



Enterprise risk management

Middle East survey

January 2025

KPMG Lower Gulf Limited



Foreword

In an era marked by rapid change and unprecedented complexity, the landscape of enterprise risk management (ERM) is evolving at an extraordinary pace. The Middle East, with its unique blend of local dynamics and global influences, presents distinct challenges and opportunities for businesses across various industries.

As we launch the KPMG 2024 enterprise risk management survey in collaboration with the UAE Internal Auditors Association, our goal is to gain a comprehensive understanding of the key risks facing organizations in the Middle East. This year, we have gathered insights from risk professionals and industry leaders across the UAE, Kingdom of Saudi Arabia and Oman to explore the overarching trends impacting decision-making and strategic planning, as well as the nuanced, industry-specific challenges that require tailored risk management approaches. By analyzing the responses, we aim to illuminate the primary risk factors influencing organizational resilience and growth in the region.

We hope this report serves as a valuable resource for navigating the complexities of ERM in today's dynamic risk landscape.

Methodology

The survey was launched in March 2024 and conducted through September 2024. During this period, we gathered over 100 responses from various industries and the public sector, providing a rich foundation for our analysis.

Our approach was designed to capture a range of perspectives across different sectors, ensuring a comprehensive understanding of the risk landscape in the Middle East. Respondents were asked to assess a range of risks, rating each on a likelihood and impact scale from 1 to 5. Likelihood refers to the probability or chance for a risk event to occur. A rating of 1 suggests that the risk is highly unlikely to occur, whereas a rating of 5 indicates that the risk is almost certain to occur. Impact reflects the potential consequences or severity of a risk event on the organization if it were to occur. A rating of 1 implies that the impact would be minimal or negligible, while a rating of 5 signifies a catastrophic effect on the organization.

By evaluating each risk based on the above criteria, we can assess the overall risk landscape, prioritizing those that are most critical for strategic focus and management. This approach not only allows us to gauge the perceived possibility and severity of each risk but also facilitates the prioritization of risks based on their average ratings. We have identified risks that

are viewed as most critical by aggregating these scores, providing valuable insights into the areas that demand immediate attention and tailored risk management strategies.

The next page summarizes the demographics of the survey participants. This detailed breakdown highlights the breadth and depth of the insights gathered, enabling us to contextualize the findings and understand the specific perspectives that shaped our analysis. By examining the responses across different sectors and regions, we can better appreciate the unique challenges and opportunities that organizations face in navigating the complexities of ERM in this dynamic environment.



Total responses

103 responses

Participating functions

Risk function

47

responses

Audit function

44

responses

Finance function

12

responses

Key risk themes in the Middle East

-  **01** Geopolitical changes
-  **02** Supply chain challenges
-  **03** Digital agenda
-  **04** Focus on sustainability and climate change
-  **05** Emerging competition
-  **06** Outbreak of infectious diseases
-  **07** Challenges in attracting and retaining talent

Key risks for public sector entities in the Middle East

- 01** Geopolitical changes
- 02** Supply chain challenges
- 03** Digital agenda
- 04** Focus on sustainability and climate change
- 05** Escalating cost pressures
- 06** Outbreak of infectious diseases
- 07** Challenges in attracting and retaining talent

