

Q2 2026

Where the Legal Sector's Brand Stands



Global Risk Advisory Council

Introduction

The Q2 2026 Reputation Risk Index arrives as a year of mounting instability gives way to open conflict. The geopolitical strain our Council had been forecasting has materialized into active war, vaulting Major International Disruption to the top of our Index for the first time and pulling supply chains, energy markets, and entire workforces into its orbit. Where last quarter's threats compounded one another at the margins, they now intersect head-on as armed conflict feeds cyberattacks, artificial intelligence accelerates fraud, and political pressure reshapes how organizations operate under scrutiny.

The Q2 report also reflects a deliberate refinement in how we measure risk. The Global Situation Room team has condensed our reputational risk categories, sharpening our ability to weigh each threat and track how it shifts from one quarter to the next. The result is a clearer read on where leaders are exposed, rather than a longer list of overlapping concerns.

Our spotlight this quarter falls on the legal sector, an industry positioned, perhaps uniquely, at the crossroads of nearly every risk identified in this report. The same firms organizations rely upon to navigate AI liability, political pressure, cybersecurity threats, and global disruption now find themselves confronting those challenges directly. This report examines the threats organizations must navigate in the months ahead and what the legal profession's experience reveals about the evolving reputational risk landscape.

The Global Risk Advisory Council

Members of the Global Risk Advisory Council have shaped crisis response in the Situation Room and steered strategy in boardrooms worldwide. The Council's 150+ members include former heads of state, government ministers, and senior public affairs executives—all of whom are invited based on their proven influence at the highest levels of public debate. They bring expertise spanning sectors, continents, and domains of power.

Global Risk Advisory Council By The Numbers



Meet Some of Our Members



Antwaun Griffin
Senior Organizational Strategist for a
Mid-Sized American City



Christian Nunes
Founder, Equity Bonds Solution LLC



Aebhric McGibney
Director of Public &
International Affairs at Dublin
Chamber of Commerce



Eugene Laney
President and CEO, American Association
of Exporters and Importers



Bridgette Stumpf
CEO & Co-Founder, Volare



Kevin Kent
Transatlantic Practice Chair,
Clark Hill



Mary Whenman
Managing Director,
Communications and Marketing,
British Business Bank



James Okong'o
Investigative Journalist, Influence
Operations 2025 Nieman Fellow,
Harvard



Todd Haymore
Managing Director, Global
Economic Development, Commerce
& Government Relations, Hunton
Andrews Kurth LLP



Peter Selfridge
Operating Partner, Altos Equity



Jed Willard
Executive Director, FDR Global
Engagement Initiative



Aman Singh
Director of Global Sustainability
Communications, Kenvue

Message From The Chair

As we moved into the second quarter of 2026, the convergence of geopolitical conflict, accelerating technology, and political volatility reordered the risk landscape for leaders and organizations. The forces we once analyzed as separate threats continue to compound. But for the first time since the launch of the Reputation Risk Index, Major International Disruption has overtaken every other concern to become our top reputational risk against the backdrop of the United States' escalating conflict with Iran. The war, which we flagged as a looming threat heading into 2026, is now a defining operational reality for organizations with any international footprint, supply chain, or workforce exposed to war.

This quarter, the Global Situation Room streamlined our reputational risk categories. This refined methodology allows us to weigh risks more accurately and capture distinct variations across quarters, providing a clearer assessment of where leaders face the greatest exposure. While escalating tensions with Iran and its related strains on global supply chains have elevated Major International Disruption to the leading reputational risk, Artificial Intelligence remains a significant risk, ranked second. Further, AI continues its systemic impact - intensifying nearly every other risk category, from fraud to privacy to intellectual property. Similarly, President Donald Trump claimed a top spot in the reputational risk ranking for the third quarter in a row, at number three. In a shift from previous quarters, however, Fraud/Misconduct rose to the top tier, a signal that, in an environment of eroding trust in corporations, unethical conduct now carries consequences that extend far beyond the balance sheet. But perhaps most notably, Child Safety/Harm, rounding out the top five ranked reputational risks, is striking as an elevated, standalone concern—reflecting a

Council consensus that this is not merely a reputational matter but a moral one and perhaps the tip of the spear on the AI morality questions overall.

While last quarter, the Global Risk Advisory Council zeroed in on the philanthropic sector, we are focusing the Q2 2026 Index on the legal sector - an industry that not only sits at the intersection of every risk this report identifies within their own organizations, but also on behalf of their clients. The same forces reshaping the broader economy are now landing directly on the firms meant to help others navigate them. Artificial Intelligence has begun to compromise the profession's core work product, with prominent firms self-reporting fabricated citations and AI "hallucinations" in court filings yielding sanctions from regulators. The administration's executive orders against major firms—and the roughly \$1 billion in pledged legal services that followed—have made political alignment a board-level question for an industry built on independence. Meanwhile, the war that tops our Index has plunged Middle East practices into remote operations under missile fire, stagnated energy and M&A deal flow, and triggered a surge in conflict-driven cyberattacks against firms holding their clients' most sensitive data. For a sector whose value proposition is trust and discretion, these are not abstractions - they are existential tests of credibility.

The prediction from our Council is unanimous: these risks will only sharpen as the year progresses. The fault lines between technology, geopolitics, and politics are no longer dormant but are defining the terrain for reputation risk management. Resilience in 2026 will depend on leaders who can see these forces as a complex, constantly shifting system, and be prepared to act before crisis finds them.



Honorable Isabel Casillas Guzman
Global Risk Advisory Council Chair
Avenida Advisors Founder and President

Q2 Top Reputation Risks Ranked

#1

Major International Disruption

Negative attention or increased difficulty in business operations due to an ongoing armed conflict between two or more countries.

#2

AI

Reputational damage caused by the adoption, failure to adopt, or misuse of artificial intelligence.

#3

President Trump

Negative attention or consequences relating to or resulting from actions taken by President Trump.

#4

Fraud/Misconduct

Unethical or illegal behavior used to gain advantage or profit.

#5

Child safety/harm

Actions or accusations of putting children at risk of mental, emotional, or physical harm.

#6

Privacy

Actions which infringe upon an individual or groups' sensitive information.

#7

Executive/Management Controversy

Scandals or negative attention resulting from actions, decisions, or comments from members of the c-suite.

#8

IP/Copyright

Claims of copying creative works, inventions, or ownership, including unauthorized use, reproduction, or distribution of copyrighted, patented, or trademarked material.

#9

Human/Civil Rights

Attacks or adverse consequences affecting an individual or group of individuals based on certain characteristics.

#10

Product/Service Quality

How well a product or service meets customer expectations and performs as promised.

