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D. Risk Factors

The Company is subject to a variety of possible risks that could adversely impact its revenues, results of operations, reputation or financial condition. Some of these risks relate to the industries in which the Company operates while others are more specific to the Company. The table below sets out principal risks the Company has identified that could adversely affect it. See also the discussion of Forward-Looking Statements preceding Item 1.

Principal risk	**Potential impact**
Covid-19 Pandemic	
The coronavirus pandemic is adversely affecting and is expected to continue to adversely affect our business, revenues, results of operations, financial condition and prospects.	While we expect the impacts of Covid-19 to have an adverse effect on our business, financial condition and results of operations, we are unable to predict the extent or nature or duration of these impacts at this time.
Strategic risks	
The failure to successfully complete the three-year strategic plan to return the business to growth by the end of 2021 and simplify our structure.	A failure or delay in completing the transformation plan and/or returning the business to growth, may have a material adverse effect on our market share and our business, revenues, results of operations, financial condition or prospects. The Covid-19 pandemic is impacting the implementation of the transformation plan, and we cannot predict the extent or duration of the impact.
Operational risks	
Clients	
We compete for clients in a highly-competitive industry which has been evolving and undergoing structural change and is being adversely impacted by the Covid-19 pandemic. Client loss to competitors or as a consequence of client consolidation, insolvency or a reduction in marketing budgets due to recessionary economic conditions or a shift in client spending would have a material adverse effect on our market share, business, revenues, results of operations, financial condition and prospects.	The competitive landscape in our industry is constantly evolving and the role of traditional agencies is being challenged. Competitors include multinational advertising and marketing communication groups, marketing services companies, database marketing information and measurement, social media and professional services and consultants and consulting internet companies. Client contracts can generally be terminated on 90 days’ notice or are on an assignment basis and clients put their business up for competitive review from time to time. The ability to attract new clients and to retain or increase the amount of work from existing clients may be impacted if we fail to react quickly enough to changes in the market and to evolve our structure, and by loss of reputation, and may be limited by clients’ policies on conflicts of interest. There are a range of different impacts on our clients globally as a consequence of the Covid-19 pandemic. In the short-term media spend has largely remained committed or diverted to alternative channels but there is an increasing volume of cancellations. Project and retained work have continued in most sectors but activity has begun to decline. New business pitches continue where the process was already underway, but there is increased uncertainty in the future pipeline. In the past, clients have responded to weak economic and financial conditions by reducing or shifting their marketing budgets which are easier to reduce in the short term than their other operating expenses. The risk of client loss or reduction in marketing budgets has increased significantly.
We receive a significant portion of our revenues from a limited number of large clients and the net loss of one or more of these clients could have a material adverse effect on our prospects, business, financial condition and results of operations.	A relatively small number of clients contribute a significant percentage of our consolidated revenues. Our 10 largest clients accounted for 15% of revenues in the year ended 31 December 2019. Clients can reduce their marketing spend, terminate contracts, or cancel projects on short notice. The loss of one or more of our largest clients, if not replaced by new accounts or an increase in business from existing clients, would adversely affect our financial condition.

Principal risk	Potential impact
People, culture and succession	
Our performance could be adversely affected if we do not react quickly enough to changes in our market and fail to attract, develop and retain key creative, commercial and management talent, or are unable to retain and incentivise key talent as a consequence of the cost saving actions implemented to maintain liquidity during the Covid-19 pandemic and reduction in economic activity.	We are highly dependent on the talent, creative abilities and technical skills of our people as well as their relationships with clients. We are vulnerable to the loss of people to competitors (traditional and emerging) and clients, leading to disruption to the business. To maintain our liquidity position through the current crisis, cost reduction measures have already been taken which impact our people include freezing new hires, postponing salary increases for 2020 and reducing salaries or fees for the Board, Executive Committee, CEO and senior employees. Further additional measures including reduced working hours or severances will also be required which may lead to challenges in retaining and attracting key talent during this period of disruption and at the beginning of a recovery.
Cyber and information security	
We are undertaking a series of IT transformation programmes to support the Group’s strategic plan and a failure or delay in implementing the IT programmes may have a material adverse effect on its business, revenues, results of operations, financial conditions or prospects. The Group is reliant on third parties for the performance of a significant portion of our worldwide information technology and operations functions. A failure to provide these functions could have an adverse effect on our business. During the transformation, we are still reliant on legacy systems which could restrict our ability to change rapidly. A cyber-attack could result in disruption to one or more of our businesses or the security of data being compromised.	We may be subject to investigative or enforcement action or legal claims or incur fines, damages, or costs and client loss if we fail to adequately protect data. A system breakdown or intrusion could have a material adverse effect on our business, revenues, results of operations, financial condition or prospects and have an impact on long-term reputation and lead to client loss. Nearly 95% of the Group’s people are working remotely as a consequence of the Covid-19 pandemic which has the potential to increase the risk of compromised data security and cyber-attacks.
Financial risks	
Credit risk	
We are subject to credit risk through the default of a client or other counterparty.	We are generally paid in arrears for our services. Invoices are typically payable within 30 to 60 days. We commit to media and production purchases on behalf of some of our clients as principal or agent depending on the client and market circumstances. If a client is unable to pay sums due, media and production companies may look to us to pay those amounts and there could be an adverse effect on our working capital and operating cash flow. A significant number of our clients and suppliers are adversely financially impacted by the Covid-19 pandemic and economic inactivity across markets in periods of lockdown. Clients may seek to renegotiate payment terms, ask for discounts or fail to honour their payment obligations which would have an adverse impact on our working capital and operating cash flow.
Internal controls	
Our performance could be adversely impacted if we fail to ensure adequate internal control procedures are in place.	Failure to ensure that our businesses have robust control environments, or that the services we provide and trading activities within the Group are compliant with client obligations, could adversely impact client relationships and business volumes and revenues.

