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HORIZON
WATCH

REPORT

NAVIGATING THE EMERGING RISK LANDSCAPE

2024

A SPECIAL THANKS

To these business leaders for their invaluable insights.

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TABLE OF CONTENTS

PREFACE

Neelesh Garg
Managing Director & CEO
TATA AIG General Insurance Company Limited

In today's rapidly shifting global environment, where geopolitical tensions, economic volatility, and the accelerating impacts of climate change are front and center, organizations face unprecedented challenges. The need for adaptive, forward-thinking risk management has never been more crucial. By collaborating with Dun & Bradstreet, we bring together TATA AIG's extensive experience in risk mitigation with Dun & Bradstreet's unparalleled data analytics capabilities, creating a powerful synergy that delivers actionable insights for businesses.

It is with great enthusiasm that we present the TATA AIG - Dun & Bradstreet Horizon Watch Emerging Risk Report, an integral part of our Horizon Watch Series. This initiative reflects our unwavering commitment to develop a deeper understanding of the ever-evolving risk landscape and equipping businesses with the tools, they need to navigate these complexities.

The Horizon Watch Series is designed as a comprehensive platform to address these dynamic risks. Through a combination of research reports, vodcasts, industry bulletins, and interactive conferences, we aim to offer a 360-degree view of emerging threats — from technological disruptions and regulatory shifts to climate challenges and cyber vulnerabilities. By engaging with this wealth of knowledge, businesses can better position themselves to adapt and respond.

The findings in this report are taken by us beyond the identification of risks. We are there to partner with our clients in building resilience, improving operational efficiency, and ensuring business continuity in the face of adversity. At TATA AIG, we believe that a well-informed approach to risk not only protects organizations but also uncovers new opportunities for growth and innovation. The ability to anticipate and respond to risks is what differentiates businesses that thrive from those that merely survive.

Our mission at TATA AIG is to empower organizations to embrace the complexities of the modern risk landscape with confidence. By delving into the insights presented in the Horizon Watch Series, we hope to enable businesses to take proactive steps towards a more resilient future.

I invite you to explore the valuable perspectives shared in this report and to participate in the broader conversation as we work together to navigate the emerging risks that shape our world today.

PREFACE

Avinash Gupta
Managing Director & CEO India
Dun & Bradstreet

Today, businesses are confronted with multi-fold challenges in an extremely dynamic and unpredictable environment. Ongoing geopolitical unrest is not only bringing about a cascading effect on the global economy but is also compelling businesses to rework strategies to remain afloat. Escalating conflicts between Russia-Ukraine and Israel-Palestine and persisting tensions between Russia and NATO have disrupted commercial trade routes and financial flows. There is also considerable political and economic uncertainty with presidential elections impending in the United States later this year and neither of the contending parties seeming predisposed towards ending the ongoing trade conflict with China.

Climate crisis is also intensifying its grip on the economy. Economic damage due to climate change is likely to be six times worse than earlier estimates, with a one-degree Celsius rise in global temperature expected to cause a 12% decline in world gross domestic product. Businesses are under mounting pressure to align with sustainable practices and to make relevant disclosures on carbon emissions, biodiversity and ecosystem damage as regulators and stakeholders, including investors, employees and customers alike demand increased transparency. With the value proposition undergoing a drastic transformation, new-age technologies are being deployed extensively to deliver seamless and enriched experiences.

Technology, however, comes at a price. While next-gen technology such as artificial intelligence, cloud computing, virtual reality, robotics, blockchain etc. has been yielding new possibilities, it is also opening new threats of security. As digital usage becomes more rampant, enormous amount of data collected through smart machines and Internet of Things (IoT) devices raises concerns about data privacy, data ownership and liabilities. In this backdrop of emerging risks, businesses need to tread cautiously – being aware of what lies ahead and prepare ahead in time for threats that may not be relevant today but might bring about serious implications in the future.

The TATA AIG – Dun & Bradstreet Horizon Watch Report serves as a valuable tool for businesses aiming to thrive in today's rapidly changing environment. It identifies and analyzes critical emerging risks through our proprietary 'Impact-Probability-Control' (IPC) framework. The report highlights key drivers of these risks and their impact on select industries, offering insights into current management practices. We trust that the insights in this report will empower businesses to navigate the emerging risk landscape with more confidence.

INTRODUCTION

Businesses continue to operate amid a confluence of challenging scenarios that are reshaping the landscape of global economy and trade. **Persistent conflicts** in Europe and Middle East, as well as the simmering trade-war between US and China, are resulting in significant restructuring of global relationships. Global trade is under immense pressure as geopolitical rivalries compound **supply chain vulnerabilities**, inducing significant impact on commodity markets and credit conditions. All the while, economic sanctions and trade embargoes are making it more challenging for businesses to thrive in uncertain times.

Sustainability and climate change continue to be politically sensitive issues and public policies across major economies are likely to have significant impact for businesses. **Changing consumer preferences** are also exerting pressure on companies to inculcate more transparency about their practices and environmental impact. **Technology**, on the other hand, is being deployed to deliver more seamless and richer experience to customers. While artificial intelligence, machine learning, virtual reality, cloud computing etc. are transforming business operations, **data privacy and security** is a growing concern among businesses and regulators alike. Business leaders are looking to identify and understand the emerging risks these scenarios may pose to their organizations in near future and to find ways to safeguard against the potential impact.

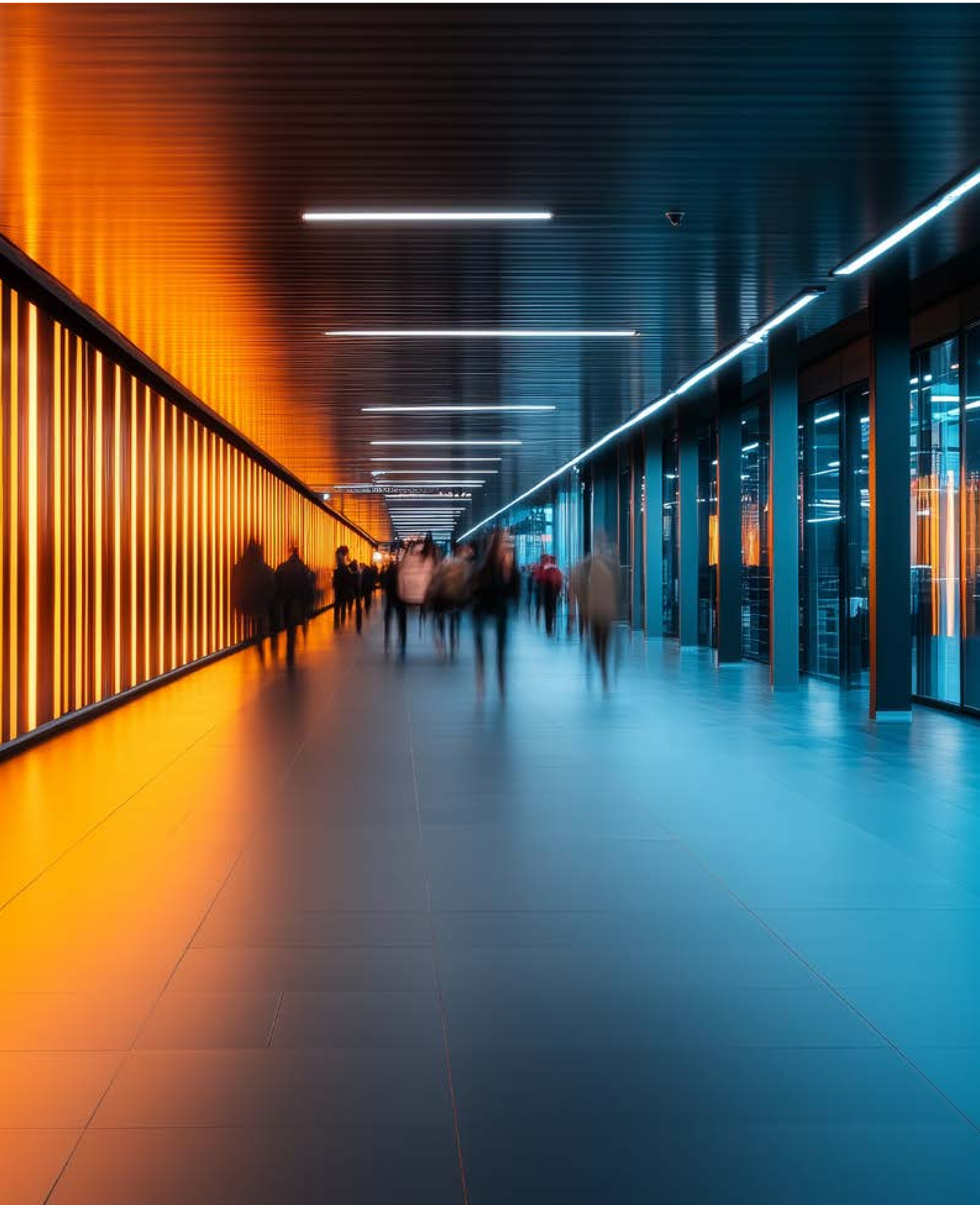
'Horizon Watch Report: Navigating the Emerging Risk Landscape' aims to help businesses build awareness and prepare for emerging risks. This research study – conducted by TATA AIG General Insurance and Dun & Bradstreet India – identifies the most pressing emerging risks that businesses must address in each of the following risk buckets:

Emerging Geopolitical Risks	**Emerging Supply Chain Risks**
Emerging Regulatory Risks	**Emerging Economic Risks**
Emerging Financial Risks	**Emerging Social and Cultural Risks**
Emerging Health and Pandemic Risks	**Emerging Reputation Risks**
Emerging Technological Risks	**Emerging Operations Risks**
Emerging Environmental Risks	**Emerging Legal Risks**

The research delves into the intricate interplay of emerging risks across industries and delivers a nuanced understanding of the challenges unique to each industry as well as business function. While underscoring the key trends contributing to emerging risks for India's businesses, the report introduces the **'Impact-Probability-Control'** (IPC) framework for evaluating and assessing the severity of top emerging risks across a range of industries.

This report will serve business leaders, risk managers, and decision-makers across various industries in India. It provides valuable insights and recommendations for navigating the complex and dynamic risk landscape:

- **Identify Key Emerging Risks:** Use the report to identify the most pressing emerging risks that are relevant to your organization.
- **Assess Your Exposure:** Evaluate your organization's exposure to emerging risks using our Impact-Probability-Control Framework.
- **Develop Mitigation Strategies:** Develop and implement strategies to mitigate the identified risks and build resilience.
- **Initiate Internal Discussion:** Use the report to spark discussions within your organization about emerging risks and how to address them.



METHODOLOGY

Horizon Watch Report: Navigating the Emerging Risk Landscape brings to the fore quantitative as well as qualitative insights on emerging risks, key factors contributing to these risks as well as industry-specific challenges – presented to help India's businesses better navigate increasing risk complexities.

Data Collection

- **Survey objective:** The objective of the survey was to capture the understanding of emerging risks among businesses in India, the trends shaping these risks, the effect these risks will have on organizations, and strategies to mitigate the impact of these risks.

- **Data Collection Approach:** To obtain comprehensive insights, the study utilized two complementary data collection techniques: an electronic survey and in-depth interviews with business leaders. This approach allowed us to capture both a broad overview of emerging risks and detailed perspectives from industry leaders.

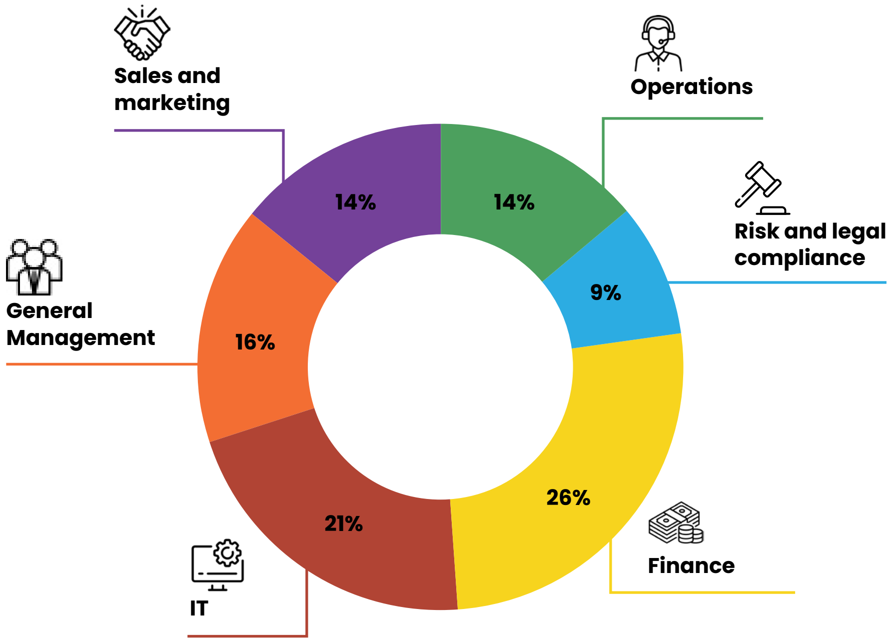
- **Electronic Survey and Respondent Pool:** To ensure a diverse representation, we reached out to over **2,000** business leaders across 25 industries. For this edition of the study, the final respondent size considered for the analysis is a panel of **250** respondents.

- **Interviews with Business Leaders:** To gain deeper insights into the survey data, we conducted in-depth interviews with **50** senior executives and business leaders across various industries, identified based on their experience in risk management and strategic decision-making.

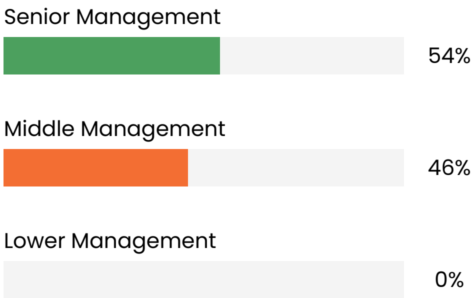
Survey - Industires Covered

Collectively, these sectors contributed over 50% to India's GDP in the fiscal year 2023-24. One can safely say that risks to these sectors are also risks to the Indian economy.

