



## Sector: Energy

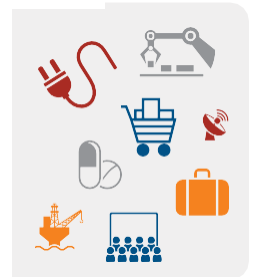


## ICICI Lombard Corporate India Risk Index - Introduction

- 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

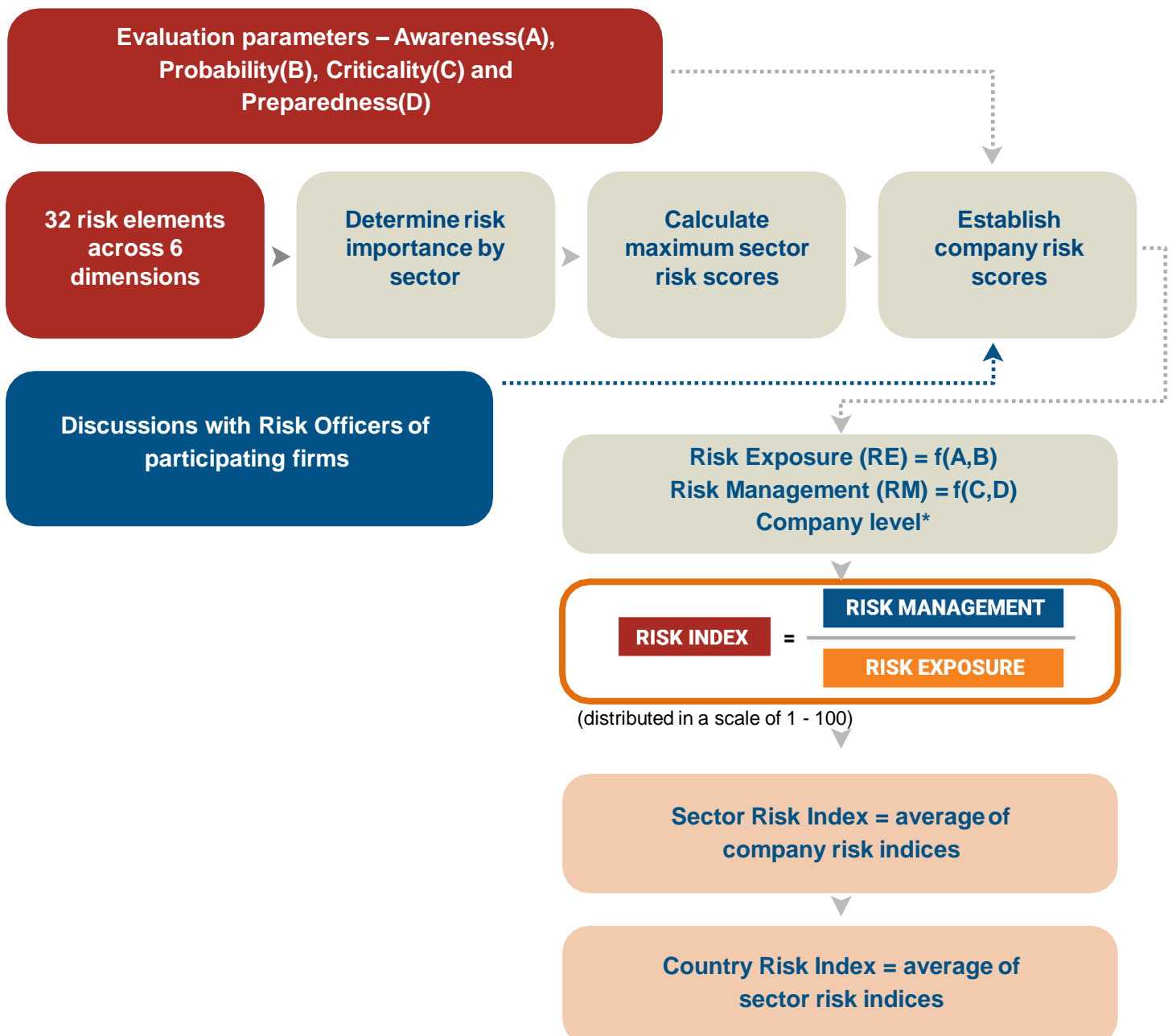
**Emerging**



## 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>

## Energy Sector Risk Profile

**Risk Exposure Score: 69**  
**Risk Management Score: 66**

**Risk Index**  
**52**

### Sector Risk Index - Six Risk Dimensions

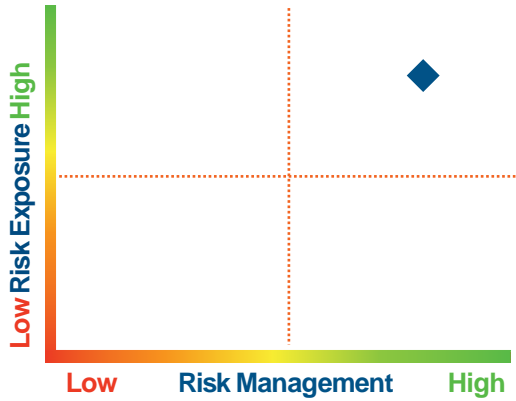


The Indian Energy sector’s Risk Exposure score is 69 mainly due to its high exposure to Operational risk and Market & Economic conditions. While the Risk Exposure of most companies is majorly due to internal factors, the external factors have a limited impact on the business performance.

The overall Risk Management score is 66; this indicates the need for companies to improve their Operational Risk Management practices especially the risks associated with portfolio, commodity pricing, and environmental hazards.

## Risk Dimension Analysis: Market and Economy

**Risk Exposure Score: 79.0**  
**Risk Management Score: 68.0**



Identifying and prioritizing risks within portfolio to understand fundamental drivers of each commodity in the market

