

FMEA Interview Documentation – Intuitive Surgical Simulated Case

Interviewee: Kellie Smith, Director of Security, Privacy & Compliance

Date/Time: July 5, 2022, 6-8PM

Interviewers: Team 1 Consulting Team

Risk Category: Strategic – Regulatory

Risk: Fast changes in data privacy and security policies across the global increase our compliance management cost and impact our ability to meeting customers' needs

Scenario: 4-A (credible worst-case)

Scenario Description: Governments around the globe are highly concerned about cybersecurity and data privacy for their own government agencies as well as their constituents. They make ongoing efforts in defending against cyber threats by changing legislative, regulatory, and policy frameworks to enhance governments' individual and collective cyber posture. The scope of these laws and regulations continues to evolve over time and we strive to update our compliance management process to meet with these changing laws and regulations. I am concerned that multiple changes in policies in the countries where we have operations may result in significantly increased compliance cost and not meeting customers' needs in timely manners.

Likelihood: 10% likelihood

Impact(s):

1. Inability to meet customers' needs in timely manners, there would be revenue loss for products sold and services provided.

The Systems revenue in U.S. reduces below baseline by:

- a. 5% in Y1
- b. 4% in Y2
- c. 3% in Y3
- d. 2% in Y4

The Systems revenue in OUS reduces below baseline by:

- a. 6% in Y1
- b. 5% in Y2
- c. 4% in Y3
- d. 3% in Y4
- e. 3% in Y5

The revenue for Instruments & Accessories in U.S. decreases for the next four years and slowly recovers back to baseline in year 5.

- a. 4% in Y1
- b. 3% in Y2
- c. 3% in Y3
- d. 2% in Y4

The revenue for Instruments & Accessories in OUS decreases for the next five years and slowly recovers back to baseline in year 6.

- a. 5% in Y1
- b. 4% in Y2
- c. 4% in Y3

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- d. 2% in Y4
- e. 2 % in Y5

The revenue decrease for Service segments (in US and OUS) will last four years and slowly recover back to baseline in year 5.

- a. 5% in Y1
- b. 4% in Y2
- c. 3% in Y3
- d. 2% in Y4

2. During the next three years, additional investment to our compliance department to improve the overall effectiveness of compliance system as well as expanding our compliance team. This will incur increase in compliance cost by

- a. 5% in Y1
- b. 3% in Y2
- c. 1% in Y3

3. During the next five years, the restructuring expenses will increase by 4% to hire additional consultants specialized in local policies and regulations that allow us to respond to the changes swiftly.

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Risk: Fast changes in data privacy and security policies across the globe increase our compliance management cost and impact our ability to meet customers' needs

Scenario: 4-B (mildly pessimistic)

Scenario Description: Governments around the globe are highly concerned about cybersecurity and data privacy for their own government agencies as well as their constituents. They make ongoing efforts in defending against cyberthreats by changing legislative, regulatory, and policy frameworks to enhance governments' individual and collective cyber posture. The scope of these laws and regulations continues to evolve over time and we strive to update our compliance management process to meet with these changing laws and regulations. I am concerned that multiple changes in policies in the countries where we have operations may result in significantly increase compliance cost, but due to our newly improved compliance management, we are able to meet customers' needs effectively.

Likelihood: 10% likelihood

Impact(s):

1. As we are able to meet the customers' needs, there will be no revenue impact for this scenario.
2. During the next three years, additional investment to our compliance department to improve the overall effectiveness of compliance system as well as expanding our compliance team. This will incur increase in compliance cost by
 - a. 4% in Y1
 - b. 3% in Y2
 - c. 2% in Y3
3. During the next five years, the restructuring expenses will increase by 4% to hire additional consultants specialized in local policies and regulations that allow us to respond to the changes swiftly.

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Risk: Fast changes in data privacy and security policies across the global increase our compliance management cost and impact our ability to meeting customers' needs

Scenario: 4-C (moderately optimistic)

Scenario Description: Governments around the globe are highly concerned about cybersecurity and data privacy for their own government agencies as well as their constituents. They make ongoing efforts in defending against cyber threats by changing legislative, regulatory, and policy frameworks to enhance governments' individual and collective cyber posture. The scope of these laws and regulations continues to evolve over time and we strive to update our compliance management process to meet with these changing laws and regulations. I am concerned that multiple changes in policies in the countries where we have operations may result in significantly increase in compliance cost, but due to our newly improved compliance management and additional investments in our security infrastructures and compliance team, we are able to meet customers' needs effectively and strengthen customers confidence on our products and services.

Likelihood: 20% likelihood

Impact(s):

1. The Systems revenue in U.S. would be increased above baseline by:

- a. 6% in Y1
- b. 5% in Y2
- c. 4% in Y3
- d. 3% in Y4
- e. 3% in Y5

The Systems revenue in OUS would be increased above baseline by:

- a. 4% in Y1
- b. 3% in Y2
- c. 3% in Y3
- d. 2% in Y4
- e. 2% in Y5

The revenue for Instruments & Accessories in U.S. increases above baseline by:

- a. 7% in Y1
- b. 5% in Y2
- c. 4% in Y3
- d. 2% in Y4
- e. 2% in Y5

The revenue for Instruments & Accessories in OUS increases above baseline by:

- a. 5% in Y1
- b. 3% in Y2
- c. 3% in Y3
- d. 2% in Y4

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e. 2 % in Y5

The revenue for Service segments globally increases above baseline:

- a. 4% in Y1
- b. 4% in Y2
- c. 3% in Y3
- d. 2% in Y4

2. Due to the high economy of scale, the cost of product globally would decrease below baseline by

- a. 2% in Y1
- b. 4% in Y2
- c. 7% in Y3

The cost of service globally would decrease below baseline by

- a. 4% in Y1
- b. 6% in Y2
- c. 8% in Y3

3. During the next three years, additional investment to our compliance department to improve the overall effectiveness of compliance system as well as expanding our compliance team. This will incur increase in compliance cost by

- a. 7% in Y1
- b. 5% in Y2
- c. 4% in Y3

4. During the next three years, marketing and advertising expenses would go up by 5% to support the growth in demand. In year 4, the cost will roll back to the baseline.