



INDIA RISK

SURVEY 2017

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Acknowledgments:

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

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Foreword



The evolving nature of risks is such that they pose a requirement of being regularly assessed and understood. The inter-linkages between the various risks that exist demand a holistic approach to safeguard the safety and security of people, assets, and information. India is undergoing drastic changes in terms of development in areas of infrastructure, Information Technology (IT), and so on. As we are blooming into a key business destination, and thus a robust system of protection is crucial. The India Risk Survey (IRS) Report is designed to offer industries and organisations the insight necessary to compete in this increasingly complex operation environment.

The *India Risk Survey 2017*, attempts to highlight the perception of risks from leading businesses, drawing from public voices, as well as professionals from different sectors across the country with a focus on operational safety and strategic risks. The report provides an elaborate telling of the current scenario in terms of global risks and threats. By attempting to cover all the levels of management, from top to bottom, the survey has tapped on various industries including IT, manufacturing, retail, infrastructure, transportation, and finance, amongst others. The survey stretched out to all corners of the country and beyond, including APAC, Americas, and the EMEA region.

Pinkerton's holistic approach to risk mitigation strategies for businesses, is best understood through the risk wheel, which forms the basis of this approach. This approach is unparalleled to others, making us the trusted risk advisor to our clients. Even ASIS, the globally renowned industry body of security practitioners, which is also a supporting organization for the *India Risk Survey 2017*, has testified that the threats faced in today's dynamic environment requires a more holistic strategic approach and thus emphasizes the urgency to shift from a siloed approach to security management, to one that is more holistic and a more collaborative process of Enterprise Risk Management. Respondents surveyed this year ranked 'Information & Cyber Security' as the biggest risk to business interests in India, which is likely to remain a significant threat for years to come. 'Terrorism and Insurgency' is becoming a growing menace to industries as well. 'Corruption, Bribery and Corporate Frauds' has moved two ranks to become the third risk that affects

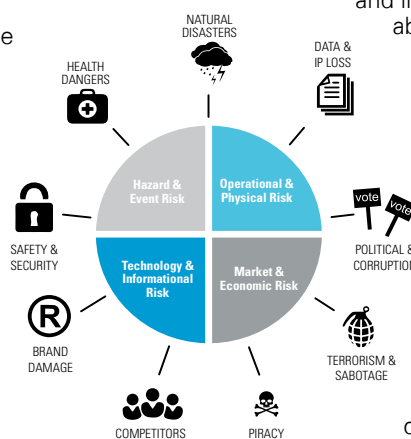
businesses in India. *India Risk Survey 2017*, has given special attention to 'Threat to Women's Safety', which currently ranks eleventh in the survey. This should not take away from the importance of creating more awareness regarding gender disparity issues seeing that India has the lowest female participation in the workforce, ranking 120th among 131 countries; a participation level that has been dropping since the year 2005. (Source: World Bank report) This is particularly worrying as it has been speculated that by increasing gender parity, India can add \$700 billion to the global GDP. (McKinsey Global Institute (MGI) report)

The purpose of *India Risk Survey 2017*, remains to provide a handy guide, calling attention to potential risks, and providing a base to plan the necessary preventive strategies to protect one's organization from the negative impact of these risks. With every year, the survey aims to engage with the industry and inform and sensitize all stakeholders about the emerging risks for developing economies like India so that well-planned and strategic policy decisions can be made.

I take this opportunity, on behalf of Pinkerton, to extend our sincere appreciation and gratitude to all the professionals and supporting organizations for their support and contribution with regard to sharing their perception and information that has enabled us to comprehensively approach and analyze the risks and challenges faced by industries today, and present the same through this report.

We sincerely hope that *India Risk Survey 2017* will assist the industry and Government decision-makers to understand and assess the impact of these various risks and, in turn, enable both to execute strategies to prevent, mitigate, and control the impact of these risks in their concerned establishments.

Rohit Karnatak
Managing Director – India
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Pinkerton





Foreword

India has witnessed steady growth momentum. As per the latest IMF projection, India's growth rate is expected to be 7.2 per cent in the 2017-18 fiscal and 7.7 per cent in 2018-19 owing to critical structural reforms, favorable terms of trade, and lower external vulnerabilities. It is encouraging to note that the acceleration of structural reforms is bringing a new growth impetus. The Goods and Services Tax (GST), to be implemented from July 2017, should help make India more of a single market and thus spur productivity, competitiveness, job creation & incomes and investment in the country.

Risks to business establishments is detrimental to growth and development of any country. The nature of risks globally has changed enormously, and with their occurrences becoming more unexpected and their effects becoming more profound, risks need to be taken more seriously. Further, due to rapid digital transformation of businesses, underlying infrastructure is becoming more complex. In these changing times it is critical to understand emerging risks. Knowledge about impending risks can benefit investors, so that they could take well-informed business decisions.

The sixth edition of the India Risk Survey is based on a comprehensive survey spanning across several sectors of the economy and geographical regions of India. This survey is an endeavour to examine and evaluate the 'potentially destructive' risks to business undertakings in India. The survey encompasses 12 key risks that pose a number of threats to the entire economic ecosystem of the country. It is an attempt to sensitise the Government and the corporate world about emerging risks and possible dangers these risks could pose to business establishments.

I am confident that this report will be of considerable value and will provide a referral to understand the complexity of these risks across the spectrum of stakeholders, i.e., policymakers, corporate and individuals of the civil society.

A handwritten signature in black ink, appearing to read 'A. Didar Singh'.

Dr. A. Didar Singh
Secretary General
FICCI

Contents



Executive
Summary

04



Introduction

08



Trend
Analysis

09



Overall Risk
Ranking

14



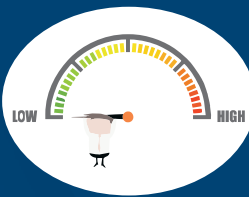
Region Wise
Risk Ranking

16



Industry Wise
Risk Ranking

19



Risk
Categorization

24



Risks -
In Detail

25



Methodology
and
Respondents

53



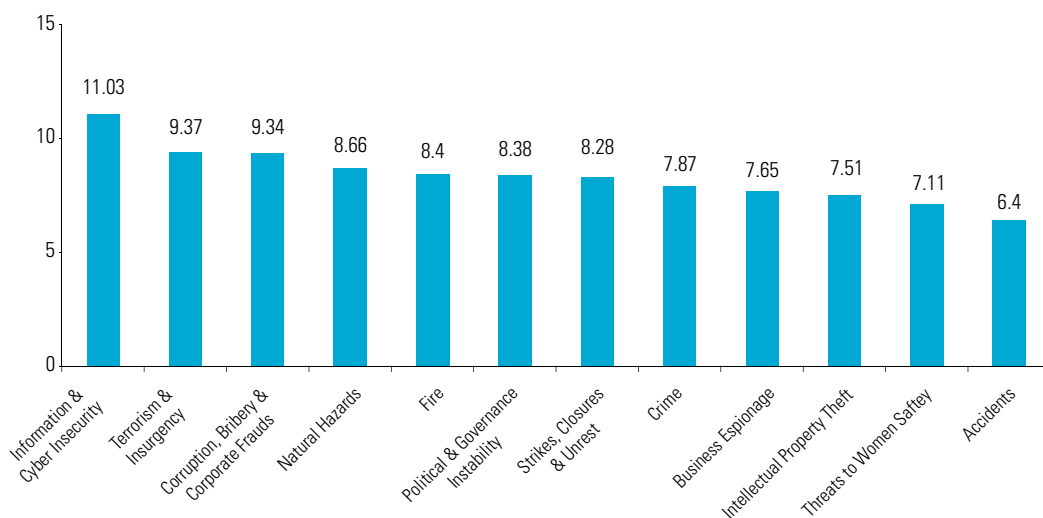
Executive Summary

The survey consists of 12 risks that pose the most significant threats to business perception and operations in the country. Though each risk is assessed individually, for the purpose of the survey, a deeper understanding requires a holistic reading that treats each vector as part of a larger reality. The threats are interconnected and overlap across domains,

sectors and geographies. New risks have been identified on the basis of this year's survey, which include: risk of non-compliance, business investment risk and legal regulatory risk.

India Risk Survey ranks 'Information & Cyber Insecurity' as the biggest risk in 2017. In the recent past, there has been an increase in

Overall Risk Rating



incidences of cyber-attacks and potential espionage on cyber-security. Given the security problems, there should be increased emphasis on, and investment in, the security of cyber infrastructure and also raising awareness safe usage of cyberspace while on the job and doing personal work. Immediate need for more attention to counter future cyber-attacks or attempts thereof via rigorous employee-training sessions and stronger cooperation between business and the Government on related cyber-security threats. In India, 'Information & Cyber Insecurity' has become more pronounced due to the shift that the nation is undergoing towards digitisation of various assets and services being delivered via internet and mobile platforms; and, the ever-present loopholes that hackers breach upon. The WannaCry malware incident has been, by far, the worst incident this year in which several systems were attacked, both of the public and the private sectors. The focus should be to create robust security mechanism to address cyber-security challenge. This would establish stronger trust between Indian companies and foreign industries.

'Terrorism and Insurgency' has been ranked as the second biggest threat to businesses in India, with the risk rising up two spots from its position last year. India has featured 16 times in Global Terrorism Indexⁱ in the list of 10 countries most affected by terrorism for the period 2000-2016. Left-Wing Extremism (LWE) perpetrated by communist terrorist groups remains the most severe terrorist threat, primarily in the states of Bihar, Chhattisgarh, Jharkhand, and Odisha. While Islamic State (IS) has made inroads into the country, India's security agencies have been adept at intercepting and countering the threat. The persistent risk posed by 'Terrorism and Insurgencies', creates a risk perception in the minds of investors with interest in the Indian market. The higher the risk of terrorism, higher is the perceived risk associated with doing business in the country. India has invested heavily in its security capability to mount effective counter-terrorism and counter-insurgency operations this risk, however the effects of the perception of this risk continues to affect businesses especially with respect to foreign investment.

The ranking of 'Corruption, Bribery & Corporate Frauds' find itself at number 3 position in IRS 2017. As per World Bank's Doing Business 2017 rankings, India currently stands at 130 out of 189 countries. India has been engaging to combat corruption at every level. Though there is an overall sense of lowering corruption, bribery and corporate frauds via influence of new regulations such as GST, Demonetisation, Make in India, the Digital India programme. However, the nature of corruption is such that it continues to pose an increasingly greater threat which refuses to be completely removed.

India is considered at a 'high risk' of natural hazards with flooding identified as the most significant risk to businesses and communities in the country.ⁱⁱ The India Risk Survey 2017 ranks 'Natural Hazards' fourth highest risk to businesses, up from last year's seventh position. In comparison with developed economies, India has scope to strengthen its institutional capacity, financial resources, and infrastructure to mitigate the adverse effects of natural hazards, floods, earthquakes, and cyclones ravage the country every year, causing human and financial loss. In December 2016, Cyclone Vardah hit Chennai and adjoining coastal areas causing large-scale disruption to business operations and severely damaging the agriculture sector, costing the economy losses of INR 141 billion (USD 2.2 billion).ⁱⁱⁱ

The risk of 'Fire' has been ranked fifth, up by three positions from last year's ranking. According to NCRB, a total of 18,450 cases of fire accidents were reported in India in 2015, with 1,193 persons injured and 17,700 killed. The cause-wise analysis of fire accidents concluded that 42.1% of deaths were due to fire accidents in residential buildings. The majority of fire accidents were reported in Maharashtra, which accounted for 22% of all the fire incidents reported.

Political & Governance Instability continues to hold its position as number 6 risk in the India Risk Surveys' for 2017 and 2016 respectively. The impact of 'Political & Governance Instability' in the India Risk Survey 2017 has been indicated primarily as a result of the legislative assembly elections that were conducted in 2017 and that of the upcoming legislative assembly elections in 2018. It should be noted that the Central Government continues to push reforms for creating a more conducive environment for business to flourish and to further attract more investors. However, social tensions and unrest, and strained political deadlocks continues to be a stumbling block.

In contrast to last year's survey, 'Strikes, Closures & Unrest' dropped six positions to rank seven on the India Risk Survey 2017. However, labour unrest in the country was rampant and lead to disruption in business continuity and increase in operational cost. In 'the world's largest ever' industrial action in September 2016, an estimated 180 million Indian public sector workers went on a 24-hour general strike against the labour and economic policies of the government.^{iv} Industries dominated by blue-collar jobs that employ low-skilled labourers are faced with criticism regarding inadequate working conditions and unsatisfactory compensation. In the agricultural sector, that employs 47.2% of the population, farmer distress lead to widespread agitation. In June 2017, farmers' agitation in Maharashtra and Madhya Pradesh demanding higher prices for their produce and a loan waiver impacted the food prices and the supply of raw products like vegetables, fruits, and meat to wholesale markets and manufacturing industries.

ⁱ Institute of Economics and Peace. 2016. "Global Terrorism Index 2016: Measuring and Understanding the Impact of Terrorism." Sydney: Institute for Economics & Peace and National Consortium for the Study of Terrorism and Responses to Terrorism <http://economicsandpeace.org/wp-content/uploads/2016/11/Global-Terrorism-Index-2016.2.pdf>, accessed on 12 June 2017

ⁱⁱ Maplecroft 2016. Climate Change and Environmental Risk Atlas. <https://maplecroft.com/portfolio/new-analysis/categories/asia/?page=2>, accessed on 13 June 2017

ⁱⁱⁱ The Guardian. 2016. "India crippled by extreme weather as 100 million exposed to floods." The Guardian. 21 April. <https://www.theguardian.com/sustainable-business/2016/apr/21/india-drought-flooding-natural-disasters-risk-population-economy-insurance> accessed on 14 June 2017

^{iv} Indian Express 2016. "Sept 2 nationwide strike to be bigger than last year's: Unions" 31 August, <http://indianexpress.com/article/india/india-news-india/sept-2-nationwide-strike-to-be-bigger-than-last-years-unions-3006678/> accessed on 20 June 2017

Crime remains a serious concern for the Indian economy as it reflects a breakdown of public law & order and permeates all sections of the society. 'Crime' as a risk factor dropped to the eighth position in 2017, from its third ranking in last year's India Risk Survey. However, as per National Crime Records Bureau (NCRB) data, overall crime in India increased by 1.3% in 2015. A total of 73, 26,099 crimes were reported, with 29, 49,400 crimes registered under the Indian Penal Code (IPC) and 43, 76,699 under Special & Local Laws (SLL). Delhi accounted for 25% of all crimes registered in major Indian cities.

Business Espionage climbed one spot to ninth position in IRS 2017. The current scenario is looking at a more pressing task in avoiding business espionage. Due to the sensitive nature of critical infrastructures of businesses today, namely the cyber-domain, business espionage is becoming increasingly more sophisticated and more covert. This makes it difficult to detect and address an issue. The inherent problem with business espionage is the possible domino-effect which would lead to an extensive collapse within a company.

Intellectual Property (IP) Theft climbed one position to tenth rank in the IRS 2017. With major changes setting in

regarding India's position as an industrial destination, the issue of IP theft has achieved more importance. India's position in the US Special 301 list does not put India in the most favourable position. The Indian Government laid out the new Intellectual Property Rights Policy which aims to promote research and development through tax benefits and is likely to result in a positive investment regime in the country. On the issues of counterfeit and piracy of films, music and, software, the illegal activities are still prevalent.

Threats to women's safety at workplace ranked eleventh in IRS 2017. The dangers and implications of threats to women's safety at workplace are of critical importance. IRS 2017 has given special attention to this risk as there is a need to create stronger and wider awareness for women to feel comfortable to be safe while at the workplace and while commuting to and fro.