Survey results

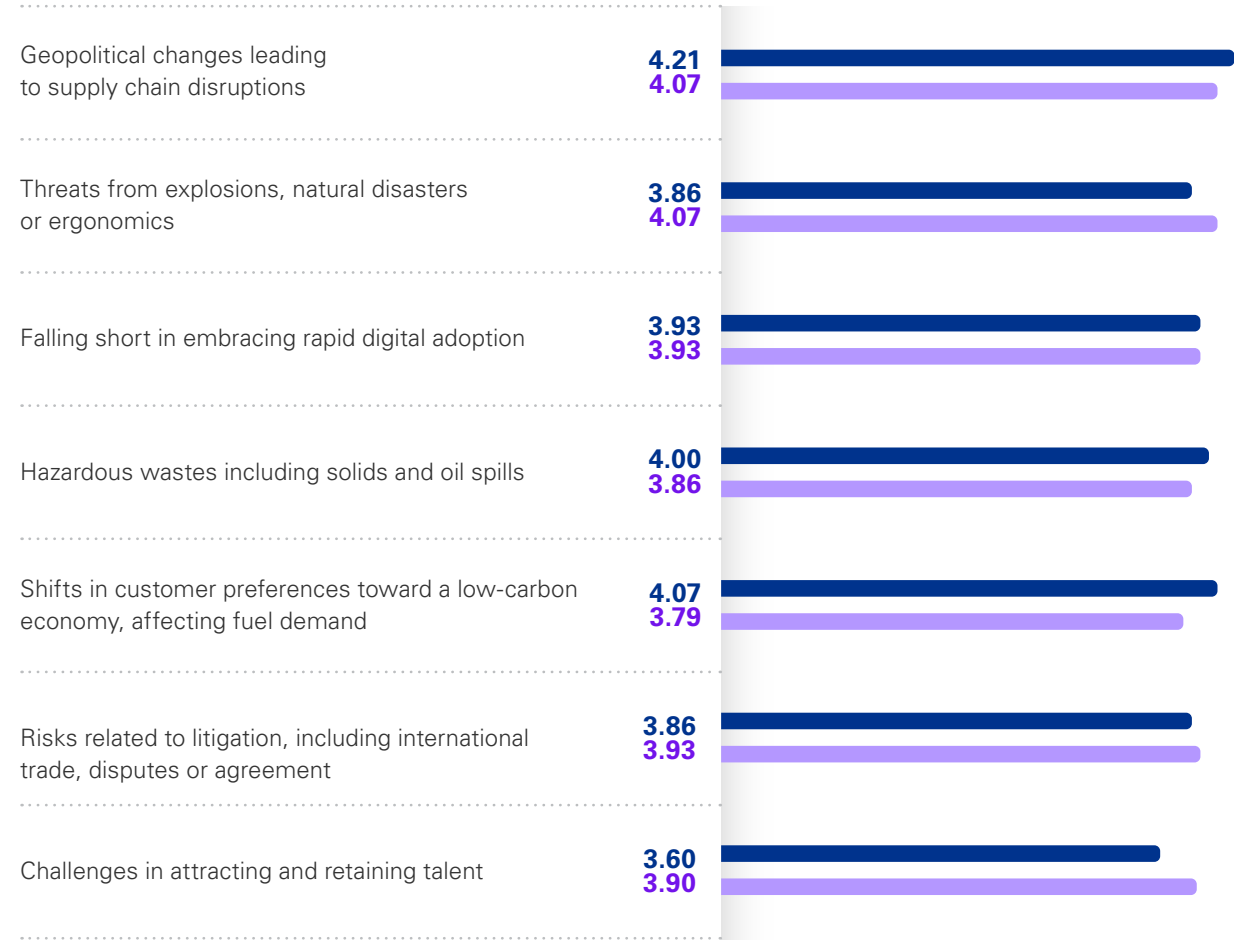
Industry breakdown

Oil and gas



Emerging risks in the oil and gas sector include geopolitical shifts that can disrupt supply chains and operations. The threat of explosions, natural disasters and hazardous waste—such as oil spills—poses both safety and environmental challenges. Additionally, the sector faces pressure to embrace digital technologies swiftly, while changes in customer preferences for low-carbon solutions and rising legal risks add further complexity to business operations.

Top risks



Survey results

Industry breakdown

Travel, leisure and tourism



Key risks for the travel, tourism, and leisure sector include geopolitical instability and health crises, such as outbreaks of infectious diseases, which can restrict travel. Data privacy breaches and security lapses pose significant reputational and legal risks. Rising inflation and cost of living may reduce consumer spending, and failure to adopt automation or sustainability practices could affect customer satisfaction and loyalty.

Top risks

Geopolitical changes causing instability, restrictions and travel safety challenges

4.42
4.58

Guest data privacy violations and security lapses leading to severe legal and reputational consequences

4.33
4.00

Not prioritizing sustainability in decision-making, impacting customer demand and experience

3.92
4.42

Rising inflation and cost of living, leading to reduced consumer spending

3.67
4.33

Inability to focus on automation, emerging technology and AI

3.75
4.08

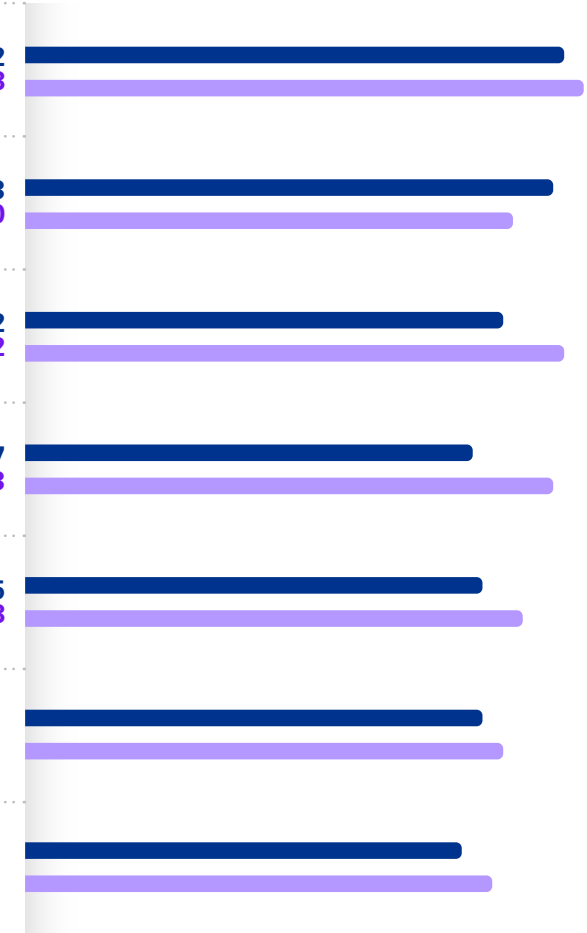
Outbreak of infectious diseases, leading to travel restrictions

