



## Sector: BFSI



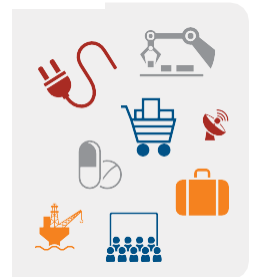


## ICICI Lombard Corporate India Risk Index - Introduction

- ICICI Lombard Corporate India Risk Index is the first ever unified, credible, standardised corporate Risk Index that spans over the country level, the industry level and the company level
- This index maps the risk to a company on the basis of awareness, preparedness, probability and criticality across 15 sectors in India
- It will help the companies understand the level of risk that their business is facing and assist them in developing a successful risk aversion plan

## ICICI Lombard Corporate India Risk Index - Sector List

- |                             |                           |                              |
|-----------------------------|---------------------------|------------------------------|
| • IT/ITeS                   | • Automotive & ancillary  | • Metals & Mining            |
| • BFSI                      | • Hospitality/Tourism     | • Transportation & Logistics |
| • Healthcare                | • Manufacturing           | • Media & Telecommunications |
| • Pharmaceuticals & Biotech | • FMCG/Retail             | • Chemicals & Petrochemicals |
| • Energy                    | • Infrastructure & Realty | • E-commerce/New-age         |




## ICICI Lombard Corporate India Risk Index - Risk Framework

The ICICI Lombard Corporate India Risk Framework comprises of 32 risk elements across 6 broad dimensions:

- Inflation
- Taxation
- Regulatory Risks
- Foreign Exchange Risk
- Geo-political Risks
- Competitive Risk

**Market and Economy**


- Disruptive technology
- Intellectual property
- Data compromise
- Counterfeiting
- R&D / Innovation failure
- Infringement / violation

**Technology**



- Cybercrimes
- Counterfeiting
- Harassment/Bribing
- Executive threat/ Impersonation
- Physical violence/ abuse

**Crime and Security**



- Accidents/Fire Safety
- Strikes/Closure/Unrest
- Supply Chain Risk
- Environmental Risk
- Terrorism and Insurgency
- Equipment Malfunction

**Operational and Physical**


- Natural Hazards like flood, drought, famine, earthquake, landslide, etc.
- Pandemic (e.g. COVID)