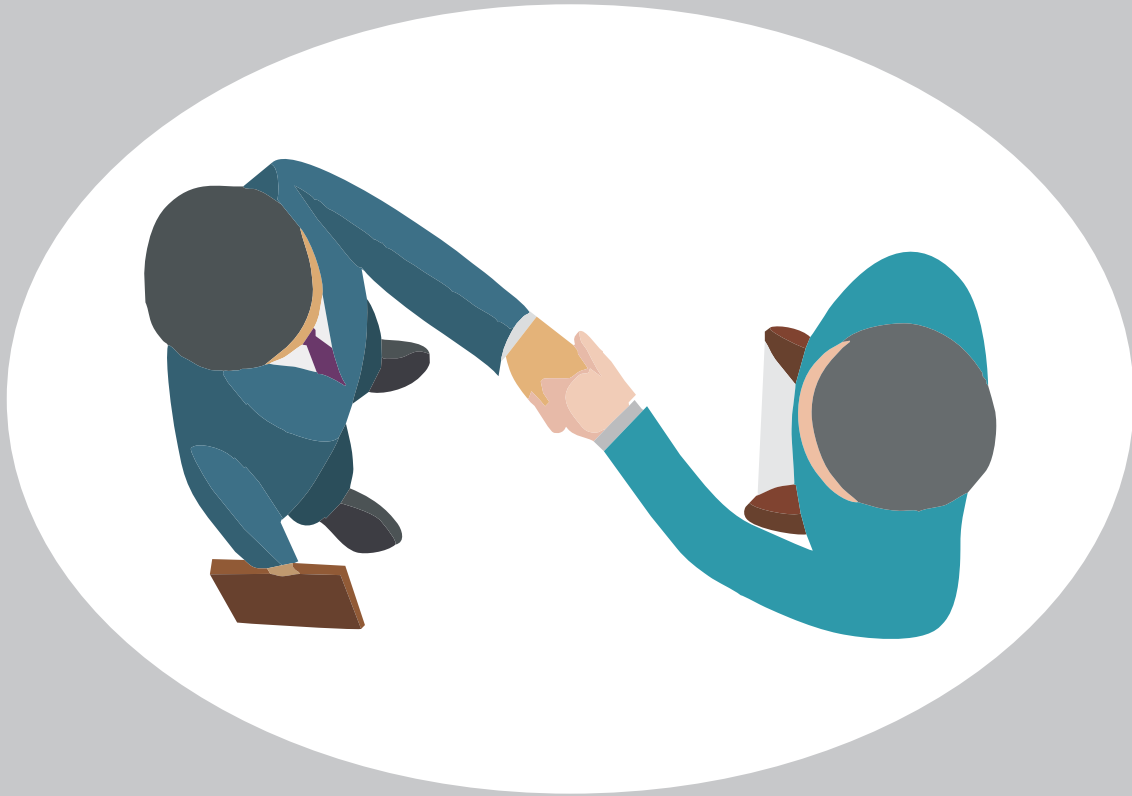
'Accidents' retain the 12th position in the risk ranking in IRS 2017. Accidental deaths require a comprehensive study due to the different incidents that fall under the category. The incidents will always have a direct impact on a business. Higher incidence of accidents, whether industrial or individual, increase liability for businesses, particularly for the insurance sector

Top three risks in each region of India



Top three risks across industry sectors

| Sector | No. 1 Risk | No. 2 Risk | No. 3 Risk |
|----------------------------|------------------------------------|--|--|
| Education | Information & Cyber Insecurity | Corruption, Bribery & Corporate Frauds | Fire |
| e- Commerce | Natural Hazards | Intellectual Property Theft | Business Espionage |
| Govt. & PSU | Information & Cyber Insecurity | Terrorism & Insurgency | Political & Governance Instability |
| Financial Services | Information & Cyber Insecurity | Terrorism & Insurgency | Corruption, Bribery & Corporate Frauds |
| Hospitality | Terrorism & Insurgency | Fire | Information & Cyber Insecurity |
| Infrastructure | Information & Cyber Insecurity | Fire | Terrorism & Insurgency |
| IT/ITES | Information & Cyber Insecurity | Terrorism & Insurgency | Corruption, Bribery & Corporate Frauds |
| Logistics & Transportation | Information & Cyber Insecurity | Corruption, Bribery & Corporate Frauds | Natural Hazards |
| Manufacturing | Information & Cyber Insecurity | Corruption, Bribery & Corporate Frauds | Political & Governance Instability |
| Media & Entertainment | Natural Hazards | Information & Cyber Insecurity | Fire |
| Medical Services | Information & Cyber Insecurity | Corruption, Bribery & Corporate Frauds | Fire |
| NGOs | Natural Hazards | Corruption, Bribery & Corporate Frauds | Strikes, Closures & Unrest |
| Retail | Political & Governance Instability | Fire | Information & Cyber Insecurity |
| Security Services | Information & Cyber Insecurity | Terrorism & Insurgency | Corruption, Bribery & Corporate Frauds |
| Telecom | Information & Cyber Insecurity | Natural Hazards | Terrorism & Insurgency |
| Others | Terrorism & Insurgency | Information & Cyber Insecurity | Strikes, Closures & Unrest |



Introduction

Emerging as one of the fastest growing economies in the world, India is expected to outperform most other major economies in 2017 according to international rating agencies. India is estimated to grow at more than 7 per cent in GDP growth in 2017. Pro-investor policies have been implemented by the government to improve ease of doing business. Through flagship programmes such as the 'Make in India', 'Digital India', and 'Skill India' initiatives, and effectively addressing FDI prospects across sectors, the government is striving to promote manufacturing activity locally, boost job creation and skilled workforce, local and foreign investment, and IT-powered infrastructure capable of supporting logistically-robust and multi-nodal networks.

Given that India is increasingly attracting the international business community with its extensive regulatory, legal, and diplomatic manoeuvres, companies cannot underestimate the multitude of challenges in business operations in India; particularly with reference to the vastly divergent risk landscape the country offers. A

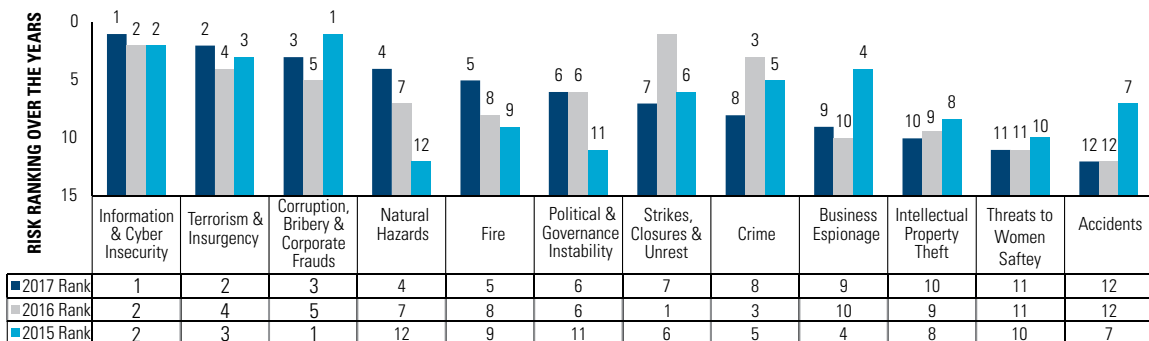
lack of preparation against risk mitigation could leave the entire financial as well as operational functions vulnerable to attacks with disastrous consequences for a long time. A holistic risk-management strategy would help businesses to both anticipate and preempt existing and evolving risks, and also deal with them effectively.

This survey is a joint effort of FICCI and Pinkerton to highlight the severity of such risks and their impact on the industry, across economic sectors and geographical regions of the country. The results of the survey are based on a collation of a set of 12 risks that have been identified after a series of brain-storming sessions. The India Risk Survey 2017 thus aims to focus on the major risks that have the potential to adversely impact businesses in the country. The India Risk Survey 2017 also provides inputs that we hope will help cross-sector business leadership in devising risk-mitigation strategies, in order to create a secure business environment. However, the applicability of each risk to individual organisations may vary.



Trend Analysis

OVERALL RISK RANKING - YEARLY TRENDS

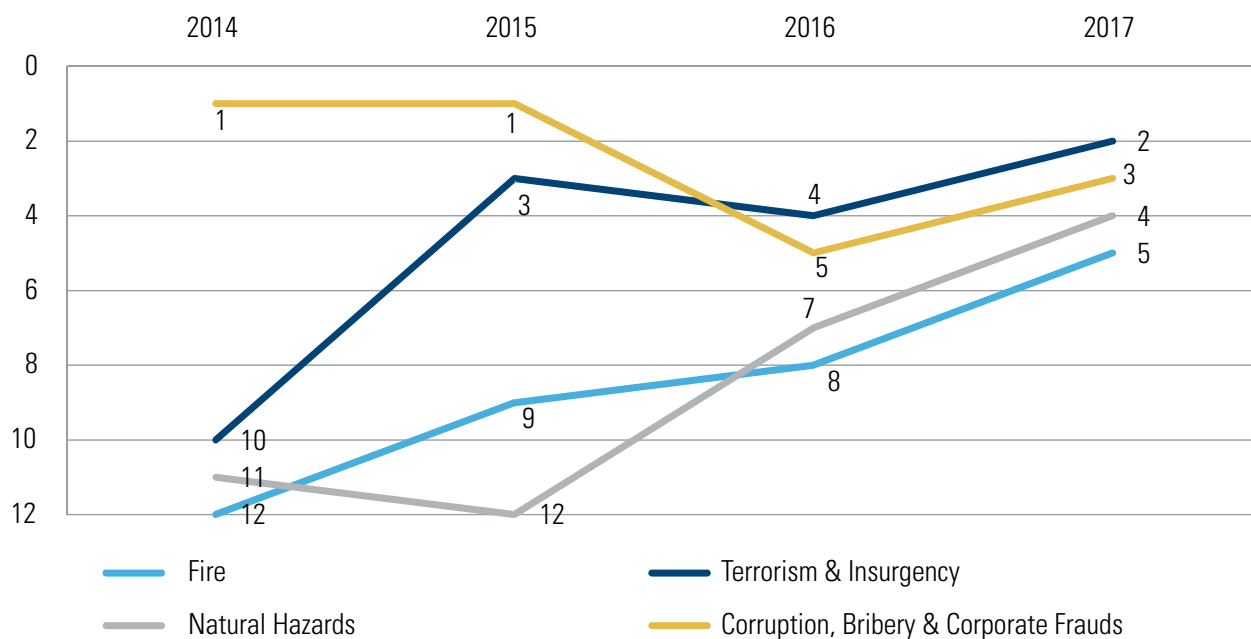


In the 2017 edition of the India Risk Survey, a majority of the respondents from corporate India perceive 'Information & Cyber Insecurity' as the top risk, replacing the previous year's 'Strikes, Closures & Unrest'. This risk category was ranked as the 2nd highest in the 2016 and 2015 surveys. Corporate India rated 'Terrorism & Insurgency' as the 2nd highest risk to their businesses. 'Corruption, Bribery & Corporate Frauds' moved from the 5th rank to the 3rd position this year. 'Natural Hazards' climbed to the 4th position this year from its previous ranking of 7. 'Fire' also recorded a jump from the

8th position in 2016 to the 5th this year. Similar to last year's rating, 'Political & Governance Instability' maintained its position at the 6th rank this year as well. 'Strikes, Closures & Unrest', which was the top-most risk in last year's survey, has slipped to No. 7 this year, while 'Crime' has also slipped from its 3rd position last year to the 8th rank this year. 'Business Espionage' moved up by one rank this year to fill the 9th position, as did 'Intellectual Property Theft' to the 10th. 'Threats to Women Safety' and 'Accidents' continue to maintain their position at the 11th and 12th place this year as well.

Note: For IRS 2017, the risk 'Workplace Violence and Sexual Assault' has been termed as 'Threats to Women Safety'

Factors Influencing the Risk Gainers



Fire



Trends

- The lack of institutionalised funding has been the principle impediment in preparing the fire services and giving sufficient fire security cover to the general population in a uniform way

Threat Mapping

- The high number of casualties and material damage caused by fires is due to lax and inadequate safety provisions and response mechanisms
- According to the Fire Cell of the National Disaster Response Force, there is a shortage of 97.59% fire stations, 96.28% fireman and, 80.04 % rescue vehicles. Urban fire services are afflicted by severe deficiencies; 72.75% in fire stations, 78.79% in manpower, and 22.43% in firefighting and rescue vehicles^v
- According to a report, the fire safety equipment market in India will cross USD 4.26 Billion (approx. INR 23,000 crore) by the end of 2017^{vi}

^v National Disaster Response Force and Relief and Civil Defence, "Fire Cell," Ministry of Home Affairs, Government of India. <http://ndrfandcd.gov.in/fire.aspx>, accessed on 14 June 2017

^{vi} Business Wire. 2014. "Research and Markets: India Fire and Safety Equipment Market Forecast and Opportunities, 2019" 28 May. <http://www.businesswire.com/news/home/20140528006194/en/Research-Markets-India-Fire-Safety-Equipment-Market>

Natural Hazards



Trends

- India is considered at a 'high risk' of natural hazards and Rank 49 on the Natural Hazards Vulnerability Index 2016, ahead of other leading economies^{vii}

Threat Mapping

- The index identified flooding as the most significant risk to businesses and communities in South Asia; 9% of India's population, 113 million people, is acutely exposed to flood hazard^{viii}
- Inadequate infrastructure and weak logistic chains in India substantially increase the risk of extreme natural events
- In December 2016, Cyclone Vardah hit Chennai and adjoining coastal areas causing large-scale disruption to economic activity and severely damaging the agriculture sector. The floods reportedly caused financial losses of INR 141 billion (USD 2.2 billion)^{ix}

Terrorism & Insurgency



Trends

- Global Terrorism Index ranks India 8th on the list of countries most impacted by terrorism^x

Threat Mapping

- India has invested heavily in its security capability to mount effective counter-terrorism and counter-insurgency operations this risk, however the effects of the perception of this risk continues to affect businesses especially with respect to foreign investment.
- Left-Wing Extremism (LWE) perpetrated by communist terrorist groups remains the most severe threat, primarily in the states of Bihar, Chhattisgarh, Jharkhand, and Odisha

Corruption, Bribery & Corporate Frauds



- According to the World Bank's Doing Business 2017 rankings, India currently stands at 130 out of 189 countries. India retains this ranking from 2016

- While there has been an improvement in the perception towards conducting business in India from international players, global investors have made demands for major economic reforms to be implemented in India

^{vii} Maplecroft 2016. Climate Change and Environmental Risk Atlas. <https://maplecroft.com/portfolio/new-analysis/categories/asia/?page=2>, accessed on 13 June 2017

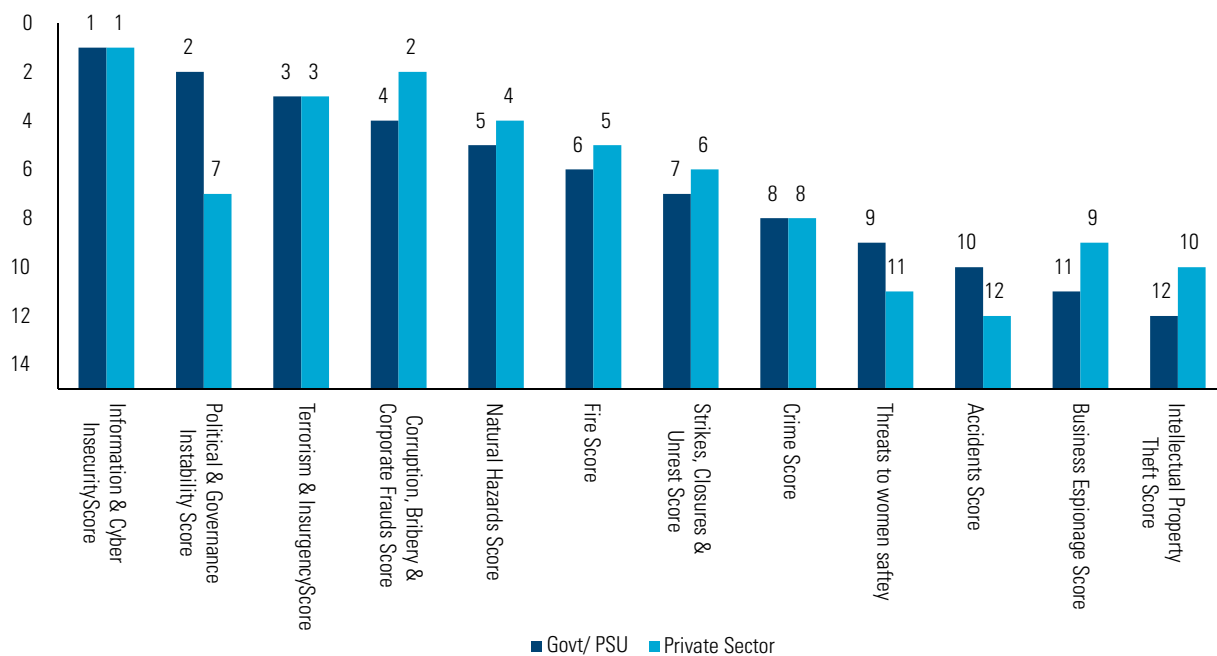
^{viii} The Guardian. 2016. "India crippled by extreme weather as 100 million exposed to floods." The Guardian. 21 April. <https://www.theguardian.com/sustainable-business/2016/apr/21/india-drought-flooding-natural-disasters-risk-population-economy-insurance> accessed on 14 June 2017

^{ix} Ibid

^x Institute of Economics and Peace. 2016. "Global Terrorism Index 2016: Measuring and Understanding the Impact of Terrorism." Sydney: Institute for Economics & Peace and National Consortium for the Study of Terrorism and Responses to Terrorism <http://economicsandpeace.org/wp-content/uploads/2016/11/Global-Terrorism-Index-2016.2.pdf>, accessed on 12 June 2017

Risk Ranking - Comparative Perspectives on Risk

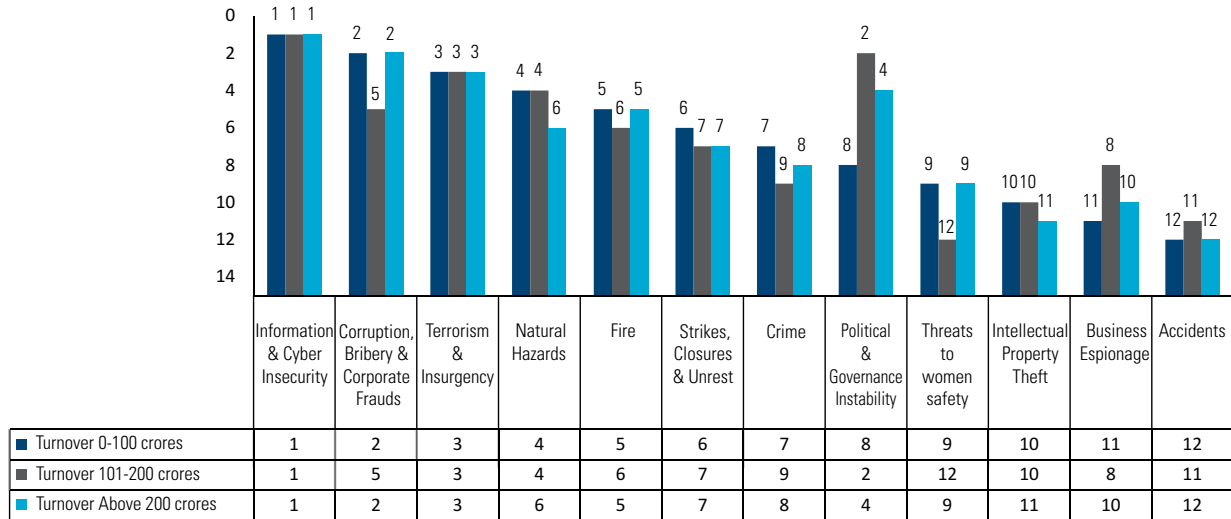
RISK RANKING - GOVT./PSU Vs PRIVATE SECTOR



The survey results suggest that the perception of risk categories moderately differs between the Government/PSU and the private sector. This is a significant change from the 2016 survey findings which observed a significant difference in perceptions between the sectors. Both the Government/PSU and private sector have ranked 'Information & Cyber Insecurity' as the greatest threat to their operations. This perception can be attributed to a substantial increase in attempted cyber-attacks and potential espionage on cyber-security this year. The information and cyber-domain remains one of the most important critical infrastructure for the government and the private sector, with the government's extensive shift towards IT-powered governance. This, coupled with the private sector's multi-modal engagement and investment in the sector has made it the most vulnerable to attacks. Protection of critical infrastructure operations has emerged as a major challenge for the government and corporate sectors. The Government/PSU rates 'Political and Governance Instability' as the second highest risk to its operations, the same is ranked at No. 7 by

the private sector. 'Terrorism & Insurgency' has been equally perceived as the third highest threat by both the Government/PSU and private sectors. The Government/PSU ranks 'Corruption, Bribery & Corporate Frauds' at No. 4, while the private sector deems this risk as the second highest threat. 'Natural Hazards' has been ranked at No. 5 by the Government/PSU, while the private sector rates this threat at No. 4. The Government/PSU perceives 'Fire' at No. 6, while the private sector ranks this risk at No. 5. 'Strikes, Closures & Unrest' ranks at No. 7 for the Government/PSU, and at No. 6 for the private sector. 'Crimes' has been rated at No. 8 by both the Government/PSU and the private sector. 'Threats to Women Safety' ranks No. 9 for the Government/PSU, while the private sector perceives this risk at No. 11. The Government/PSU ranks 'Accidents' at No. 10, while the private sector rates this threat at No. 12. 'Business Espionage' is rated No. 11 on the threat perception of the Government/PSU, while the private sector ranks this at No. 9. 'Intellectual Property Theft' is rated No. 12 in the perceived risks for the Government/PSU, while holding the No. 10 rank for the private sector.

