Armstrong Teasdale

CORPORATE SERVICES

2023 Risk Assessment and Management

Our Corporate Services practice group's client base reflects a broad spectrum of industries, life cycles and sizes, but they are united by a desire to identify, assess, plan for and manage risk.

In our role as a trusted advisor and business partner to thousands of clients, AT is uniquely positioned to collect valuable perspectives regarding risk. As part of our investment in our client relationships, we want to share the collective insights of our client base regarding the risks they face in 2023. We hope this information helps our clients to more confidently meet and manage risk to the benefit of all of their stakeholders.

The top risks our clients cited as being most concerning for 2023 include the following, none of which exists in isolation. Instead, these risks tend to be interconnected, each one leading to additional points of uncertainty and exposure.

1 Employment and Talent Management.

Employment and talent management leads our list as our clients' top concern. Executives cite as key difficulties recruiting and retaining quality employees in the ongoing workforce shortage, rising compensation demands driven by inflation and labor shortages, and the impact of work-from-home dynamics on team management and engagement. Many companies are turning to technology to address talent shortages, but concerns about data security and privacy abound. At the same time, some companies are laying off employees, impairing growth and reducing market confidence. Additionally, there is concern over the ability to use noncompete provisions to protect confidential information and customer relationships in light of the Federal Trade Commission's broad proposed rulemaking.

2 Economic Conditions.

Business leaders also mention a looming recession, soaring inflation and increasing interest rates as top risks. These factors result in tighter credit markets, which in turn reduce deal volume, capital improvements and other business growth projects. Others note potential tax law changes, more conservative spending and uncertainty surrounding business valuations as potentially reducing market confidence and deal flow.

3

Availability of Capital.

Raising and accessing capital in uncertain economic times is another top issue. With investors being more conservative and lenders seeking greater security, the capital necessary to fund growth, capital improvements and working capital has become scarcer. Rising risk for capital providers means that not only traditional bank financing but also the once plentiful venture capital, alternative market and non-bank lender financing are more difficult, time consuming and costly to secure. Additionally, clients fear that expanding regulatory oversight and scrutiny in financial markets, including in the embattled cryptocurrency industry, may further increase the cost of capital and compliance.

4

Supply Chain Management.

While our clients' ability to manage supply chain issues has improved in the last year, supply chain management remains a significant challenge. The rising cost of labor and fuel, shortages in inputs and components, and changing terms designed to protect vendor profitability all contribute to uncertainty and threaten profits. New export controls implemented against China may also result in additional disruptions and increased costs in the supply chain. At the same time, weather related incidents, political unrest, military aggression, public health crises, and fears of other force majeure events threaten even the most secure supply chains.

5

Environmental, Social and Governance (ESG).

Rounding out the top five risks is ESG. Not only are customers and business partners demanding better management of ESG risks, these risks are increasingly the topic of new regulation and enforcement actions. Climate change, cybersecurity, and workplace diversity and wellness are among the top ESG risks facing our clients. As regulation increases and stakeholder demands intensify, failing to properly manage ESG risks may result in lost business, costly litigation and enforcement actions, shareholder activism and reputational damage.

While it is difficult to predict the future, we hope that sharing our clients' collective insights will spark new strategies for growth, stability and profitability. We will follow this report with more detailed analyses and thoughtful, proactive solutions that we hope will allow us to better partner with our clients and to anticipate, rather than react, to the challenges they face on a daily basis. If you have any questions, please feel free to contact your AT lawyer.