



# India Risk Survey 2019

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**Acknowledgments:**

We would like to express our highest appreciation and deepest gratitude to all those who gave us the support to complete this report.

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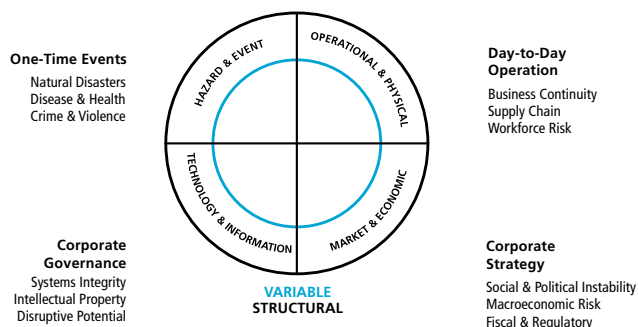
## Foreword

Businesses operate in a complex environment, wherein the nature of risks are ever changing and evolving. India Risk Survey attempts to assess business threats and aims to serve as a useful guide for policy makers and business leaders to mitigate these identified risks. India's business environment is going through transition through regulatory changes, adoption of new business practices, and evolution of technology at a rapid pace. All these changes are aimed at making India into an attractive business ecosystem and investment destination. This also calls for quick action and collaboration between both public as well as private sector to help protect businesses against the identified risks.

Pinkerton adopts a comprehensive risk management approach towards corporate risk, relying on data and new tools like Artificial Intelligence to anticipate risks, gauge their impact on companies, before recommending mitigation measures.

The Pinkerton Risk Wheel categorizes risks into four quadrants depending on the nature of risks. The four quadrants are:

- Hazard & Event Risk
- Operational & Physical Risk
- Market & Economic Risk
- Technology and Information Risk.



The report compiles a list of 12 risks, each of those are classified under one of the four quadrants. In addition, the report also identifies which threat is most prevalent under each risk category. Emerging risks for each year, after taking inputs from policy makers and industry stakeholders across sectors, are stated in the report. The latest study lists Governance & Regulatory Risk, Risk of Non - Compliance to Data Privacy Laws, and

Risk of Impact on Business due to Climate Change as the emerging risks to businesses in 2019.

Corruption, Bribery & Corporate Frauds has emerged as the Number 1 risk in India Risk Survey 2019. The survey finds Bribery/ Kickbacks as the most prevalent threat under this risk category. Following a series of high-profile scams and reported frauds, Corruption, Bribery and Corporate Frauds is perceived as a high risk to businesses as per IRS 2019 report. Media and Entertainment, Telecom, Logistics and Consulting as an industry segment have voted for it as the topmost risk. Businesses have called for enhanced corporate governance and are taking steps to increase awareness amongst employees regarding this risk, thereby calling for more transparent and regulated transactions. Indian policymakers are persistently working to combat corruption at every level, with strict action being reported against perpetrators. These measures are aimed to create a more business-friendly environment and attract more global investments.

Natural Disasters including floods are voted as the second highest risk to businesses. Crime moves up to the third position in the survey, with offences against public tranquillity being identified as the most prevalent threat impacting business operations. This risk is indicative of a concern among businesses that such offences can impose a direct/ indirect risk to employees and business operations.

The purpose of the report is to engage with all stakeholders including policy makers and business leaders to connect and collaborate in anticipating risks and mitigating them in a timely manner. I take this opportunity, on behalf of Pinkerton, to extend our sincere appreciation and gratitude to all the professionals and supporting organizations for their participation and sharing their valuable inputs on risks. I sincerely believe that the India Risk Survey 2019 report will further engage the industry, as well as government decision makers, to assess threats and design preventive mitigation strategies.

**Rohit Karnatak**  
Managing Director – India  
APAC & EMEA - Global Screening, Pinkerton



## Foreword

During 2019, India's macroeconomic risks moved into sharper focus. Financial market volatility increased and the headwinds facing Indian economy intensified. Growth of the Indian economy moderated in 2018-19 with a growth of 6.8 %, slightly lower than 7.2 % in 2017-18. Yet, India continued to be the fastest growing major economy in the world. To achieve the objective of becoming a USD 5 trillion economy by 2024-25, as laid down by the Hon'ble Prime Minister, India needs to sustain a real GDP growth rate of 8%.

At the same time, Indian businesses are facing a growing number of complex and interconnected challenges—from slowing growth and persistent economic inequality to non-financial risks such as climate change, geopolitical tensions and the accelerating pace of the Fourth Industrial Revolution.

This report aims to measure and quantify the different risks that businesses face when conducting operations in India. Idea behind this exercise is not just producing a risk ranking, but more interestingly, analysing changing perception of industry with shift in macro and micro economic factors and government policies.

I feel that that this report will help businesses to safeguard their operations in India and develop innovative strategies to predict threats. On behalf of FICCI, I sincerely hope that the India Risk Survey 2019 report will assist the industry, as well as Policy Makers to assess the impact of these risks and develop preventive strategies to mitigate them.

A handwritten signature in black ink, appearing to read 'Rahul Chaudhry'.

**Rahul Chaudhry**

Chair- FICCI Committee on Homeland Security



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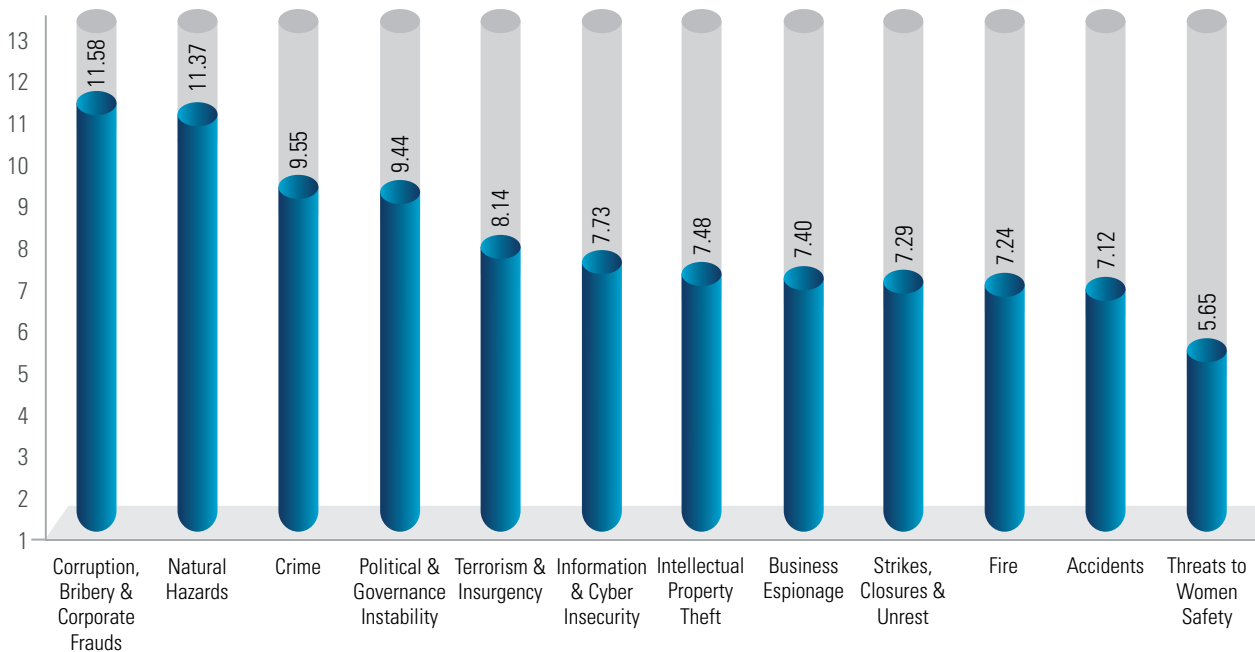
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# 1

## Executive Summary

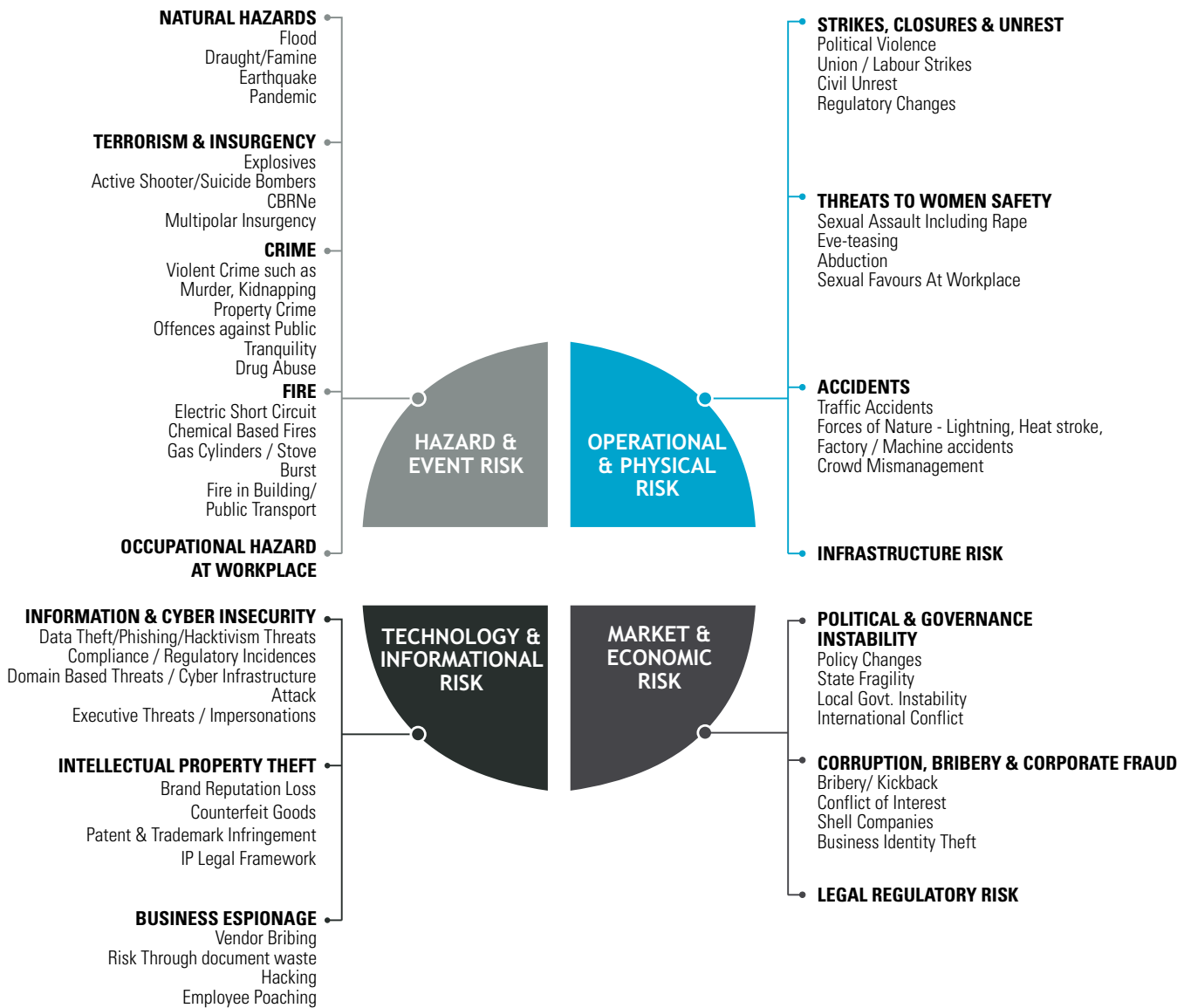
### Overall Risk Trends - 2019



The India Risk Survey (IRS) compiles 12 risks, each year, which, according to businesses, policymakers, and subject matter experts, indicate top threats that can be disruptive to business operations in India. The survey uses Pinkerton Risk Wheel framework to understand and assess each risk individually and also looks at

risk from a holistic perspective for analyses. There are four risk categories in the Pinkerton Risk Wheel. Risks are categorized based on the nature of threat. Some of these risks listed under each category are interconnected to each quadrant. The four quadrants in the risk wheel are: Hazard & Event Risk (natural hazards, crime, terrorism & insurgency, and fire), Operational

and Physical Risk (strikes, closures & unrest, threats to women safety, and accidents), Market and Economic Risk (corruption, bribery & corporate fraud, and political and governance instability), and Technology and Information Risk (business espionage, information and cyber insecurity, and intellectual property theft).



India Risk Survey 2019 identifies the most significant threat types within each risk for 360-degree mitigation and management. The threats highlighted in this study are interconnected and overlap across domains, sectors, and geographies.

Corruption, Bribery & Fraud climbs up in the risk chart to the top position in the India Risk Survey 2019. The India Risk Survey 2019 focuses on four significant risks posed by Corruption, Bribery & Fraud. These are Bribery/

Kickback, Conflict of Interest, Shell Companies, Business Identity Theft, and Others. Among these, Bribery/ Kickback has emerged as the biggest threat. A series of high-profile fraud cases have been reported affecting the banking sector in the past two years. While the Government has initiated a series of crackdowns on corrupt Government officials, shell companies and made regulatory changes, India has not significantly improved its position in the Transparency International Corruption Perceptions Index in the past three years.

Despite the efforts to make the business environment fair and transparent, this risk persists.

Natural Hazards remains at the second most significant risk to business operations for two successive years. In 2019, Floods continued to disrupt business operations and hence remained a potent threat under this risk category. Persistent improvement in early warning systems and preparation to deal with natural hazards would be required. During natural calamities, business operations also get affected due to inadequate infrastructure and maintenance by concerned bodies.

Crime risk category moves up in rankings in IRS 2019 to the third most eminent risk. Offences against public tranquillity have emerged as the topmost threat to the private and public sectors under this risk category. White collar crime also poses a direct threat to companies' finances and brand reputation.

Political & Governance Instability ranks fourth in the India Risk Survey 2019. The India Risk Survey 2019 finds that policy changes are perceived as a threat under this risk category. Following the general elections in 2019, the Government at the centre with a strong mandate, is expected to continue with market reforms, and changes in regulations is on the cards. Businesses can expect reforms and change in rules in the near to medium-term, which could impact the business ecosystem and impact particular sectors of the economy.

Risks emanating from Terrorism and Insurgency show a significant drop to the fifth position in the Indian Risk Survey 2019. This highlights a reduction in terror and Left-Wing Extremism-related activities since 2018. The use of explosives is the most prevalent threat type under this risk category. While the activities of the Islamic State (IS) has mostly been contained globally but still they pose threat to the public as well as to businesses. The Government of India will continue to push for holistic efforts to counter the threats of terrorism and insurgency, at internal, as well as external levels. Information & Cyber Insecurity moves down in the Indian Risk survey index this year, to the sixth position. In this risk category, data theft, compliance, and regulatory incidents, cyberinfrastructure attacks, and impersonations are the four main concerns for

companies. For businesses, data theft, phishing, and hacktivism remain the most significant threat. The Government and companies are building safety nets; however, this risk remains due to the sophisticated nature of attacks and the unpredictable nature of the attacker.

Risks associated with Intellectual Property (IP) theft moves up in the India Risk Survey 2019 to the seventh position. Under this risk category, Brand Reputation Loss has emerged as the biggest threat to companies. While policymakers are aligning business practices following international norms, companies should continue to enhance research and development and spread awareness within the sector about IP and IP-related issues.

Business Espionage moves one rank up in India Risk Survey 2019 to the eighth position. Companies find employee poaching most prevalent threat under this risk category. Businesses dealing with sensitive data, particularly in the cyber-domain, are more vulnerable to sophisticated and covert activities. Companies find the detection and mitigation of such subversive activities challenging.

Strikes, Closures and Unrests occupies the ninth position. Union/ Labour union strikes remain the most significant threat to business operations. Amidst recent economic slowdown and proposed talks of labour reforms and other economic reforms, unions adversely affected with such changes are likely to stage protests in near to medium-term. Businesses can have an impact if violence erupts during strikes and closures. Companies can incur financial losses if these actions affect business operations.

Fire outbreaks continue to pose risks to business continuity and operations. In the India Risk Survey 2019, incidents related to fire outbreaks slip to the tenth position. In the current year, significant events of fire outbreaks have been reported from different parts of the country, causing loss of life and property. Companies would need to diligently follow the regulatory authorities' prescribed norms of fire safety measures and implement them. In addition to that, training of employees and citizens in spreading awareness about safety measures is critical.



In the India Risk Survey 2019, Accidents remains in the eleventh position, like last year. The study finds that businesses rank traffic accidents as the most significant threat within the risk. According to Government published data 1.5 lakh people have been killed in road accidents in 2017. About 36 percent of these fatalities are reported from National Highways<sup>1</sup>. Businesses have a direct liability if there are any accidents at the workplace. Companies need to reduce occupational accidents, as they can impact operations, lower productivity, lower sales, and possible disrupted business continuity.

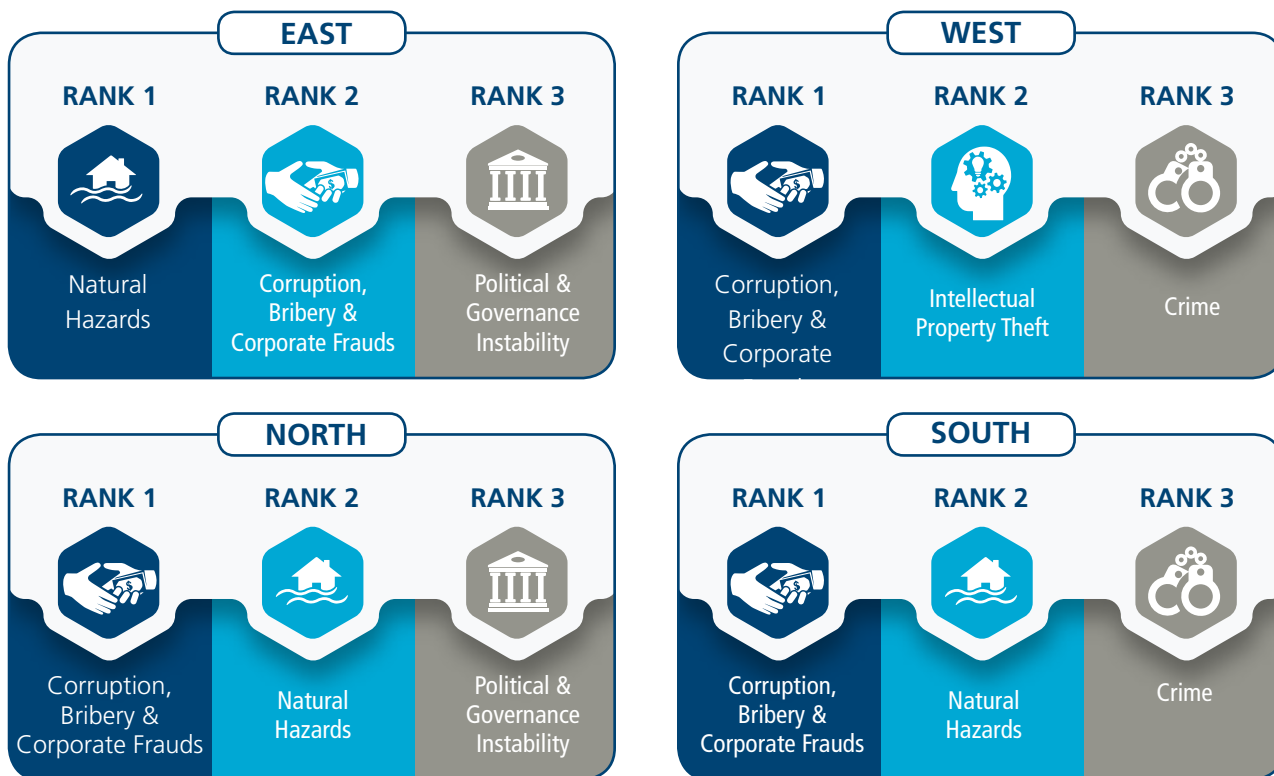
Threats to women safety occupy the twelfth rank in the India Risk Survey 2019. Companies/ employers are primarily responsible for providing a safe workplace for women employees and the prevention of sexual harassment in the workplace. Corporates, in their own best interests, continue to streamline and strengthen their internal policies on sexual harassment.

In the 2019 edition, new risks have been identified based on this year's review, which includes: Governance & Regulatory Risks, Risk of Non – Compliance to Data Privacy Laws, and Risk of Impact on Business due to Climate Change.

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<sup>1</sup> News18.com, Every hour 17 people die in India due road accidents; Uttar Pradesh most dangerous, Jul, 25, 2019, <https://www.news18.com/news/auto/every-hour-17-people-die-in-india-due-to-road-accidents-uttar-pradesh-most-dangerous-infographic-2244383.html#targetText=The%20Union%20Minister%20of%20Road,passed%20by%20a%20voice%20vote.&targetText=The%20number%20of%20fatalities%20is,53%20road%20accidents%20every%20hour>.

## Top three risks in each region of India



## Top three risks across industry sectors

SECTOR	No. 1 Risk	No. 2 Risk	No. 3 Risk
Media & En-tertainment	Corruption, Bribery & Corporate Frauds	Natural Hazards	Political & Governance Instability
Hospitality	Natural Hazards	Corruption, Bribery & Corporate Frauds	Crime
Govt/PSU	Terrorism & Insurgency	Information & Cyber Insecurity	Political & Governance Instability
Education	Crime	Corruption, Bribery & Corporate Frauds	Intellectual Property Theft
Consulting	Corruption, Bribery & Corporate Frauds	Crime	Information & Cyber Insecurity
Telecom	Corruption, Bribery & Corporate Frauds	Natural Hazards	Political & Governance Instability
Logistics	Corruption, Bribery & Corporate Frauds	Natural Hazards	Political & Governance Instability
IT/ITES	Information & Cyber Insecurity	Intellectual Property Theft	Corruption, Bribery & Corporate Frauds
Manufacturing	Natural Hazards	Corruption, Bribery & Corporate Frauds	Crime



# 2

## Introduction

FICCI and Pinkerton in an effort to highlight potential threats and risks to businesses roll out the India Risk Survey 2019 report. The survey identifies 12 risks that can or has the potential to disrupt business ecosystem or specific businesses in India. The findings are based on the study conducted among industry leaders and stakeholders from all sections over three weeks.

The survey attempts to identify potential risks and threats, which will enable business leaders to assess their capabilities in dealing with any disruptive event and strengthen risk mitigation strategies. However, the risks identified and its impact may vary from industry to industry, depending on each industry's risk appetite and mitigation strategy in place.