Risk Ranking – Company Turnover



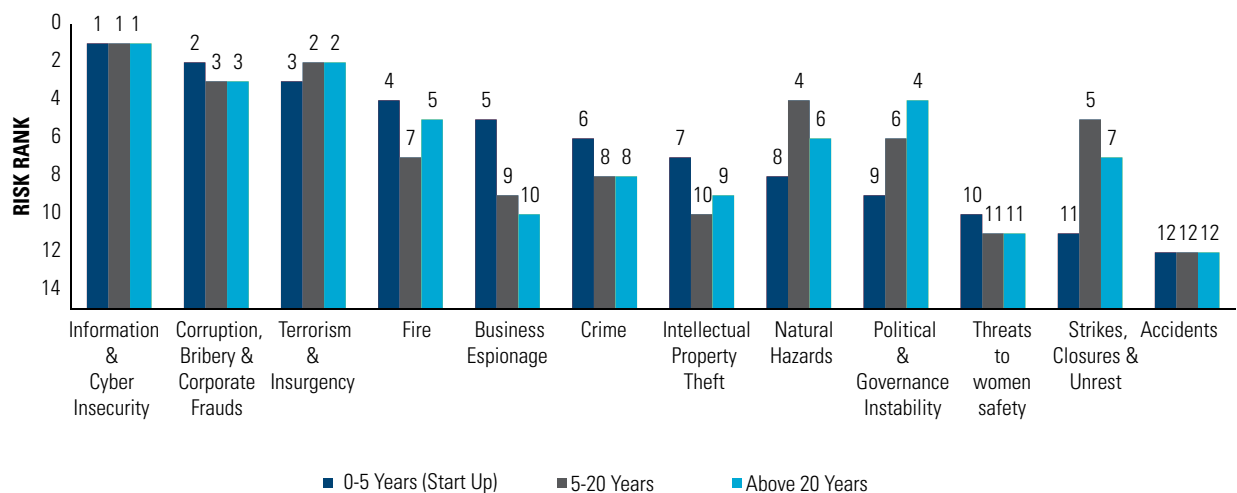
For the second consecutive year, the survey included a study of the risk perception by companies on the basis of their turnover, giving a peek into the nature of challenges small and medium level enterprises face in comparison to large corporations. For the purpose of the survey, the companies were graded according to the turnover, viz., up to INR 100 crore (USD 15.46 million), between INR 100 crore to 200 crore (USD 15.46-30.93 million), and companies with a turnover of more than INR 200 crore (USD 30.93 million).

For small and medium-scale companies, as well as corporations, 'Information & Cyber Insecurity' was ranked as the primary risk.

Companies exceeding an annual turnover of INR 200 crore (USD 30.93 million) rated 'Information & Cyber Insecurity',

'Corruption, Bribery & Corporate Frauds', and 'Terrorism & Insurgency' as the top three risks, respectively. Similarly, small companies with an annual turnover of up to INR 100 crore (USD 15.46 million) ranked 'Information & Cyber Insecurity', 'Corruption, Bribery & Corporate Frauds', and 'Terrorism & Insurgency' constitute the top three threats as well. For medium-scale companies with a turnover between INR 100 crore to 200 crore (USD 15.46-30.93 million) 'Information & Cyber Insecurity', 'Political & Governance Instability', and 'Terrorism & Insurgency' comprise the predominant risks, in descending order. 'Political & Governance Instability', 'Natural Hazards', and 'Fire' comprise other major risks, especially for corporations. 'Accidents' comprise the least risk category for all small companies and corporations, with medium-scale companies recording 'Threats to Women Safety' as the lowest perceived threat.

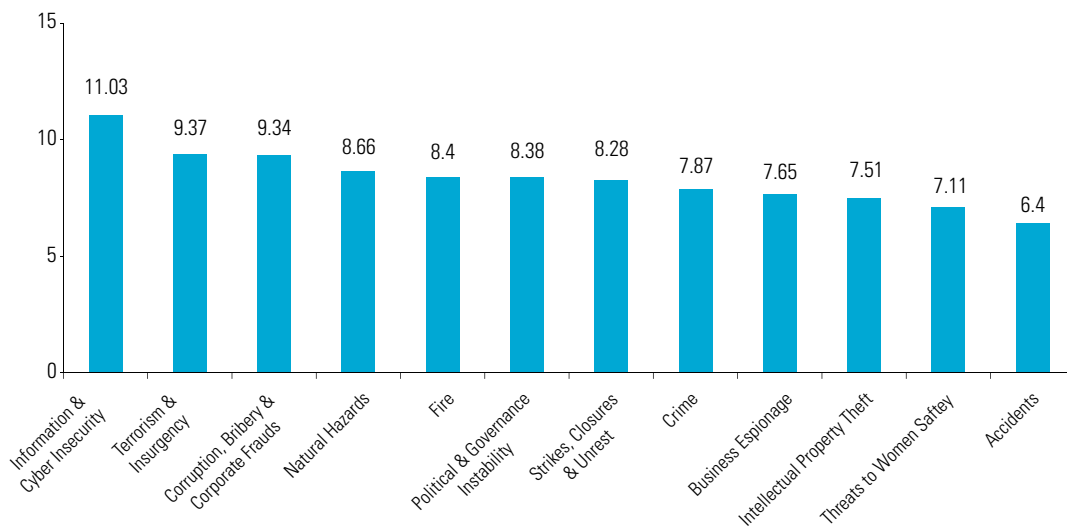
Risk Ranking – Company Existence





Overall Risk Ranking

Overall Risk Trends - 2017



As with the earlier editions of the India Risk Survey, this year too, the survey presents the perception of different categories of risk by business leaders and professionals in public and private sectors spread across the country. As with any country, India

continues to face a dynamic environment with regard to changing threat perceptions. India Risk Survey 2017 thus tries to encapsulate the movement of a particular risk in the spectrum comprising a set of 12 risks.

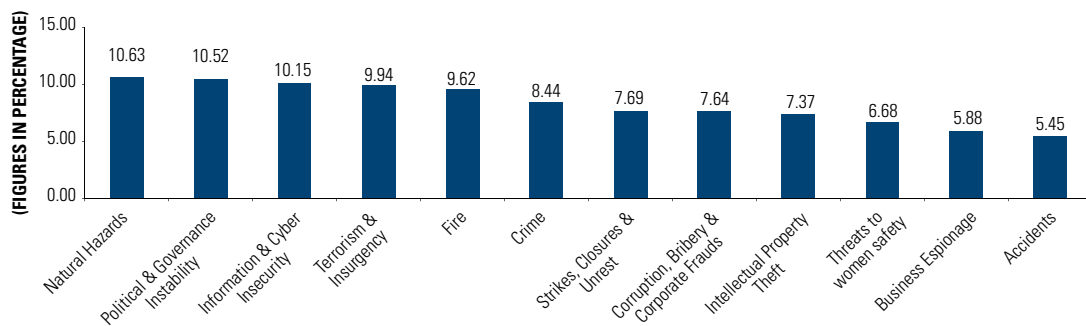
Risk Trends Chart



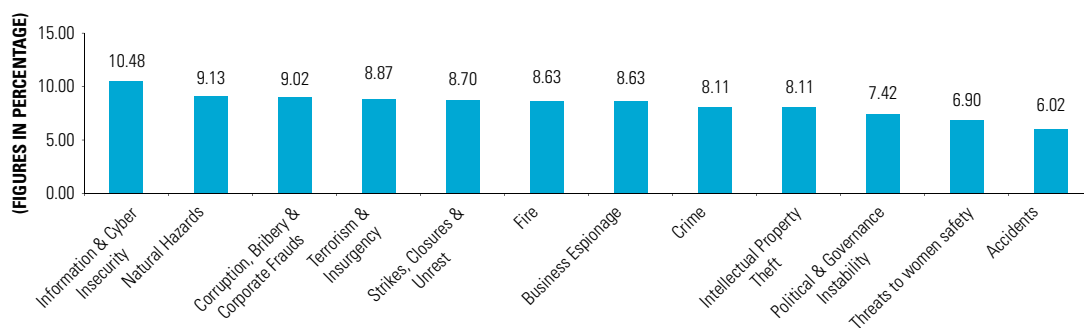


Region Wise Risk Ranking

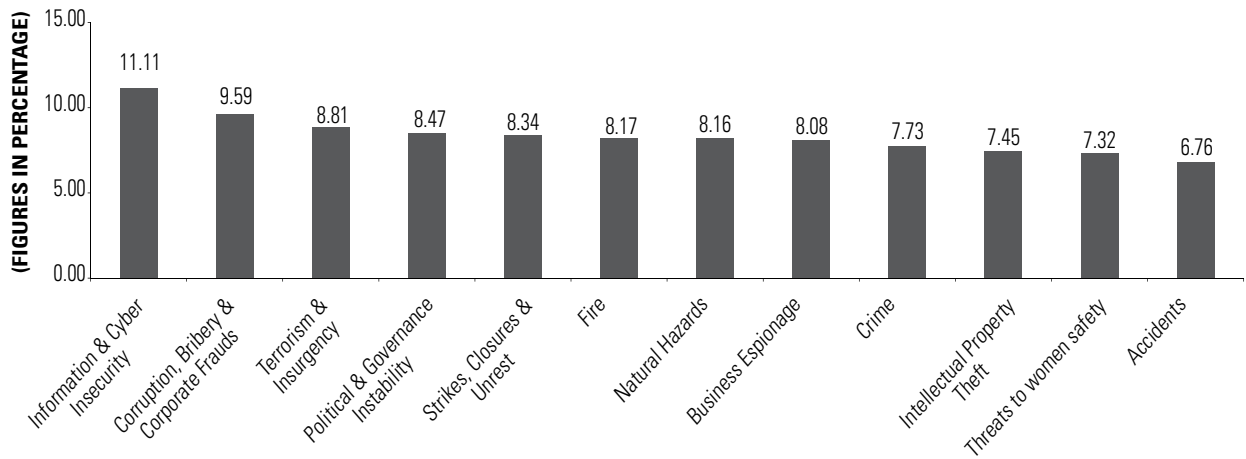
Risk Ranking – Eastern Region



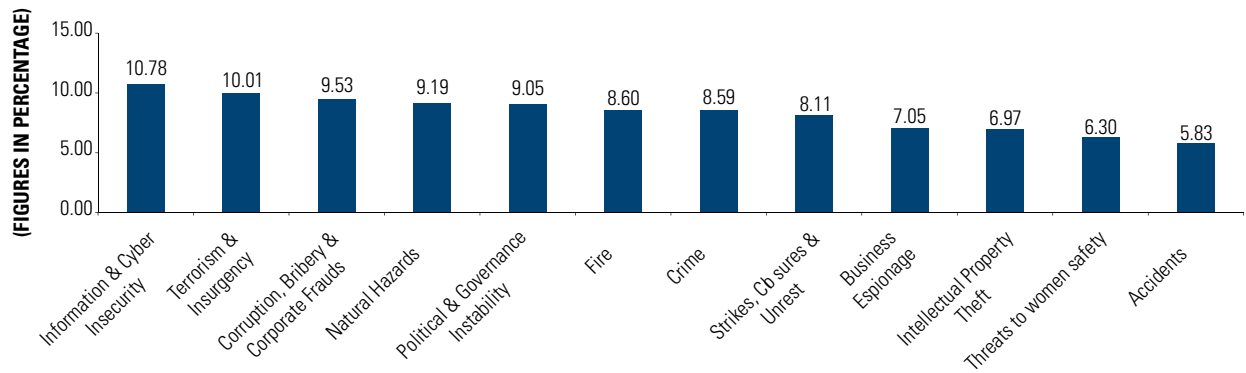
Risk Ranking – Western Region



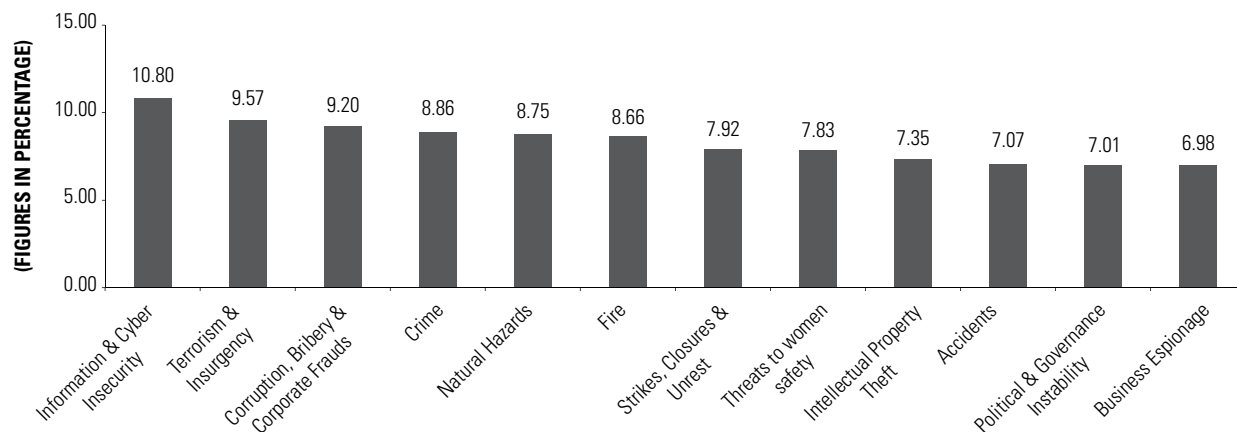
Risk Ranking – Northern Region



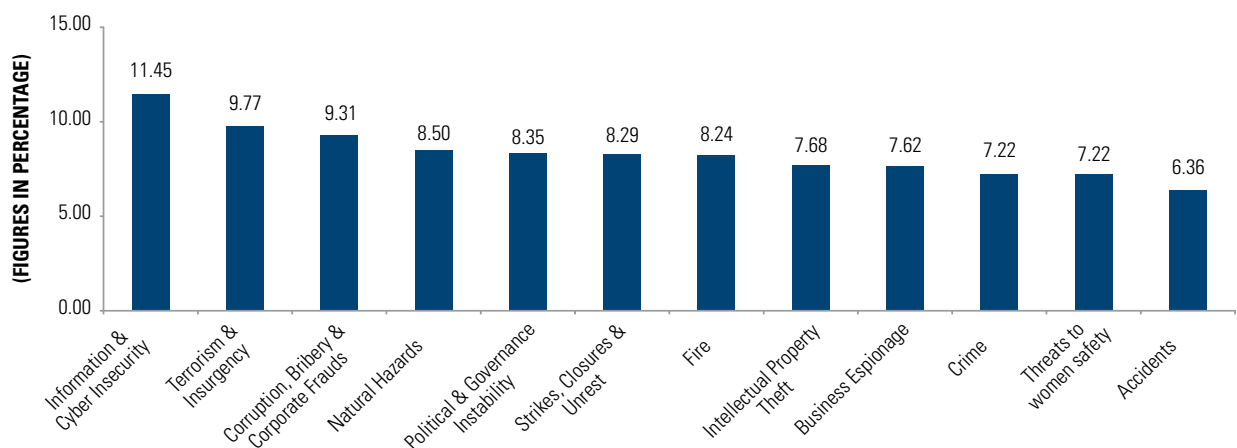
Risk Ranking – Southern Region



Risk Ranking – Outside of India



Risk Ranking – PAN India



Three regions of India – North, South, and West – view ‘Information & Cyber Insecurity’ as the top most risk for businesses in the country. The East region perceives ‘Natural Hazards’ as the highest risk for business operations and investments. This rating is because of the annually observed seasonal flooding during the monsoon season, resulting in the shifting of major rivers, and causing landslides and infrastructural damage. The hilly and forested terrain of India’s north-eastern states is another key risk for businesses in the region. The eastern region ranks ‘Political & Governance Instability’ and ‘Information & Cyber Insecurity’ at No. 2 and No. 3, respectively. Based on key local concerns, the western region rates ‘Natural Hazards’ and ‘Corruption, Bribery & Corporate Frauds’ at the second and third positions,

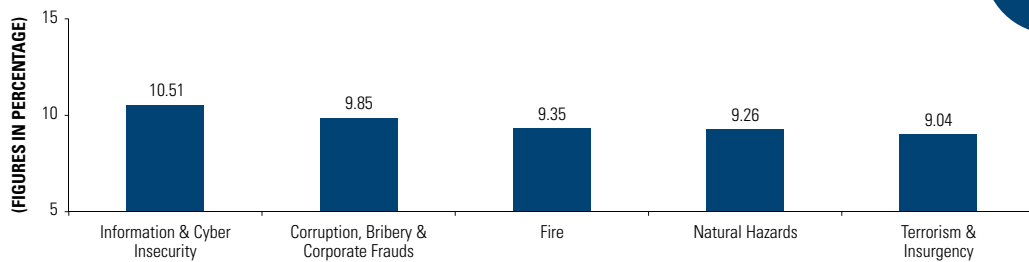
respectively. ‘Corruption, Bribery & Corporate Frauds’ and ‘Terrorism & Insurgency’ constitute No. 2 and 3 in risk ranking perceptions for the northern region, while reversely holding the third and second position for risks observed in the south. For respondents from Outside of India, ‘Information & Cyber Insecurity’ comprises the top-most risk, followed by ‘Terrorism & Insurgency’ and ‘Corruption, Bribery & Corporate Frauds’ at No. 2 and No. 3 positions, respectively.