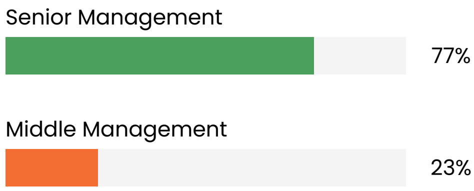
Survey - Business Functions (% of respondents)



Survey - Respondents' Seniority Levels



Interviews - Respondents' Seniority Levels

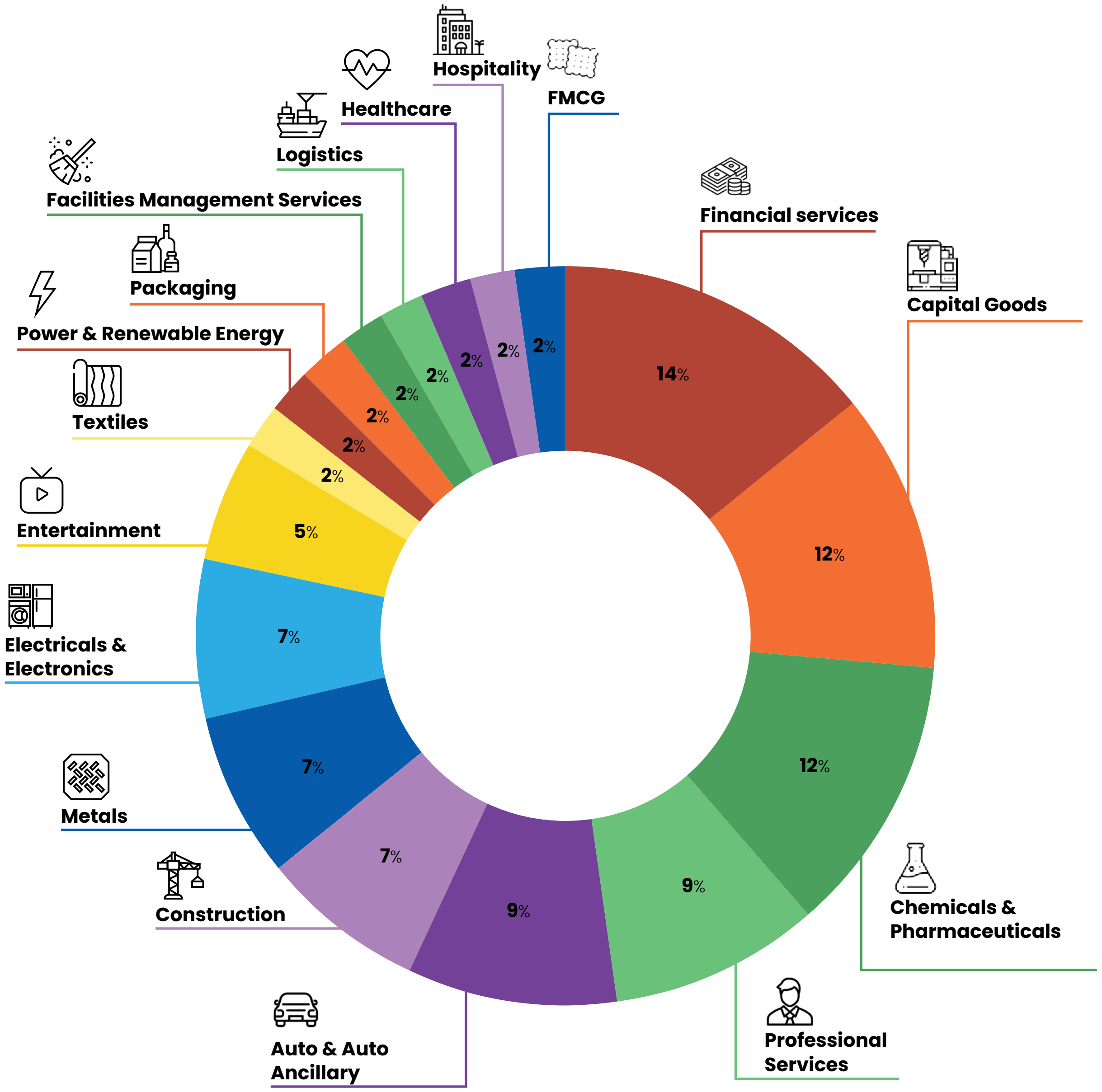


Source: Dun & Bradstreet Research

The respondents are an eclectic mix across business functions, thus providing us with a well-rounded view of emerging risks. At the same time, these respondents are either in the senior management (strategizers and decision-makers) and middle management (implementors and influencers).

Deeper insights into survey responses have been gained through interviews with mainly senior management officials.

Interviews - Industries Covered



Source: Dun & Bradstreet Research

Data analysis

- **Quantitative Data:** The closed-ended responses from the electronic survey have been analyzed using statistical methods, identifying trends and correlations in the perception of emerging risks. Descriptive statistics such as averages were used, along with cross-tabulations to explore relationships across industries and business functions.

- **Qualitative Data:** Interview transcripts were analyzed thematically. This included coding the data to identify key themes, trends, and unique insights provided by participants, enriching the overall findings from the quantitative data.

WHAT DO WE (AND YOU) MEAN BY EMERGING RISKS?

The key to successful business lies in the skill of efficiently managing risks - be it geopolitical, regulatory, economic, social & cultural, or financial risks. In these times, when benign risk environment is no longer the norm, it is crucial to ensure resiliency to not only stay afloat and survive but to protect and create higher value amid ever-changing complexities and uncertainties.

Today, businesses need to develop greater foresight and acumen to anticipate emerging threats. Typically, such threats remain unidentified and unrecognized for a lengthy period until they emerge as sudden or spontaneous developments bringing about severe ramifications for the organization and its assets.

Since such threats are yet to manifest, it becomes crucial yet extremely difficult to understand very quickly their nature, probability of occurrence, and potential impact on the business.

Emerging risks can be summarized into the following categories – **Known Knowns, Known Unknowns, Unknown Knowns and Unknown Unknowns.**

Known Risks in Known & Unknown Environments

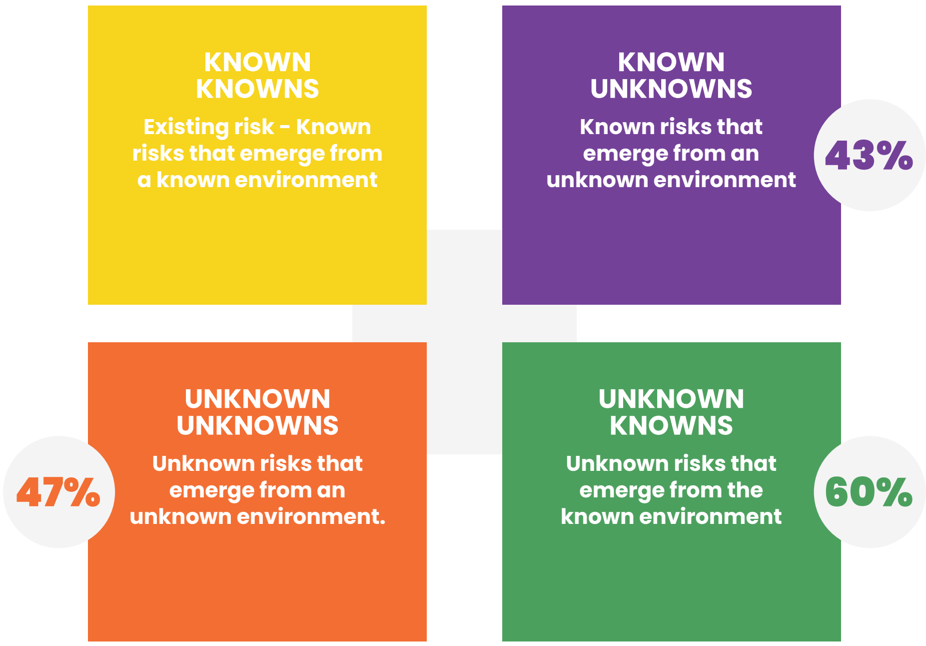
As a foremost step of risk management, businesses identify and plan to mitigate contingencies of which they are sufficiently aware. This category of existing risks, called the **'Known Knowns,'** represents contingencies that businesses fully comprehend and for which they can plan in time. Business contingencies such as fire, property damage, burglary, etc. fall under this category.

On the other hand, **'Known Unknowns'** are **known risks emerging from unknown environments.** These risks are typically contingencies that businesses can anticipate but are uncertain regarding the timing, nature and extent of occurrence and external triggers. Some examples include product launches in new market, natural calamities such as floods, and today, more pertinently, supply chain risks triggered by the Red Sea Crisis.

The Boiling Frog Syndrome

Not recognizing the imminent danger is analogous to the 'boiling frog' syndrome, which reminds us of the dangers of complacency. When placed in boiling water, a frog will immediately sense danger and jump out. However, when it is placed in slowly heating water, the frog may not notice the danger until it is too late. Similarly, businesses may remain unaware of emerging risks if those are not identified and addressed proactively.

How do businesses define emerging risks?



% of responders
Source: Dun & Bradstreet Research

Unknown Risks in Known & Unknown Environments

'Unknown Knowns' refer to **new risks that emerge from known environments**, e.g., expected changes in the regulations that impact the organization such as India's Digital Personal Data Protection Act, 2023. The occurrence of such risks is unknown although the existence of the risk environment is well understood.

'Unknown Unknowns' refer to **new risks previously unencountered by organizations emerging from a new environment.** According to the Project Management Institute (PMI), unidentified risks called 'unknown unknowns,' are "believed to be impossible to find or imagine in advance." It is, however, possible to mitigate the adverse effects to some extent once these risks surface. The key is to be agile and adaptable and respond well when confronted with unknown unknowns.

Thus, other than risks under 'Known Knowns,' all other risks fall under emerging risks. In other words, a) known risks arising from unknown environments, b) unknown risks from known environments and c) unknown risks from unknown environments.

Defining Emerging Risks

According to the International Organization for Standardization (ISO), emerging risks are "characterized by their newness, insufficient data, and a lack of verifiable information and knowledge needed for decision-making related to them."

Further the ISO suggests that since these risks can develop with potential for large threats as well as opportunities, it is important for organizations to include strategic management of emerging risks as part of the overall risk management policy.

Examples of emerging risks

Risk from new or modified processes, products or services

- Implementing new tech
- Product launches

Risks due to unrecognised changes in organisation

- Mergers and acquisitions
- Organisational restructing
- Leadership changes

Risks related to new sources or previously unrecognized sources of risk

- Cybersecurity threats
- Regulatory changes

Risks due to innovation or social and technological developement

- Artifical intelligence
- The rise of social media

Source: ISO Risk Management- Guidelines for managing an emerging risk to enhance resilience

Parag Deodhar

Managing Director - Internal Audit, Global IT Audit Lead

Accenture

Preparing for the 'Unknown Unknowns' – unknown risks that emerge from a new environment – is the most difficult part. For such unknowns, we need to predict future events. We need to make a judgement call in these areas - keeping in mind how technology is progressing or how geopolitical situations are unfolding.
Risk management is not just a science, it's an art as well.

How Do Businesses Define Emerging Risks?

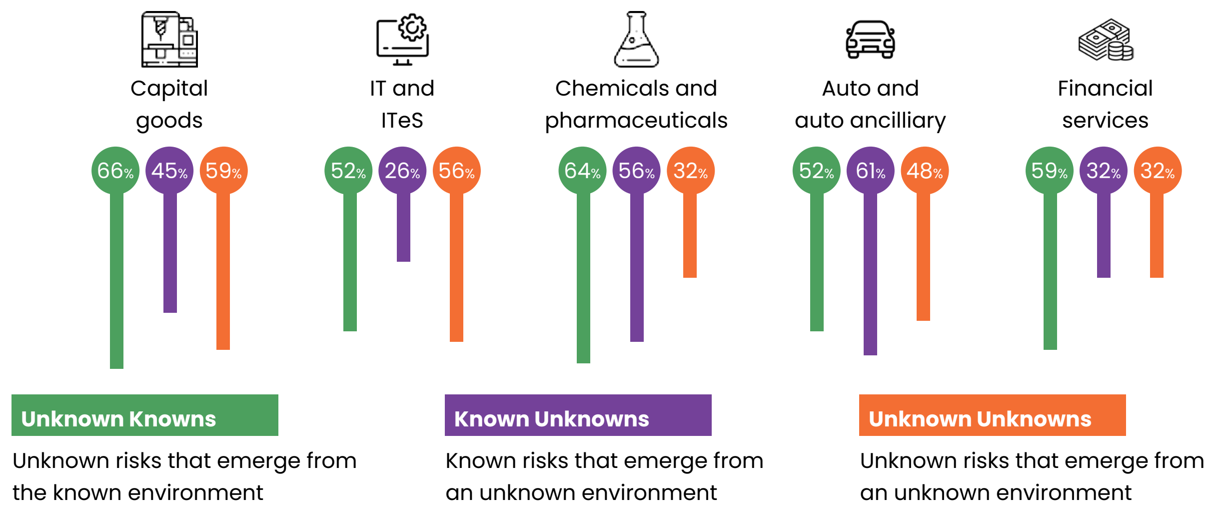
Our survey reveals different definitions of emerging risks among businesses:

Definition of Emerging Risks	Risk Focus	Examples	Implications
60% say it is Unknown Knowns	Focus on new risks emerging from familiar environments.	• Digital Personal Data Protection (DPDP) Act, 2023 rules • 2024 CrowdStrike incident (Cybersecurity threats) • Financial market volatility	Indicates a significant level of attention on evolving threats in areas where businesses already have some experience or knowledge.
47% say it is Unknown Unknowns	Focus on completely unknown risks arising from unexpected sources.	• The COVID-19 Pandemic (when it first occurred) • AI and Autonomous Systems • Geo-political unrest in the South China sea	Indicates relatively lower level of preparedness and awareness for risks that are currently not the radar. With 53% not considering the Unknown Unknowns, businesses might be underestimating the potential impact of this type of emerging risks.
43% say it is Known Unknowns	Focus on risks that are familiar but arise from new / unfamiliar contexts as emerging threats.	• Flash floods in Sikkim in 2023 damaged three hydro-power projects, the worst affected being 1,200 MW Teesta Stage-III hydro power plant.	Indicates low concern for potential impact of well-understood risks in areas where they have not been encountered earlier.

Industry Analysis: The Risk Radar

- Players in the Chemicals & Pharmaceuticals industry as well as Financial Services industry are more focused on unknown risks in familiar areas and display comparatively lower degree of awareness of new risks arising from unexpected sources.
- On the other hand, players in the Capital Goods and IT industries appear more vigilant about emerging unknown risks especially in new environments.
- Overall, while our research shows good awareness and concern among businesses for emerging risks in familiar contexts, there seems to be less awareness about risks (whether known or unknown) emerging from unknown environments or entirely unexpected scenarios. This highlights the need to have more robust risk management strategies to safeguard against uncertainties beyond current focus areas.