**Natural Hazard and Event**


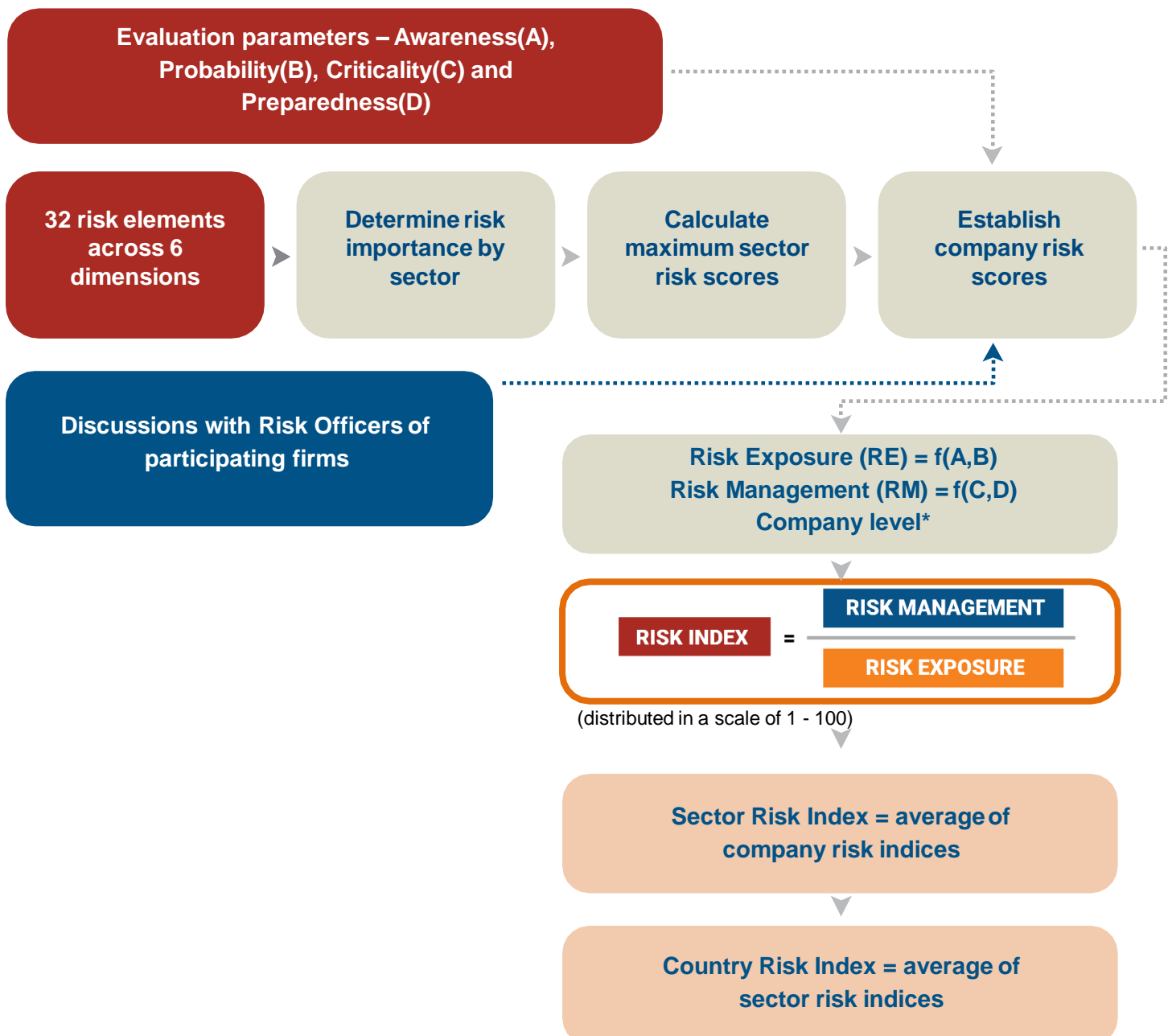
- Resources scarcity and/or misutilization
- Public sentiment
- Failed/Hostile M&A

**Emerging**


## ICICI Lombard Corporate India Risk Index - Methodology

- **ICICI Lombard Corporate Risk Index** is based on the principles of Lean and Six Sigma that qualify business processes by measuring Effectiveness and Efficiency
- **Corporate Risk Index score** measures the risk mitigation practices undertaken by a company relative to its Risk Exposure
- **The Corporate Risk Index for 2020** is based on published business performance reports, assessments, and insightful discussions with key executives of **150 companies in India across the key 15 sectors**

## ICICI Lombard Corporate India Risk Index - Approach



## ICICI Lombard Corporate Risk Index – Formulation

The Risk Framework comprises of 32 risk elements across 6 broad dimensions

Measured across 4 parameters spanning exposure and management



$$\text{RISK INDEX} = \frac{\text{RISK MANAGEMENT}}{\text{RISK EXPOSURE}}$$

## ICICI Lombard Corporate Risk Index – Scale

Score	< 30	30 - 50	50 – 60	60 - 80	> 80
	Ineffective	Sub-optimal	Optimal	Superior	Over-prepared
Category	The corporate has very high exposure or very poor risk management practices or both	Not all risks are handled effectively. Risk management practices are likely dated or inefficient.	Most current risks are being handled effectively. Emerging risks associated with strategic initiatives need more diligence.	Very effective and efficient risk management practices. Well positioned to handle current and future risks across dimensions.	High investment in risk mitigation practices. Likely over-investment in one or more risk dimensions. Difficult to justify ROI

## Corporate India Risk Profile

# Risk Exposure Score: 66

# Risk Management Score: 64

# Risk Index 57

Corporate India's Risk Exposure and Risk Management scores are 66 and 64 respectively; this indicates the country's marginally inferior risk management abilities and mitigation strategies for risk aversion.

