INDIA LEADERSHIP COUNCIL

ENTERPRISE-WIDE RISK MANAGEMENT

through the lens of Corporate Governance

Where Oversight meets Insight

MGC
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Contents

Enterprise-wide risk management

through the lens of corporate governance

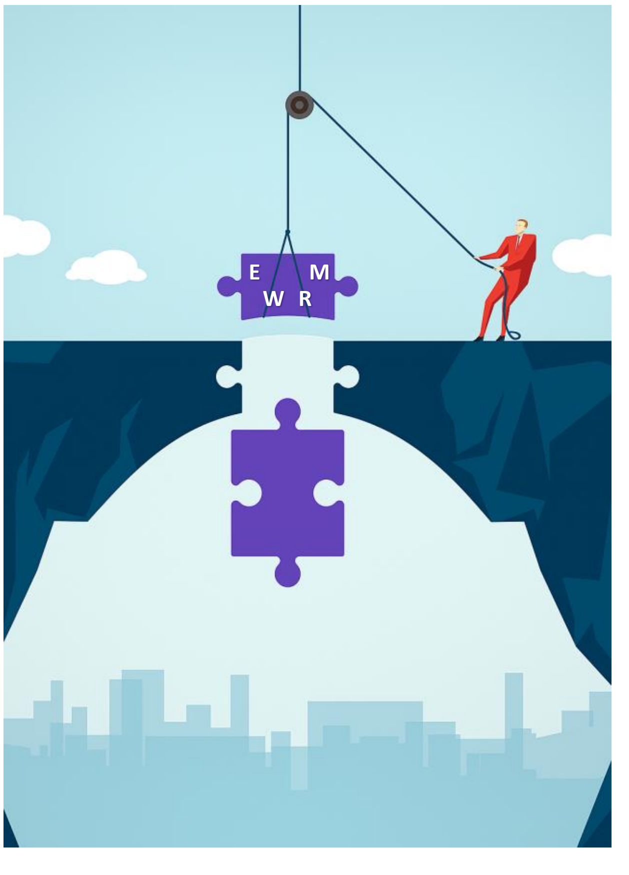
Today's volatile world guarantees one thing: that risk is the only constant. From pandemics and geopolitical shocks to climate upheavals and technology disruption, every boardroom is sensing a multiplicity of complexities. The beginning of a new world order marks the ending of siloed checklists, which means that **Risk Management** must now be holistic and forward-looking.

As the global reset of markets and norms continues, **Governance** is no longer about avoiding risk, but about shaping a *risk-smart* culture that can adapt and thrive, making organisations resilient in dealing with the risks triggered by events all around the daily business operations.

EWRM goes strategic in India

India's *Corporates* are increasingly integrating EWRM as part of their strategy. As leading financial institutions have observed, "Indian companies are no longer reacting to risk – they are managing their risks better". Many boardrooms in India now include dedicated CROs or risk committees, and risk is a standing agenda item at board meetings. This **shift reflects new regulations** and expectations. However, companies need to go beyond risk committees & Chief Risk Officers, to having ingrained processes and a culture where risk awareness, identification and mitigation are granularized to each working level of the organization in real time, making it a living process to identify, report, strategize, mitigate & monitor.

SEBI's Listing Regulations explicitly call out risk oversight as a board responsibility *(Regulation 4(2)(f))*, and Section 134*(3)(n)* of the Companies Act, 2013 requires that the board's report must include risk management policy disclosures. But beyond rules, market practice is changing. Major firms have begun to tie executive incentives partly to risk outcomes, and even family run businesses are bringing in independent directors to strengthen governance. With boards demanding integrated risk reporting *(combining financial, operational, social, political, cyber, and ESG risks)* and increasingly seeing risk insights as part of the company's competitive intelligence, EWRM is evolving from an annual review process into a continuous systematic dialogue.



