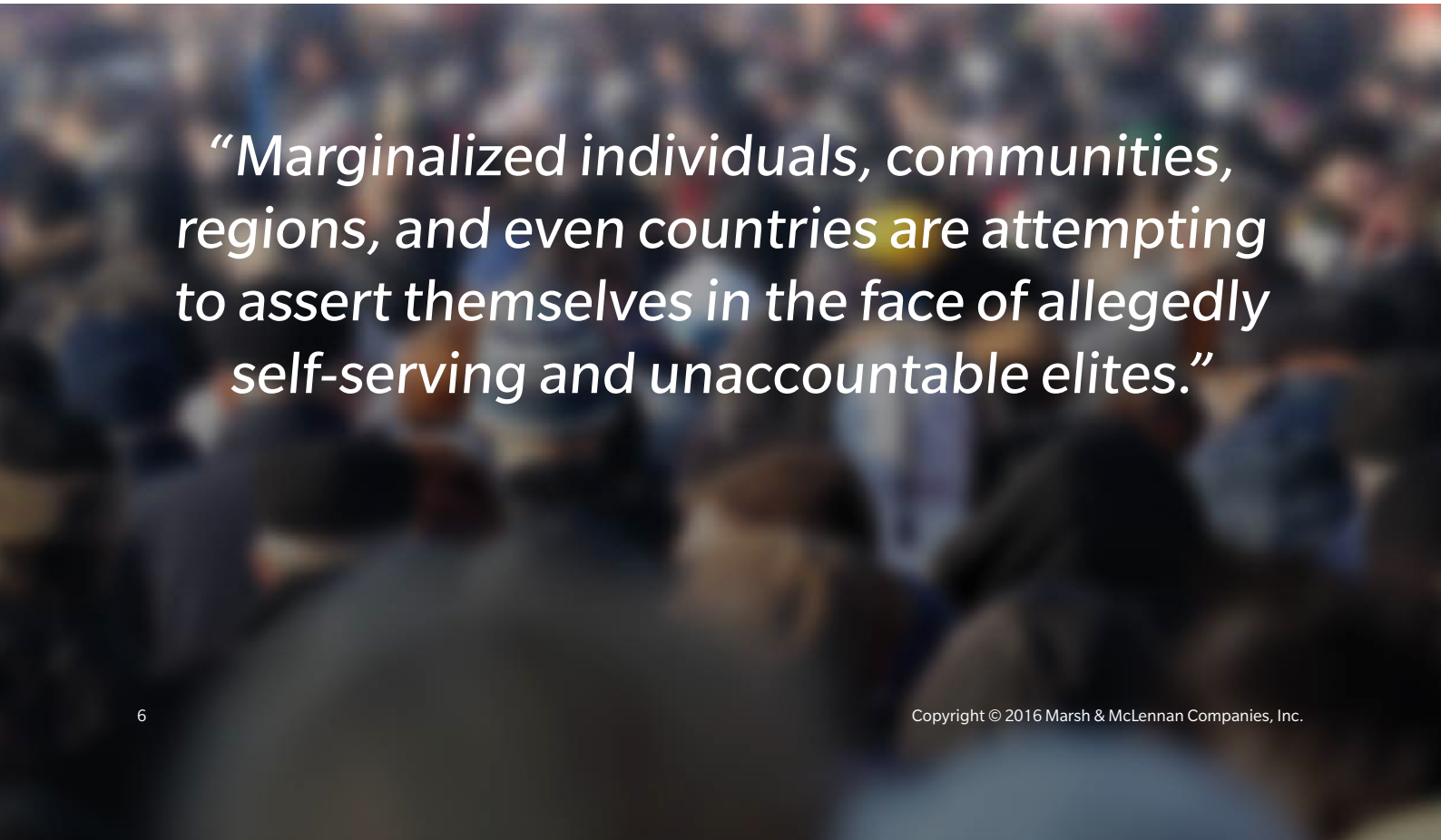
At the ballot box in advanced economies, voters have rejected the political establishment and the status quo – in the UK referendum on the European Union, in the Austrian presidential election, and in the mayoral contest in Rome, among others. (At the time of writing, the US presidential election is still being contested.) Citizens have also taken to the streets in large numbers. In France, strikers have disrupted fuel supplies, and there have been nightly demonstrations in major cities against proposals for labor market reforms. In Germany, policies to accommodate the large influx of refugees have been a lightning rod for broader vexation. In the US, political posturing and policing tactics have aggravated racial tension, which has spilled over into bitter complaints and even bloodshed.

Beyond advanced economies, the story is not dissimilar. There have been riots in Venezuela over the state of the economy and shortages of food and electricity; violence in Tunisia over an unemployment level that is higher now than at the time of the revolution; and outrage in Brazil over the mismanagement of the economy and the corruption scandals engulfing the political elite. Protests have flared in Kazakhstan and Ethiopia over land reform proposals, with foreign company assets being destroyed by frustrated citizens in the latter. Saudi Arabia has experienced demonstrations and strikes, following worker layoffs and unpaid wages, while Zimbabwe has experienced a concerted shutdown of economic activity, with even the veteran movement criticizing President Robert Mugabe's leadership. Voters in South Africa are turning against the African National Congress party; the Colombian people have rejected the government's peace deal with the Farc guerillas; and the disputed re-election of President Ali Bongo has sparked deadly riots in Gabon.

Copyright © 2016 Marsh & McLennan Companies, Inc.

Rejection of the status quo is not just a matter of placards. The rise in cyber attacks for financial gain may be uppermost in the minds of company leaders, but the leak of the Panama papers and a campaign against global banks by Anonymous highlight the turmoil that can be caused by cyber-literate socio-political activists, even before one considers the possible role of foreign states. Against a backdrop of rising immigration, xenophobia and ethnic conflict appear to have escalated. Moreover, a deepening political and religious radicalism has expanded the scope of terrorist attacks from the Middle East and North Africa to Europe, North America, and beyond, with Paris, Brussels, Nice, Istanbul, Dhaka, Jakarta, Orlando, and New York numbering among incident locations. Indeed, many countries across the world are anticipating the steady return of disgruntled Islamic extremists from conflicts in Syria and Iraq.

Several deep-rooted aspirations have surfaced in the recent unrest: "change", "freedom", "control", and, as epitomized in the Brexit debate, "sovereignty". Marginalized individuals, communities, regions, and even countries are attempting to assert themselves in the face of allegedly self-serving and unaccountable elites. Demanding to be recognized and valued, they are finding solidarity in anti-establishment causes that often align the resolution of personal grievances with a greater goal, such as the restoration of national greatness or a cross-border caliphate.



"Marginalized individuals, communities, regions, and even countries are attempting to assert themselves in the face of allegedly self-serving and unaccountable elites."

Copyright © 2016 Marsh & McLennan Companies, Inc.

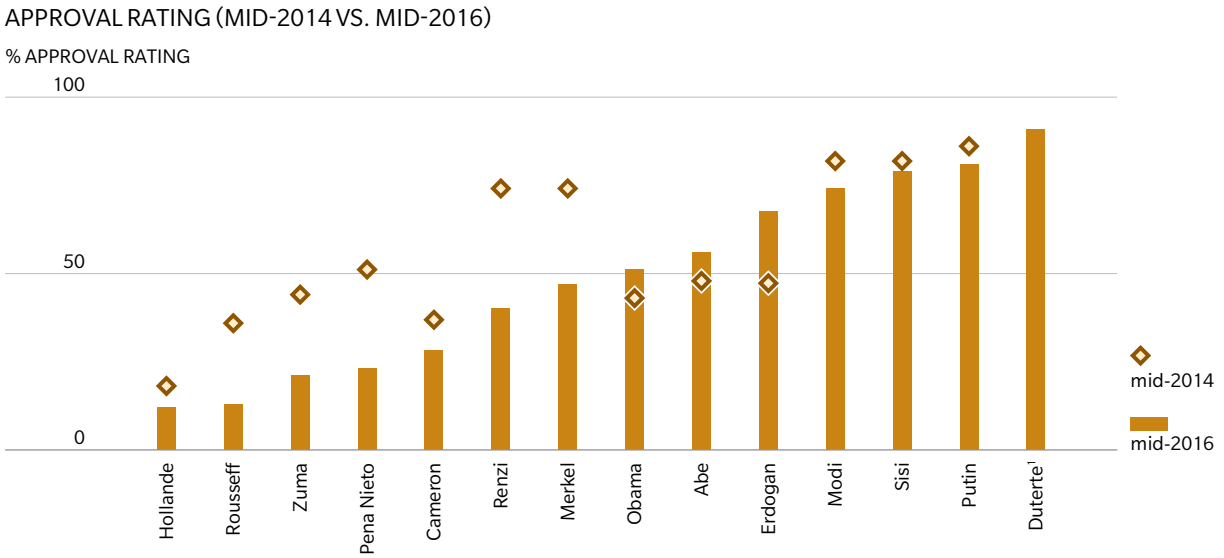
THE POLITICAL ESTABLISHMENT IS IN TURMOIL

This dissent has profoundly challenged the legitimacy of ruling (and other centrist) political parties. Government policy coherence and even international solidarity have at times crumbled under the need to shore up public acceptance. Internal party fault lines have become more exposed, with competing visions for the future most prominent in the US and the UK. Satisfaction with political leaders has declined, and there is evidence of a desire to punish them, even outside the electoral cycle (see Exhibit 2). President Francois Hollande of France has endured approval ratings of as low as 12 percent; Prime Minister David Cameron resigned after failing to convince the UK electorate to remain in the EU; and the fate of Italy's President Matteo Renzi hangs on a constitutional referendum in December. Regional election results suggest that a catalog of challenges in Germany has begun to sap support for Chancellor Angela Merkel.