Defining emerging risk – Industry analysis



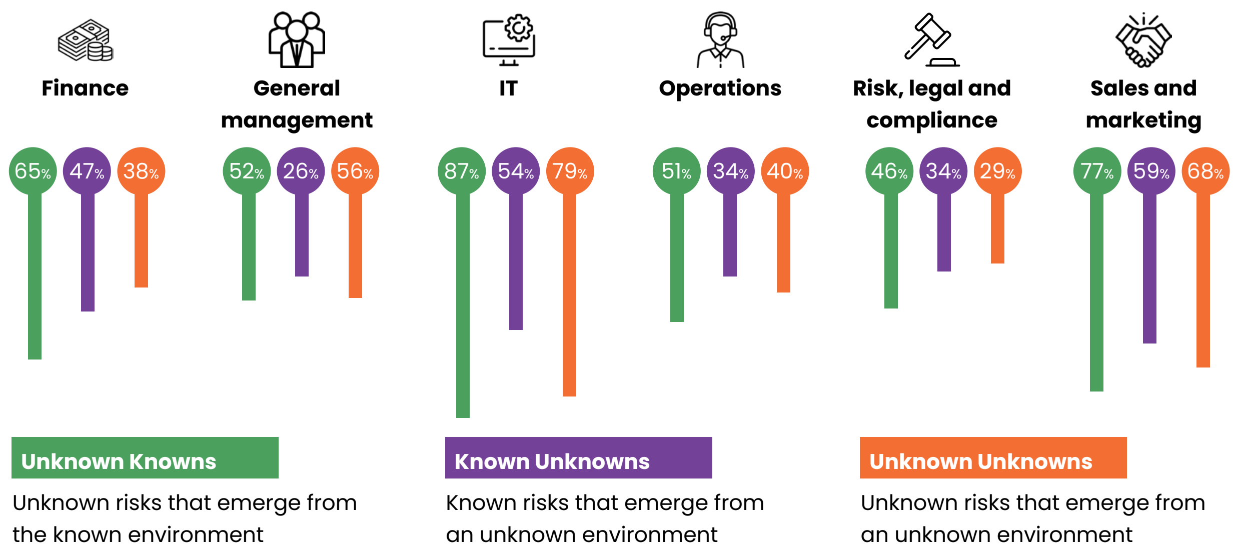
Source: Dun & Bradstreet Research

Bracing for the Unknown: IT & Sales Functions Take the Lead

Within organizations, the perception of emerging risks changes with a business function lens. Most functions show a high level of concern for "Unknown Knowns," suggesting a common focus on managing risks that are not fully understood within familiar environments.

The **IT function and Sales & Marketing function** stand out with significant concern for "Unknown Unknowns," highlighting the highly dynamic and unpredictable nature of technological and market environments. Functions like General Management show a balanced concern across all three types of risks, indicating a comprehensive approach to risk management.

Defining Emerging Risks - Business Function Analysis

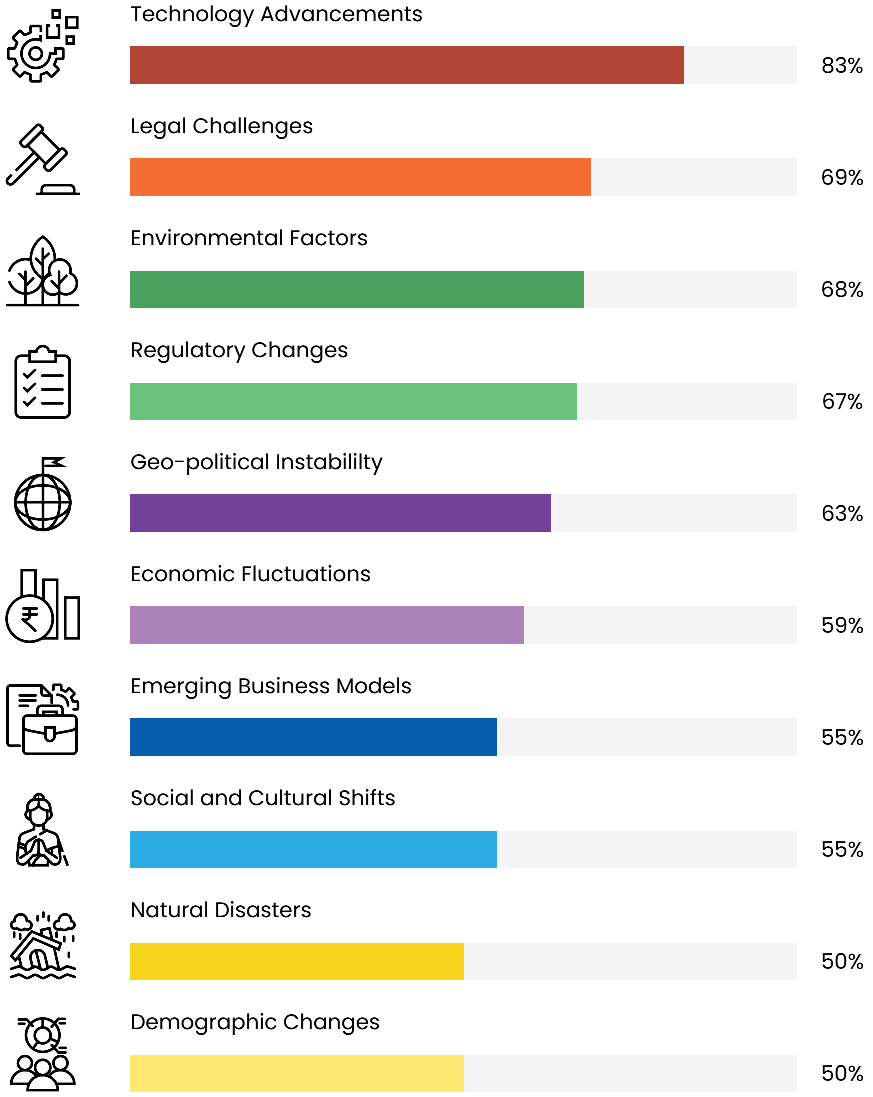


Source: Dun & Bradstreet Research

KEY FACTORS INFLUENCING EMERGING RISKS

The way events have unfolded over the recent past, it is evident that situations can change suddenly, rapidly and in manners never anticipated before. In this constantly changing environment, it becomes imperative for businesses to think beyond the certain and foresee possibilities to prepare in advance for such risks, which, though may not be prevalent today but might have significant bearing in the future.

Top trends contributing to new risks for businesses



Source: Dun & Bradstreet Research

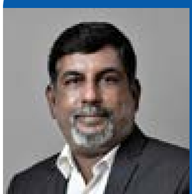
Our survey reveals leading trends that business leaders believe are shaping the risk landscape. This section deep-dives into the top 5 trends:

Technology Advancements

Modern technology is transforming business processes across all industries. Advanced tech-tools such as AI, ML, Virtual Reality, Cloud Computing, Data Analytics and Blockchain are being leveraged to optimize productivity while weeding out inefficiencies.

The flipside, however, is the rising threat to data privacy, ownership, and security challenges. **83% of businesses see technological advancements as the leading trend contributing to emerging risks.**

With enormous amount of data being collected through smart, connected devices, the pace of technological advancements is increasing the incidences of cyber-attacks and breaches across all industries.



Satyamohan Yanambaka
CEO
Writer Information Management Services

In the current scenario, I believe one of the biggest risks we face is the rise of generative AI, automation, and emerging technologies, particularly robotics. These advancements significantly impact the types of businesses we operate, such as BPO, cloud services, and software solutions. With the advent of generative AI, the need for human involvement is reduced in many areas, raising important questions about customer expectations as well.

Moreover, increased usage of computers and devices is also raising concerns about energy and water consumption. This is also heating up the regulatory space, with stricter norms to meet the upcoming challenges emanating due to rapid digitization.

Legal Challenges

69% of businesses believe legal challenges are one of the top contributors of emerging risks. The regulatory landscape is undergoing changes to match the evolving market dynamics. Amid rising instances of cyber-security, data breaches and IP theft, businesses are exposed to non-compliance and litigation risks with respect to privacy laws and regulations.

Inability to meet ESG norms, sustainability practices and human rights mandates may exacerbate legal risks. Trade sanctions and barriers across politically volatile markets may also add to operational and legal complexities.

Akhilesh Purohit
Head of Corporate Insurance
ArcelorMittal Nippon Steel India

At AM/NS India, protecting our digital infrastructure is a top priority. We deploy advanced AI based technologies for protection and monitor our security posture to safeguard our systems and data. Our proactive approach includes threat detection, rapid incident response framework and comprehensive employee training to ensuring robust defence against evolving cyber threats. Aligned with industry standards and best practices. We maintain a secure environment for our employees, customers and all our partners.

Environmental Factors

Environmental factors are a cause of concern for governments and businesses alike with **68% of businesses viewing environmental factors as a leading trend contributing to emerging risks.**

Apart from sustainable practices and carbon emissions, business leaders are increasingly wary about extreme weather conditions that are causing serious impediments to supply chains.

Regulatory Changes

A dynamic regulatory landscape amidst rapid digitization, emerging tech, environmental damage and geopolitical conflicts is a cause of concern for many businesses. **67% of businesses think regulatory changes would result in emerging risks in the days to come.**

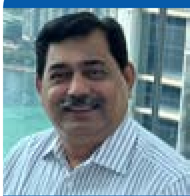
Biswajit Chaki
CFO
Yazaki India Pvt. Ltd.

Compliance challenges affect our business both directly and indirectly. We make sure we are aligned with these, especially when we purchase material. As the industry is moving towards EV, compliance with regulations is increasing, so we have set ESG targets. However, ESG compliance has associated costs which affects the business.

Geopolitical Instability

Ongoing conflicts in Europe and the Middle East are having a significant impact on trade routes, energy and commodity prices as well as financial markets.

Besides, the trade war between the US and China is also influencing market dynamics. Political instability in one region in today's globalized world is quick to spill over to the rest of the world. **63% of businesses believe geopolitical conflicts will give rise to emerging business risks in the times to come.**



Wilfred Menezes
Director
Athena Global Logistics Pvt. Ltd.

Currently, the Red Sea crisis is the biggest risk for the logistics industry. It has had a cascading effect on everything. As ships must go around the Cape of Good Hope, movement of cargoes is disrupted and consequentially costs have gone up tremendously.

Industry Analysis: Understanding the Top Trends Contributing to New Risks

Business players believe a host of emerging trends are playing out, leading to new risks for their operations. However, the impact of these trends is relative to the industry and the level of exposure of organizations to these trends.

- Technological Advancements emerge as the top contributing trend to emerging risks. Players across the industry realize that new-age technologies are fast transforming business processes, operations, and models.

- A significant majority – that is **97% of respondents from the Capital Goods industry, 96% of those in Auto and Auto-Ancillary industry** as well as **85% of players in IT & ITeS industry** see **technological advancements** as a major trend leading to emergence of new risks.

- In the **Financial Services segment, regulatory changes (91%)** are seen as the top trend contributing to emerging risks. Evolving laws and regulations especially those pertaining to data protection, blockchain technology, digital payments, open banking APIs, anti-money laundering and financial reporting are adding to emerging risks.

- **Emerging business models (59%)** are also adding up to concerns about risks among players in the Financial Services segment. Fintech players, digital banks and peer-to-peer lending platforms offering innovative and low-cost services are disrupting traditional business models and adding to competitive pressures for players in the industry.

- Environmental factors are crucial for Chemical and Pharmaceuticals players with growing restrictions on waste management, chemical disposals, and carbon emissions. **84% of businesses in Chemical and Pharmaceuticals industry** believe **environmental factors** are the top contributing trend to emerging risks in the industry.

Yashpal Jain,
CFO & Company Secretary
Sandhar Technologies Ltd.

Regulatory & policy changes are a key affecting factor. Moving ahead with the implementation of BS-6 emission norms for the vehicles running on fossil fuels is a very costly proposition. It has very stringent emission norms and increased cost of compliance. This entails changes in the technical features of the vehicles and requires heavy investments in R&D, redesigning of engines and other components for to be compliant with new norms. Whether BS6 is a long term or a short-term transition prior to a new fuel taking up the entire auto space is a question. Transition to new ignition norms is an emerging challenge for us.

Industry Analysis: Top Trends Contributing to New Risks

Capital goods

Technology advancements	97%
Environmental factors	83%
Legal challenges	69%
Geo-political instability	69%
Economic fluctuations	62%
Emerging business models	62%
Demographic changes	62%
Social and cultural shifts	55%
Regulatory changes	52%
Natural disasters	34%

Chemicals and pharmaceuticals

Environmental factors	84%
Technology advancements	76%
Legal challenges	76%
Regulatory changes	76%
Geo-political instability	64%
Economic fluctuations	64%
Social and cultural shifts	52%
Natural disasters	48%
Demographic changes	40%
Emerging business models	32%

Auto and auto ancillary

Technology advancements	96%
Environmental factors	78%
Regulatory changes	74%
Geo-political instability	70%
Economic fluctuations	70%
Emerging business models	70%
Social and cultural shifts	61%
Legal challenges	57%
Natural disasters	52%
Demographic changes	48%

IT and ITeS

Technology advancements	85%
Legal challenges	78%
Geo-political instability	74%
Environmental factors	59%
Regulatory changes	59%
Economic fluctuations	59%
Emerging business models	59%
Demographic changes	52%
Natural disasters	48%
Social and cultural shifts	44%

Financial Services

Regulatory changes	91%
Technology advancements	77%
Legal challenges	73%
Emerging business models	59%
Demographic changes	59%
Social and cultural shifts	50%
Environmental factors	45%
Geo-political instability	41%
Natural disasters	41%
Economic fluctuations	36%

Business Functions: Key Risk Drivers

Different departments or functions within organizations have distinct priorities, responsibilities, and exposure to external factors. Depending upon their unique role in the organization, different teams assess risks differently – in terms of how upcoming trends affect their performance and strategies.

- Across almost all functions, **technological advancement** is rated as the leading trend contributing to emerging risks as the rapid pace of innovation and digitalization disrupts traditional processes and practices across the board, creating new vulnerabilities.

- Respondents from the **Risk & Compliance** department rated **Geo-political instability (82%) as the top trend** contributing to emerging risks as geopolitical unrest across different jurisdictions could complicate compliance issues and increase the risks of sanctions and other legalities.

- In the **Operations** segment, **technological advancements (89%) are seen as the leading contributor** of upcoming risks. Keeping abreast of the evolving technology and its rampant adoption could lead to operational challenges such as integration of new tools, upskilling staff and retaining them, ensuring safety from cyber attacks amongst other risks.

- For the **Finance** function, next to **technological advancements (83%), Geopolitical instability (76%)** is viewed as a leading trend contributing to emerging risks. Ongoing unrests across the globe are leading to market volatility, currency fluctuations and disruptions in global trade, putting at risk cash flow, access to finance and growth of businesses.

- For the **Sales & Marketing** function, **Environmental factors (69%)** are viewed as one of the leading trends contributing to emerging risks amid rising consumer demand for sustainable and ethically sourced products. Failing to adopt to environment-friendly products and practices can lead to loss of market share and lead to reputational damage.