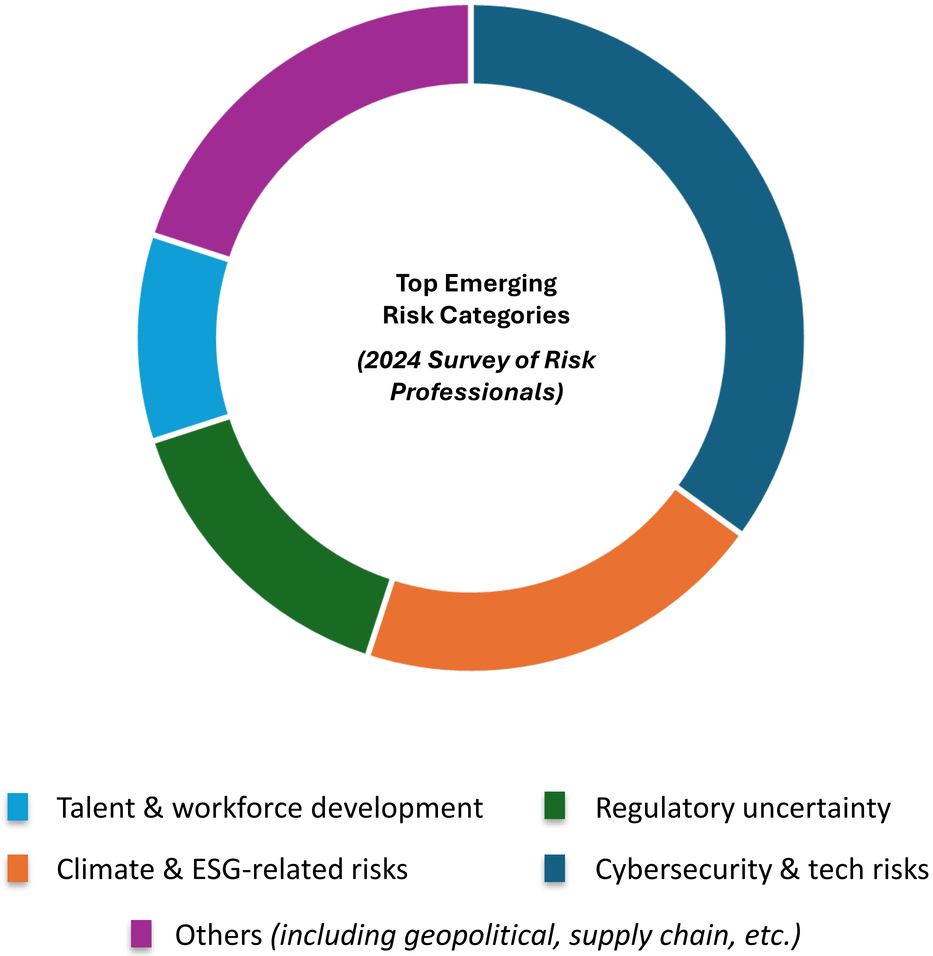
Blind spots in Risk Identification

Business & function heads are often inundated with dashboards, reports, and risk matrices that create a false sense of control. Yet, risk is evolving faster than traditional systems can capture. The real challenge lies not in a lack of information, but in discerning what deserves focused attention. The true differentiator lies not in identifying conspicuous risks, but in uncovering the ones that go unnoticed until it is too late. **Strategic blind spots can sometimes go unnoticed**, often because we are looking through a lens that does not quite match the changing realities around us. Organizations must be cautious **not to turn every metric into a target**. As the saying goes, "When a measure becomes a target, it ceases to be a good measure". The true value of measurement lies in how it informs decisions and provides context within the bigger picture, not when it becomes an obsession that drives behavior in the wrong direction. This is where **leadership vision**, **cultural alignment**, and **decision-making agility converge**.

Even as enterprises beef up their risk registers, many blind spots remain. Rapid change means emerging threats, such as AI-driven supply-chain disruptions, cyber warfare, climate shocks and social instability can slip under the radar.

A recent survey found that 43% of risk professionals believe forecasting risk is harder today than a few years ago. Legacy processes and narrow risk models still dominate. Too often teams treat each risk domain *(cyber, credit, ESG, amongst others)* in isolation; the result is missed interconnections and late warnings.

*Survey source: Marsh RIMS excellence in risk management.