Corruption exposures and allegations have depressed the trust of emerging market citizens in their leaders. Rather than coming across as governance improvements and a form of catharsis, some initiatives have simply reminded populations of the venality of their elites, amplified instability, and taken on the characteristics of a purge. In South Africa, nearly 800 corruption charges against President Jacob Zuma may be reopened, while the entrenched pervasiveness of the activity in Nigeria forms a major drag on an ailing economy. Prime Minister Abdul Razak's personal bank accounts are the subject of a major probe in Malaysia, while in China multiple long-running corruption investigations netted nearly 300,000 people in 2015, according to the government. In Latin America, President Enrique Peña Nieto of Mexico has apologized for his family's property dealings; President Dilma Rousseff of Brazil struggled to distance herself from the Petrobras "car wash" scandal and was successfully impeached for manipulating the government's accounts; while former President Cristina Kirchner of Argentina has been accused of state fraud.

Alternative political structures have arisen to better represent the aspirations of the people. The soaring success of nationalist fringe parties (in Europe, especially) over the past decade is testament to a hunger for platforms

Exhibit 2: Domestic approval ratings of selected political leaders



Source: National opinion surveys, MMC analysis
1: Duterte took office in June 2016.

Copyright © 2016 Marsh & McLennan Companies, Inc.

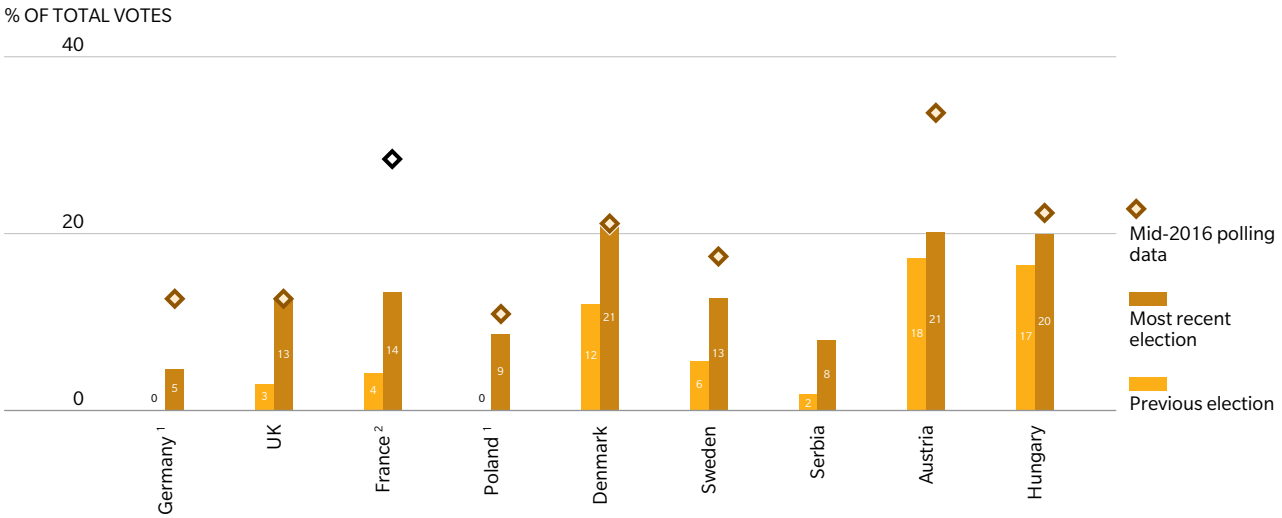
that seek greater accountability from governments and directly promote working-class interests (see Exhibit 3). In Denmark, Austria, and Hungary, far-right parties received over 20 percent of the vote in the most recent elections; in Greece, left-wing Syriza formed a government with 36 percent. A poll in the summer put Italy's less-easily-categorized Five Star Movement on 32 per cent, ahead of Prime Minister Renzi's Democratic party. Led by demagogues uncontaminated by experience of government (and sometimes mainstream politics entirely), these growing parties often differ more in their approach than in their populist goals: Right-wing movements seek to address the threats from uncontrolled immigration, while left-wing movements target the influence of multinational corporations and crony capitalism. They are influencing government agenda and political debate, even if they are not yet winning major elections. At times, they are making the process of government formation more difficult: Spain has been in political gridlock for more than nine months.

Broad conviction politics are overwhelming detailed arguments grounded in economic theory. As the Brexit and US presidential primary campaigns showed, voters are less appreciative of defensible facts and practicable policies than clear ideals and simple messages that appeal directly to core hopes and fears. This anti-intellectualism has encouraged inflammatory rhetoric and vitriolic personal attacks in political debates and inhibited efforts to achieve national unity by making candidates highly divisive, raising the possibility in some countries of post-election disorder and further social polarization.

It is no surprise that the changing tone of political discussion has resulted in somewhat contradictory outcomes in less liberal states. On the one hand, the appeal of strong rulers has risen – consider President Putin's approval ratings in Russia, President Erdogan's ability to consolidate power in Turkey even before the attempted coup, and President Duterte's populist success in the Philippines. On the other hand, the declining rule of law, the gradual curtailment of press freedoms, and other measures to constrain civil society in these and other countries (such as China, Thailand, Angola, and Egypt) are striking. Their governments have become increasingly insecure about the acquiescence of their own people, the strength of insurgent forces, and the broader geopolitical environment in which they find themselves.

Exhibit 3: Support for far-right populist parties in Europe

VOTE SHARE (PREVIOUS VS. MOST RECENT ELECTION)



Source: ParlGov, MMC analysis
Note: Data is taken from the following elections: Germany, 2009, 2013; UK, 2010, 2015, France, 2007, 2012; Poland, 2011, 2015; Denmark, 2011, 2015; Sweden, 2010, 2014; Serbia, 2014, 2016; Austria, 2008, 2013; Hungary, 2010, 2014
1: The party did not exist at the time of the earlier election,
2: The mid-2016 data point reflects the popularity of Marine Le Pen in the Presidential election, owing to a lack of available data on the party.

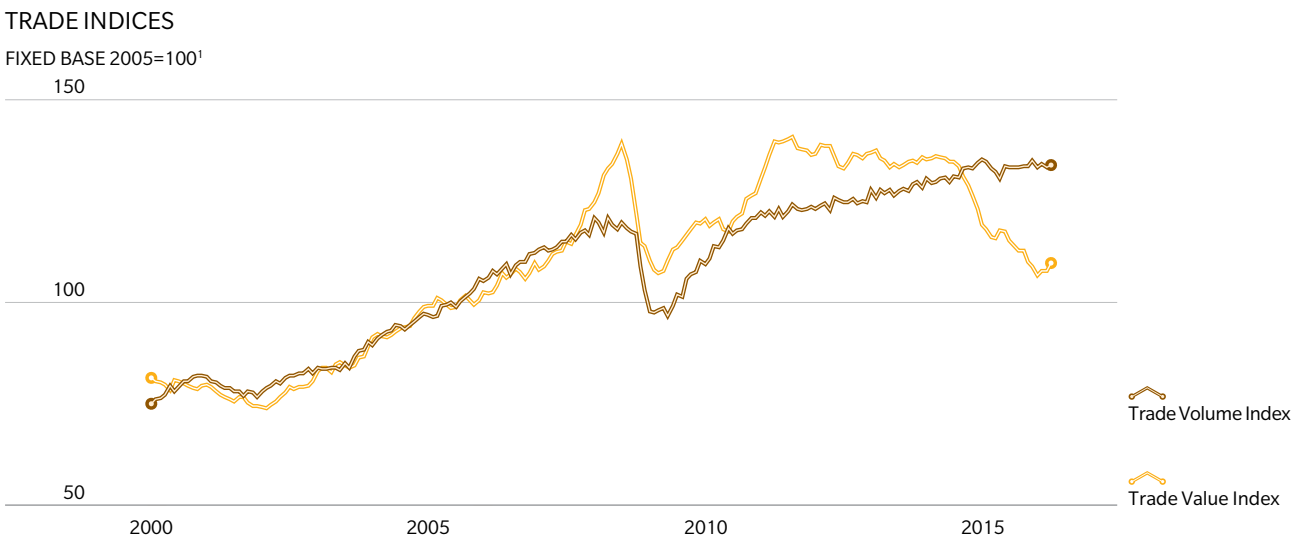
Copyright © 2016 Marsh & McLennan Companies, Inc.

