

# NAVIGATING GLOBAL RISKS IN 2025

Uncovering the economic, environmental, geopolitical, societal, and technological challenges facing Australian and New Zealand organisations





# GLOBAL RISKS 2025: THE VIEW FROM THE PACIFIC

In an increasingly unstable world, leaders in the Pacific region will need to challenge traditional thinking and embed risk in strategic plans. As global risks become more complex and urgent, the time to act is now.

Our world is becoming riskier by the day. From geopolitical tensions to natural disasters, global events are disrupting the daily news cycle. But are organisations doing enough to respond to these emerging risks?

The World Economic Forum's (WEF) annual Global Risks Report 2025 (GRR) provides deep insights into the global risks shaping our world across four spheres – geostrategic, technological, demographic and climatic. The deeper we look, the more we see that these risks are closely interconnected and responding to them in isolation is no longer an option.

Drawing on the WEF's Executive Opinion Survey (EOS), the GRR reveals a short-term perception of global risks among leaders in the Pacific region.<sup>1</sup> Decision making appears to be influenced by immediate risks, such as inflation and potential economic downturn. That's a potential blind spot. The GRR shows us the very real potential impacts of long-term risks – and reveals a lack of preparedness.

To ensure your organisation can withstand the turbulence of constant changing forces, it's time to be proactive: to look beyond short-term shocks to long-term shifts.

In this paper, we explore five risk imperatives of the global risks highlighted in the GRR:

1. **Geopolitical and economic risks**
2. **Technology**
3. **Employee and business resilience**
4. **Super-ageing societies**
5. **Climate.**

With a local lens, we share insights and practical actions for leaders in the Pacific region and reveal the potential to turn some risks into opportunities.

# 1. GEOPOLITICAL AND ECONOMIC RISKS



## Rising tensions across borders and economies

Over the last year, we have witnessed the ongoing spread and escalation of geopolitical conflicts. Tensions in Eastern Europe and the Middle East dominate media conversations. According to the WEF's Global Risk Perception Survey (GRPS), geopolitical risk tops the list of immediate concerns.

Mounting conflicts are prompting nations to turn inward and focus on protecting domestic concerns, leading to geoeconomic confrontation. Multilateralism is in decline and trade wars are on the rise.

We are seeing an increasingly fragmented world emerging, with growing tariff-based protectionism and trade tension, including between the US and China. Since 2018, trade interventions have quadrupled,<sup>2</sup> further increasing uncertainty among business leaders. Governments are using tariffs as a bargaining tool, with trade policy becoming a pawn to drive other economic and social agendas. The implications on macro and micro economies continue to mount, further disrupting trade and the flow of money across borders and between businesses.

Shifting global trade dynamics will test both government and business leaders alike. The Pacific is not immune. Short-term impacts may include an increase in prices for some imported goods affected by tariffs in their supply chains, and discounts in others, as alternative demand needs to be found. Either way, both consumers and businesses will need to adapt. Business leaders who understand current trade flows and opportunities, and have a clear framework for assessing future developments, are more likely to invest and operate confidently.<sup>3</sup>

Looking long term, a heightened focus on national security will see continued growth in defence spending. Over the last nine years, global military spending has risen steadily, reaching a total of US\$2.46 trillion in 2024 after accelerated growth during the year.<sup>4</sup>



**Economic and national security are so intertwined that they're becoming hard to separate. Without economic security, national security quickly erodes.**

**Michael Thompson**  
Partner, Government and Public Institutions,  
Oliver Wyman



This trend, along with structural government deficits in the region, will put pressure on other major government spending areas such as healthcare, education and infrastructure. Organisations in these sectors will face pressure to find alternative sources of funding.

Then there's the matter of self-sufficiency. The region's supply chain vulnerabilities during the COVID-19 pandemic should have been a red flag. This reliance on international suppliers for essential goods is becoming even more apparent, as geopolitical risks grow and natural disasters become more frequent.

Around 65% of companies analysed in Oliver Wyman's State of Our World 2025 report have a bottleneck somewhere in their supply chain network.<sup>5</sup> With the war in Gaza spilling into the Red Sea and rerouting merchant ships, Pacific organisations have started

to question the impact on their supply chains. Understanding the broader second and third impacts surrounding conflicts matters. Importantly, changes in markets can create gaps to be filled. For example, the disruptions in grain trade caused by the Russia-Ukraine conflict had implications for Australian grain producers.<sup>6</sup>

Leaders must consider how existing and expanding tensions will impact local economic stability and national security. Risk assessments should shift from the traditional qualitative perspective to a more robust quantitative approach backed by data insights. To adequately prepare for the risks ahead, business leaders may need to challenge the risk management status quo. That means thinking beyond compliance, to the implications for your business strategy.

# What should business leaders consider?

## 1. Strengthen your board and management team's foreign affairs capabilities.

Managing geopolitical risks isn't solely a government responsibility – make geopolitics part of your organisation's broader risk strategy.

## 2. Build supply chain resilience and diversification.

Dig deep to understand your upstream and downstream supply chain risk exposure to geopolitics and natural catastrophes. Here are some approaches:

- Use AI technologies to map your supply chain and identify areas of concentration risk.
- Conduct scenario analysis to prepare for alternative outcomes.
- Identify the suppliers and supply routes that are more vulnerable to conflicts, and evaluate the potential reputational risks of doing business with parties in conflict-affected and high-risk areas.
- Harness data to evaluate the accessibility of certain countries from a regulatory perspective.

- Diversify supply chains to reduce exposure to a single point of failure.
- Look beyond physical supply chains to also consider the digital supply chain.