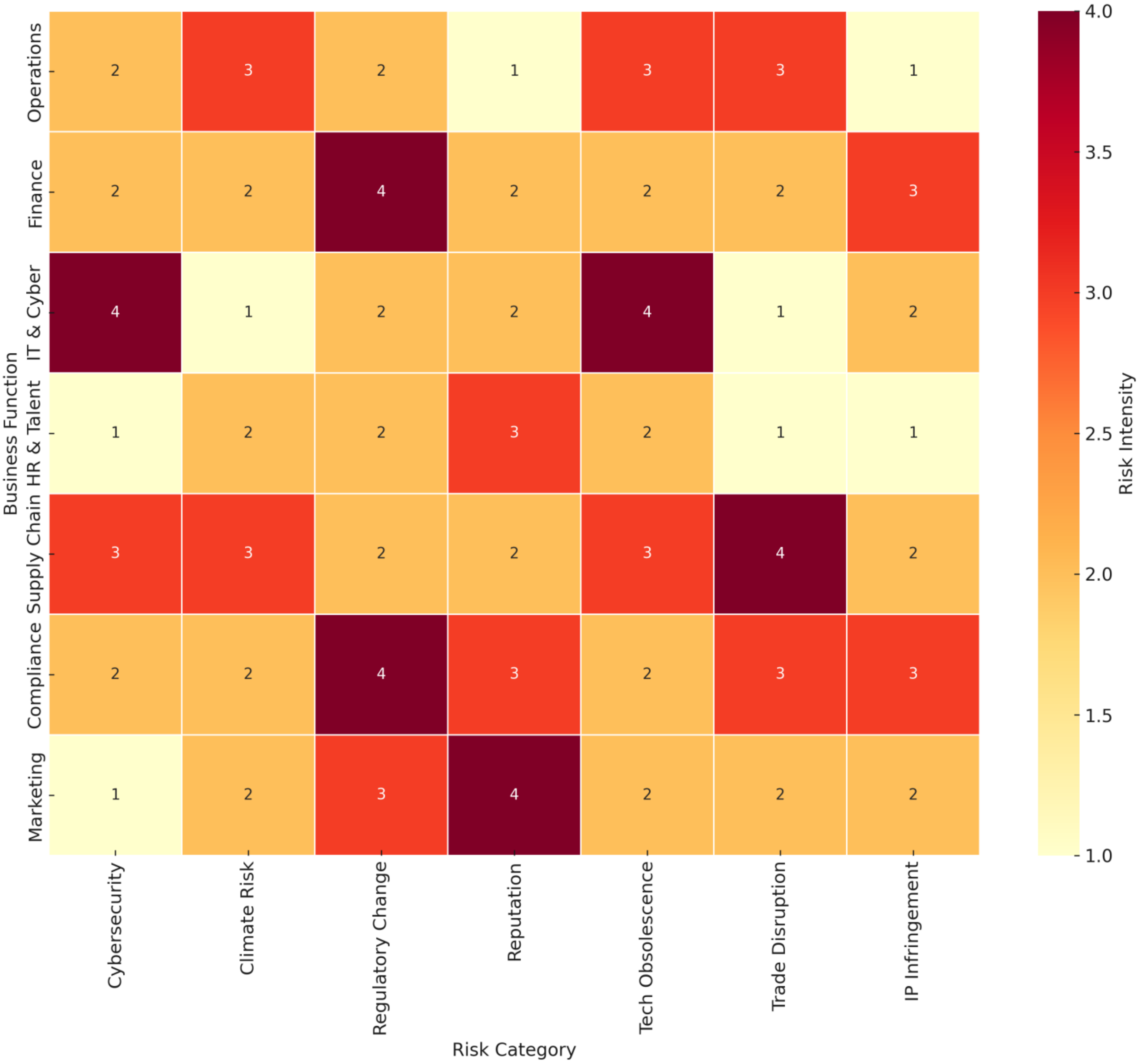


To enhance risk identification, boards and management should **proactively scan for weak signals**. This includes conducting regular horizon-scanning exercises, hosting cross-functional risk workshops, and crowdsourcing insights from frontline teams. Leveraging data and analytics, from predictive AI models to social media sentiment analysis can help detect emerging threats early.

Equally important is to **break down organizational silos** by adopting a "cradle-to-grave" perspective across the business lifecycle, whether it is a product, service, system, or project.

This requires closer integration between internal audit, compliance, security, and business units to ensure that disruptions like a credit crunch or a factory shutdown are not isolated but addressed systemically.