- Energy risks cannot be managed on their own it requires full- time monitoring complex changes, energy market development bridging multiple governing bodies
- Companies are taking more of a comprehensive view of energy risk landscape and have moved further from managing energy risks one at a time.
- Exposure to the price risk depends upon the energy value chain’s parts in which the company depends.

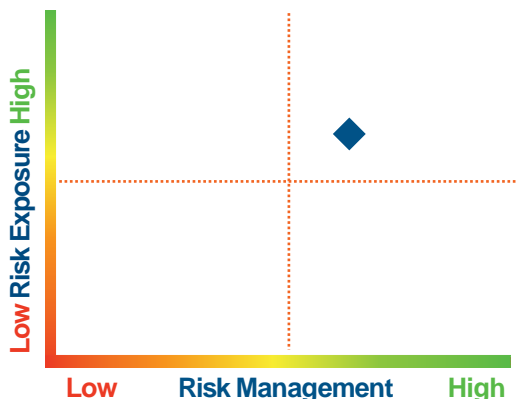


### Recommendation:

The companies can use derivatives to shield from the exposure of price fluctuation

## Risk Dimension Analysis: Technology

**Risk Exposure Score: 68**  
**Risk Management Score: 54**



Technology works as a neuro system to make processes efficient and value adding

- The balance in demand and supply of energy can be changed by disruptive technologies and climate change.
- Risk Intelligent Enterprises uses technologies that provides relevant informations ro strategic planning and finance as well as stores and provides information internally.

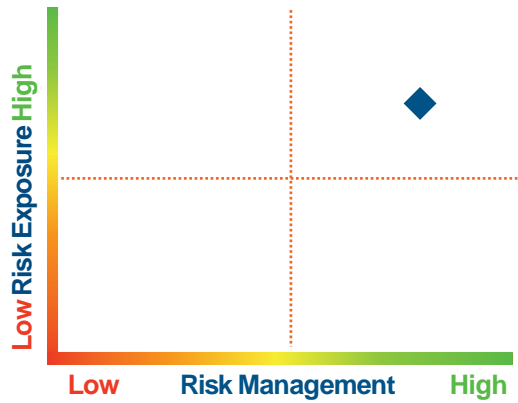


### Recommendation:

To achieve objectives companies can form logical grouping of governance and policies including technology and infrastructure where priority can be given to environmental friendly usage of technology