Comparing Q2 and Q1 Rankings

Risk	Q1 Ranking	Q2 Ranking	Difference
AI	1	2	↓-1
Anticompetitiveness/ Antitrust	8	Not ranked	—
Child safety/harm	5	5	=
Consumer protection	6	Not ranked	—
Elon Musk	10	Not ranked	—
Executive/Management Controversy	Not ranked	7	+
Fraud/Misconduct	7	4	↑+3
Human/Civil Rights	Not ranked	9	+
IP/Copyright	9	8	↑+1
Major International Disruption	Not ranked	1	+
Major Operational Disruption	4	Not ranked	—
President Trump	2	3	↓-1
Privacy	3	6	↓-3
Product/Service Quality	Not ranked	10	+

#1 Top Risk: Major International Disruption

Following the outbreak of war in Iran, Major International Disruption debuts on the Index as the most concerning issue for members of the Global Risk Advisory Council. Fifty-four percent of members surveyed ranked it '9' or higher, a striking consensus that reflects just how pervasive the war's effects have become for businesses operating anywhere along the global economy's fault lines. What was, only a quarter ago, a geopolitical concern on the horizon has become the dominant force reshaping markets, supply chains, and corporate decision-making in real time.

“Major international disruptions are an immediate, high-impact global crisis creating severe, cascading risks and shocks to global supply chains, global markets, and national security.”

—Tyrrik McKeiver, Adjunct Professor, Florida International University

The economic shockwaves have been immediate and far-reaching. Surging energy prices and slumping equities have followed the escalation of the conflict, while disruptions to shipping corridors have jolted manufacturers as far afield as India. Members point to the Strait of Hormuz as the epicenter of the logistics crisis; it is a chokepoint whose disruption ripples well beyond oil.

“The Strait of Hormuz serves not only as an oil chokepoint but as a critical international shipping corridor, and its disruption forces costly rerouting, inflates freight rates, and introduces systemic unpredictability into delivery timelines. The downstream effects extend well beyond fuel: manufacturing inputs, supplies, and consumer goods all face increased costs and delayed movement across global networks.”

—Anonymous Council Member

The aviation sector has absorbed some of the most visible damage. Carriers canceled flights across the Middle East in the wake of the U.S. and Israeli strikes, and the spike in jet fuel costs has hammered airline economics worldwide. Singapore Airlines saw its annual profit cut in half, citing surging fuel prices as one of the one-off shocks. As Antwaun Griffin, Senior Organizational Strategist for a mid-sized American City, observed, “Economic impact of foreign policy is driving news cycles and private sector spending and hiring decisions.”

That observation is borne out across industries. Unilever froze global hiring amid the war's fallout, while electronics giants like Samsung and LG's display arms are closely monitoring the crisis for downstream effects on their operations. For organizations with any exposure to the affected region, the war has forced a defensive recalibration of capital and workforce decisions.



The US-Iran War is bringing global economies to their knees and impacting economic growth and the cost of living."

—Managing Director, Communications and Marketing, UK financial institution

The disruption carries a distinct reputational dimension that sets it apart from a purely economic shock. This is particularly acute for the United States and American-affiliated corporations. Members noted that the conflict has strained America's standing among traditional allies, with one European member describing it as the most damaging reputational hit the U.S. has taken precisely because ordinary citizens are absorbing the cost.

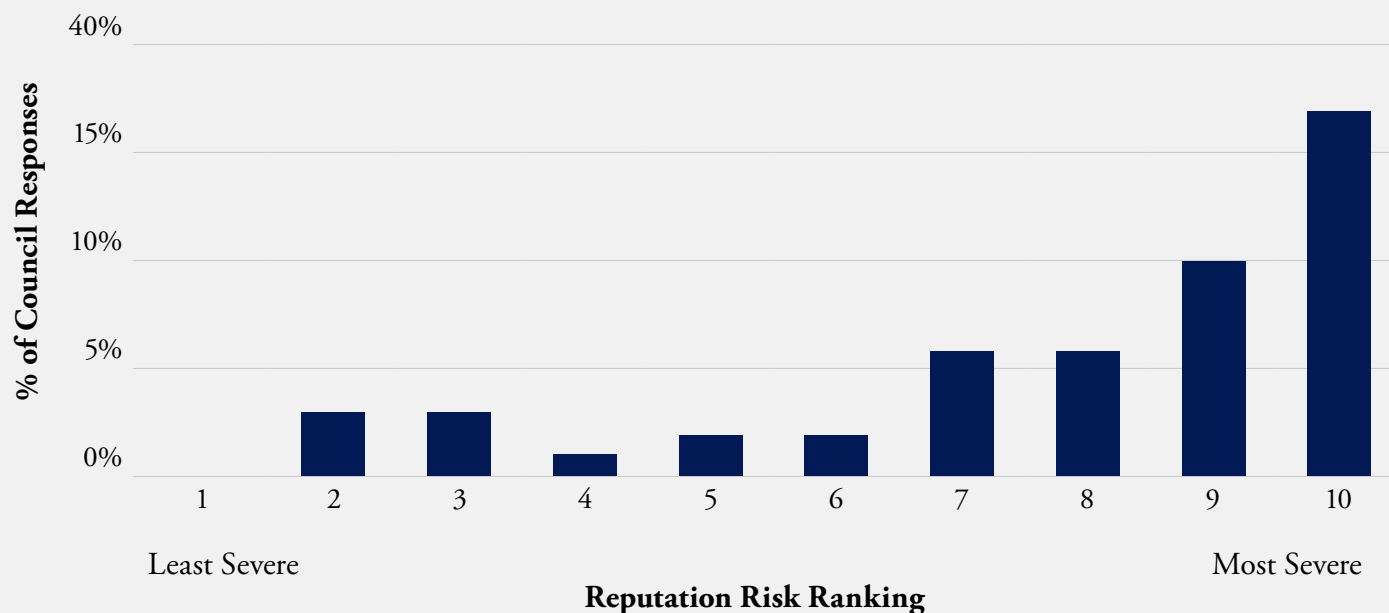


From a European standpoint, the U.S. attack on Iran is the biggest reputational hit America has taken because it hits Europeans where they live. Fuel prices have soared, supply chains are a mess, and everyday people are paying the price for a war they had no say in. On top of that, watching the U.S. destabilize an entire region raises serious questions about whether America can still claim any moral high ground."

—Anonymous Council Member

Domestically, the picture is no less fraught. As one member noted, "International disruptions have exacerbated the economic crisis many are experiencing," and other members warn that continued failure to reach a resolution will keep higher prices and a diminished sense of American global influence top of mind for the public. Should frustrations continue to escalate, political and reputational fallout is likely to intensify. The reverberations have even reached novel corners of the economy. Take, for instance, the prediction-market platform Kalshi, which found itself defending its rules amid backlash, or the Turkish arms manufacturer Repkon, which rebranded a subsidiary to distance itself from sales to Israel. For 2026, the lesson is unambiguous: a conflict half a world away is now a board-level reputational concern for nearly every organization, regardless of geography or sector.

How the Council Ranked Major International Disruptions



CASE STUDY: Lenskart Attempts to Ban Symbols of Faith in Stores

In April 2026, Indian eyewear giant Lenskart found itself at the center of a rapid controversy when the company's internal grooming guidelines appeared to restrict the visible display of certain religious symbols by store employees. The language suggested that markers such as bindis, tilaks, and sacred threads were discouraged if visible. At the same time, other forms of religious attire were permitted under the same guidelines, which prompted accusations that the policy was applied unevenly across faiths. The perception that Lenskart was selectively policing cultural and religious expression struck a particularly raw nerve as it ran counter to the brand's marketing as a homegrown company, built for Indian customers.