Indian policies continue to make foreign investments in India more attractive and make economic growth robust. Policy drive in the centre is to make India a USD 5 trillion economy by 2024. The policy will continue to make ease of doing business more attractive with competitive and fair business practices, further

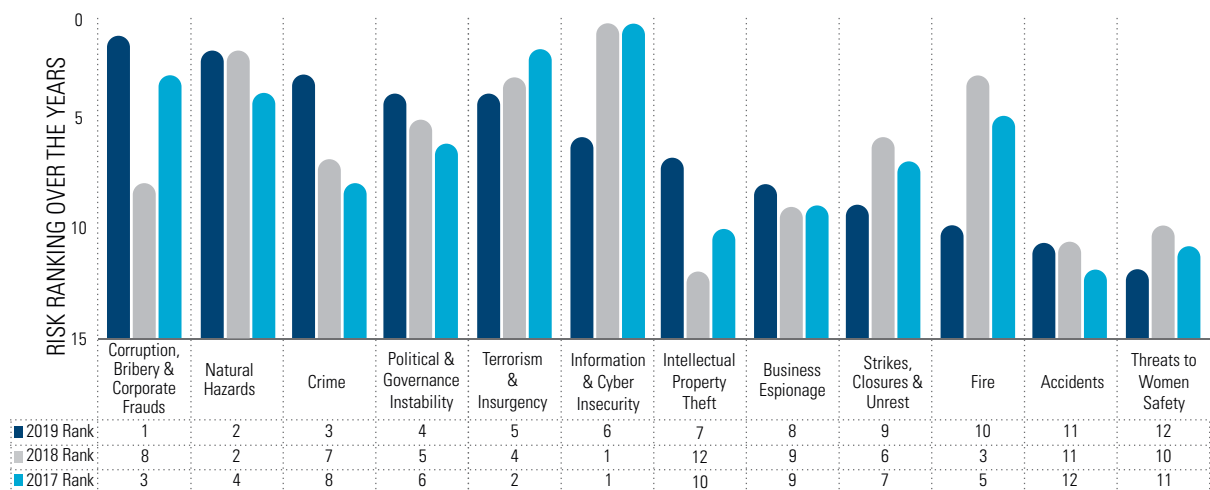
digitize the economy, improve infrastructure, logistics, and networks to promote manufacturing activities. Following the 2019 general elections, the incumbent government came to power for the second time with a stronger mandate. Multi-sectoral reforms will open newer opportunities and bring in newer challenges.

Big, medium, small, and micro-businesses and start ups will and can face an array of challenges that can cause disruption, impact continuity, and in extreme cases, shut down operations. While the Government of India and other agencies will attempt to make operations smooth and glitches-free, a key challenge for these agencies would be to manage existing risks, identify emerging threats, and design a framework to have an action plan in place when continuity becomes a casualty.

This study will allow businesses to develop a 360-degree risk management strategy, to assist companies in anticipating and preparing against any contingency, thereby allowing companies to mitigate disruption and can hedge against any concern pre-emptively.

## Trend Analysis

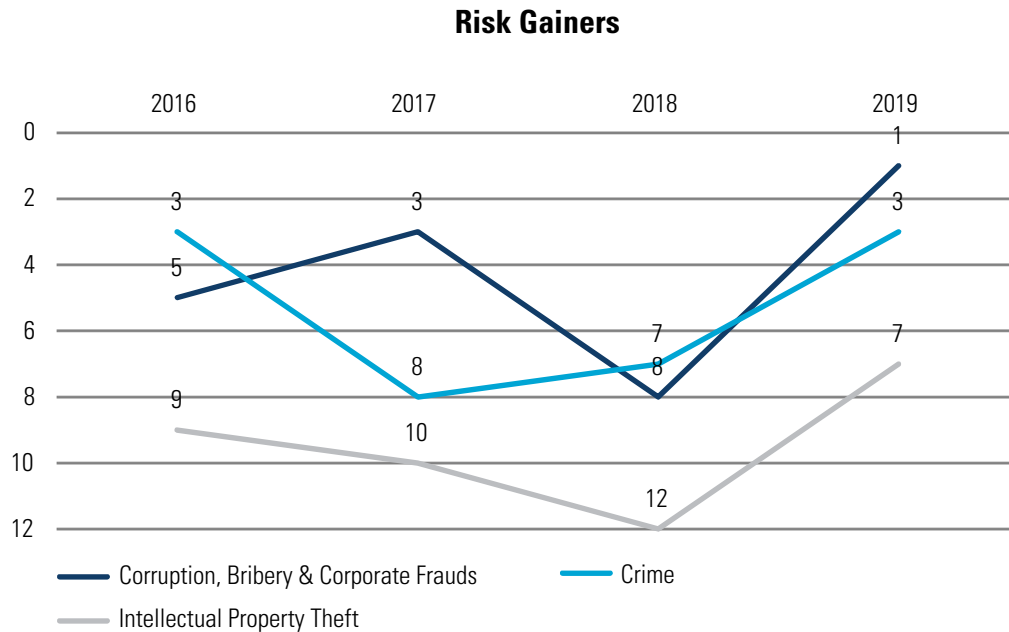
### Overall Risk Ranking- Yearly Trends



While comparing the current year's trends with 2018 and 2017 survey reports, "Corruption, Bribery & Corporate Fraud" has emerged as the top risk. In 2018, this risk was positioned at eighth rank. The major jump in the risk index might highlight the series of high profile corruption and fraud cases reported since 2018 and have caused serious concerns beyond business environment. "Natural Hazards," "Crime," "Political & Governance Instability," "Terrorism & Insurgency," are the other top five risks in the 2019 survey. "Corruption, Bribery & Corporate Fraud," and "Crime," are the only new entrants to this year's top five risks. Apart from "Corruption, Bribery & Corporate Fraud," threats that

have moved up in the 2019 chart as compared to 2018 are "Crime," "Political & Governance Instability," "Intellectual Property Theft," "Business Espionage." "Natural Hazards" and "Accidents" have maintained same position in IRS survey for 2019 as well as 2018. "Information & Cyber Insecurity," which was the top risk for both 2018 and 2017, slides to sixth position this year. In addition to that, "Terrorism & Insurgency," "Strikes, Closures & Unrest," "Fire," and "Threats to Women Safety," have climbed down in the risk meter this year. It may be reminded that each sector/industry's threat appetite may vary and that might influence their risk perception.

## FACTORS INFLUENCING THE RISK GAINERS



### CORRUPTION, BRIBERY & CORPORATE FRAUDS

#### Trends

Following a series of high profile corruption and corporate fraud cases, respondents have voted for Corruption, Bribery & Corporate Fraud as the top disruptive concern for business. This is a sharp rise from the eighth position in the Indian Risk Survey 2018. Over 2018-2019, several high profile cases of corruption and fraud have been under investigation. The latest annual report by RBI states that bank frauds have gone up by 74 percent to INR 71, 543 crores in the financial year 2018-19 .

#### Threat Mapping:

Despite India improving its rank at Transparency International's Corruption Perceptions Index (CPI) and other indexes, reports of corruption, bribery, and fraud can cause damage to India's business ecosystem.

According to reports, the former COO of a top IT conglomerate was directed by the US market regulator Securities and Exchange Commission (SEC) to pay a \$50,000 (INR 35 lakh) penalty in a bribery case. The then COO of the US-based company had paid USD 2 million to an Indian official for securing necessary permits for constructing a commercial office in Chennai .

Promoters of the HDIL Group (a real estate development company), the main accused in the INR 6500 crore Punjab and Maharashtra Cooperative Bank (PMC) fraud case, are reported to have paid kickback to PMC official for sanctioning for loans .

Such cases affects the business scosystem in a negative way. Despite government efforts, the risk itself continues to be a hindrance to business in India and impedes the ability to maintain leverage in a competitive environment.





## INTELLECTUAL PROPERTY THEFT

### Trends

“Intellectual Property Theft” climbs up from twelfth position in 2018 to seventh position in this year’s survey. Subject matter experts believe that minimal IPR awareness among persons, R&D, and educational institutes and businesses should be spread. The Government and private sector continue to foster diplomatic ties on bilateral and multilateral platforms to resolve IPR issues. It is also important to note that thorough employee background check aids in avoiding industrial/business espionage relating to IP theft.

### Threat Mapping:

According to the Authentication Solution Provider’s Association (ASPA), an association that provides solutions for brand, revenue, and document protection, India’s counterfeit market causes a loss of INR 1 trillion to companies every year. The pharmaceutical industry is most impacted by counterfeiting . The government also ends up losing revenue. For companies, it is not just a loss of income; it is also a brand loss.

A study by the Organisation for Economic Cooperation and Development (OECD) India, along with other South Asian countries has emerged as strong suppliers of counterfeit goods .

Government and companies would need to work in spreading awareness about IPR and strengthen internal controls to protect against IP theft.



## CRIME

### Trends

Risks posed by criminal activities climbed to third position in the India Risk Survey 2019 as compared to India Risk Survey 2018 ranking at seventh position. India is ranked 141 out of 163 countries in the Global Peace Index, 2019, slipping from 136 ranks in 2018.

As per the National Crime Bureau Report (NCRB), 2017, while there were 4.29 lakh cases of violent crime in 2016 NCRB, in 2017, such incidents have only marginally fallen to 4.27 lakhs .

### Threat Mapping:

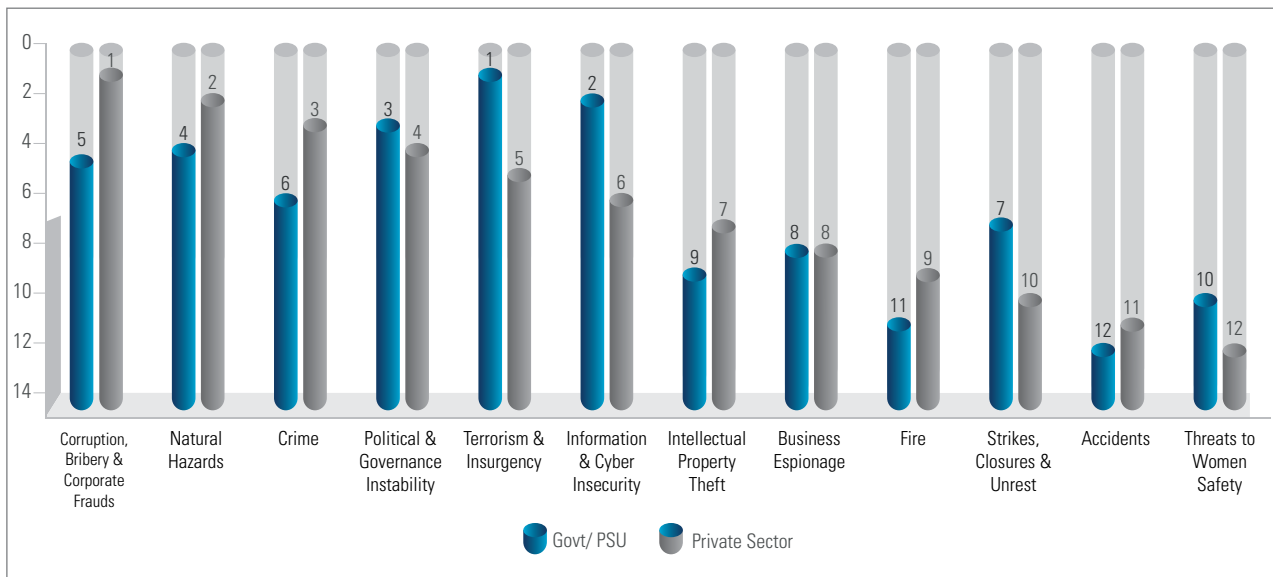
About 21 people have been killed in different incidents of lynching in the state Jharkhand over the past two years. Lynch-mobs have killed 21 people from March 2016 to September 2019 for various reasons like allegedly transporting beef or consuming beef, and over child-lifting rumours. According to a report, there were botched probes, the accused had brazen political support, making the state as one of the worst affected states by the “lynch-mob” syndrome .

The risk of crime poses a serious concern for organizations and companies in India, affecting perceptions & hampering global business interests. In July 2019, the German Consul General in Mumbai had flagged the fears of German companies facing concern over rising pressure from labour unions and anti-social elements creating problems near the businesses. There were reports that affected companies might relocate to Shanghai, China but chose to stay after the Maharashtra government assured them to look into the issue. Also, white-collar crime impacts business profitability.



## Risk Ranking - Comparative Perspectives on Risk

### Risk Ranking - Govt./PSU Vs Private Sector



The comparative graph gives a picture of the risk perception of public sector undertakings and the private sector. The ratings of 12 risks by each sector highlights a significant difference in threat perception. While “Terrorism & Insurgency” has emerged the top risk for the government/ PSU sector, for private industry, it is “Corruption, Bribery & Fraud.” Respondents’ voting pattern indicates that government/ PSUs might be more exposed to threat from terror activities or insurgency. Terror/ insurgents tend to target government/ PSUs for attack. While high profile corruption cases over past two years prompted respondents to vote “Corruption, Bribery & Fraud,” as the top risk for private businesses. While the government is making efforts to regulate financial markets and banks as per best practices, there are loopholes that have been misused by some businesses.

The second most crucial disruptive risk for government/ PSU is “Information & Cyber Insecurity,” while for the private sector, it is “Natural Hazards.” “Political & Government Instability” is the third top risk for government/ PSU. The private industry has identified “Crime” as the third risk for operations. For the private sector “Political & Government Instability” is the fourth

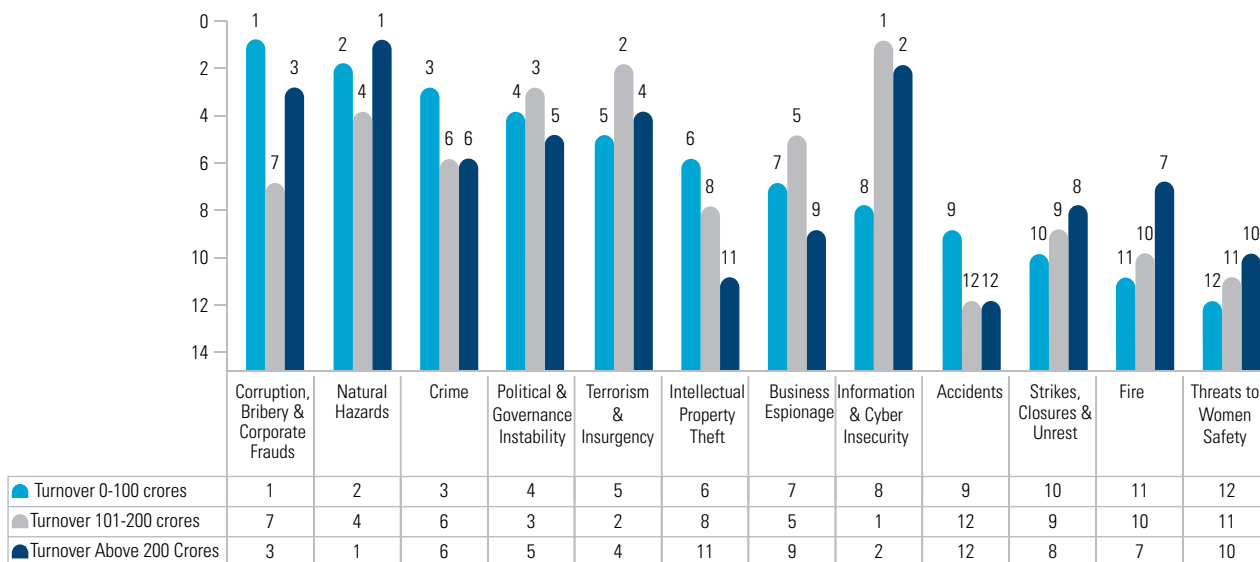
disruptive factor in operations, “Natural Hazards” has been identified by Government/ PSU for the fourth most significant risk.

“Corruption, Bribery & Frauds” is the fifth top risk for PSU, while for the private sector, it is “Terrorism & Insurgency.” The sixth risk in the survey for the Government sector is “Crime.” “Information & cyber insecurity” has been voted as the risk for the corresponding rank for private businesses. The seventh risk for PSUs is “Strikes, Closures & Unrest,” and for private companies, it is “Intellectual Property Theft.”

For the Government/ Public sector, “Intellectual Property Theft” has emerged as the ninth risk, whereas for the private sector, it is “Fire.” “Threats to Women Safety,” has been voted as the tenth risk for Government/PSUs. The tenth risk for the private sector is “Strikes, Closures & Unrest.” “Fire” is the eleventh risk for Government/ PSUs, and for private businesses, it is “Accidents.”

“Accidents” is the twelfth risk for government/ Public sector, “Threats to Women Safety,” has been voted as the twelfth risk for private companies.

### Risk Ranking - Company Turnover



The above graph highlights the risk perception by companies based on their turnover. For the purpose of this survey, companies with turnover of above INR 200 crores, between INR 101-200 crores, and up to INR 100 crores have been categorised as large corporations, medium and small level enterprises, respectively.

For large enterprises, the topmost risk is Natural Hazards; for medium-level and small-level enterprises, the corresponding risks are “Information and Cyber Insecurity” and “Corruption, Bribery & Frauds,” respectively.

For large enterprises, the second most significant threat is “Information and Cyber Insecurity,” followed by “Corruption, Bribery & Frauds,” as the third risk. “Terrorism & Insurgency” and “Political & Governance Instability” are rated as the fourth and fifth most critical risks in this category.

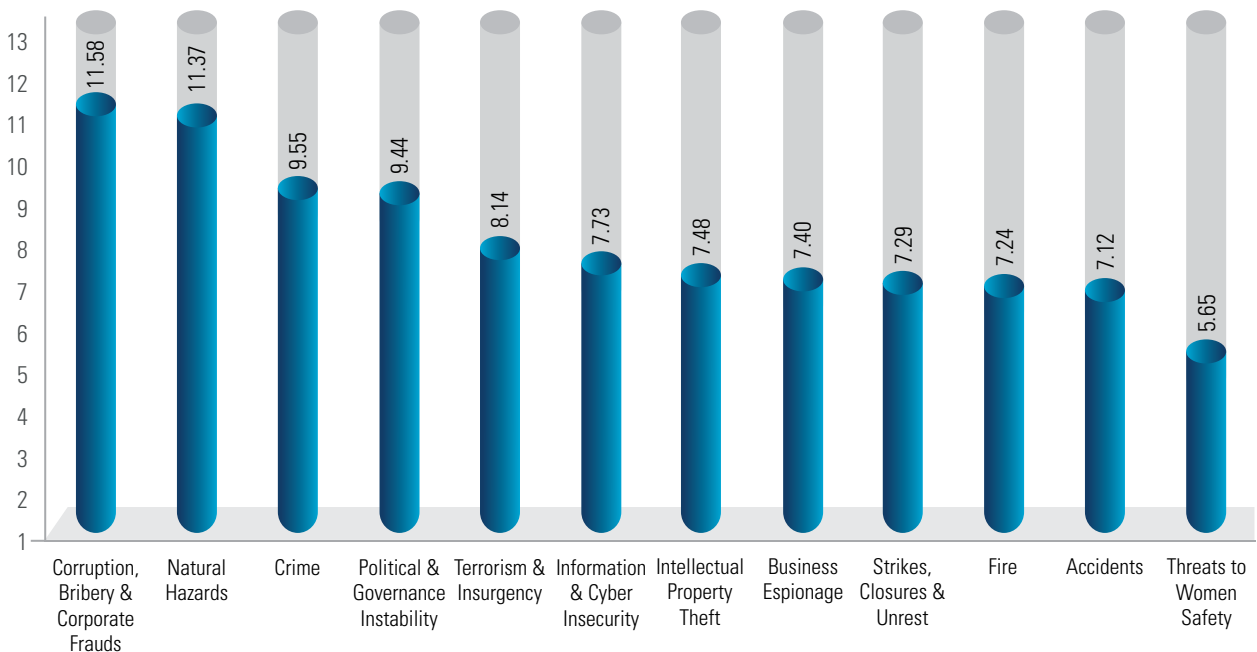
The second most critical risk for medium-level enterprises is threats emanating from “Terrorism & Insurgency.” “Political & Governance Instability” occupies the third risk. “Natural Hazards” has been voted as the fourth top risk my medium enterprises, followed by “Business Espionage,” as the fifth most significant risk.

Small-level enterprises have ranked “Natural Hazards” as the second most crucial risk for their operations. “Crime” has been voted as the third most significant risk for such companies. “Political & Governance Instability” has been voted as the fourth most critical risk for small business operations. “Terrorism & Insurgency” has been identified as the fifth significant risk for small enterprises.

# 4

## Overall Risk Ranking

Overall Risk Trends - 2019



The India Risk Survey 2019 highlights the analysis of the study conducted on risk perceptions among business leaders, security managers, risk professionals, representing private and public companies in India. India, like any economy continues to make attempts to ease the business environment, and one focussed effort has been to build the business environment free, transparent and fair and minimize and mitigate risks. Risks, which are both actual and perceptive.

India Risk Survey 2019 study highlights 12 risks, which industry leaders feel can be a disruptor or has disrupted business. IRS 2019 underlines the most prevalent threat under each risk as ranked by responders. The study is to make businesses aware, plan, execute mitigation action and ensure continuity.

## Risk Trends Chart



**Corruption, Bribery & Corporate Fraud** has emerged as the top risk in IRS 2019. In 2018, this risk was positioned at eighth rank. The major jump in the risk index highlights the prevailing conditions in the business ecosystem, where a series of high profile corruption and fraud cases have been reported since 2018. Such an environment has flagged serious concerns beyond the business ecosystem.



**Natural Hazards** like last year remains in the second position in 2019. The current year was one of the wettest years in 25 years, and many states experienced flooding, causing loss of life and property. The increasing uncertainties and incidences affected the country and would require most efforts preparation early warning systems and better coordination. Further, a lack of preparedness can contribute to making Natural Hazards a severe risk.



**Crime** jumps from seventh position to third in the Indian Risk Survey. As per latest data on crime, there has been no significant drop in crime-related cases. Offences against public tranquility have emerged as the topmost threat to the private and public sectors under this risk category.



**Political & Governance Instability** appears in the fourth top risk due concern over policy changes affecting certain areas of the business ecosystem. The government is likely to continue market reforms and restructuring. Lack of consensus or opposition to any policy changes or distress in particular sections of the economy can pose a threat to companies.



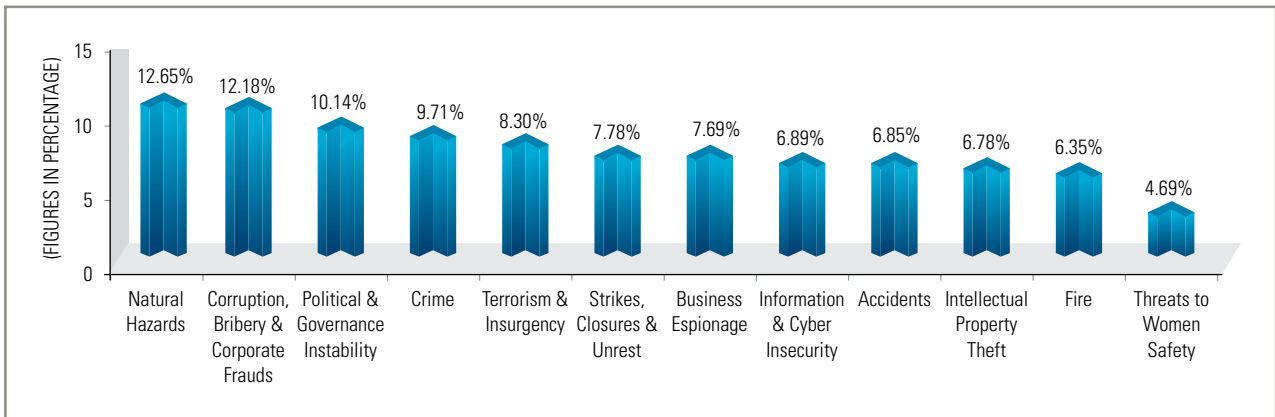
**Terrorism & Insurgency** has slipped to the fifth position in the India Risk Survey 2019. Although, terror and insurgency-related activities have reported a drop in the current year, still it remains a concern for internal security and significantly impedes the economic progress of the country.