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Principal risk	Potential impact
Internal control over financial reporting	
The Group has identified a material weakness in its internal control over financial reporting that, if not properly remediated, could adversely affect its results of operations, investor confidence in the Group and the market price of its ADSs.	As disclosed in Part II, Item 15 of this Form 20-F, in connection with the Group’s assessment of the effectiveness of internal control over financial reporting as of December 31, 2019, the Group has identified a material weakness in its internal control over financial reporting with respect to management’s review of the impairment assessment of intangible assets and goodwill, specifically the selection of appropriate discount rates for use in the impairment calculations. As a result of such material weakness, the Group concluded that its internal control over financial reporting was not effective. This material weakness identified did not result in any adjustments or restatements of the Group’s consolidated financial statements or disclosures for the year ended December 31, 2019 or for any prior period. As further described in Part II, Item 15 of this Form 20-F, the Group is currently taking actions to design and implement a remediation plan to address the material weakness. If remedial measures are insufficient to address the material weakness, or if additional material weaknesses in internal control are discovered or occur in the future, the Group’s ability to accurately record, process and report financial information and consequently, its ability to prepare financial statements within required time periods, could be adversely affected. In addition, the Group may be unable to maintain compliance with the federal securities laws and NYSE listing requirements regarding the timely filing of periodic reports. Any of the foregoing could cause investors to lose confidence in the reliability of the Group’s financial reporting, which could have a negative effect on the trading price of the Group’s ADSs.
Compliance risks	
Data Privacy	
We are subject to strict data protection and privacy legislation in the jurisdictions in which we operate and rely extensively on information technology systems. We store, transmit and rely on critical and sensitive data such as strategic plans, personally identifiable information and trade secrets. Security of this type of data is exposed to escalating external threats that are increasing in sophistication, as well as internal data breaches. Existing and new data protection laws, GDPR and the CCPA and legislation in the markets in which we operate concerning user privacy, use of personal information, consent and online tracking may restrict some of our activities and increase costs. Privacy regulators have continued to underline the obligation on businesses to ensure continued compliance with data privacy legislation during the Covid-19 pandemic.	We may be subject to investigative or enforcement action or legal claims or incur fines, damages, or costs and client loss if we fail to adequately protect data or observe privacy legislation in every instance. A system breakdown or intrusion could have a material adverse effect on our business, revenues, results of operations, financial condition or prospects. Governments and public health officials have mandated precautions to mitigate the spread of Covid-19 including lock-downs and remote working. Nearly 95% of our people are working which has the potential to increase the risk of compromised data securities.
Taxation	
We may be subject to regulations restricting our activities or effecting changes in taxation.	Changes in local or international tax rules, for example as a consequence of the financial support programmes being implemented by governments during the Covid-19 crisis, changes arising from the application of existing rules, or challenges by tax or competition authorities, for example, the European Commission’s State Aid decision into the Group Financing Exemption in the UK CFC rules, may expose us to significant additional tax liabilities or impact the carrying value of our deferred tax assets, which would affect the future tax charge.
Regulatory	
We are subject to strict anti-corruption, anti-bribery and anti-trust legislation and enforcement in the countries in which we operate.	We operate in a number of markets where the corruption risk has been identified as high by groups such as Transparency International. Failure to comply or to create a culture opposed to corruption or failing to instil business practices that prevent corruption could expose us to civil and criminal sanctions.