Lenskart grappled with swift and severe backlash as the controversy ballooned. Boycott hashtags trended across social media platforms as users accused the company of religious discrimination and inconsistent treatment of employees' beliefs. What began as a human-resources matter rapidly escalated into a broader public debate. The debacle demonstrates how quickly an internal corporate conflict can metastasize into a full-blown reputational crisis beyond a company's control in an era of hyper-sharing and viral social media.

Lenskart moved quickly to contain the damage, issuing a public apology and asserting that the document being circulated was outdated and did not reflect current policy. CEO Peyush Bansal personally addressed the matter, stating that the company places no restrictions on religious expression and apologizing for the implication to the contrary. In the aftermath, Lenskart also issued a revised, inclusive style guide that explicitly permits employees to wear religious symbols, along with a broader commitment to clearer internal communication. The episode underscores the ninth-ranked reputational risk this second quarter, Human/Civil Rights. In this instance, an ambiguous or poorly communicated internal policy was interpreted as an attack on employees' identities. In such cases, the speed of the response, more than the original misstep, often determines whether trust can be recovered.

#2 Top Risk: AI

For the first time in three quarters, AI has been unseated as the top risk for Council members, though only narrowly. Even if eclipsed by the U.S.-Iran conflict, 62% of members ranked AI as an '8' or higher on the risk scale. If anything, its drop in the risk ranking reflects the sheer scale of the disruption that overtook it, not diminished concerns among members about the technology. As AI matures and embeds itself more deeply into corporate operations, the consensus among members is that AI is a pervasive risk that affects and compounds nearly every category identified in the Reputational Risk Index.



AI is an existential risk."

—Ted Smyth, Chairman, Clinton Institute for American Studies, University College Dublin

The real-world risks of AI are becoming painfully clear as a growing number of lawsuits link these products directly to real-world tragedies. OpenAI and CEO Sam Altman have been sued by families of victims of a mass shooting in Tumbler Ridge, British Columbia, after the company's own staff flagged the shooter's ChatGPT account months before the attack but declined to alert law enforcement. Altman issued a public apology for the profound failure. In Florida, attorneys for a victim of the Florida State University shooting are pursuing OpenAI, and the state's attorney general has gone further still, launching a criminal investigation into the company. This marks an extraordinary escalation that raises the question of whether an AI platform can bear criminal responsibility as a principal in a crime. Separately, a Florida family has sued Google, alleging its Gemini chatbot encouraged a man to take his own life. Taken together, these cases mark a stark turning point. The threat is not just about how AI can cause reputational damage, but whether corporations deploying the technology can be held legally and even criminally accountable for harm stemming from its use.



The risks of AI generated content, or AI-enabled, human, out of the loop agents negatively impacting a company is greater than ever."

—Erin-Michael Gill, Founder and Managing Director, Genaesis M&A Advisory

Beyond questions of liability in these AI-related tragedies, members were quick to highlight the quieter erosion of trust, fueled by removing humans from key decision points and replacing them with AI. As one member observed, customers want the efficiencies AI delivers but remain acutely sensitive to the human stories it displaces. That tension extends to the labor market itself. One member of the Council noted that the displacement of management roles has already begun in many creative industries.

“

The biggest issue I'm personally seeing and dealing with firsthand is AI replacing management jobs in creative industries and the trust these companies are putting in AI platforms and products that are still relatively new to the market."

—Anonymous Council Member

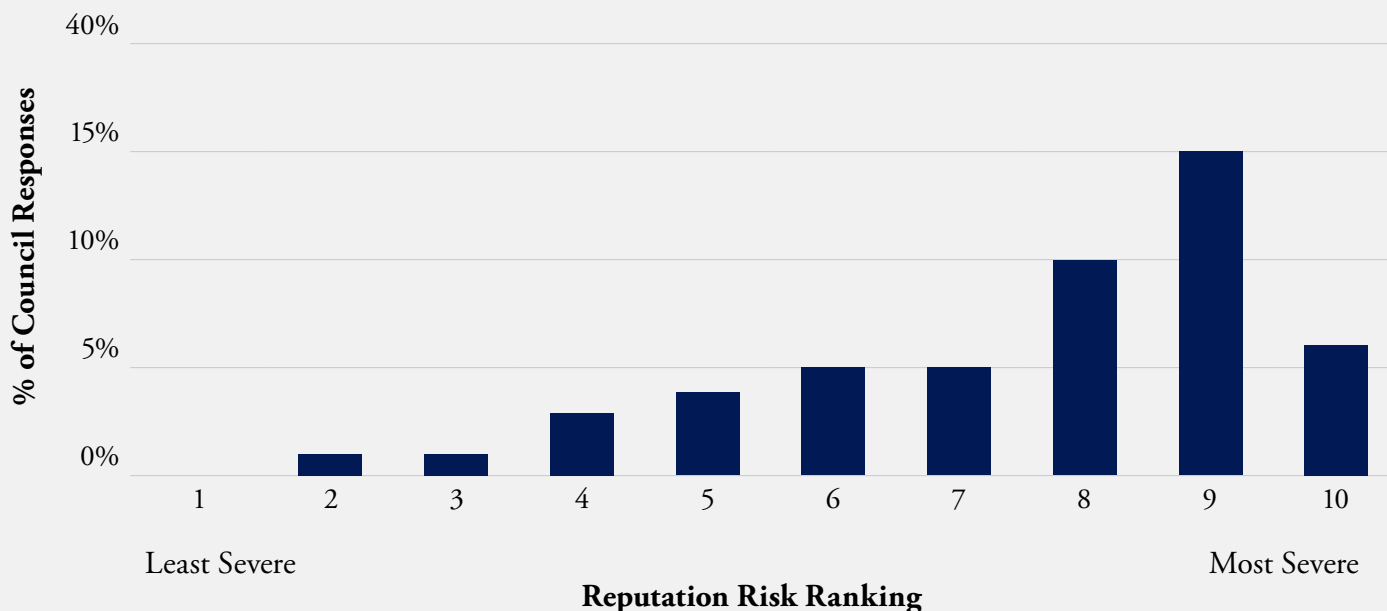
AI as a force multiplier for other threats featured prominently in members' concerns. On the cybersecurity front, members warned that AI could make attacks more powerful, scalable, and accessible, for instance, by automating phishing, malware development, and the exploitation of software vulnerabilities, thereby creating new exposure for corporations across all industries.

As Executive Director of the FDR Global Engagement Initiative Jed Willard succinctly put it, "AI is allowing bad actors to amplify and conceal." Members also raised persistent concerns about the bias embedded in AI decision-making and its downstream influence on everything from hiring to marketing strategy. In another member's assessment, "AI is going to continue to be a risk until there is any real regulation—even self-regulation by tech companies." For corporate leaders in 2026, AI can no longer be delegated to technical teams as a tool to be optimized; it is a board-level concern whose governance, ethics, and human cost now sit at the center of institutional reputation.