## Risk Dimension Analysis: Operational and Physical

**Risk Exposure Score: 69**  
**Risk Management Score: 73**



Operational and physical risks are mainly based on source of risk

- Insurance programs in energy companies are critical to apply operational risk management
- Quantitative methods seems to be beneficial in terms of operational and physical risk management
- Energy companies proceed to battle with the method to assess and unveil reserves while electric utilities and their clients experience blackout caused by human mistake and data framework failure

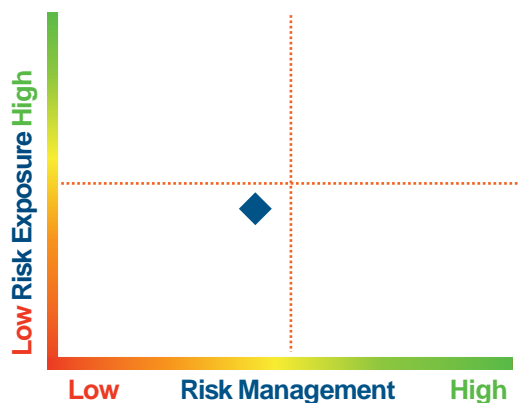


### Recommendation:

Risk insurance can be useful to companies as it covers the operational delays and risks possibilities.

## Risk Dimension Analysis: Crime and Security

**Risk Exposure Score: 47**  
**Risk Management Score: 44**



Energy sector faces array of political legal and security risks

- Those with international operations face security threats arising from breach of sovereign contracts currency inconvertibility etc.
- Possible attacks in energy sector do not only refer to attacks on central components or control system but also to IoT devices that control power.



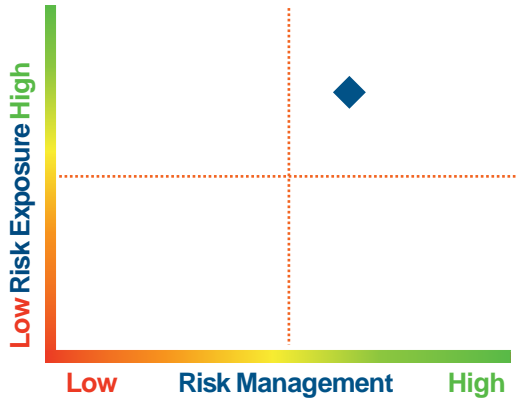
### Recommendation:

The companies could apply holistic approaches to ensure safe operations.



## Risk Dimension Analysis: Natural Hazard and Event

**Risk Exposure Score: 63**  
**Risk Management Score: 56**



**Natural hazards pose limited risks to the energy industry**

- It is estimated that till november 2021 COP 26 can deliver a successful new round to get the world 2 degree celsius or lower trajectory by 2050
- New risk gain models for technology original equipment manufacturers is the key growth opportunity for energy sector which can support in managing natural hazard
- Investment in renewable energy seems to bring environmental friendly changes in energy system

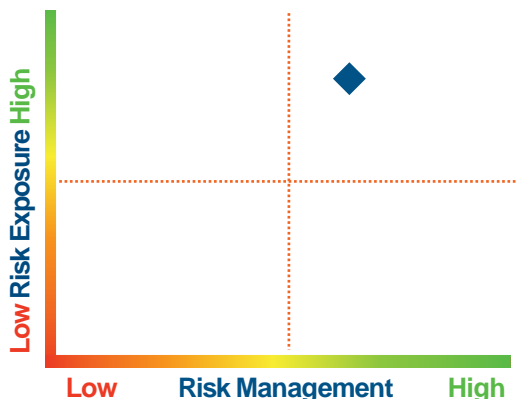


### Recommendation:

The companies need to start addressing the growing care of consumer and companies about knowing where their power, energy comes from as good actors toward environment is essential for both provider and consumer.