A PARADIGM SHIFT IN POLITICAL AND ECONOMIC RELATIONS MAY ENSUE

National economic and societal concerns have encouraged a more protectionist mindset and the world may now see a protracted period of deglobalization. World trade growth has plateaued since January 2015 (see Exhibit 4), with more recent data on container shipments through ports suggesting a noticeable decline.[1] At the same time, risks to the World Trade Organization's modest trade growth forecast for 2016 are stacked heavily on the downside. Trade liberalization has stalled since the financial crisis, and over the past year, G20 economies have introduced discriminatory measures at the fastest pace since the 2008 financial crisis, even if many of these are traditional "trade defense" mechanisms (see Exhibit 5).

The recent surge in anti-trade political rhetoric suggests the trend may be accelerating. Some Eastern European countries (namely Hungary and Poland) have declared intentions to reduce their dependency on foreign capital and companies, a cornerstone of their economic success over the past decade. The UK's impending departure from the EU may embolden the protectionist instincts of the larger, southern European states. Signature trade negotiations, the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership, are under threat: the two deals face bi-partisan skepticism in the US, and opposition to the latter proposal is hardening in Europe too, where the long-negotiated agreement with Canada has seen further setbacks. In China, Western businesses are reporting increased government hostility, and it appears that plans to reform state-owned firms and open up competition have been put on hold.[2] The stimulation of domestic enterprise and strategic investment under the One Belt, One Road initiative (and into Europe and the US) are top priorities for the government, as trade with neighboring countries and those further afield shows evidence of decline.

Exhibit 4: Merchandise world trade



Source: World Trade Monitor prepared by the Netherlands Bureau of Economic Policy Analysis, MMC analysis

1: Indices are seasonally-adjusted.

1 RWI/ISL Container Throughput Index, June 2016

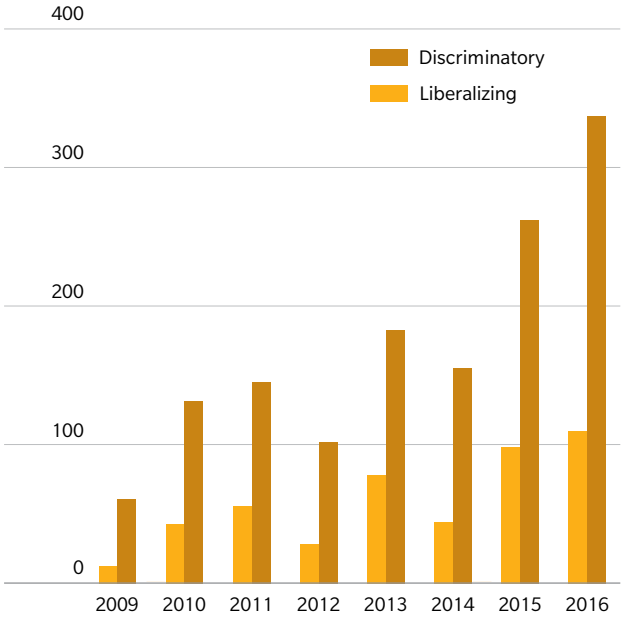
2 European Chamber of Commerce in China, 'Business Confidence Survey', 2016

Copyright © 2016 Marsh & McLennan Companies, Inc.

Exhibit 5: Protectionism in G20 countries

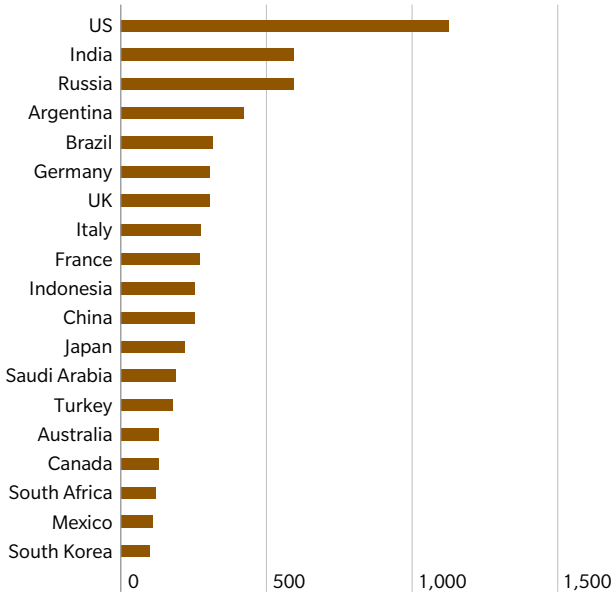
G20 TRADE POLICY MEASURES

MEASURES IMPLEMENTED FOR EACH REPORTING YEAR[1]



G20 DISCRIMINATORY TRADE POLICY MEASURES

MEASURES IMPLEMENTED SINCE NOVEMBER 2008



Source: Global Trade Alert (GTA), 20th Report, MMC analysis

1: The GTA reporting period is until 19 August, to align with the publication date of the annual report.

Domestic political pressures may reverberate internationally in other ways. The political refrain of restoring national greatness can be heard in many large countries – for example, the US, China, Japan, Russia, and Turkey. An appeal to national pride by vulnerable elites seeking to restore public faith in their leadership may result in unfortunate missteps on the international stage that have telling regional consequences. Moreover, a US more absorbed by domestic challenges, encouraging the on-shoring of economic activity and further narrowing its foreign policy ambitions to issues that directly affect American interests, would alter effective power relations on the international stage with significant ramifications for global security platforms and regional governance initiatives.

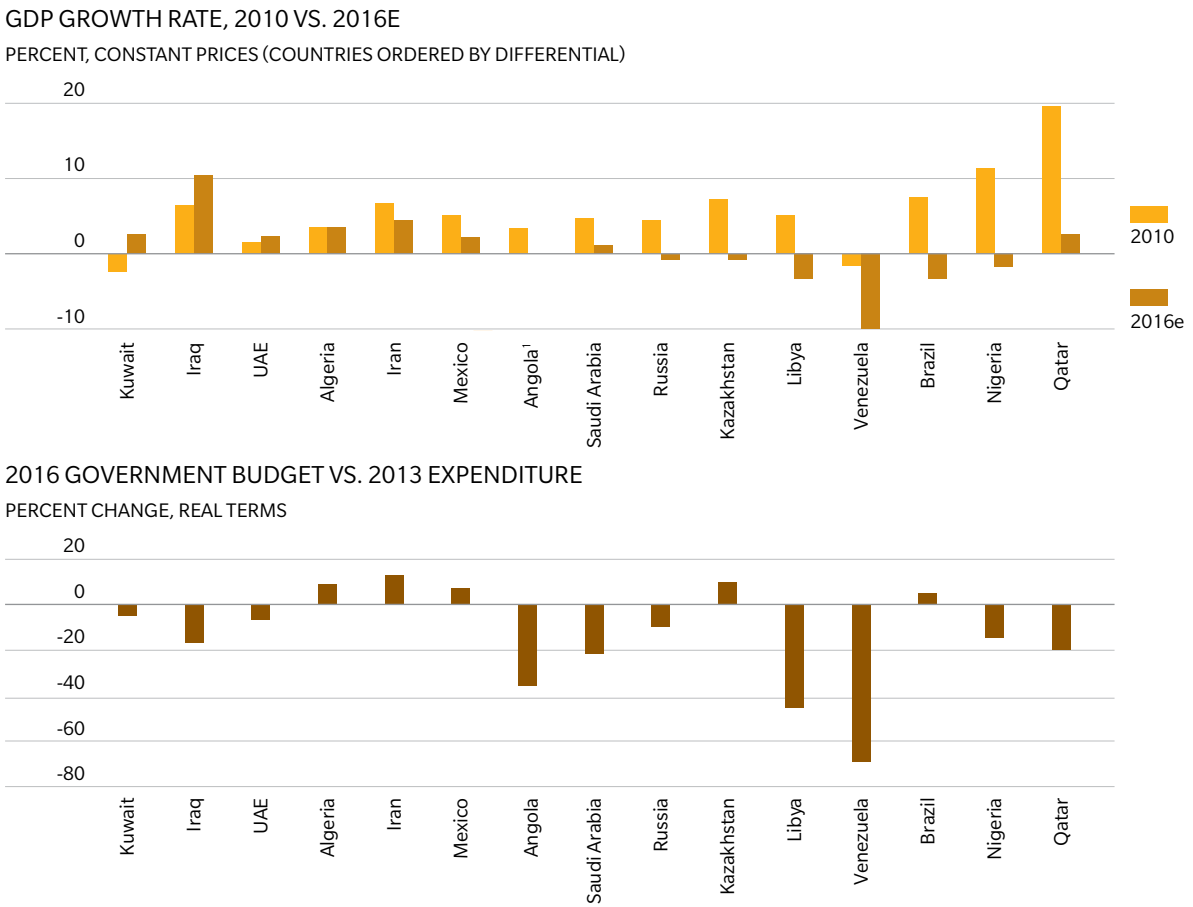
Sovereignty aspirations may encourage political fragmentation. The Brexit result has given fresh hope to separatist forces in Europe. In Spain, the Catalan government has strengthened its determination to pursue independent statehood despite continued opposition from Madrid; Scotland's policymakers may use the people's clear preference to remain in the EU to initiate a second independence referendum. Denmark, France, and Italy may in time feel the need for EU referendums of their own. Even in the absence of a domino effect from Brexit, other member states may seek to renegotiate their relationship with Brussels, risking a gradual emasculation of the EU project. Much hinges on how the UK fares, presenting a quandary for European politicians. A strong UK (trade with which would help their own struggling economies) would energize breakaway campaigns; conversely, a weakened UK would dampen appetite, as indicated in popular polls across Europe in the immediate aftermath of the UK vote.