3.75
3.92

Imposing higher costs and taxes on consumers, negatively impacting their experience

3.58
3.83

■ Likelihood ■ Impact



Survey results

Industry breakdown

Fast moving consumer goods (FMCG)



Shifting consumer preferences towards sustainable and ethical products may affect demand in the FMCG sector. Increased competition from the rise of e-commerce and alternative market channels could also pose challenges, while negative publicity and concerns about product safety or quality may damage brand reputation. Furthermore, new market entrants and changing customer loyalties could impact market share and profitability.

Top risks



Survey results

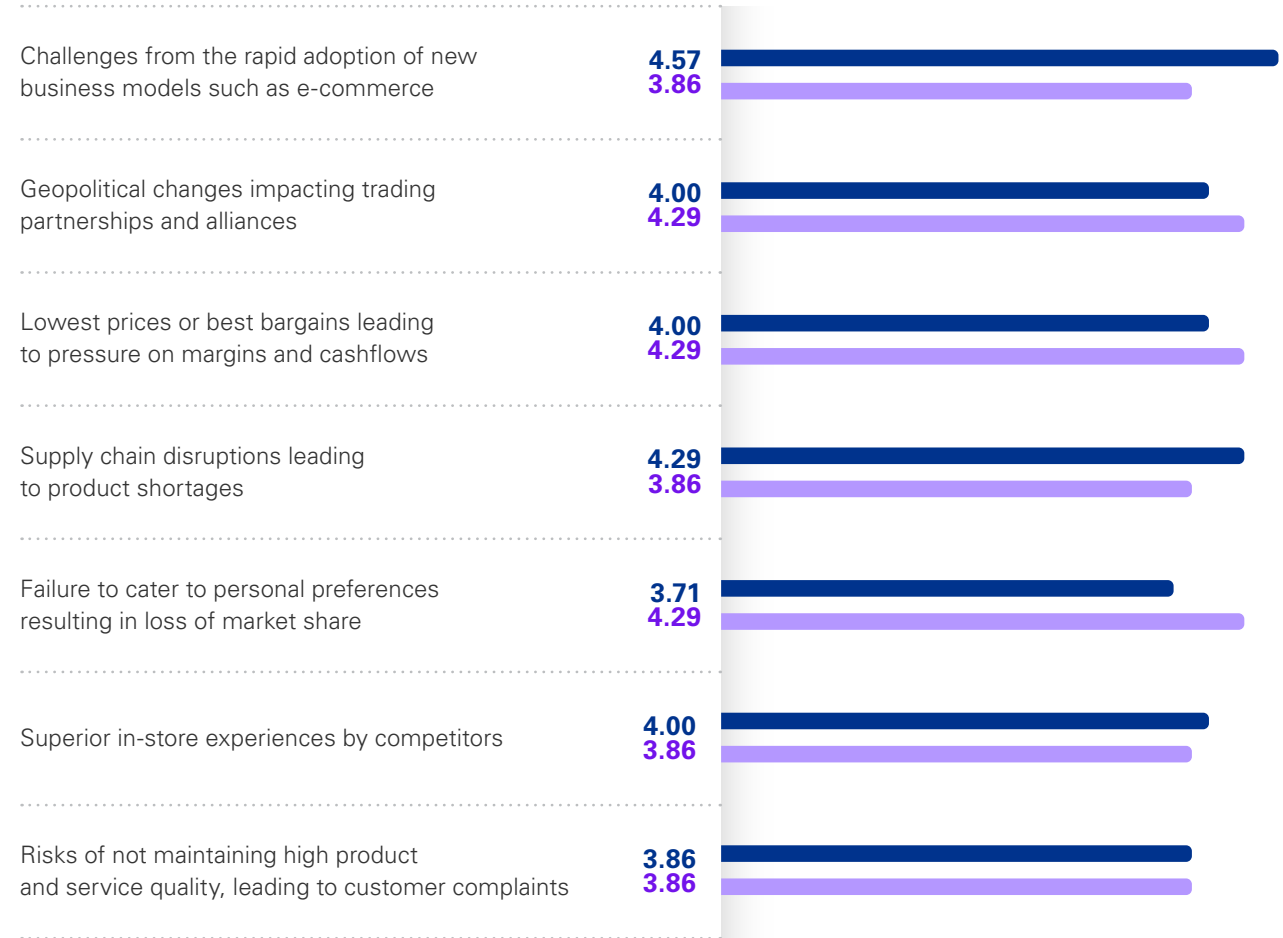
Industry breakdown

Retail



Risk in the retail sector is driven by the rapid adoption of new business models, such as e-commerce, which impacts traditional brick-and-mortar stores. Pressure to offer the lowest prices may also affect margins, while supply chain disruptions can lead to product shortages. Additionally, organizations that fail to meet diverse consumer preferences or maintain high product quality are likely to lose market share and face customer complaints.