The significance of these cases is not the underlying facts, but the possibility that courts and regulators may begin treating AI failures as governance failures rather than technical errors.



How the Council Ranked AI



CASE STUDY: Meta and Google Lose Landmark Child Safety Case

In a verdict with sweeping implications for the technology sector, a Los Angeles jury found Meta and Google's YouTube liable for harming young users in a landmark social media trial in March 2026. At the heart of the case was a 20-year-old plaintiff's testimony, which detailed how childhood use of YouTube and Instagram caused her to develop an addiction and suffer mental health struggles. After roughly two months of testimony, including from Meta's own senior leadership, the jury determined that the companies had negligently designed their products, knew those designs were dangerous, and failed to warn users. Jurors placed the bulk of the responsibility on Meta, with the remainder assigned to YouTube. The jury also found that the companies had acted with sufficient egregiousness to warrant punitive damages in addition to compensation for the plaintiffs.

The decision lands as a watershed moment in the years-long reckoning over whether social platforms are engineered to addict and harm children. Crucially, the case was not an isolated dispute but part of a consolidation of thousands of similar claims brought by individuals, families, school districts, and states. Two of the original defendants, Snap and TikTok, opted to settle before trial rather than face a jury, a calculation that looks increasingly prescient in hindsight. As commentators observed, the outcome signals that the justice system may finally be prepared to hold social media platforms accountable. Advocates have already called for the ruling to translate into concrete, safety-driven design changes.

Both companies said they intend to appeal and strongly disputed the verdict. Meta argued that adolescent mental health is too complex to attribute to any single application and pointed to its record of protecting teens. Google, alternatively, contended that the case fundamentally mischaracterized YouTube as a social media platform rather than a streaming service. But the repercussions of the case go way beyond the dollar figure (which represents a minimal financial impact for either company). The verdict supports the ongoing narrative that these companies knowingly prioritized engagement and profit over the well-being of their youngest users. For 2026, the case underscores why Child Safety/Harm stands apart as a distinct and elevated risk.

#3 Top Risk: President Trump

Association with or being targeted by President Trump remains a present and unpredictable risk for businesses. Fifty-two percent of Council members ranked the U.S. President an '8' or higher on the risk scale, reflecting the President's outsize influence outside any normal business framework. While the President slipped from his prior position as the conflict in Iran reordered the Index, Council members were emphatic that the threat remains, even if eclipsed by the ongoing and escalating conflict.

“ President Trump has a talent and predilection for inserting his perspective and personality in an ever-expanding array of topics. From major international disruptions to AI to privacy, the President remains the top generator of risk for companies and countries.”

—Anonymous Council Member

The clash between AI developer Anthropic and the U.S. Administration earlier this quarter is a defining example of this enduring risk. After the company declined to loosen its guardrails for military use, specifically resisting deployment of autonomous weapons and mass domestic surveillance, President Trump directed every federal agency to cease using Anthropic's technology, and the Pentagon moved to designate the firm a "supply-chain risk to national security." This designation, previously reserved for adversary suppliers, threatened to bar tens of thousands of contractors from working with Anthropic, as the President vowed to use the full power of his office to compel compliance. Anthropic announced it would challenge the move in court as legally unsound and a dangerous precedent for any company that negotiates with the government.

“ Trump's interventions in the business world are raising red flags for organizations that value ethical safety standards and predictable market rules. By blacklisting Anthropic after it refused to let its AI models be used for mass domestic surveillance and warfare, the White House has sent a chilling message: standing up for ethical principles can lead to severe government retaliation.”

—James Okong'o, Nieman Fellow, Harvard

But while Anthropic faced reputational damage in its effort to distance itself from the current administration, corporations that have tied themselves closely to it have also faced backlash. When Anthropic's rival OpenAI stepped in to take the Pentagon contract, it triggered an immediate consumer revolt: ChatGPT uninstalls surged roughly 295% in a single day as a #QuitGPT campaign spread. At the same time, Anthropic's Claude rode the backlash to the No. 1 spot on the U.S. App Store. The two episodes demonstrate that, in the current environment, the decision to fall in line with the administration or not can carry reputational consequences in either direction, and those consequences can materialize among customers and employees within hours.

“ Continued uncertainty, poor management, outright stupidity, and potential illegal actions by the Trump administration both here and abroad continue to be the greatest risk to my business and to our nation.”

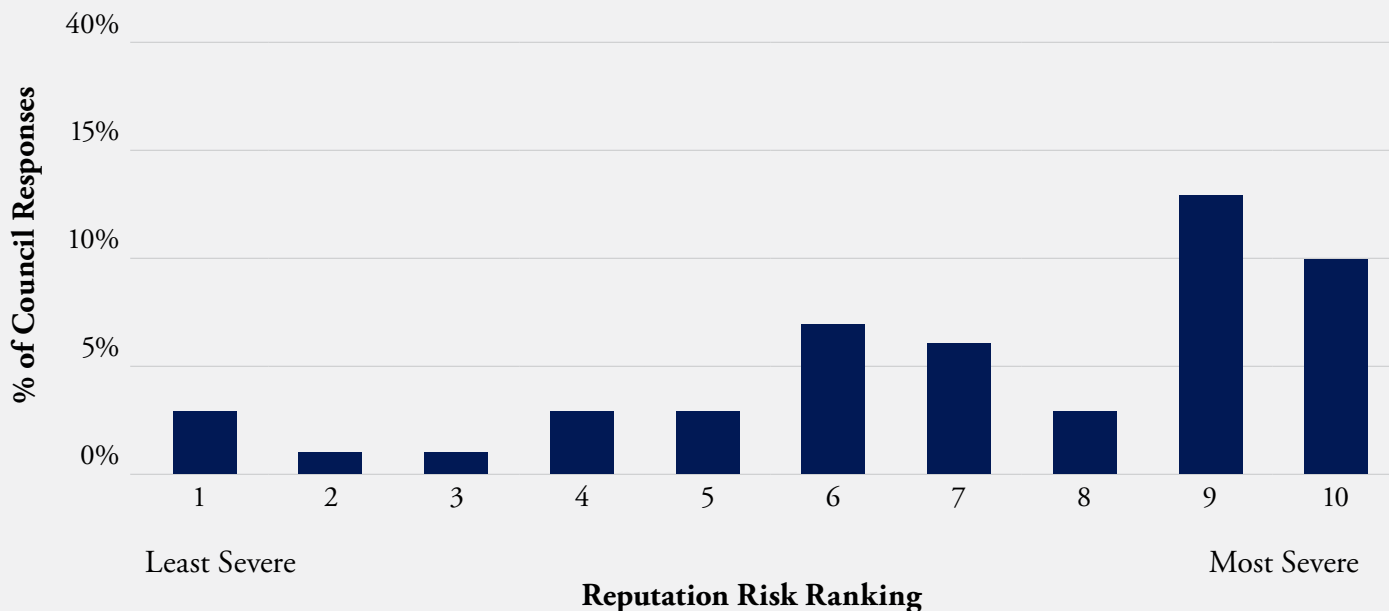
—Anonymous Council Member

Notably, underlying these immediate flashpoints, there is a deeper anxiety among members about the long-term costs of the administration's posture. As one member put it bluntly, the combination of unchecked AI enthusiasm and governmental missteps is "like handing lit dynamite to toddlers," with the added risk that policy errors are "ceding long-term strategic advantage to authoritarian Beijing." For 2026, the President remains a singular feature of the risk landscape, whose attention can instantly convert a routine business decision into an existential reputational and regulatory crisis that forces boards to weigh political optics with business.