Copyright © 2016 Marsh & McLennan Companies, Inc.

The threat of social unrest may compound the vulnerability of emerging and developing market countries. The ability of large commodity producer countries to diversify and grow their economies more sustainably has been weakened not only by the constraints imposed by low government receipts and rising debt, but also by the possibility of trouble from populations currently facing tax hikes, lower economic prospects, and, in some cases, significant terrorist activity (see Exhibit 6). Failures to make these changes may have commercial and security spillover implications for even more vulnerable countries in Africa and the Middle East.

Some illiberal states may endure disorderly power transitions, notwithstanding recent initiatives to consolidate political control. Growing questions worldwide about government legitimacy may come to a head in certain regimes, should elderly leaders seek to pass on the reins of government to others in the ruling elite without careful planning and sincerely engaging the populace (see Exhibit 7). The smooth handover of power arguably requires a different order of acceptance to the repeated, opaque reelection of the same ruler. The prospect of insurgencies encountering fierce pushback from the state apparatus raises the prospect of an increase in the number of fragile and even failed states in the coming years.

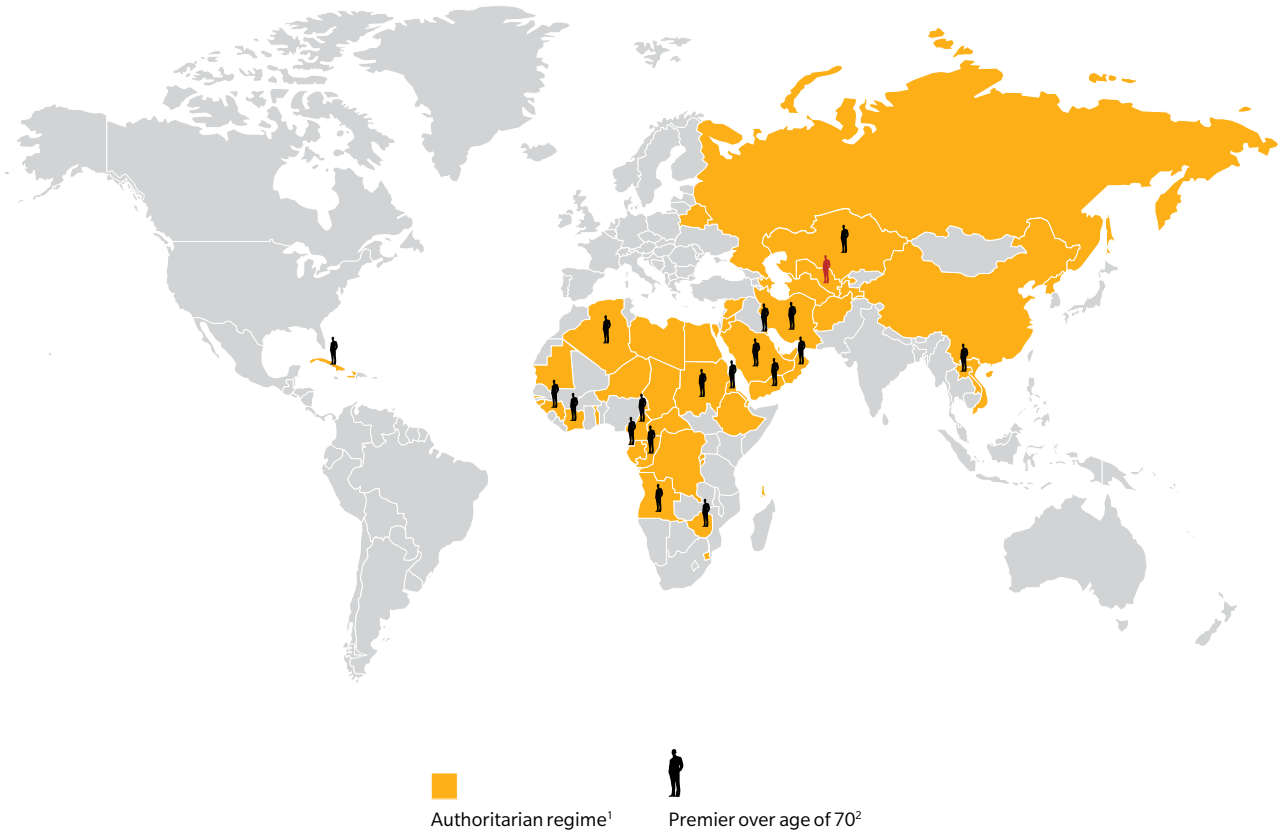
Exhibit 6: GDP growth rate and government budget impacts in selected oil-exporting countries



Source: IMF World Economic Outlook October 2016, IMF, Banxico, CBR, Fitch, S&P, Reuters, Bloomberg, Venezuela Analysis, CNBC, SWF Institute, MMC analysis
1: Angola's 2016e GDP growth rate is 0%.

Copyright © 2016 Marsh & McLennan Companies, Inc.

Exhibit 7: Illiberal states and aging leaders



Source: The Economist Intelligence Unit, Democracy Index 2015, MMC analysis

1:The EIU Democracy Index is based on five categories: electoral process and pluralism; civil liberties; functioning of government; political participation; and political culture. Based on scores on a range of indicators within each category, countries are categorized as: "full democracies"; "flawed democracies"; "hybrid regimes"; or "authoritarian regimes".

2: Correct as of October 2016.

3: Red icon represents former Uzbek President Islam Karimov, who died on 29th August 2016 after a 27-year rule.

Copyright © 2016 Marsh & McLennan Companies, Inc.

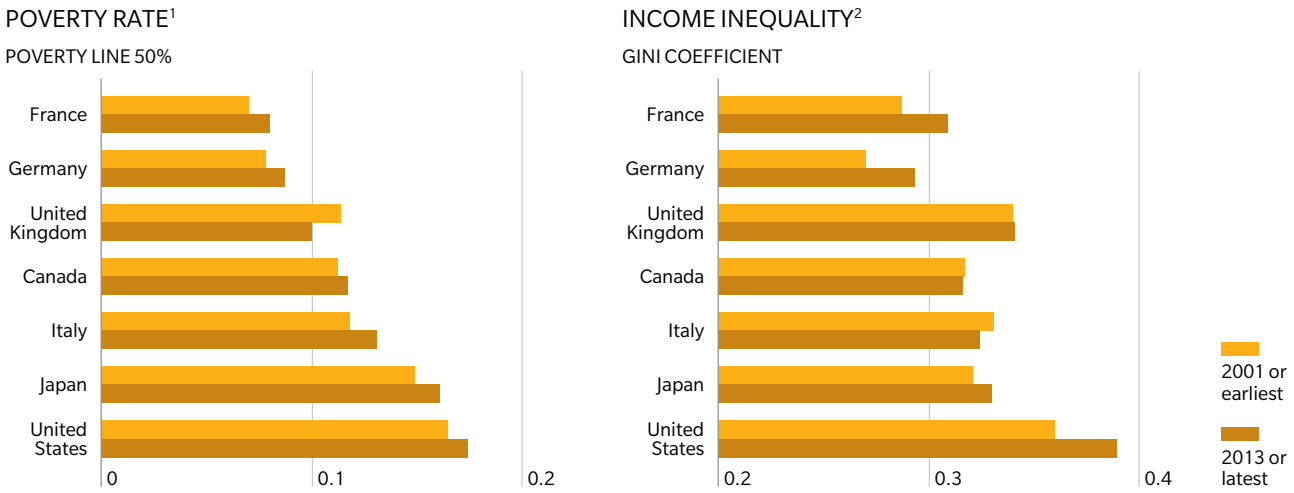
DEEP-SEATED MALAISE

The volatility witnessed in 2016 is rooted in trends and phenomena that have been building up for more than a decade. There are compelling reasons to believe that this is not just a transient phase but reflective of deeper structural shifts that cannot be ignored.

A TIPPING POINT HAS BEEN REACHED

Since the financial crisis, many citizens in advanced economies have endured a torrid time (see Exhibit 8), facing protracted threats to employment, family incomes, and the security of their assets. Joblessness in parts of Southern Europe has exceeded 20 percent for several years, with youth unemployment at times more than double that figure. In some countries, recent immigrants, although vital for long-term national economic growth, have been blamed for taking jobs, lowering wages, and reducing the bargaining power of natives. However, for

Exhibit 8: Poverty and inequality in G7 countries



Source: OECD 2016, MMC analysis

1: Households are described as 'poor' when their disposable income (i.e. post tax & transfers) is lower than or equal to 50% of the national median disposable income.

2: Income inequality is measured using disposable income post taxes and transfers.