The Corporate India Risk Index for Market & Economic Risk is low owing to a high exposure to geopolitical tensions and competition faced from MNCs. Technological Risk is also a matter of concern as India predominantly uses outdated technologies which are less effective and reduce productivity and thereby profitability. Another area of concern is Crime and Security Risk due to the existence of corruption in the system along with poor government regulations.

Various sectors namely Automotive, Manufacturing, Metals & Mining, Healthcare, IT-ITES, BFSI, and Media & Telecommunication have risk indices above the country's risk index.

Sectors with risk indices lower than India's risk index are Chemicals, Hospitality, Pharmaceuticals, New Age, Energy, Realty & Infra., FMCG, and Logistics.

## Corporate India Risk Index at Glance

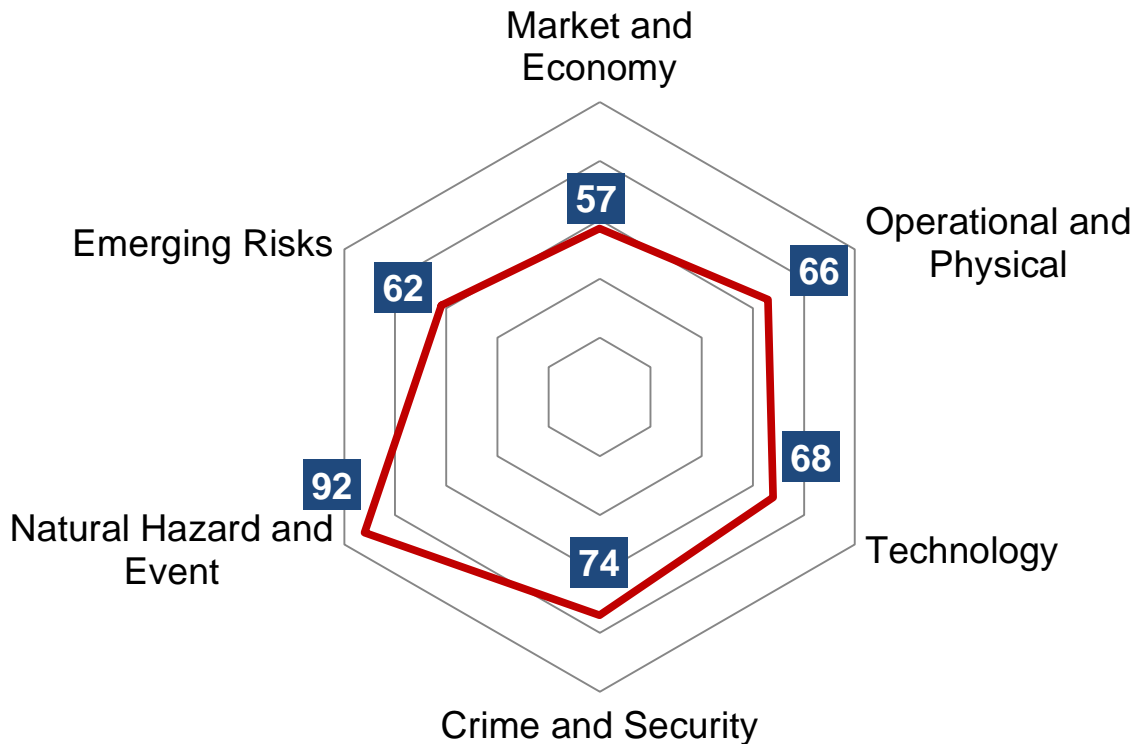
Sectors	Risk Exposure	Risk Management	Risk Index
Automotive	72	72	59
Chemicals	68	66	55
Pharma	69	65	52
New-Age	65	61	51
Energy	69	66	52
Manufacturing	65	64	57
Metals and Mining	54	54	60
Realty and Infra	63	62	57
Hospitality	68	64	50
FMCG	72	69	54
Logistics	71	65	47
Healthcare	55	59	70
IT-ITES	57	58	64
BFSI	73	76	65
Media-Telecommunication	64	64	60
<b>Overall Score</b>	<b>66</b>	<b>64</b>	<b>57</b>

