



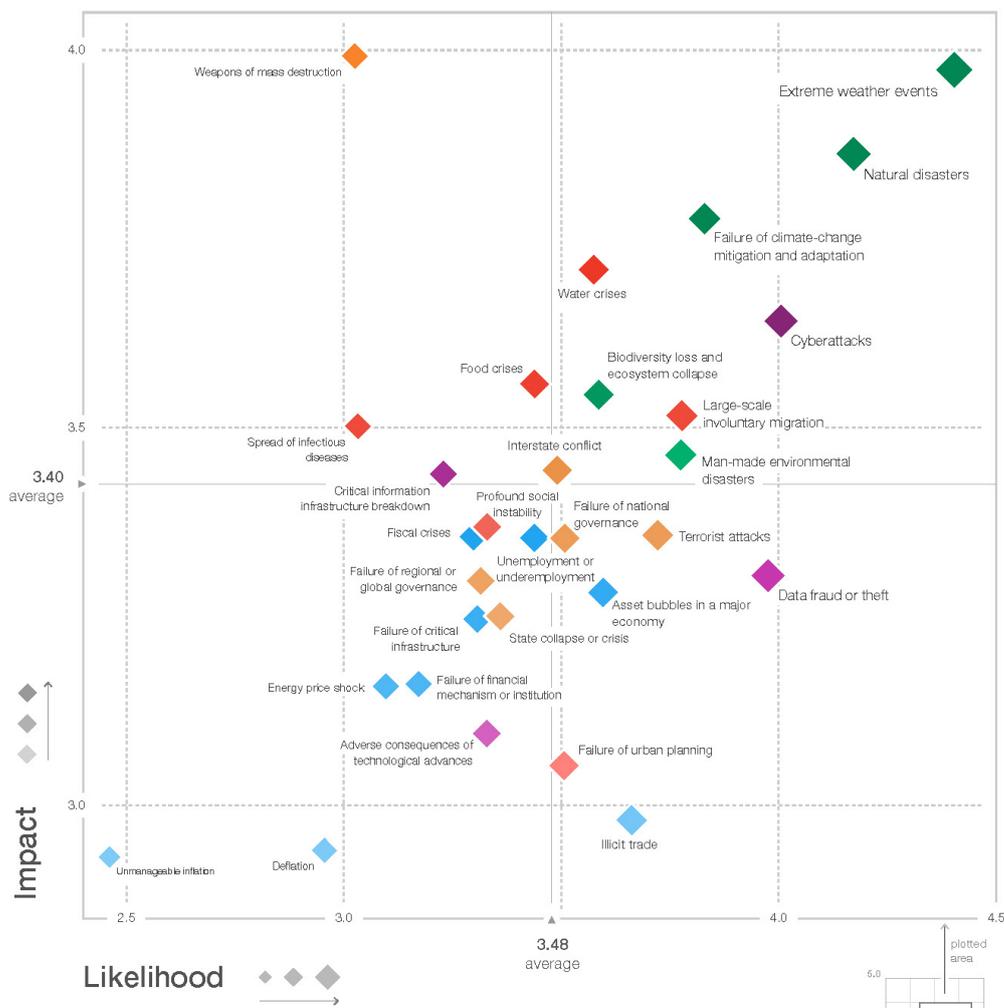
Understanding the UAE Risk Landscape

According to data released by the World Economic Forum; businesses globally, identified economic and geopolitical risks as most pressing with cyber risk becoming more important. In the medium term businesses in MENA are focused on economic risks including asset bubble, energy price shock and deflation. However, disruptive and emerging risks like large scale cyber-attacks, data fraud and geopolitical events are growing in concern amongst executives in the UAE.

This data is drawn from the WEF's proprietary Executive Opinion Survey (EOS), which provides a unique window into global business conditions and which, among many other things, asks respondents to identify the five biggest risks to doing business in their respective countries. Results from the EOS form part of the WEF's annual flagship Global Risks Report, which is produced annually in conjunction with partners Marsh & McLennan Companies (MMC) and Zurich Insurance Group (Zurich).