Notes: a modest-looking difference in the Gini coefficient implies a significant difference in inequality. Both measures use OECD income definition till 2011, due to data availability.

Copyright © 2016 Marsh & McLennan Companies, Inc.

many semi-skilled workers, such privations arguably began several decades earlier when economic shifts and the opportunities of globalization left many industrial towns behind as they were unable to compete with cheap labor in East Asia and elsewhere. Indeed, in advanced economies, wages have been falling as a percentage of GDP for the last 40 years.[3]

Perilous economic circumstances have intensified the spotlight on the shortcomings of the political establishment. Popular resentment remains high about poor supervision of financial sector risks in good times and elevated government borrowing to support imprudent expenditure plans. More recently, in bad times, so-called technocratic regimes have failed to engage with popular concerns. In prizing the restoration of fiscal stability over investment and labor market considerations, cuts to welfare systems and public services have disproportionately affected lower-income groups. Although incomes of the wealthy were perhaps more severely dented in percentage terms by the financial crisis than those of the less well-off, opportunities for wealth creation in the past few years have conspicuously accrued to those more prosperous already.

At national and supranational levels, technocratic governments have given the impression of being ideologically complacent about the appropriate path to recovery and more accountable to their peers than to the general populace. This has been construed as insensitivity to suffering in the hardest-hit areas, neglect for growing social polarization, and a punitive attitude towards struggling economies such as Greece. A failure to stimulate growth and meet fiscal targets in declared timeframes has been compounded by uncomfortable reminders of previous regimes' deficiencies in geopolitical crises – some administrations are still haunted, in the form of rising refugee numbers and heightened terrorist threats, by decisions to pursue military action abroad and a lack of attention to dealing with the aftermath.

In emerging and developing economies, the disappointment has been more recent, following years of high growth. It has also been more abrupt for the commodity producers formerly cushioned by prices propped up by strong Chinese demand. The failure of leaders to consolidate financial positions in boom times, compounded by the vast sums siphoned off through corruption, has heightened frustrations.[4] The meltdown of the political and economic fabric in Venezuela, widespread terrorism in Nigeria (following the scaling back of counter-insurgency initiatives), and increasing riots elsewhere suggest the likelihood of ongoing torment should economic growth remain weak and government finances continue to deteriorate. Traits such as the settling of political scores, secretive policymaking, and increased authoritarianism have in some countries unwound governance progress, sapping the confidence of concerned citizens in the political system.

Advances in communications technology have helped fuel the instability. With regard to populist politics, diffusion of the powers of mass communication away from the owners of mainstream media channels has enabled a plurality of (largely uncensored) voices to be heard, lowering the barriers to entry for alternative political movements. Moreover, the proliferation of (often competing) information sources has enabled, even obliged, individuals to consciously select and promote feeds that they trust – usually those aligned to their interests and sentiments.

More specifically in the area of popular unrest, social media have played a key role in encouraging both tacit and active support for political causes, by disseminating provocative images and videos, often of state oppression or successful anti-establishment initiatives. At the extreme end of the spectrum, social media have facilitated the direct recruitment of adherents to terrorist agenda and the self-radicalization of "lone wolves". Organization has also become easier: Social media have facilitated the mobilization of individuals for direction action, as well as helping refugees connect with fellow travelers, people smugglers, and compatriots in origin and destination communities.

3 European Commission, AMECO database, 2016

4 Mo Ibrahim Foundation, *A Decade of African Governance - 2006-2015*, 2016

Copyright © 2016 Marsh & McLennan Companies, Inc.

RISING INEQUALITY MAY DRIVE FUTURE UNREST

Abiding economic stagnation in advanced economies will exacerbate the vulnerability of people in lower-income groups to economic and labor market volatility, given minimal or negative real income growth among working-age populations, the rise in non-regular employment, and lower welfare payments. Although the dynamics vary across economies, this is broadly the case from the US through Europe to Japan. Following the political debates this year, pressure on government reforms to deliver real advantages to these groups will be considerable, notwithstanding fiscal constraints.

Inequality continues to grow, spurring discontent among middle, as well as lower, income groups. The contraction of middle class jobs, the growing proportion of wealth held by senior citizens, and declining home ownership rates (in the US and the UK) since the early 2000s are generating cause for concern as young people and their parents face the prospect that the new workforce may be less well-off than their forebears. Against this backdrop, long-term market trends suggest that opportunities for wealth creation may continue to concentrate among those who are already capital-rich, with the OECD suggesting a near 10 percent rise in average income inequality across advanced economies over the past 30 years.[5]

Technological advances facilitating workplace automation may aggravate household economic concerns in all parts of the world over the coming decade, via a potentially dramatic effect on employment opportunities. Although labor market disruption is likely to affect advanced economies before developing countries, impacts in the latter could be greater in due course.[6] With jobs based on routine cognitive or manual activities most at risk, industries, national economies, and individual career paths will be affected in significant ways. Even if the fourth industrial revolution does, like previous incarnations, create new jobs and wealth, it is by no means assured that there will be an orderly transition without a significant number of casualties, or that the benefits will be widespread.

10%

"Rise in average income inequality across OECD countries since 1985"

Source: OECD, Income Inequality: The Gap between Rich and Poor, 2015

5 OECD, *Income Inequality: The Gap between Rich and Poor*, 2015

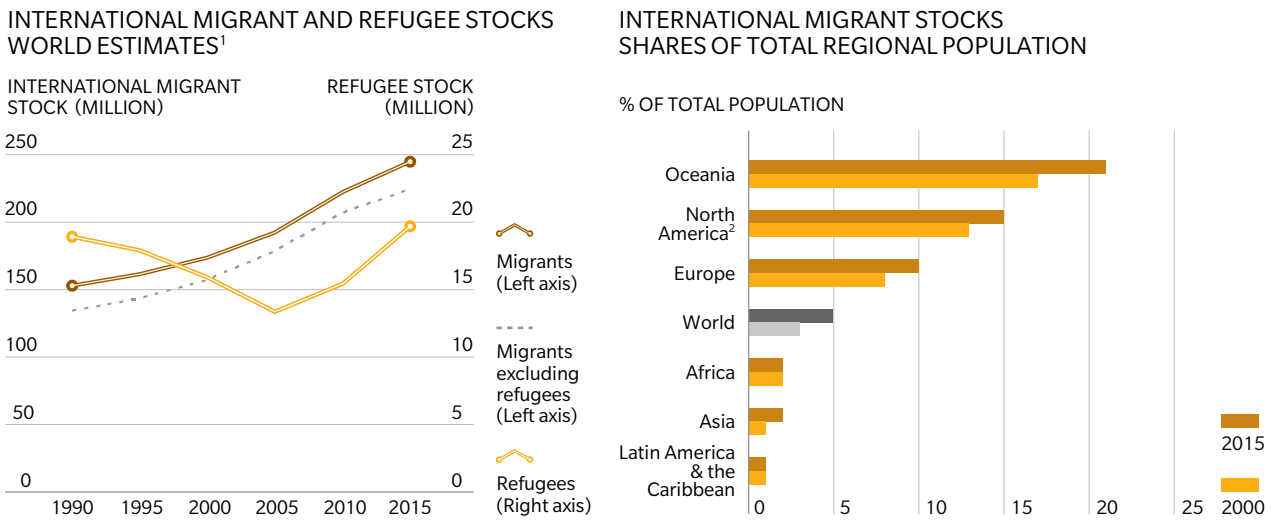
6 World Bank, *World Development Report 2016: Digital Dividends*, 2016

Copyright © 2016 Marsh & McLennan Companies, Inc.

The economic slowdown in emerging markets, particularly in commodity-reliant countries, risks stalling the significant progress towards global poverty reduction achieved in recent decades. Indeed, according to the World Bank, the commodities crisis has sharpened global inequality by setting back the timeframe by which emerging market countries might catch up with advanced economies in terms of per capita GDP. Moreover, with the exception of India, the demographic dividend for economic growth is dwindling in the BRICS economies; dependency ratios and healthcare challenges are rising at a time when social protection systems are still very limited.[7] This may provide a fresh spur to international migration efforts. United Nations data shows that the number of people living in a country they were not born in (for economic, family, refugee, or other purposes) increased by 41 percent from 2000 to 2015, with such migrants now accounting for more than 10 percent of the total population of Europe, Northern America, and Oceania (see Exhibit 9).

Domestic inequality issues may resonate more strongly with populaces. Since 1990, inequality has deepened in many Asian countries.[8] In Latin America, weak economic conditions may accentuate perceptions of inequality, which, although apparently declining, remains very high in comparison with other parts of the world. In South Africa, the chasm between rich and poor may even increase, if historic trends continue. The growth of the insulated super-rich in some countries stands out against the frustrations of young populations migrating to Asian and African cities with great hopes, but finding the living expensive and employment hard to find. Complaints from the growing number of middle-class citizens will also increase if public services, infrastructure, management of the economy, and rule of law lag popular expectations of an improved quality of life. Issues such as financial stability, property ownership, healthcare provision, and urban air quality (see Exhibit 10) are already deepening as concerns, while at the same time individuals seek further opportunities as consumers.