## BFSI Sector Risk Profile

**Risk Exposure Score: 73**  
**Risk Management Score: 76**

**Risk Index**  
**65**

### Sector Risk Index - Six Risk Dimensions

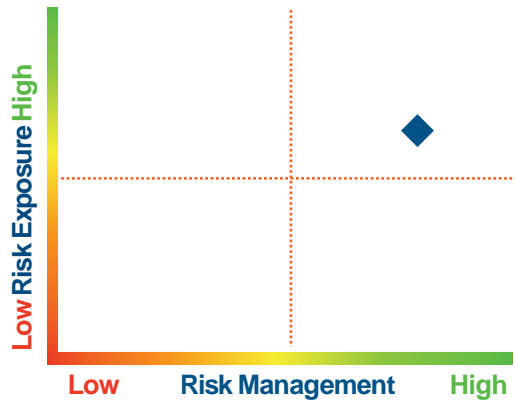


The BFSI sector’s Risk Exposure score is 73 mainly due to its high exposure to Natural Hazard and Event Risk & Crime and Security Risk. While the Risk Exposure of most companies is majorly due to competition in the market, technological advancements in the industry and situation during pandemic.

The overall Risk Management score is 76; this indicates that the industry is well prepared to mitigate the risk arising in business. However the companies in the industry need to improve disruptive business models innovations triggered by emerging technologies, changes in the geopolitical landscape, natural disasters and pandemic situations and cyber breaches on a massive scale

## Risk Dimension Analysis: Market and Economy

**Risk Exposure Score: 75.0**  
**Risk Management Score: 74.0**



### Uncertainty in market due to COVID-19

- Inflation is a factor that determines the financial planning goals of the BFSI sector.
- Stock-broking is a heavily regulated industry. Abiding by these financial regulations is crucial for stock broking companies.
- Deadlines of regulations change priorities and resources have to be channeled towards the adjustment to the regulations.
- Inflation does not pose a risk to banks as much change in factors such as GDP, interest rates, NPAs, forex, investments do.

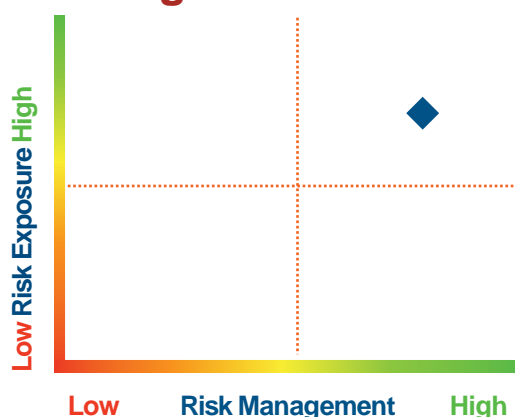


### Recommendation:

The risk management team should experiment more with analytics, and particularly machine learning, to enhance the accuracy of their predictive models.

## Risk Dimension Analysis: Technology

**Risk Exposure Score: 76.0**  
**Risk Management Score: 79.0**



### High susceptibility to data breaches

- Any disruption in the smooth flow of data will have a financial impact on BFSI sector
- Companies could potentially lose many of its clients due to data breaches.
- Taking the risks associated with data breaches into consideration, BFSI companies constantly updates its security features to make sure that the banking experience is safe and secure at all time.

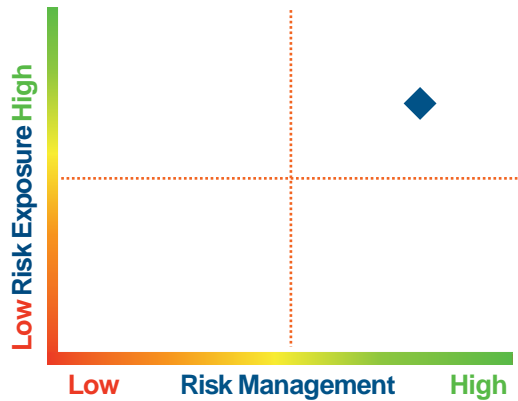


### Recommendation:

The companies could introduce various digital technologies (AI, IoT, ML, etc.) for new use cases as well as to add value to the business. The companies could adopt models of risk analytics or advanced analytics to identify trends and patterns based on risk data.