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The Global Landscape for Risk



Top 10 risks in terms of Likelihood

- 1 Extreme weather events
- 2 Natural disasters
- 3 Cyberattacks
- 4 Data fraud or theft
- 5 Failure of climate-change mitigation and adaptation
- 6 Large-scale involuntary migration
- 7 Man-made environmental disasters
- 8 Terrorist attacks
- 9 Illicit trade
- 10 Asset bubbles in a major economy

Top 10 risks in terms of Impact

- 1 Weapons of mass destruction
- 2 Extreme weather events
- 3 Natural disasters
- 4 Failure of climate-change mitigation and adaptation
- 5 Water crises
- 6 Cyberattacks
- 7 Food crises
- 8 Biodiversity loss and ecosystem collapse
- 9 Large-scale involuntary migration
- 10 Spread of infectious diseases

Categories

- ◆ Economic
- ◆ Environmental
- ◆ Geopolitical
- ◆ Societal
- ◆ Technological

Note: Over the ten years, the report has adjusted the list of global risks and moved risks between categories. The depiction here assigns a consistent category for risks. Source: World Economic Forum, Global Risks Report 2018

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The global landscape for risk – both from an impact and a likelihood perspective – has seen definite shifts in recent years – and this has manifested in this year’s [Global Risks Report](#)

To assess where perceptions in the Middle East stand relative to the Global Risks Report, earlier this year, Marsh held two client roundtables – one in Abu Dhabi and the other in Dubai – to take a closer look at what the key risks mean to the region.

Ahead of the event, attendees and other organisational leaders from the region were asked a series of questions relating to the risks their organisations were set to face in the short, mid, and long-term, and how embedded risk management was within their organisations.

The two roundtable discussions on these risks unearthed varying views on topics like cyber and terrorism, and also highlighted areas of alignment. In this report we look at some of the themes that arose.

According to the Global Risks Report, the top five risks of greatest concern for doing business were:

GLOBAL RISKS REPORT	The 5 risks of greatest concern for doing business	
		RANK
	Unemployment or underemployment	1
	Fiscal crises	2
	Failure of national government	3
	Energy price shock	4
	Profound social instability	5

Source: Global Risks Perception Survey 2017-2018, World Economic Forum

Looking specifically at the Middle East and North Africa (MENA), the Global Risks Report found that in this region the top five risks of greatest concern for doing business were:

GLOBAL RISKS REPORT	Middle East and North Africa The 5 risks of greatest concern for doing business	
		RANK
	Fiscal crises	1
	Energy price shock	2
	Unemployment or underemployment	3
	Terrorist attack	4
	Inter-state conflict	5

Source: Executive Opinion Survey 2017, World Economic Forum

Drilling down further, the United Arab Emirates (UAE) ranked the top five risks as:

GLOBAL RISKS REPORT	United Arab Emirates The 5 risks of greatest concern for doing business	
		RANK
	Large cyber attacks	1
	Asset bubble	2
	Energy Price Shock	3
	Terrorist attack	4
	Deflation risk	5
	Data fraud/theft	6

Source: World Economic Forum, MMC Analysis

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Overview

A key thread throughout both discussions was the interconnectivity of the world and its economies, and how this was making risks with no proximity to the region more relevant than ever. It was noted that the effects of natural disasters in distant regions, for instance, could ripple into the realm of the MENA region due to the global nature of supply chains. With the rate of evolution taking place on the risk landscape, attendees stated that planning effectively as far as 10 years ahead was proving a challenge.

THE GREATEST RISKS OF CONCERN FOR DOING BUSINESS		
GLOBAL RISK REPORT 2018	MARSH UAE CLIENTS 2018	
UAE Risks	Short Term Risks (1-2years)	Mid-Long Term Risks (2-5years)
Large Scale Cyber Attacks	Large Scale Cyber Attacks	Large Scale Cyber Attacks
Asset Bubble	Mass Data Fraud/Theft	Energy Price Shock
Energy Price Shock	Energy Price Shock	Asset Bubble
Terrorist Attack	High Structural Under/Over Employment	Failure of Regional/Global Governance
Deflation Risk	Interstate Conflict	Man-made Environmental Damage and Disasters
Mass Data Fraud/Theft		