Exhibit 9: Global migration trends



Source: UN, Department of Economic and Social Affairs (2015), UN *International Migration Report* (2015), MMC analysis

1: The UN definition of international migrant stock includes refugees.

2: Excludes Mexico

7 Marsh & McLennan Companies, *Advancing into the Golden Years: Cost of Healthcare for Asia-Pacific's Elderly*, 2016

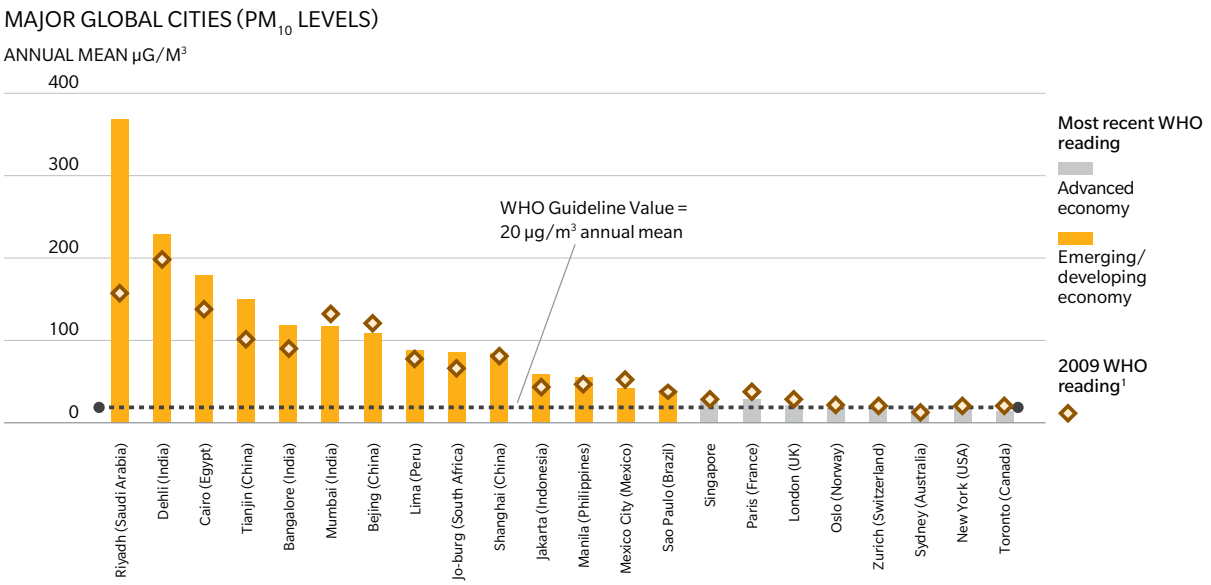
8 IMF Working Paper, 'Shaping the Growth Dividend: Analysis of Inequality in Asia', 2016. Inequality has deepened in 15 out of the 22 countries analyzed

Copyright © 2016 Marsh & McLennan Companies, Inc.

Complex economic transitions – becoming less dependent on commodities and boosting consumption and services – will be hard for emerging economies to deliver at a time of fragile growth. The failure to take proper action threatens their long-term prospects; but unpopular or risky reforms in the near term may feel more dangerous to leaders who prize stability, who have ensured acquiescence either through nurturing prosperity or by subsidizing the cost of living, and who find the level of unrest in their populations increasingly difficult to read.

While the sense of crisis can sometimes help bind the populace in a common cause, the prioritization of public order and the trend toward more authoritarian rule in countries facing these challenges may create a pressure-cooker environment, where citizens feel the only solution is a violent release of pent-up frustrations. This will be exacerbated in the event of pronounced governance failures, rising ethnic conflict, and increased popular suffering as a result of an inability to respond adequately to prolonged climate change events, such as drought. Continual pushback against dissent may test the tolerance of citizens to seek peaceful resolution rather than vociferously or militarily campaigning for change.

Exhibit 10: Urban air pollution levels and trends



Source: WHO Ambient Air Pollution databases, MMC analysis
1: Due to a lack of available 2009 data, the following data is taken for: Riyadh (2003), Peru (2010), Manila (2007).

Copyright © 2016 Marsh & McLennan Companies, Inc.

COMPANY IMPERATIVES

Surges in social and political instability are spawning new strategic uncertainties and operational risks for firms struggling to chart a path through choppy macroeconomic waters. Better insights into potential impacts and creative approaches to mitigation are needed to ensure agility and resilience.

NEW SOURCES OF UNCERTAINTY PROLIFERATE

The macro-level risk environment for companies has become more complex and more volatile. The tight interplay between economic, political, and societal challenges has stimulated a wide range of threats to business activity, from civil disturbance and terrorist attacks to policy reversals and regime change (see Exhibit 11). European airlines, for example, have endured both revenue losses from fearful passengers after ISIS bombings and a slump in stock prices due to the Brexit decision. Moreover, the materialization of social and political instability in all countries (albeit with some variations) means that home market operations demand as much attention as foreign ventures.

Potential flashpoints are hard to predict, even when the characteristics of the risk environment are well known. The attempted military coup in Turkey did not seem to be on analysts' radar screens; on the eve of the UK's referendum vote, the bookmakers only had a Leave decision at 15 percent likelihood.[9] It can be hard to get a fix on seismic events even after the fact. Several months after the Brexit decision, there is little clarity about the platforms for negotiating the UK's exit from the EU or their achievability. Conversely, although order was swiftly restored in Turkey, the sweeping deployment of emergency powers (removing scrutiny by the constitutional court) has added to pre-existing policy and political risk for both domestic and foreign firms.

Government responses to the scale of societal discontent and civil disturbance are generating new uncertainties. "Done deals" – from labor reform programs to foreign investment in critical infrastructure – are coming unstuck at the last minute. Firms that are market leaders or have particular technological expertise can no longer rely on their distinct positioning to set their commercial agenda on purely economic terms. Political acceptability has become more important in assessing the feasibility of a major investment or strategy change.

9 Betfair data on EU referendum at 6:00pm on June 23, 2016

Copyright © 2016 Marsh & McLennan Companies, Inc.

Indeed, national economic protectionism may present increasing challenges. Five aspects merit particular consideration:

- Governments beginning to undermine the market presence of foreign-owned firms and inhibiting newcomers from developing a footprint. Delays in legislation designed to open up markets, and the increasing obduracy of planning and regulatory hurdles for business setup, are often less transparent than a hike in tariffs on certain imported goods.
- The consolidation of initiatives to constrain the free movement of labor. Higher expectations of locals filling senior positions may intensify the war for talent in emerging market countries where there is a shortage of qualified candidates, while broader labor market controls would increase staffing costs more generally.
- Increased momentum for (pre-existing) investigations into antitrust issues and profit shifting to low tax regimes, such as those undertaken by the European Commission against the US technology giants.
- Revisions to, or cancellations of, blockbuster trade deals such as the Trans-Pacific Partnership and the non-materialization of expected benefits such as tariff reductions, patent protections, and greater market access.
- The gradual conflation between different forms of protectionism – the safeguarding of domestic businesses and workers, the maintenance of financial sector stability, and the preservation of national security – thereby inhibiting certain types of foreign direct investment.

Exhibit 11: Corporate threats from political and social instability (selected)

	Business degradation	Transactional discrimination	Strategic challenges
Challenge	• Asset damage • Business operations interruption • Supply chain and logistics disruption • Product / services boycott • Market decline (e.g. tourism) • Personnel safety threats	• Tariff hikes • Taxation increases • Contract repudiation • Construction permit denial • Operating license denial or revocation • Import / export license denial or revocation	• Delays in enabling legislation or regulations • Indigenization measures (local ownership / content) • Asset requisition, confiscation, or nationalization • Currency inconvertibility • Forced abandonment • Economic sanctions (especially trade embargos)
Likely primary cause	• Terrorism and insurgency • Civil disturbance	• Protectionism (national / local) • Corruption and other governance failures	• National-level protectionism • War or coup d'état