- Executives from the **IT function** have **rated geopolitical instability as the least crucial trend leading to emerging threats** for their businesses. This could be because the IT department is largely focused on tech-related issues as businesses typically view IT function as a support function where concerns about geopolitical issues is viewed as primarily the responsibility of the general management or compliance department.

Akhilesh Purohit
Head of Corporate Insurance
ArcelorMittal Nippon Steel India

As part of our strategic plans, we are investing heavily on renewable energy. For solar and wind energy, we are building our own captive power so that we can supply to the operational plants. We have initiated that with 1GW capacity plant in Telangana.

Business Functions: Key Risk Drivers

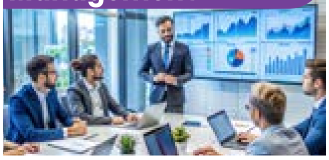
Finance

Technology advancements	83%	Social and cultural shifts	53%
Geo-political instability	76%	Natural disasters	52%
Environmental factors	74%	Emerging business models	50%
Legal challenges	68%	Demographic changes	48%
Economic fluctuations	64%	Industry Consolidation	24%
Regulatory changes	59%	Globalization	20%

IT

Technology advancements	89%	Social and cultural shifts	57%
Legal challenges	79%	Economic fluctuations	55%
Regulatory changes	68%	Natural disasters	55%
Emerging business models	60%	Demographic changes	53%
Environmental factors	58%	Geo-political instability	43%

General Management



Technology advancements	82%	Geo-political instability	59%
Regulatory changes	77%	Economic fluctuations	56%
Environmental factors	74%	Emerging business models	54%
Legal challenges	67%	Demographic changes	41%
Social and cultural shifts	62%	Natural disasters	36%

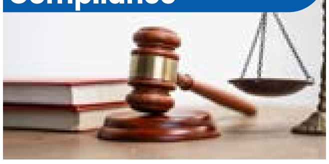
Operations

Technology advancements	89%	Social and cultural shifts	60%
Regulatory changes	74%	Geo-political instability	57%
Environmental factors	71%	Natural disasters	57%
Legal challenges	66%	Demographic changes	51%
Emerging business models	63%	Economic fluctuations	49%

Sales and Marketing

Technology advaancements	74%	Emerging business models	66%
Environmental factors	69%	Demographic changes	60%
Legal challenges	69%	Social and cultural shifts	51%
Geo-political instability	66%	Regulatory changes	40%
Economic fluctuations	66%	Natural disasters	40%

Risk, Legal and Compliance



Geo-political instability	82%	Regulatory changes	59%
Technology advancements	77%	Social and cultural shifts	59%
Natural disasters	68%	Environmental factors	50%
Legal challenges	64%	Emerging business models	50%
Economic fluctuations	64%	Demographic changes	45%

TOP EMERGING RISKS FOR INDIA INC.

Emerging Risks – A snapshot

The risk landscape is fast changing. As each day unfolds, it brings along headlines of events and happenings that are throwing to the fore new risks as well as opportunities for businesses. Identifying and monitoring these trends helps in understanding the ever-changing risk landscape and to improve businesses' response and management of these risks.

Our research brings out the top emerging risks that businesses anticipate will pose significant threat over the next five years. Each chart below represents different **"risk buckets,"** highlighting the top four or five emerging risks within the risk bucket as selected by our respondents.

Risk Buckets

Economic Risks	
Market volatility	52%
Economic downturn	45%
Inflation and deflation risks	38%
Fluctuation in the pricesof crude oil and other commodities	38%
Currency exchange rate fluctuations	28%
Geopolitical Risks	
International conflicts	64%
Political instability	46%
Increase in trade tariffs	38%
Sanctions and trade embargoes	36%
Regulatory Risks	
Data privacy and protection	62%
Environmental regulations	49%
Compliance changes	43%
Brand damage and reputation loss	26%
Corporate governance lapses and misconduct	24%
Supply Chain Risks	
Logistics and transportation disruptions	63%
Supplier disruptions	38%
Single source dependencies	39%
Financial Risks	
Financial instability	48%
Interest rate risks	37%
Liquidity risks	27%
Counterparty risks (e.g., default risk)	26%

Social and Cultural Risks	
Changing consumer behaviours	51%
Social media related risks	26%
Demographic shifts	23%
Cultural shifts and societal norms	19%
Technological Risks	
AI and automation risks	39%
Emerging cybersecurity risks	29%
Digital transformation risks	16%
Emerging technology adoption risks	14%
Reputational Risks	
Brand damage and reputation loss	26%
Corporate governance lapses and misconduct	24%
Social media controversies	23%
Negative publicity and media scandals	21%
Health and Pandemic Risks	
Global health crises and pandemics	44%
Healthcare system capacity issues	27%
Infectious diseases	18%
Environmental Risks	
Climate change related risks	29%
Pollution and environmental contamination	19%
Natural disasters	14%
Biodiversity loss and ecosystem degradation	6%
Operations Risks	
Technological failures	24%
Human error and negligence	18%
Process breakdowns	15%

Source: Dun & Bradstreet Research

Future Focus: The Top 5 Risks Buckets

Based on the survey responses, our research study uncovers the top five emerging risk buckets and presents a comprehensive range of risks that organizations believe will pose higher threats over the next 5 years.

The risk buckets have been identified by aggregating the individual responses for each risk under their respective risk bucket.

Future Focus: The Top 5 Risk Buckets

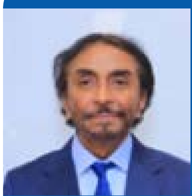
Emerging Economic Risks

Economic downturns, rising interest rates, inflation & deflation, and market instability are increasing financial risks for businesses and eroding investment returns.

Concerns about recession in the US, China and Europe amid geopolitical tensions are dampening business optimism even as supply chain disruptions, economic sanctions and trade restrictions are making matters worse.

52%

view Market Volatility as one of the top concerns facing business organizations over the next five years



Deepak Shetty
Former Secretary to the Government of India and Director General of Shipping

At the international level, there is a rise of ultranationalism in various parts of the globe whether it's the U.S., Europe or other locations. This is affecting trade because of the insularity; everybody is looking inwards, and the universal trade order has been impacted. What earlier used to be a unipolar world is becoming multipolar now leading to fair bit of destabilization.

Emerging Geopolitical Risks

Persisting regional conflicts across the globe are reshaping global supply chains, trade relations and energy markets, hurting global economic outlook as well as business confidence.

Businesses are finding it extremely challenging to navigate cross-border markets, with geopolitical risks directly affecting business strategies and investment decisions amid changing trade policies, tariffs, and currency fluctuations.

64%

view international conflicts as the biggest threat to their operations

Chandrapal Singh Gour
GM - Head Insurance
TATA Projects

Today, the risk dynamics have completely changed. Risks are being defined through geopolitical issues and the geography where companies operate. For instance, there was sudden political turmoil in Bangladesh and Sri Lanka which no one could foresee a year before. Similarly, no one could have predicted that the Ukraine-Russia conflict would persist for such an extended period, impacting the entire world. A well-established country facing political turmoil generates sudden business disruption and risks. It is essential for us to stay vigilant and adaptable in the face of these unpredictable changes

Emerging Regulatory Risks

Rising concerns over environmental and social issues as well as data privacy and financial transparency have compelled regulatory bodies to impose stringent stipulations.

Failure to comply with these regulations, which differ significantly across regions, may lead to fines and penalties while causing reputational damage. These concerns resonate with our findings as Data Privacy and Protection Regulations have been ranked as one of the top three threats over the next five years.

62%

consider Data Privacy and Protection Regulations as a top emerging risk

Parag Deodhar
Managing Director - Internal Audit, Global IT Audit Lead
Accenture

As regulations evolve globally, navigating compliance risk is increasingly complex. As certain nations implement controls and introduce regulatory measures, we gain a clearer understanding of the likelihood of these risks," Artificial Intelligence, for instance, when Europe introduced the first AI Act, other nations realized the need for an ethical/responsible framework. Similarly, after one country enforced data privacy laws, others followed.

Emerging Supply Chain Risks

Growing disruptions due to geopolitical conflicts, trade wars, natural disasters, cyber-attacks, or pandemics are affecting supply chains, increasing costs, and adding to uncertainties.

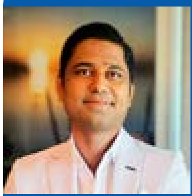
Amid ongoing geo-political tensions in the Middle East and Europe, and the resulting border closures, trade sanctions and disrupted trade flows, businesses are finding it difficult to source key raw materials and critical components.

Industries that are heavily dependent on raw materials sourced from across borders are the ones finding themselves most vulnerable to these threats. Extreme and sudden weather events are also adding up through infrastructure damage and transportational delays.

Moreover, there are increasing concerns about potential legal disputes, claims, penalties, and even reputational damage, which may arise due to the company's inability to meet contractual obligations such as delivery deadlines or quality/service standards.

83%

of Auto & Auto-ancillary players have ranked logistics and transportation disruption as the biggest emerging threat amid the Red Sea Crisis



Gaurav Hingne
CRO
Exide Energy Solutions Ltd.

Over the last 6 months to 1 year, we have developed multiple partners whether its freight line or logistics partners. We are diversifying and localizing our supply chain to the extent possible so that if there is a global impact and if are not able to import say material X from a particular country, we have either developed alternate channels and sources or localized that in India.

Emerging Financial Risks

Sluggish economic outlook, spiraling costs of inputs and payment delays are hurting the financial viability of businesses.

In the context of short-term liabilities, tighter credit conditions and higher borrowing costs are making it further challenging for businesses to access finance.

Financial Instability is ranked as the top threat among emerging financial risks over the next five years by nearly half of the number of respondents.

67%

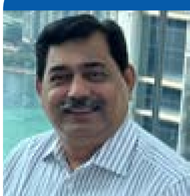
of IT industry players expressed concerns over financial instability of organizations

Emerging Socio-Cultural Risks

Demographic shifts are bringing about significant shifts in the global consumer landscape, with a significant portion of consumers in emerging markets belonging to the younger generation. On the other hand, longer life expectancies and declining birth rates in developed economies are resulting in an ageing population and shrinking workforces. This is bringing about wide-scale implications for economic growth and policy making. In parallel, changing consumer preferences are also adding up to the pressure with the demand for more digital, sustainable, and eco-friendly practices keeping businesses on their toes.

51%

across all industries have voiced concerns over changing consumer behaviors being an emerging risk



Wilfred Menezes
Director
Athena Global Logistics Pvt. Ltd.

The advent of AI will affect every industry. So, with time we must build strategies to bridge the gap between us and our customers. Customers will be expecting documents to be automated, price automation or information on his mobile through an application.

Industry Analysis: Key Emerging Risks

Emerging risks are viewed differently across various industries due to their unique operational structures, market conditions, and regulatory environments they operate in. Based on the industry's level of exposure to and dependency on global markets, consumer behavior, regulatory control and technology, industry players have rated emerging risks according to the threats they pose to businesses in India over the next five years.

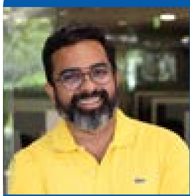
- Data Privacy and Protection Regulations is the top-most concern for businesses in Financial Services (82%) IT & ITeS (74%) industries – considering the enormous volume of sensitive data that players handle, stringent requirements are being imposed by various governments due to risks of data-theft and cyber-attacks.

- Auto & Auto ancillary industry prioritizes Logistics and Transportation Disruption as the industry relies heavily on timely delivery of components and raw materials. Besides, most players adopt a just-in-time manufacturing approach, which it makes it particularly vulnerable to transportation and logistics disruptions.

- For a highly regulated industry like Chemicals & Pharmaceuticals, rapidly evolving environmental regulations (72%) is the biggest looming threat as regulatory bodies world-wide are imposing stringent compliances to reduce environmental impact and promote sustainability.

- Changing Consumer behaviors is viewed as the second-biggest emerging risk by players in the Capital Goods industry (79%). Shifts in consumer demand are affecting production strategies and product offerings as consumers increasingly prioritize sustainability and advanced technologies.

- 57% of players in the Auto & Auto-Ancillary industry rate changing consumer behavior as one of the top threats to businesses amid rising demand for EVs, hybrid vehicles, autonomous and connected vehicles, etc.



Nitin Nair
Group Head - Insurance
RPG Group

The executive rules of DPDP Act are just around the corner. The way to mitigate emerging data privacy & security risks lies in continuous evolution. Businesses cannot stick to one kind of solution as validity of it may not be more than 6 months.

It's a continuous process of evaluating your firewalls; your processes; check for breaches; be vigilant about the data you share and with whom you share it. As most of our business is B2B, our dealers take details of the customer. We monitor how the data is being captured and stored, what are the checks in place and try to minimize the number of hands that the data changes.

Industry Analysis: Key Emerging Risks

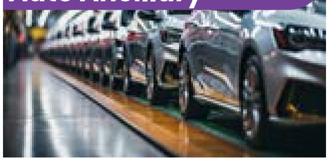
Capital goods

International Conflicts	83%
Changing Consumers behaviours	79%
Logistics and Transporation Disruptions	76%
Data Privacy and Protection Regulations	59%
Market Volatility	55%

Chemicals and Pharmaceuticals

Environmental Regulations	72%
Logistics and Transporation Disruptions	68%
International Conflicts	56%
Data Privacy and Protection Regulations	48%
Market Volatility	48%

Auto and Auto Ancillary



Logistics and Transporation Disruptions	83%
Environmental Regulations	74%
Data Privacy and Protection Regulations	57%
Market Volatility	57%
Changing Consumers behaviours	57%

IT and ITeS

Data Privacy and Protection Regulations	74%
AI and Automation Risks	70%
Financial Instaability	67%
International Conflicts	63%
Single source dependecies	59%

Financial Services

Data Privacy and Protection Regulations	82%
International Conflicts	77%
Logistics and Transporation Disruptions	59%
Supplier Disruptions	55%
Market Volatility	50%

Ankur Vaid
CEO
Concord Biotech Ltd.

India is becoming stricter about adhering to environmental norms and companies must keep upgrading themselves. So, we take lot of initiatives in sustainability and ensure we are on the right path of ESG and sustainability. We have focused internal teams - like the ESG team which works with global companies to ensure that we always have the highest standards. These are some of the things that we keep continually working on to mitigate environmental risks.

Business Functions: Analyzing Function-Specific Threats

Across different functions of a business, risks are rated differently depending upon their distinct operational contexts, objectives, and priorities. Based on the varying level of exposure to specific risks and the nature of the day-to-day operations, different departments/business functions prioritize risks according to the potential impact such emerging risks may have on their operations.