Consider ways to address critical supply chain risk.

- **Short term:** building reserves of goods can also strengthen self-sufficiency for certain businesses. But this approach can be costly to maintain. To manage costs well requires careful inventory planning and risk assessments to determine the size of the reserve.
- **Longer term:** consider localising supply to source commodities from locations close to your customer base to diversify shocks across regions and/or relocating production closer to home for greater control.

Consider ways to gain exposure to areas of investment growth in industries where governments are investing to build sovereign capabilities, such as defence.

Oliver Wyman's '[5 key strategies to navigate and reduce supply chain risk](#)' helps leaders think through how to reshape their supply chains for the future.





## What should government leaders consider?

### **1. Focus policies on strengthening their domestic economy, and providing financial stability over the long term.**

Governments may choose to:

- Review and amend funded programs that will see significant spending growth over the coming years.
- Look for incentive measures (e.g. deregulation, tax reductions) in areas that promote domestic economic growth.

### **2. Develop self-sufficiency in strategic sectors such as manufacturing, agriculture, mining and energy.**

For example:

- Investment funds like the Australian Government's National Reconstruction Fund can encourage private sector investment and stimulate growth in key sectors.
- The New Zealand Government could consider additional investment to strengthen its agricultural capability through programs such as the Ministry for Primary Industries.

### **3. Diversify import markets and explore new export markets.**

With economies like India becoming more sophisticated, their demand is growing for the same types of goods that have dominated Australia and New Zealand's exports. We understand the government's Australia-India Business Exchange, a flagship program to increase trade and investment links with India, is already underway.

Other initiatives, such as the Indo-Pacific Economic Framework to re-engage with key regional trading partners are likely to also open up new import markets.<sup>7</sup> We expect this to reduce the Pacific region's risk exposure to China, allowing India, Vietnam and others to provide key imports like communications equipment.

## 2. TECHNOLOGY



**A lot of preparing to respond to a cyber event or AI mis- and disinformation has to do with education. Are you preparing your people to work in the world of AI with highly complicated cyberattacks?**

**Nicholas Martin**  
Head of Marsh  
Advisory, Pacific



### **Tighten technology to protect against threats**

Technology is playing a significant role in fuelling geopolitical tensions. Mis- and disinformation is contributing to societal polarisation and growing conflicts further elevate existing cyber risks. According to the WEF's Chief Risk Officers Outlook 2024, 71% of Chief Risk Officers (CROs) are worried about how cyber risk will impact their organisations.<sup>8</sup>

Their concerns are justified, with cyberattacks more than doubling since the pandemic, largely due to the rise of generative AI.<sup>9</sup> The evolution of AI is also producing more sophisticated cybercrimes, causing resulting losses to quadruple to \$2.5 billion since 2017.<sup>10</sup>

The rise in cyberattacks and technology risks poses significant threats to businesses in Australia and New Zealand. Around two-thirds of the global population is online and over 90% of them use social media.<sup>11</sup> Increasing volumes of online activities and transactions expose people to divisive content and highly professional cyber threats. As digital transformation accelerates, organisations must bolster their

cybersecurity measures for business resilience.

Leaders should consider cybersecurity risks as a whole-of-business risk, not solely a technology risk. With the rise of AI, limited understanding of complex models can enhance biases that are detrimental to the business. Skills development can help employees build trust and confidence in how they work with AI and develop critical thinking.

While educating employees is essential, organisations will also need to carve out budgets for AI research and development. By shifting your perception of AI from threat to avenue for opportunities, you can adapt and stay one step ahead.

## What should business leaders consider?

### 1. Ensure your board and executive team consider technology risks through a strategic lens.

Avoid leaving cyber risk assessments and strategies up to your cyber teams; engage with the wider business.

### 2. Conduct scenario analysis exercises to determine how the organisation would deal with a cyber disruption.

Identify vulnerabilities, and prioritise investments to protect against threats. Consider the potential impacts on ways of working, resource allocations, and adjustments to cyber insurance policies.

These insights should guide any enhancements to technology infrastructure and cybersecurity measures.

### 3. Develop digital literacy across your organisation.

Here are some approaches to improve internal capability and foster critical thinking:

- Upskill and educate employees through dedicated cyber awareness programs addressing how to recognise phishing attempts, protect personal data, and securely navigate social media.
- Hire data analysts and scientists to help minimise bias in AI models and mitigate the distribution of harmful content.
- Develop ethical AI policies and practices to govern its use.

## What should government leaders consider?

### 1. Develop policies for the responsible use of AI.

The AI regulatory landscape globally is rapidly evolving with the pace having accelerated after the introduction of generative AI. Internationally, governments are introducing new regulations to address the risks of AI, with a focus on creating preventative, risk-based guardrails that apply across the AI supply chain and throughout the AI lifecycle. The Australian Government is looking to follow suit, with 10 mandatory guardrails likely to be legislated this year.<sup>12</sup> Other governments should also consider their response.

### 2. Prioritise uplifting cyber and AI capabilities and controls.

From a cyber perspective, investment in initiatives that deliver at minimum, a baseline set of controls should be the focus in the short term. The Australian Government has detailed a set of eight cybersecurity strategies,<sup>13</sup> designed to help both public and private sector organisations protect against common cyber threats.