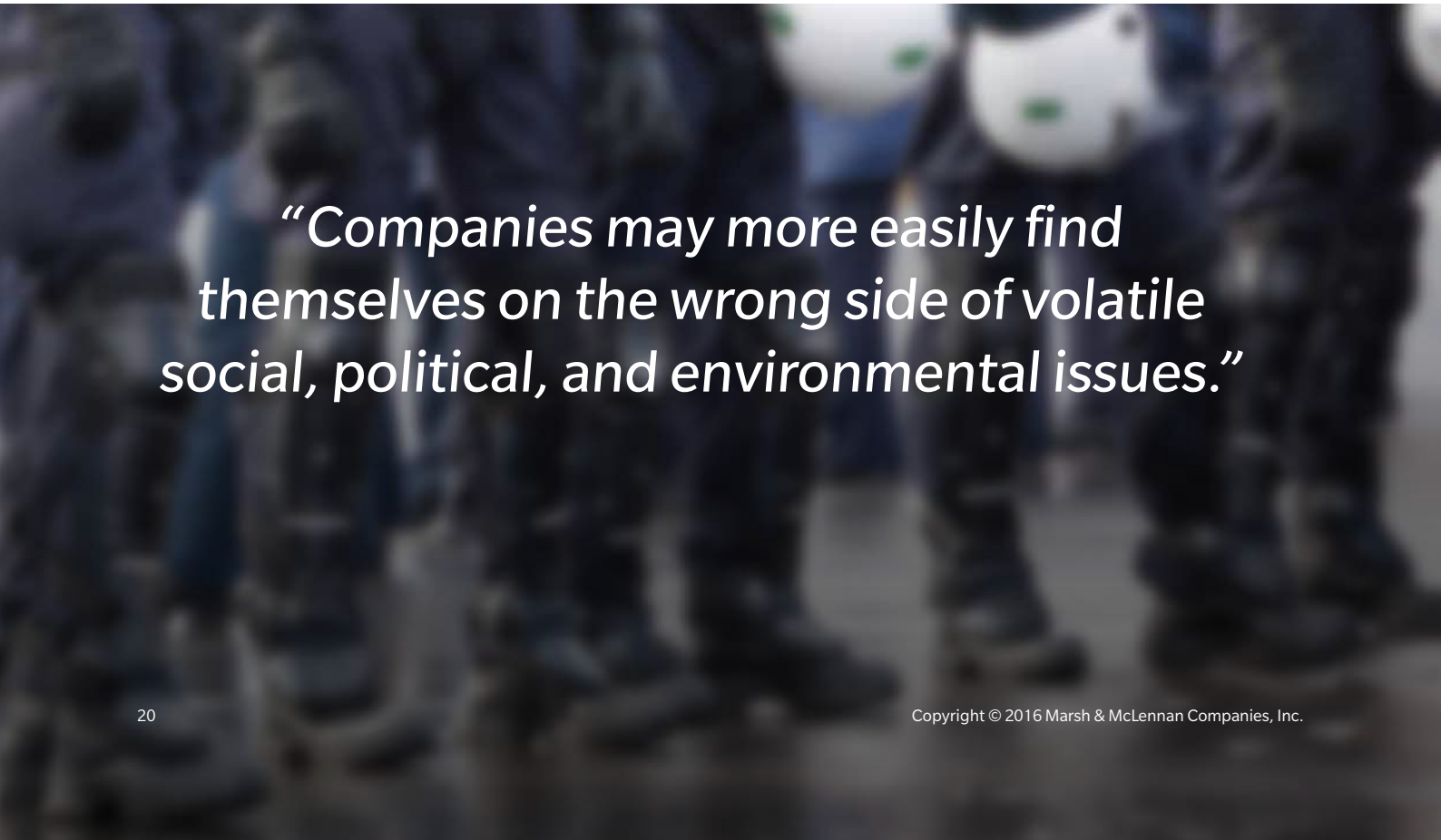
Source: Marsh & McLennan Companies

Copyright © 2016 Marsh & McLennan Companies, Inc.

Creeping expropriation has many faces and can materialize unexpectedly. While arbitrage benefits may be found behind the headaches of fragmenting regulation, in such an unsettled environment companies would be wise to question the sustainability of such opportunities. Likewise, commodity firms currently attracted by the competition between resource-rich countries for their investment should be wary of how a possible deterioration in political and social conditions in the years to come might influence terms of business and profits.

Under any circumstances, firms (foreign ones, in particular) should expect higher levels of political and public scrutiny. Monitoring will be particularly intense for possible participation in corruption and tax avoidance, with governments wanting to demonstrate they are clamping down harder than in previous years, both strategically and on a case-by-case basis. Demands for financial transparency will intensify, and data on questionable practices are increasingly likely to make its way into the open, often via illicit channels – the leaking of the Panama papers illustrates the risks presented by trusted third parties. Innocence is not a sure-fire safeguard, as well-behaved companies may be caught in the general backlash against more aggressive operators.

As a corollary, companies may more easily find themselves on the wrong side of volatile social, political, and environmental issues. Notwithstanding the already elevated levels of civil-disturbance risk in many parts of the world, social media-driven boycotts, campaigns, and disputes may undermine revenues, project timetables, and the feasibility of local operations. Strikes and other popular demonstrations at company property, transportation hubs, and suppliers may impede business activity, while the threat of a terrorist attack on a soft, talismanic target lurks in the background. Moreover, an increased willingness of employees to take a stand against their firm may be echoed in a more general disengagement of personnel, giving rise to operational errors and lapses in judgment.



"Companies may more easily find themselves on the wrong side of volatile social, political, and environmental issues."

Copyright © 2016 Marsh & McLennan Companies, Inc.

GREATER PREPAREDNESS IS ESSENTIAL

Despite a turbulent year, stock indices in many leading economies have shown remarkable resilience. Resisting this optimism, however, many companies have returned to hoarding cash, regarding it more prudent to monitor the progress of others while attempting to intuit how media-headline events will affect their own operations and performance. This will, of course, not inoculate them against shocks, and companies can certainly do more to strengthen their positioning by sharpening insights, modifying investment strategies, and deepening relationships (see Exhibit 12).

The kaleidoscope of political and societal risks should be firmly on the corporate risk radar. Companies with an extensive global footprint should triangulate insights from local operatives with synthesized media and analyst reports, even if smaller organizations may need to rely more heavily on third-party advisors. Decision makers should not rely on tick-the-box exercises but seek to interrogate expert opinion to form a better view on its veracity and the scope for alternative outcomes. In certain circumstances, it can be valuable for firms operating in high-risk countries to share intelligence on the changing risk landscape with each other, especially where this might inform contingency measures in the event of a crisis.

These risks should be discussed at the top of the firm. Regularly covering these threats in risk reporting frameworks, alongside macroeconomic perspectives, ensures that senior management and board members have a good feel for the ebb and flow of key trends and can request further analysis or trigger decisions in a timely way. It also enables them to better align reactions to exigencies with more strategic responses to longer-term changes in the risk environment.

New kinds of analysis may be necessary. Although it is often hard to quantify the threat from outbreaks of social unrest and political instability, creative scenario-based techniques can help identify points of corporate vulnerability in key markets, along with the associated implications for performance and assets (including personnel). From this starting point, scenario thinking can be used to test the resilience of mitigation and contingency measures and also to war-game responses to potential crises characterized by events escalating in unexpected directions. For example, it is increasingly important to include a political risk lens within supply chain risk analyses – both into the consideration of individual counterparties and into overarching concentration risk assessments.

Opportunities to insulate new strategic investments abroad should be sought. Alignment with strategic home government trade missions may provide necessary momentum for large deal making; this is becoming as true for emerging market players seeking to enter advanced economies as it is for the converse. As this does not prevent plans going awry after the ink has dried, being able to allocate resources in an agile way is an advantage. In some parts of the world, multinationals are seeking to back-load investment where possible and ensure they can exit in the medium term if, economically and politically, the new market does not develop as expected.

Creative use of risk transfer mechanisms can better align protection with needs. The current climate is spurring many companies to broaden their insurance requirements. Indeed, forced abandonment coverage has become a driver of product demand rather than just a "throw-in" by insurers, with firms mindful of risks to dividend expectations and debt-servicing obligations from a sudden and lengthy inability to derive value from a core asset. There is further scope to structure trade credit policies to secure on- or off-balance sheet financing or focus on particular catastrophic risks of concern. Moreover, loss estimates generated by risk models are capable of not only informing insurance coverage and premiums, but also plans for business continuity and employee safety.

Companies should strengthen efforts to build relationships and reputation. In the first instance, this means being better attuned to the political conversation

Copyright © 2016 Marsh & McLennan Companies, Inc.

in key markets, and cultivating a wider range of stakeholders at national and local level. In addition, pre-emptive reputation management is vital for insulating the firm against possible targeted campaigns and instinctive backlashes that can spiral out of control. On the other hand, firms that show they can be part of the solution to the causes of unrest – through infrastructure, technology, products, or service provision – may encounter significant opportunities.

Finally, companies should deepen their engagement with their workforce. In part, this means recognizing, as many firms have done, the novel expectations of millennials and subsequent generations rising through the firm. But it also means anticipating discontent and insecurity resulting from changing employment structures, increased job mobility, new skills requirements, and higher retirement ages. Surveys (if carried out with trusted assurances of anonymity) and other analytical and engagement-based methodologies can help gauge changes in employee sentiment and behavior that may indicate rising turnover challenges or a deterioration in risk culture where broader societal discontent is reflected in employee behavior.

Peer-to-peer discussions on responsible employer issues can stimulate ideas for solutions and help firms calibrate the level of effort being applied across companies of a similar size. Indeed, industrywide, employers should ask themselves whether they are showing enough leadership to preserve or enhance the labor markets that serve them well, notwithstanding challenging economic conditions. In some countries, taking the initiative may stave off regulatory intervention and moral suasion by governments; elsewhere, such thinking may offer some early-mover advantage in tackling any required transition.

Exhibit 12: Pragmatic approaches for companies

Source : Marsh & McLennan Companies

Copyright © 2016 Marsh & McLennan Companies, Inc.

LEADING FOR THE LONG TERM

Company leaders should prioritize efforts to anticipate profound shifts in the business environment and prepare for novel crises. This may inspire bold decisions for building resilience and long-term competitive advantage.