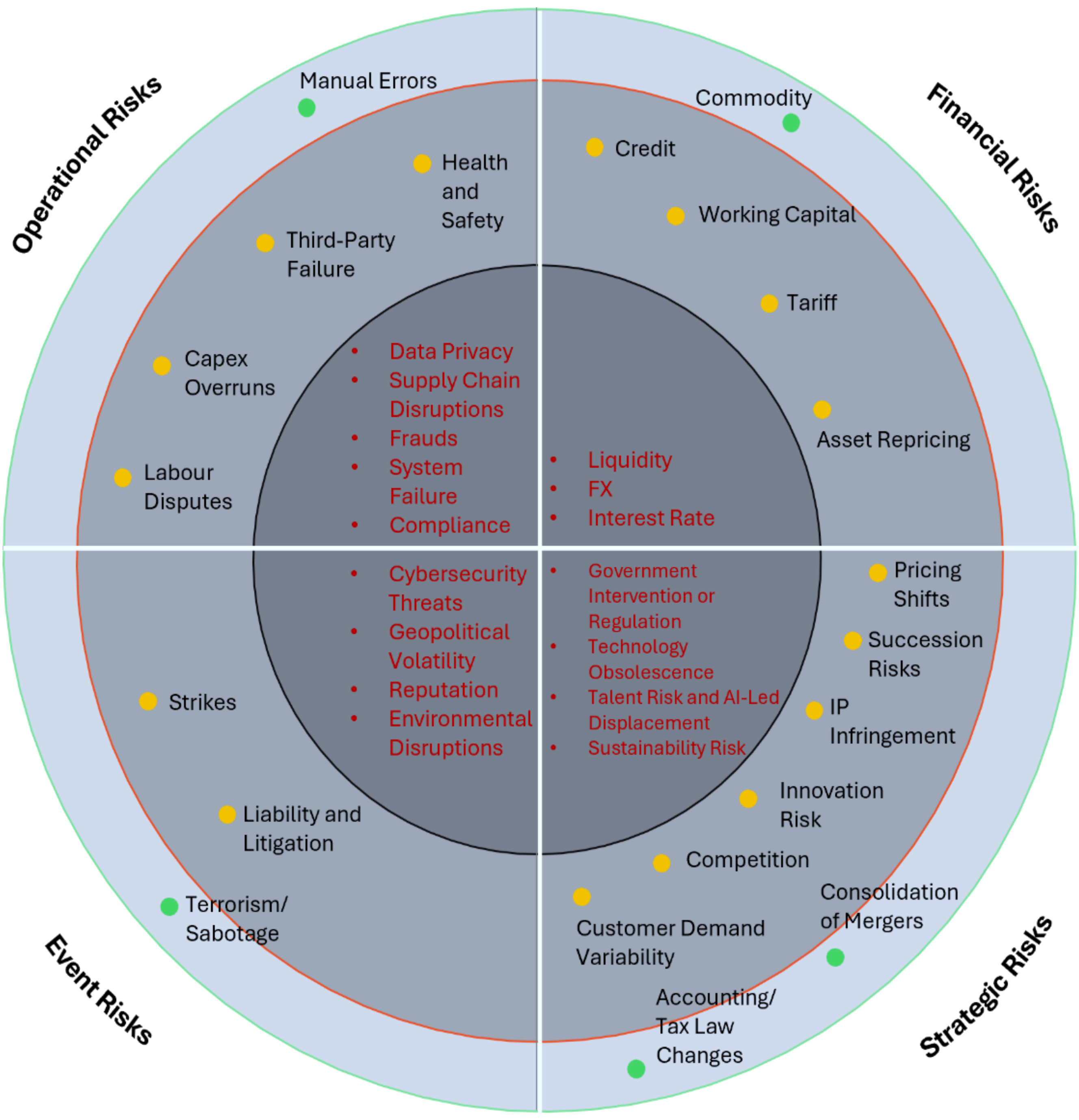
In short, companies must move from static checklists to a dynamic "risk radar" that continually updates as the world changes. That means leaving no stone unturned in the risk universe.



Business Function	Cybersecurity	Climate Risk	Regulatory Change	Reputation	Tech Obsolescence	Trade Disruption	IP Infringement
Operations	2	3	2	1	3	3	1
Finance	2	2	4	2	2	2	3
IT & Cyber	4	1	2	2	4	1	2
HR & Talent	1	2	2	3	2	1	1
Supply Chain	3	3	2	2	3	4	2
Compliance	2	2	4	3	2	3	3
Marketing	1	2	3	4	2	2	2

Heatmap: Risk intensity across business functions.
This visual provides a dashboard through which risk intensities across business functions can be assessed. It helps prioritize risk responses by highlighting areas with severe vulnerabilities, such as Cybersecurity in IT or Trade Disruption in Supply Chain.

A depiction of the Risk Universe



This framework categorizes pertinent risks faced by organizations across Operational, Financial, Strategic, and Event dimensions, and evaluates them based on their potential impact and likelihood, classifying them as High, Medium, or Low risk. It enables leadership teams to prioritize mitigation efforts, align resources, and embed resilience into decision-making processes.

Strategy under the Lens | Response & appetite

Once risks are identified, the question shifts to how to respond. All **risks should not be treated alike**: the choices boil down to avoid, mitigate, transfer, or accept. The board's job is to ensure these decisions align with the organization's strategy and **Risk Appetite**, which is best defined as the amount of risk a firm is willing to accept in pursuit of its goals and as a concept, is unique to every organization. Eliminating all risks is unrealistic for an organization as growth inherently *involves risk*. As a TechTarget summary explains, "We live in a world full of risks. Achieving our business goals requires accepting some risks while mitigating, avoiding or transferring others". In practice, the board should set clear appetite thresholds integrated within the business processes with clear escalation matrix or limits of authority, and revisit them every now and then, and let those thresholds guide action.