From an AI perspective, there are four key areas to uplift capabilities and controls for both government and private sector organisations:

- Develop a governance framework for AI systems that outlines roles, responsibilities and accountabilities, and associated policies and procedures for regulatory compliance and ethical AI use.
- Create a risk management strategy that identifies and assesses potential risks, including data privacy, security, and ethical concerns.
- Ensure transparency by clearly documenting and communicating data sources, algorithms and decision-making processes of AI systems and inform end-users about when and how AI is being used.
- Ensure regular testing and design AI systems with features that allow for human oversight and intervention.



# 3. EMPLOYEE AND BUSINESS RESILIENCE



**What's going on right now is a poly-crisis. We have multiple crises layering on top of each other and they have a compounding effect. And the tip of that wave is mental health.**

**Gretchen Masters**  
Head of Advisory,  
Mercer Marsh Benefits  
Australia



## People are key to business continuity

People are one of the largest risk areas for any organisation and with increasingly interconnected global events, such as economic fluctuations, natural catastrophes and public health crises, employee wellbeing and business resilience are at risk.

While leaders are aware they need to prioritise mental and physical health for business continuity, the compounding effect of crises makes it hard to implement a preventative approach. You're then on the back foot – forced to be reactive rather than proactive.

The reactive approach is still meaningful. For example, 43% of employees surveyed for Mercer's 2024 Australian Benefits Review say they're at risk of burnout from financial strain caused by the cost-of-living crisis.<sup>14</sup> In response, employers are stepping up, with 29% of organisations offering financial wellness support and programs.<sup>15</sup> This is partly due to the increasing prevalence of Generation Z in the workforce, who are more likely to speak up about mental health. And the impact on employee productivity and working relationships is becoming more evident as employees bring their whole selves to work, including their problems.

There are some potential areas of improvement in New Zealand as well. The 2024 Workplace Wellbeing survey conducted by the Employers and Manufacturers Association and nib New Zealand shows that employers are failing to meet employee expectations. For example, while 83% of employees surveyed see flexible working as a top priority, only 27% of employers intend to invest in flexible or hybrid work arrangements.<sup>16</sup>

As people are critical to business resilience, wellbeing must become a top priority for human resources leaders. The 2024 Mercer Marsh Benefits People Risk Report shows that investing in employee wellbeing programs generally leads to a 25% increase in satisfaction and 15% reduction in turnover.<sup>17</sup>

However, designing programs based on assumptions and publicly available research isn't enough. Leaders need to ensure the benefits on offer matter to employees. Mercer's Global Talent Trends 2024 report reveals that resilient organisations are 1.8 times more likely to balance empathy and economics in decision-making.<sup>18</sup>

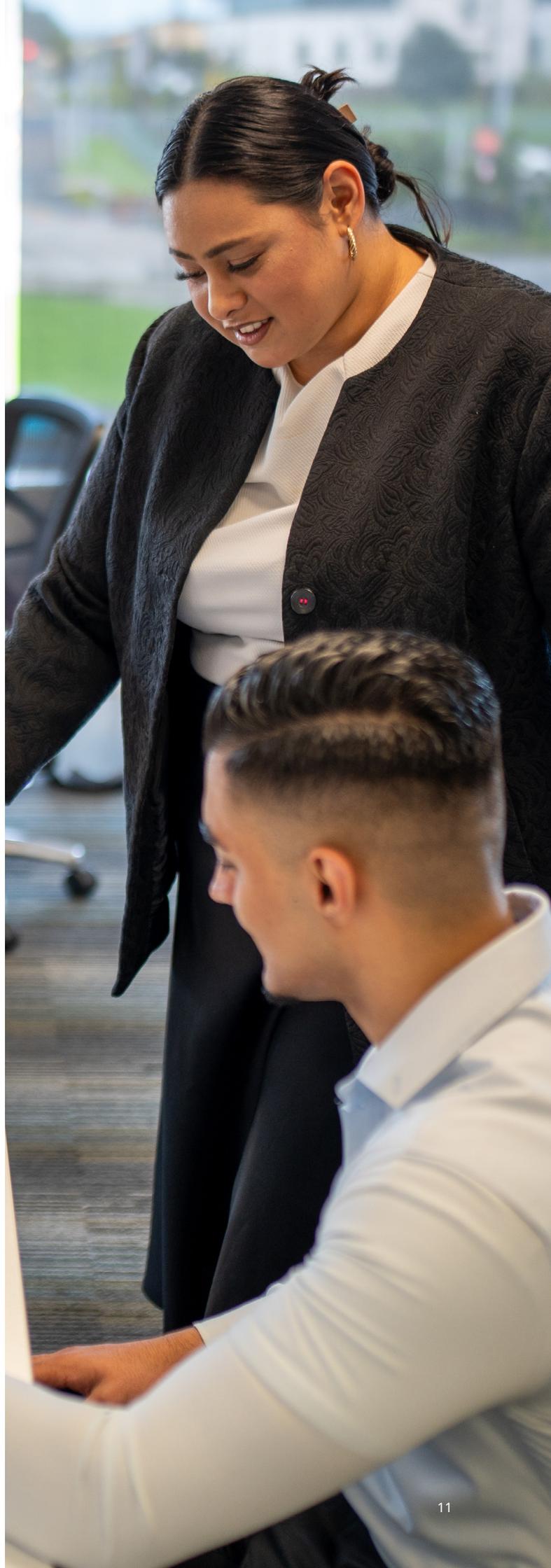
Employee listening is vital to develop that empathy. For example, understanding an employee's definition of "flexible" can help align expectations and improve talent attraction and retention. Thriving, resilient organisations empower their people to make a culture of flexibility work for them based on mutual trust.