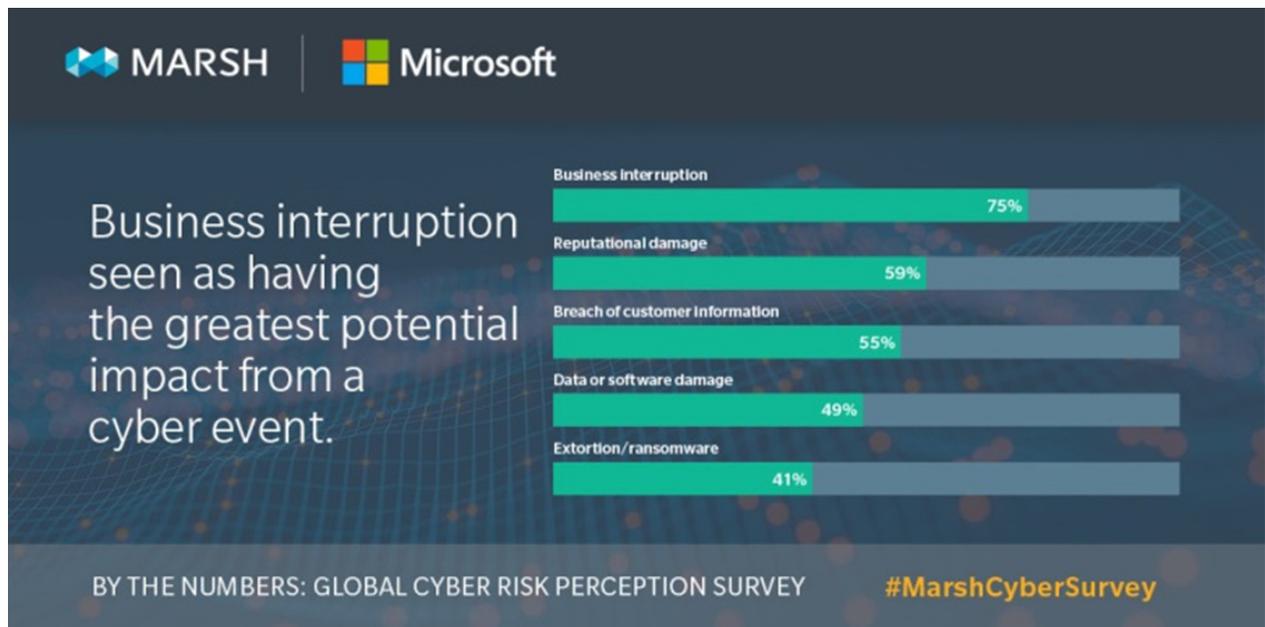
Cyber

‘Large cyber attacks’ were deemed the risk of greatest concern for doing business by the UAE, but this risk did not even make the top five for the MENA region as a whole – demonstrating the disparity in awareness of the cyber threat.

The attendees acknowledged that while the world has been grappling with cyber for some time, the MENA region was at the beginnings of its journey in managing this risk. In the UAE, cyber is being recognised by both business and society, with the region’s media placing a heavy focus on the burgeoning risk.

As more attacks around the world become public knowledge, the fear of cyber threat grows – and as cyber evolves, so does the fear of the unknown. This societal fear could be fueling the desire for businesses in the region to keep cyber attacks confidential. There is a distinct fear of reputational damage, according to the attendees, especially for service providers. This sentiment is corroborated by the [Marsh and Microsoft By the Numbers: Global Cyber Risk Perception Survey](#).

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Source: Marsh and Microsoft 2018: By the Numbers: Global Cyber Risk Perception Survey

The difficulties of quantifying a cyber attack were also discussed, and it was highlighted that crisis management during or after an attack was also an area that needed improvement – particularly with the propensity to keep attacks confidential in the region.

Industrial control system hacks were of the greatest concern – even more concerning than data theft for the region, according to the attendees. This concern was related to the knock-on operational and organisational effects and the impact these could have on reputation.

Cyber terrorism was acknowledged, but the groups deemed this an area that had not yet fully been captured from a risk management perspective.

It was evident during the discussions that the awareness of cyber has evolved within the UAE;

this is viewed firmly as a board-level risk, and has led companies to increase both their IT department's resources and their budgets for cyber risk management.

Terrorism

The risk of a 'terrorist attack' was ranked fifth for both the UAE and the wider MENA region. The groups acknowledged that while the risk has not dissipated, it has been superseded by other risks that were deemed more pressing.

It could be argued that the UAE has been in a position to leverage their understanding of the risk in order to support the management and mitigation of the risk in other parts of the region. The attendees believed that investments made into business continuity management for more at-risk countries in the region was sufficient.

// As more attacks around the world become public knowledge, the fear of cyber threat grows... //



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Asset Bubble/fiscal crises/ energy price shock

An asset bubble was a threat concern specific to the UAE. Dubai particularly has diversified its economy into tourism and finance, however attendees did raise that there is unease over the potential for another property crash fueled by over-supply in both residential and commercial areas. For the MENA region as a whole, there are fears around fiscal crises (1), which is in line with global perspectives on risks of top concerns for business, and also energy price shock (2).

Over/Underemployment

This was seen as a risk concern for doing business for the MENA region as a whole. The attendees asserted that underemployment was tied to oil prices, stating that when prices went up so would employment.

Technology is also deemed to be having an effect on business activities; the increased prominence of online shopping was referenced, as was the increased purchasing power of consumers.