Throughout this process, communication is key. Effective boards not only debate which risks to bear but also ensure that risk response is woven into strategy reviews. They should ask: if a risk is avoided or mitigated, what strategic opportunity might be foregone? And if a risk is accepted, is the management ready to move quickly if conditions worsen? This calculus, balancing boldness and prudence is the foundation of modern governance.

The CEO's playbook | Key risks to keep on the radar

1. Geopolitical volatility and Regional tensions

India's proximity to tumultuous borders, especially with China and Pakistan, poses persistent geopolitical risks. Geopolitical conflicts in regions like the Middle East and Eastern Europe introduce risks, while also opening up potential trade opportunities for Indian businesses. Tensions impact cross-border logistics, infrastructure, and energy, requiring scenario planning and supply chain realignment. As India engages in multilateral partnerships like the QUAD and IPEF, firms must navigate new dynamics and rising scrutiny on trade and Foreign Direct Investment. Contingency planning and sovereign risk assessments are vital.

2. Cybersecurity and Digital infrastructure threats

As digital adoption expands across sectors, businesses face rising risks from state-sponsored hacks, ransomware, and misinformation. Cyber risks also emerge from the convergence of physical and digital vulnerabilities, where a weak physical security in an office can pose a serious cyber risk. Boards must move from compliance to active cyber governance, investing in real-time monitoring, resilient systems, and AI-enhanced threat detection.

Did you know -

Cyber fraud cases in India jumped >4x in fiscal year 2024 **causing losses of INR 177 crores.**

Source: Ministry of Finance, India

3. Climate risk and Environmental disruption

Climate events cost USD 275 billion *(~ INR 22.8 lakh crores)* globally in 2024, with India among the most vulnerable. Floods, droughts, and extreme heat disrupt operations across industries. Regulatory pressures like BRSR and investor expectations demand climate resilience in strategy and supply chains. ESG is now a business imperative, not just a reporting requirement.

Did you know –

83% of global investors now review ESG risks before investing.
Source: Climate Impact Index, 2024

4. Talent Risk and AI-Led Displacement

The rise of GenAI and automation is transforming workforces. Skills gaps, job displacement, and ethical concerns around surveillance are rising. Boards must prioritize human capital, upskilling, well-being, and inclusive policies, while also integrating AI and automation as part of the workforce. Responsible AI governance and adaptive workforce models are key to staying competitive in a tech-driven economy.

Did you know -

170 million new jobs expected to emerge by 2030, with 92 million jobs set to be displaced.
Source: World Economic Forum, Future of Jobs Report 2025

5. Regulatory and Taxation uncertainty

India's evolving policies, ranging from tax reform to ESG mandates are reshaping compliance norms. Sudden rule changes and global data laws increase costs and complexity. Businesses must proactively track legal developments, automate compliance, and embed privacy-by-design to stay ahead of regulatory risk and avoid penalties.

6. Supply chain Complexity and Trade shocks

Global disruptions and sensitive trade routes make India's supply chains vulnerable. Sectors like pharma and electronics remain dependent on imports from volatile regions. Firms are localizing critical inputs, adopting digital tools for visibility, and multi-sourcing to build resilience. Participation in global corridors also brings new risks to manage.

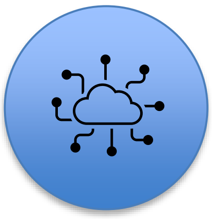
7. Reputation and Social Media Risks

Public sentiment can either make or break a brand in the hyper-connected world that we live in today. Misaligned messaging or delayed crisis response can spiral quickly. Companies now rely on social listening, real-time communications, and well-defined crisis protocols to safeguard reputation. Aligning brand values with stakeholder expectations is essential.

Did you know -

~ 73% of social users say that if a brand doesn't respond on social media, they'll take their business to a competitor.
Source: Sprout Social

8. Technology Obsolescence
Many Indian companies still rely on legacy infrastructure that struggles to integrate with AI-driven tools, advanced automation, or cloud-native platforms. The inability to adapt can lead to operational inefficiencies, reduced competitiveness, and security vulnerabilities. Regular tech audits, forward-looking IT roadmaps, and early adoption of emerging technologies are now essential to stay ahead of the curve and avoid systemic stagnation.