**From an overall health and wellbeing perspective, you need to build your corporate immune system. That's creating a workforce that can consistently do their jobs without issues of absenteeism or health risk.**

**Cynthia Cottrell**

Workforce Solutions Leader,  
Mercer Pacific



# What should business and government leaders consider?

## 1. Strengthen crisis planning and business continuity infrastructure.

- Map out the various risks, their dependencies and potential impacts on your people, and develop contingency plans. How will the business continue to operate?
- Set up cloud-based systems and flexible work arrangements to allow the business to continue to run during disruptions.
- Equip employees with the skills and knowledge to manage disaster response situations.

## 2. Assess the current state of your organisation's employee benefits and wellbeing program.

- Conduct a comprehensive assessment of your health and wellbeing offerings, using industry benchmarking tools and data analytics to pinpoint challenges and priorities.
- Engage in employee listening through forums, such as surveys, to understand what employees need and expect.

## 3. Determine your target state for employee wellbeing.

Here are some steps to consider:

- Identify any obstacles to achieving the target state – employee surveys could reveal some areas.
- Develop a multi-year strategic roadmap rather than addressing employee wellbeing year by year.

- Embed a culture of care that supports career progression, social engagement and both financial and health wellbeing.
- Create smarter KPIs to measure employee performance in a flexible working environment. This could involve tracking the progress and completion of work based on job description, breaking it down by period.
- Measure impact over time using employee net promoter scores to determine market sentiment towards the organisation, together with other program success measures.

## 4. Hire the right people to implement your strategic roadmap, either a dedicated internal role or outsource to an independent consultant like Mercer Marsh Benefits.

- Ensure you have stakeholder involvement and alignment working together with the HR and Risk functions to address wellbeing holistically.
- Reduce internal silos by creating a shared vision and priorities between functions, supported by a consolidated cross-divisional budget.

## 5. Clearly and regularly communicate benefits available to employees and ensure they are easy to access.

# 4. SUPER-AGEING SOCIETIES



**There's a cultural change coming through. When people retired 20 or 30 years ago, they had relatively short retirements. Now, with increasing life expectancy, people are working longer.**

**Richard Boyfield**  
Head of Consulting,  
Investments &  
Retirement, Mercer



## Adapting to an ageing population

Globally, the number of people aged 65 and older is projected to increase by 35% to 1.2 billion in the next decade. By 2065, Australia's population will be predominantly middle aged or older.<sup>19</sup> In New Zealand, 26% of the population will be over 65 in 2060.<sup>20</sup> Countries are considered "super-ageing" when over 20% of their population is over 65 years old.

We're expecting to see this reality play out in the Pacific region in this generation.

Declining birth rates are contributing to this global trend. To organically maintain a stable population, a country's fertility rate must be at least 2.1 births per woman – Australia and New Zealand sit around 1.5<sup>21</sup> and 1.6<sup>22</sup> respectively. While Australia and New Zealand may be in a relatively better position than some (e.g. Canada: 1.3<sup>23</sup> and China: 1.0<sup>24</sup>), we are heavily reliant on immigration to counter ageing populations. Given the US, Canada and United Kingdom are also seeking similarly skilled migrants, relying on immigration is no longer a sustainable option.

An ageing society has a ripple effect on workforces, intergenerational dynamics, and pension funding.

While people are living and working longer, a fast-growing population over 60 will cause significant labour shortages in the coming decades, if not years. We expect this to be especially pronounced in the long-term care sector,<sup>25</sup> with additional support needed to keep up with ageing demographics. Aged care organisations will need to develop a supply chain of talent.



Baby boomers remain a significant portion of the workforce and losing them to retirement can be a critical risk for any organisation. Leaders will need to consider how they can adapt to an ageing workforce.

With many millennials now stepping into managerial roles and older workers working past retirement age, the intergenerational impacts are becoming more noticeable. According to Mercer's Global Talent Trends 2024 report, 78% of Australian workers say they've witnessed ageism in the last year. It's up to employers to foster intergenerational learning and collaboration, drawing on the strengths each generation brings to work. For example, older workers play a role in transferring their knowledge and experience.

While employers can support greater employee longevity, ageing societies put additional pressure on younger workers to sustain welfare funding in the Pacific region. And the long-term impacts of the growing gig economy will add to this if workers fail to contribute enough to their pension or superannuation.

The question for government is how to maintain an attractive and competitive landscape to support the ageing population. Policy makers will need to look at the macro financial environment rather than focusing on superannuation and pension systems in isolation.

The Association of Superannuation Funds of Australia's (**ASFA**) research on the cost of pensions reveals that Australia's superannuation system is better placed than most countries to aid its fiscal sustainability. The design of the Australian system has created a strong foundation to assist in managing government expenditure on superannuation and pension payments – projected at only 2.1% of GDP by 2060, compared to an OECD average of 10.4%.<sup>26</sup> Maintaining its integrity and sustainability will strengthen confidence in the superannuation system and help retain a stable financial position.

## What should business leaders consider?

### 1. Implement strategies for retaining ageing workers by empowering them to work beyond retirement age.

This could include:

- Communication campaigns for employees on health checks by age and providing time off work for these checks can demonstrate care and support health and wellbeing.
- Creating new roles and celebrating tenure, with compensation packages and flexible working incentives can encourage older workers to mentor younger generations and transfer knowledge.

### 2. Promote intergenerational collaboration.

Encouraging reverse mentoring from younger to older generations can help older workers confidently navigate new technologies and ways of working.

## What should government leaders consider?

### 1. Provide incentives for older workers to stay active in the workforce for longer.

For example, in Australia incentives to continue working could be tied to Age Pension entitlements. In New Zealand, consideration should be given to introducing flexible working conditions and phased retirement plans to encourage older workers to remain in the workforce.