View Past Reputation Risk
Index Reports at
globalsitroom.com/past-reports

How the Council Ranked President Trump



CASE STUDY: Companies Sue Trump Administration for Tariff Refunds

When the U.S. Supreme Court ruled in February 2026 that President Trump had exceeded his authority by imposing sweeping tariffs under the International Emergency Economic Powers Act (IEEPA), it opened the floodgates to a wave of corporate litigation against the federal government. With more than \$100 billion in duties collected before the ruling, over two thousand companies moved to recover what they had paid. FedEx was among the first major corporations to act, suing the administration for a "full refund" of all IEEPA duties with interest in the U.S. Court of International Trade, after warning investors that trade policy could cost it roughly \$1 billion in a single fiscal year. The logistics giant was quickly joined by household names including Costco, Revlon, and Bumble Bee Foods.

The rush of litigation didn't dissipate. Nintendo filed suit against the Treasury Department, Homeland Security, and the U.S. Trade Representative, naming senior administration officials and demanding a prompt refund of the duties it had paid during the tariff period, which the company cited when it raised prices on its consoles and accessories. The breadth of plaintiffs, spanning shipping, retail, gaming, beauty, and food, underscores how broadly the reputational and financial consequences of the administration's trade agenda were felt across sectors.

For the companies themselves, however, victory against the government has created a second headache. As retailers pursued refunds from Washington, consumers began filing class action suits alleging "double recovery." They argued that companies like Costco passed the tariff costs to shoppers through higher prices and now stand to collect those costs from the government without reimbursing the consumers who actually bore the burden of the price hikes. Costco responded by saying the refunds would be reflected in lower prices in the future, not direct repayment. The episode reflects that, in 2026, navigating the fallout from erratic federal policy carries reputation risks at every turn.

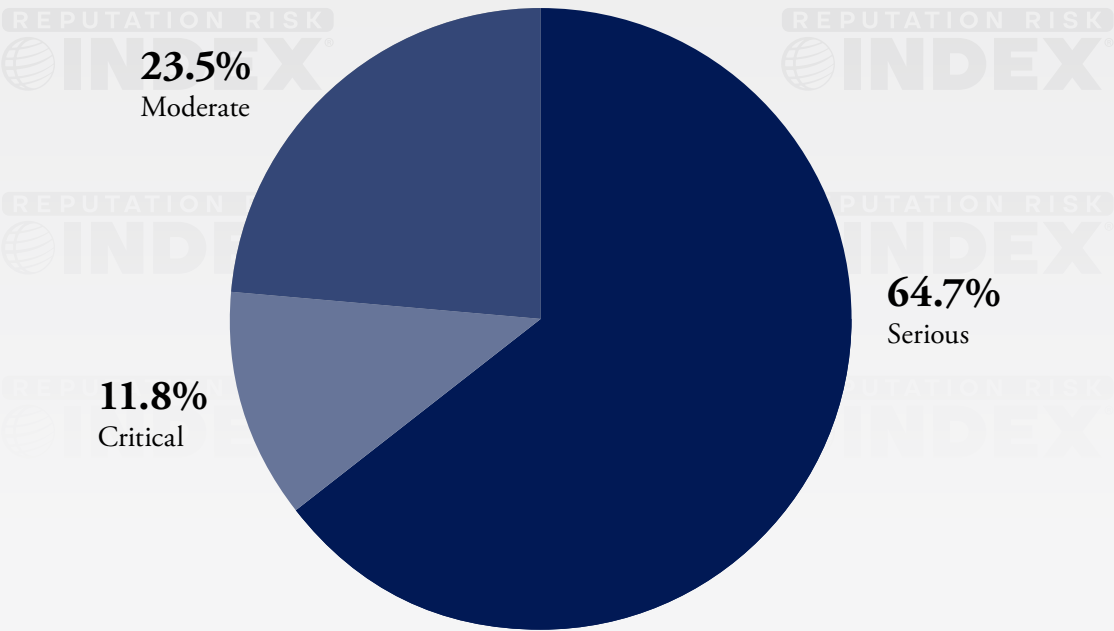
SPOTLIGHT ON LAW FIRMS:

Navigating Heightened Risks in the Legal Sector

If the philanthropic sector spent last year caught in a politicization trap, the legal sector entered 2026 occupying an even more precarious position at the intersection of nearly every risk identified in the Reputation Risk Index. Unlike most industries, which face one or two of these pressures acutely, law firms are exposed to nearly all of them simultaneously.

Each of the Index’s top-ranked risks targets a different pillar of trust on which the profession depends. Nowhere is the sector’s exposure more self-inflicted than with artificial intelligence. While AI has been embraced as a transformative tool for document review, due diligence, and discovery, it has also become a source of acute professional embarrassment. Sullivan & Cromwell, one of the U.S.’s preeminent law firms, was forced to alert a federal bankruptcy judge that an emergency motion contained fabricated citations and AI “hallucinations,” despite the firm’s own mandatory training and a stated policy of “trust nothing and verify everything.” In the United Kingdom, Pinsent Masons referred itself to the Solicitors Regulation Authority after a junior lawyer used AI to generate fabricated law in letters to a London court. These incidents follow a wave of court sanctions in 2025 against attorneys who filed AI-generated briefs with bogus cited authorities, in at least one case nearly misleading a judge into adopting fictitious research. In a profession built on accurate filings, AI poses a direct threat to a lawyer’s credibility and honesty before the court.