Pan India respondents also ranked ‘Information & Cyber Insecurity’ as the highest risk, followed by ‘Terrorism & Insurgency’ and ‘Corruption, Bribery & Corporate Frauds’ as the other two key threats to businesses.

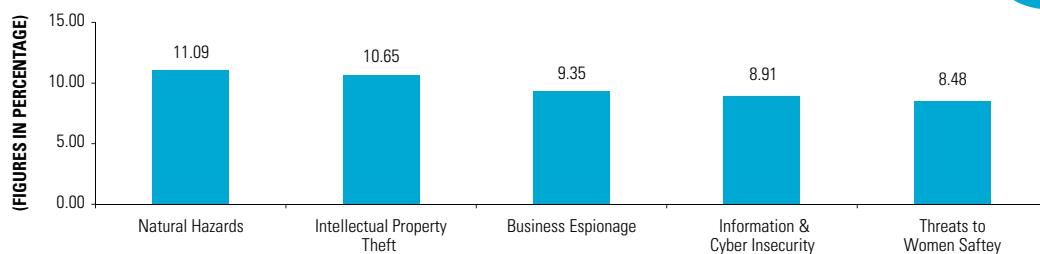


Industry Wise Risk Ranking

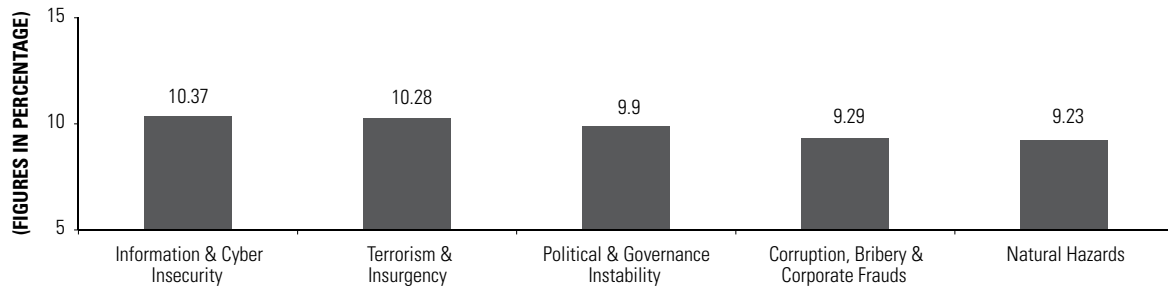
Risk Ranking – Education



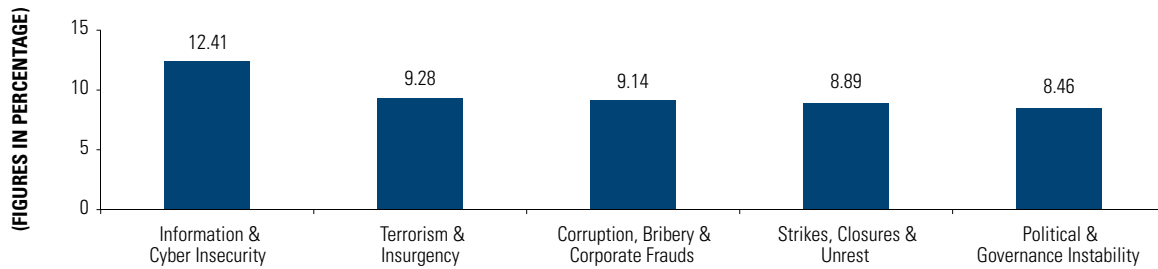
Risk Ranking – e-Commerce



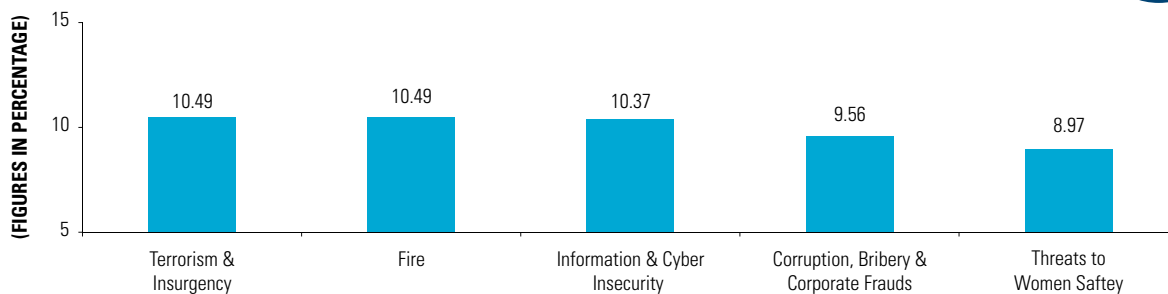
Risk Ranking – Govt. & PSU



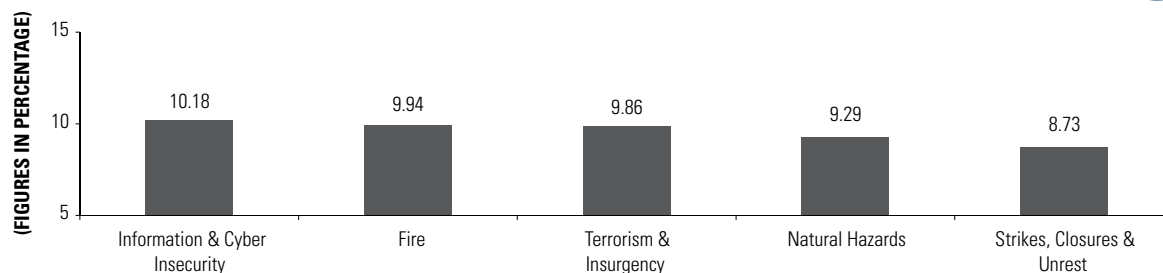
Risk Ranking – Financial Services



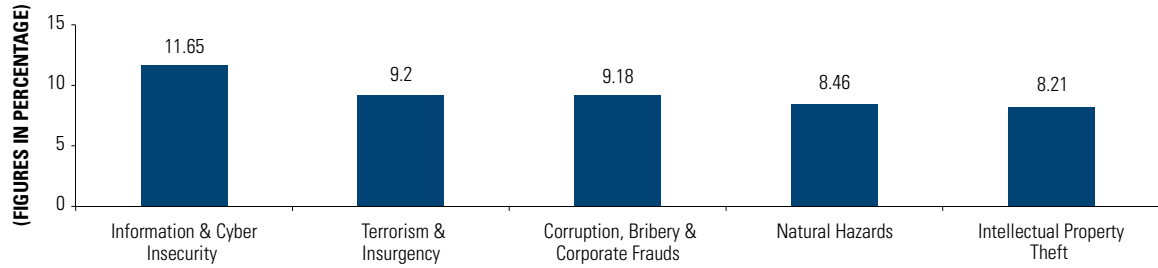
Risk Ranking – Hospitality



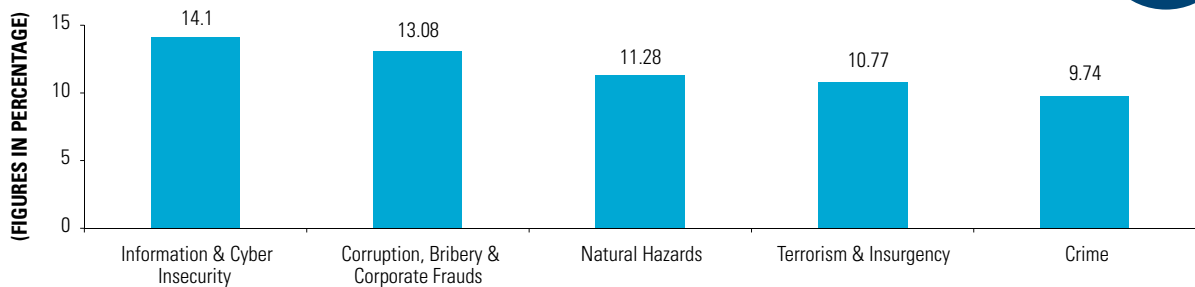
Risk Ranking – Infrastructure



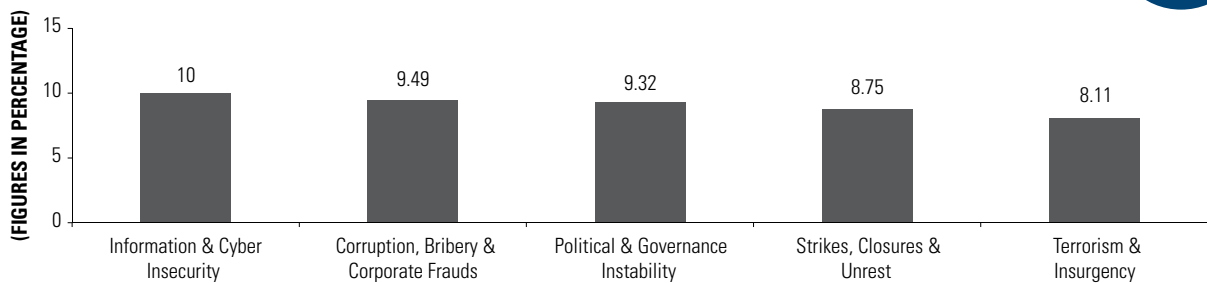
Risk Ranking – IT/ITES



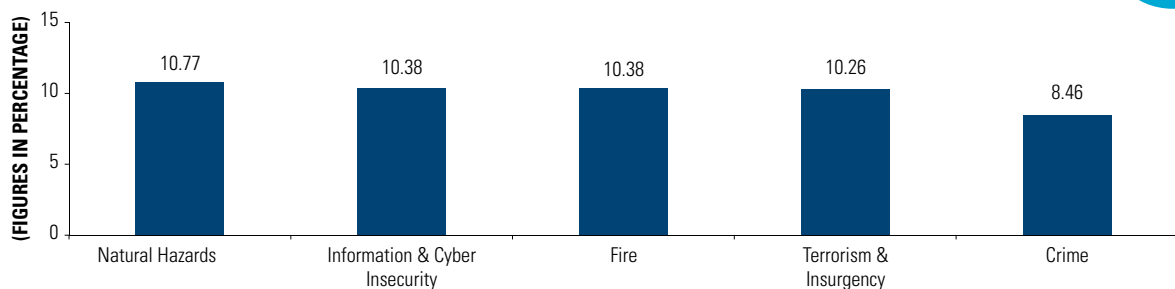
Risk Ranking – Logistics and Transportation