Take steps to uplift the Aged Care support system to enable workers to remain active. Recent Oliver Wyman Forum data shows that 44% of employees have individuals relying on them for care, including 30% caring for aging or disabled parents.<sup>27</sup>

### 2. Address pension gaps to work towards a system with 100% coverage of the workforce.

Much has already been done through the superannuation guarantee requirements, including paid parental leave and contractor entitlements. As a result, Australia's superannuation system covers approximately 78.5% of the working age population,<sup>28</sup> with the key gap being the self-employed. This could be addressed through regular tax reporting to identify workers not covered and encourage contributions from those individuals.

For New Zealand's KiwiSaver scheme, it is important to increase participation and higher contribution rates by gradually raising the combined contribution rate to 10% to improve retirement outcomes for workers. Additionally, consider introducing a carer's savings credit or contribution for those caring for young children that is not contingent on the carer making a contribution, to support individuals who may be out of the workforce.

### **3. Continue to simplify the system to better facilitate retirement income.**

#### **For the Australian Government:**

- Consider streamlining complex disclosure requirements to enable funds to easily transition members into retirement income products. This should help improve Australia's B+ rated retirement income system,<sup>29</sup> which currently lacks mandates for superannuation to provide regular income during retirement.

#### **For the New Zealand Government:**

- Focus on retirement income as the primary purpose of KiwiSaver and work to increase decumulation options.
- Additionally, we support Te Ara Ahunga Ora Retirement Commission's recommendations, particularly the need for KiwiSaver providers to offer drawdown options, in addition to lump sums, to assist people to retire with greater stability and financial adequacy while preserving the sustainability of KiwiSaver.

## **What should superannuation fund leaders consider?**

### **1. Shift focus more on retirement, to service members in the retirement phase and improve trust and confidence.**

This could include educating members about how much they need and guiding them through retirement. Proactive and personalised communication and guidance are essential for members to understand how to effectively transition to retirement and make the most of their retirement savings in their life after work.

### **2. Implement targeted and integrated retirement income solutions.**

Funds may consider:

- Introducing soft defaults, which are features that guide (and encourage) members toward solutions appropriate for their circumstances, such as pension transfer bonuses and smart drawdown rates.
- Supporting the longevity of retirement balances by pooling together risks for groups of members through product design or appropriate incorporation of annuities.

# 5. CLIMATE

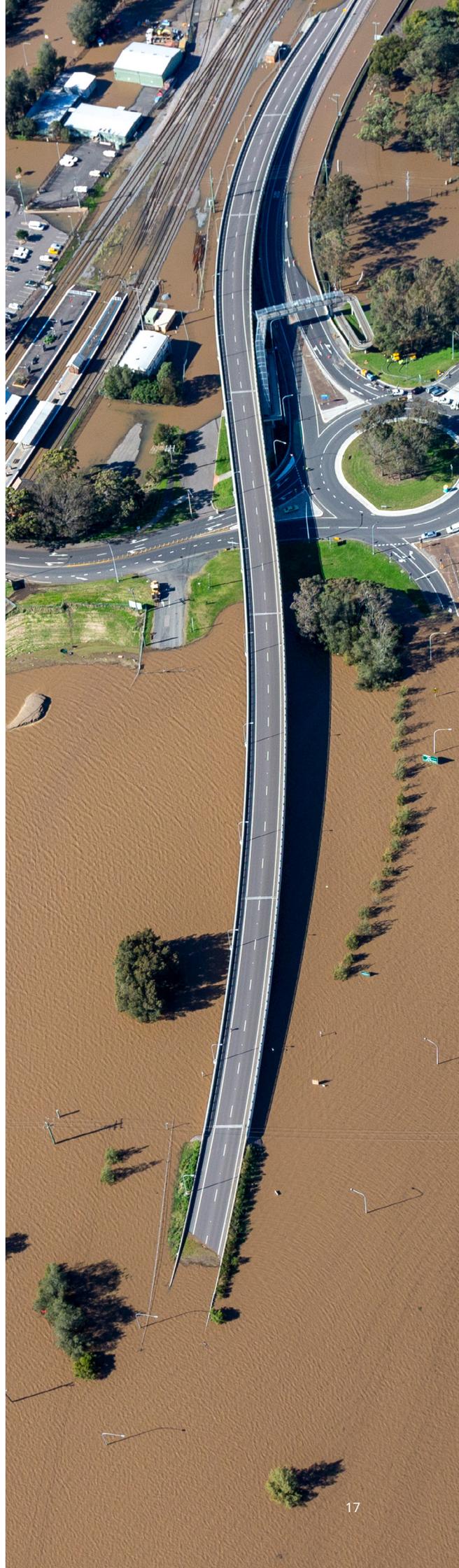
## The urgency of climate adaptation

From floods to fires to tropical storms, the frequency of natural catastrophes is rising across the world. And the number has risen five-fold in the last 50 years.<sup>30</sup> While environmental risks are the greatest source of long-term concern for leaders, the immediate impacts of climate change are increasingly being felt. In the three years to 2024, one in two global businesses were negatively impacted by an extreme weather event.<sup>31</sup>

The Pacific region is particularly vulnerable due to its geography and reliance on natural resources. And with population movements to high-risk areas, these disasters are leading to greater economic losses.

