

## 2022-23 DEVELOPING RISKS REPORT UPDATE

In November 2022, ERMD presented the 2022-23 Annual Enterprise Risk Assessment. Senior leaders and executives reviewed the emerging risks as part of the assessment, which includes strategic and operational risks that are not yet well understood. This report provides updates on the emerging risks reflecting changes identified in the emerging risk environment. These risks may be fast moving and uncertain and therefore will be assessed and monitored. By tracking these potential risks, CalPERS will have a better opportunity to determine if risk mitigation strategies are warranted.

STRATEGIC RISK	DEFINITION
<b>Inflationary Pressures/ Macroeconomic Downturn</b>	The risk that increased prices of goods and services during an unforeseen period will raise the cost of doing business and/or reduce consumer buying power. Additionally, the Federal Reserve raising interest rates in response to inflation may slow economic growth thereby impacting CalPERS investment assets and employers' ability to pay retirement contributions.
<b>Heightened Geopolitical</b>	The first emerging risk is the possibility of a prolonged war between Russia and the Ukraine and China's seemingly strengthening alliance with Russia. Secondly, there is continued strained relations between China and Taiwan that could end in military action that may involve the United States. Both scenarios have the potential of disrupting world markets and negatively impacting CalPERS portfolio.
OPERATIONAL RISK	DEFINITION
<b>Third-Party</b>	The risk is that CalPERS cannot protect its data, financial, and reputational interests from actions taken by vendors which may result in non-compliance, reputational damage, litigation, and financial loss to the organization.