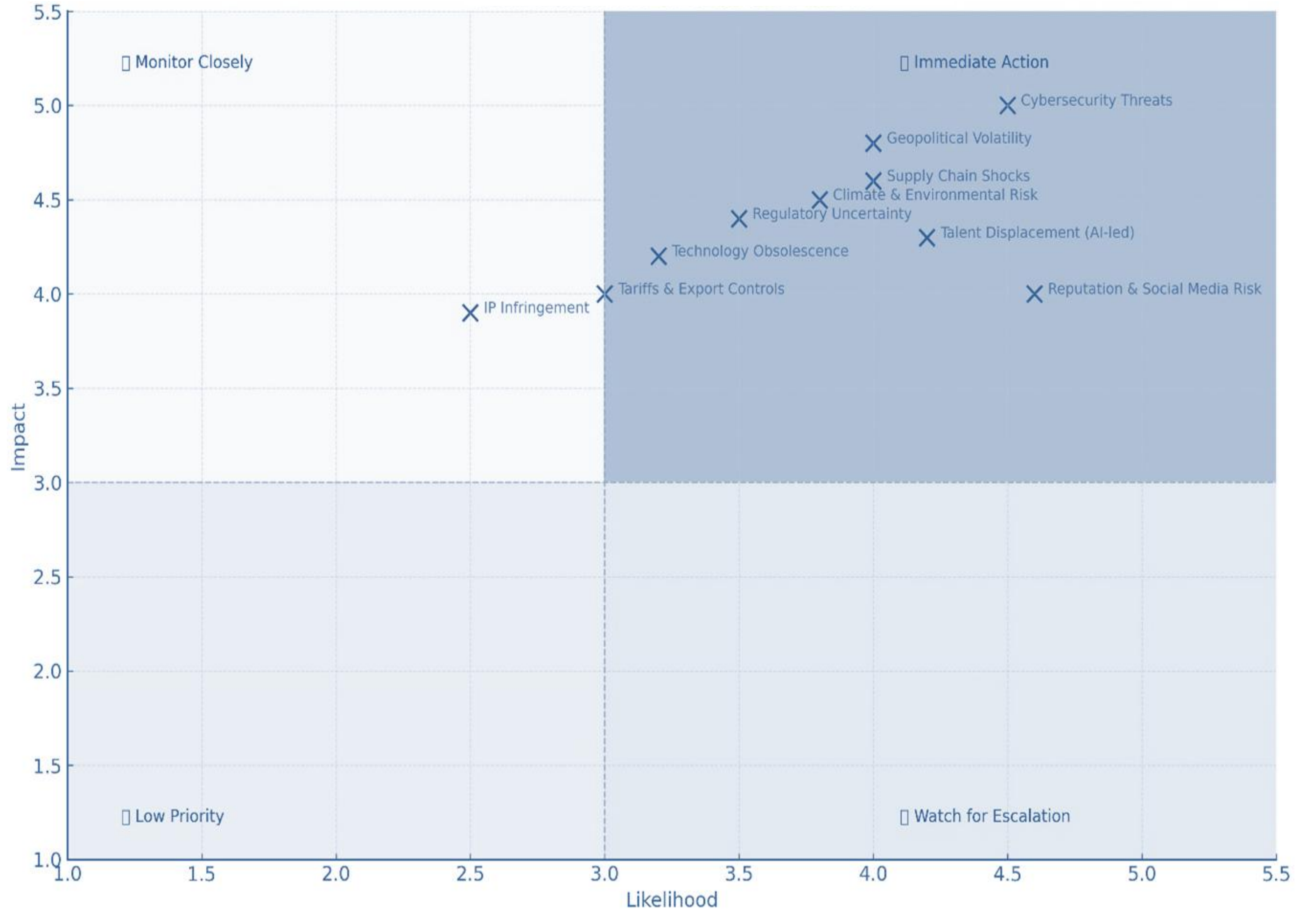
9. IP Infringement & Imitation Risk
With rising competition and global exposure, Indian companies face challenges in protecting proprietary products, formulas, and brand assets. A recent high-profile case involved a multinational pharmaceutical company initiating legal proceedings against a prominent Indian manufacturer over alleged infringement of patented diabetes treatment compounds. Such disputes underline the growing importance of robust IP protection, brand surveillance, and legal preparedness in a competitive and innovation-driven landscape.

10. Tariff and Export Controls
The return of economic nationalism and shifting global alliances are increasingly shaping trade policies and market access. Strategic resources such as rare earth elements, semiconductors, and critical minerals are now subject to export restrictions and tariff wars, often driven by geopolitical interests. For Indian enterprises that rely on global supply chains or export-driven growth, these measures can abruptly disrupt sourcing, pricing, and compliance frameworks. Staying informed on cross-border regulations and building supply chain redundancy are critical risk responses in this evolving landscape.

Did you know –

> 70 countries implemented new export restrictions on food, fuel, or critical minerals between 2022-24, contributing to global trade volatility.
Source: WTO Global Trade Report, 2024

Risk Radar | Prioritization Matrix



Quadrants explained.

- Top right | Immediate action: High impact and high likelihood.
- Bottom right | Watch for escalation: Likely but with moderate impact.
- Top left | Monitor closely: High impact but less likely.
- Bottom left | Low priority: Low likelihood and low impact.