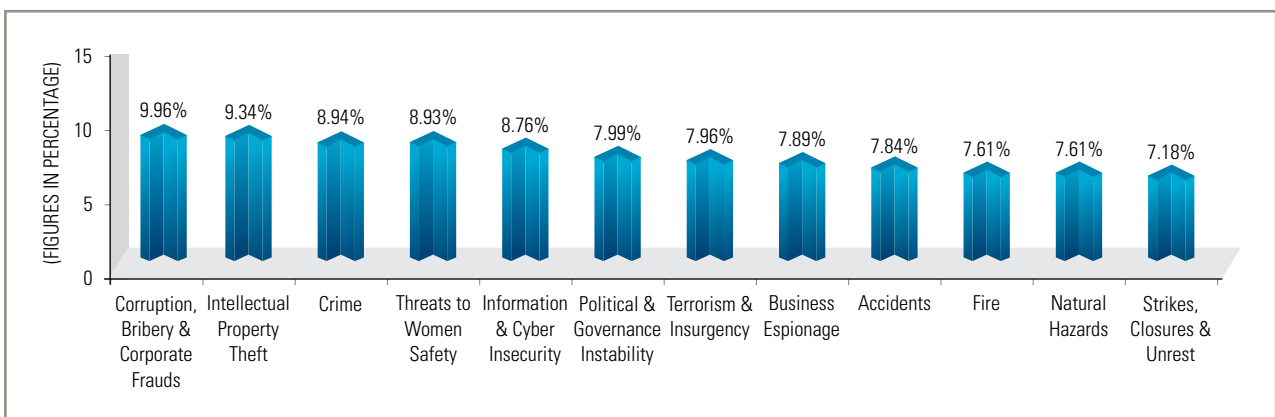
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## Region Wise Risk Ranking

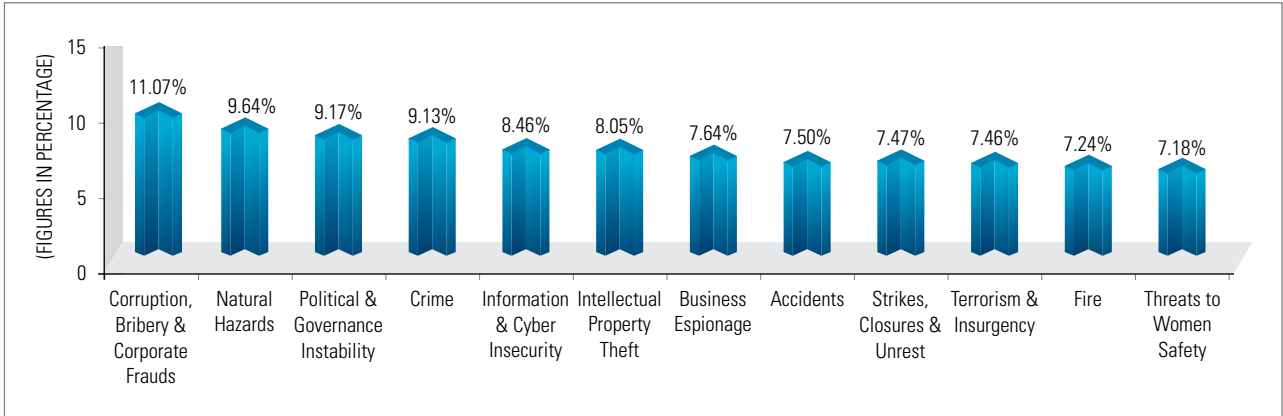
### Risk Ranking – Eastern Region



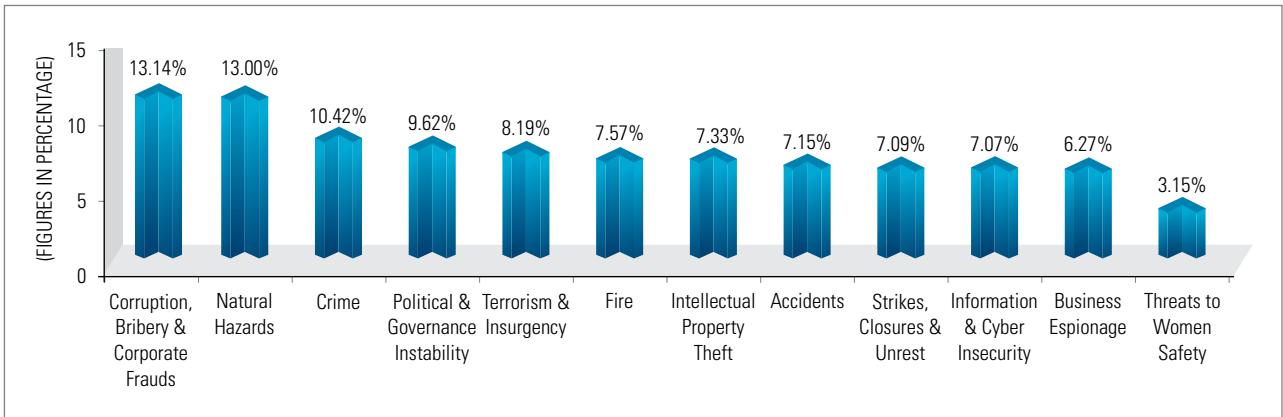
### Risk Ranking – Western Region



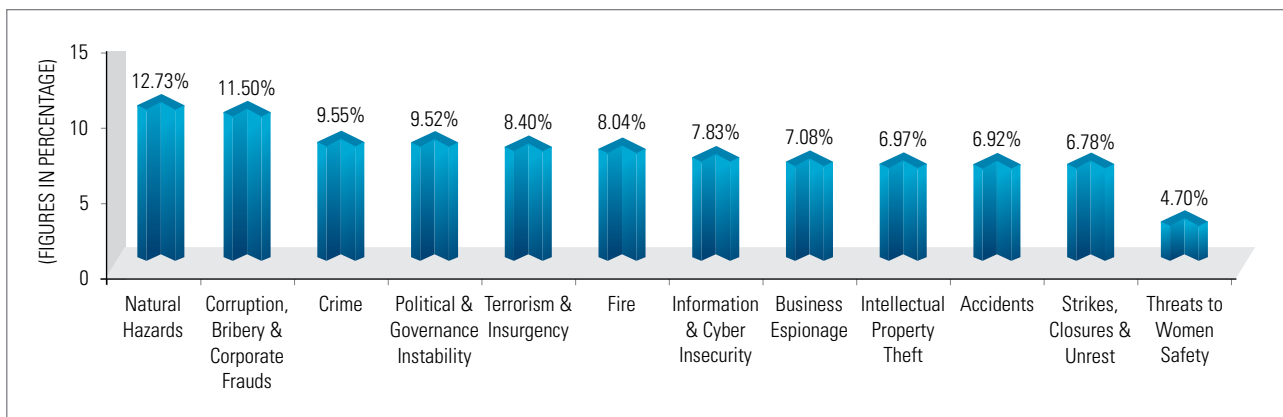
### Risk Ranking – Northern Region



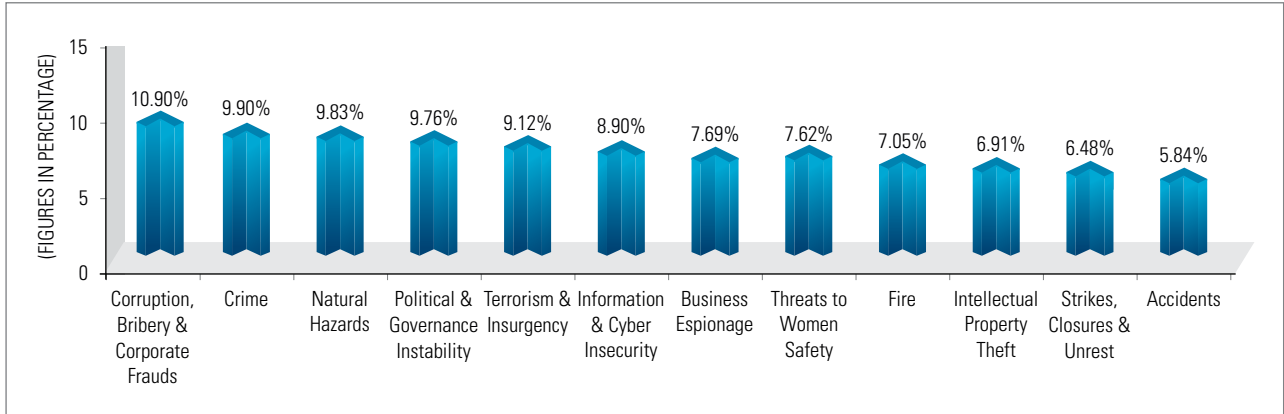
### Risk Ranking – Southern Region



### Risk Ranking – PAN India



## Risk Ranking – Outside India



For businesses in North, South and West rate “Corruption, Bribery & Frauds” as the top risk for operations. Businesses have voted “Natural Hazards” as the top risk for East region.

For businesses in the East, “Corruption, Bribery & Frauds,” and “Political and Governance Instability” has been identified as the second and third most significant threats, respectively.

“Intellectual Property Theft,” and “Crime” has been rated as second and third top risks for West region, respectively.

For businesses in the North, “Natural Hazards,” has been rated as second most significant risk and “Political and Governance Instability” has been identified as the third most important risk.

The second most critical risk for South region is “Natural Hazards,” followed by “Crime” as the most important disrupting factor.

# 6

## Industry Wise Risk Ranking

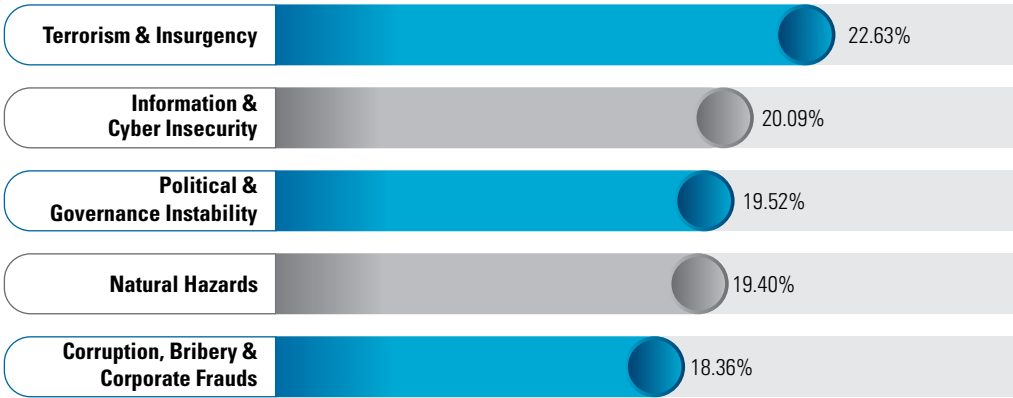
### Risk Ranking – Media & Entertainment



### Risk Ranking – Hospitality



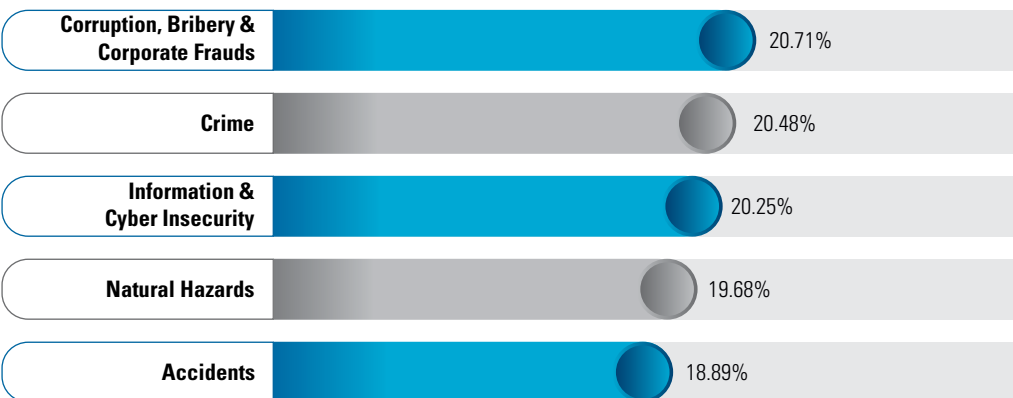
**Risk Ranking – Govt/PSU**



**Risk Ranking – Education**

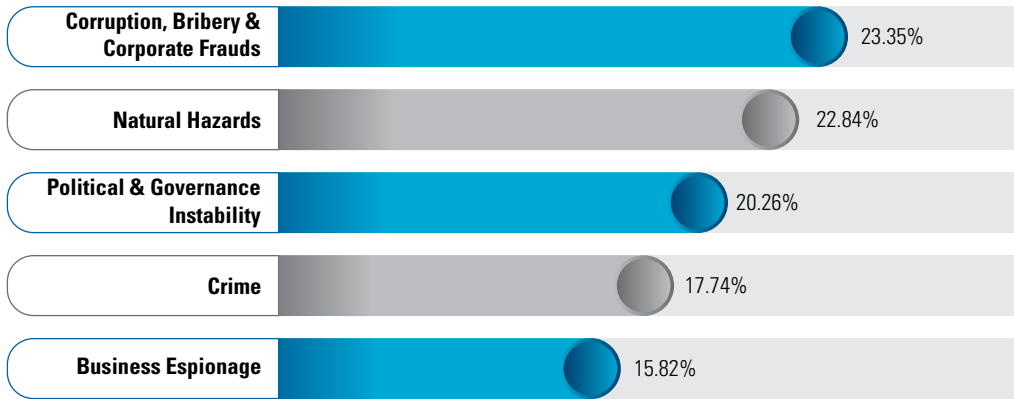


**Risk Ranking – Consulting**

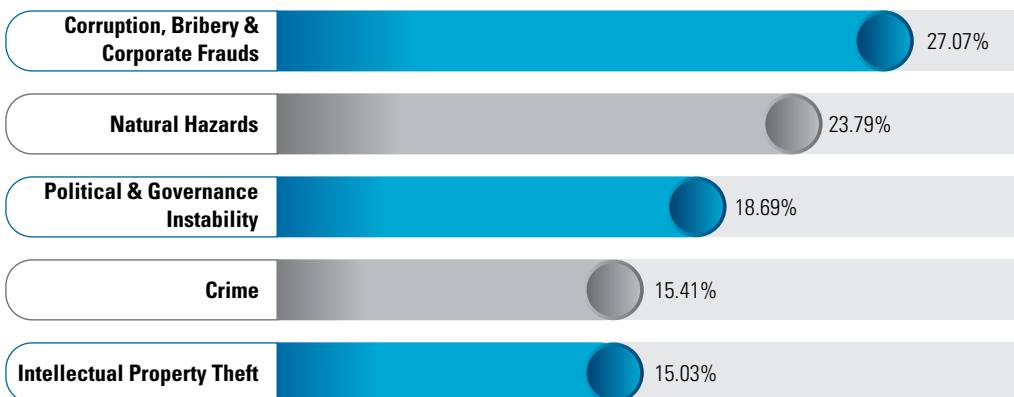




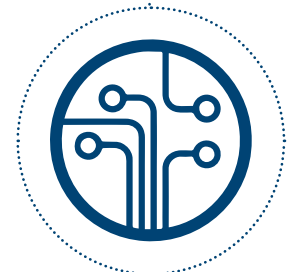
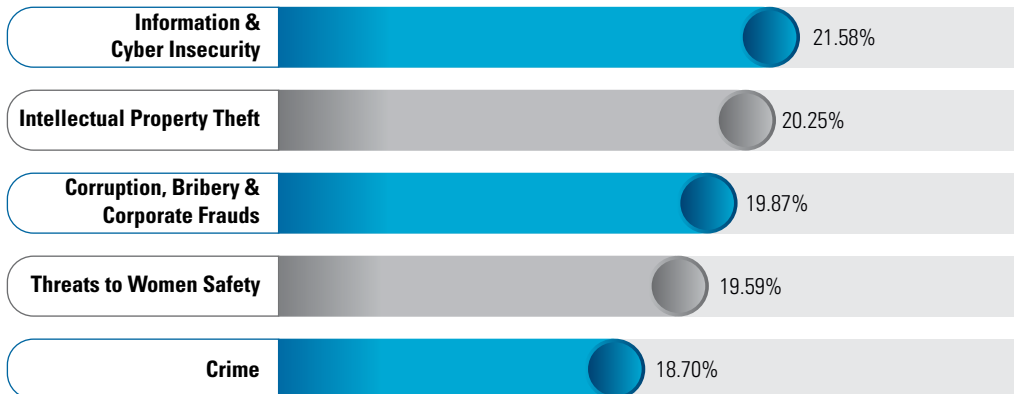
**Risk Ranking – Telecom**



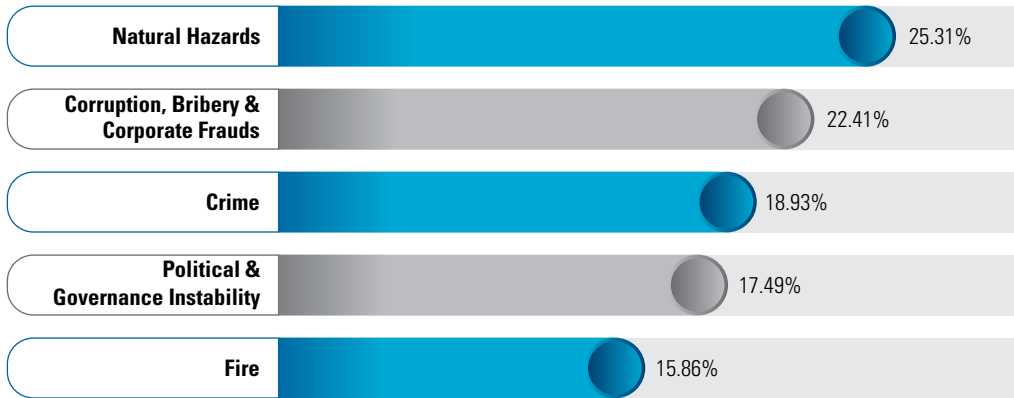
**Risk Ranking – Logistics & Transportation**



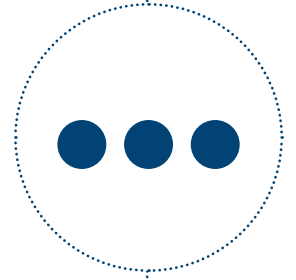
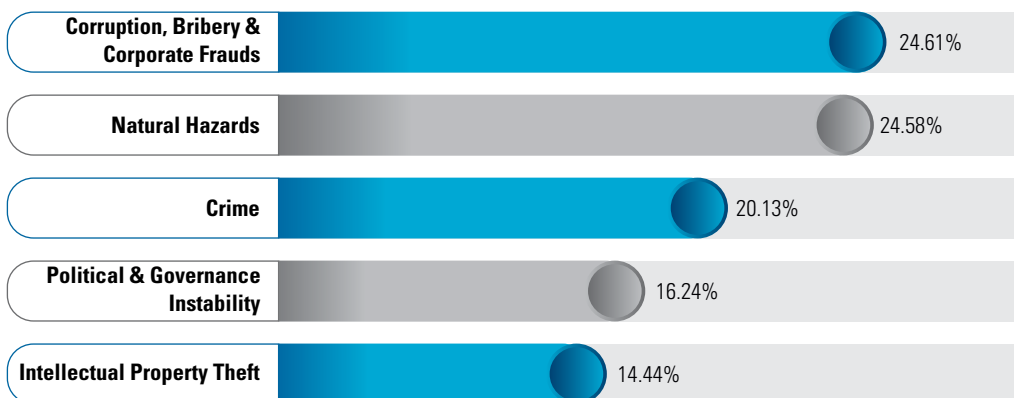
**Risk Ranking – IT/ITES**



### Risk Ranking – Manufacturing



### Risk Ranking – Others



The above-presented graphs capture the Industry-wise rankings of risk categories. They vary from each other, as each of them has different levels of exposure to each risk category and appetite to mitigate.

“Corruption, Bribery & Corporate Frauds” has been voted as the top risk by the Media and Entertainment, Telecom, Logistics, Consulting businesses, and Others. For the Hospitality and Manufacturing industry, “Natural Hazards” is the topmost risk as per the latest study. Terrorism & Insurgency has been identified as the topmost risk for Government/ PSUs. Education businesses have identified Crime as the most disrupting factor to the services. Information & Cyber Insecurity is the most significant risk for IT/ ITES companies.

Corruption, Bribery & Corporate Frauds is the second most significant threat for Manufacturing, Education,

and Hospitality industries. IT/ ITES industries rank this risk as third most significant risk.

Natural Hazards is the second most significant risk for Media and Entertainment businesses, Telecom, Logistics, and Others. Crime is third most crucial challenge for Manufacturing, Consulting, and Others.

Intellectual Property Theft is the second and third disruptive threats for IT/ ITES and Education business, respectively. Information and Cyber Insecurity are the second and third most significant threats for Government/ PSUs and Consulting industries, respectively.

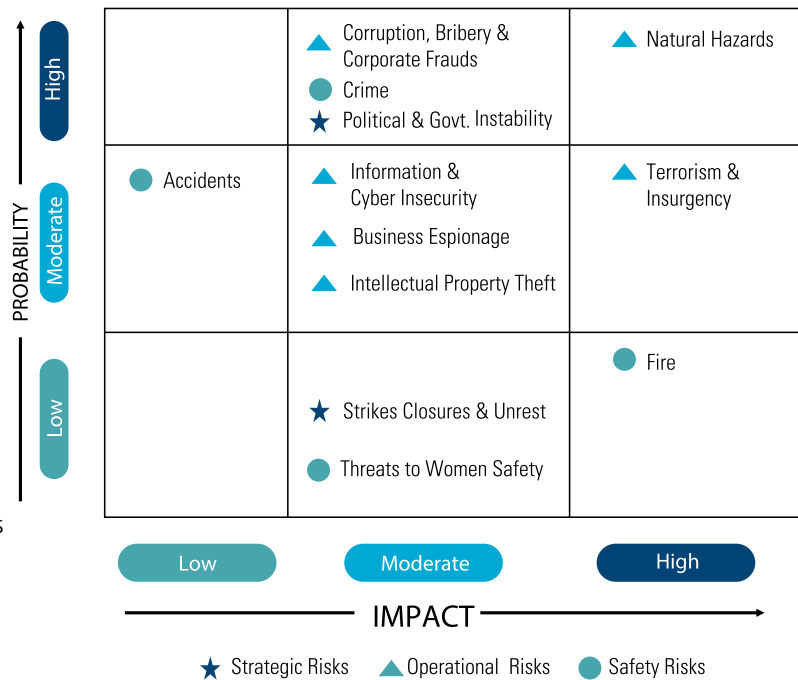
Political & Governance Instability appears as the third most significant challenge for Media and Entertainment industries, Telecom, Logistics, and Government and PSUs.

# Risk Categorization

The IRS 2019 segregates risks in three categories, viz., Strategic, Operational and Safety risks. Strategic risks are those that impact directly the achievement of an organisation's business objectives. At the national level these are risks which have a grave impact on the national security and its survivability. Strategic risks are majorly determined by the top leadership of the organisation.

Operational Risks are defined as the probability of loss occurring from the internal inadequacies of an organisation or a breakdown in its controls, operations or procedures. Lastly, Safety risks are those risks which have the potential to jeopardise employee safety.

