



# Implications for businesses: Public sector and health care

Ukraine: A conflict that changed the world

July 2022

## The impact of the crisis on macroeconomic themes will be felt across all industries to varying degrees.

**Inflationary pressures associated with supply chain issues, such as costs of materials, labour and logistics are mounting, with companies considering a number of solutions to maintain revenue and profitability. For instance, oil and gas producers and food manufacturers will be the most impacted by inflation, largely due to Russia and Ukraine having dominant positions as major exporters of key raw materials across these industries.**

Other industries may need to change business models as a result of subtle changes in trading behaviours. As each nation becomes more focused on developing domestic production to avoid geopolitical risks, transportation and logistics companies will likely need to evolve to accommodate a lower demand for international trade but growing interest in national logistics solutions.

With ESG becoming an increasingly prominent topic on corporates' risk agendas, significant resources are being allocated to dedicated ESG teams across multinational corporations to develop risk management strategies. With increased awareness and potential scrutiny from employees, customers and stakeholders, businesses could incur significant costs to adhere to ESG standards.

In order to meet public expectations, thousands of companies have exited from or paused Russian operations. Those that continue to conduct business in Russia face potential reputational damage in the affected region, which could lead to economic repercussions (for example a decline in business due to global boycotts). Corporates are also spending significantly more on due diligence and compliance reviews to ensure any direct or indirect relationships with Russia are identified and replaced.

## Aon Global Risk Management Survey

Aon's 2021 Global Risk Management Survey illustrates today's traditional and emerging corporate risk portfolio. The Survey collates responses of over 2,300 risk managers from 16 industries, spread across varying territories and company sizes. In 2021 respondents selected and rated 10 top risks that their organizations were facing:

01	Cyber Attacks / Data Breach
02	Business Interruption
03	Economic Slowdown / Slow Recovery
04	Commodity Price Risk / Scarcity of Materials
05	Damage to Reputation / Brand
06	Regulatory / Legislative Changes
07	Pandemic Risk / Health Crises
08	Supply Chain or Distribution Failure
09	Increasing Competition
10	Failure to Innovate / Meet Client Needs

The following analysis breaks down the results of this survey by industry sector and considers how each sector's risk profile has changed as a result of the conflict in Ukraine. Risks highlighted in bold indicate risks that will be further amplified by effects of the crisis.

## Overview

The following table summarises the implications of each of the market forces explored in this report to businesses over the short to long term. These are assessed in greater detail over the following pages for the different industry groups expected to be most impacted by the crisis.

	Cyber	Supply chain	Food security	Climate transition	Energy security	ESG	Public sentiment
<b>Banks and financial institutions</b>	Minimal	Minimal	Minimal	Minimal	Minimal	Significant	Medium → Significant
<b>Construction and manufacturing</b>	Minimal	Medium → Significant	Minimal	Minimal	Medium → Significant	Medium	Minimal
<b>Energy</b>	Medium	Significant	Minimal	Significant	Significant	Medium → Minimal	Significant → Medium
<b>Food and beverages</b>	Minimal	Significant	Significant	Minimal	Medium	Minimal	Medium → Minimal
<b>Public sector and healthcare</b>	Significant → Medium	Minimal	Significant → Medium	Significant	Minimal	Minimal	Significant
<b>Technology</b>	Medium → Significant	Minimal	Medium	Medium	Minimal	Minimal	Minimal
<b>Transportation and logistics</b>	Significant → Medium	Minimal	Medium	Medium	Significant → Medium	Minimal	Minimal

### Key:

- **Minimal:** Market forces will have no or minimal impact on the industry
- **Medium:** Market forces will have an indirect impact on the industry
- **Significant:** Market forces will have a clear, adverse impact on the industry

## Public sector and healthcare

Cyber	Supply chain	Food security	Climate transition	Energy security	ESG	Public sentiment
Significant → Medium	Minimal	Significant → Medium	Significant	Minimal	Minimal	Significant

Global insurance premium: \$79bn

### Aon 2021 Top 10 Global Risks

(Risks in **Bold** are likely to be further amplified by effects of the Ukraine crisis):

- 01 **Damage to Reputation / Brand**
- 02 **Cyber Attacks / Data Breach**
- 03 Failure to Innovate / Meet Client Needs
- 04 **Regulatory / Legislative Changes**
- 05 **Economic Slowdown / Slow Recovery**
- 06 **Business Interruption**
- 07 Pandemic Risk / Health Crises
- 08 **Failure to Attract or Retain Top Talent**
- 09 Increased Competition
- 10 Cash Flow / Liquidity Risk

**Governments will need to consider several fiscal stimuli decisions, such as encouraging investment in renewables, and budget spending focused on defence. In an escalated scenario, governments would face a further burden on healthcare costs to treat citizens involved in military efforts.**

**Short term:** There are some immediate impacts which governments will need to consider – due to risk of famine and food shortages there could be rising public tensions and political instability, especially in developing countries. This may well be heightened by inflationary pressures which could lead to national riots.

**Medium to long term:** While proactively dealing with these threats, government entities will need to develop cyber resilience in anticipation of potential attacks. Following WannaCry in 2017, healthcare facilities are already taking steps to strengthen their cyber security capabilities and governance to avoid such situations again.

**Case study:** Aon experts cited a **healthcare company** reliant on software providers with 80% of employees located in CEE with ties to Russia now facing significant peripheral impacts. The company is now due to incur large due diligence costs and possibly business restructuring.