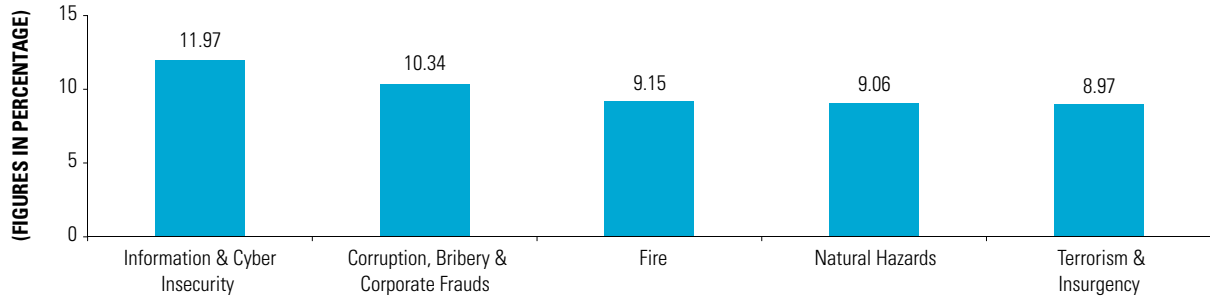
Risk Ranking – Manufacturing



Risk Ranking – Media and Entertainment



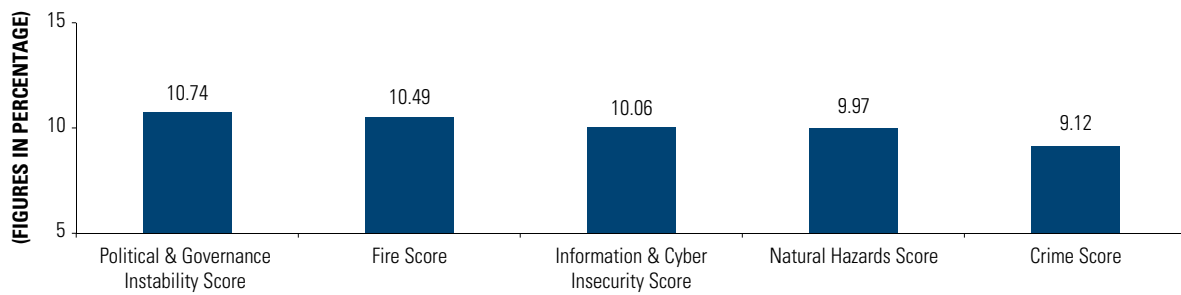
Risk Ranking – Medical Services



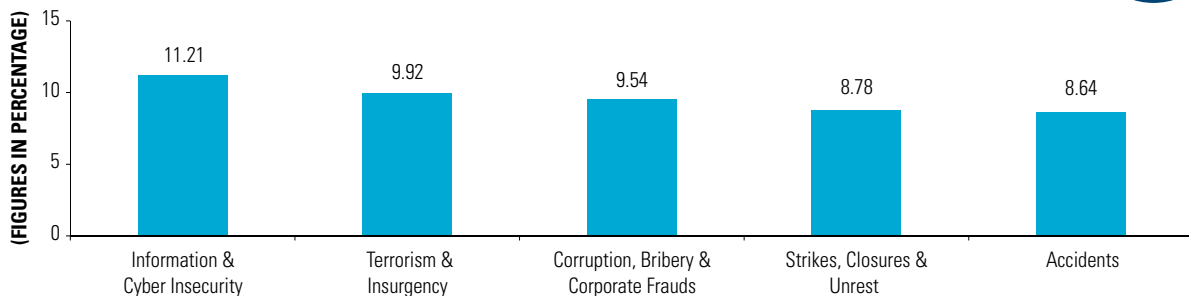
Risk Ranking – NGOs



Risk Ranking – Retail

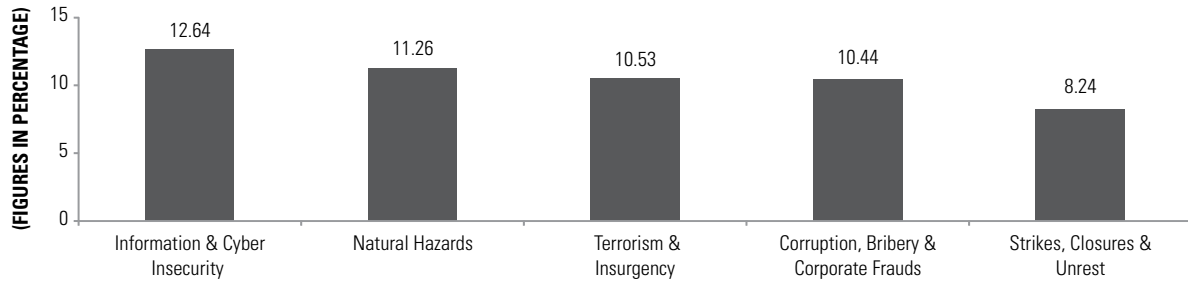


Risk Ranking – Security Service Providers

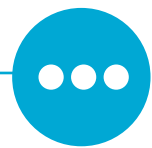




Risk Ranking – Telecom



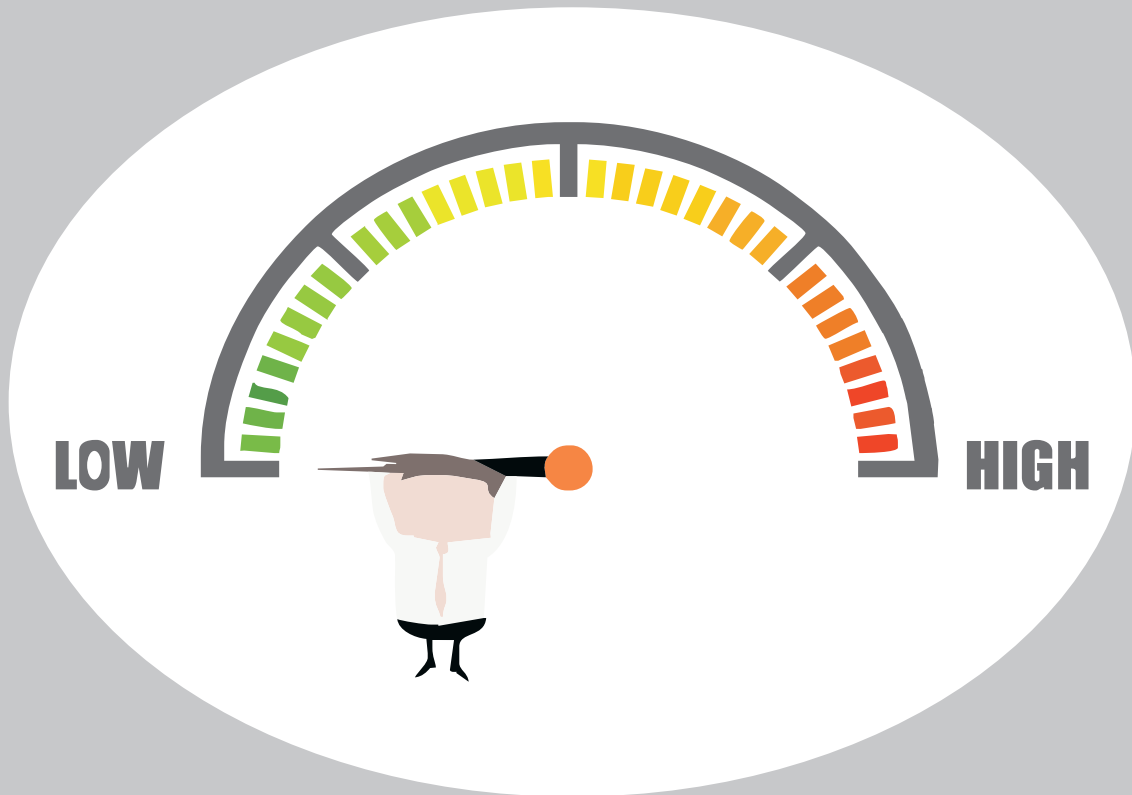
Risk Ranking – Others



Industry-wise rankings of risk categories present a more comprehensive, diverse, and sectoral perception. 'Information & Cyber Insecurity' is ranked the top risk by the education, Government/PSU, Financial Services, Infrastructure, IT/ITES, Logistics & Transportation, Manufacturing, Medical Services, Security Service Providers, and Telecom sectors. For the E-Commerce, Media & Entertainment, and NGOs sectors, 'Natural Hazards' constitute the highest risk. 'Terrorism & Insurgency' is the top risk for sectors including Hospitality and Others. For the Retail sector, 'Political & Governance

Instability' presents the highest risk. For a majority of sectors, risks such as Terrorism & Insurgency', 'Corruption, Bribery & Corporate Frauds', 'Fire', and 'Strikes, Closures & Unrest' are the primary concerns. For most sectors, the top five risks are primarily a combination of these perceived threats. The E-Commerce sector perceives 'Intellectual Property Theft' and 'Business Espionage' as the second and third-most important risks. 'Threats to Women Safety' have been indicated among the top five risks observed in the Hospitality and E-Commerce sectors.

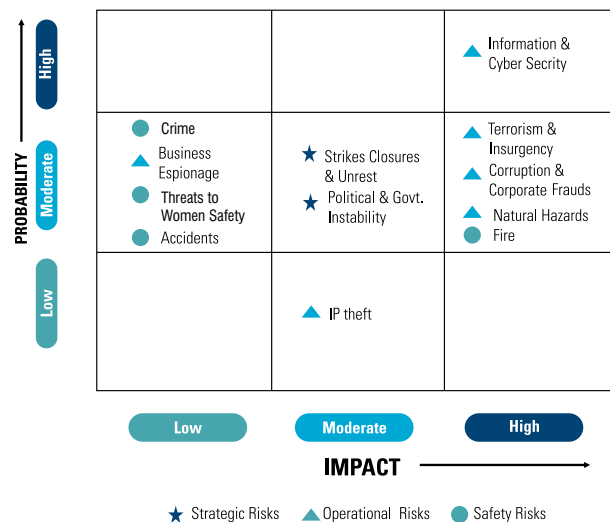




Risk Categorisation

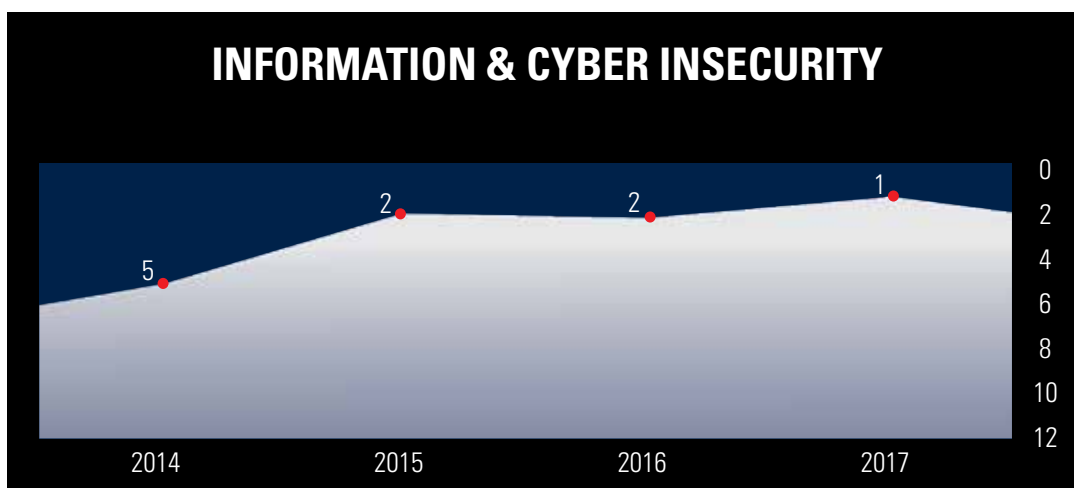
The IRS 2017 segregated risks in three categories, viz., Strategic, Operational and Safety risks. Strategic risks are those that impact directly the achievement of an organisation's business objectives. At the national level these are risks which have a grave impact on the national security and its survivability. Strategic risks are majorly determined by the top leadership of the organisation. Operational Risks are defined as the probability of loss occurring from the internal inadequacies of an organisation or a breakdown in its controls, operations or procedures. Lastly, Safety risks are those risks which have the potential to jeopardise employee safety. These could be either internal or external or both. Employees being the critical assets to an organisation, any potential hazard or threat to their safety could affect business continuity. The graph on 'categorisation of risk' represents a particular risk that falls within the categories of either Strategic, Operational or Safety risks. The probability and impact of these risks illustrate their importance to the corporate sector. The categorisation is generic. Some of the risks considered 'Strategic' for some industries can be categorised as 'Operational' risk for another set of industries.

Categorization of Risk





Risk - in Detail



Source: India Risk Survey

'Information & Cyber Insecurity' has become the number one risk in IRS 2017

Highlights

- The information and cyber-security domain remains the most important critical infrastructure for businesses on a global scale. However, this makes it more vulnerable and prone to attacks. In the recent past, there has been an increase in attempted cyber-attacks and potential espionage on cyber-security.
- According to the NCRB¹, a total of 8,045 cases were registered in 2015 as compared to 7201 cases in 2014 with a rise of 11.7 per cent in cyber related crime (under the IT Act)
- There should be an increased emphasis to counter the rapidly growing cyber-attacks or attempts. Security needs to be integrated into the technology environment, helping individuals understand the risks of the public and private information they deal with every day. Training, raising awareness, and strong cooperation between the businesses and government are the way forward. The costs however involved in setting up a robust security system against 'Information and Cyber Insecurity' will continue to grow.



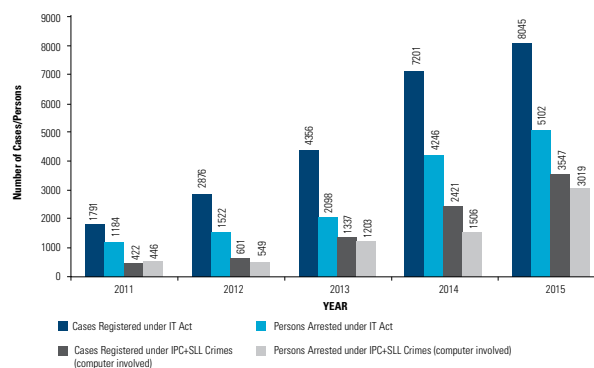
Year-on-Year Ranking

According to India Risk Survey 2017, 'Information & Cyber Insecurity', has been ranked at top position, as protection of critical infrastructure operations has emerged as a major challenge by the corporates. In the recent past, there has been an increase in attempted cyber-attacks and potential espionage on cyber-security and given the security problems, there should be increased emphasis on, and investment in, the security of cyber infrastructure.

In India, 'Information & Cyber Insecurity' has become more pronounced due to the shift that the nation is undergoing towards digitisation of various assets; and the ever-present loopholes that hackers breach upon. The recent demonetisation saw a spike in the number of people resorting to online platforms for financial transactions. This poses a greater risks for users, including businesses, while engaging in e-commerce. There has also been an increase in subscribers to the Unique Identification Number (UIN) in which personal information is stored as data. Further, there are proposals for linking the UIN to banking details.¹ This is, on many levels, a multiplication to the already existing risks in the cyber-domain, such as laundering and identity theft.

According to the NCRB², a total of 8,045 cases were registered in 2015,³ as compared to 7201 cases in 2014, with a rise of 11.7 per cent in cyber-related attacks.⁴ NCRB data reveals that a majority of cyber-crimes were registered for greed and financial gain, which accounts for 33.3% (3,855 out of 11,592 cases). Fraud and illegal gain was 9.6% (1,119 cases); insult to the modesty of women at 5.2% (606 cases); sexual exploitation at 5.1% (588 cases), and causing disrepute at 3.3% (387 cases).⁵

Cases Registered and Persons Arrested under IT Act and IPC Crimes Involving Computer as Medium or Target (2011-2015)



Source: NCRB Report, 2015

Incidence Mapping

According to the World Economic Forum (WEF), India's demonetisation move could spark an increase in cybercrime.⁶ In an attempt to move towards development, loopholes can allow hackers to carry illegal activities. One of the weakest loopholes that the system may face is that of human error.⁷ The WEF further emphasised that both businesses and governments are prone to human error and thus, cooperation between the two is significantly important. A case in point would be the WannaCry ransomware, which affected both businesses and governments.⁸ For instance, on May 16, 2017, several computers in 18 units of the Andhra Pradesh police were affected by WannaCry.⁹ In a similar incident, the malware

¹ Indiatimes 12 April 2017, Government Sets April 30 Deadline For Linking Aadhaar Cards To Your Bank Accounts, <http://www.indiatimes.com/news/india/government-sets-april-30-deadline-for-linking-aadhaar-cards-to-your-bank-accounts-275438.html>, accessed on 21 June 2017

² National Crime Records Bureau, 'Crime in India - 2015'

³ National Crime Records Bureau, 'Crime in India - 2015'

⁴ National Crime Records Bureau, 'Crime in India - 2014'

⁵ National Crime Records Bureau, 'Crime in India - 2015'

⁶ KartikeyaTripathi, 30 March 2017, 'Why India's move toward a cashless society could increase cybercrime', World Economic Forum, <https://www.weforum.org/agenda/2017/03/why-indias-move-toward-a-cashless-society-could-increase-cybercrime>, accessed on 13 June 2017.

⁷ Ibid.

⁸ Syed Munir Khasru, 'WannaCry shows that businesses and governments must cooperate', World Economic Forum, <https://www.weforum.org/agenda/2017/06/wannacry-exposes-need-for-better-public-private-cooperation-in-the-cyber-space>, accessed on 13 June 2017

⁹ Hindustan Times, 'WannaCry ransomware: Andhra police fall prey to global cyber-attack', 16 May 2017, <http://www.hindustantimes.com/india-news/wannacry-ransomware-andhra-police-fall-prey-to-global-cyber-attack/story-FkQZQHepilAIVMJTobKlFn.html>, accessed on 13 June 2017.

affected computers and servers at a Noida-based garment company. Other reports of the WannaCry attack, amongst other, includes attacks on the Kalyan Dombivli Municipal Corporation (KDMC)¹⁰, and the Bank of Maharashtra, in which the bank suffered a loss of INR 25 crore (approximately USD 3888025) due to a bug in its Unified Payment Interface application.¹¹

India has suffered an array of other cyber-attacks before the WannaCry ransom malware. In October 2016, 3.2 million debit cards were affected after a massive ATM card hack. According to media reports, this was one of the biggest financial data breaches, with customer asset of some of the leading banks being compromised.¹² In May 2017, it was reported the Ministry of Home Affairs website was also hacked.¹³ Therefore, as India shifts towards digitisation, it also creates room for growing fragility in India's cyber-domain.

Impact and Combat

McAfee estimates that cyber-criminal activity cost the global economy more than USD 400 billion. This is expected to increase to a staggering USD 2.1 trillion by 2019. Further, according to the United Nations Conference on Trade and Development (UNCTAD), it was estimated that approximately USD 22 trillion exchanged hands in 2016 via e-commerce. This accounted for 3.1 per cent of the global GDP.¹⁴ It is important that more attention is drawn to strengthening cyber-security. While the cost of enhancing cyber-security is high, the implication that may arise due to weak cyber-security, or lack of, will be higher.

The costs involved in setting up a robust security system against 'Information and Cyber Insecurity' will continue to grow. However, from an organisational perspective, two weaknesses could be addressed internally. Firstly, the human error could be reduced by conducting regular training sessions and clear communication with employees to raise awareness. Second, a burgeoning

cooperation between businesses and the Government on related issues of cyber-security could be beneficial. The Indian government and major private players are working together at multiple levels to boost cyber security in various agencies. While at present it is working with software giants such as Microsoft, it is also holding talks with companies from Israel and the US. Microsoft, is working with the Government on setting up the Cyber Security Engagement Centre under the digital crimes unit of the company.¹⁵ The cooperation is steadily coming to fruition. In October 2016, Microsoft India launched its first full-scale Cyber Security Engagement Centre (CSEC).¹⁶ Essentially, through this nexus, the CSEC will work with law enforcement agencies as well as customers and help stakeholders fight cyber-crimes¹⁷

Considering India is a key destination for business and foreign investments, the focus should be to create robust security mechanism to address cyber-security challenges. While the WannaCry ransomware was attempting to penetrate into the Indian cyber-domain, the country was put on highlight and official sources have declared that India was not as affected as reported. Several corporations, such as the Power Grid Corporation of India Limited (PGCIL), were ready to block the malware by setting up a precautionary firewall. Since the nature of the cyber-domain is dynamic, new threats and breaches should be expected. Hence, 'Information & Cyber Insecurity' will most likely remain the number one risk for businesses in the coming years. This is due to the vulnerable nature of the cyber-domain, which is not restricted by geographical hindrances. Cyber-attacks are covert and symptoms become indicative only after the attack. Therefore, immediate requirements on ensuring robust cyber-security for businesses would an immediate and an advisable investment considering its long-term returns to protect valuable information assets.

¹⁰Hindustan Times, 'Hit by WannaCry ransomware, civic body in Mumbai suburb to take 3 more days to fix computers', 16 May 2017, <http://www.hindustantimes.com/mumbai-news/hit-by-wannacry-ransomware-civic-body-in-mumbai-suburb-to-take-3-more-days-to-fix-computers/story-eSIMZQ2NFT17erJAFkSOJ.html>, accessed on 13 June 2017.

¹¹The Economic Times, 'Bug in UPI app costs Bank of Maharashtra Rs 25 cr in one of India's biggest financial frauds', 30 March 2017, <http://economictimes.indiatimes.com/industry/banking/finance/banking/bug-in-upi-app-costs-bank-of-maharashtra-rs-25-cr-in-one-of-indias-biggest-financial-frauds/articleshow/57921505.cms>, accessed on 13 June 2017.

¹²Huffpost, 'Massive ATM Card Hack Hits Indian Banks, 3.2 Million Debit Cards Affected', 20 October 2017, <http://www.huffingtonpost.in/2016/10/20/massive-debit-card-hack-hits-indian-banks-3-2-million-cards-aff/>, accessed on 13 June 2017.

¹³Business Standard, 'Ministry of Home Affairs website hacked, says Official', 12 February 2017, http://www.business-standard.com/article/current-affairs/ministry-of-home-affairs-website-hacked-says-official-117021200245_1.html, accessed on 13 June 2017.