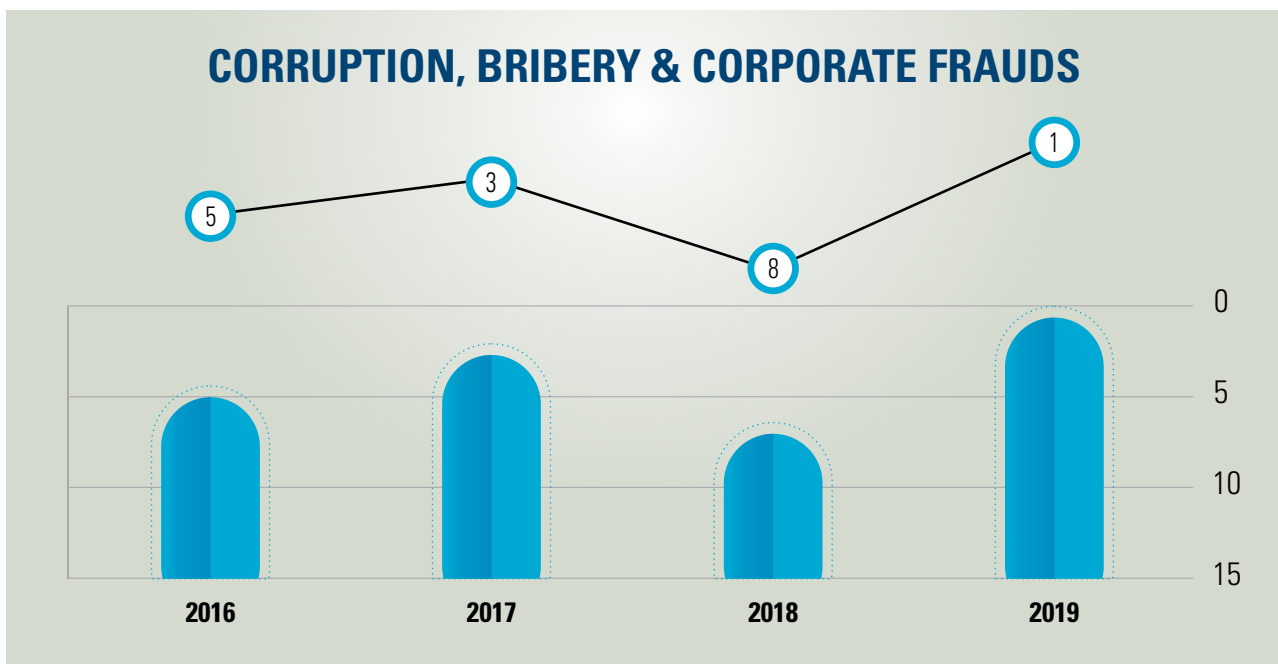
These could be either internal or external or both. Employees being the critical assets to an organisation, any potential hazard or threat to their safety could affect business continuity. The graph on 'categorisation of risk' represents a particular risk that falls within the



categories of either Strategic, Operational or Safety risks. The probability and impact of these risks illustrate their importance to the corporate sector. The categorisation is generic. Some of the risks considered 'Strategic' for some industries can be categorised as 'Operational' risk for another set of industries.

# 8

## Risk in Detail



### 'Corruption, Bribery & Corporate Frauds' Jump to 1st Rank in IRS 2019.

#### Highlights

- Corruption, Bribery & Corporate Fraud has been identified as the top threat for businesses in IRS 2019 survey. This risk moves seven notches up from the eighth position in IRS 2018.
- Bribery and Kickback in this section have emerged as the most significant concern for businesses.

- Following a series of high profile scams and reported frauds, Corruption, Bribery and Corporate Frauds is perceived as a high risk to businesses as per IRS 2019 report. India occupies 78th position with a score of 41 in the Transparency International Corruption Perceptions Index 2018. India held 81st and 79th position in the 2017 and 2016 charts, respectively. There are not much-pronounced positive changes in the rankings in the past three years.
- The Prevention of Corruption (Amendment) Act 2018 came into force on 26 July 2018 in an attempt to align the PC Act with the UN Convention Against Corruption, 2005.

## Year-on-Year Ranking

Businesses in India continue to face 'Corruption, Bribery & Corporate Fraud' as

one of the most significant risks and ranks first in the India Risk Survey 2019. Despite efforts made by the Government & private entities to raise awareness about this risk, the perception of this risk remains high, especially when such incidences are reported in the media.

As per the Transparency International Corruption Perceptions Index, 2018, India is ranked at 78 with a score of 41<sup>2</sup>. India has improved its position since 2017 when it had slipped to 81st rank. However, since 2012, India has displayed a marginal improvement, from a score of 36 in 2012 and 2013 to 38 in 2014 and 2015 and finally to 40 in 2016 and 2017. In 2018, the score was 41. Though there have been minor improvements in this risk category, the risk itself continues to be a hindrance to business in India and impedes the ability to maintain leverage in a competitive environment.

## Incidence Mapping

Indian policymakers are persistently working to combat corruption at every level, to create a more business-friendly environment, and attract more global investments. The recently Prevention of Corruption (Amendment) Act 2018 is an attempt to align the PC Act with the UN Convention Against Corruption, 2005.

In addition to this, enforcement agencies have been aggressively investigating corruption cases, including those against bureaucrats and high-profile citizens in the current year. Various ministries are preparing a list of tainted officials to ensure their exit. The Government has urged investigative agencies like the CBI, Enforcement Directorate (ED), and the National Investigation Agency (NIA) to investigate cases against corrupt officials<sup>3</sup>.

According to reports, the former COO of a top IT conglomerate was directed by the US market regulator Securities and Exchange Commission (SEC) to pay a \$50,000 (INR 35 lakh) penalty in a bribery case. The then COO of the US-based company had paid USD 2 million (INR 14 Crores approx.) to an Indian official for securing necessary permits for constructing a commercial office in Chennai<sup>4</sup>.

In a case of breach of corporate governance, a findings committee found that, former CEO and MD, one of the largest private banks, had allegedly misused their official position while disbursing a loan to a business group<sup>5</sup>.

Promoters of a real estate development company, the main accused in the INR 6500 crore (USD 914 Million) PMC fraud case, are reported to have paid kickback to the bank official for sanctioning for loans<sup>6</sup>. The main accused are found to have links with shell companies registered in Panama. In reports, the three accused are said to have links with three companies named in Panama Papers leak in 2015<sup>7</sup>.

<sup>2</sup> Transparency International's Corruption Perceptions Index, 2018 [https://www.transparency.org/whatwedo/publication/corruption\\_perceptions\\_index\\_2018](https://www.transparency.org/whatwedo/publication/corruption_perceptions_index_2018)

<sup>3</sup> Livemint, How the Modi government weeding out corrupt bureaucrats, October, 7, 2019, <https://www.livemint.com/news/india/how-the-modi-government-is-weeding-out-corrupt-bureaucrats-11570425751701.html>

<sup>4</sup> Times of India, Ex-Cognizant COO to pay \$50,000 penalty in bribery case, September, 16, 2019, <https://timesofindia.indiatimes.com/business/india-business/ex-cognizant-coo-to-pay-50000-penalty-in-bribery-case/articleshow/71149549.cms>

<sup>5</sup> Economic Times, Supreme Court bars I-T department from assessing NuPower accounts, October, 11, 2019, <https://economictimes.indiatimes.com/industry/banking/finance/banking/supreme-court-bars-i-t-department-from-reassessing-nupower-accounts/articleshow/71533256.cms>

<sup>6</sup> India Today, PMC officials deposited money directly into HDIL bosses' personal accounts: Mumbai police, October, 4, 2019, <https://www.indiatoday.in/india/story/PMC-bank-officials-deposited-around-rs-2-000-crores-directly-into-hdil-bosses-personal-accounts-mumbai-police-1606096-2019-10-04>

<sup>7</sup> India Today, PMC Bank fraud: Shell Companies linked to Wadhawans were mentioned in Panama Papers expose, October 10, 2019 <https://www.indiatoday.in/business/story/PMC-bank-fraud-shell-companies-linked-to-wadhawans-were-mentioned-in-panama-papers-expose-1607726-2019-10-10>

To weed out shell companies, the Government has instructed about 12 lakh registered companies to file their details in an e-filing to the Government. In 2018, the Ministry of Company Affairs introduced new Know Your Customer (KYC), under which about 33 lakh company directors had to provide their details such as email, PAN number, etc. It may be noted that post-demonetization, nearly 2.26 lakh companies were struck off for failing to file their financial statement in FY 2018<sup>8</sup>.

Following a series of high profile scams and frauds impacting banks and offenders fleeing the country in recent years, the Government has enacted the Fugitive Economic Offenders Act, 2018, to take action against economic offenders. According to a RBI report, public sector banks account for 85 percent fraud cases in 2018, amounting to more than INR 30,000 crore (USD 4.2 billion approx.)<sup>9</sup>. Further, the Government has advised public sector banks to obtain a certified copy of the passport of promoters/directors and other authorized signatories of companies availing loan facilities of more than INR 50 crore ( USD 7 million approx.)

## Impact and Combat

According to a report in 2016, the World Economic Forum cited that corruption remains a significant barrier to growth in India. Transparency International cited that despite spectacular public mobilisation in 2011, where citizens demanded that the government take action against corruption and advocated for the passage of the comprehensive Jan Lokpal Act, these efforts ultimately fizzled and fell flat, with little to no movement on the ground to build the specialist anti-corruption infrastructure required.<sup>10</sup>

Another report 'People and Corruption' found that seven in 10 people in India paid bribe to access public services, while conducted an extensive survey.<sup>11</sup> India

was tagged with 69 per cent corruption rate despite people feel that the government is taking a lot of measures to curb the corruption.

As per the source, "Indian firms pay 50 percent of the total project cost, on an average, as bribes to speed up clearances for real estate and infrastructure ventures." "Corruption, Bribery & Corporate Fraud" continues to hinder growth, questions the government's ability to regulate the business environment as per best practices, and cause disruptions in the system<sup>12</sup>. Businesses have called for enhanced corporate governance and stricter regulation of corporations, to make transactions more transparent and regulated. An unregulated environment can dissuade potential investors and diminish the growth opportunities of existing players.

The Government, to check corruption, has implemented specific measures such as:

- The definition of 'public servant' now includes officials employed at private banks, making them liable for prosecution.
- As part of a crackdown on corruption, 22 senior government officials have been retired in August 2019 following charges of misdoings against them. The central government has written to the state governments to take similar action against tainted officials.
- Corruption by public officials is treated as criminal misconduct.
- The maximum punishment for corruption was increased from five years to seven years.

Overall, India has displayed a definite trend towards reducing corruption, bribery, and corporate fraud. However, it persists as a significant threat to the Indian economy and polity, pervading the public and private sectors alike.

<sup>8</sup> Financial Express, Crackdown on shell companies: Only 66 percent registered firms active; 5.43 lakh closed, July, 29, 2018, <https://www.financialexpress.com/industry/crackdown-on-shell-companies-only-66-registered-firms-active-5-43-lakh-closed/1262062/>

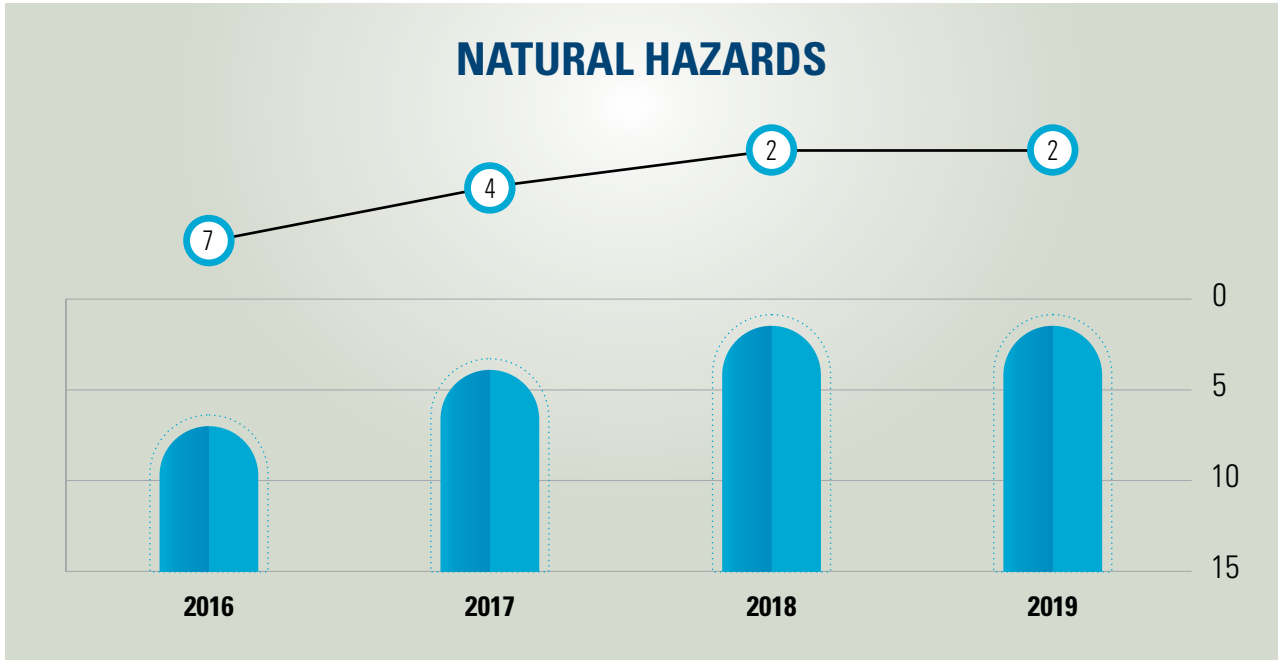
<sup>9</sup> Economic Times, Public Sector Banks account for 85% of bank fraud cases: RBI, June, 27, 2018, <https://economictimes.indiatimes.com/industry/banking/finance/banking/psbs-account-for-85-of-bank-fraud-cases-rbi-report/articleshow/64751382.cms>

<sup>10</sup> [https://www.transparency.org/news/feature/asia\\_pacific\\_makes\\_little\\_to\\_no\\_progress\\_on\\_anti\\_corruption](https://www.transparency.org/news/feature/asia_pacific_makes_little_to_no_progress_on_anti_corruption)

<sup>11</sup> [https://www.transparency.org/whatwedo/publication/people\\_and\\_corruption\\_asia\\_pacific\\_global\\_corruption\\_barometer](https://www.transparency.org/whatwedo/publication/people_and_corruption_asia_pacific_global_corruption_barometer)

<sup>12</sup> The Hindu, Firms pay 50% of cost as bribes, March, 22, 2016, <https://www.thehindu.com/business/Industry/firms-pay-50-of-cost-as-bribes/article8386124.ece>





**‘Natural Hazards’ remains at 2nd Rank in IRS 2019.**

**Highlights**

- Risks posed from Natural Hazards remain in the second position in the India Risk Survey 2019, for the second straight year.
- Under the Natural Hazards Risk, the India Risk Survey 2019 shows that businesses perceive floods as the biggest threat to business operations.
- In 2019, as many as 14 states experienced flooding, and more than 1600 people have died according to estimates.
- Natural hazards have and will pose a challenge to business operations due to lack of adequate developmental planning, disaster preparedness, necessary infrastructure and timely maintenance by the concerned bodies.

**Year-on-Year Ranking**

Natural Hazards remains at the second position in the India Risk Survey 2019 for the second straight year. Concerns towards this risk category has been continuously increasing among corporates as India Risk Survey year on year trend shows upwards movement from rank 7 to 4 and rank 2 in last two years.

This growing concern also has a scientific backing which shows that India is prone to a large number of disasters. As per National Disaster Management Authority (NDMA), more than 58.6 per cent of the landmass of

India is prone to earthquakes; about 12 per cent of land is prone to floods and erosion; close to 75 per cent of coastline is prone to cyclones and tsunamis; 68 per cent of its cultivable area is vulnerable to droughts; and hilly areas are at risk from landslides and avalanches<sup>13</sup>.

Like 2018, major floods have been reported in 2019 from different parts of India, disrupting logistic and transportation routes, resulting in human and financial loss. Under the India Risk Survey 2019, floods have been identified as the biggest threat to business operations under the Natural Hazards risk.

<sup>13</sup> NDMA, Vulnerability Profile of India, <https://ndma.gov.in/en/vulnerability-profile.html>



The Indian Meteorological Department (IMD) said that in 2019, India witnessed the most torrential rains in 25 years. Between June to September this year, heavy rainfall and flooding killed at least 1,685 people across 14 states, nearly 14 deaths a day, on average. A report of the Disaster Management Division under the Ministry of Home Affairs reported the highest casualties, with 22 percent deaths.<sup>14</sup>

Under this risk category, drought, earthquake, and pandemic are also counted as disruptive to company operations. The Government of India has been working with different agencies to streamline disaster management. The Government of India (Finance Commission) is working with the United Nations Development Programme (UNDP) on how to allocate resources in the event of a disaster risk management<sup>15</sup>. As per current arrangements, all states receive a fixed amount every year as part of disaster management preparedness. This disbursement does not take into account the actual occurrence of any disaster. Under the Finance Commission and UNDP initiative, a risk index has been prepared keeping both hazard and vulnerability under assessment process. The Government is setting up an integrated control room to improve monitoring, rescue, and coordination between national and state disaster agencies during events of disaster and emergency<sup>16</sup>.

## Incident Mapping

- 2019 Monsoon was unpredictable, and several districts across India were affected by torrential rains and experienced floods. This year has also witnessed a slow withdrawal of monsoon rains, with many regions of the country still experiencing storms. The eastern state of Bihar experienced three spells of floods this year (July, August, and September most recent), following incessant rains killing more than 110 people<sup>17</sup>. In the same state, in the months of April-May, 38 districts were declared drought-hit. Even as floodwaters begin to recede, and disrupted

services resume, the flooded areas are experiencing a jump in reported cases of Dengue from the capital Patna and the neighboring regions. At least 1000 dengue cases have been reported from Patna in October 2019<sup>18</sup>.

- The commercial capital of India, Mumbai, also experienced spells of flooding since July 2019. Flooding caused severe disruption to local train services and flight operations in and out of the city. According to a report, the coastal city's ability to resist flooding has weakened due to the construction boom and the destruction of mangroves. The rise in seawater level also makes the city vulnerable to flooding<sup>19</sup>.
- Drought situations were also reported in India in 2019. India's fourth-largest city Chennai battled severe water crisis this summer. In June this year, the city reported that its reservoirs have dried as Chennai did not receive any rains for about 200 days at a stretch. The situation caused significant disruption to the hospitality business, business operations, and schools. IT companies instructed employees to work from home. Trains carrying water had to rescue the rain deficit city<sup>20</sup>.

## Impact and Combat

India's geographic landscape makes it vulnerable to various natural hazards. At the same time, change in demographic patterns, socio-economic conditions, unplanned urbanization, environmental degradation, and factors like climate change further compounds the vulnerabilities, according to the NDMA. Both the central and the state governments are working towards improving disaster monitoring services, warning systems, and making infrastructure more resilient. Cyclone Fani, one of the most robust cyclones which hit Odisha in May 2019, is an example where the Government could keep casualty and damage

<sup>14</sup> <https://www.ndmindia.nic.in/images/gallery/Situation%20report%20as%20on%2030.09.2019%20at%201800%20Hrs.pdf>

<sup>15</sup> UNDP India, Equipping states of disaster, April, 11, 2019, <https://www.in.undp.org/content/india/en/home/blog/equipping-states-for-disaster.html>

<sup>16</sup> Outlook.com, India sets up integrated control room to handle natural calamities, October, 2, 2019, <https://www.outlookindia.com/newscroll/india-sets-up-integrated-control-room-to-handle-natural-calamities/1632490>

<sup>17</sup> Times of India, Over 110 dead in 4 days due to heavy rains across country, September, 29, 2019, [http://timesofindia.indiatimes.com/articleshow/71362462.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](http://timesofindia.indiatimes.com/articleshow/71362462.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

<sup>18</sup> Newsheads.in, After flood, Dengue grips Bihar with 1400 registered cases, October, 13, 2019, <https://www.newsheads.in/india/news/after-flood-dengue-grips-bihar-with-1400-registered-cases-article-59122>

<sup>19</sup> The New York Times, 32 Dead as Worst Flooding in a Decade Hits Booming Mumbai, July, 2, 2019, <https://www.nytimes.com/2019/07/02/world/asia/32-dead-as-worst-flooding-in-a-decade-hits-booming-mumbai.html>

<sup>20</sup> Times of India, Why Chennai's water crisis should worry you, June, 21, 2019, [http://economictimes.indiatimes.com/articleshow/69885986.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](http://economictimes.indiatimes.com/articleshow/69885986.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

under control, thanks to effective disaster planning and execution. The United Nations Office for Disaster Risk Reduction (UNISDR) and other organizations appreciated the efforts of the Government to keep damages at a minimum level<sup>21</sup>.

Businesses can have a direct impact on operations if firms are located in natural hazard-prone zones. Business continuity, loss of life, damage to assets, and disruption to the supply chain are some of the significant risks associated with natural hazards. The element of human-made threat and climate change makes this risk unpredictable. A holistic approach should be applied to enhance disaster management including building an alerting and forecasting system, improving infrastructure and their maintenance, and coordinating rescue efforts between various state & central authorities.

According to the disaster risk index released by the Union Home Ministry, Maharashtra, West Bengal, and Uttar Pradesh are the most vulnerable states. Among the Union Territories, Delhi is most susceptible to risks from natural disasters<sup>22</sup>.

Disaster-related risks in India are more pronounced due to changing demographics and socio-economic conditions, unplanned urbanization, development within high-risk zones, environmental degradation, climate change, geological hazards, epidemics, and pandemics, according to the NDMA<sup>23</sup>. Such vulnerabilities have an impact on the Indian economy, its populations, and sustainable development.

Depending on business risk appetites, companies can plan ways and organize tabletop exercises to mitigate risks from natural hazards. It is recommended that businesses assess the risks posed by natural hazards on a more elaborate scale, particularly before initiating planned operations. Audits & regular disaster management drills should be conducted to gauge effectiveness of disaster management plans. Also, checking of safety conditions of crucial commutes would be beneficial to ensure the safety of company personnel during disaster incidents.

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<sup>21</sup> The Conversation, India's cyclone Fani recovery offers the world lessons in disaster preparedness  
May, 13, 2019, <http://theconversation.com/indias-cyclone-fani-recovery-offers-the-world-lessons-in-disaster-preparedness-116870>

<sup>22</sup> Times of India, Delhi most vulnerable UT in India's first disaster risk index, Maharashtra leads states, June, 10, 2018, [http://timesofindia.indiatimes.com/articleshow/64525085.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](http://timesofindia.indiatimes.com/articleshow/64525085.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

<sup>23</sup> NDMA, Vulnerability Profile of India, <https://ndma.gov.in/en/vulnerability-profile.html>



### 'Crime' jumps to 3rd Rank in IRS 2019.

#### Highlights

- According to India Risk Survey, risks posed by criminal activities climbed to the third position in the India Risk Survey 2019 as compared to seventh position in 2018.
- Offences against public tranquility have emerged as the topmost threat to the private and public sectors under this risk category.
- India is ranked 141 out of 163 countries in the Global Peace Index, 2019, slipping from 136th position in 2018.
- The Government and companies must adopt practical measures to prevent and control crime.