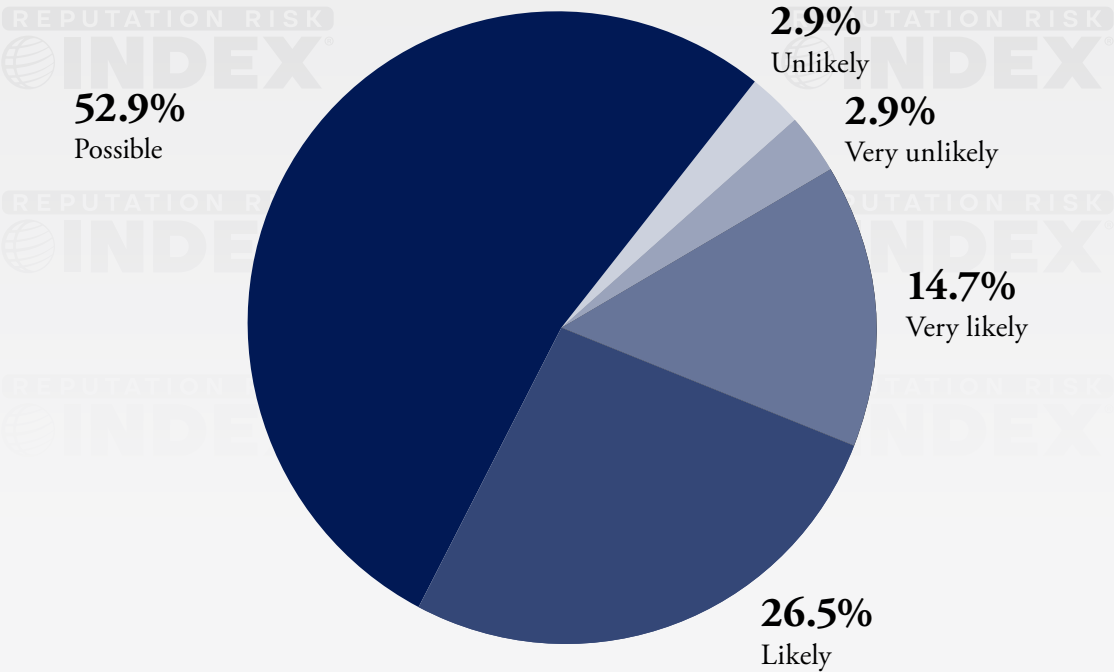
How Serious Is the Reputational Risk to the Legal Profession From AI Errors or Hallucinations in Client Work?



These errors may be the result of an industry facing growing pains. Regarding the sector’s preparedness to use AI responsibly, less than 20% of Council members felt the legal industry was not prepared for AI. However, when asked about the seriousness of reputational harm when lawyers rely on AI that hallucinates, over 60% of members described the issue as “serious.”

The legal sector's exposure to political targeting is also acute. President Trump's executive orders targeting major firms sought to revoke security clearances and terminate federal contracts in retaliation for prior work the President didn't like. The pressure has also affected how the industry itself is regulated. For example, the California State Bar filed an amicus brief to oppose President Trump's executive orders calling them "unprecedented" and a direct threat to its mandate to protect the public. The Council believes political pressure will continue, with 95% rating the likelihood as possible or likely.

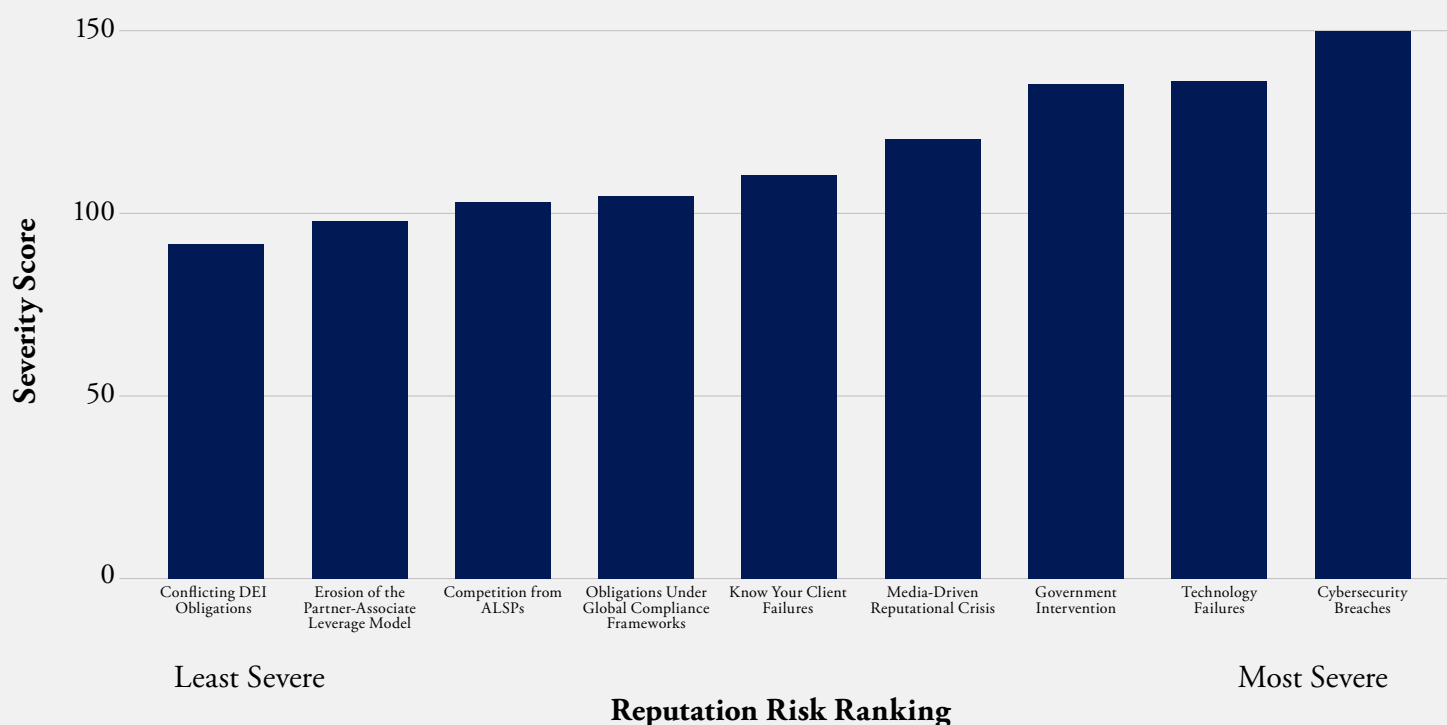
How Likely Is Government and Regulatory Pressure on Law Firms To Escalate Over the Next 12–18 Months?



“ The legal profession's ultimate responsibility is not to any particular administration or political movement, but to the integrity of the system of justice itself. There's a reason for Shakespeare's line "The first thing we do, let's kill all the lawyers." It's not that Shakespeare was anti-attorney; the character who spoke it sought the demise of lawful society and to throw out due process."

–Piper Hendricks, Executive Director, Stories Change Power

Reputational Risks for Law Firms



The custodial role law firms play makes data security a defining vulnerability, and 2026 has already produced a steady drumbeat of breaches. Fried Frank faced a class action after a breach exposed Social Security numbers and banking details belonging to Goldman Sachs fund investors; legal-research mainstay LexisNexis suffered its second major incident in a year, with hackers mocking the company for repeatedly reusing a trivial password; and Jones Day confirmed a phishing attack by a group the FBI has warned specifically targets law firms. Each incident converts a private security lapse into a public breach of the confidentiality that clients consider sacrosanct. In this regard, the Council is aligned. When asked about the most serious reputational threat facing the legal industry, cybersecurity breaches took the top spot.

The quarter's top-ranked risk, Major International Disruption, has landed forcefully on the legal sector. Firms across the Middle East shifted to remote work on the opening day of the conflict, with partners in Dubai describing the unease of operating from high-rise towers that were identified as potential targets. The downstream effects have also rippled through practice areas, as trade and maritime lawyers braced for a surge in disputes as insurers pulled war-risk coverage and roughly 200 tankers were stranded in the Persian Gulf. Texas energy attorneys at firms like Baker Botts and Vinson & Elkins described new M&A activity as "dead, dead, dead" amid unpriceable oil volatility. The war has also intensified the sector's cyber exposure, with cybercrime reportedly rising 245% since the conflict began.