Top risks



Survey results

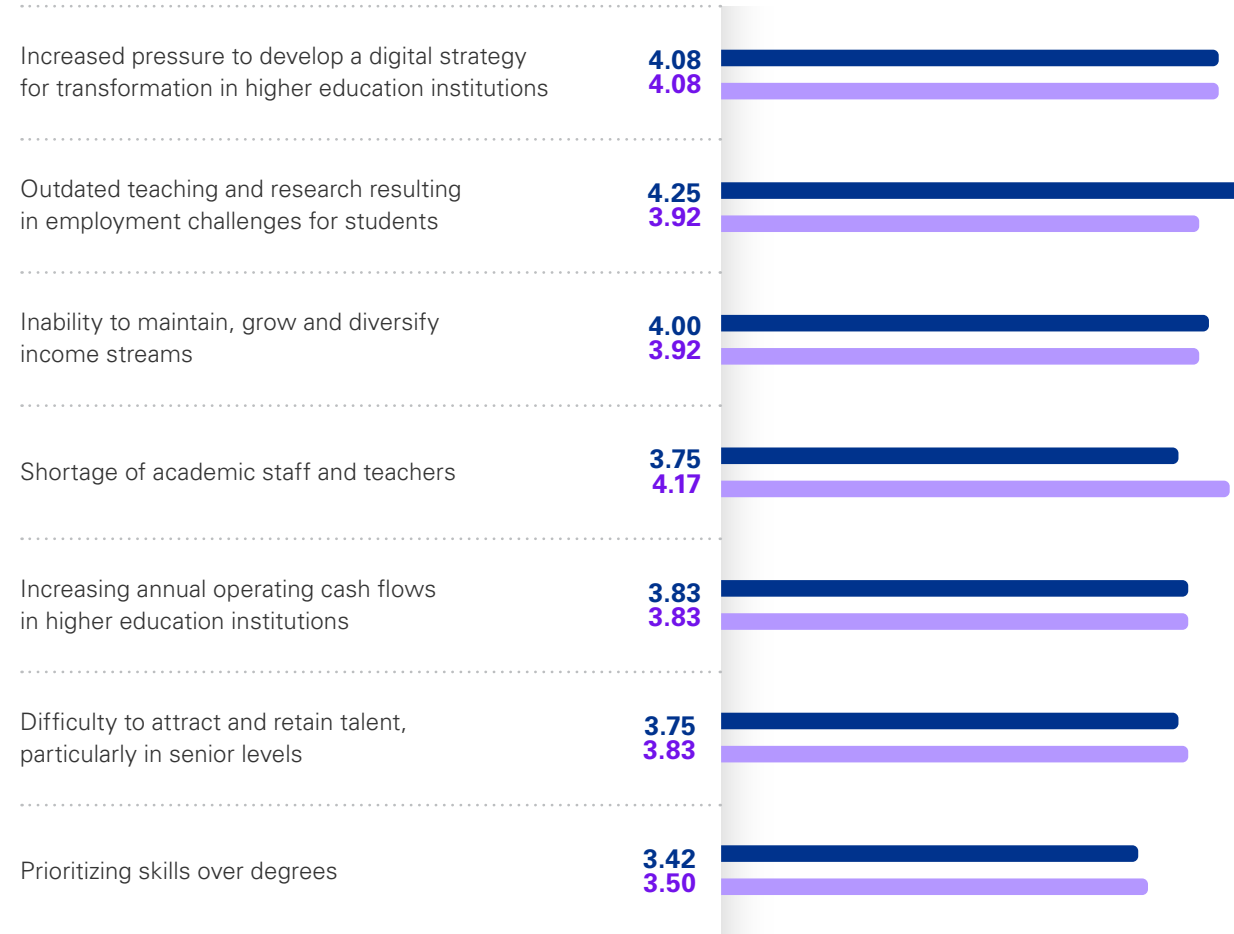
Industry breakdown

Education



The education sector faces significant challenges due to the growing need to develop digital strategies, particularly within higher education institutions. Outdated teaching methods and research practices could limit students' job prospects, while a shortage of academic staff presents operational risks. Additionally, institutions must explore ways to diversify their income streams and adapt to a skills-based employment model to stay competitive.