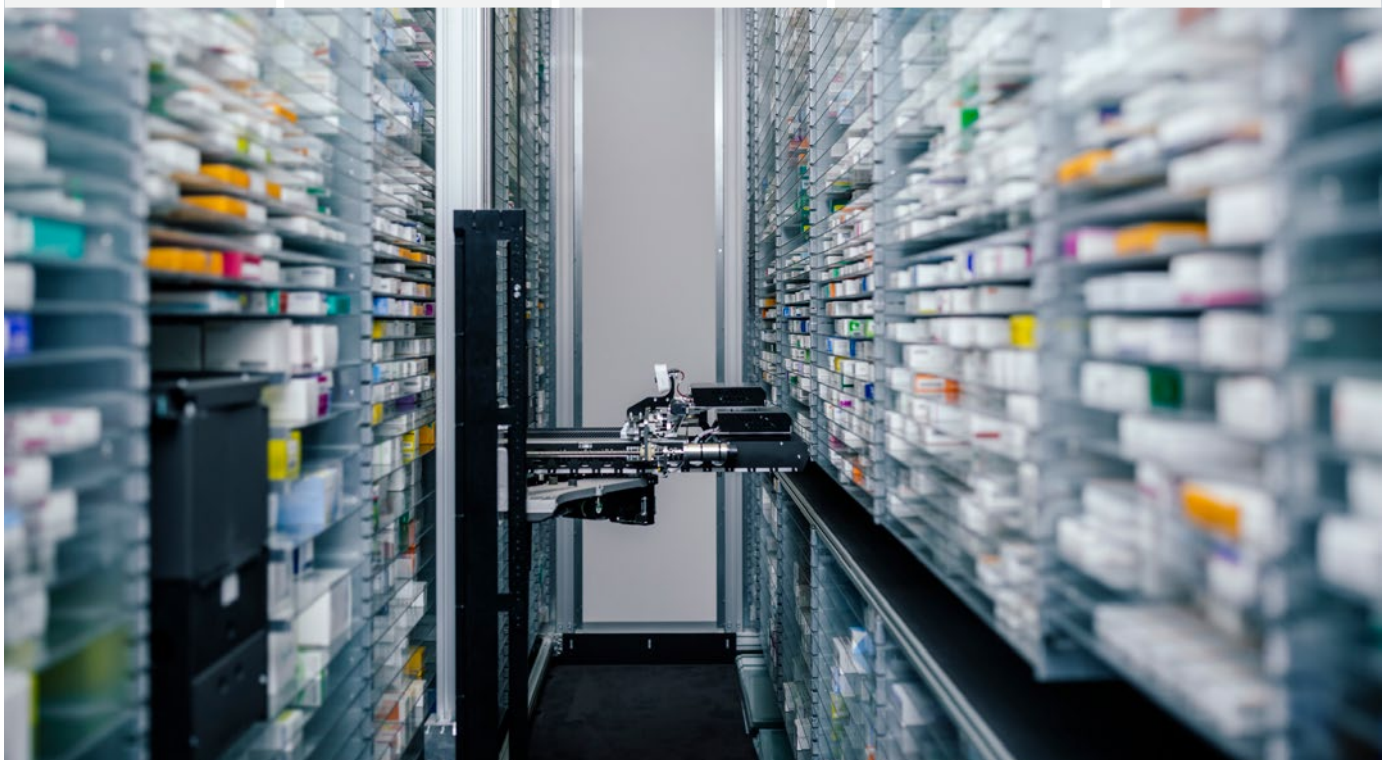


## Public sector and healthcare (continued)

### More likely scenarios

### Less likely scenarios

01 Defensive push-back	02 Protracted conflict	03 Annexation	04 Collapse of Ukraine	05 Escalation
<ul style="list-style-type: none"> <li>– Western governments invest significantly in cyber defence as opposed to historically focusing on offense</li> <li>– Cost to governments arise from the lack of adherence to environmental standards due to accelerated transition causing harm to communities and environments</li> <li>– Significant stimulus package to encourage domestic sources of supply</li> </ul>	<ul style="list-style-type: none"> <li>– National companies encouraged to reduce energy usage</li> <li>– Increased demand for healthcare as labourers' healthcare negatively impacted in affected industries such as mines and seafarers</li> <li>– Increased defence budgets result in large share price gains for major Western defence suppliers</li> <li>– Increasing focus on military efforts to defend against potential attacks from Russia and allies</li> </ul>	<ul style="list-style-type: none"> <li>– Businesses continue high investments in cyber security and cyber risk management despite inflationary pressures</li> <li>– Further establish supply relationship with Western allies and new sources (e.g. Africa and North America);</li> <li>– Subsidise manufacturers and general imports to spur economic growth and meet demand</li> <li>– Governments consider stronger monetary policies to curb the rapid increase in prices</li> </ul>	<ul style="list-style-type: none"> <li>– Government facilities need significant investments as they are more likely targets of cyber attacks due to relatively lower cyber security resilience</li> <li>– Maintain sanctions against Russia and allies, further exacerbating supply chain constraints</li> <li>– Ongoing support for influx of Ukrainian refugees; invest more in military to prepare for potential future conflicts going forward</li> </ul>	<ul style="list-style-type: none"> <li>– Renewable initiatives put on pause, with focus on military and defence</li> <li>– Budget deficits form as government looks to finance import of essential goods</li> <li>– Governing bodies such as the UN may push for efficient distribution of foods across member and non-member countries, and fund efforts to grow more output</li> <li>– Governments may offer subsidies to lower classes of citizens;</li> <li>– Ration schemes to ensure sufficient spread of food across population</li> </ul>



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