#### Year-on-Year Ranking

Risks posed by criminal activities ranks third in India Risk Survey 2019, compared to India Risk Survey 2018 ranking at the seventh position. India slipped to 141 rank out of 163 countries in the Global Peace Index, 2019<sup>24</sup>. The index gauges ongoing internal and international conflict, safety and security in society and militarization (a total of 23 indicators). Last year India was ranked 136. India ranks fifth in the South Asian region.

As per the latest statistics on crime "Crime in India 2017" published by National Crime Bureau Report

(NCRB) , there were 4.29 lakh cases of violent crime were recorded in 2016, while such incidents have marginally fallen to 4.27 lakhs in 2017<sup>25</sup>.

In 2017, there were 58,880 cases of riots reported, and the number of people affected in these incidents stood at 90,394. Bihar reported the highest cases of disturbances in 2017 with 11,968 cases, followed by Uttar Pradesh (8,990) and Maharashtra (7,743)<sup>26</sup>. A total of 95,893 cases of kidnapping & abduction were registered during 2017, showing an increase of 9.0 per cent over 2016 (88,008 cases).

<sup>24</sup> <http://visionofhumanity.org/app/uploads/2019/06/GPI-2019-web003.pdf>

<sup>25</sup> <http://ncrb.gov.in/StatPublications/CII/CII2017/pdfs/CII2017-Full.pdf>

<sup>26</sup> India Today, Riots in India are decreasing, but becoming more intense: NCRB, October, 22, 2019, <https://www.indiatoday.in/india/story/ncrb-crime-in-india-2017-report-rioting-cases-data-1611821-2019-10-22>

With increasing awareness among citizens and the incorporation of people-friendly mechanisms for crime reporting, crime reporting has increased in recent years. Crime in India 2017 data claims an increase of 3.6 per cent in registration of cases in comparison to 2016. Use of social media and other digital platforms by Law enforcement agencies' in India has helped the authorities to reach out to more and more people and lead to efficient policing. Various police departments have taken to using social media as a tool for crime prevention. India Risk Survey 2019 finds that threats to security and safety posed by violent crimes, such as offence against public tranquility, are the most significant risk to personnel.

## Incidence Mapping

- In November 2018, police had to step up action against anti-social elements at Pune's Chakan Industrial area, after major manufacturers complained of extortion, violence, and threats to Indian and foreign companies. Reports added that companies could not hire due to an insecure environment<sup>27</sup>.
- About 21 people have been killed in different incidents of lynching in the state Jharkhand over the past two years. Lynch-mobs have killed 21 people from March 2016 to September 2019 for various reasons like allegedly transporting beef or consuming beef, and over child-lifting rumours. According to a report, there were botched probes and the state of Jharkhand is one of the worst affected states by the "lynch-mob" syndrome<sup>28</sup>.
- The Jaipur police in the state of Rajasthan arrested kidnappers in July 2019, who were running a bitcoin extortion racket, targeting business people in and around Rajasthan<sup>29</sup>.

- In October 2018, I Monetary Advisory (IMA) firm in Bangalore came under the RBI scanner for running a Ponzi scheme, and on further investigations in June 2019, it was revealed that the company owners had siphoned off INR 4000 crore (USD 563 million approx.) from people's deposits. The firm had promised an unrealistic return to the tune of 36 percent to 64 percent on investments<sup>30</sup>.

## Impact and Combat

The risk of crime poses a serious concern for organizations and companies in India, affecting perceptions & hampering global business interests. In July 2019, the German Consul General in Mumbai had flagged the fears of German companies facing concern over rising pressure from labour unions and anti-social elements creating problems near the businesses. There were reports that affected companies might relocate to Shanghai, China but chose to stay after the Maharashtra government assured them to look into the issue.

Many state police departments have started monitoring CCTV footage 24x7 in command & control centers. In addition to that, NCRB is looking into use of artificial intelligence for facial recognition to help crack criminal cases. The Bureau is also working to integrate fingerprint data under the National Automated Fingerprint Identification System (NAFIS) program with Crime and Criminal Tracking Network & Systems (CCTNS)<sup>31</sup>.

Furthermore, white-collar crime has impacted business profitability. Businesses should adopt risk mitigation strategies, with internal and /or independent external support, and treat this as an investment to prevent financial losses.

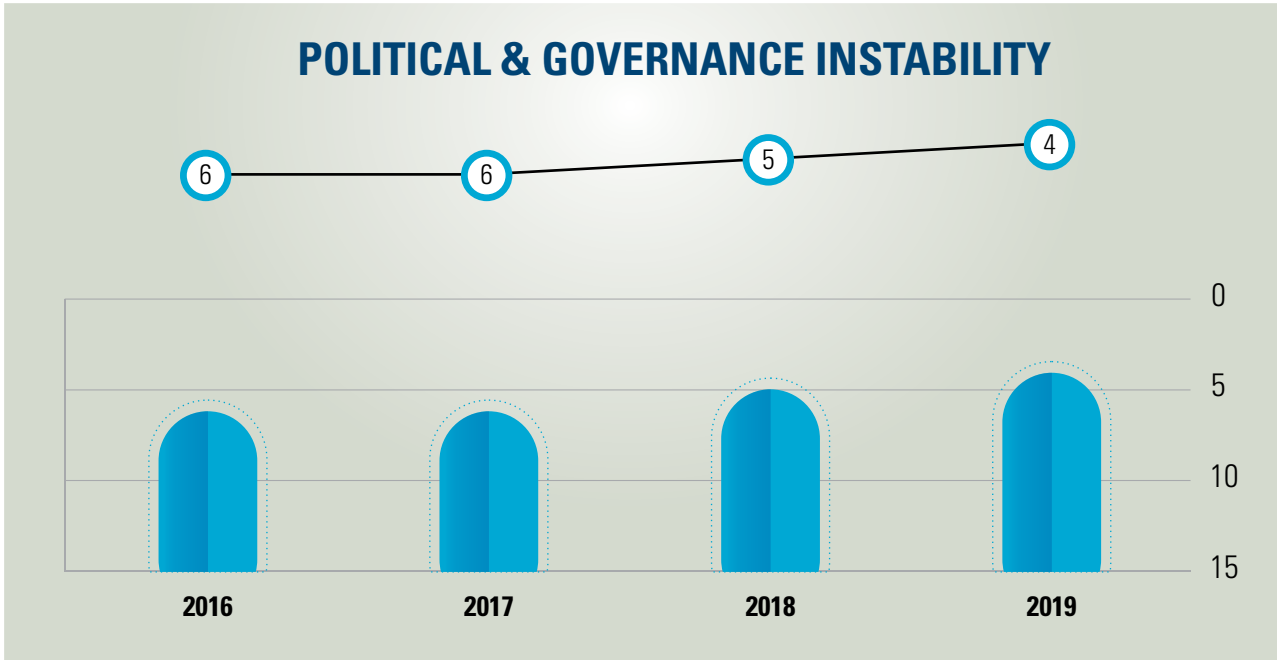
<sup>27</sup> Hindu Businessline, German firms not to relocate from Pune, July, 24, 2019, <https://www.thehindubusinessline.com/companies/german-firms-epnot-to-relocate-from-puneep/article28700665.ece>

<sup>28</sup> The Print, In Jharkhand, lynching spares no religion and police & govt think its 'routine,' October, 9, 2019, <https://theprint.in/india/jharkhand-lynching-spare-no-religion-police-govt-think-its-routine/302855/>

<sup>29</sup> Times of India, Another prime accused held in kidnapping and extortion case, July 26, 2019, <https://timesofindia.indiatimes.com/city/jaipur/another-prime-accused-held-in-kidnapping-and-extortion-case/articleshow/70386835.cms>

<sup>30</sup> Indian Express, Explained: What is Karnataka's IMA scam?, July 16, 2019, <https://indianexpress.com/article/explained/explained-ima-scam-karnataka-5831647/>

<sup>31</sup> Analytics India Magazine, How India is preparing for facial recognition system, October 13, 2019, <https://analyticindiamag.com/india-facial-recognition-system/>



### Political & Governance Instability climbs one spot to Rank 4th in IRS 2019

#### Highlights

- After maintaining sixth & fifth position for 2017 & 2018 respectively, Political & Governance Instability risk has moved up in IRS 2019. As per this year's survey, this category occupies the fourth position.
- Policy changes directly or indirectly impacting business is perceived as the most significant threat under this risk category.
- As per World Economic Forum's "The Global Competitiveness Report 2019", India is ranked at 68th position, slipping ten places from 58th rank in 2018.<sup>32</sup>
- India has jumped to 63rd position in the World Bank's "Doing Business 2020" report. According to the assessment, Delhi and Mumbai have improved the business environment<sup>33</sup>.

#### Year-on-Year Ranking

Political & Governance Instability ranks the fourth position in India Risk Survey 2019. Policy changes that are likely to impact, directly and indirectly, the business environment is perceived as a threat under this risk category. Last two general elections in the country, in 2014 and recently in mid 2019 respectively, have resulted into stable Government at the centre with complete majority. Backed by the massive mandate, the Government has and will continue to introduce significant policy changes at the political as well as economic level. However, the perceived risk associated

with political and governance instability remains with state level polls scheduled in coming months in crucial states. Altering the status of Jammu and Kashmir is likely to attract more businesses in the coming years in the region. Though a lot of ease in terms simplification of forms and processes, cutting down on dated and unrequired policies, procedures and human interface has been brought into the system, yet clarity on implementation and implication of new policies and amendments is required to build confidence for investors. Some of the key business and mass utility areas like usage of UAVs in civilian space are still waiting to see the light of the day. Due to economic slowdown,

<sup>32</sup> World Economic Forum's "The Global Competitiveness Report 2019" [http://www3.weforum.org/docs/WEF\\_TheGlobalCompetitivenessReport2019.pdf](http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf)

<sup>33</sup> <https://openknowledge.worldbank.org/bitstream/handle/10986/32436/9781464814402.pdf>

the Government is likely to intervene in affected sectors (labour-intensive and manufacturing industries such as the automobile sector) of the economy. The merger of PSU banks is an attempt to put in place a robust financial system. More financial reforms are likely. Other focus areas will be retail, e-commerce, digital media, data protection, green environment, transport and sustainable development. Some of these reforms can trigger changes in business templates, and businesses must be prepared for change.

At the state level, in 2019 - 2020, after Maharashtra and Haryana, Delhi, Bihar, Jharkhand, and Puducherry will go to polls.

While states look inwards and outwards to promote businesses, there is a lot of scope for the centre and states to work together and build consensus on several issues like labour, land, and natural resources. During the past year, several domestic issues have been flagged, particularly those of farmers' distress in several states, and the consistent increase of diesel and petrol prices. The untoward feeling on both issues would affect the voting of rural as well as urban areas. Further, civil unrest and political compulsion in the state-centre relations continue to present credible risks to the Government's long-term economic and financial goals, thereby, delaying the Government's efforts to create a conducive and sustainable environment for businesses to engage competitively. Such an environment impinges on investments from domestic and as well as foreign players.

## Incidence Mapping

Following reports of economic slowdown, series of banks reporting mismanagement of corporate loans, RBI had to interject corrective measures in the banking sector. In a tweet, the central bank of India said, "...would like to assure the general public that the Indian banking system is safe and stable." Such a statement highlights that there is growing anxiety among people about stability in banks<sup>34</sup>.

India could benefit from the ongoing US-China trade wars, according to some leading economists, with some businesses, especially manufacturing and investments flowing into India. However, due to complex structures, some hurdles can be expected when dealing with land and labour laws and maybe difficult to fully comprehend. This could lead to slow down of opening of industrial units.

## Impact and Combat

India has jumped to 63rd position in the World Bank's Ease of Doing Business Index, 2020. According to the assessment, Delhi and Mumbai have improved the business environment<sup>35</sup>. The improvement has been credited to significant advances in several indicators, such as resolving insolvency, dealing with construction permits, trading across borders. Score on the following areas has either deteriorated or remained the same - protecting minority investors, getting credit, and enforcing contracts<sup>36</sup>.

As the current Government is in its second term, the Centre has actively focused on strengthening foreign and diplomatic relations with several major players. This has been largely to create an inviting and sustainable environment and promote international relations & trade in India, thereby further contributing to economic growth.

The Centre is likely to focus on internal issues, including internal security, taking corrective steps to improve the condition of farmers, and climate change. On the foreign-investment front, the Government is also likely to introduce reforms that would allow new businesses to start operations in India; India ranked at 136 out of 190 economies as per the latest World Bank indicators<sup>37</sup>. Herein, the existing risks and those foreseen in the near term, caused by political and governance instability would not disrupt the prospect of business operations and business developments, as India remains as a top investment hub in the world till 2019 as per United Nations Conference on Trade and Development (UNCTAD).<sup>38</sup>

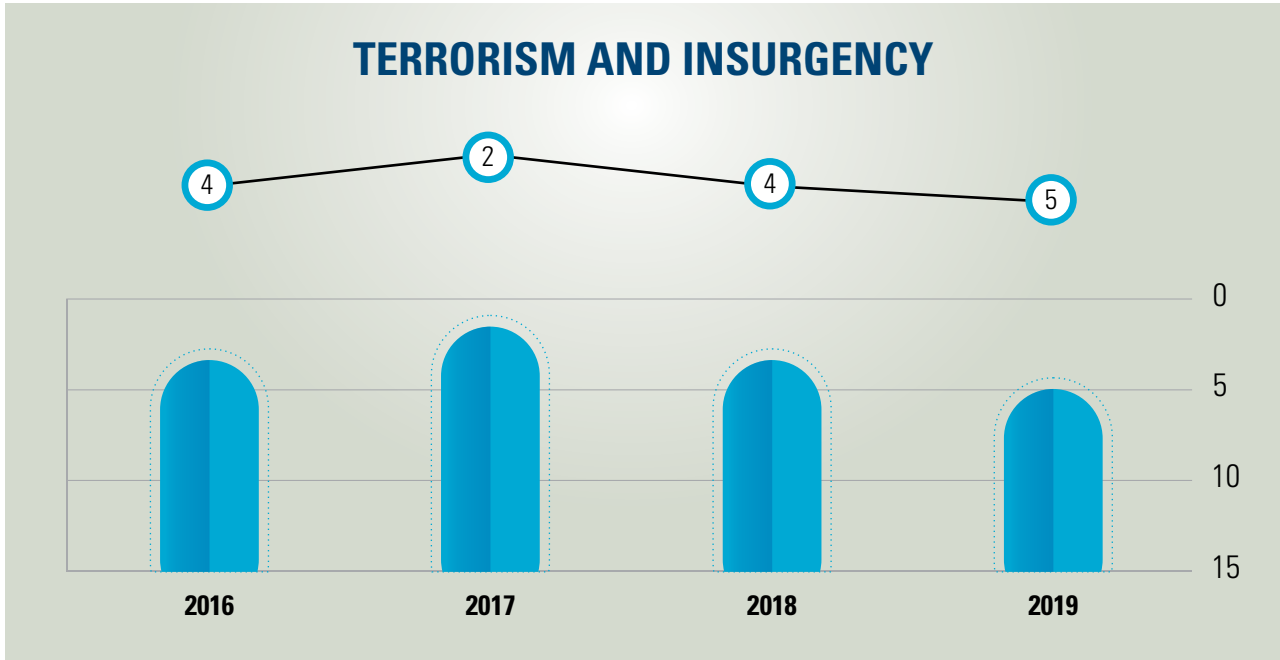
<sup>34</sup> NDTV, No need to panic, Indian Banking System stable: RBI, October 1, 2019, <https://www.ndtv.com/business/no-need-to-panic-indian-banking-system-safe-and-stable-rbi-2110407>

<sup>35</sup> <https://openknowledge.worldbank.org/bitstream/handle/10986/32436/9781464814402.pdf>

<sup>36</sup> Livemint, India vaults to 63rd in ease of doing business rankings, October, 25, 2019, <https://www.livemint.com/news/india/india-vaults-to-63rd-in-ease-of-doing-business-rankings-11571941484955.html>

<sup>37</sup> Bloomberg Quint, World Bank's ease of doing business index: Where India gained and lost, October, 24, 2019, <https://www.bloomberquint.com/business/world-banks-ease-of-doing-business-index-where-india-gained-lost>

<sup>38</sup> India Risk Survey, 2018, pp 42



## 'Terrorism and Insurgency ' drops to 5th Rank in IRS 2019

### Highlights

- Terrorism and Insurgency slips to the fifth position in the Indian Risk Survey 2019 report. Perceptive threat from this risk category has been falling since 2017.
- The use of explosives is the most prevalent threat type under this risk category.
- According to a statement of the MHA in June 2019, the situation against LWE violence has been consistently improving, and geographical spread of influence is shrinking. The violent incidents and resultant deaths have reduced by 43.4 percent and 60.4 percent from 2014-2018, as compared to 2009-2013, respectively<sup>39</sup>.
- The Government continues to use a multipronged strategy to deal with the threats from terrorism and insurgency, domestic as well as external.

### Year-on-Year Ranking

According to the India Risk Survey 2019, risks that emanate from Terrorism and Insurgency has dropped further from the fourth position in 2018 to the fifth position in 2019. This risk was ranked fourth in the survey conducted in 2018.

According to the South Asian Terrorism Portal, a total of 394 casualties were reported till October for 2019. A drastic drop from 2018 and 2017 casualty numbers. In 2018, 935 fatal cases were reported, and in 2017, 803 deaths were reported<sup>40</sup>. Most of the fatalities were

reported from Jammu and Kashmir and related LWE affected areas. India Risk Survey 2019 finds that acts of terrorism via explosives pose the biggest threat to businesses.

### Incidence Mapping

In a daring suicide attack, 44 CRPF jawans were killed in February 2019 in Kashmir's Pulwama district. The attack was carried out in a vehicle-borne improvised explosive device (VBIED) to target a bus carrying CRPF personnel. The bus targeted, was part of a 70-vehicle convoy. Jaish-e-Mohammad (JeM) claimed responsibility for the

<sup>39</sup> Economic Times, Reduction in Incidents of Naxal violence in country, scenario improving: MHA, June, 25, 2019, <https://economictimes.indiatimes.com/news/defence/reduction-in-incidents-of-naxal-violence-in-country-scenario-improving-mha/articleshow/69942566.cms?from=mdr>

<sup>40</sup> South Asia Terrorism Portal, India Fatalities, 1994-2019, <https://www.satp.org/satporgtp/countries/india/database/indiafatalities.htm>



attack. This was one of the biggest terrorist attacks on Indian security forces in history. Following the attack, Balakot airstrikes were carried out by Indian forces, which escalated tension between the two neighbouring countries. India also mounted diplomatic pressure on the international community to ban JeM leader Masood Azhar<sup>41</sup>.

A report by the Ministry of Home Affairs states that violent incidents and terrorists killed in Jammu and Kashmir rose by 80 percent and 20 percent respectively in 2018, as compared to 2017. However, there is a drop in infiltration in 2018 as compared to the previous year.<sup>42</sup>

In addition to countering militants in Jammu and Kashmir, Indian security agencies continue to crack down on ISIS supporters across the country. The National Investigative Agency (NIA) in October 2019 said that 28 cases had been registered in the state of Tamil Nadu, related to terror activities of IS. As many as 127 people have been arrested from 14 states because of their alleged involvement with the terror group<sup>43</sup>.

## Impact and Combat

Global Terrorism Index (GTI) 2018, prepared by the Institute for Economics and Peace, notes that threat from terrorism remains high. Terrorism in India, according to the report, has an unusually broad scope with the presence of about 50-odd militant groups<sup>44</sup>.

The number of terror attacks in India has come down drastically in 2019, compared to 2018. With improvements in intel collection and sharing and sustained crackdown on terror modules across India, security forces have reduced the possibility of large scale and high profile attacks.

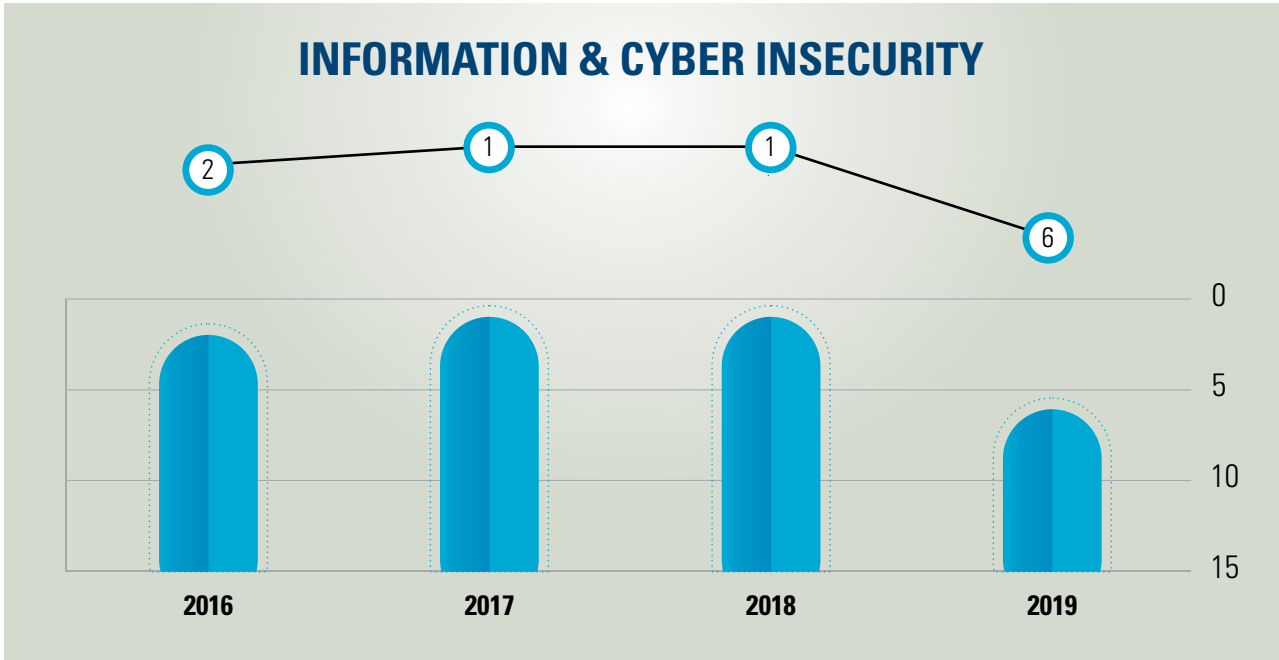
Terror activities can have a disruptive impact on businesses and trade. Companies have also stepped up employee & vendor vetting and beef up their compliance with security regulations. This Terrorism and Insurgency continue to remain a persistent risk while conducting business operations in India.