## Risk Dimension Analysis: Operational and Physical

**Risk Exposure Score: 72.0**  
**Risk Management Score: 74.0**



### High Infrastructure Risk

- The risk of infrastructure failure is high.
- For companies that perform most of their tasks online, COVID-19 has decreased operational and physical risks
- In the event of adverse price movements, the companies are exposed to adverse market circumstances and price volatility risk

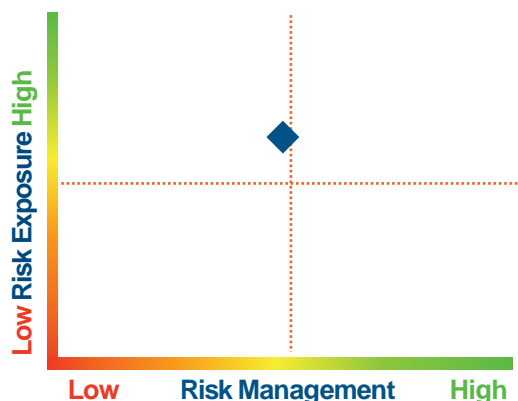


### Recommendation:

Companies should fully automate decisions and processes with minimal manual interventions.

## Risk Dimension Analysis: Crime and Security

**Risk Exposure Score: 73.0**  
**Risk Management Score: 79.0**



### Significance should be placed on cybersecurity as people have started working from home

- Counterfeiting and Cybercrime poses a risk
- Most companies have have a designated team that monitors cybersecurity.
- Companies believe that work from home needs to be a strategic element whereby security can be enhanced and efficiency can be increased.



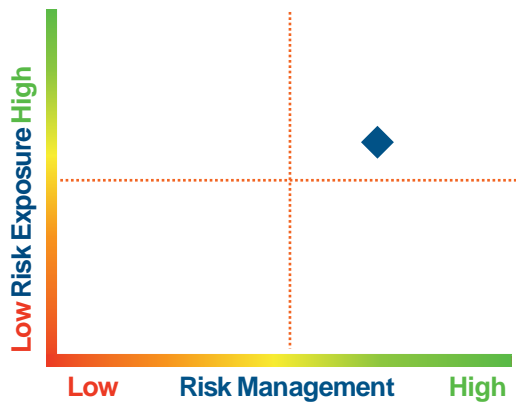
### Recommendation:

The companies could implement a consistent Cyber Risk Management programme; that involves periodic testing and improvement of controls through simulation.



## Risk Dimension Analysis: Natural Hazard and Event

**Risk Exposure Score: 66.0**  
**Risk Management Score: 78.0**



### Business Continuity Plan for disaster recovery

- Business continuity program is developed to manage the impact of significant disruptions.
- Regular drills and tests are conducted to cover all aspects of the Business Continuity Plan.

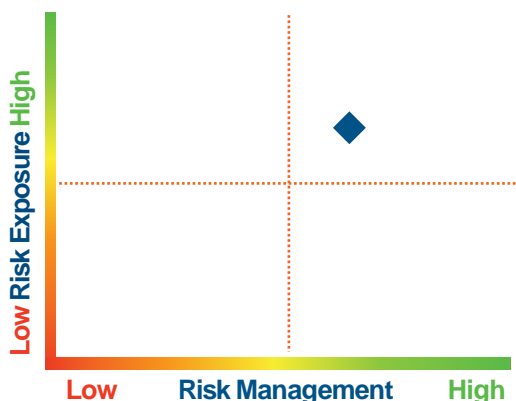


### Recommendation:

The companies need to keep a track of mandatory constructions recommended by the government at their infrastructure facilities and deploy a disaster management team along with a disaster relief program.