Top risks



Survey results

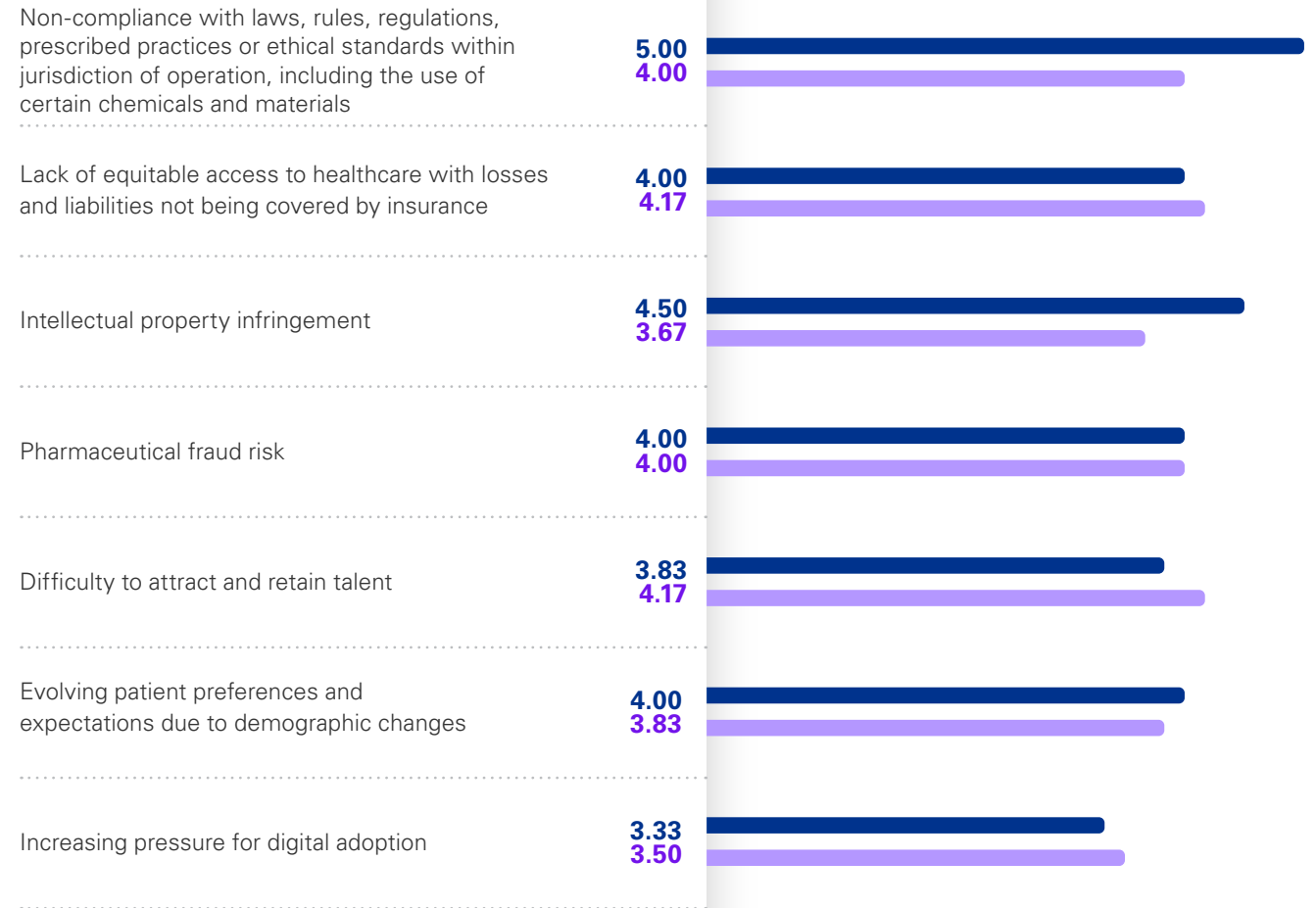
Industry breakdown

Healthcare



In healthcare, emerging risks include regulatory challenges related to non-compliance with laws and ethical standards, such as pharmaceutical fraud and intellectual property violations. Access to healthcare remains a major concern, especially when costs are not covered by insurance. Additionally, changing patient preferences driven by demographic shifts require rapid adoption of digital solutions, while attracting and retaining skilled personnel is becoming more difficult.