<sup>41</sup> India Today, Pulwama terror attack: Suicide bomber drives SUV packed with 300kg explosives into CRPF bus, 44 men martyred, February, 14, 2019, <https://www.indiatoday.in/india/story/twelve-crpf-jawans-injured-in-ied-blast-in-j-k-1456037-2019-02-14>

<sup>42</sup> Times of India, Terrorist violence in J&K up 80% in 2018, over previous year, October, 11, 2019, <https://timesofindia.indiatimes.com/india/terrorist-violence-in-jk-up-80-in-2018-over-previous-year/articleshow/71531909.cms>

<sup>43</sup> India Today, Islamic state radicalization a challenge in many states, Tamil Nadu foremost, October, 14, 2019, <https://www.indiatoday.in/india/story/islamic-state-tamil-nadu-nia-1609243-2019-10-14>

<sup>44</sup> Vision of Humanity, Global Terrorism Index, 2018, <http://visionofhumanity.org/app/uploads/2018/12/Global-Terrorism-Index-2018-1.pdf>



## ‘Information & Cyber Insecurity’ drops to 6th Rank in IRS 2019

### Highlights

- Information & Cyber Insecurity occupies the sixth position in IRS 2019. This risk category has slipped from the first position in 2018 to sixth this year.
- Out of the four significant risks posed by Information and Cyber Insecurity, data theft, phishing, and hacktivism have remained the biggest threat to the business.
- More than 5000 FIRs were filed in Bengaluru with cybercrime police in 2018, making the IT-hub the top city where maximum cybercrime is committed in the country. Bengaluru has witnessed a sharp increase in the past two years<sup>45</sup>.
- According to a report by the World Economic Forum, cyber attacks, data fraud, identity theft, and loss of privacy by companies and governments are likely to be significant concerns in the cyber landscape. Governments and businesses have recognized this as a serious threat to continuity and are working to mitigate this risk by improving infrastructure, firewalls, etc<sup>46</sup>.

### Year-on-Year Ranking

Information and Cyber Insecurity slips to the sixth position in the India Risk Survey 2019. However, considering the importance of critical cyber infrastructure, the vulnerabilities attached to it remain underlined in India Risk Survey 2019. The number of internet users is on the rise in India and is projected to touch 627 million users by 2019.<sup>47</sup> Likewise, services and other businesses will continue to switch to digitization.

While digitization is a step towards standardization of data storage, and gaining remote access, it also poses risks of malicious activities such as stealing, hacking. Attacks on data especially to sensitive data pose a serious threat to businesses. The India Risk Survey 2019 focuses on four significant threats posed by Information and Cyber Insecurity, namely data theft, compliance and regulatory incidents, cyberinfrastructure attacks, and impersonations. Amongst these, data theft, phishing, and hacktivism remain the most significant threat, as is highlighted in India Risk Survey 2019.

<sup>45</sup> Economic Times, Bengaluru is India’s Cybercrime capital, February, 1, 2019, <https://economictimes.indiatimes.com/tech/internet/bengaluru-is-indias-cybercrime-capital/articleshow/67769776.cms?from=mdr>

<sup>46</sup> Quartz India, Indian Executives are too overworked to deal with cyber security, October, 15, 2019, <https://qz.com/india/1727209/indian-executives-are-too-overworked-to-deal-with-cybersecurity/>

<sup>47</sup> Economic Times, Internet users in India to reach 627 million in 2019: Report, March, 6, 2019, <https://economictimes.indiatimes.com/tech/internet/internet-users-in-india-to-reach-627-million-in-2019-report/articleshow/68288868.cms?from=mdr>

The World Economic Forum published a report called The Global Risks Report 2018 – 13th Edition, in which risks associated with cyber-security was ranked third, and data fraud or theft ranked fourth. Further, the report stated that “attacks are increasing, both in prevalence and disruptive potential. Cyber breaches recorded by the business have almost doubled in five years, from 68 per business in 2012 to 130 per business in 2017.”<sup>48</sup>

## Incidence Mapping

- Cyberattacks, including hacktivism, are used as a tool to destroy, deface websites, and circulate fake news. Government sites and networks are the primary targets. However, the possibility of attacks on private business sites and data cannot be ruled out<sup>49</sup>.
- Cybersecurity experts share that Aadhaar data theft and misuse might emerge as one of the major cyber threats. According to reports, an App designed for a political party had Aadhaar details of 7.8 crore citizens. The investigation team suspects that the culprits had access to the data from the UIDAI's Central Identified Data Repository or the State Resident Data Hub (SRDH)<sup>50</sup>.
- According to a study by cybersecurity firm Kaspersky, India ranks sixth for the highest cyber attacks on pharmaceutical companies in 2018. The report adds that nearly 45 percent of devices in these organizations were detected with malicious attempts. Hackers tend to use electronic medical records (EMR) to target hospitals<sup>51</sup>.
- In January 2019, it was reported that Chinese hackers had deceitfully convinced the head of a local Indian subsidiary of an Italian company to transfer money to the tune of \$18.6 million (INR 131 Crores approx.) from bank accounts in India to a bank account in Hong Kong<sup>52</sup>.

- As many as 36 banks, including private, public, and foreign banks, were fined by the RBI in 2019 for non-compliance with the implementation and strengthening of SWIFT operations. SWIFT is a messaging software used for transactions by financial entities<sup>53</sup>.

## Impact and Combat

According to a study by Marsh and Microsoft<sup>54</sup>, technology is going to transform businesses. The study looks at the threat perception of companies across the globe. With more digitization and use of Artificial Intelligence (AI), Internet of Things (IoT), and blockchain technologies, businesses in 2019 could expect disruption of different proportions. However, there is an increased awareness of the dangers posed by cyber threats than before.

According to a report, companies in India are adopting cloud solutions to prevent any attacks on IT infrastructure. The companies have also reduced the use of vendors in 2019, compared to the previous year, to manage fewer security systems and track them. Firms have increased their security budget, trained the employees, and are working to consolidate security infrastructure<sup>55</sup>.

With growing digitization, firms have increased spendings on information security. Expenses on enterprise information security in 2019 is likely to touch \$1.86 billion, a 12.4 percent rise from 2018. As cyber-attacks have become more sophisticated, cybersecurity spendings have emerged as the top investment priority for Indian CISOs<sup>56</sup>.

In addition to Government efforts, companies will continue to invest in information management systems and employee awareness trainings.

<sup>48</sup> The World Economic Forum published a report called The Global Risks Report 2018 – 13th Edition [http://www3.weforum.org/docs/WEF\\_GRR18\\_Report.pdf](http://www3.weforum.org/docs/WEF_GRR18_Report.pdf)

<sup>49</sup> CNBC, In India-Pakistan conflict, there's a long simmering online war, and some very good hackers on both sides, February, 27, 2019, <https://www.cnbc.com/2019/02/27/india-pakistan-online-war-includes-hacks-social-media.html>

<sup>50</sup> Times of India, IT grids Aadhaar data theft case maybe the biggest ever in India: Experts, April, 1, 2019, <https://timesofindia.indiatimes.com/city/hyderabad/it-grids-aadhaar-data-theft-case-may-be-the-biggest-ever-in-india-experts/articleshow/68880147.cms>

<sup>51</sup> Economic Times, India ranks 6th for highest cyber attacks on pharma firms, September, 15, 2019, <https://health.economictimes.indiatimes.com/news/pharma/india-ranks-6th-for-highest-cyber-attacks-on-pharma-firms/71139722>

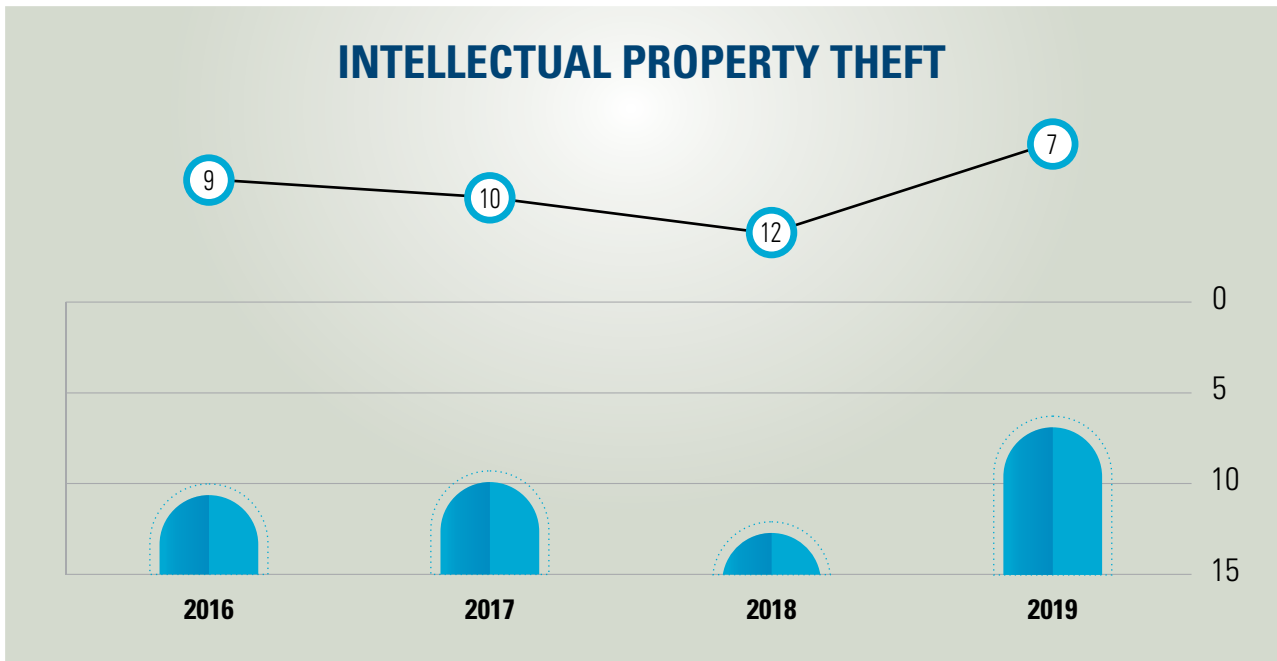
<sup>52</sup> CPO magazine, Cyberfraud by Chinese hackers makes headlines in India, January, 21, 2019, <https://www.cpomagazine.com/cyber-security/cyber-fraud-by-chinese-hackers-makes-headlines-in-india/>

<sup>53</sup> Economic Times, RBI slaps penalty on 36 banks for SWIFT non-compliance, March, 9, 2019, <https://economictimes.indiatimes.com/news/economy/finance/rbi-slaps-penalty-on-36-banks-for-swift-non-compliance/articleshow/68328956.cms>

<sup>54</sup> Marsh & Microsoft, 2019 Global cyber risk perception survey, September, 2019 <https://www.microsoft.com/security/blog/wp-content/uploads/2019/09/Marsh-Microsoft-2019-Global-Cyber-Risk-Perception-Survey.pdf>

<sup>55</sup> Quartz India, Indian executives are too overworked to deal with cybersecurity, October, 15, 2019 <https://qz.com/india/1727209/indian-executives-are-too-overworked-to-deal-with-cybersecurity/>

<sup>56</sup> Hindu BusinessLine, Enterprise Information Security spending in India to grow 12% in 2019: Gartner, September, 26, 2019, <https://www.thehindubusinessline.com/info-tech/enterprise-information-security-spending-in-india-to-grow-12-in-2019-gartner/article29260275.ece>



### ‘Intellectual Property Theft’ jumps to 7th Rank in IRS 2019.

#### Highlights

- “Intellectual Property Theft” climbs up from twelfth position in 2018 to seventh position in this year’s survey.
- Under the domain of IP Theft, Brand Reputation Loss has been ranked as the most significant threat in the Risk Survey.
- Subject matter experts believe that IPR awareness among public, R&D and educational institutes and businesses should be created.
- The Government and private sector continues to foster diplomatic ties on bilateral and multilateral platforms to resolve IPR issues. It is also important to note that thorough employee background check aids in avoiding industrial/business espionage relating to IP theft.

#### Year-on-Year Ranking

Risks associated with Intellectual Property (IP) Theft climbs to seventh position, compared to a ranking at the twelfth position in 2018. Under this domain, brand reputation loss remains the biggest concern for businesses.

Einfolge, an international patent and analytics, and market research company, carried out a study among institutions in four states of India and found that over 35 per cent of respondents were not aware of Intellectual Property Rights (IPR) and its benefits<sup>57</sup>. The respondents did not know about monetary benefits in acquiring an IP

right, commercial use of IP rights and compliance issues is using pirated products.

IPR awareness and its application are especially crucial for micro, small, and medium enterprises (MSMEs) and startups, as they might not have access to legal expertise to get their innovative products registered. The Government of India continues to push for the Make in India campaign with several foreign companies expressing their interest to start, and also expand their R&D facilities in India. The campaign’s policy includes creating IPR awareness while promoting research and development through tax benefits. The effort is also to encourage research institutes to contribute to the innovation pool.

<sup>57</sup> Hindustan Times, Intellectual Property Rights: A Smarter way to reform education sector, October, 11, 2019, <https://www.hindustantimes.com/education/intellectual-property-rights-a-smarter-way-to-reform-education-sector/story-QOM9z2wpl8nhmAVBuZt8bN.html>

## Incidence Mapping

The Indian economy lost Rs 1,17,253 crore in 2018 due to smuggling in five key sectors and about 16.36 lakh worth of livelihood opportunity.<sup>58</sup> According to a FICCI-CASCADE (Committee Against Smuggling and Counterfeiting Activities Destroying the Economy) study, revenue and livelihood opportunities are lost due to smuggling in five specified industries, namely textiles, tobacco products, readymade garments, machinery and parts and consumer durables like electronics.<sup>59</sup>

A study by the Organisation for Economic Cooperation and Development (OECD) states that global trade and pirated products could amount to USD 509 billion ( INR 3610133 Cr)<sup>60</sup>. The report also highlighted that India, along with other South Asian countries has emerged as strong suppliers of counterfeit goods.

## Impact and Combat

To crack down on the organized sale of counterfeit goods, the Government would need to make offences committed against the Trademark Act and Copyrights Act cognizable and non-bailable, as enshrined in the provisions of the Indian Penal Code.

To spread awareness about IPR, the Department for Promotion of Industry and Internal Trade (DPIIT) has launched 'L2Pro', India IP e-learning Platform and

the L2Pro India Mobile App in October 2019, where information on securing innovation and intellectual property rights is readily available<sup>61</sup>. This legal aid is likely to help small companies and startups, to innovate and protect their products.

Following an amendment to India's Patent Act in 2005, India is now compliant with international norms - the Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). The Government is also trying for R&D institutes to meet with industrial needs and requirements. The Government would also need to increase spendings on R&D to compete in the global market. In 2016-17, India spent just about 0.7 percent of its GDP on R&D, compared to Japan, US, and China, which spend about 3.2 percent, 2.8 percent, and 2.1 percent, respectively, in 2017<sup>62</sup>. Companies would also need to change their approach towards IPR. Many companies tend to see patents as a cost center.

The Government of India will continue to strengthen collaboration and a deeper understanding of bilateral and multilateral norms on IPR issues and their compliance. Businesses are advised to spread awareness about the patents regime and comply with it, which will allow continuity of existing inflow and outflow of trade and investments. To mitigate IP related risks employees must be screened to avoid industrial/business espionage relating to IP theft.

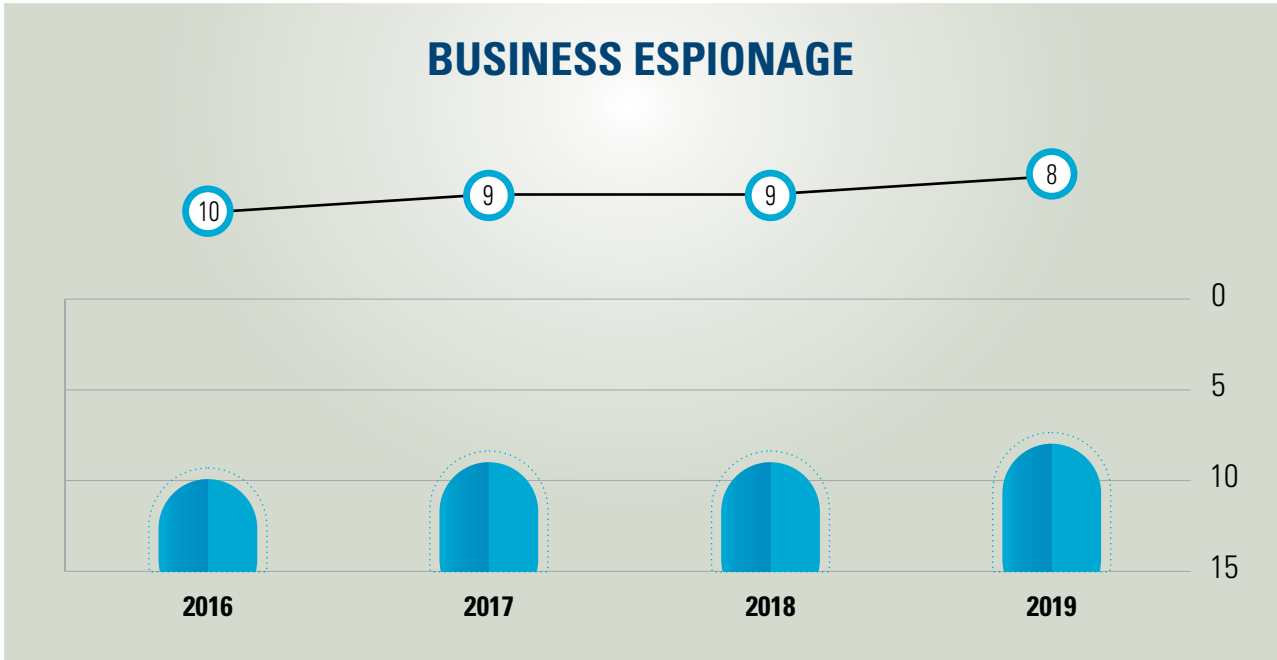
<sup>58</sup> <http://www.ficci.in/ficci-in-news-page.asp?nid=18874>

<sup>59</sup> <http://ficci.in/publication.asp?spid=23132>

<sup>60</sup> Wion News, India is emerging as an important producer of counterfeit goods, April, 21, 2019, <https://www.wionews.com/opinions/india-is-emerging-as-an-important-producer-of-counterfeit-goods-212263>

<sup>61</sup> <https://pib.gov.in/PressReleasePage.aspx?PRID=1588022>

<sup>62</sup> <https://pib.gov.in/PressReleaselframePage.aspx?PRID=1580049>



#### **‘Business Espionage’ jumps to 8th Rank in IRS 2019.**

##### **Highlights**

- Business Espionage moves slightly up to the eighth position in the India Risk Survey 2019 after staying at ninth place for the last two years.
- Employee Poaching under Business Espionage is perceived as the top threat in the functioning of business operations.
- With easily available technologies such as smartphones (with inbuilt scanners), pen drives at very low prices, business information, especially critical data is always under threat. Just as storing business data has become more sophisticated, so has modes of business espionage. With more covert nature of operations, detection and mitigation have also become a challenge.
- Modus operandi of espionage varies from planting spies in a rival firm to procuring confidential data and engineering designs, and procuring software codes by illicit means.

##### **Year-on-Year Ranking**

Business Espionage moves slightly up to the eighth position in the India Risk Survey 2019. Business espionage is generally understood as a covert and at times illegal practice to gain access to useful information from competitors to gain a business advantage. It could be conducted in several ways including cyber-attacks, which poses the biggest risk associated with business espionage, or by placing physical entities

inside a competitor’s organization. A common practice conducted in business espionage is via a secretive/ confidential buy off of valuable assets (employees), or trade secrets from competitors. This implies that there is a form of corruption being practiced by the buyer and the asset, or the involved party that maybe leaking trade secrets. It is, therefore, crucial to understand the level of corruption that exists in businesses in India; to gauge the risk of business espionage.

## Incidence Mapping

While the India Risk Survey 2019 places Business Espionage on the eighth spot, senior management, and investors should remain focused on mitigating the risks associated with espionage.

- In September 2019, a social commerce startup funded by one of the largest social media networking sites, approached the court in Bangalore, accusing its rival of poaching its former employees, who have allegedly stolen company data. The start up is also contesting the case against nine of its employees<sup>63</sup>.
- A report said that one of the largest e-retailers from India announced a fresh set of employee stock ownership plan (ESOP) to its middle and senior-level employees. This measure was taken to retain its employees. There are reports that other well-funded startups are poaching its employees<sup>64</sup>.
- In June 2019, a Thane-based BPO in the state of Maharashtra approached the police suspecting some of its employees might have committed corporate espionage by stealing data from its client company<sup>65</sup>. The client, a New York-based debt recovery company, had shared confidential data with this BPO. The suspected employees who had access to this sensitive data left the company and did not return the company-issued laptop.

## Impact and Combat

Employee poaching in India is relatively common, especially among IT conglomerates, according to Randstad study<sup>66</sup>. It also states that at the middle

and senior-level hiring in hi-tech companies, there is a talent crunch. Moreover, the thin line between competitive recruitment and poaching, is becoming blurred. However, from competitors at a broad level is not illegal.

With more and more digitization, business espionage has also become very sophisticated and is becoming equally difficult to detect. Businesses are likely to find it difficult to mitigate business espionage threat. Employees may engage in unethical and corrupt practices, and the gains might not be linked to only financial benefits.

There are specific provisions under the IT Act which deals with data theft. Businesses must be aware of these provisions. Further, The Prevention of Corruption Act, 2018, has been amended, which dictates that a relevant trial should be completed on a day-to-day basis and should conclude within two years. The law also provides for minimum imprisonment of three years, extendable to seven years, along with a fine.

With data becoming extremely valuable, businesses are advised to ensure that recommended firewalls are in place to safeguard from any hacking-activity. It is reiterated that organizational function and the flow of information should be protected at all costs, ensuring that valuable assets and sensitive data are secured. Further, frequently training employees would prepare them with best practices in the event of possible hacking-activity. It is also advisable to conduct independent audits to check the business resilience of the organization and secure business continuity.