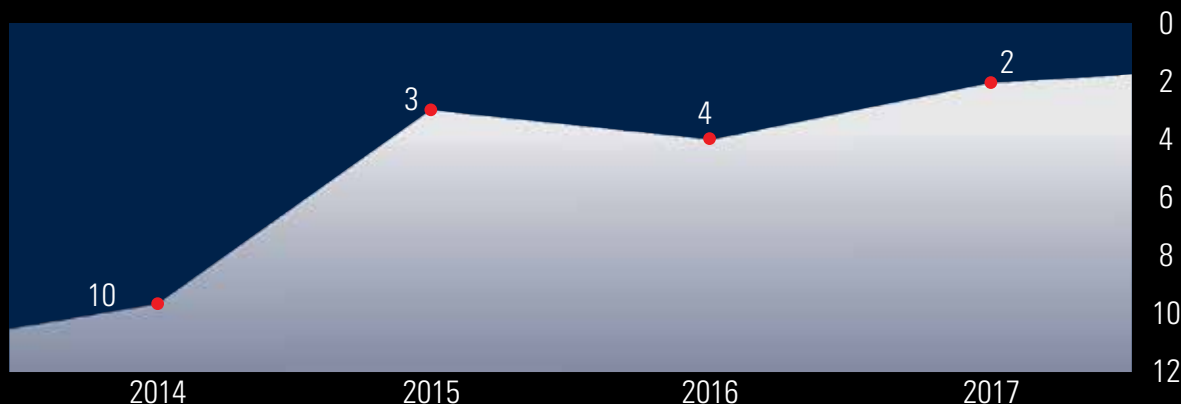
¹⁴Syed MunirKhasru, 'WannaCry shows that businesses and governments must cooperate', 1 June 2017, World Economic Forum, <https://www.weforum.org/agenda/2017/06/wannacry-exposes-need-for-better-public-private-cooperation-in-the-cyber-space>, accessed on 13 June 2017.

¹⁵ Ibid.

¹⁶Microsoft opens first cybersecurity centre in India', Business Line, 21 October 2016, <http://www.thehindubusinessline.com/info-tech/microsoft/article9252321.ece>, accessed on 15 June 2017.

¹⁷ Ibid.

TERRORISM AND INSURGENCY



Source: India Risk Survey

'Terrorism and Insurgency' climbs to second position in IRS 2017

Highlights

- IRS 2017 survey respondents perceived the threat from terrorism and insurgency as the second most important risk affecting Indian businesses.
- Global Terrorism Index ranks India 8th on the list of countries most impacted by terrorism.
- While Islamic State (IS) has made inroads into the country, India's security agencies have been adept at intercepting and countering the threat.
- Left-Wing Extremism (LWE) perpetrated by communist terrorist groups remains the most severe threat, primarily in the states of Bihar, Chhattisgarh, Jharkhand, and Odisha.

Year-on-Year Ranking

The risk of terrorism and insurgency has seen a significant increase over the last four years; from 10th position in IRS 2014, the risk has risen to the second position in 2017. According to the Global Terrorism Index (GTI), the Middle East and North Africa (MENA), and South Asia are the most affected regions in the world, with India at number 8 in the list of countries worst affected by terrorism. India experienced 7% of all terrorist attacks around the world, the fourth highest after Iraq (20%), Afghanistan (14%) and Pakistan (8%). While India has improved its position by two places from last year, the number of incidents registered an upward trend. India recorded 797 attacks that led to 289 deaths, up by 4% compared to the previous year wherein 764 attacks resulted in 418 deaths.¹⁸ Communists, Islamists and, separatist groups remain the main actors. The attacks have primarily targeted the Government and security forces. About one-third casualties were security forces and 75% of the attacks had no fatalities.

Incidence Mapping

Left-Wing Extremism (LWE) perpetrated by communist terrorist groups remains the most severe threat and claims numerous lives every year. The majority of attacks this year occurred in the states of Bihar, Chhattisgarh, Jharkhand, and Odisha. In April 2017, the deadliest Maoist attack in seven years led to the death of 25 Central Reserve Police Force (CRPF) personnel who were ambushed in Sukma, Chhattisgarh.¹⁹ Cross-border terrorism and discontent among the local population led to a deterioration of the security situation in the restive state of Jammu and Kashmir. In July 2016, the encounter of Hizbul Mujahideen commander Burhan Wani led to widespread protests and an increase in the recruitment of locals in terrorist organisations. As per security estimates, the figure reached 250 by March 2017.²⁰ Security operations against terrorists have been repeatedly disrupted by locals, with stone-pelting being the preferred mode of protest. In September 2016, terrorists killed 17 army personnel and injured 19 others in a suicide attack on an army camp in Uri, Jammu and Kashmir.²¹

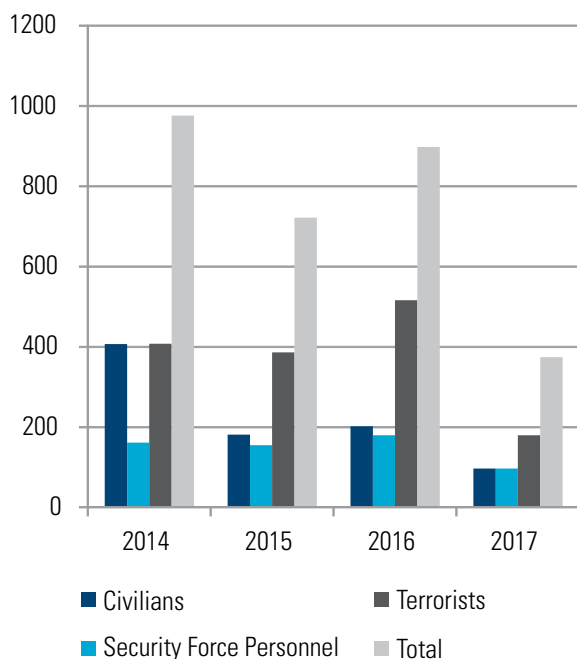
¹⁸Institute of Economics and Peace. 2016. "Global Terrorism Index 2016: Measuring and Understanding the Impact of Terrorism". Sydney: Institute for Economics & Peace and National Consortium for the Study of Terrorism and Responses to Terrorism. <http://economicsandpeace.org/wp-content/uploads/2016/11/Global-Terrorism-Index-2016.2.pdf>, accessed on 12 June 2017

¹⁹The Times of India. 2017. "25 jawans killed as Maoists attack CRPF team in Chhattisgarh's Sukma". 24 April. <http://timesofindia.indiatimes.com/india/11-jawans-killed-in-encounter-with-maoists-in-chhattisgarh-sukma/articleshow/58342994.cms>, accessed on 12 June 2017

²⁰Livemint. 2017. "Kashmiri youths joining militancy shows alarming increase". 16 April. <http://www.livemint.com/Politics/dvOEUIZnOqQHA3QyioeXqN/Kashmiri-youths-joining-militancy-shows-alarming-increase.html> accessed on 14 June 2017

²¹Times of India. 2016. "Uri terror attack: 17 soldiers killed, 19 injured in strike on Army camp". 30 September. <http://timesofindia.indiatimes.com/india/Uri-terror-attack-Indian-Army-camp-attacked-in-Jammu-and-Kashmir-17-killed-19-injured/articleshow/54389451.cms>, accessed on 12 June 2017

There is an increasing threat from the spread of extremist ideology propagated by tech-savvy terrorist groups. Self-radicalisation and recruitment through the Internet have made counter-terrorism even more complex. The number of Indians linked to the Islamic State (IS) has steadily grown; as per the media reports, the numbers grew to 75 in 2016 from 35 in 2015²². The terror threat from IS is increasing as the terrorist organisation and its sympathisers have carried out multiple attacks across the world. In July 2016, 84 people were killed when a lorry ran over people celebrating Bastille Day in the southern French city of Nice. In May 2017, terror attack at a concert in Manchester caused 22 fatalities and injured several others.



Source: SATP. 2017. "India Fatalities 1994-2017"

IMPACT AND COMBAT

India has featured 16 times in Global Terrorism Index²³ in the list of 10 countries most affected by terrorism for the period 2000-2016. This highlights the persistent risk posed by 'Terrorism and Insurgencies', which creates risk perception in the minds of investors with interest in the Indian market. The higher the risk of terrorism, higher is the perceived risk associated with doing business in the country. Security measures have a direct impact on trade as strong security regulations increase delivery time and operational costs.

India has invested heavily in its security capability to mount effective counter-terrorism and counter-insurgency operations. The budgetary allocation to the Ministry of Home Affairs (MHA)²⁴ and the Ministry of Defence (MOD) has been on the rise for the past few years²⁵. In its annual report, the Ministry of Home Affairs recognises that better operational strategies have resulted in a satisfactory internal security situation in the country²⁶. India has made a concerted effort to combat the menace of terrorism by coordinating its efforts with other countries, within the framework of both bilateralism and multilateralism. Diplomatic efforts were complemented with military responses. The Uri terrorist attack in September 2016 was followed up with 'surgical strikes' along the border against terrorist camps²⁷. In October 2016, during the BRICS and Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) summits held in India, the issue of terrorism was put at centre stage²⁸. The Heart of Asia conference held in India adopted the Amritsar declaration on December 4, 2016, which recognised "terrorism, violent extremism, radicalization, separatism, and sectarianism and linkages among them" as the gravest challenges facing the region²⁹. To win over insurgency in the north-eastern region of the country, and to give impetus to the Act East policy, the Government is building infrastructure that would facilitate economic engagement with countries of Southeast Asia and Far East.

²²Brookings. 2017. "Assessing the Islamic State threat to India: It is a serious but manageable challenge" 8 May. <https://www.brookings.edu/opinions/assessing-the-islamic-state-threat-to-india-it-is-a-serious-but-manageable-challenge/> accessed on 14 June 2017

²³https://en.wikipedia.org/wiki/Global_Terrorism_Index

²⁴IDS. 2017. "An Analysis of the Internal Security Budget 2017-18" 21 February. http://www.idsa.in/idsacomments/analysis-internal-security-budget-2017-18_pdas_210217 accessed on 14 June 2017

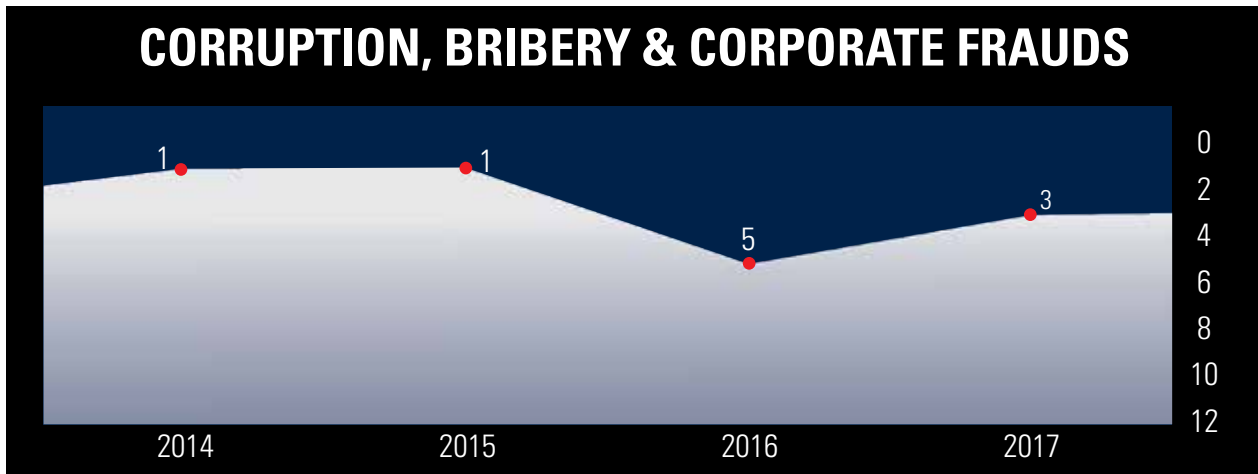
²⁵The Tribune. 2017. <http://www.tribuneindia.com/news/nation/india-increases-defence-budget-by-6-2/358045.html> accessed on 14 June 2017

²⁶Ministry of Home Affairs. 2017. "Annual Report 2016-2017". http://mha.nic.in/sites/upload_files/mha/files/EnglAnnualReport2016-17_17042017.pdf accessed on 19 June 2017

²⁷The Hindu. 2016. "Target terror: India strikes across LoC" 29 September <http://www.thehindu.com/news/national/Target-terror-India-strikes-across-LoC/article15006525.ece> accessed on 14 June 2017

²⁸News 18. 2016. "BRICS-BIMSTEC Leaders for Intensified Joint Efforts to Combat Terrorism" 17 October. <http://www.news18.com/news/india/brics-bimstec-leaders-for-intensified-joint-efforts-to-combat-terrorism-1302289.html>

²⁹News 18. 2016. "India Ranks 7th Among Countries Most Hit by Terror" December 9. <http://www.news18.com/news/india/india-ranks-7th-among-countries-most-hit-by-terror-1321047.html> , accessed on 12 June 2017



Source: India Risk Survey

'Corruption, Bribery & Corporate Frauds' rises to third position in IRS 2017 ranking

Highlights

- 'Corruption, Bribery & Corporate Frauds' jumps to third spot in India Risk Survey
- India Ranks 130 in 2017 for ease of doing business by World Bank
- While there has been an improvement in the perception towards conducting business in India from international players, global investors have made demands for major economic reforms to be implemented in India.
- While there is an overall sense of lowering corruption, bribery and corporate frauds via influence of new regulations such as GST, Make in India, the Digital India programme. However, the nature of corruption is such that it continues to pose an increasingly greater threat which refuses to be completely removed

Year-on-Year Ranking

'Corruption, Bribery & Corporate Frauds' has become the third biggest risk to businesses in India as per IRS 2017. According to Transparency International's Corruption Perceptions Index 2016, India ranks 79 with a score of 40, as against previous scores of 38 in 2015 and 2014, and 36 in 2013 and 2012.³⁰ India's rank stood at 76 in 2015 and 85 in 2014. However, there has been a minor improvement in India's score, which is 40 on a scale of 100 in 2016, compared to 38 in 2015. It should be noted that this is a marginal improvement. The risks relating to 'Corruption, Bribery & Corporate Frauds' makes it difficult for businesses to maintain leverage in execution of business strategies.

While there has been an improvement in the perception towards conducting business in India from international markets, global investors have made demands for major economic reforms to be implemented in India. As per World Bank's Doing Business 2017 rankings, India currently stands at 130 out of 189 countries. India retains this ranking from 2016. However, India's Distance to Frontier (DTF) score has improved. By promoting policies that are pro-business, pro-growth and anti-corruption, the Government of India has been improving the country's global image as a business destination with implementation of major policy announcements such as 'Make in India', the Goods and Service Tax (GST) reforms, the Digital India Programme, and

the motive of combating corruption via the demonetisation move in 2016.

Incidence Mapping

India has been engaging to combat corruption at every level. Through major implementations of new regulations, the Government aims at creating an environment for friendly competition among businesses, and boosting India's economic ties. To name a few, the recent demonetisation move has already cracked down on several cases of black money laundering. Further, the implementation of the Goods and Service Tax (GST) is expected to have a positive impact on India's economy as well as business via transparent taxation methods; linking a citizen's Unique Identification Number (UIN) to Personal Account Number (PAN) is another step towards creating further transparency. However, to completely rid the nation of corruption and black money remains a daunting task. By extension of the mentioned steps, the Government has made a strong pitch globally towards improving investor sentiment in the Indian economy.

According to the National Crime Record Bureau (NCRB) data, the share of incidents registered under the Prevention of Corruption Act, 1988 was 28.3 per cent of the total cases registered in 2015.³¹ The Central Bureau of Investigation (CBI) registered 617 corruption cases in

³⁰Transparency International, 'Corruption Perceptions Index 2016', 25 January 2017, https://www.transparency.org/news/feature/corruption_perceptions_index_2016, accessed on 14 June 2017.

³¹NCRB. 2015. Crime in India 2015: Compendium. New Delhi: National Crime Record Bureau, Ministry of Home Affairs.

2015, in comparison to 611 cases in 2014, and 649 cases in 2013.³² However, cases registered by the Vigilance and Anti-Corruption Bureau of various states increased to 5,250 cases in 2015 from 4,966 cases in 2014.³³

Impact and Combat

'Corruption, Bribery & Corporate Fraud' is a major threat to Indian polity and economy. The issue of corruption continues to hinder growth and disrupts economic progress. This denies a level-playing field to prospect investors and businesses. As per a World Economic Forum (WEF) report, "Indian firms pay 50 per cent of total project cost, on an average, as bribes to speed up clearances for real estate and infrastructure ventures."³⁴

The recent cases of corporate frauds have raised issues on the quality of corporate governance of major organisations in India. Stringent regulatory laws are needed to keep a check on malpractices of corporates and businesses. The Government has adopted some measures to check the menace of corruption in India, such as:

- The minimum punishment under Prevention of Corruption Act, 1988,³⁵ has been increased from six months to three years.
- The maximum punishment for corruption cases has increased from five years to seven years.
- Corruption by public servants will be considered as criminal misconduct.
- E-auctioning of public projects and resources to impart greater transparency.

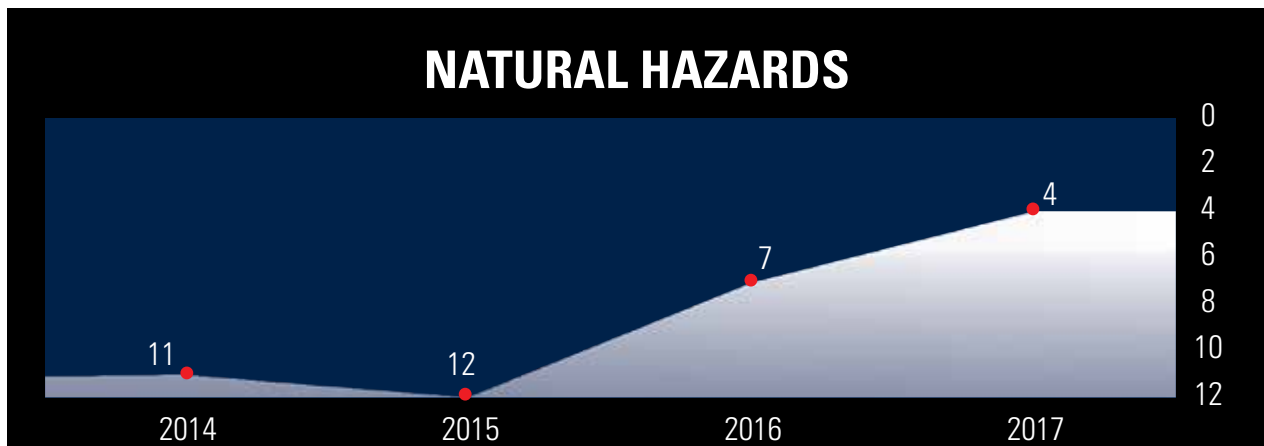
Furthermore, the results of various implementations undertaken by the Central Government are yet to manifest. Hence, there is overall positive sense of lowering corruption, bribery and corporate frauds via these new regulations. However, the nature of corruption is such that it continues to pose an increasingly greater threat, refusing to be completely removed, from the eco-system of the operational environment both in the public and private sectors.