- The recent ex-Tropical Cyclone Alfred, though not as severe as expected, is projected to cost taxpayers AUD\$1.2 billion and put further pressure on the Australian Government's budget.<sup>32</sup>
- New Zealand's Tropical Cyclone Gabrielle left losses of NZD\$1.54 billion in its path in 2023.<sup>33</sup>
- Tropical Cyclone Winston in 2016 impacted around 62% of Fiji's population, with a disaster value of USD\$900 million.<sup>34</sup>

Insurers are bearing the financial burden and have no choice but to increase premiums as more businesses are situated in exposed areas. For some businesses, this means insurance is no longer available or unaffordable for certain disasters.<sup>35</sup> And insurers can only take on so much risk.



In this volatile environment, insurance is just one lever to manage risk. One that solves for recovery but not for resilience. Climate adaptation is vital to building business resilience. As more organisations experience the impacts on employee health, operations, supply chains and infrastructure, climate change risks are moving up on board agendas. According to Marsh's 2024 Corporate Climate Adaptation Survey, 83% of organisations are assessing their future climate risks.<sup>36</sup>

Although climate is now a higher priority for leaders, 43% of businesses are not using cost-benefit analysis to inform their adaptation investments.<sup>37</sup> Quantitative assessments are crucial to deeply understand climate risks and implement adaptation strategies effectively. Look beyond asset-level risks to consider system level risks – such as suppliers, governments, regulators, and external resources. We expect the new mandatory climate reporting for large Australian businesses and financial institutions effective from 1 January 2025,<sup>38</sup> and existing requirements in New Zealand,<sup>39</sup> to encourage greater adaptation.

Investing in climate resilience is needed now more than ever. But our data suggests around two in five companies see climate adaptation as a cost rather than an investment.<sup>40</sup> Leaders must shift their perspective to recognise adaptation as a strategy to not only build resilience to climate risks but to also create a more sustainable future. And establishing a resilient ecosystem that can withstand the volatility of extreme catastrophes requires a collective approach between government, insurers and the private sector.

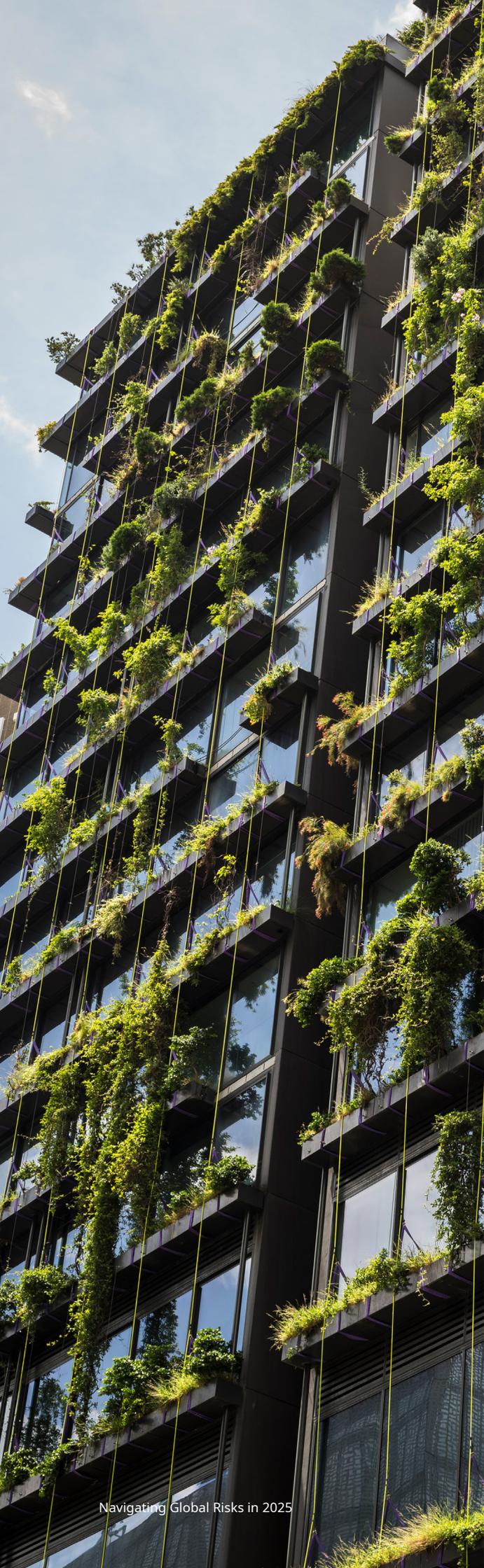


**If you have physical assets, it's important to have good geolocation data and consider the implications. For instance, are these assets increasingly exposed to coastal flooding or bush fires, as the reach of these events expands? How resilient are the assets to cyclones that are intensifying and moving further south?**

**Nick White**

Global Strategic Research  
Director, Mercer





## What should business leaders consider?

### 1. Conduct a holistic assessment of how your organisation has been and could be impacted by losses from extreme weather events.

This includes:

- Considering impacts at the asset level (operations, people, physical property, emergency response) and system level (critical infrastructure, governments, regulators, investors, creditors, communities, suppliers).
- Incorporating climate risks in business strategies.
- Assessing impacts on a routine basis to consider changes over time.
- Performing a cost-benefit analysis of climate risks to inform adaptation investments.

### 2. Invest in climate adaptation.

Examples include:

- Updating the built environment through design such as elevated, flood-resistant buildings and strengthening foundations, windows and roofs to withstand cyclones.
- Reducing reliance on fossil fuels by investing in renewable energy to power your operations.
- Investing in battery storage solutions to minimise business disruption and ensure power supply during extreme weather events.

These strategies can help build resilience and improve your organisation's insurability.