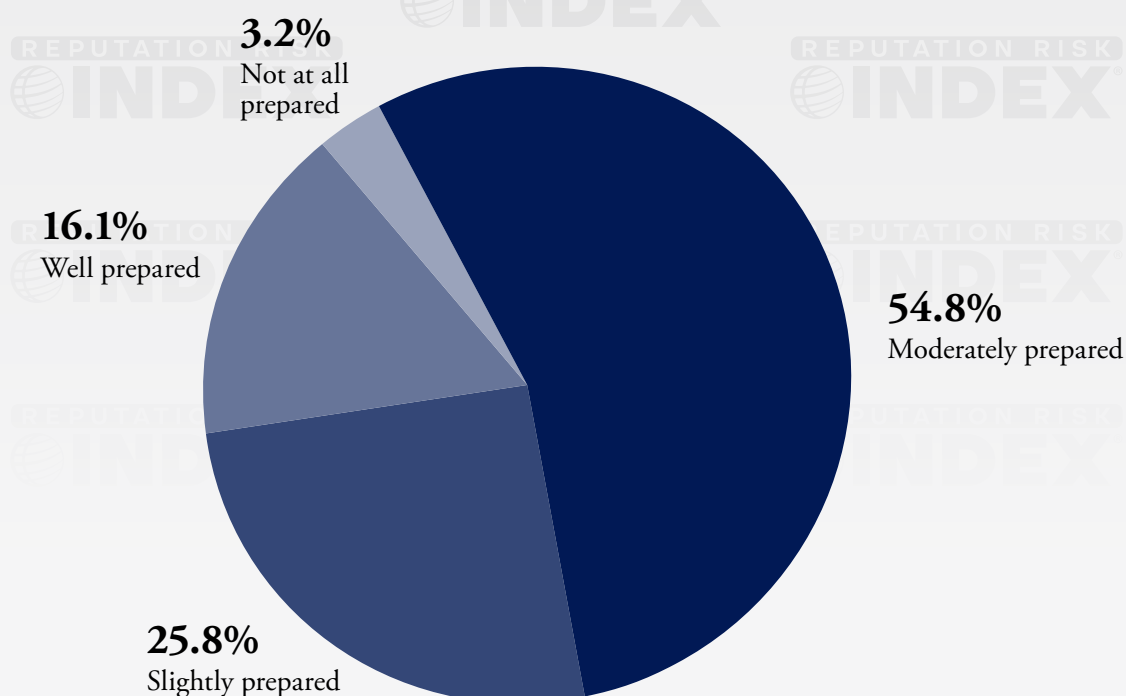
Beyond external threats, the sector faces a series of reputational wounds inflicted from within. Fraud and misconduct cases have struck at the integrity of the license to practice. A New York compliance lawyer was sentenced to prison in a \$20 million bank fraud scheme, and a group of BigLaw M&A attorneys was indicted for allegedly pulling confidential deal files to fuel a decade-long insider-trading operation, which prosecutors framed as a betrayal of the lawyer's ethical duties. Executive and management controversies have compounded the damage, from the three-year suspension of a mass-tort lawyer who repeatedly lied to clients about settlement checks to a professional-misconduct finding against a Trump U.S. attorney pick in New York. Meanwhile, the profession's internal reckonings over civil rights and workplace conduct continue to play out in open court, with closely watched cases against firms like DLA Piper and Polsinelli, even as the EEOC quietly closed its investigation into the diversity programs of twenty major firms.

“As stakeholder expectations evolve, firms are increasingly judged not only on legal ethics and competence but also on the perceived societal consequences of the clients they serve, the technologies they deploy, and the values they embody. This shift threatens trust in the profession because it challenges the traditional assumption that legal representation alone is sufficient to justify professional conduct.”

—Anonymous Council Member

While the industry has faced risks from multiple fronts, some firms have successfully navigated the increased scrutiny to emerge with a stronger reputation. Perkins Coie, along with three other firms—WilmerHale, Jenner & Block, and Susman Godfrey—neutralized the threat posed by President Trump's 2025 executive orders by litigating rather than settling. The Trump administration sought to revoke the firms' security clearances, ban their lawyers from federal buildings, and cancel their government contracts.

How Well-Positioned Is Your Organization To Respond if These Risks Materialize?

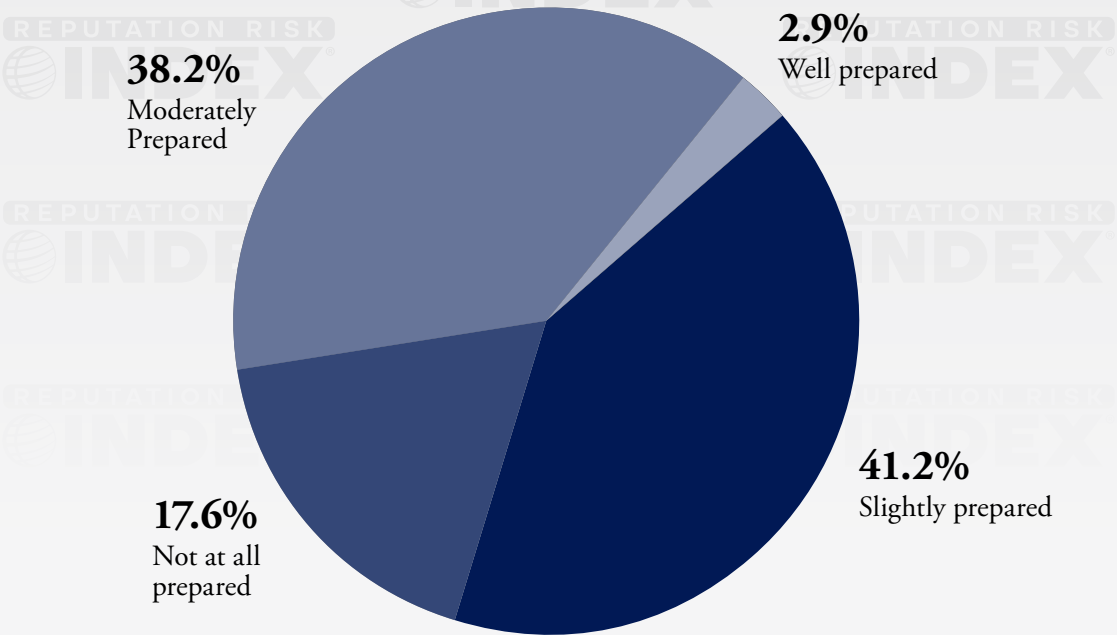


The law firms argued that the executive orders were designed to bankrupt them in retaliation for representing or employing individuals viewed as political opponents of the Trump administration. The four firms challenged the orders in court and four separate district judges struck them down as unconstitutional. This stands in sharp contrast to the reputational damage incurred by firms that took the opposite approach. Settling with the administration prompted an exodus of high-profile attorneys who argued the agreements undermined the firms' independence and damaged their reputations among employees and clients.