## Risk Dimension Analysis: Emerging Risk

**Risk Exposure Score: 73**  
**Risk Management Score: 57**



**Acceleration in growth of renewable energy**

- Markets are being more volatile and building loyal customers and healthy business customer centricity is the key
- The resulting expanded cooperation of multiple cross-sectoral players may accelerate energy industry merging and by brining increment in deal activity over the power value chain



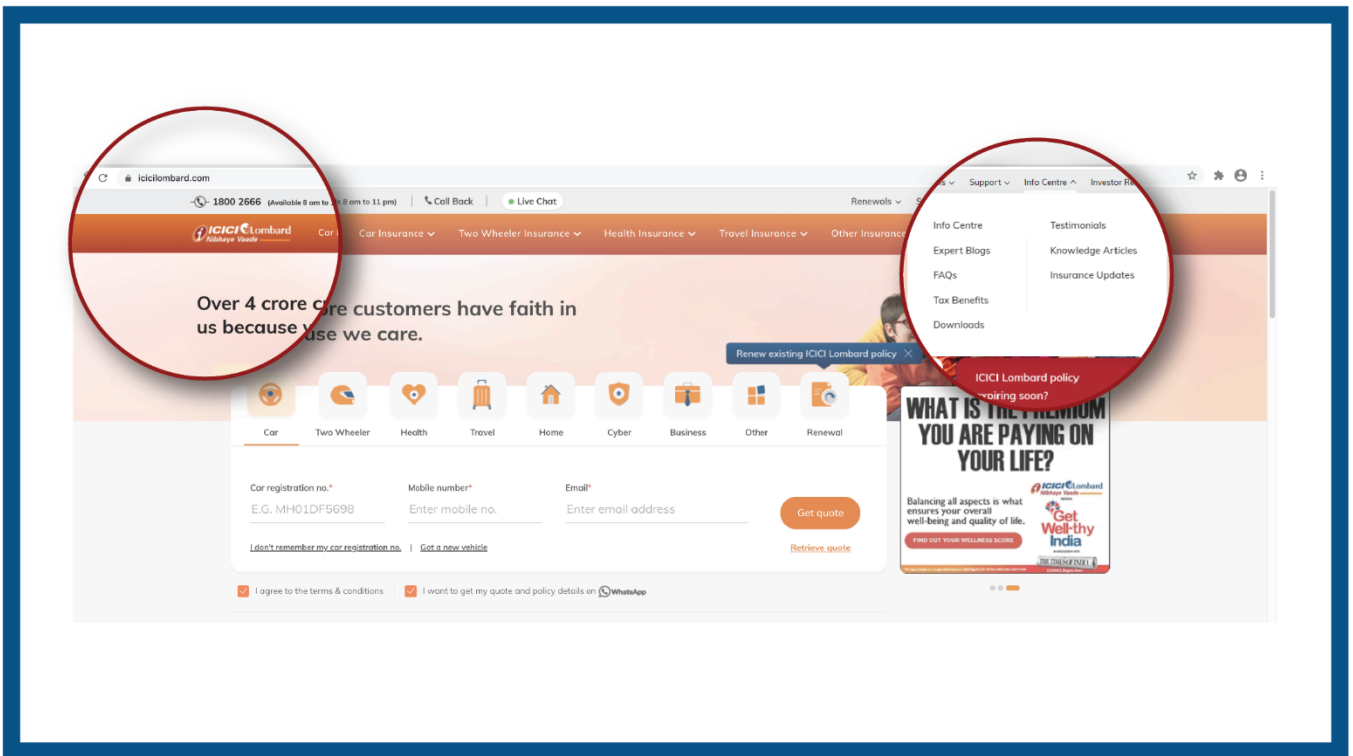
### Recommendation:

The companies could focus on adopting advanced technologies that helps to increase clean energy.



**Now accessible at**

**Dedicated Micro-site**



**Please send a mail to [riskindex@icicilombard.com](mailto:riskindex@icicilombard.com) to know more about ICICI Lombard Corporate India Risk Index**



 **ICICI Lombard**  
*Nibhaye Vaade*

 **CORPORATE INDIA  
RISK INDEX**

Intelligence partner

 FROST & SULLIVAN