

Heavy Industrial Risks 2018

Emergence of fast evolving digital technologies, increased regulatory pressure and global economic uncertainty are key factors in the current risks landscape. KPMG Risk Consulting assists clients to develop robust risk mitigation methods by interpreting the underlying drivers of global risks.

Global

2018



- **Risk to reputation/brand** as a result of negative assessment or comments from stakeholders

- **Fraud, violations** of the laws tariff/policies and cross-border legislations
- **Risk of substantial environmental** cost & liabilities due to stringent environmental regulations including air emissions, wastewater discharges

- **Inability to attract and retain qualified personnel** while appropriately managing costs related to employee benefits

- Risks associated with **product liability, and recalls**

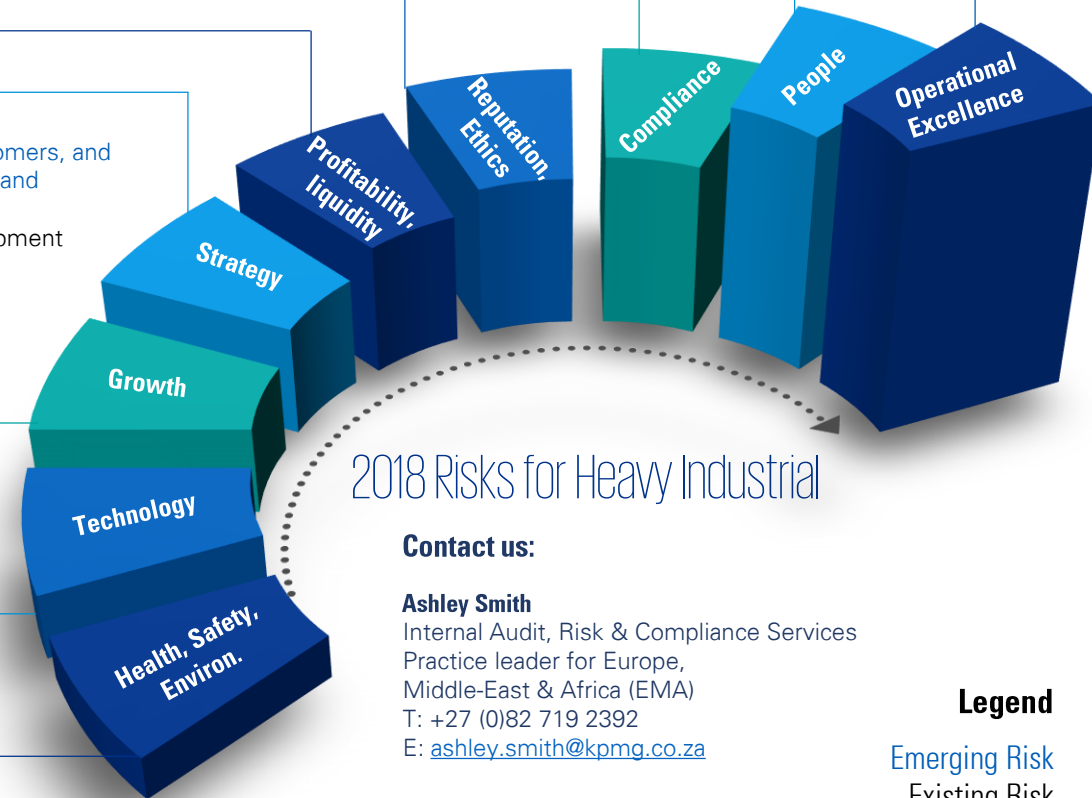
- **Reliance on a single supplier** for sourcing most of the components, parts and systems, which has increased the concentration of risk
- **Expanding international operations** leading to risks due to non-compliance with various regulations, economical and political developments, discriminatory fiscal policies etc.
- **Cyclical nature of business** specially for demand of heavy equipment by commercial vehicle industry and farm equipment
- **Failure to complete or integrate acquisitions** and JVs into the existing operations, or to complete or manage divestitures

- **Variability in material and commodity prices** used in the manufacture of products, leading to increased production cost
- **Financial risks** relating to credit risk, liquidity and refinancing risks can adversely hamper a company's liquidity
- **Adverse movements in interest rates** and exchange rates
- **Deterioration in global economic conditions** adversely impacting business operations and profitability

- **Reduced demand from dealers** due to an abundance of used equipment with end customers, and instability and changing trends in sectors Such as manufacturing, oil & gas, construction, and agriculture
- **Risk associated with increasing research and development cost** and fluctuating equipment prices due to changing worldwide demand for food and different forms of **bio energy**
- **Increasing pressures to develop, upgrade and successfully launch** and market new products to meet unpredictable customer demand
- **Competition from other international players** in the market puts constant pressure to be match product quality, portfolio and pricing

- **Competitive pressures** due to emergence of digital automotive technologies like intelligent robots, autonomous drones, sensors, Big data impacting traditional business model
- **IT risks** relating to malfunction or disruption in the operation of the systems, or a security breach, could adversely impact the company's ability to compete

- **Increasingly rigorous environmental, health and safety laws** and regulations by government regarding exhaust emission levels, noise, safety and levels of pollutants from production plants



2018 Risks for Heavy Industrial

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Legend

Emerging Risk
 Existing Risk
 Retiring Risk