³²Ibid.

³³Ibid.

³⁴Vikas Dhoot. 2016. "Firms pay 50% of cost as bribes". The Hindu. 23 March. <http://www.thehindu.com/business/Industry/firms-pay-50-of-cost-as-bribes/article8386124.ece>

³⁵The Prevention of Corruption Act, 1988, Ministry of Law and Justice, <http://lawmin.nic.in/ld/P-ACT/1988/The%20Prevention%20of%20Corruption%20Act,%201988.pdf>, accessed on 14 June 2017



Source: India Risk Survey

‘Natural Hazards’ jumps to fourth position in IRS 2017’

Highlights

- India is considered at a ‘high risk’ of natural hazards and ranks 49 on the Natural Hazards Vulnerability Index 2016.
- The index identified flooding as the most significant risk to businesses and communities in South Asia; 9% of India’s population, 113 million people, is acutely exposed to flood hazard.
- Inadequate infrastructure and weak logistic chains in India substantially increase the risk of extreme natural events.

Year-on-Year Ranking

India’s geographical location, climate, and geological setting make ‘Natural Hazards’ a major risk for operational security and business continuity. Drought, floods, earthquakes, and cyclones ravage the country every year, causing human and financial loss. Further, a lack of resilience to natural hazards through disaster preparedness and early warning systems compound the primary and associated risks of adverse climate conditions.

Maplecroft rates India at ‘high risk’ and ranks it 49 on the Natural Hazards Vulnerability Index 2016, ahead of other leading economies³⁶. In comparison with regional economies like Japan and China, India has weaker institutional capacity, financial resources, and infrastructure to mitigate the adverse effects of natural hazards. Identifying flooding as the most significant risk to businesses and communities in South Asia, it assesses that 9% of India’s population, 113 million people, is acutely exposed to flood hazard. In addition, the country’s dependence on the agricultural sector, that employs 47.2% of its population, makes it sensitive to extreme weather.

Incident Mapping

With a coastline of 7,516km that touches 13 States and Union Territories (UTs), India is affected severely by tropical cyclones that occur between Tropics of Cancer and Capricorn. In December 2016, Cyclone Vardah hit Chennai and adjoining coastal areas causing large-scale disruption to economic activity and severely damaging the agriculture sector. According to Swiss Re, a leading global reinsurance company, the floods caused economic losses of INR 141 billion (USD 2.2 billion)³⁷. In the aftermath, Tamil Nadu State Government approached the Centre for INR 22,573 crore (USD 3512 million) for restoration and rehabilitation. Automobile, IT, retail, and hospitality industry were affected the most. Major IT players like Infosys and Tata Consultancy Services had to shut down their operations, while automobile companies like Nissan and Daimler had to halt production and delay shipments.³⁸

In July 2016, Assam experienced one of the worst floods in years, killing 34 people and displacing more than 13 million. Kaziranga National Park, a World Heritage Site, was completely submerged and lost some of its wildlife. The Assam State Disaster Management Authority (ASDMA) report said that the floods affected 1, 01,809 people and damaged crops in 385.67 hectares of land.³⁹

³⁶Maplecroft 2016. Climate Change and Environmental Risk Atlas. <https://maplecroft.com/portfolio/new-analysis/categories/asia/?page=2> , accessed on 13 June 2017

³⁷The Guardian. 2016. “India crippled by extreme weather as 100 million exposed to floods.” The Guardian. 21 April. <https://www.theguardian.com/sustainable-business/2016/apr/21/india-drought-flooding-natural-disasters-risk-population-economy-insurance> accessed on 14 June 2017

³⁸Financial Express. 2016. “Cyclone Vardah: TCS, Infosys shut operations in Tamil Nadu.” 12 December. <http://www.financialexpress.com/industry/cyclone-varadah-tcs-infosys-shut-operations-in-tamil-nadu/472052/> accessed on 14 June 2017

³⁹Flood Report. 2016. Assam State Disaster Management Authority Flood Report. http://www.asdma.gov.in/pdf/flood_report/2017/Daily_Flood_Report_02.06.2017.pdf accessed on 14 June 2017

Floods during the monsoon season that lasts from June to September are routine; however, in August 2016, monsoon flooding due to an unprecedented rise in water level broke all records. Heavy monsoon rains and swelling of the Ganges river and its tributaries caused flooding in the states of Madhya Pradesh, Bihar, Uttar Pradesh, Rajasthan and, Uttarakhand. Over 300 people died and more than 6 million were affected due to floods that caused damage to houses, agriculture, and critical infrastructure.⁴⁰

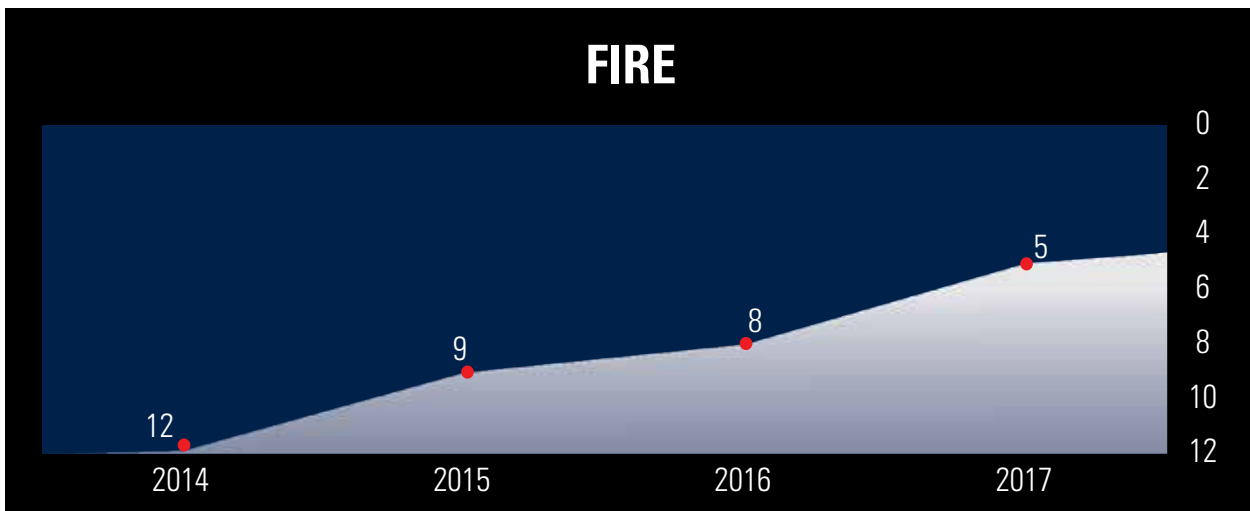
Impact and Combat

According to the World Risk Report 2016 published by the United Nations University (UNU) Institute for Environment and Human Security (UNU-EHS), inadequate infrastructure and weak logistic chains in India substantially increase the risk that an extreme natural event will become a disaster.

Crumbling transport routes, unreliable electricity grids, and dilapidated buildings not only hamper humanitarian aid from overseas, but also delay crucial aid for those affected in the event of a disaster.

On June 2, 2016, the Government of India unveiled a blueprint to tackle national disasters through its first ever National Disaster Management Plan (NDMP), released by Hon'ble Prime Minister Mr. Narendra Modi. The plan aims to make the country disaster resilient and reduce loss of life and assets during calamities. The NDMP provides a framework to deal with all phases of disaster management cycle - including prevention, mitigation, response, and recovery - and lays down responsibilities of various Government departments for management and mitigation. The NDMP also calls for addressing the increased disaster risks from adverse effects of climate change.

⁴⁰ABC. 2016. "India floods: Over 300 dead, millions affected as monsoon floods force villagers into relief camps." 24 August. <http://www.abc.net.au/news/2016-08-24/india-floods-over-300-dead-force-villagers-into-camps/7779284> accessed on 14 June 2017



Source: India Risk Survey

'Fire' climbs up to attain fifth position in the risk ranking of IRS 2017

Highlights

- According to NCRB, fire accidents were responsible for 1,193 injuries and 17,700 deaths in 2015.
- The high number of casualties and material damage caused by fires is due to inadequate safety provisions and response mechanisms.

Year-on-Year Ranking

According to NCRB, a total of 18,450 cases of fire accidents were reported in India in 2015, with 1,193 persons injured and 17,700 killed. The cause-wise analysis of fire accidents concluded that 42.1% of deaths (7,445 out of 17,700) were due to fire accidents in residential buildings. The majority of fire accidents were reported in Maharashtra, which accounted for 22% of all the fire incidents reported.⁴¹ According to a report by CAG, Maharashtra, India's most urbanised state, is at high risk of fire accidents as most of its high-rises do not have adequate provisions to tackle fire disasters.⁴²

Incidence Mapping

India witnessed a number of fire accidents this year that caused loss of life and property. A major fire broke out at the Sum Hospital in Bhubaneswar, Odisha, in which 22 died and several others were injured.⁴³ The blaze was suspected to have been triggered by an electric short-circuit at the first floor of the private hospital, which spread to other floors. In another incident involving fireworks, an

accident in a factory in Virudhunagar led to the death of eight people, including six women, due to suffocation.⁴⁴ Seven workers were injured when a major fire broke out in a private power plant in Chhattisgarh's Korba district.⁴⁵ The incident took place at SV Power Plant in Korba. In Bengaluru, fire broke out at a five-storey commercial building on Central Jail Road in Kaikondanahalli; however, no casualties were reported.⁴⁶

Impact and Combat

The high number of casualties and material damage caused by fires is largely due to the abysmal condition of fire services and lax application of fire safety standards in factories and buildings. The Fire Services in India are relatively less-organized and not fully equipped to tackle fire incidents. The lack of funds has been the principle impediment in preparing the fire services and giving sufficient fire security cover to the people in a uniform way.

According to the Fire Cell of the National Disaster Response Force, there is a shortage of 97.59% fire stations, 96.28% fireman and, 80.04% rescue vehicles.

⁴¹NCRB 2015. "Chapter 1- Accidental Deaths & Suicides in India (ADSI)." <http://ncrb.gov.in/StatPublications/ADSI/ADSI2015/ADSI2015.asp>, accessed on 29 May 2017.

⁴²The Indian Express. 2016. "Fire safety very poor in Maharashtra's top cities: CAG audit." 6 August. <http://indianexpress.com/article/india/india-news-india/fire-safety-very-poor-in-maharashtras-top-cities-cag-audit-2956699/>, accessed on 14 June 2017

⁴³Huffington Post, 2016. "22 Killed As Fire Breaks Out At Odisha Hospital." Huffington Post. 18 October. http://www.huffingtonpost.in/2016/10/18/22-killed-as-fire-breaks-out-at-odisha-hospital_a_21585599/, accessed on 31 May 2017

⁴⁴Firstpost. 2016. "Sivakasi firecracker mishap kills 8: State govts have failed to learn from the past." Firstpost. Oct 21. <http://www.firstpost.com/india/sivakasi-firecracker-mishap-kills-8-state-govts-have-failed-to-learn-from-the-past-3063738.html>, accessed on 31 May 2017

⁴⁵Firstpost, 2017. "Fire breaks out in Chhattisgarh power plant, seven workers injured." Firstpost. May 28, 2017. <http://www.firstpost.com/india/fire-breaks-out-in-chhattisgarh-power-plant-seven-workers-injured-3490911.html>, accessed on 31 May 2017

⁴⁶Deccan Herald, 2017. "Fire breaks out in five-storey commercial building" Deccan Herald. May 28. <http://www.deccanherald.com/content/614017/fire-breaks-five-storey-commercial.html>, accessed on 14 June 2017

Urban fire services are afflicted by severe deficiencies; 72.75% in fire stations, 78.79% in manpower, and 22.43% in firefighting and rescue vehicles.⁴⁷ According to reports, at least 25 Delhi Metro stations were not in compliance of fire safety norms for periods ranging from one month to two years over the past five years.⁴⁸

While the norms specified in the National Building Code, 2005 (NBC) are a comprehensive guide and provide detailed fire safety measures crucial for preventing fire

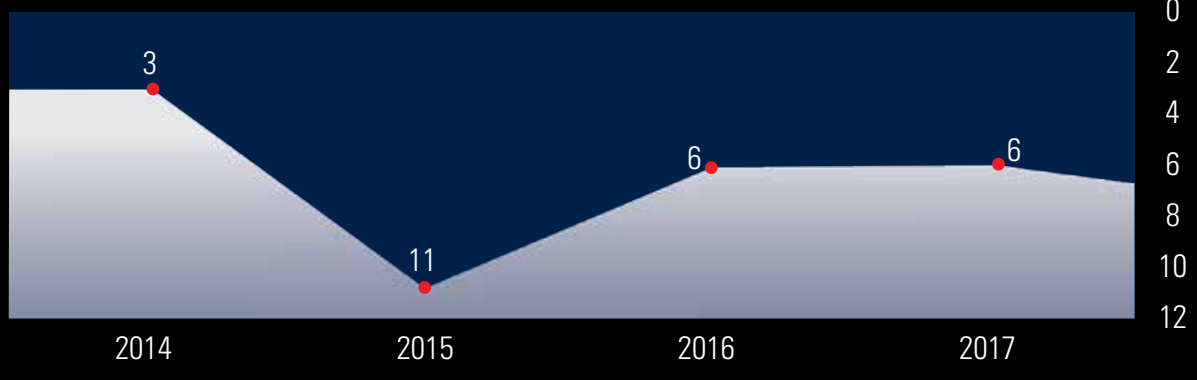
accidents from turning into disasters, there exists a severe lack of implementation. Timely fire audits backed with coercive mechanisms in case of dereliction of obligations can prove effective. Recognising the operational disruptions and material loss caused by fires, the industry in India has stepped in to provide preventive solutions and quick responses. According to a report, the fire safety equipment market in India will cross USD 4.26 Billion (approx. INR. 23,000 Crore) by the end of 2017.⁴⁹

⁴⁷National Disaster Response Force and Relief and Civil Defence, "Fire Cell," Ministry of Home Affairs, Government of India. <http://ndrfandcd.gov.in/fire.aspx>, accessed on 14 June 2017

⁴⁸Times of India. 2016. "25 Delhi metro stations flouted fire safety regulations," 3 June. <http://timesofindia.indiatimes.com/city/delhi/25-Delhi-metro-stations-flouted-fire-safety-regulations/articleshow/52566780.cms>, accessed on 14 June 2017

⁴⁹Business Wire. 2014. "Research and Markets: India Fire and Safety Equipment Market Forecast and Opportunities, 2019." 28 May. <http://www.businesswire.com/news/home/20140528006194/en/Research-Markets-India-Fire-Safety-Equipment-Market>

POLITICAL & GOVERNANCE INSTABILITY



Source: India Risk Survey

'Political & Governance Instability' maintains its sixth position at IRS 2017

Highlights

- Newly elected governments have been established in the states of Uttar Pradesh, Punjab, Uttarakhand, Goa, and Manipur. Legislative assembly elections are set to take place in Gujarat, Nagaland, Karnataka, Meghalaya, Himachal Pradesh, and Tripura in 2018.
- The Government of India has continued to engage in diverse and extensive reforms for creating a more conducive environment for businesses to flourish and to further attract multi-sector investment. However, civil unrest and political compulsions emanating from state-centre relations continue to present credible risks to the government's long-term economic and financial development goals.
- The continuing trend is such that state governments will not stand in the way of allowing private industries to establish operations within the regional jurisdictions, provided all legal and regulatory compliance requisites are fulfilled as per state laws.

Year-on-Year Ranking

'Political & Governance Instability' continues to hold its position at the sixth spot in the India Risk Survey (IRS) 2017 as well. The impact of 'Political & Governance Instability' in the India Risk Survey 2017 has been indicated primarily as a result of the legislative assembly elections that were conducted in 2017 and that of the upcoming legislative assembly elections in 2018. The electoral process in itself implies a moderately measured degree of uncertainty for investors who observe the political trends to assess their business development and continuity plans.

In this sense, the recently concluded 2017 legislative assembly elections have yet to observe clear outcomes of the medium- to long-term policy framework for the implementation of plans to further boost businesses in their respective states. However, this is projected to observe a positive state-wise shift over the next one-two years, as the state governments begin to engage with administrative and political consensus. For example, the state of Uttar Pradesh has indicated its aspiration to

enhance the state's economy by promoting and inviting business, particularly in the food-processing industry.⁵⁰ However, the state of Manipur continues to record political and civil unrest.

The upcoming legislative assembly elections in 2018 also present a level of opportunity, despite the underlying uncertainty of any electoral process, to review and lobby for business development and investment risk mitigation across political party lines. Despite the outcomes of the elections, a level of continuity is expected, especially across long-established business development-oriented states. Elections in the states of Gujarat and Karnataka are the most significant in this regard, as the former is an established industrial hub, and the latter, an Information Technology (IT) hub. Himachal Pradesh is considered a hotspot for tourism-related business opportunities. The same perspective has been developing for the states of Meghalaya, Nagaland, and Tripura. However, political instability in Nagaland, and recent trends of government opposition observed in the state of Meghalaya could be a hindering factor for business opportunities, requiring

⁵⁰ 'UP govt to bring new industrial policy to boost investment', 22 May 2017, Daily News and Analysis, <http://www.dnaindia.com/business/report-up-govt-to-bring-new-industrial-policy-to-boost-investment-2447422>, accessed on 15 June 2017.

the state to engage in long-term peace processes with stakeholders while also amplifying security deployment and related development expenditures. Continued insurgency in the Northeast region of India has been another long-standing factor hindering business development. However, the Government of India's Act East policy and heightened diplomatic engagement with its South and Southeast Asian neighbours using the region as a connecting conduit has encouraged investor confidence and potential multi-sector development, especially in infrastructure and trade transit.