- Majority of respondents from IT function (81%) have rated Data Privacy and Protection Regulations as the top emerging risk that would likely to pose higher threat to businesses over the next five years. As businesses across the board adopt new-age technologies, it has prompted regulatory bodies to impose stringent laws pertaining to data security.

- 64% of respondents from the General Management function said they are concerned about emerging international conflicts and believe that ongoing geopolitical tensions could disrupt global operations, supply chains and market access, thereby affecting the overall business management and strategy. It may also pose challenges to business continuity, employee safety and growth prospects in affected regions.

- Top emerging risk identified by the Finance team is Logistics and Transportational Disruptions (70%) as disruptions would eventually increase costs, affect cashflows and adversely affect revenue forecasts and financial management.

- Risk, Legal & Compliance (73%) team is also increasingly wary about Logistics and Transportational Disruptions as delays could lead to contractual breaches, non-compliances and liability issues owing to damaged goods or accidents.

- For the Operations team too, Data Privacy and Protection Regulations (74%) is a cause of concern as respondents fear new regulations would demand that new technologies and workflows have in place secure and compliant data-handling practices, which would ultimately impact efficiency and costs of operations. Other than this, non-compliance resulting in hefty fines would also lead to operational challenges.

Business Functions: Analyzing Function-Specific Threats

Finance

Logistics and Transporation Disruptions	70%
International Conflicts	64%
Environmental Regulations	62%
Changing Consumers behaviours	53%
Market Volatility	52%

IT

Data Privacy and Protection Regulations	81%
International Conflicts	60%
Changing Consumers behaviours	60%
Global Health Crises and Pandemics	60%
Financial Instability	60%

General Management

International Conflicts	64%
Logistics and Transporation Disruptions	64%
Market Volatility	51%
Environmental Regulations	51%
Data Privacy and Protection Regulations	49%

Operations

Data Privacy and Protection Regulations	74%
Logistics and Transporation Disruptions	69%
International Conflicts	63%
Environmental Regulations	63%
Sanctions and Trade Embargoes	60%

Sales and Marketing

Market Volatility	71%
International Conflicts	69%
Logistics and Transporation Disruptions	63%
Supplier Disruptions	60%
Environmental Regulations	57%

Risk, Legal and Compliance

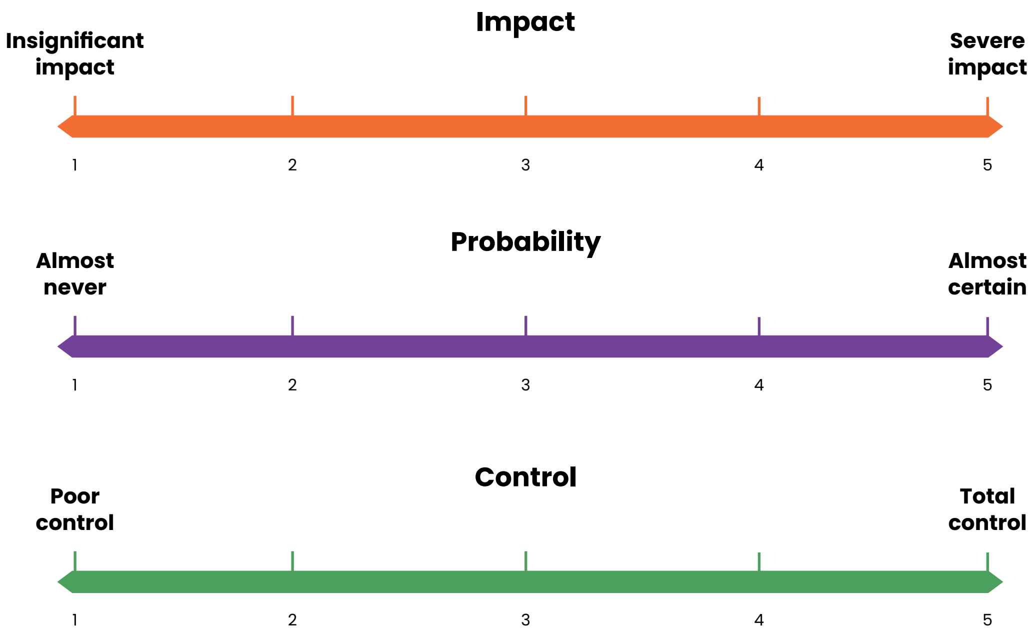
Logistics and Transporation Disruptions	73%
International Conflicts	68%
Data Privacy and Protection Regulations	59%
Environmental Regulations	55%
Supplier Disruptions	50%

THE IPC FRAMEWORK: ASSESSING EMERGING RISKS

Our research findings thus far show that a range of interconnected trends are giving rise to a myriad of emerging risks that can significantly impact business operations and strategic goals. To navigate this uncertainty, we have introduced an IPC Framework based on a robust methodology to assess the relative severity of these risks.

IPC stands for **Impact, Probability, and Control** — three critical dimensions that provide a comprehensive view of each risk type. Impact measures the potential consequences of a risk event on the organization, ranging from insignificant to severe. Probability assesses the likelihood of the risk materializing, from almost never to almost certain. Control evaluates the organization's ability to manage or mitigate the risk, from poor to total control.

The IPC Framework – Scales



Source: Dun & Bradstreet Research

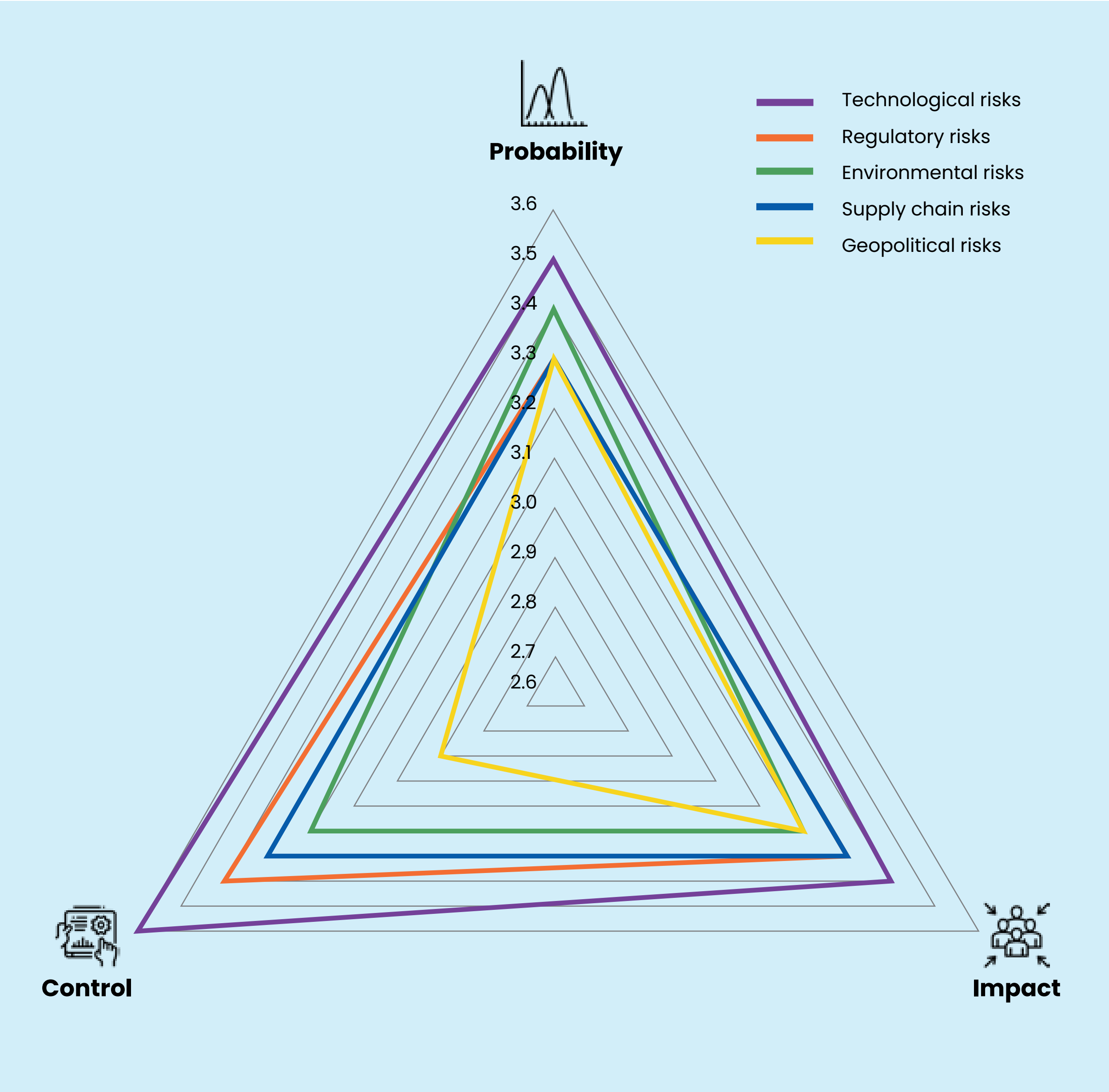
Using radar charts, the analysis in this section represents the average score of each Risk Category on the three parameters (Impact-Probability-Control) and can enable organizations compare different risk categories. For e.g., which Risk Category can have the most adverse impact?

Risk Assessment: Evaluating Impact, Probability, and Control

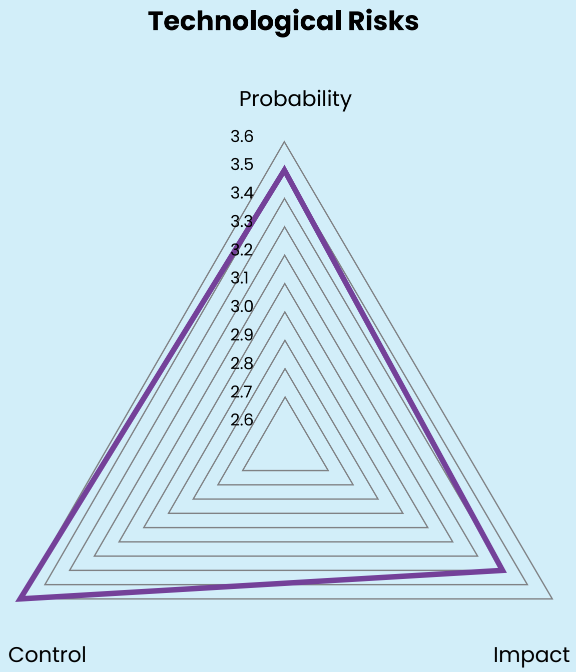
Based on survey responses, the IPC framework represents the relative Impact, Probability, and Control that businesses perceive about emerging risks.

Depicted on radar charts, the closer the risk lines are to the vertices, the higher is the impact/probability/control of the respective risk.

The five most probable and impactful emerging risks are illustrated in this section using the IPC framework.



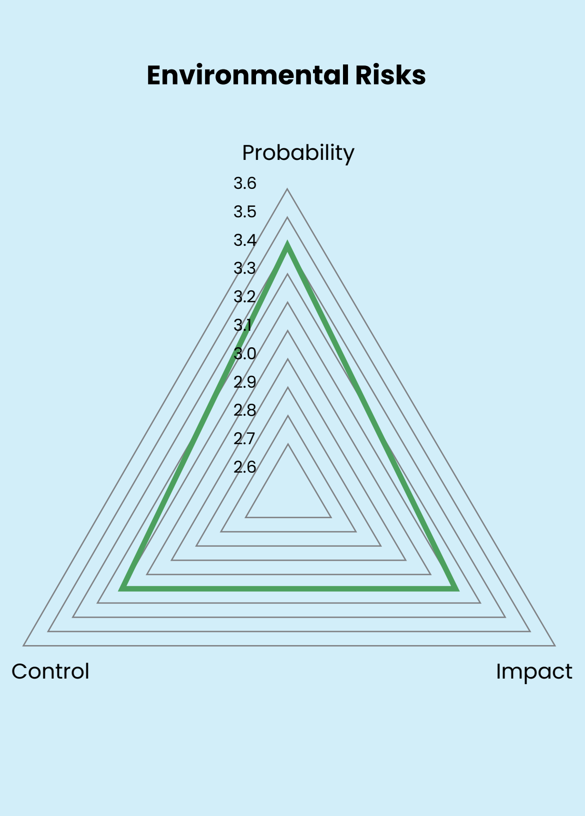
Key findings based on the IPC Framework:



- **Technological risks** have the **highest probability** of impacting businesses across industries. The perceived **impact** of tech risks on financial and business continuity is also the highest among all risk types. At the same time, businesses believe they have **strong controls** in place to mitigate tech risks.

What does this show?

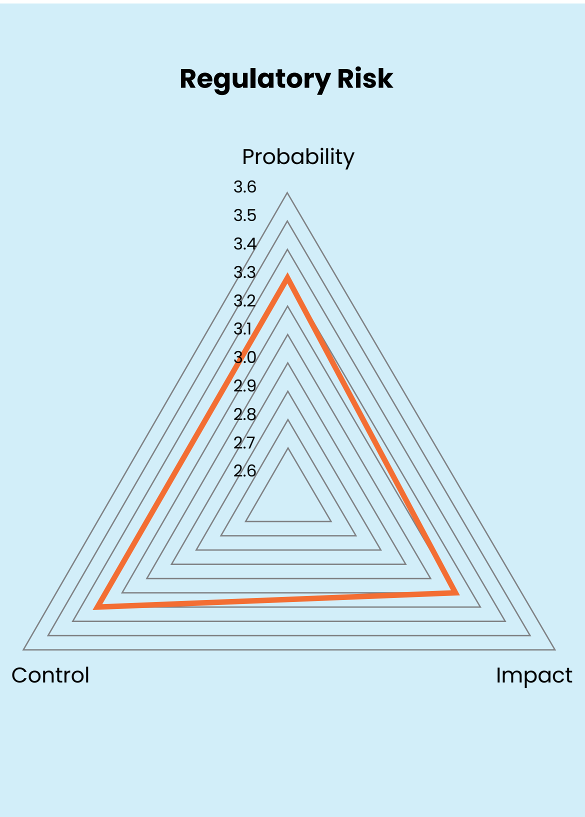
Disruptive technologies such as big data, automation, artificial intelligence, blockchain etc. are transforming business processes across all industries. With the rapid pace of digitalization and adoption of technology, especially by new entrants with innovative business models, there is increasing pressure on industry-wide incumbents to innovate. On the other hand, with widespread adoption of technology, risks pertaining to data security and ownership are also on the rise. That explains why businesses have rated emerging tech risks as having high impact as well as probability. In parallel, as emerging technology being perceived as the topmost concern, businesses have instinctively responded by strengthening security measures. In some cases, businesses may be overly optimistic about their ability to control technology risks.



- **Environmental risks** are perceived to have the **second highest probability of impacting businesses** in the next 5 years. Corporates believe this risk type will exert a **moderate impact** on their operations, perhaps driven by the **decent controls** they have in place to mitigate the risks.