Several issues relating to the talent pool in MENA were raised, including: the quality of experience, the rise in

income and wealth disparity, leading to an increasingly polarized environment; and the impact of digital disruption or business needs and plans.

Indeed, the attendees believed a long-term focus on digital talent generation was required after acknowledging that there was a lack of home-grown talent in this space. This could be achieved through investment in local graduate schemes; there was even suggestion of the creation of a graduate programme that would address the growing skill gap. Ultimately, a localized approach was believed to be the best course of action with regard to upskilling and promoting digital talent.

The attractiveness of the region was addressed with regard to underemployment issues. It was noted that the region was becoming less attractive to international talent due to rising living costs, inflation, and stagnant salaries. Attendees urged businesses in the region to offer packages akin to those offered in New York and Paris to attract the needed talent.

Conclusion

The shifting global landscape is manifesting itself in environmental, societal and geopolitical threats as opposed to merely economic threats

and businesses need to take into consideration a region or country's specific risks. Increasingly, the interconnectivity of the world and its economies as well as the global nature of business, now mean that a threat in a distant region can have an impact on another area.

The Marsh roundtable attendees did highlight and confirm the sentiments outlined in World Economic Forum's Executive Opinion Survey for the UAE. The findings did show that there is a strong correlation and consistency between the top risks for doing business both globally and in MENA, however this does not correlate with the UAE with only Energy Price Shock common.

The only difference in outlook from the audience and the report referred to the geopolitical landscape and can be attributed to the focus on investing in or entering new markets outside of the UAE and into territories that are inherently more risky.

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How Well is Risk Management Embedded?

Having discussed the key risks the attendees entered into a discussion on how embedded risk management practices were in the UAE and within their own organisations. They also discussed how more mature insurance purchasing habits were more likely to be linked to firms with better risk management practices.

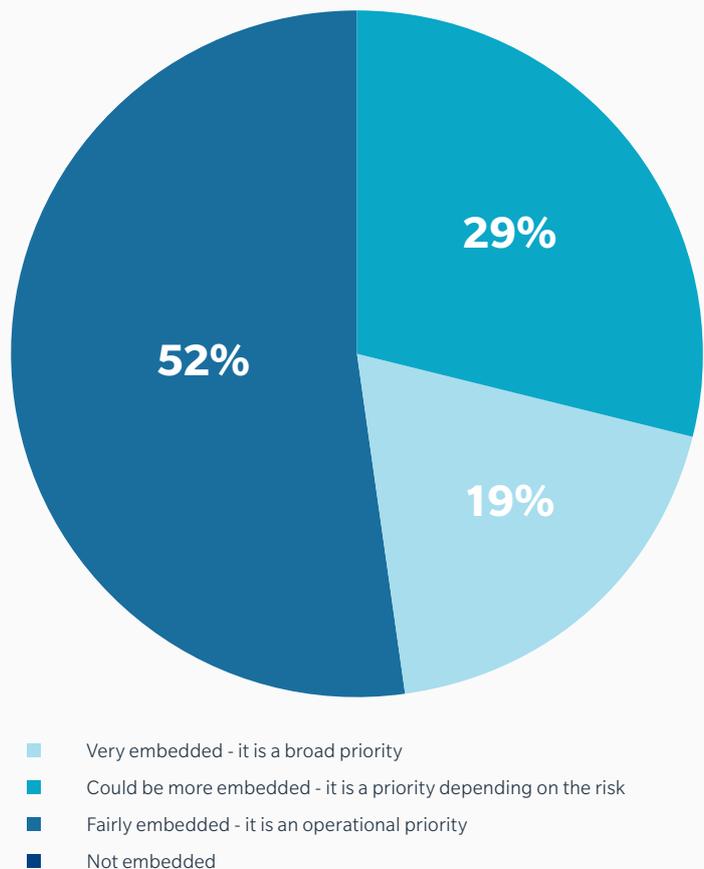
The attendees saw corporate governance and risk management as extensions of each other, and believed that as the region matured so would the level at which risk management was embedded.

Being in a non-litigious environment opens the door to regulation driving better risk management practices, according to attendees.

The biggest blockers to risk management in the region are currently momentum, culture, and scalability.

Ultimately, the success of risk management and how effectively it is embedded will depend on how the organisation values it.

How embedded is risk management in your company?



METHODOLOGY

SURVEY DEMOGRAPHICS

This report is based on findings from the Marsh- Global Risk Report Roundtables which took place between April and July 2018.

Overall, 60 senior executives participated in the roundtables, representing a range of key functions, including risk management, finance, legal/compliance, senior management, and boards of directors



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