Note: Risks currently categorized as low in impact or likelihood may escalate over time, hence careful monitoring is a must. By articulating these categories now *(and updating them regularly)*, Leadership ensures no major class of threat is ignored.

Learning from the Past

The past can be a valuable teacher, especially when it reveals cautionary tales of corporate collapses that shaped the way we think about governance and resilience. Let's explore two such examples offering enduring lessons for today's boardrooms and leadership teams.

For the sake of this argument, we can refer to them as Eina – a stand in for a company brought down by complex accounting and unchecked ambition, and Lina – a financial giant undone by excessive risk-taking and lack of control (*actual names masked).*

While Eina's management concealed enormous debts and speculative losses in elusive off-balance sheet structures, Lina became susceptible to the credit crunch during 2008, with excessive leverage and overreliance on risk models that assumed "black swan" events would not happen. Imagine that happening in 2025, with complex derivatives and digital assets added to the mix!

These contrasts underline **how an integrated, enterprise-wide risk management approach would make a difference**.

*Aspect	Eina	Lina	What would help? *(Modern mitigation)*
Accounting & Transparency	Used mark-to-market accounting to book future profits today; hid losses in special-purpose vehicles.	Obscured real estate and mortgage risks through complex securitizations and off-site entities.	Enforce transparency: rigorous external audit, real-time finance dashboards, and consolidated reporting of all liabilities.
Risk oversight & Culture	Culture prized revenue growth over caution; executives rewarded for short-term gains. Risk warnings were ignored.	Aggressive growth culture assumed markets only go up *("this time is different")*. Model limits were ignored.	Cultivate a "speak-up" culture: boards empower internal risk officers to challenge assumptions. Encourage contrarian analysis and scenario thinking.
Board Governance	Directors were weakly informed and rubber-stamped management. Risk management committees were non-existent.	The board had little visibility into massive leverage or liquidity gaps. Discussions were fragmented by function.	Strong, independent boards with active risk committees. Regular stress-test reviews by the board; clear accountability for risk at the senior level.
Leverage & Liquidity	Took on high-risk energy trading positions without adequate reserves.	Used extreme leverage in mortgage trading; no contingency plan for market freeze.	Impose prudent limits on leverage; maintain liquidity buffers. Require business continuity and recovery plans.
Regulatory Environment	Operated under lax oversight *(pre-Sarbanes-Oxley)*; exploited loopholes.	Regulatory capital rules underestimated correlated mortgage risks.	Global regulations *(like IFRS 9/Basel standards)* now demand better risk provisioning and disclosure. Enhanced regulatory scrutiny (post-2008 reforms) would catch such risks earlier.

*Multiple sources were referred to for the creation of this table.

Best practices | What the most Resilient and Agile organizations are doing Differently

1. Building a culture of risk awareness

Risk awareness must be instinctive across the organization, and not just a line in the playbook.

Recommendation: During monthly town halls, invite managers from different functions to share one "risk flagged and addressed". It normalizes open dialogue and shows that Leadership values foresight!

Event example: A factory supervisor flagged an unusual equipment sound early preventing a full breakdown. Highlighting such actions boosts morale and embeds vigilance.

2. Expand the board's role beyond oversight

Boards must drive resilience by aligning governance with forward-looking strategy.

Recommendation: Ask one board member in every meeting to share a "What is changing in our industry?" insight. This keeps discussions engaging and steered forward, instead of retrospective.

Event example: A board member highlights how ESG regulations in the European Union may impact the company's supply chain, prompting pre-emptive sourcing adjustments.

3. Adopt & train cross-functional response models

Recommendation: Form a compact 'Rapid response cell' with members from the IT functions, operations, communication, and finance teams and tell them to meet on a monthly basis. Even if there's no crisis, this should be done to build familiarity.

Event example: If a ransomware scare occurred, this team could act within hours, cutting the damage down by half; all because they had trained together.

4. Combine Agility with Preparedness

Swift responses only work when teams know what to do!

Recommendation: Make tabletop exercises part of the Leadership offsites. Simulate a real disruption, assign roles, and debrief openly to instill degrees of preparedness.

Event example: Simulating a payment gateway failure could help team members align on how to handle customer panic, even before it would take place.

5. Implement Real-time risk Monitoring

One cannot manage what they cannot see; especially in real time.