What does this show?

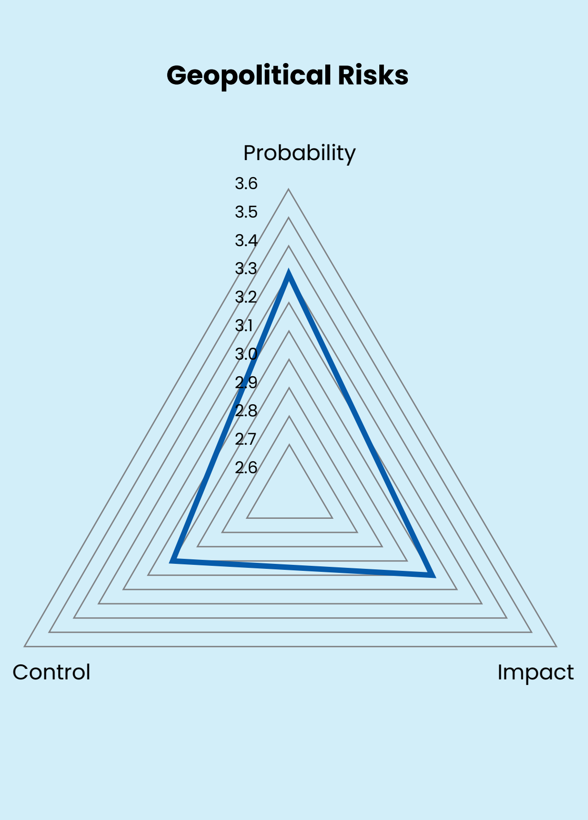
Extreme weather conditions such as floods, drought, storms, which are becoming more frequent and severe in impact due to climate change, are the second biggest cause of concern for businesses. These events are destabilizing already fragile supply chains and interrupting business continuity.



- While **Regulatory risks** have a **moderate probability of occurring and impacting** businesses, they exhibit a **good sense of control** over mitigating emerging regulatory challenges.

What does this show?

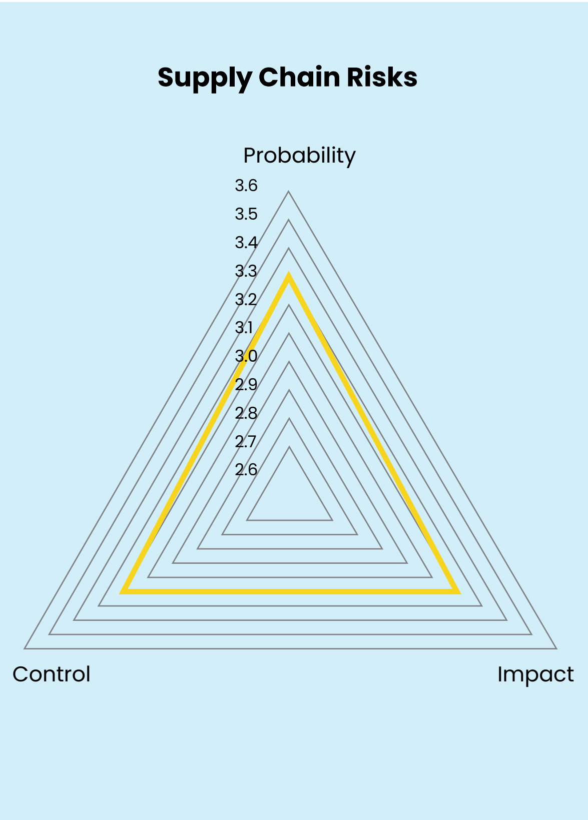
In view of the increasing risks due to disruptive technologies or environmental concerns, businesses believe regulatory bodies would put in place stringent norms to safeguard stakeholder interests. However, they also view themselves to be in a good position to align with the changing regulatory policies.



- In the coming 5 years, **Geopolitical risks** are also perceived to have a moderate probability of occurring and having a moderate impact. However, businesses have the **lowest control** over this risk.

What does this show?

Geopolitical risks, while moderately probable and impactful, often fall outside the direct control of businesses. These risks, such as wars or political instability can significantly disrupt supply chains, markets, and regulatory environments. Businesses may need to adapt their strategies, diversify operations, or even relocate to mitigate the impact of geopolitical events. However, their ability to influence or control these events is limited, highlighting the importance of proactive risk management and contingency planning.



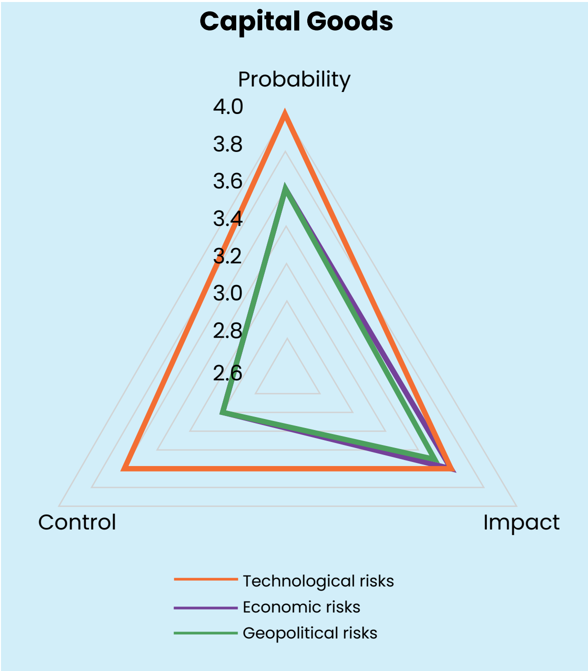
- Across industries, businesses envisage emerging **supply chain risks** to have a **moderate probability** of affecting operations in the near future, dealing a **moderate blow to operations** driven by **moderate control.**

What does this show?

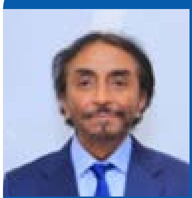
Supply Chain Disruptions are also seen to be one of the emerging risks having moderate impact on businesses. Growing global interconnectedness is making supply chains more vulnerable to disruptions due to geopolitical conflicts, pandemics, or extreme climatic events.

Industry Analysis: IPC Assessments

From Automation to Robotics: Tech Threats Disrupt the Capital Goods Industry



- Compared to all other risk types, the Capital Goods industry is most probable to be impacted by **tech risks**. The impact of emerging tech risks is perceived to be **moderately high**. At the same time, businesses think they have **good controls** in place **to mitigate** tech risks.
- Businesses in the industry envisage the **probability and impact** of **Economic risks** on their operations to also be **moderately high**. However, compared to the likely impact of economic risks, businesses have much lower control over this risk type.
- In the Capital Goods industry, players also have only moderate control over **Geopolitical risks.**



Deepak Shetty

Former Secretary to the Government of India and Director General of Shipping

At the international level, there is a huge geopolitical strategic risk impacting businesses. The two- and half-year long Russia Ukraine war has brought about huge supply chain disruptions. The ongoing Hamas and Israel war is another area of risk for businesses. You also have the South China crisis in the Taiwan Strait. The attacks by the Houthis in Yemen, drone strikes etc. are all clear signals of emerging risks for corporates.

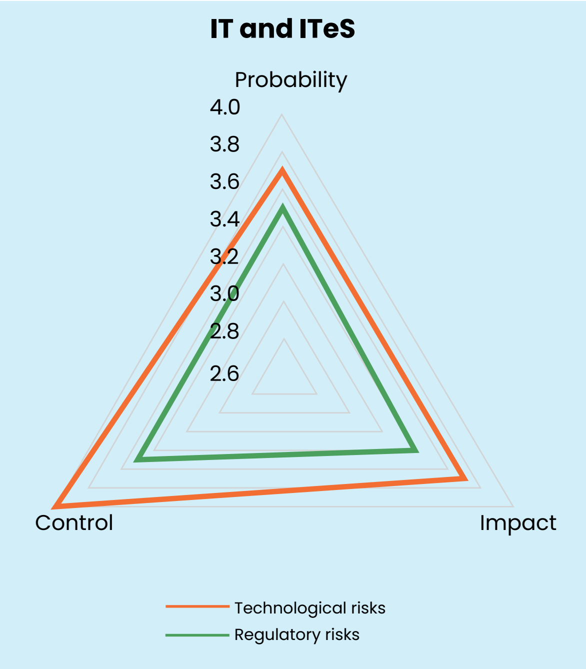
What does this show?

Automation, robotics, IoT have extensive application in the Capital Goods Industry to boost efficiency and precision. Moreover, predictive maintenance, 3D printing, and smart machinery are helping reduce downtime and operational costs while allowing for rapid prototyping and customization.

Players are under increasing pressure to adopt these technologies to stay ahead of the curve, which is why tech risks are being perceived at a high probability and impact across the industry.

On the control side, industry players appear to be in good control through moderate risk control measures being implemented.

Tech Threats Loom Large: IT Players Brace for Impact



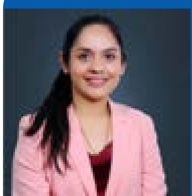
- In the next 5 years, the industry envisages a **significantly high probability** of **tech risks** impacting business operations, with the **impact** expected to be equivalently **high. Perception of Controls** on tech risks within the industry are **high**.

- On the other hand, among all risk types, **Regulatory** risks are expected to have the **second highest probability and impact** on business continuity. The **control** on this risk type is only **moderate**.

What does this show?

IT& ITeS players foresee technology risks as the biggest emerging threat to their operations. Tech players are finding it challenging to keep pace with the fast-evolving technology while realizing tangible business outcomes even as increased sophistication and frequency of cyber-attacks is also exacerbating downside risks.

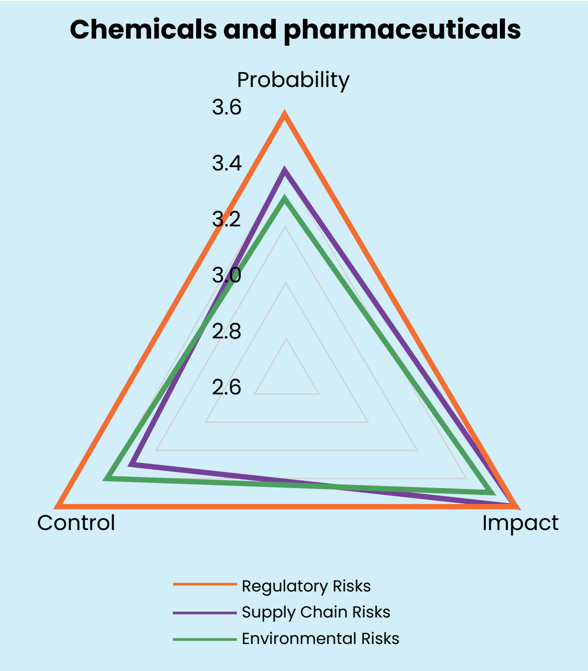
In view of the high probability and impact of tech risks foreseen on portfolios, businesses have been extremely vigilant, which is reflected in the high control score on the risk control/mitigation side.



Komal Gupta
CEO & CFO
Windlas Biotech Ltd.

We see cyber risks as the top-most concern, which we address by raising awareness among employees; IT must proactively anticipate potential risks, keep everyone informed, and equip them with the necessary tools.

Navigating New Regulations: Chemicals & Pharma Industry's Top Concern



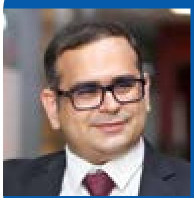
- For the **Chemicals & Pharma** industry, **Regulatory risks** are the most probable and are expected to have significantly high **impact.** Players in the industry have **high degree of perceived control** over this risk type.
- Although **supply chain risks** are expected to have a **high** probability of impacting players in the industry, businesses expect a **relatively higher impact** on operations. Players have **one of the lowest controls** on this risk type among all risks.

What does this show?

Being a highly regulated one, players in the Chemicals & Pharmaceuticals industry feel emerging Regulatory Risks are most likely to affect their business operations. Stricter environmental regulations and climate change policies are compelling governments to impose stringent regulations to bring about sustainability, safety, and transparency within the industry.

In line with the policy thrust, the impact is expected to be moderately high, which has prompted businesses to be adequately guarded against the emerging risks from this quarter.

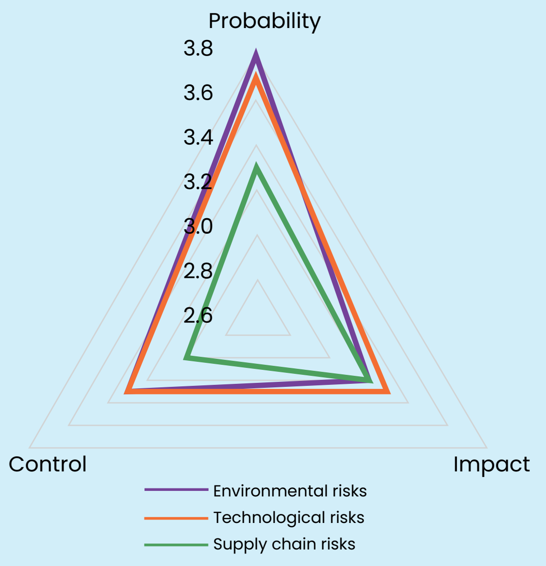
In addition to regulatory complexities, increasing frequency of supply disruptions due to pandemics, geopolitical conflicts and climate conditions are adding to vulnerabilities. Moreover, the demand for more sustainable processes and transparency across the value chain is exerting pressure on players to adapt rapidly. Businesses possibly view regulatory policies and supply chain issues as macro-factors beyond their control, which explains why the perception of lower control on this type of risk.



Ankur Vaid
CEO
Concord Biotech Ltd.

Our supply chain encompasses our procurement and our supplies. From the procurement perspective, we have mitigation plans in terms of relying on domestic procurement as much as possible, instead of international vendors. If this is not possible, we look at having better inventory control, considering the fluctuations that could occur in the timelines.