## What should government leaders consider?

### 1. Access data from insurers to use insurer risk modelling and claims data to help inform climate policies.

This could lead to a mutually beneficial partnership based on information sharing – and potentially co-developed resilience products to mitigate climate risks.

### 2. Partner with the insurance and private sectors for collective impact.

Governments need to be a strategic actor in this collective approach by assuming the roles of director, client, stimulator, facilitator and cheerleader to manage climate-driven risk and ensure future resilience. For example:

- Requiring and enforcing climate resilience practices using legislative powers and regulatory tools.
- Building traction for corporate standards and efforts as a large procurer of goods and services, e.g. innovation fund for resilience.

- Streamlining processes and convening different parties to enable collective action, e.g. data sharing arrangements, critical national infrastructure stress testing.
- Encouraging behaviours from other sectors through awareness raising and policy adjustments, e.g. metrics for asset resilience and disclosure.

Existing examples include:

- The National Oceanic and Atmospheric Administration (**NOAA**), an agency within the US government's Department of Commerce, works with partners to understand climate and protect resources. NOAA's ocean-based climate resilience accelerators program helps businesses improve climate resilience in communities across the US.
- Closer to home, the National Institute of Water and Atmospheric Research (**NIWA**), supported by research funding and commercial consultancy work, is using climate projections to help New Zealanders better understand climate-related risks.



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# SHAPING RISK DECISIONS FOR 2025

## Evolving risk from compliance to strategy

Now is the time for leaders to embrace a more adaptable and forward-thinking mindset to address interconnected global risks, and withstand disruptive events. These trends aren't distant possibilities but are actively shaping our environment today. It's an invitation to turn risks into opportunities through short- and long-term strategic planning. Be prepared, be proactive, and embrace change.

The increasing complexity of the global risk landscape highlights the importance of having a trusted risk adviser to translate risk trends into actionable strategies. Learn how Marsh McLennan can help you navigate global risks now and into the future.

## Global risk impacts and considerations

### Questions you should be asking

Risk	Potential impacts	Example questions to ask			
		Chief Executive Officer	Chief Financial Officer	Chief Risk Officer	Chief People Officer
<b>Geopolitical and economic tensions</b>	<ul style="list-style-type: none"> <li>Supply chain disruptions</li> <li>Tariffs – increased costs</li> <li>Market volatility and uncertainty</li> <li>Regulatory change</li> </ul>	<ul style="list-style-type: none"> <li>What are the implications of these risks for our business strategy?</li> <li>What is our supply chain exposure and areas of concentrated risk?</li> <li>How can we diversify our markets and supply chains to mitigate these risks?</li> <li>What geopolitical scenarios should we be modelling for our strategic planning?</li> </ul>	<ul style="list-style-type: none"> <li>What are the potential financial impacts of trade barriers and tariffs on our profitability?</li> <li>How can we hedge against currency fluctuations and manage our financial risks?</li> <li>What are the potential impacts of inflation and interest rate changes on our business?</li> <li>How can we reduce spending in non-core areas to fund our risk management program?</li> </ul>	<ul style="list-style-type: none"> <li>How can we improve our risk monitoring and early warning systems to detect emerging geopolitical risks?</li> <li>What are the potential impacts of regulatory changes on our compliance obligations?</li> <li>How can we stress-test our business continuity plans for geopolitical disruptions?</li> </ul>	<ul style="list-style-type: none"> <li>How can we support our employees' financial wellbeing during economic downturns?</li> <li>How can we ensure our workforce is adaptable and resilient in the face of economic uncertainty?</li> <li>What are the potential impacts of labour shortages and skills gaps on our operations?</li> </ul>

Risk	Potential impacts	Example questions to ask			
		Chief Executive Officer	Chief Financial Officer	Chief Risk Officer	Chief People Officer
<b>Technology</b>	<ul style="list-style-type: none"> <li>• Cybersecurity breaches/ attacks</li> <li>• AI risks – mis and disinformation, societal polarisation</li> <li>• Rapid technological change</li> </ul>	<ul style="list-style-type: none"> <li>• How can we ensure our technology investments align with our long-term business strategy?</li> <li>• How can we foster a culture of innovation and digital literacy within our organisation?</li> <li>• What are the ethical implications of our use of AI and other emerging technologies?</li> </ul>	<ul style="list-style-type: none"> <li>• What are the potential costs of a data breach or cyberattack?</li> <li>• What are the financial implications of investing in new technologies and cybersecurity?</li> <li>• How can we assess the ROI of our technology investments?</li> </ul>	<ul style="list-style-type: none"> <li>• What are our cybersecurity vulnerabilities?</li> <li>• How can we strengthen our cybersecurity defences and protect our critical data assets?</li> <li>• What adjustments do we need to make to our cyber insurance policies?</li> <li>• What is our risk appetite for investing in AI technologies?</li> </ul>	<ul style="list-style-type: none"> <li>• What are the potential impacts of automation and AI on our workforce?</li> <li>• How can we upskill our workforce to adapt to the changing demands of the digital economy?</li> <li>• How can we attract and retain talent with the necessary digital skills?</li> </ul>
<b>Employee and business resilience</b>	<ul style="list-style-type: none"> <li>• Employee burnout</li> <li>• Employee mental health issues</li> <li>• Productivity losses</li> <li>• Operational disruptions</li> </ul>	<ul style="list-style-type: none"> <li>• How can we build a resilient and adaptable organisation that can withstand shocks and disruptions?</li> <li>• How are we balancing the need for productivity with the increasing demands for mental health support from our employees?</li> <li>• How can we foster a culture of wellbeing and support our employees' mental health?</li> </ul>	<ul style="list-style-type: none"> <li>• How can we manage the costs of business continuity and disaster recovery?</li> <li>• What are the potential financial impacts of employee absenteeism and productivity losses?</li> <li>• Are we optimising our investments in employee wellbeing and resilience programs?</li> </ul>	<ul style="list-style-type: none"> <li>• How can we strengthen our business continuity and disaster recovery plans?</li> <li>• How can we integrate employee resilience into our broader business continuity and disaster recovery planning?</li> <li>• How can we improve our risk communication and crisis management capabilities?</li> <li>• How are we measuring the effectiveness of our employee wellbeing programs in contributing to overall business resilience?</li> </ul>	<ul style="list-style-type: none"> <li>• What is the current state of our employees' health and wellbeing?</li> <li>• How can we support our employees' physical and mental health?</li> <li>• How can we ensure our employee benefits packages are meeting the evolving needs of our diverse workforce and supporting their overall wellbeing?</li> <li>• What are the potential impacts of remote work and flexible work arrangements on employee engagement and productivity? How can we measure performance?</li> </ul>