Livelihoods are threatened by economic stagnation, persistent unemployment, and rising inequality. Meanwhile, governments stand accused of foresight failures, pervasive corruption, and insensitivity to the needs of the least well-off. It should be no surprise that popular frustration is high, direct action is being taken, and non-mainstream political movements are finding support.

The burning question is how this will play out. Those of a sanguine disposition see the events of 2016 as cyclical in nature, and assume that the old order will eventually prevail after the shock of blood-letting. Pragmatic responses from seasoned politicians in the UK and Germany are testament to centrist parties bending in the wind with a view to returning to normal business in due course; election results in Peru and Argentina have shown a move away from populism. Gloomier types, however, view the same evidence base as signaling more cataclysmic confrontations to come – uncontrollable domestic insurgencies and even the possibility of political leaders propelling their countries into international conflict. A third perspective, as outlined in this report, takes more of a middle road. It anticipates significant policy adjustments by familiar and unfamiliar politicians alike as countries face up to deep-seated challenges and attempt to navigate difficult transitions. By this reckoning, disturbances are likely to continue, and we should not expect a resumption of the status quo. But hopefully no conflagration will ensue.

Whatever the actual pathway, the new normal requires company leaders to be better attuned to transformational shifts in the risk landscape and better prepared for shocks that may come from multiple directions.

Copyright © 2016 Marsh & McLennan Companies, Inc.

Four interlinked priorities will help Chief Executives set the right tone from the top.

First: Leaders should promote discussion of these trends at the enterprise level. Focusing only on terrorist threats in particular high-risk countries or the political risk to certain large transactions will achieve only piecemeal results; at the same time, broad-based coverage that reflects last year's concerns would also be inappropriate. Instead, searching questions should be asked about exposures and opportunities across the entire value chain to the key themes of this report, with mitigation resources concentrated on addressing catastrophic risks that might have material impacts on earnings and share price. The alignment of perspectives across senior management and the board will energize strategic initiatives that have clear direction and coherence. Communicated well, this can also inform expectations of the firm's risk culture.

Second: It is important to take a fresh look at how the company's strategic ambitions match with political agenda and public perception. As the overseas ambitions of large companies become increasingly viewed through the lens of geo-economic priorities, company leaders may need to work harder to ensure their investment narrative (market expansion as well as the off/on-shoring of activities) does not face undue political setbacks at national and local levels, both at home and abroad.

Third: Again it may be opportune to examine corporate positioning from an internal perspective. Refreshing the company's values can help them resonate more strongly with employees and strengthen the social contract of the employer at a time of potential personnel disengagement. This effort can be consolidated by building behavioral expectations into performance goals and review processes. In addition, aligning corporate social responsibility programs more squarely with drivers of financial performance or threats to long-term value might stimulate greater investment in issues such as workforce retraining, as this may mitigate the instability generated by structural shifts in future labor requirements.

Fourth: Crises need to be anticipated and managed in an enlightened way. Incidents that appear to be purely local and operational may be symptomatic of a wider predicament, and an early recognition of structural trends can help limit negative impacts. A robust, senior-level discussion of weak signals, which may well clash with declared directions or vested interests, may spur the timely preparation of mitigations, contingency plans, and alternative strategies that can be deployed as needed. Agility, after all, is a function of preparedness as much as innate capabilities.

*****

2016 may not be as clearly talismanic for social instability as 1968 (student riots), 1989 (Berlin wall dismantled), and 2011 (Arab Spring), but the multitude of incidents experienced in recent months may have complex reverberations and offer further surprises. The intractability of the associated policy challenges suggests that government responses will lean towards political expedience rather than radical solutions. Protectionist initiatives, for example, may yield short-term benefits for particular constituencies, but at the expense of longer-term growth opportunities. These actions, moreover, are unlikely to address deep-rooted drivers of social instability, such as rapid technological advances, inevitable climate change impacts, and pervasive inequality.

Uncertainty is the enemy of investment, and it is arguable that the number of plausible scenarios for the future has increased. In unsettling times, cool heads must balance the exigencies of fast news cycles with more profound developments in the risk landscape. In this way, company leaders can not only strengthen the resilience of their firms but also generate long-term shareholder value.

Copyright © 2016 Marsh & McLennan Companies, Inc.

"In unsettling times, cool heads must balance the exigencies of fast news cycles with more profound developments in the risk landscape."

Copyright © 2016 Marsh & McLennan Companies, Inc.

AUTHOR

Richard Smith-Bingham
Director, Global Risk Center, Marsh & McLennan Companies

richard.smithbingham@mmc.com
+44 207 852 7828

CONTRIBUTORS

Evan Freely, Global Practice Leader for Credit Specialties at Marsh

Chris Johnson, European and Pacific Leader for the Talent business at Mercer

Jeremy Lim, Head of the Asia-Pacific Region Health & Life Sciences and Public Sector practices at Oliver Wyman

Julian Macey-Dare, International Head of the Political Risk and Structured Credit practice at Marsh

Donald Mango, Vice-Chairman of Enterprise Analytics at Guy Carpenter

Scott McDonald, Chief Executive Officer at Oliver Wyman

Peter Regen, Director of Public Sector Consulting in North America at Oliver Wyman

Anshu Vats, Head of Public Sector Consulting in the Middle East at Oliver Wyman

The paper has also benefited from research and insights provided by Tom Garvey.

The Marsh & McLennan Companies' Global Risk Center's research partners and broader network were also valuable sources for ideas. This included the Organization for Economic Cooperation and Development, The World Economic Forum, and articles published on MMC's risk insights platform, BRINK.

Copyright © 2016 Marsh & McLennan Companies, Inc.

ABOUT

This paper was developed by Marsh & McLennan Companies' Global Risk Center. The Global Risk Center draws on the expertise of Marsh, Mercer, Guy Carpenter, and Oliver Wyman, along with top-tier research partners from around the world, to address the major threats facing industries, governments, and societies. We highlight critical risk issues, bring together leaders from different sectors to stimulate new thinking, and deliver actionable insights that help businesses and governments respond more nimbly to the challenges and opportunities of our time. Our global digital news hub, BRINK, provides up-to-the-minute insights and informed perspectives on developing risk issues; our Asia Pacific Risk Center and BRINK Asia news hub focus on risk issues relevant to the Asian market.

Marsh & McLennan Companies (NYSE: MMC) is a global professional services firm offering clients advice and solutions in the areas of risk, strategy and people. Marsh is a leader in insurance broking and risk management; Guy Carpenter is a leader in providing risk and reinsurance intermediary services; Mercer is a leader in talent, health, retirement and investment consulting; and Oliver Wyman is a leader in management consulting. With annual revenue of $13 billion and approximately 60,000 colleagues worldwide, Marsh & McLennan Companies provides analysis, advice and transactional capabilities to clients in more than 130 countries. The Company is committed to being a responsible corporate citizen and making a positive impact in the communities in which it operates. Visit www.mmc.com for more information and follow us on LinkedIn and Twitter @MMC_Global.

Copyright © 2016 Marsh & McLennan Companies, Inc.

www.mmc.com

Copyright © 2016 Marsh & McLennan Companies, Inc. All rights reserved.

This report may not be sold, reproduced or redistributed, in whole or in part, without the prior written permission of Marsh & McLennan Companies, Inc.

This report and any recommendations, analysis or advice provided herein (i) are based on our experience as insurance and reinsurance brokers or as consultants, as applicable, (ii) are not intended to be taken as advice or recommendations regarding any individual situation, (iii) should not be relied upon as investment, tax, accounting, actuarial, regulatory or legal advice regarding any individual situation or as a substitute for consultation with professional consultants or accountants or with professional tax, legal, actuarial or financial advisors, and (iv) do not provide an opinion regarding the fairness of any transaction to any party. The opinions expressed herein are valid only for the purpose stated herein and as of the date hereof. We are not responsible for the consequences of any unauthorized use of this report. Its content may not be modified or incorporated into or used in other material, or sold or otherwise provided, in whole or in part, to any other person or entity, without our written permission. No obligation is assumed to revise this report to reflect changes, events or conditions, which occur subsequent to the date hereof. Information furnished by others, as well as public information and industry and statistical data, upon which all or portions of this report may be based, are believed to be reliable but have not been verified. Any modeling, analytics or projections are subject to inherent uncertainty, and any opinions, recommendations, analysis or advice provided herein could be materially affected if any underlying assumptions, conditions, information, or factors are inaccurate or incomplete or should change. We have used what we believe are reliable, up-to-date and comprehensive information and analysis, but all information is provided without warranty of any kind, express or implied, and we disclaim any responsibility for such information or analysis or to update the information or analysis in this report. We accept no liability for any loss arising from any action taken or refrained from, or any decision made, as a result of or reliance upon anything contained in this report or any reports or sources of information referred to herein, or for actual results or future events or any damages of any kind, including without limitation direct, indirect, consequential, exemplary, special or other damages, even if advised of the possibility of such damages. This report is not an offer to buy or sell securities or a solicitation of an offer to buy or sell securities. No responsibility is taken for changes in market conditions or laws or regulations which occur subsequent to the date hereof.

MARSH & McLENNAN COMPANIES