Top risks



Survey results

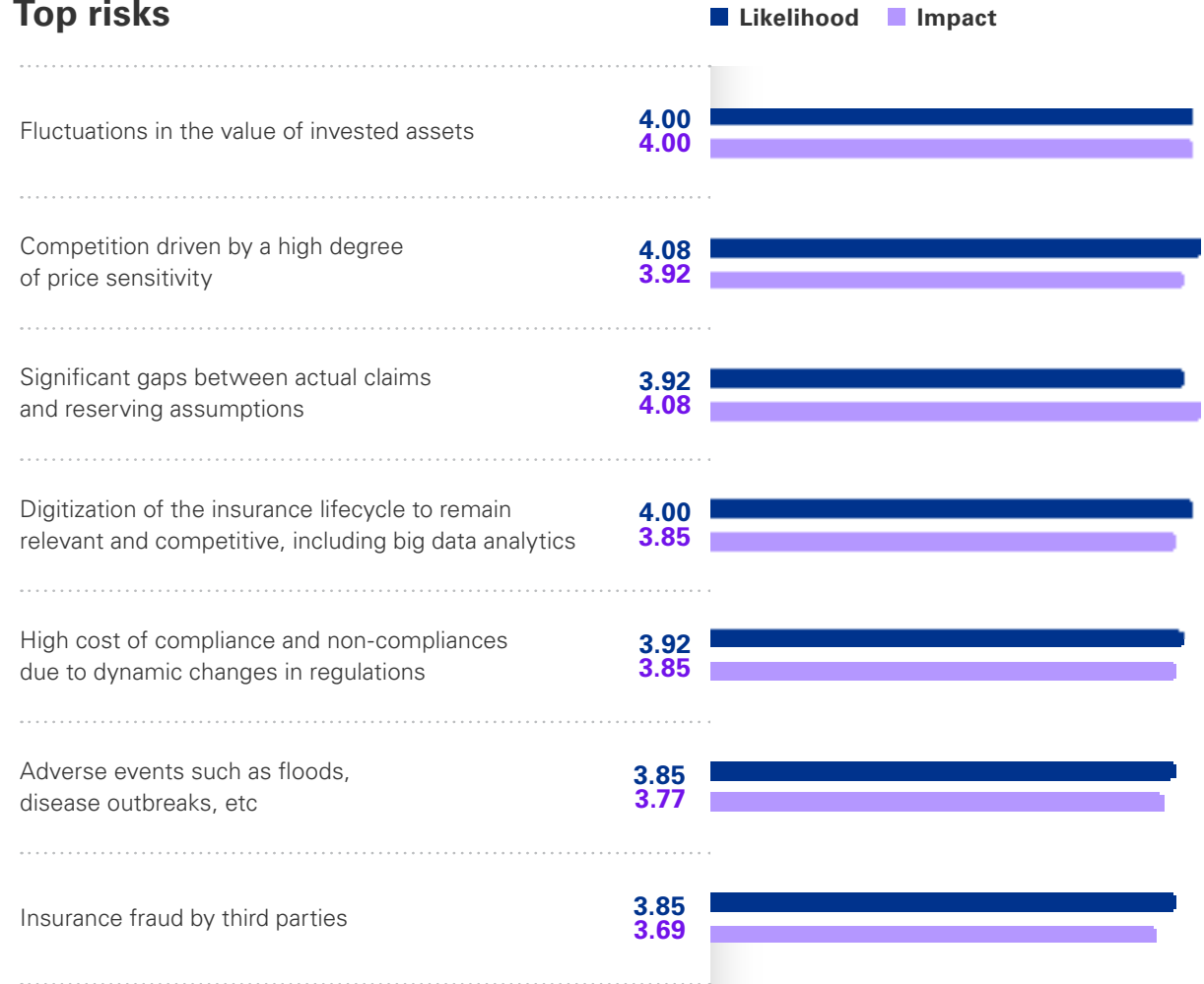
Industry breakdown

Insurance



The insurance sector faces risks from fluctuations in asset values which could lead to significant financial losses. Price sensitivity and intense competition impact margins, while gaps between actual claims and reserving assumptions create financial uncertainty. Digitizing the insurance lifecycle and adopting big data analytics are critical for staying competitive, while evolving regulations and risks from uncertain events add complexity to the industry.