Risk	Potential impacts	Example questions to ask			
		Chief Executive Officer	Chief Financial Officer	Chief Risk Officer	Chief People Officer
<b>Super-ageing societies</b>	<ul style="list-style-type: none"> <li>• Skills shortages</li> <li>• Increased healthcare costs</li> <li>• Changing consumer demographics</li> <li>• Intergenerational workplace tensions</li> </ul>	<ul style="list-style-type: none"> <li>• How can we adapt our business model to meet the needs of an ageing population?</li> <li>• How can we attract and retain older workers and leverage their experience?</li> <li>• What are the potential impacts of changing demographics on our workforce and customer base?</li> </ul>	<ul style="list-style-type: none"> <li>• How can we manage the costs of providing benefits to an ageing workforce?</li> <li>• What are the potential impacts of changing consumer spending patterns on our revenue?</li> </ul>	<ul style="list-style-type: none"> <li>• How can we manage the risks associated with an ageing workforce, such as skills shortages and knowledge transfer?</li> <li>• What are the potential impacts of changing regulatory requirements related to aged care and retirement on our workforce?</li> </ul>	<ul style="list-style-type: none"> <li>• What are the potential impacts of ageism and discrimination on our workforce?</li> <li>• How can we create a multigenerational workplace that fosters collaboration and knowledge sharing?</li> <li>• What are the potential impacts of ageism and discrimination on our workforce?</li> <li>• How can we support our employees' transition to retirement?</li> </ul>
<b>Climate</b>	<ul style="list-style-type: none"> <li>• Extreme weather events</li> <li>• Supply chain disruptions</li> <li>• Regulatory changes</li> <li>• Reputational risks of not adapting</li> </ul>	<ul style="list-style-type: none"> <li>• What are the potential impacts of climate change and extreme weather events on our operations?</li> <li>• How can we integrate climate risk into our strategic planning and decision-making?</li> <li>• What are the potential impacts of climate change on our long-term business sustainability?</li> <li>• Which external stakeholders (e.g. industry partners, public sector, regulators) do we need to engage with to manage the impacts of climate change?</li> </ul>	<ul style="list-style-type: none"> <li>• What are the potential financial impacts of increasing climate risks?</li> <li>• How can we assess the ROI of our investments in climate mitigation and adaptation?</li> <li>• What are the potential costs of carbon pricing and other climate-related regulations?</li> </ul>	<ul style="list-style-type: none"> <li>• What is the worst that could happen to disrupt our business operations? If it happens, what can we do about it?</li> <li>• How can we improve our climate risk assessment and scenario planning capabilities? How can we work with insurers?</li> <li>• What are the potential risks associated with our supply chain's carbon footprint?</li> </ul>	<ul style="list-style-type: none"> <li>• What are the potential impacts of climate change on our employees' health and safety?</li> <li>• How can we support our employees' wellbeing in the face of climate-related disruptions?</li> <li>• How can we engage our employees in our sustainability efforts?</li> </ul>

# FURTHER READING

## Geopolitical and economic tensions

[Marsh Political Risk Report 2025](#)

[Oliver Wyman Forum's State of our World 2025 report](#)

[Oliver Wyman Forum's How Business Can Manage Geopolitical Risk and Sanctions](#)

[Oliver Wyman's 5 Key Strategies to Navigate and Reduce Supply Chain Risk](#)

[Oliver Wyman Forum's How Generative AI Is Transforming Business and Society](#)

## Technology

[Oliver Wyman's What leaders need to succeed in the age of Generative AI](#)

[Marsh McLennan's Using Data to Prioritise Cybersecurity Investments](#)

[Marsh McLennan's Closing the Cyber Protection Gap](#)

## Employee and business resilience

[Mercer's Global Talent Trends 2024](#)

[Mercer Marsh Benefits People Risk Report 2024](#)

[Mercer's Living longer – what does it mean for work, health and finances?](#)

## Super-ageing societies

[Mercer's Themes and Opportunities 2025](#)

[Mercer CFA Institute Global Pension Index 2024](#)

[Mercer Global Talent Trends 2024](#)

[World Economic Forum and Mercer's Longevity Economy Principles](#)

[Mercer Marsh Benefits People Risk Report 2024](#)

## Climate

[Marsh McLennan's Adapting to Climate Risks \(2024\)](#)

[Guy Carpenter's Climate Change Physical Risk in Australasia and Oceania \(2023\)](#)

[Marsh McLennan's The Business Case for Climate Resilience](#)



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