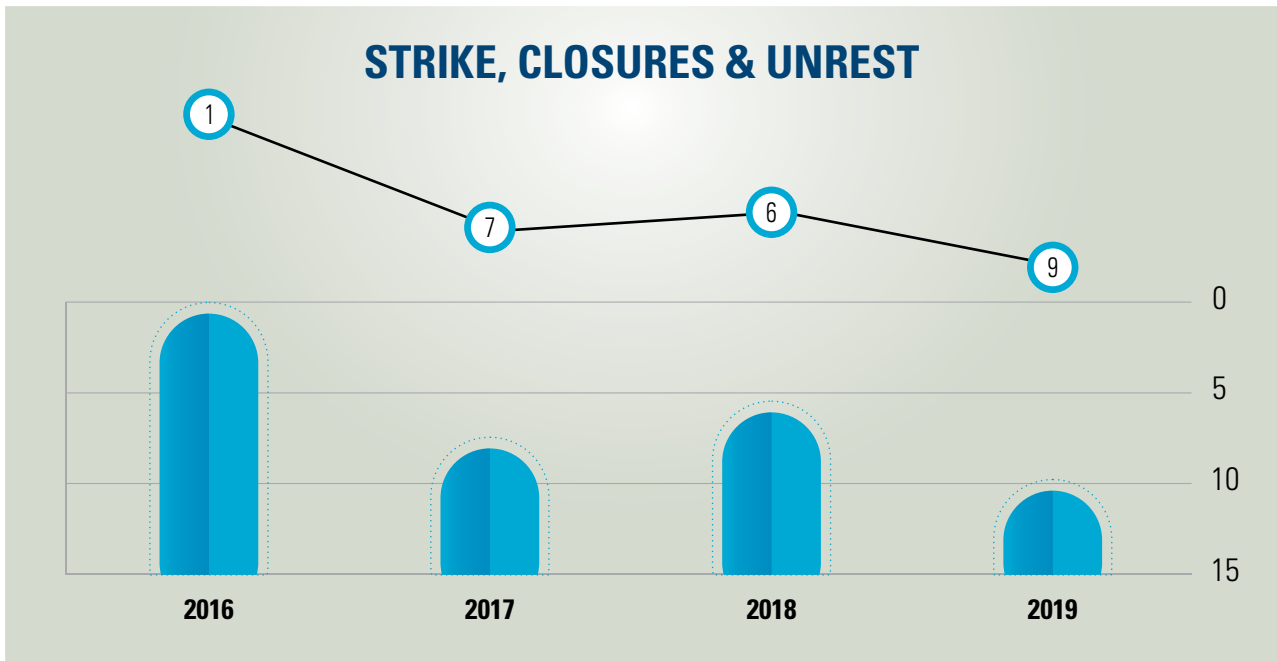
<sup>63</sup> Times of India, Social Commerce firm Meesho drags rival to court, September, 21, 2019, <https://timesofindia.indiatimes.com/companies/social-comm-firm-meesho-drags-rival-to-court/articleshow/71233265.cms>

<sup>64</sup> Economic Times, Flipkart delivers \$100m ESOPs to a chosen few, May, 10, 2019, <https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/flipkart-delivers-100m-esops-to-a-chosen-few/articleshow/69260754.cms>

<sup>65</sup> Business Standard, Confidential Data of US Firm stolen; Thane BPO files complaint, June, 18, 2019, [https://www.business-standard.com/article/pti-stories/confidential-data-of-us-firm-stolen-thane-bpo-files-complaint-119061800948\\_1.html](https://www.business-standard.com/article/pti-stories/confidential-data-of-us-firm-stolen-thane-bpo-files-complaint-119061800948_1.html)

<sup>66</sup> Randstad, Poaching: Unethical or a Necessary part of a Competitive job market, November, 28, 2018, [https://www.randstad.in/workforce360/archives/poaching-unethical-or-a-necessary-part-of-a-competitive-job-market\\_297/](https://www.randstad.in/workforce360/archives/poaching-unethical-or-a-necessary-part-of-a-competitive-job-market_297/)





#### **‘Strike, Closures & Unrest’ drops to 9th Rank in IRS 2019.**

##### **Highlights**

- “Strikes, Closures & Unrest” slips to ninth position this year, as compared to sixth rank in IRS 2018.
- Under Strikes, Closures & Unrest, Union/ Labour union strikes have emerged as the most significant threat to business operations.
- In 2019, the number of reported strikes, and closures causing major disruptions, have been fewer. However the possibility of any changes in labour laws, which can impact workers adversely, can trigger protests. The risk of strikes, closures & unrest continues to be one of top 12 risks for businesses.

##### **Year-on-Year Ranking**

‘Strikes, Closures and Unrests’ ranks at the ninth position in the India Risk Survey 2019. In 2018 survey, this risk occupied sixth position. India Risk Survey 2019 finds that growing labour union strikes have become a significant cause of concern and causes disruption to business operations. In 2019, the number of reported strikes, and closures causing major disruptions, have been lesser. However the possibility of any changes in labour laws might impact workers adversely and could possibly trigger protests. Therefore strikes, closures & unrest continues to be one of the top 12 risks for businesses.

Recent changes introduced that affect workers and employees include better maternity benefits, the

law on rights of persons with disabilities, increased coverage for mandatory employee insurance, simplified employment law compliances, and the introduction of a common platform for complaints of sexual harassment.

The Government has tabled Code on Wages Bill, 2019, in the Parliament. The Code will replace four laws — the Payment of Wages Act, 1936, the Minimum Wages Act, 1948, the Equal Remuneration Act, 1976, and the Payment of Bonus Act, 1965. This code will guarantee a minimum wage to 50 Crore ( 500 Million approx.) workers. This is also an indication that the Government will continue to reform labour laws<sup>67</sup>.

In July 2019, the Code on Occupational Safety, Health and Working Conditions (OSHW), 2019, was tabled in the Lok Sabha proposing one registration for an

<sup>67</sup> Economic Times, What code on wages means for the 50 crore workers it aims to benefit, August, 4, 2019, <https://economictimes.indiatimes.com/news/economy/policy/decoded-what-code-on-wages-mean-for-the-50-crore-workers-it-aims-to-benefit/articleshow/70515807.cms?from=mdr>

establishment. The Bill attempts to consolidate 13 labour laws, including the Factories Act, 1948, and the Contract Labour (Regulation and Abolition) Act, 1970<sup>68</sup>.

The Global Competitiveness Index Report 2019, produced by the World Economic Forum (WEF), highlights that India would need to improve its skill base, provide more protection to labour rights, and increase participation of women in the labour market<sup>69</sup>.

India is also witnessing hiring of more flexi-staff and contractual workers. A study by Indian Staffing Federation states that flexi-staffing, or contractual workers grew by 16.3 percent to 3.3 million in 2018 as compared with 2.1 million in 2015. Such hiring indicates formalization of the workforce, as they all get benefits like provident fund, social security benefits. The study forecasts that flexi workers are expected to grow up to 6.6 million by 2021. States of Haryana, Gujarat, Karnataka, Madhya Pradesh, Andhra Pradesh, and Telangana have high growth potential for flexi-staffing<sup>70</sup>.

## Incidence Mapping

The Telangana State Road Transport Corporation (TSRTC) unions and employees in the state of Telangana have been staging an indefinite protest in October 2019 demanding wage revision. The protesting unions have threatened to intensify their industrial action by staging blockades and shutdown. Many political parties and other unions are supporting this protest<sup>71</sup>.

The national capital New Delhi witnessed a series of protests in August 2019 after the demolition of Sant Ravidas temple by Delhi Development Authority (DDA) in the Tughlakabad area. The temple was demolished following a Supreme Court order. The police had to resort to fire tear gas and use “mild force” when the protest turned violent<sup>72</sup>.

Businesses are yet to see the investment climate pan out in the union territory of Jammu and Kashmir after the central Government withdrew the special status of Kashmir in August 2019.

## Impact and Combat

Strikes, Closures, and Unrest have direct financial and operational implications for businesses. Businesses not only have to restrict their operations during such disruptive events, but the protesters can also target their services, damage assets during any planned or unplanned gathering. The country’s perception in terms of ease of doing business and business continuity is impacted when such events disrupt or have the potential to disrupt operations. Instability, threatening business operations, directly impacts the market by affecting investor confidence and implies an increase in the risk premium assigned to securities in the country.

Industrial relations is mainly defined by the Trade Unions Act, 1926, the Industrial Employment (Standing Orders) Act, 1946, and Industrial Disputes Act, 1947. The Government of India, as part of labour reforms, is going to focus on streamlining 44 labour laws covering four principal codes - wages, industrial safety and welfare, social security, and industrial relations. While labour unions are backing wages code, a consensus is yet to build for the other three laws.

Businesses are reminded that while the Indian Penal Code (IPC) deals with communal incidences, caste agitations, and other forms of violent demonstration, and companies can take the help of this code if any event causes disruption and disturbance. Industrial relations is mainly defined by the Trade Unions Act, 1926, the Industrial Employment (Standing Orders) Act, 1946, Industrial Disputes Act, 1947<sup>73</sup>.

<sup>68</sup> Business Today, worker safety code bill 2019: What is the opposition to the proposed law? <https://www.businesstoday.in/current/policy/worker-safety-code-bill-2019-occupational-safety-labour-laws-working-conditions/story/368322.html>

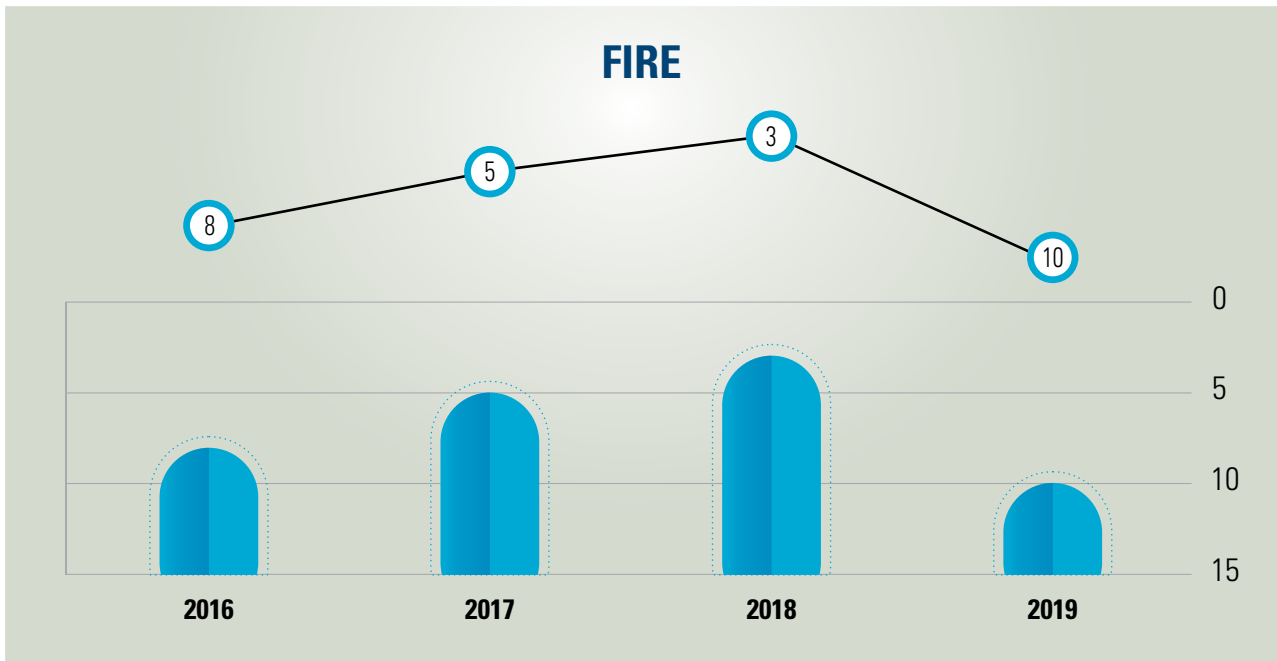
<sup>69</sup> World Economic Forum, Global Competitiveness Index Report 2019, [http://www3.weforum.org/docs/WEF\\_GlobalCompetitivenessReport2019.pdf](http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport2019.pdf) <https://economictimes.indiatimes.com/news/economy/indicators/india-slips-10-places-on-global-competitiveness-index-singapore-on-top/articleshow/71498559.cms>

<sup>70</sup> Staffing Industry Analysis, <https://www2.staffingindustry.com/row/Editorial/Daily-News/India-Flexible-workforce-expected-to-double-by-2021-Indian-Staffing-Federation-50304>

<sup>71</sup> Livemint, TSRTC unions refuse to call off strike, to give a bandh call in protest, October, 9, 2019, <https://www.livemint.com/news/india/tsrtc-unions-refuse-to-call-off-strike-to-give-a-bandh-call-in-protest-11570628728082.html>

<sup>72</sup> India Today, Explained: Why are Dalits agitated over demolition of Ravidas temple in Delhi, August, 22, 2019, <https://www.indiatoday.in/india/story/dalit-protest-demolition-ravidas-temple-delhi-tughlakabad-explained-1590482-2019-08-22>

<sup>73</sup> India Risk Survey, 2018, pp. 45



### 'Fire' drops to 10th Rank in IRS 2019.

#### Highlights

- Risk from fire slides down to the tenth rank in IRS 2019. The previous year, Fire was ranked as the third most dominant risk for business operations.
- Fire, caused by electric short circuits, continues to pose a significant risk to business continuity and operations.
- From Aug 2018 till Sept 2019, there were ten significant incidents of fire breakouts in business establishments, hospitals, coaching center reported from Mumbai, Delhi, Gurgaon, and Surat. This number highlights that though fire as a threat has slipped, the risk continues to be a concern for businesses.
- The Government as well as companies are continuously working towards better safety measures and spreading awareness about safety in India.

#### Year-on-Year Ranking

Fire accidents remain as one of the top twelve risks for business continuity and operations, and ranks at the tenth position in the India Risk Survey 2019, compared to its ranking at the third position in India Risk Survey 2018. According to the latest NCRB data, 16,695 cases of "Accidental Fire" reported in 2016. The number of incidents suggest a fall in numbers by 9.5 percent, compared to the previous year. A total of 18,450 cases of fire accidents were reported in the country during 2015<sup>74</sup>. About 50.2 percent of deaths due to fire were reported from residential buildings in 2016<sup>75</sup>.

Majority of the fire accidents are reported from residential buildings. While number of cases reported from residential buildings has gone up in 2016 (8359) as compared to 2015 (7493). Comparatively, fire in commercial buildings, Factory Manufacturing Combustible Materials including Cracker/Match Box Factories and other factories reported lesser accidents in 2016, when compared to 2015 figures<sup>76</sup>.

The India Risk Survey finds that electric short-circuit is the most likely cause of potential fire outbreaks at business locations.

<sup>74</sup> NCRB Report, 2015, <http://ncrb.gov.in/StatPublications/ADSI/ADSI2015/chapter-1%20accidents.pdf>

<sup>75</sup> NCRB Report on Accidental Deaths and Suicides, 2016, pp. 12, <http://ncrb.gov.in/StatPublications/ADSI/ADSI2016/ADSI-2016%20FULL%20REPORT.pdf>

<sup>76</sup> Ibid., pp 103

## Incidence Mapping

There have been numerous fire accidents in the current year, causing significant loss of life and property.

- At least 20 people were killed in May 2019 when a fire broke out at a learning centre in Surat, Gujarat. Fire outbreak was caused by an electrical short circuit.
- A fire caused by a powerful blast at a chemical factory in Maharashtra's Dhule district killed about 13 workers and injured more than 50 people in dozen others in Aug 2019<sup>77</sup>.
- In Delhi's Karol Bagh area, 17 people died when a fire broke out at a hotel in February 2019. The cause of fire was short circuit<sup>78</sup>.
- About 150 cars were gutted in the fire during the annual Aero India show in February this year in Bangalore. The reason for the fire outbreak is not known<sup>79</sup>.

## Impact and Combat

The general causes of fire is related to inadequate fire safety audits, flouting norms, lack of awareness on dos and don'ts, unavailability of fire safety equipment in buildings and public spaces, and presence of combustible objects. Dousing fire in high rises is a

challenge. Modernizing fire departments remains a concern. Delay in the arrival of the firefighters and rescue teams in most big cities like Mumbai is a concern due to the slow traffic movement<sup>80</sup>.

To improve fire safety norms in buildings, the National Building Code (NBC), 2016, lays out detailed dos and don'ts for construction of buildings. However, non-compliance with its terms is a major concern.<sup>81</sup>

The Ministry of Home Affairs acknowledges the need to improve fire-fighting and proper training to firefighter and rescuers. In an effort improve fire safety for industries, the Central Industrial Security Force (CISF), started provided fire protection to 102 industrial units in 2018-19.<sup>82</sup> From January, 2018 to March, 2019, CISF attended a total of 3,970 of Fire Calls (including 12 major fire calls) and saved property to the tune of INR 767.07 crore. The Government is also training fire personnel and civilians to combat fire incidents, through its focussed training programs.

According to Fire & Security Association of India (FSAI), awareness about fire safety among people have gone up due to active campaign by groups like FSAI<sup>83</sup>. For safety, businesses can continue to focus on timely audits and compliance with safety norms. Companies in alliance with citizen groups and Government support can conduct trainings, drills, and spread awareness among employees on how to deal with fire incidents to mitigate this risk.

<sup>77</sup> News18.com, At least 13 killed, 58 injured as gas cylinders explode in Maharashtra chemical factory, August, 21, 2019, <https://www.news18.com/news/india/eight-feared-killed-in-multiple-explosions-at-maharashtra-chemical-factory-2291675.html>

<sup>78</sup> India Today, Delhi: 17 dead in massive fire at Karol Bagh hotel, 2 jumping off building, February, 12, 2019, <https://www.indiatoday.in/india/story/delhi-2-dead-in-massive-fire-at-karol-bagh-hotel-1453838-2019-02-12>

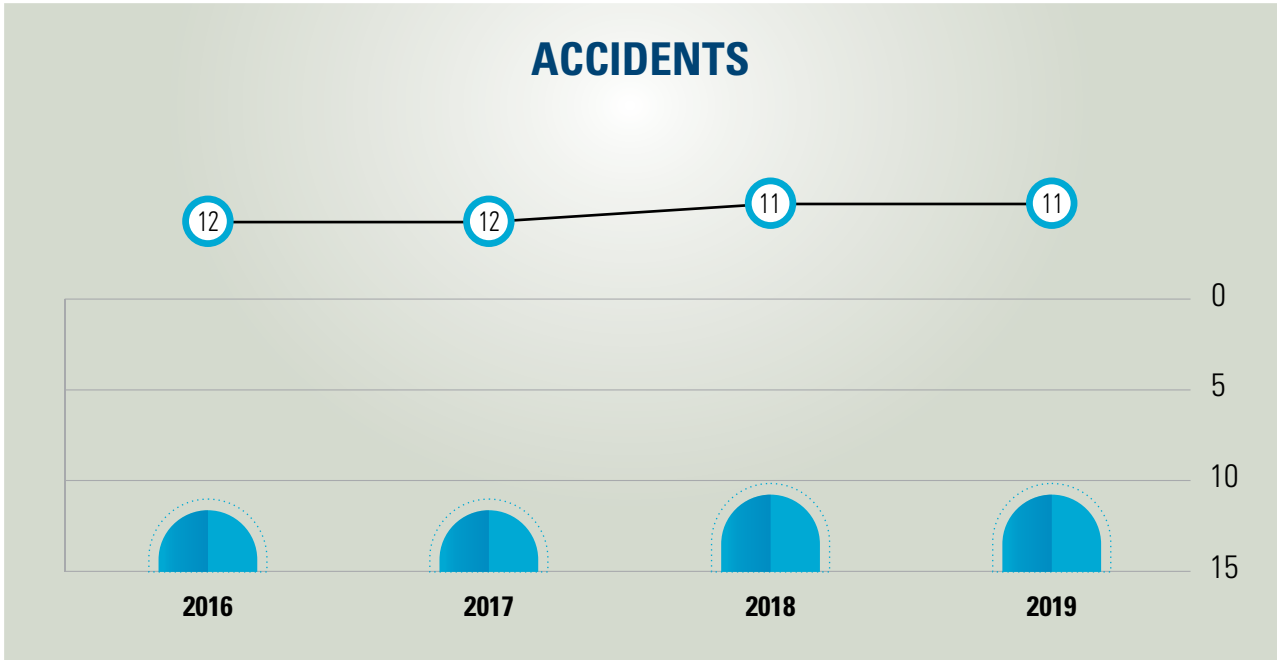
<sup>79</sup> Times of India, Bengaluru: 150 cars gutted in fire near venue of Aero show; display suspended, February, 23, 2019, <https://timesofindia.indiatimes.com/india/100-cars-gutted-in-fire-near-venue-of-aero-india-show-display-suspended/articleshow/68124807.cms>

<sup>80</sup> ORF, Addressing the issue of fire safety in metropolitan cities of India, July, 30, 2019, <https://www.orfonline.org/expert-speak/addressing-issue-fire-safety-metropolitan-cities-india-53704/>

<sup>81</sup> The New Indian Express, Building owners throw safety norms to wind, put lives at risk, October, 16, 2019, <https://www.newindianexpress.com/cities/thiruvananthapuram/2019/oct/16/building-owners-throw-safety-norms-to-wind-put-lives-at-risk-2048210.html>

<sup>82</sup> Ministry of Home Affairs Annual Report, 2018-19, pp. 127

<sup>83</sup> FSAI, Fire safety – An element of Vision Zero, [http://www.dgfasli.nic.in/website\\_visionzero/day2/Pankaj.pdf](http://www.dgfasli.nic.in/website_visionzero/day2/Pankaj.pdf)



#### Accidents remains at 11th Rank in IRS 2019

##### Highlights

- “Accidents” remain in the eleventh position in this year’s risk survey, just as in IRS 2018.
- The Risk survey identifies “Traffic Accidents” as the topmost threat to business operations.
- According to Government published data, 1.5 lakh people have been killed in road accidents in 2017. This means about 53 accidents are reported per hour, and about 17 people die every hour. About 36 percent of these fatalities are reported from National Highways<sup>84</sup>.
- India plans to bring down road-related fatalities to 50 percent by 2020, as per the Special Development Goals (SDG)<sup>85</sup>.
- It is imperative to reinforce awareness of traffic rules and safety by companies through training workshops and discussions, which could eventually be beneficial for employees and business operations.

##### Year-on-Year Ranking

“Accidents” risk category remains at the same position in the India Risk Survey 2019 just as in 2018. A World Bank study says that “reducing road traffic deaths and injuries could result in substantial long-term income gains for low- and middle-income countries.” The study further found that “countries that do not invest in road safety could miss out on anywhere between 7 percent and 12 percent in potential capita GDP growth over a

24-year period. This requires policymakers to prioritize investment in road safety.”<sup>86</sup>

A study by India Today Data Intelligence Unit (DIU) in 2019, shows that people riding two-wheelers are more prone to accidents. As per 2017 data, more than 48,746 two-wheeler users were killed in road accidents. In those numbers, almost 74 percent of them did not wear a helmet. Followed by two-wheelers, the death toll among car/jeep/taxi users was 26,869. Truck and lorry users followed with a death toll of 17,158<sup>87</sup>.

<sup>84</sup> News18.com, Every hour 17 people die in India due road accidents; Uttar Pradesh most dangerous, Jul, 25, 2019, <https://www.news18.com/news/auto/every-hour-17-people-die-in-india-due-to-road-accidents-uttar-pradesh-most-dangerous-infographic-2244383.html#targetText=The%20Union%20Minister%20of%20Road,passed%20by%20a%20voice%20vote.&targetText=The%20number%20of%20fatalities%20is,53%20road%20accidents%20every%20hour>.

<sup>85</sup> The World Bank, Helping India reduce its fatalities by half through a Central Road Safety Strategy, October, 6, 2019, <https://www.worldbank.org/en/news/speech/2019/10/06/national-road-safety-strategy-india-accidents-death-behavior-change-safe-roads>

<sup>86</sup> The World Bank, Road Accidents and Injuries Hold Back Economic Growth in Developing countries, January, 9, 2018, <https://www.worldbank.org/en/news/press-release/2018/01/09/road-deaths-and-injuries-hold-back-economic-growth-in-developing-countries>

<sup>87</sup> India Today, 4 people die every hour in India because they do not wear a helmet, September, 24, 2019, <https://www.indiatoday.in/diu/story/two-wheeler-death-road-accidents-helmets-states-india-1602794-2019-09-24>

Studies show that people who die in road mishaps are often young. Data from 2016 shows that 60 percent of the people who died belongs to the 18-35 age group. The death of young people has an impact on the economy as they belong to the economically active group<sup>88</sup>.