## Risk Dimension Analysis: Emerging Risk

**Risk Exposure Score: 72.0**  
**Risk Management Score: 72.0**



### Portfolio Risks

- Portfolio risk is high for the sector since losing even a minority of clients who do high volume trading has significant financial consequences. If the companies in the sector lose one of its institutional brokers, they can have an adverse impact on the companies.



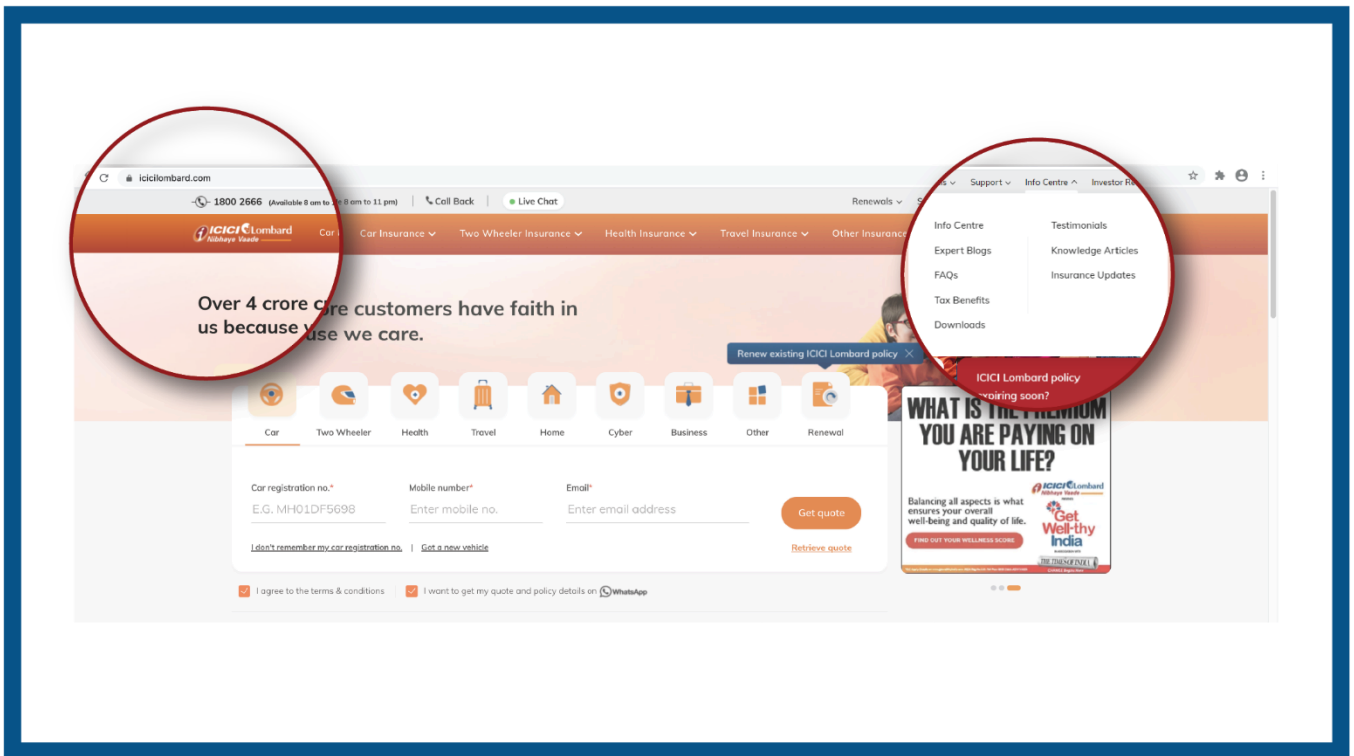
### Recommendation:

Precautions must be taken to secure seamless online transactions even when emerging risks occur. Few examples could be upgrading wireless infrastructure load management or upgrading wire network infrastructure.



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