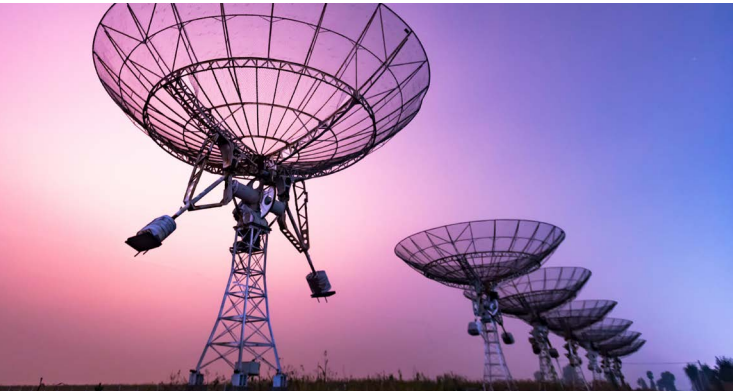
Top risks



Survey results

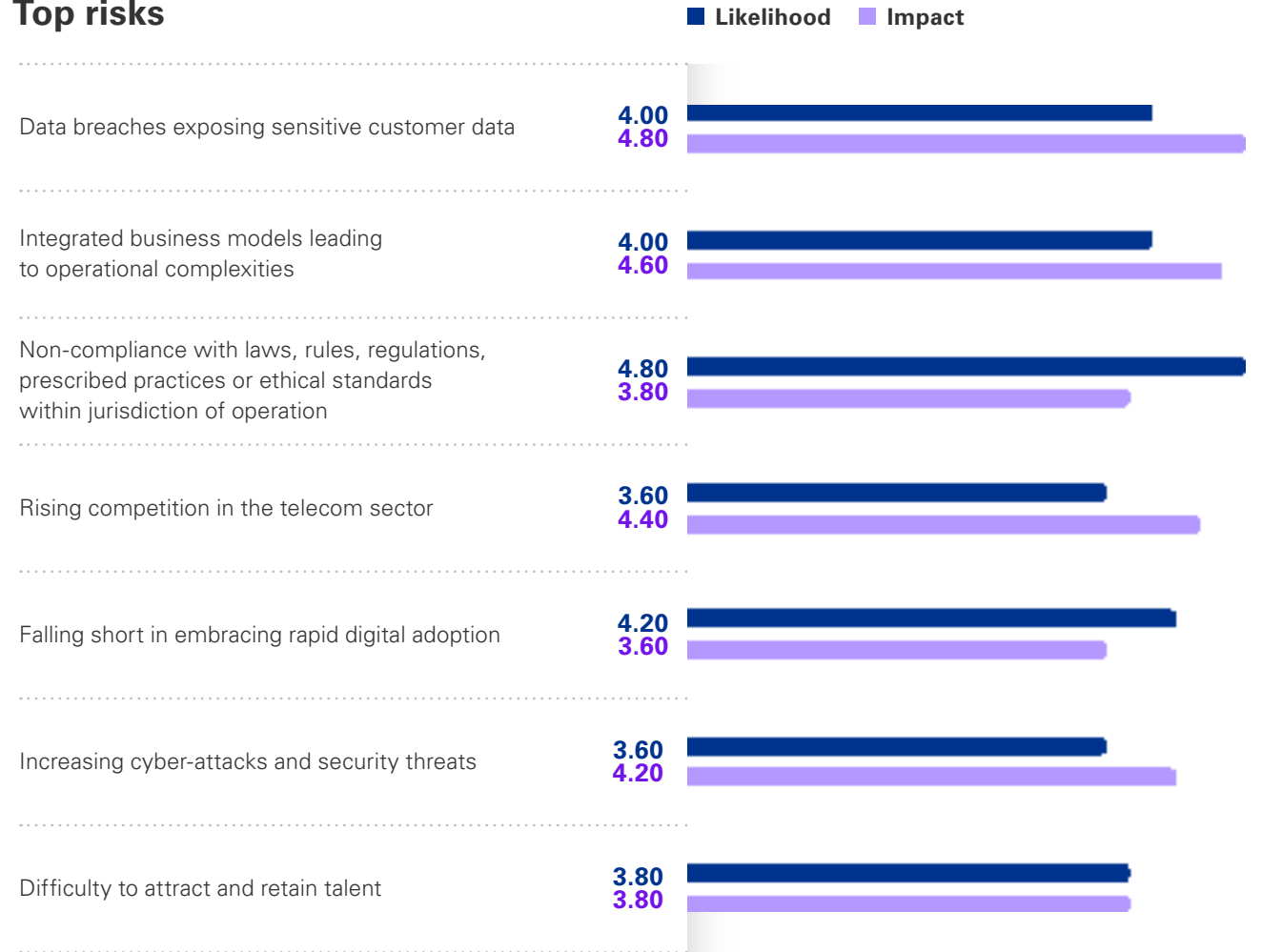
Industry breakdown

Telecom



Emerging risks for the telecom industry include the threat of data breaches and cyberattacks that could expose sensitive customer information. Operational complexities are increasing due to integrated business models, and regulatory challenges may disrupt services. Rising competition and the need for digital transformation add pressure on telecom companies, while attracting and retaining skilled talent remains a constant challenge.