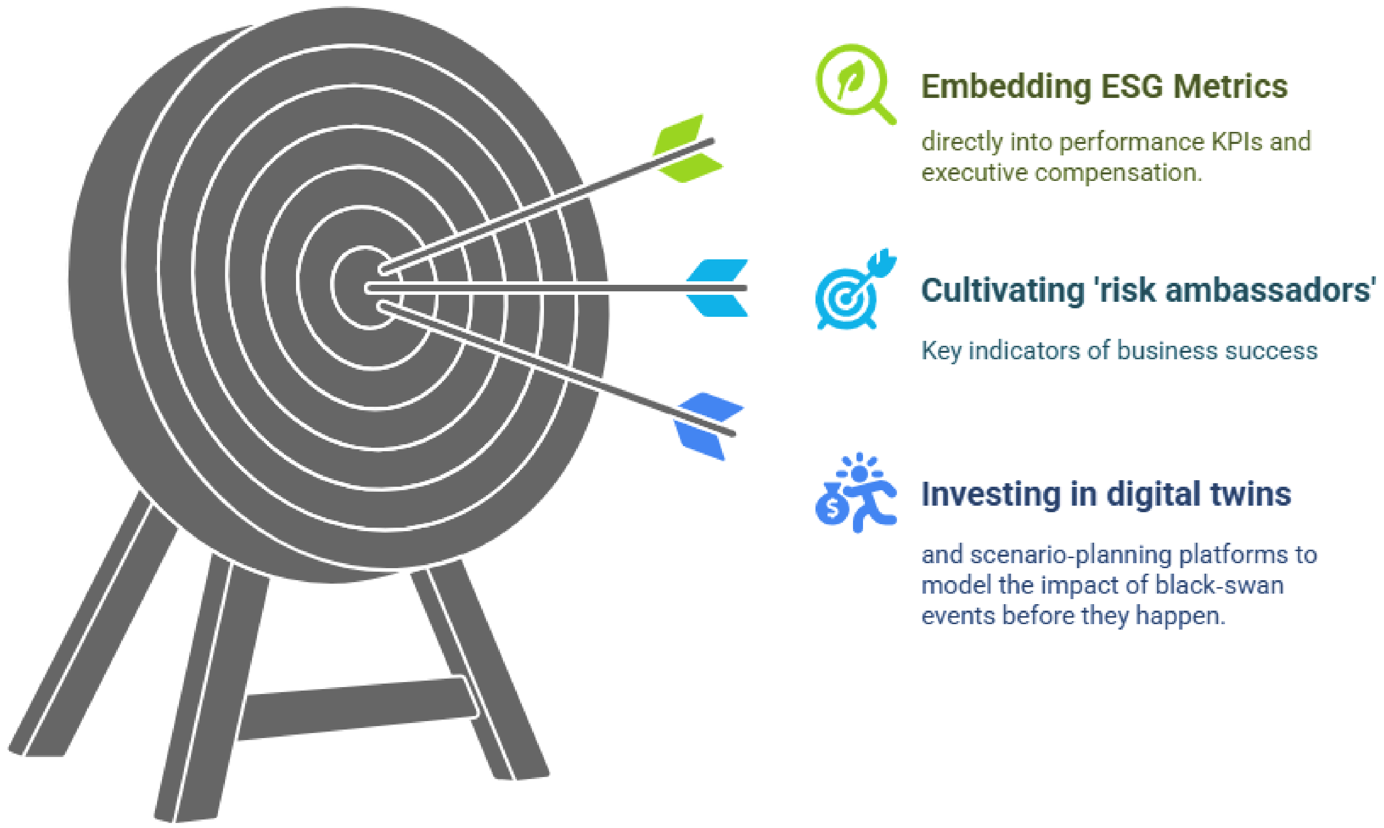
Recommendation: Set up a simple weekly 'risk radar' dashboard for your leadership team with 4 or 5 live Key Risk Indicators and review it in your Monday check-ins.

Event example: A weekly spike in customer complaints flagged through sentiment analysis hinted at a product issue, could be spotted and solved early, before escalation.

Cont.

Best practices | What the most Resilient and Agile organizations are doing Differently

6. Others as showcased below



Risk it Right | In conclusion

Modern leadership calls for calm direction in a sea of unpredictability, and the most forward-thinking leaders are those who treat risk not as a threat to dodge, but as a lens to sharpen decisions, strengthen culture, and shape strategy. In doing so, they don't just protect value, they create it.

As the nature of risks continues to grow complex, boards and leadership teams must champion a culture of accountability, transparency, and proactive oversight. A **well-governed EWRM framework does more than just mitigate risks**; it enables strategic agility, strengthens stakeholder trust, and aligns organizational goals with long-term value creation.

By embedding risk thinking into the **DNA of governance**, organizations can navigate uncertainty with confidence and purpose – much like a seasoned sailor who reads the wind and adjusts course; not to avoid the storm, but to navigate it skillfully.

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“

Those who seek answers don’t just gather knowledge - they plant the seeds of transformation.

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