## Incidence Mapping

- A Government release states that about 1.5 lakh people have lost their lives in road accidents in 2017. That translates to 53 accidents in every one hour and 17 deaths in one hour. Uttar Pradesh, Tamil Nadu, and Maharashtra occupy the top three positions in fatal crashes. The Motor Vehicles (Amendment) Act, 2019, which came into effect from September 2019<sup>89</sup>, imposes high penalties for vehicles that ignore safety regulations. Car manufacturers will now have to ensure built-in mechanisms for safety. However, many states have indicated their reservations to the hefty imposition of fines.
- The data from the Labour and Employment Ministry reveals that from year 2014-2016, 3,562 workers lost their lives while 51,124 were injured in factory- related accidents across the country. So about 47 factory workers are injured, and three die in crashes every day. As per this report, Gurajat tops in fatalities and West Bengal (about 65 percent accidents) in non-fatal accidents. There were over 46,000 prosecutions launched against factory accidents during the same period, resulting in the conviction of 29,911. While 65 people were imprisoned for these accidents and factories were imposed with fines of INR 29.44 crore( USD 4 million approx.)<sup>90</sup>.

- The NDMA in a release said that, on average, over 2,500 people die annually due to lightning. From year 2011 to 2015, about 500 people were killed in lightning in Tamil Nadu. India reports the highest number of deaths due to lightning strikes. Lightning claimed 35,384 lives in the country from year 2000 to 2015<sup>91</sup>.

## Impact and Combat

Businesses must focus on a thorough audit of safety measures in offices, factories, and work on mitigation in the event of an accident. Fatalities caused by occupational accidents imply increased liability for businesses, particularly with respect to the insurance sector. Injuries caused by occupational accidents can also impact operations with reduced productivity, lower sales, and possible disruption to business continuity. Preventing accidents at a place of business, therefore, becomes a significant practice in which several details should be considered, such as slips and falls, electrical wirings, manual handling, and lifting.

At a seminar on “Road Safety: The Role of Corporates,” organised by FICCI in association with the Ministry of Road Transport & Highways, Joint Secretary (Transport), Ministry of Road Transport and Highways, said that safety begins at home and that corporates need to ensure that their employees, workforce, and visitors to company premises abide by road safety measures. Employees need to be trained about improving their life skills and adhering to safer road safety norms. He also added that “I would advocate corporates, especially those actively engaged in transport, to spend a significant portion of CSR towards road safety.....”<sup>92</sup>

<sup>88</sup> Times of India, India way behind 2020 target, road accidents kill over a lakh a year, October, 4, 2018, <https://timesofindia.indiatimes.com/india/india-way-off-road-safety-targets-for-2020-road-accidents-still-kill-over-a-lakh-a-year/articleshow/65765549.cms>

<sup>89</sup> Economic Times, These New Motor Vehicle Act laws hike driving penalties from Sept 1, September, 16, 2019, <https://economictimes.indiatimes.com/wealth/personal-finance-news/these-new-motor-vehicle-act-laws-hike-driving-penalties-from-sept-1/articleshow/70905887.cms?from=mdr>

<sup>90</sup> The Hindu Business Line, 3 workers die, 47 are injured every day in factory accidents, February, 26, 2019, <https://www.thehindubusinessline.com/companies/3-workers-die-47-are-injured-every-day-in-factory-accidents/article26378544.ece#>

<sup>91</sup> The New Express, 2500 people get killed every year by lightning strike, October, 16, 2019 <http://www.newindianexpress.com/states/tamil-nadu/2019/oct/16/2500-people-get-killed-every-year-by-lightning-strike-2048324.html>

<sup>92</sup> FICCI, Press Release on Road Safety, November, 28, 2019



### Threats to Women Safety remains drops to 12th Rank in IRS 2019

#### Highlights

- Threats to women safety ranks on the twelfth position in the India Risk Survey 2019.
- In this risk category, “sexual assault, including rape,” remains the most significant threat.
- For businesses, safety of women at the workplace and their commute between home and workplace remains a concern.
- Companies have focused on spreading awareness and building a robust redressal facility for grievances to strengthen efforts to make the workplace safer for women. Many corporates have complied with various Government guidelines and have also taken proactive steps.

#### Year-on-Year Ranking

Threats to women safety remains at twelfth rank in India Risk Survey 2019. According to the National Crime Records Bureau (NCRB) 2017 data, the incident of rapes per million has come down; however overall crime against women has gone up. In 2017, 3,59,849 cases of crime against women were reported, with Uttar Pradesh topping the list with 56,011 cases followed by Maharashtra (31,979) and West Bengal (30,002)<sup>93</sup>.

Crimes reported against women has gone up from 21 per hour in 2007 to 39 per hour in 2016. Reported crimes against women also jumped by 83 percent

from 2007 to 2016. Out of a total of 38,947 reported cases, a total of 36,859 cases reported that the victims knew the offenders, while in a total of 600 cases, the offenders were co-workers or employers. While reporting of incidents has gone up, the conviction had been lowest in 2016<sup>94</sup>.

It is also worrying that women are also becoming targets of cybercrime. As per NCRB 2017 report, every fifth case reported in the year was against women. These include cyber blackmailing/ threatening, cyber pornography, cyberstalking or bullying, defamation or morphing, and fake profiles<sup>95</sup>.

<sup>93</sup> National Crime Bureau Report (NCRB), Crime in India 2017, <http://ncrb.gov.in/StatPublications/CII/CII2017/pdfs/CII2017-Full.pdf>

<sup>94</sup> Firstpost.com, Crimes against women up 83 percent, but conviction rate hits 10-year-low, December, 12, 2017, <https://www.firstpost.com/india/crimes-against-women-up-83-but-conviction-rate-hits-10-year-low-delhi-reports-highest-crime-rate-in-india-4254313.html>

<sup>95</sup> The Indian Express, NCRB Data: Cyber crime jumped by 77% in 2017, October, 23, 2019, <https://indianexpress.com/article/explained/ncrb-data-cyber-crime-jumped-by-77-in-2017-6082779/>



## Incidence Mapping

- Reports of harassment, threats, and violations of women's safety at work in India have witnessed an increase in recent years. A former female employee of a leading IT company approached Labour Court in Tamil Nadu, alleging that the company did not investigate her sexual harassment complaints as per due process<sup>96</sup>.
- The exit of a co-founder of an online retailer company in November 2018 was allegedly linked to his misconduct and complaint of sexual harassment.<sup>97</sup>
- In October 2018, the hashtag #MeToo became a viral movement naming and shaming alleged sexual perpetrators at the workplace. Victims (some of them anonymously) began naming their colleagues, superiors, and managers on various social media platforms for harassment, raising questions about internal protection mechanisms, prompting damage control by companies, and exit of many high profile personalities in media and other industries<sup>98</sup>.
- According to a study conducted in offices in Delhi, Mumbai, Chennai, and Bangalore, more than 50 percent of women correspondents believe that sexual harassment in workplace has increased in recent years. While 80 percent of them are aware of sexual harassment policies at workplace, but 30 percent of them shared that they hesitated to report the incident of harassment<sup>99</sup>.

## Impact and Combat

The Supreme Court in Vishaka Case (1997) made it mandatory for all establishments with more than ten

employees to set up anti-sexual harassment panels to deal with complaints and redressal. The Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013, or Prevention of Sexual Harassment. (POSH) Act has made it compulsory for organizations to set up an Internal Complaint Committee (ICC) to look into complaints and investigations. The Government has also allowed women from the public and private sector to register their workplace harassment complaints in an online platform called the SHe- Box (Sexual Harassment Electronic Box).

Under SEBI regulations, all listed companies have to disclose cases of harassment and their status in their annual reports<sup>100</sup>. Law enforcement has become more vigilant with regard to the safety of working women. Companies and various industry-representative bodies have been urged by the Government to implement various safeguards across all businesses. Employers are mainly responsible for the safety and security of women in the workplace. Corporates pledging zero tolerance to sexual harassment have streamlined and strengthened their internal policies on sexual harassment. Companies have started mandatory training programs and workshops on sexual harassment for all employees to create the necessary awareness to enforce the organization's policies on sexual harassment. Sexual harassment on social media and social networking sites has risen sharply in recent times. Strict policies on monitoring of electronic communication & awareness drive on online abuse such as cyberbullying can help curb inappropriate communication. Every organization must have proper tools to raise complaints and have the necessary redressal mechanism in place for such complaints.

<sup>96</sup> TheNewsMinute.com, Techie goes to court alleging TCS sexual harassment committee botched up probe, August, 16, 2019, <https://www.thenewsminute.com/article/techie-goes-court-alleging-tcs-sexual-harassment-committee-botched-probe-107313>

<sup>97</sup> News18.com, Probe into Sexual Assault Complaint Against Flipkart's Binny Bansal found a 'consensual affair,' November, 14, 2018, <https://www.news18.com/news/business/probe-into-sexual-assault-complaint-against-flipkarts-binny-bansal-found-a-consensual-affair-1938733.html>

<sup>98</sup> The Economic Times, A year since #MeToo: What has been done is #toolittle, October, 10, 2019, <https://economictimes.indiatimes.com/news/company/corporate-trends/a-year-since-metoo-what-has-been-done-is-toolittle/articleshow/71456710.cms>

<sup>99</sup> The Economic Times, More than 50% women professionals believe sexual harassment at the workplace has increased over the years: Survey, June, 29, 2019, <https://economictimes.indiatimes.com/news/politics-and-nation/more-than-50-women-professionals-believe-sexual-harassment-at-the-workplace-has-increased-over-the-years-survey/articleshow/69855500.cms>

<sup>100</sup> Livemint.com, Sexual Harassment data begins to come out of Indian companies' closet, August, 6, 2017, <https://www.livemint.com/Companies/uEdsvjkByBHdMvJav957gO/Nearly-350-sexual-harassment-complaints-emerge-from-Indian-c.html>

## Other Risks



Based on deliberations from industry experts and survey findings, Governance & Regulatory Risk, Risk of Non – Compliance to Data Privacy Laws, and Risk of Impact on Business due to Climate Change have emerged as new risks, in addition to the 12 threats assessed in IRS 2019. If these risks had to be plotted on a scale of 1-12, Governance & Regulatory Risk would rank the highest followed by Risk of Non-Compliance to Data Privacy in the second position and Risk of Impact on Business due to Climate Change in the third position.

### Governance & Regulatory Risks

Governance & Regulatory risk arises from a change in regulations and laws that might affect an industry or a business. It can impact the ease of doing business in the country. Such changes in regulations can have a significant impact on the industries in the short and

medium-term, can imply changes in cost structure, and can influence change in business models, etc. Companies might have to bring in place a dedicated team to interpret, analyze, and implement new changes. Change in governance and rules can create an environment of ambiguity in the interpretation, new compliance issues, and can make the business environment more bureaucratic.

According to a survey in 2019, Indian business leaders, along with their counterparts in China, Japan, Australia, Japan, and Malaysia, anticipate that change in business regulation is likely to make ease of doing business complex in the coming years<sup>101</sup>.

Policymakers in India since 1991 are trying to make the business environment, liberal, fair, pro-competition, corruption-free, transparent, and responsible. In recent

<sup>101</sup> Baker Mackinze, The Age of Hypercomplexity: Asia Pacific Business and Legal Macrotrends, April, 8, 2019 <https://www.bakermckenzie.com/en/insight/publications/2019/04/hypercomplexity>

years the term “Governance” has been expanded to cover more issues, and companies would be expected to comply with such regulations<sup>102</sup>. Some of the policies that have created much buzz in corporate boardrooms are SEBI changes to Governance policy on the lines of Kotak Committee Report, Ministry of Corporate Affairs has issued National Guidelines on Responsible Business Conduct. Recent trends also indicate that directors will be held personally responsible for the company's wrongdoings<sup>103</sup>.

With a series of frauds and misgovernance reported in the banking sector and other companies, in the last two years, it might prompt the government to bring more regulations to check such misdoings<sup>104</sup>.

Indian corporates, boards, and promoters will have to embrace change and equip boardrooms to implement changes and the amendments.

### **Risk of Non – Compliance to Data Privacy Laws**

Former Supreme Court Judge Justice BN Srikrishna committee submitted a report on data protection in July 2018, called draft Personal Data Protection Bill. This bill is likely to be tabled in the Parliament in the upcoming winter session in 2019. The draft talks about data protection and privacy on the same lines as the European Union's General Data Protection Regulation (GDPR). The bill imposes restrictions on how personal data is collected and stored by businesses or any other agencies. The bill also restricts the transfer of local data offshore and recommends a setting of Data Protection Authority of India to check any violations of data protection. Penalties are recommended on entities, including businesses, for non-compliance in this draft<sup>105</sup>.

Major businesses have pledged to guard the privacy of people's data and have spoken about their concerns about this bill. IT companies, e-commerce, Fin Tech companies are likely to face challenges about data localization. Generally, the cost to the company is expected to go up, as companies would require to spread awareness about data protection and how data is collected and stored within the company. Many businesses that operate in the European Union region have already taken steps to comply with GDPR.

### **Risk of Impact to Business due to Climate Change**

The severe weather pattern, reports highlighting human activities degrading environment, constant campaigns by civil society, and UN framework to protect the environment and promote sustainability have already set changes in the Indian business environment. In the near and medium-term, businesses can expect more green laws. Courts and Green Tribunals are likely to question practices that are viewed as damaging to the environment.

Severe weather patterns like flooding and drought can disrupt businesses and cause human capital and financial loss. The availability of resources might get impacted. For instance, agro-businesses will have an impact on continuity if agricultural produce gets destroyed due to weather patterns. According to the Economic Survey 2017-2018, had warned that climate change might reduce farm produce by 20-25 percent<sup>106</sup>.

The cost of businesses might go up in such adversities. Manufacturing hub and IT city Chennai's swing between excessive rains and prolonged dry spells

<sup>102</sup> Livemint, Enforcing Corporate Governance Remains an Unfinished Agenda, September 11, 2019, <https://www.bakermckenzie.com/en/insight/publications/2019/04/hypercomplexity>

<sup>103</sup> Livemint, The Quiet Transformation of Corporate Governance, May, 10, 2019, <https://www.livemint.com/opinion/columns/the-quiet-transformation-of-corporate-governance-1557392837251.html>

<sup>104</sup> Economic Times, It is Time to Reform India's Cooperative Banks, October, 1, 2019, <https://economictimes.indiatimes.com/news/economy/policy/view-its-time-to-reform-indias-cooperative-banks/articleshow/71382171.cms>

<sup>105</sup> Carnegie India, Will a GDPR- style Data Protection Law Work for India?, May, 15, 2019, <https://carnegieindia.org/2019/05/15/will-gdpr-style-data-protection-law-work-for-india-pub-79113>

<sup>106</sup> Down To Earth, Rewind 2018: How much India changed with climate change?, January, 3, 2019, <https://www.downtoearth.org.in/news/climate-change/rewind-2018-how-much-india-changed-with-climate-change-62609>

and consequent water crisis this year shows vulnerability towards changing weather patterns. Businesses were disrupted in June 2019 after Chennai reported that all its water reservoirs have dried up<sup>107</sup>.

Plastic manufacturing businesses have sought clarity from the government on phasing out

single-use plastic by 2022. The government would require to define what all is included in single-use plastic. The government revised its decision to impose a nationwide single-use plastic ban from October 2019. Due to uncertainty over the policy, as many as 10,000 plastic manufacturing units are facing a shutdown, and 4.5 lakh workers might lose jobs<sup>108</sup>.

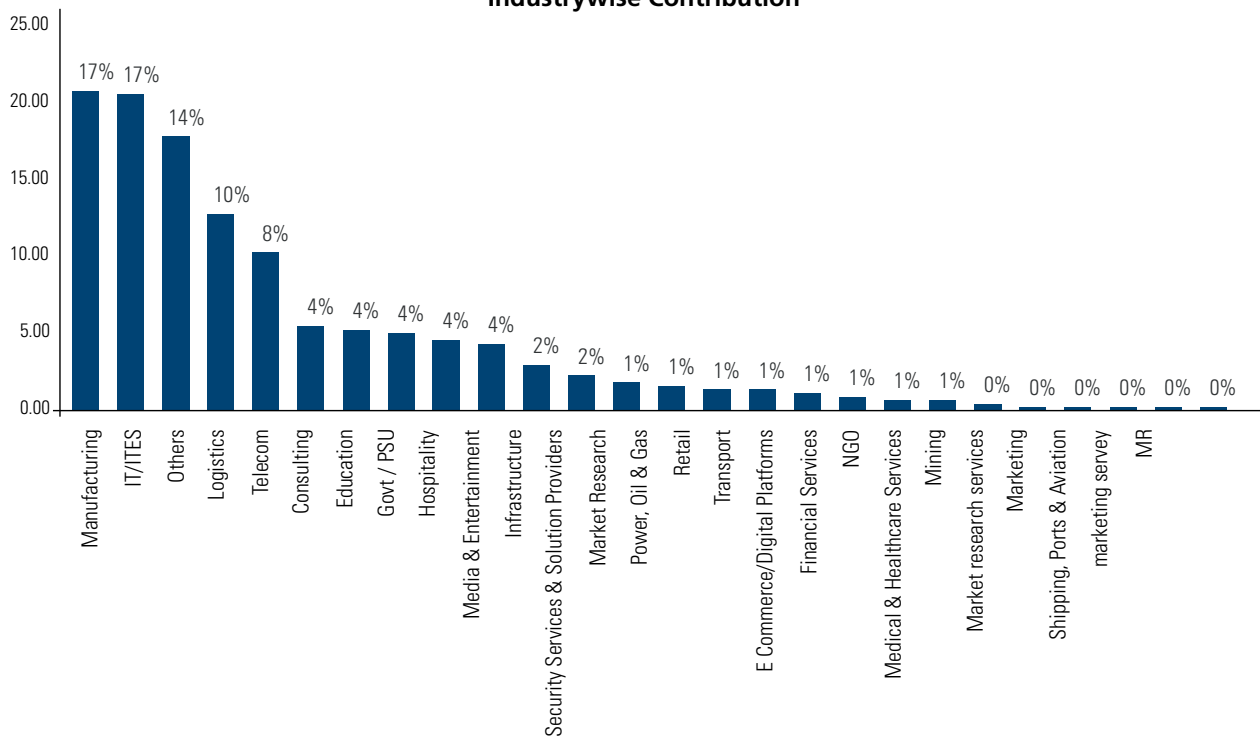
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<sup>107</sup>The News Minute, Water Crisis in Chennai once again exposes the city's climate vulnerability, June, 29, 2019, <https://www.thenewsminute.com/article/water-crisis-chennai-once-again-exposes-city-s-climate-vulnerability-104530>

<sup>108</sup>Economic Times, Industry seeks clarity on single-use plastic ban, October, 16, 2019 <https://economictimes.indiatimes.com/news/company/corporate-trends/industry-seeks-clarity-on-single-use-plastic-ban/articleshow/71606595.cms>

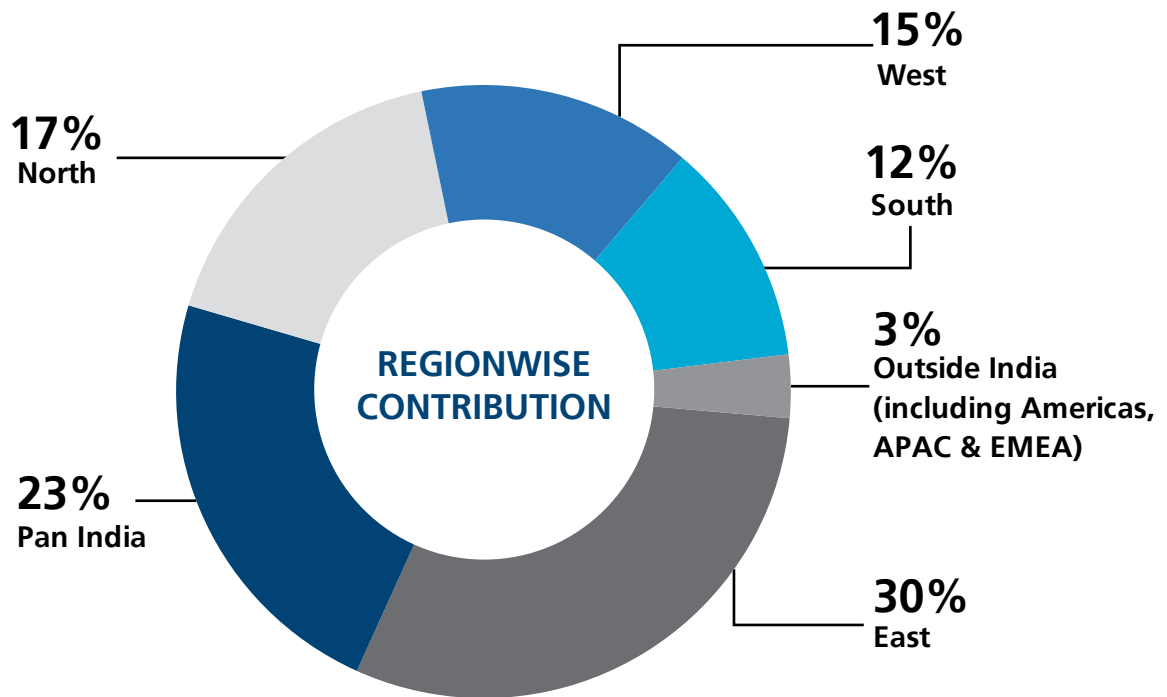
## Methodology & Respondents

Industrywise Contribution



The aim of the IRS 2019 is to identify prominent risks that are critical in nature and rank them based on their pertinence to businesses and regions of India. The methodology consisted of a risk survey that was administered across India and abroad. The respondents varied from employees from lower, middle to upper

management professionals. All results received have been presented graphically along with trend observations for each risk. The highest risk is ranked at number 1, with the lowest at number 12. Respondents were also required to identify which was the most prevalent threat under each risk category.





### **About Pinkerton**

Pinkerton traces its roots to 1850 when Allan Pinkerton founded the Pinkerton National Detective Agency. Today, Pinkerton utilizes an Applied Risk Science approach using technology such as Artificial Intelligence to provide companies with a holistic perspective for risk management and forecasting. Our global team of advanced security professionals offers a full range of comprehensive services including data-driven risk management planning, investigations, executive protection, employment screening and protective intelligence. With employees and offices worldwide, Pinkerton maintains an unmatched reputation for protecting clients and their assets.

**Our Values** – Our Values create the foundation for our corporate culture. They help shape our behavior and create measurable expectations for clients, employees and stakeholders. Our key values can be summarized in three words: Integrity, Vigilance and Excellence.

**Integrity** - The overriding principles of our firm are honesty and ethical conduct. To uphold our reputation for reliability and accuracy, Pinkerton places utmost importance on integrity. It has allowed us to sustain our commitment throughout our 160 year history.

**Vigilance**- Unparalleled protection requires the tenacity to continually see, hear, evaluate and analyse over and over. The vigilance instilled in the Pinkerton culture means that our agents, analysts and consultants offer clients a level of attentiveness and alertness that – we believe – cannot be equalled by anyone.

**Excellence** - It's crucial to get the job done and get it done right. This is how we earn the privilege of retaining our long-term client relationships.

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### **About FICCI**

Established in 1927, FICCI is the largest and oldest apex business organisation in India. Its history is closely interwoven with India's struggle for independence, its industrialisation, and its emergence as one of the most rapidly growing global economies.

A non-government, not-for-profit organisation, FICCI is the voice of India's business and industry. From influencing policy to encouraging debate, engaging with policy makers and civil society, FICCI articulates the views and concerns of industry. It serves its members from the Indian private and public corporate sectors and multinational companies, drawing its strength from diverse regional chambers of commerce and industry across states, reaching out to over 2,50,000 companies.

FICCI provides a platform for networking and consensus building within and across sectors and is the first port of call for Indian industry, policy makers and the international business community.











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