Top risks



Survey results

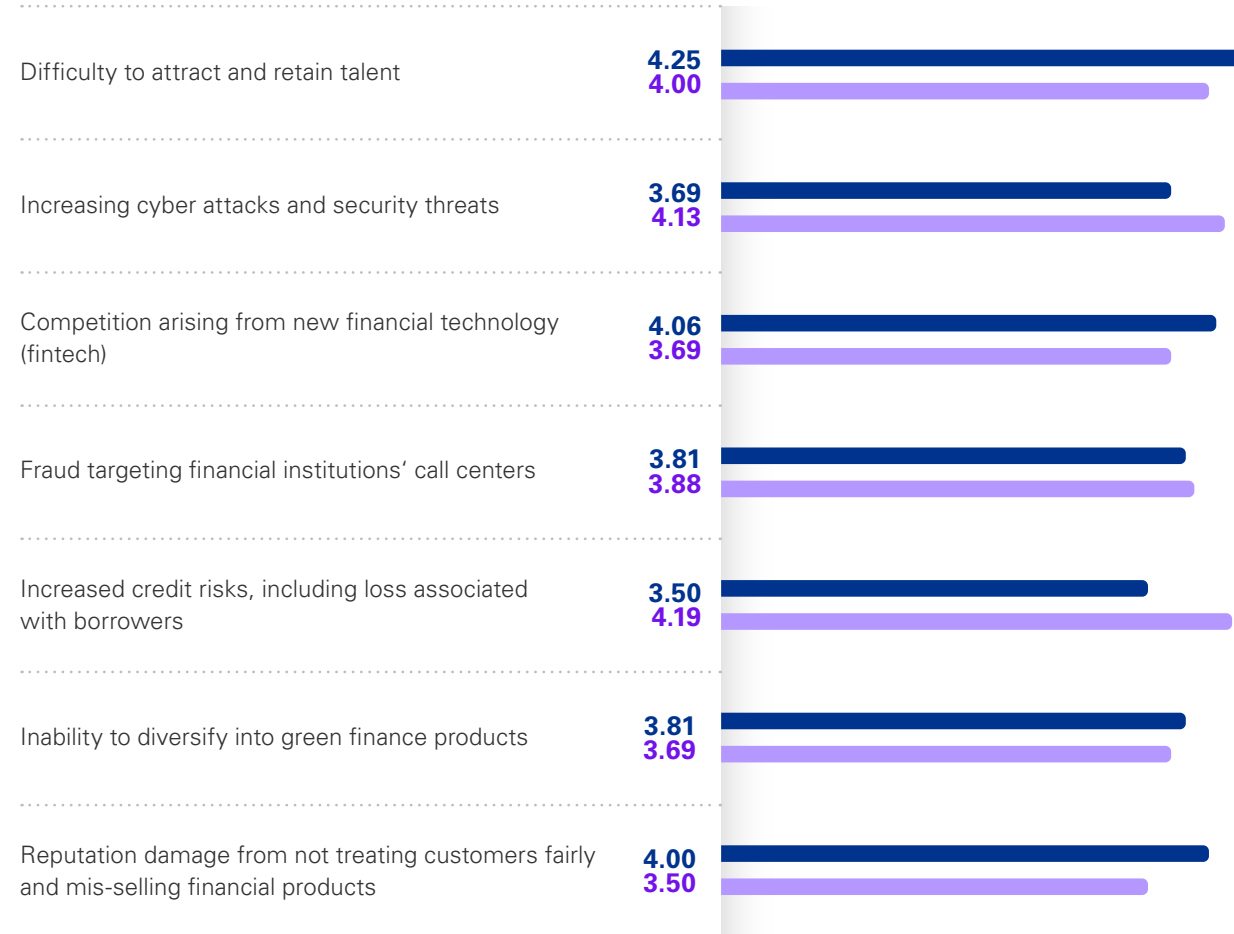
Industry breakdown

Financial services



Key risks in the financial services sector include increasing cyberattacks, fraud, and competition from new fintech entrants. Growing credit risks and challenges in diversifying into green finance products may affect financial stability. Additionally, reputational damage from mis-selling financial products or failing to treat customers fairly poses a significant threat.

Top risks



Survey results

Industry breakdown

Manufacturing



Emerging risks in the manufacturing sector include regulatory challenges that could lead to legal disputes over non-compliance with environmental and safety standards. Tight product launch schedules may result in operational errors, while fluctuating raw material prices affect profit margins. The growing demand for sustainable and socially responsible manufacturing, combined with global supply chain disruptions and protectionist trade barriers, makes it more difficult to stay competitive.

Top risks

Non-compliance with laws, rules, regulations, prescribed practices or ethical standards within jurisdiction of operation

4.00
5.00

Tight product launch schedules leading to manufacturing errors

4.33
4.33

Safety hazards in manufacturing threatening workers' health and productivity

4.33
4.33

Increased demand for sustainable and socially responsible manufacturing

4.00
4.00

Fluctuations in raw material prices impacting margins

3.67
3.67

Protectionism leading to trade barriers and market access issues

4.00
3.33

Global supply chain constraints leading to operational disruptions

3.67
3.00

■ Likelihood ■ Impact



Top 10 risks in 2024

KPMG global risk card



01
Cyber threats



02
ESG related risks



03
Supply chain
disruptions



04
Digital technology
disruptions



05
Geopolitical tension



06
Changing consumer
preferences and
demands



07
Retaining and attracting
competent and qualified
employees



08
Impact of regulatory
changes and updates



09
High energy prices
and energy shortages



10
Economic downturn

Source: KPMG global industry risk cards 2024

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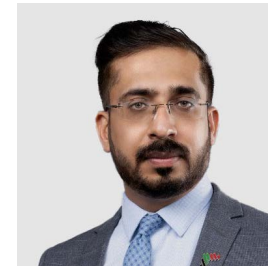


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