Green and Smart: Auto Sector Faces Rising Environmental and Tech Challenges



- **The Auto & Auto Ancillary** industry envisages **Environmental Risks** to have the **highest probability** of impacting businesses. With **decent controls** in place, the **impact is** envisaged to be **moderate.**

- **Tech risks** have the second **highest probability** of affecting the auto and auto ancillary industry in the coming 5 years. Players only have **moderate control** on this risk type, envisioning a **moderate impact.**

- Despite a **moderate probability of occurring and impacting** operations, players have a relatively low control on **supply chain risks.**

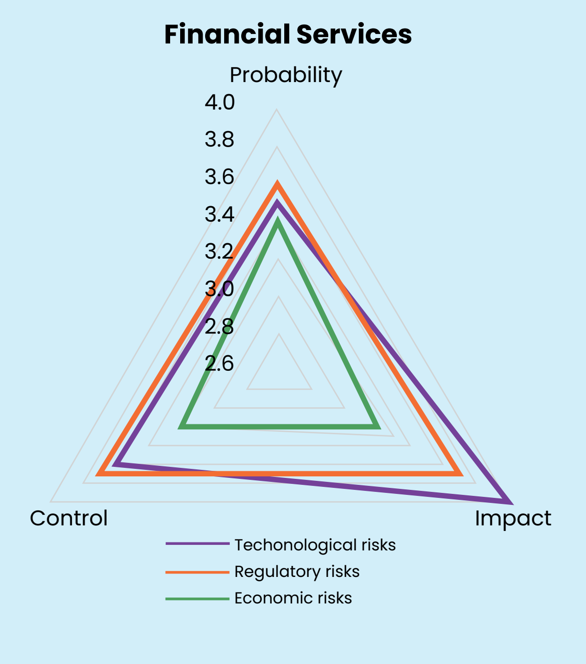
What does this show?

The drive towards greener vehicles and the increasing demand for automated and smart vehicles has intensified concerns around emerging Environmental Risks and Technological Risks for players operating within the auto & auto-ancillary segment. Given the technological advancements being implemented in the industry and the environmental concerns, regulatory pressures are also likely to be intensified. Besides, unavailability of critical components and key materials amid heightened geopolitical unrest and trade restrictions could hamper vehicle production.

Yashpal Jain
CFO & Company Secretary
Sandhar Technologies Ltd.

The auto industry is prone to technological disruptions with new technological upgradations taking over the existing technology. Unless companies invest continuously in R&D and work on tech advancements, it's very difficult to survive – be it a component supplier or even an OEM.

Financial Services Eye Regulatory, Tech, and Economic Threats



- **Regulatory risks** are the **most probable** to impact the financial services industry. Players perceive the impact to be **moderately high**, with **significant controls** in place.
- While the probability of **tech risks** impacting the financial services industry is **significant**, player envisage the impact to be **significantly higher**. The controls in place to mitigate tech risks are fairly moderate.
- With a moderate probability of affecting the financial services industry, players have one of the lowest controls on **Economic risks**, compared with other emerging risks.

Mahesh Khisti
CISO & VP - Information Technology
United Overseas Bank Ltd., India Operations

We have layers of security controls like XDR, EDR, DLP etc. in place to protect our data. Other controls to protect data, on the infrastructure side, include web isolation and appropriate segregation on to the network site so that if some breach occurs it does not spread to the entire network. On the operations side, robust SOPs are there that are aligned with the regulatory guidelines.

What does this show?

Players anticipate stricter policy reforms with respect to data protection/privacy laws, anti-money laundering, counter-terrorist financing as well as emerging technologies such as cryptocurrency, immersive platforms (Metaverse) and Fintechs.

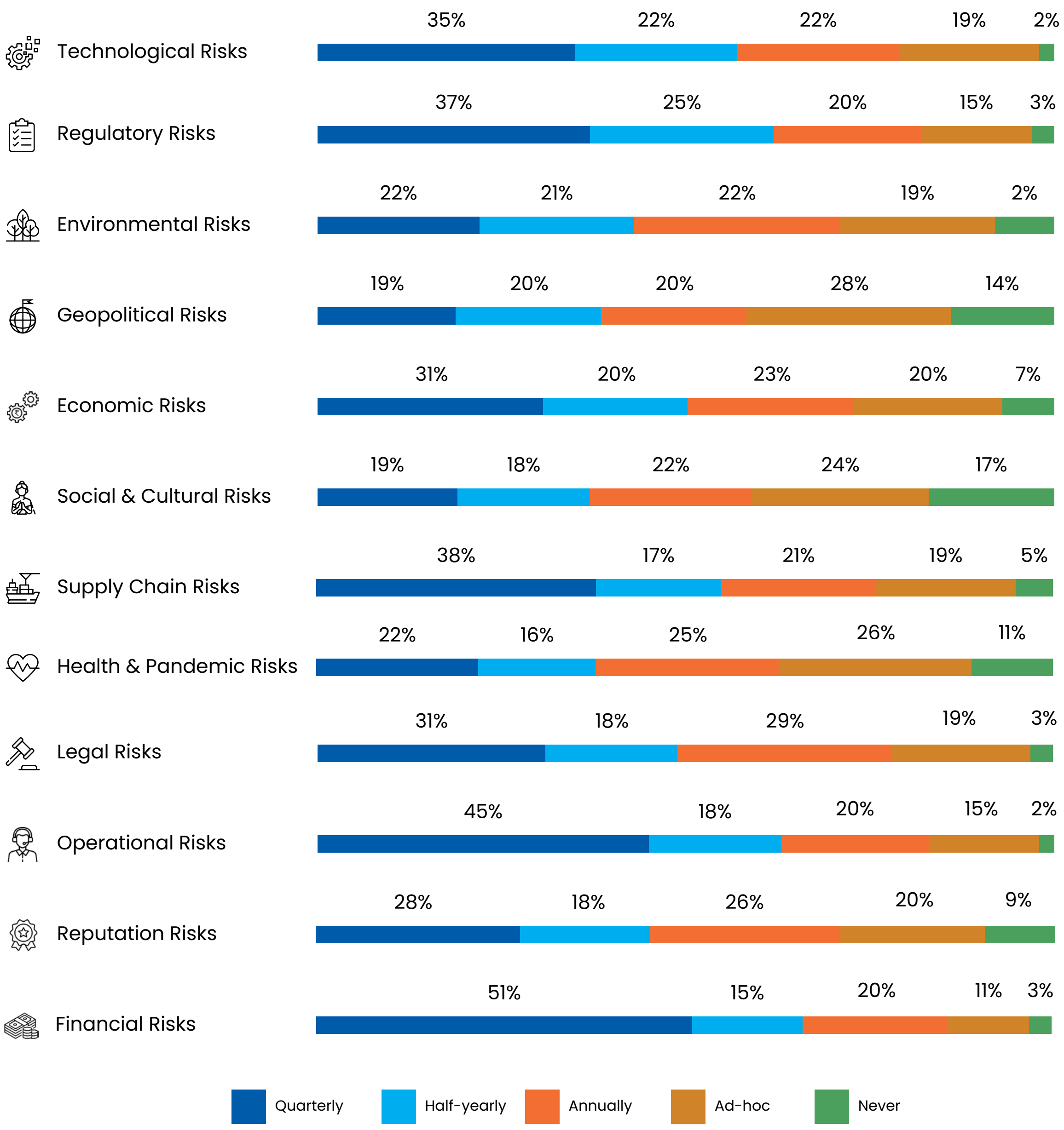
In line with this, regulatory risks are seen to be the most probable emerging risk by financial services providers. Technological advancements in the industry are also seen to be disruptive by players next to regulatory changes. In terms of impact, tech risks are believed to have bigger impact as increased reliance on digital products and platforms aggravates the risks of data breaches and cybercrimes.

Despite the perceived high impact, financial players are not adequately guarded against the emerging tech risks as can be seen from the moderate controls. Geopolitical risks are also not being addressed despite an expected moderate impact on operations, players have low controls over these risks.

HOW ARE BUSINESSES KEEPING UP?

Frequency of Formal Risk Assessments

Our respondents were asked how frequently their companies conducted formal assessment of the Emerging Risks and how the same is incorporated into risk management strategies. A study of their responses reveals the following –



Source: Dun & Bradstreet Research

Over a quarterly range, Financial Risks emerged as the "most watched out for", with 51% of businesses conducting quarterly assessment of Financial Risks, followed by Operational Risks (45%) and Supply Chain Risks (38%). Ongoing geo-political conflicts leading to supply chain disruptions and operational challenges globally are likely driving businesses to monitor and assess risks arising from these quarters more frequently.

Besides 22% of businesses said they conduct quarterly assessment of Environmental Risks, which indicates a growing awareness of environmental issues among businesses.

Geopolitical Risks (19%) and Social & Cultural Risks (19%), however, figure on the lower rung as businesses appear to be ignoring these threats while conducting formal assessments.

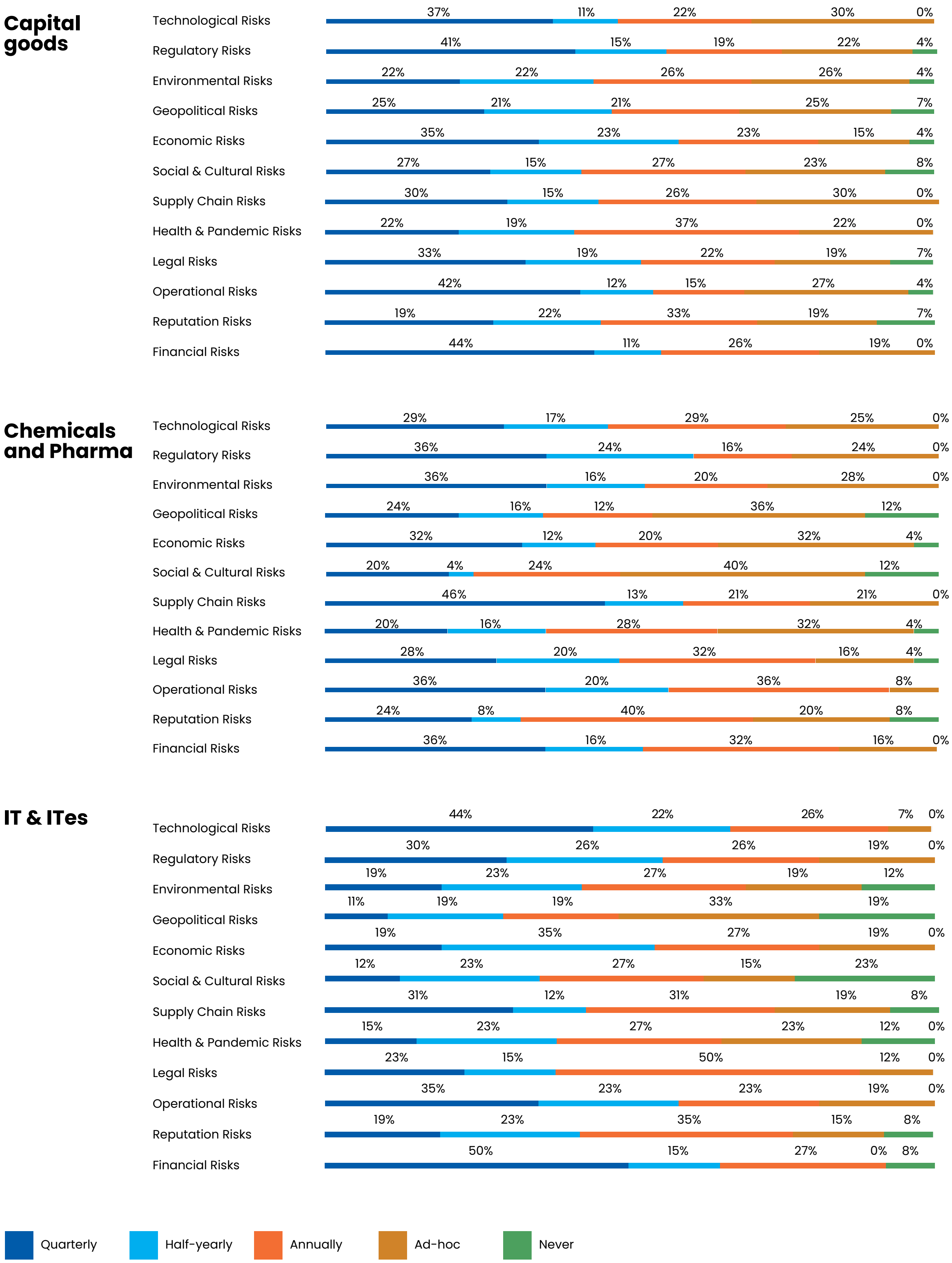
Interestingly, 17% of the businesses never consider Social & Cultural Risks into their risk mitigation strategies while 19% businesses said they do not factor in Geopolitical Risks in their strategic decisions with respect to risk management.

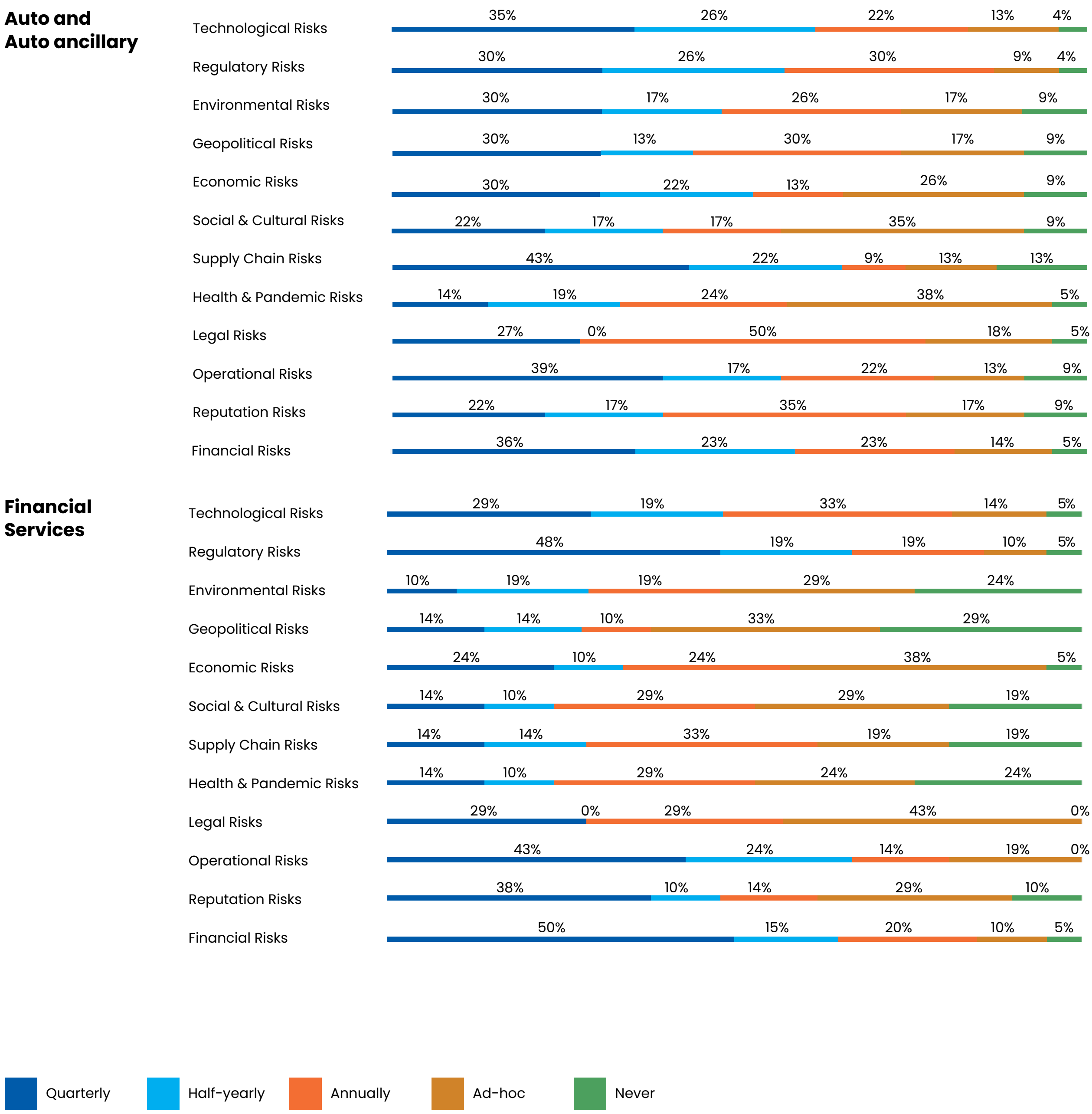
This shows that businesses are significantly underestimating geopolitical risks in their formal assessments. While technological, regulatory, and environmental risks are assessed with reasonable frequency, geopolitical risks are often overlooked or given lower priority.