When faced with technological upheaval, Latham & Watkins responded by building a structured training program. The firm launched its "AI Academy" in October 2024, described as a first-of-its-kind program in the legal industry, developed through collaboration between its AI Task Force, Technology Department, and Training and Career Enhancement Committee.

Rather than treating AI as a threat to junior lawyers, Latham deliberately focused on first- through fourth-year associates to embed AI fluency as part of the firm's culture, granting them hours credit for their training time and positioning early adoption as a competitive advantage. By its second year, the program had scaled to more than 400 associates.

How Prepared Is the Legal Profession as a Whole to Govern AI Use Responsibly?



The firm has paired aggressive adoption with an explicit emphasis on human oversight and on reframing AI as a tool that frees lawyers for higher-value strategic work rather than one that eliminates their jobs—directly addressing the talent-retention and morale concerns that AI disruption creates. Latham has further committed to the effort as an ongoing one, with structured programs across associate years and a virtual AI Academy expanding access firm-wide, signaling the firm intends to lead rather than react as AI increasingly impacts the legal sector.

“Public trust in institutions is eroding across the board, but for the legal profession, the danger is sharper: lawyers are supposed to be the guardians of truth, process and the rule of law. When the public sees lawyers associated with political theater, misinformation or hyper-partisan legal arguments, they don’t distinguish between individual actors and the profession as a whole. The nuance gets lost; the reputational hit does not.”

—Anonymous Council Member

The legal profession's experience in 2026 demonstrates a broader reality facing organizations across every sector: reputational risks rarely emerge in isolation. Artificial intelligence, geopolitical instability, political pressure, cybersecurity threats, and internal misconduct increasingly reinforce one another, creating challenges that cannot be managed independently.

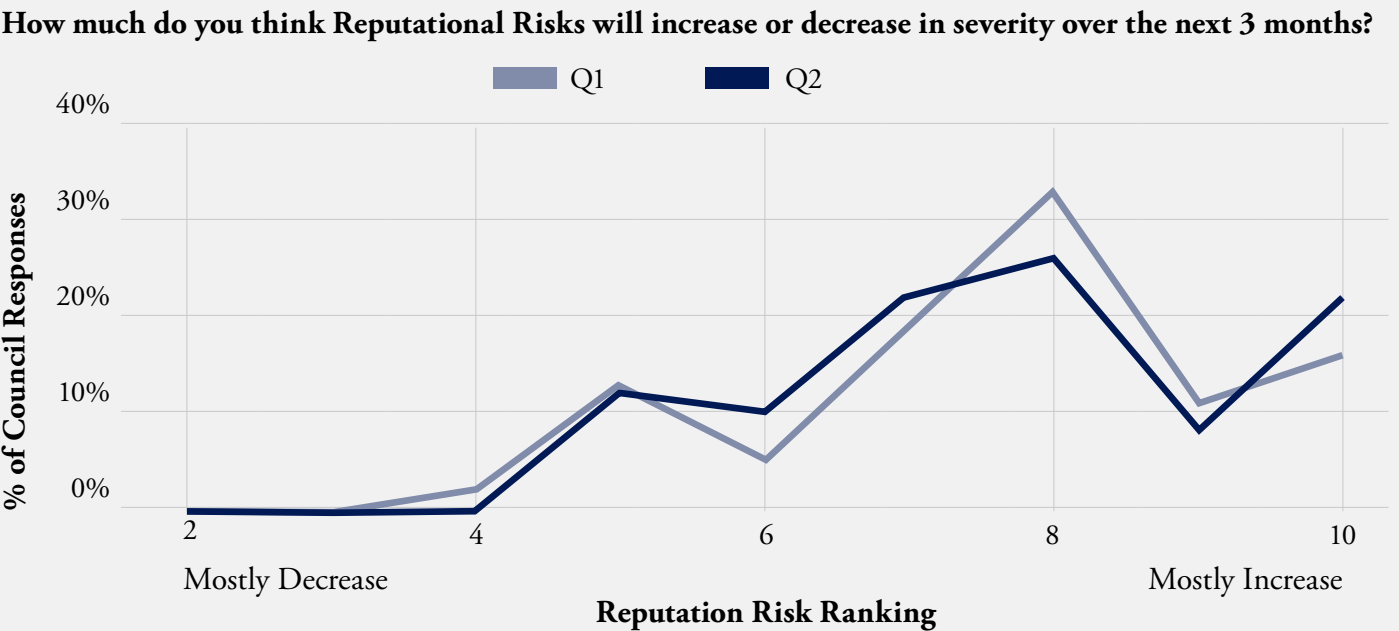
For law firms, each of these pressures ultimately converges around a single asset: trust. Whether the challenge involves AI, cybersecurity, professional ethics, or political scrutiny, the underlying question remains the same: can clients, employees, regulators, and the public continue to place confidence in the institution? The firms best positioned to succeed will be those that treat governance, confidentiality, and institutional integrity not as compliance obligations, but as strategic assets.

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Reputational Risks Leaders Are Watching Closely

As the US’s conflict with Iran continues to smolder, members have forecast that Reputational Risks will increase in the next quarter, with 56% of members ranking risks over the next three months as a ‘8’ or higher on a scale of ‘1’ (significant decrease) to ‘10’ (significant increase).



While international wars emerged this quarter as the leading risk decision-makers are concerned about, Council members continue to point to the lack of regulation around the AI industry as a flashpoint. With the planned IPOs of Anthropic and OpenAI, incentives for safety may conflict with a drive for quarterly profits. Members are also troubled by remarks made by AI companies regarding their products’ ability to improve themselves, a process known as recursive self-improvement. This fear of ever smarter models comes amid anxieties over Anthropic’s Mythos model which delayed its public release due to the company’s fear of its hacking capabilities. In the U.S. concerns remain over the rising amount of political violence in the country, especially as the midterms arrive next quarter. Internationally, members stressed the danger of the next pandemic from the outbreak of Ebola in the Democratic Republic of Congo.



Here's what members of the Council will be watching closely moving forward:

U.S. War with Iran

Super El-Nino

AI-Enabled Cyberattacks

Disinformation

Child Safety

**Recursive Self-Improvement
of AI Models**

Upcoming AI IPOs

The Next Pandemic

Mental Health Crisis

"European public opinion has largely crystallized, and without a dramatic reversal in U.S. policy or a credible diplomatic resolution, there's little catalyst for improvement. At the same time, the situation is unlikely to worsen reputationally because the initial shock has been absorbed. What remains is a steady-state erosion of trust."

—Anonymous Council Member



"War-related fallout from Ukraine, Iran, Sudan and North Africa will increase as a result of rising inflation, war weariness, food insecurity and war-related social media propaganda whipping up fear, discontent and partisanship in the midterm elections in America. This is a reputation risk-on period in the world and there will consequently not be a notable risk decrease."

—Francois Baird, Founder and Chairman, Baird's US



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