Biswajit Chaki
CFO
Yazaki India Pvt. Ltd

To mitigate emerging risks, we optimize our global purchasing power to ensure minimal disruptions to the workflow; localize by giving more support; and from a compliance perspective we ensure we are in a position where any compliance-related impact on our business is minimal.

Industry Analysis: Business Risk Assessment




Auto and Auto ancillary
Technological Risks 35% 26% 22% 13% 4%
Regulatory Risks 30% 26% 30% 9% 4%
Environmental Risks 30% 17% 26% 17% 9%
Geopolitical Risks 30% 13% 30% 17% 9%
Economic Risks 30% 22% 13% 26% 9%
Social & Cultural Risks 22% 17% 17% 35% 9%
Supply Chain Risks 43% 22% 9% 13% 13%
Health & Pandemic Risks 14% 19% 24% 38% 5%
Legal Risks 27% 0% 50% 18% 5%
Operational Risks 39% 17% 22% 13% 9%
Reputation Risks 22% 17% 35% 17% 9%
Financial Risks 36% 23% 23% 14% 5%
Financial Services
Technological Risks 29% 19% 33% 14% 5%
Regulatory Risks 48% 19% 19% 10% 5%
Environmental Risks 10% 19% 19% 29% 24%
Geopolitical Risks 14% 14% 10% 33% 29%
Economic Risks 24% 10% 24% 38% 5%
Social & Cultural Risks 14% 10% 29% 29% 19%
Supply Chain Risks 14% 14% 33% 19% 19%
Health & Pandemic Risks 14% 10% 29% 24% 24%
Legal Risks 29% 0% 29% 43% 0%
Operational Risks 43% 24% 14% 19% 0%
Reputation Risks 38% 10% 14% 29% 10%
Financial Risks 50% 15% 20% 10% 5%
Quarterly
Half-yearly
Annually
Ad-hoc
Never

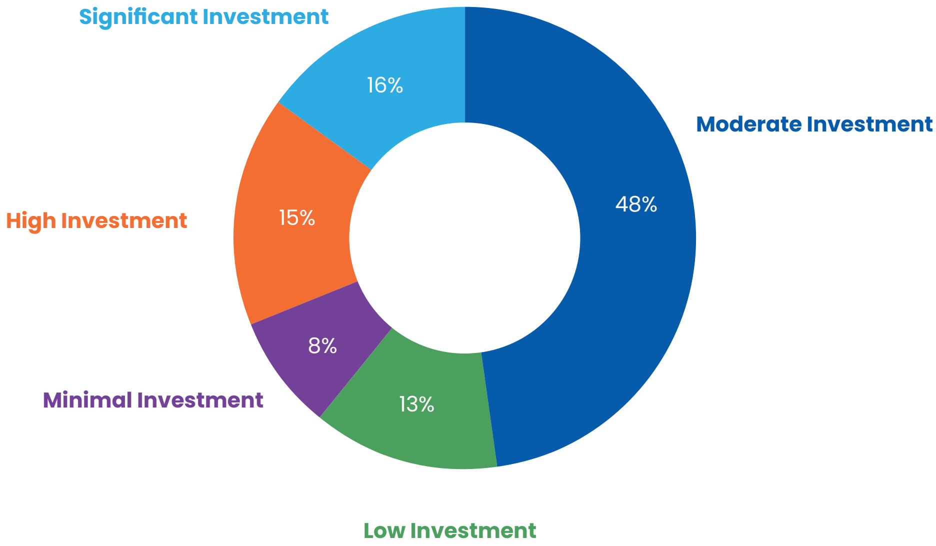
Businesses who conduct regular assessment of risks are at a better position to identify and evaluate potential risks, which helps in adapting to the evolving landscape. Proactively preparing for emerging risks can help boost resilience and give an edge above others in turning potential risks into opportunities. Ideally, the greater the perceived risk, the more frequently businesses need to conduct risk assessments.

- Over a quarterly period, Financial Risks (44%) and Operational Risks (42%) are the most watched out by players in the Capital Goods industry via formal assessments. Regulatory Risks (41%) and Technological Risks (37%) are also on the tab in quarterly assessments.
- Although players in the Capital Goods Industry recognized International Conflicts as a top emerging threat to their operations, over 3 in 10 (32%) businesses conduct a formal assessment for this risk either on an ad-hoc basis or never. This reflects a gap between perception of potential impact and action taken.
- In the IT & ITeS industry, Financial Risks (50%) and Technological Risks (44%) are assessed every three months, while on the other side, Geopolitical Risks (11%) are not given due importance during quarterly risk assessments – with 19% businesses never conducting a formal assessment of this risk type. On an annual basis, Legal Risks (50%) are given due importance for the purpose of risk assessments.
- For players in the Chemicals & Pharmaceuticals (46%) and Auto & Auto Ancillary (43%) industries, Supply Chain Risks are of prime concern being assessed every quarter.
- On an annual basis, Reputational Risks matter for Chemicals & Pharma players more as 40% of the respondents said they conducted formal assessment of these risks every year. Legal Risks are weighed in by half of the respondents (50%) in their yearly risk assessments.
- In the Financial Services segment, over the near term (3-month period), the most-watched risks include Financial Risks (50%), Regulatory Risks (48%) and Operational Risks (43%). International Conflicts, however, which was identified as one of the top-most threats by respondents is not on the radar with only 14% respondents considering these risks in their short-term formal risk assessments.

Risk Management Investment: Only 16% of Businesses Go All In

We asked the same respondents about the level of investment their companies have made towards mitigation of emerging risks. The responses show that only 16% businesses had made significant investment for risk management. Another 15% said they had made high investments for risk mitigation.

Level of investment towards mitigating risks (overall)



If we analyze overall, only 3 out of 10 businesses have made "high to significantly high" investments towards risk management initiatives. Remaining 7 out 10 businesses, on an average, continue to be moderately invested.

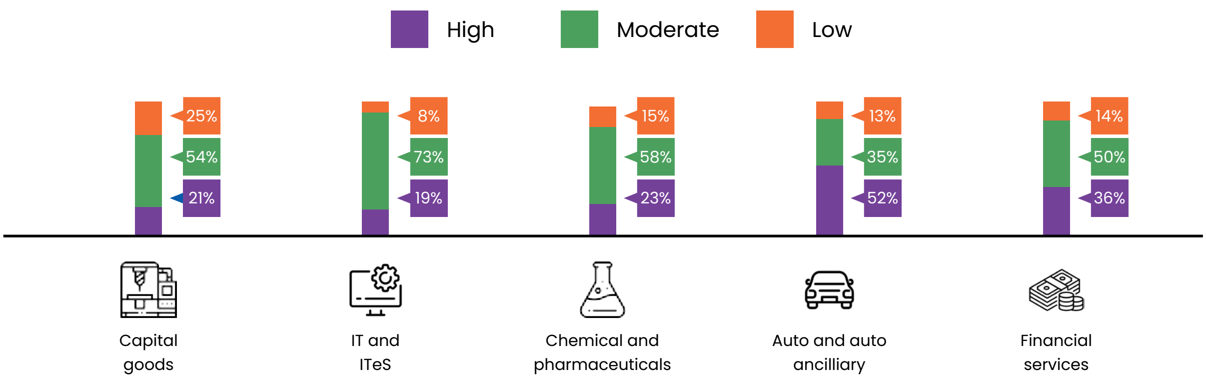
This shows that while companies are actively managing risks, they are not committing large amounts of resources, possibly to maintain flexibility.

Industry Analysis: Investments in Risks Mitigation

Depending upon the potential impact of the emerging risk on operations, businesses need to invest in risks mitigation, keeping in mind high-impact areas such as cyber-security or regulatory compliances, for instance. Businesses need to adopt a flexible approach, leaving room for adjustments as and when formal risk assessments identify and point to an emerging risk.

- The Auto & Auto Ancillary industry (52%) is leading in terms of **significant investments** into mitigating emerging risks, highlighting the industry's proactive approach for dealing with uncertainties, possibly driven by potential changes in the regulatory space, technological advancements, and the pace of its adoption by market players and the changing market dynamics.
- **Financial Services Industry (36%)** ranks **second in terms of high investments** for risk mitigation amid emerging concerns within the regulatory and technological space.
- **IT & ITeS industry** ranks the **lowest (19%) in terms of significant investments.** However, a majority of the players (73%) invest moderately in risk management, suggesting that players in this industry are consistent in their risk mitigation investments, affording them strong perceived controls over risks.
- In the **Capital Goods industry, only 21% of the players have parked significant amount of funds** towards risk management while a majority 54% have taken moderate positions.
- **58% of players in the Chemicals & Pharmaceuticals industry** are making moderate investments into mitigating emerging risks, while 23% invest significantly in mitigating emerging risks.

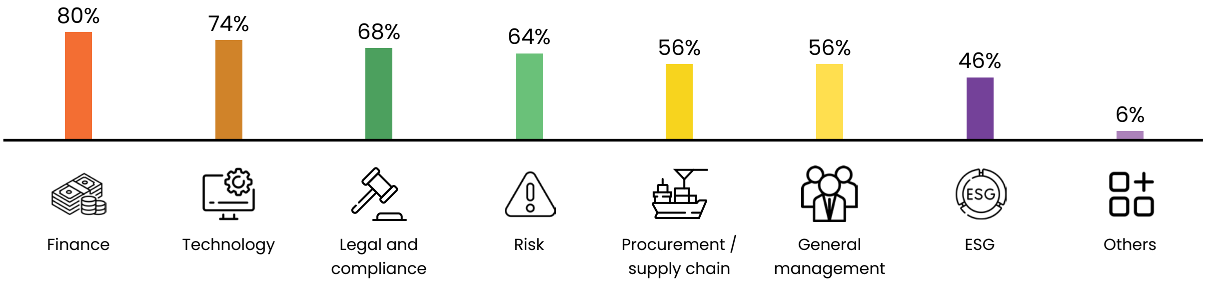
Industry-wise level of investment in mitigating emerging risks



Stakeholder Participation in Risk Management

In response to our question about which functions should be involved in the evaluation and management of Emerging risks, a majority of the businesses (80%) thought Finance Department should be actively involved. This could be driven by the function's role in ensuring financial stability, assessing financial risks, and allocating resources for risk mitigation.

Functions that should be involved in the emerging risk management process



74% businesses said the Technology Department should be more involved in the management of Emerging Risks. Technology teams play a vital role in implementing cybersecurity measures, adopting new technologies, and ensuring system integration to maintain business continuity. Traditionally, IT departments were largely viewed as a support function rather than a strategic partner. However, this perception is changing now as increased digitization requires involvement of technology leaders into strategic decisions including risk management and investment strategies.

46% businesses think ESG department needs to be involved in risk management as businesses perceive environmental, social and governance factors crucial to assessing and managing the company's long-term risks and opportunities.

Overall, businesses believe all functions need to be involved in risk management and mitigation strategies to devise a comprehensive and collaborative plan that will help the company identify, assess, and address emerging risks more effectively.

Gaurav Hingne
CRO
Exide Energy Solutions Ltd.

All departments should be involved as risk is imminent across all departments. Effective risk management is where every employee within the organization is a Risk Champion, has a risk mindset, deploys risk aware decision making; that's how Risk Management in the true sense is embedded deeply in the organization. We have designated Risk Champions in each department who work very closely with the Central Risk Management team- So whether it is R&D – which are closely involved in tracking innovation risk or business model risk, or Quality or Technical teams who play a key role in managing operational risks, or sales team for customer / market risk or Procurement team for managing supply chain, procurement and logistics risk; all are equally important.

Badri Sanjeevi
CFO
Turtlemint

Having an Enterprise Risk Management (ERM) framework for the business - one that consciously writes down all possible risks to the business and consciously building mitigations for the risks is a must for all businesses irrespective of size. The developing and monitoring of ERM frameworks it needs to be led by the highest level of leadership of the businesses and even by Audit committees, as is mandated already by the laws in India.

CONCLUSION

In these uncertain times, when a host of unforeseen events are threatening to derail business operations and revenues, it is prudent to proactively invest in mitigation and management of emerging risks. Proactive risk management strategies help businesses maintain operational continuity even in the face of challenges. Businesses that have a good grasp of the evolving risk landscape stand a better chance of adapting swiftly to changing conditions, be it regulatory changes, technological shifts, or market fluctuations. Effective mitigation, thus, helps companies respond in a more agile manner to challenges and opportunities, maximize returns on investments, earn stakeholder trust and gain a competitive edge above others. It also enables companies to stay compliant with regulatory requirements despite frequent changes.

When it comes to risk management, although our research shows good awareness and concern among businesses about emerging risks arising from familiar contexts, there seems to be less awareness about risks emerging from unknown environments or entirely unexpected sources. This underpins the necessity of having more robust risk management strategies to safeguard against uncertainties beyond the current focus areas. This involves risk monitoring and assessment mechanisms to identify potential risks, continuously assessing them and leveraging technology for real-time monitoring.

It is thus crucial to invest more in risk management to ensure that the organization can respond swiftly and effectively to threats, both internal and external, known as well as unknown. It is equally important to inculcate a risk-aware culture within the organization, for which involvement of all stakeholders across all the functions is critical to ensure a holistic view of interconnected risks that may not be apparent in a siloed approach. Integrated approach to risk management fosters a culture of responsibility where risk management is not regarded as a merely a compliance tool.

With the right approach, companies can build better strategies to manage evolving risks to safeguard against potential disruptions and deliver exceptional value to all stakeholders.

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