It is important to mention the state of Tamil Nadu as it is another major hub for investments, particularly in the agriculture, textile, and nuclear energy industry, to name a few. However, political instability in the state that emerged out of the power vacuum in late 2016, was observed with a moderate level of caution by businesses and investors. The current state government appears to be making cohesive efforts to restore political and civil stability. On the business front, the Tamil Nadu Legislative Assembly recently announced that the Tamil Nadu GST bill will be introduced for consideration and passage.⁵¹

The Government of India continues to push for reforms in order to create a more conducive environment for businesses to flourish, and to attract further multi-lateral and cross-sectoral investment. However, civil unrest and political compulsions in the state-centre relations continue to present credible risks to the government's long-term economic and financial development goals. This may result in a delay to the Government's efforts to sustainably and competitively engage to build an environment conducive for economic development and investment from both domestic and foreign players.

Incidence Mapping

The central Government has been exercising massive diplomatic strength to showcase India's capabilities in the manufacturing industry through its 'Make in India' programme. Further, there is a growing sense of cooperation between the government and the private sectors in varied fields related to cyber-requirements. This is being implemented through the 'Digital India Programme.'

Another major reform is the implementation of the Goods and Service Tax (GST) law. Currently, it is still pending in passage of requisite laws in a few state legislatures and union territories. Till date, eight states have passed the State Goods and Services Tax (SGST) law. The GST is set to be implemented from July 1, 2017. It is the single largest and most ambitious tax reform undertaken in the history of India, and is expected to bring widespread changes and improvements in the system. The 'One nation, one tax' objective of the bill will see several existing central and state taxes, duties, and levies subsumed. The inherent risks of commercial tax evasion,

non-uniformity in state-wise incorporation of the law, and uncertainty has affected market competitiveness over the near- to medium-term, which will likely continue over the ongoing financial year ending March 31, 2018.

Civil unrest, with underlying political causal factors, was a trend observed in some states in India. In May 2017, Darjeeling in the state of West Bengal, observed violent protests stirred by the Gorkha Janmukti Morcha (GJM) against the state government. There were also many agitations and protests in the months of May and June by farmers in different states of India; namely, Madhya Pradesh, Maharashtra, and Tamil Nadu due to the issue of loan-waivers. These are part of a set of long-standing and cyclical issues, irrespective of the political party in power; although in some cases, they are used as political tools by the opposition to undermine the government's credibility.

After the announcement of the results of the five state assembly elections (Uttar Pradesh, Uttarakhand, Punjab, Goa, and Manipur) in March 2017, various political parties raised concerns regarding the functioning of Electronic Voting Machines (EVMs). The parties claimed that EVMs somehow favoured a particular candidate/political party by altering the results. Some complaints and suggestions were received by the Election Commission of India (ECI) in this regard. The ECI examined these complaints and asked for evidence and credible material information supporting the claims. However, so far, no evidence has been provided by the complainants to the ECI.⁵²

Impact and Combat

As per IRS 2017, 'Political & Governance Instability' has maintained its position at the sixth rank. There has been an improvement in the perception towards conducting business in India from international markets, while global investors have made demands for major economic reforms to be implemented in India. As per World Bank's Doing Business 2017 rankings, India currently stands at 130 out of 189 countries.

The recently concluded elections will likely indicate a clear pathway for businesses to engage in the respective states over the long term. The continuing trend is such that state Governments will not stand in the way of allowing private industries for setting up & conducting business operations in the state, provided all legal and regulatory compliance measures are duly met as per the state laws. Businesses boost state economies, and in many cases the infrastructure as well. Therefore, compliance to the new reforms introduced by the central government would ensure sustained and profitable operational continuity. Political opposition can be cumbersome; however, immediate evaluations of the scope and applicability of the new regulations, such as the GST, is important.

⁵¹ Dharani Thangavelu, 'Tamil Nadu assembly convenes today, DMK set to corner Palaniswami', Livemint, 14 June 2017, <http://www.livemint.com/Politics/LnIWE5oqvkNmFpvqV7Bz4J/Tamil-Nadu-assembly-convenes-today-DMK-set-to-corner-Palani.html>, accessed on 15 June 2017.

⁵² Election Commission of India, 'Press Note', http://eci.nic.in/eci_main1/current/PN42_20052017.pdf, accessed on 20 May 2017.

For foreign investors, India stands as one of the top investment destinations in the world and will continue to remain so until 2019, according to the United Nations Conference on Trade and Development (UNCTAD).⁵³ However, UNCTAD's World Investment Report 2017 specifically mentions, "India's tax-related policies that were acting as a deterrent. The report further mentions that India amended regulations to further liberalize and rationalize the investment regime for foreign venture capital investors and to encourage foreign investment in start-ups."⁵⁴ It further added, "India permitted 100 per cent

FDI in the capital of asset reconstruction companies under the automatic route. It further liberalized the pension and insurance sectors. India raised the foreign ownership ceiling in Indian stock exchanges, depositories, banking and insurance companies and commodity derivative exchanges from 5 to 15 per cent."⁵⁵

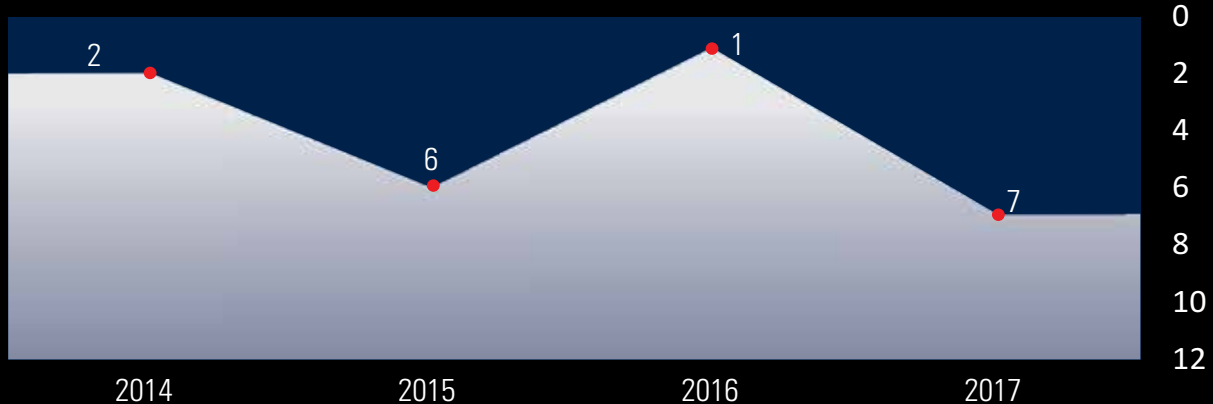
Hence, while the risks stemming from political and governance instability are evident, they do not overshadow the prospect of businesses, both domestic and foreign, doing well in India.

⁵³ Srividhya Iyer, 'India to remain among top FDI destinations until 2019, claims UN report', 8 June 2017, <http://www.india.com/business/india-to-remain-among-top-fdi-destinations-until-2019-claims-un-report-2213391/>, accessed on 15 June 2017.

⁵⁴ Ibid.

⁵⁵ Ibid.

STRIKE, CLOSURES & UNREST



Source: India Risk Survey

'Strike, Closures & Unrest' climb down to seventh position in IRS 2017

Highlights

- 'Strikes, Closures & Unrest' dropped six positions to rank seven on the India Risk Survey 2017.
- In 'the world's largest ever' industrial action in September 2016, an estimated 180 million Indian public sector workers went on a 24-hour general strike against the labour and economic policies of the government.
- The Ministry of Labour and Employment has proposed a draft Code on Social Security & Welfare to "simplify, rationalize, consolidate, and amend the laws relating to social security of workforce."

Year-on-Year Ranking

'Strikes, Closures & Unrest', ranked highest in last years' risk survey, has dropped to the seventh position this year. India has been ranked among the top five nations globally in terms of contingent workforce engagement by Manpower Group Solutions' Contingent Workforce Index (CWI) 2016, which tracks the relative ease of sourcing, hiring and retaining contingent workforce in 75 countries.⁵⁶ However, according to Workforce 2020, a study by Oxford Economics, industry in India is ill-prepared to manage the increasingly diverse, international and mobile work force⁵⁷. On the other end of the spectrum, industries dominated by blue-collar jobs that employ low-skilled labourers are faced with criticism with regard to inadequate working conditions and unsatisfactory compensation. In the agricultural sector, that employs 47.2% of the population, farmer distress is rampant and constantly leads to agitation by the tillers of the soil as a majority in the agricultural sector is dependent on monsoon for irrigation, an unreliable source in times of climate change.

As a result, labour unrest in the country is frequent and constantly leads to disruption in business continuity and an increase in operational cost.

Incidence Mapping

Farmers from Tamil Nadu protested throughout the year to seek intervention by the Hon'ble Prime Minister in the wake of the worst spell of northeast monsoon in recent memory, compounded by the inter-state tussle over River Cauvery's water⁵⁸. In December 2016, farmers in Chhattisgarh's Raigarh district destroyed their produce of tomatoes by crushing them under the wheels of their trucks to draw attention to the falling prices in the aftermath of demonetisation⁵⁹. In June 2017, farmers' agitation in Maharashtra and Madhya Pradesh demanding higher prices for their produce and a loan waiver impacted the food prices and the supply of raw products like vegetables, fruits, and meat to wholesale markets and manufacturing industries.⁶⁰ The same month in Mandasur, Madhya Pradesh, at least 5 farmers were killed in police

⁵⁶Business Standard 2016. "India among top 5 in contingent workforce engagement globally" 12 July, http://www.business-standard.com/article/pti-stories/india-among-top-5-in-contingent-workforce-engagement-globally-116071200947_1.html, accessed on 14 June 2017

⁵⁷Firstpost. 2014. "India Inc ill-prepared to manage contingent workforce, says study." 25 September. <http://www.firstpost.com/business/india-inc-ill-prepared-to-manage-contingent-workforce-says-study-1992009.html> accessed on 16 June 2017

⁵⁸Times of India. 2017. "Tamil Nadu farmers' protest: A Timeline". 13 April. <http://timesofindia.indiatimes.com/india/tamil-nadu-farmers-protest-a-timeline/articleshow/58165783.cms> accessed on 16 June 2017

⁵⁹India Today. 2016. "Tomato on its toe: At 50 paise a kilo, Chhattisgarh farmers prefer crushing their produce under trucks" 9 December. <http://indiatoday.intoday.in/story/tomato-fifty-paise-demonetisation-chhattisgarh-marathwada-bihar/1/831298.html> accessed on 16 June 2017

⁶⁰Live Mint . 2017. "Farmers' strike in Maharashtra turns violent, food supplies hit" June 2, <http://www.livemint.com/Politics/YiGYKhoHToiZKg7pipSDKP/Farmers-in-Maharashtra-begin-strike-stop-supplies-at-severa.html>, accessed on 14 June 2017

firing while agitating to demand a loan waiver. During the demonstrations, public and private properties were attacked; agitators set ablaze 25 trucks and two police vans along the Mhow-Neemuch highway.⁶¹ Due to the deteriorating security situation, a curfew was imposed in PipalyaMandi area and prohibitory orders imposed in parts of Mandasur, impacting supply-chains in the state.

In 'the world's largest ever' industrial action in September 2016, an estimated 180 million Indian public sector workers went on a 24-hour general strike against the labour and economic policies of the government. About ten trade unions participated in the strike, along with staff personnel of at least six public sector banks (PSBs) and state public transportation services.⁶² Public services like power stations, banks and buses were shut down which forced some states to close schools and colleges. In May 2016, chemists from across the country united under the banner of the All India Organisation of Chemists and Druggists (AIOCD), representing around nine lakh people, went on a nationwide strike to protest stringent regulations on the sale of medicines in the country and to draw attention to the diminishing margin for local pharmacies due to online markets.⁶³ Most of the medical stores remained shut which had an adverse impact on the medical services being offered by the hospitals.

Impact and Combat

The findings of the survey make it evident that incidents of strikes, closures and unrest that often result in civic disturbance and violence have a detrimental effect on business operations by creating uncertainty. The direct fallout of these incidents is the financial loss incurred by businesses, but the secondary impact to the country's reputation due to adverse media coverage is equally important as it affects its future prospects. Instability

directly impacts the market by affecting investor confidence and an increase in the risk premium assigned to securities in the country. Security measures adopted by the government in such situations have an independent effect on business operations. As a preventive measure to curb escalation, the Government has started restricting or shutting down the Internet to prevent instigation to violence through rumours circulating in social media. In the first quarter of 2017, state governments imposed 20 internet shutdowns.⁶⁴

At present, the Indian Penal Code (IPC), under various sections, deals with communal incidences, caste agitations, and other forms of violent demonstrations. A comprehensive law would go a long way in helping define the incidents and fix accountability at multiple levels, including the police. Matters related to industrial relations are regulated by three main central enactments: The Trade Unions Act, 1926, Industrial Employment (Standing Orders) Act, 1946 and, Industrial Disputes Act, 1947. As noted in previous India Risk Surveys, there are close to 44 central labour laws and above 100 state labour laws, creating a legal labyrinth that unfortunately does not address the concerns of the globalised economy and dynamic industry demands. The government has taken steps to rectify the situation by addressing worker disgruntlement through legal changes. The Ministry of Labour and Employment has proposed a draft Code on Social Security & Welfare to consolidate 15 existing laws, and extend coverage to employers and workers, both for the organised and the unorganised sector⁶⁵. The move is in addition to the drafts on Code on Wages and the Code on Industrial Relations already proposed, and the Code on Occupational Safety, Health & Working Conditions that is being drafted, with a view to streamline India's labour laws and ease employer compliance burdens.

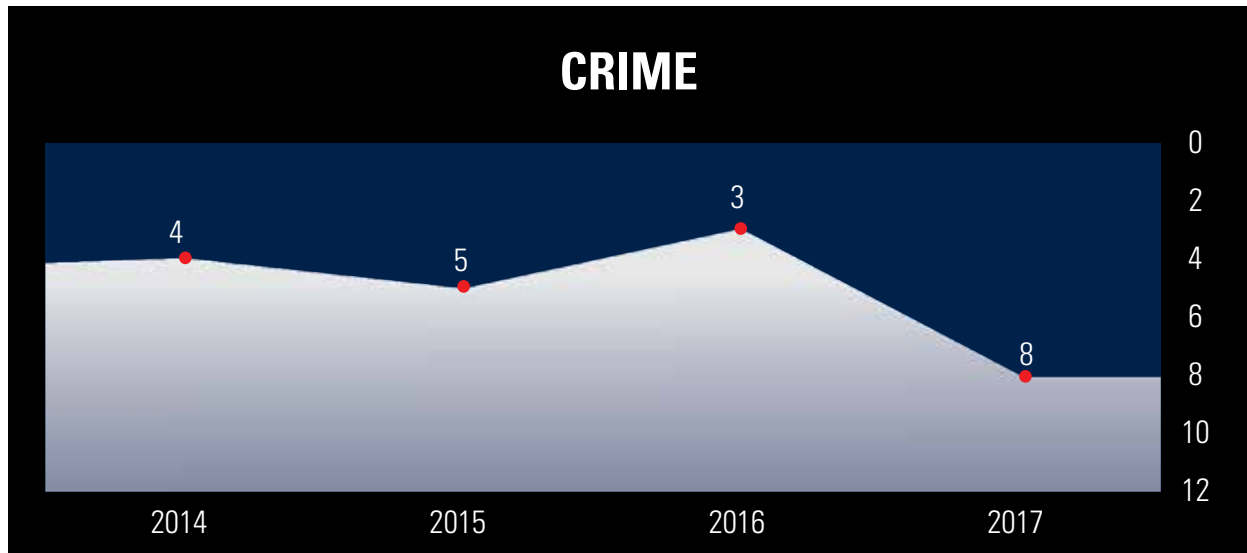
⁶¹Hindustan Times. 2017. "5 Mandasur farmers killed in police firing, Shivraj Singh Chouhangovt confirms" 8 June , <http://www.hindustantimes.com/india-news/5-mandsaur-farmers-killed-in-police-firing-shivraj-singh-chouhan-govt-confirms/story-jVNVERPwbjJBqxnkU5WMZI.html> , accessed on 14 June 2017

⁶²Indian Express 2016. "Sept 2 nationwide strike to be bigger than last year's: Unions" 31 August, <http://indianexpress.com/article/india/india-news-india/sept-2-nationwide-strike-to-be-bigger-than-last-years-unions-3006678/> accessed on 20 June 2017

⁶³Times Of India. 2016. "Chemists to go on all-India strike on May 30 against 'stringent rules'" May 27. <http://timesofindia.indiatimes.com/india/chemists-to-go-on-all-india-strike-on-may-30-against-stringent-rules/articleshow/58865146.cms> , , accessed on 14 June 2017

⁶⁴Human Rights Watch. 2017. "India: 20 Internet Shutdowns in 2017" 15 June 2017 <https://www.hrw.org/news/2017/06/15/india-20-internet-shutdowns-2017> accessed on 16 June 2017

⁶⁵Bloomberg. 2017. "India: New Code Proposed to Simplify Laws, Expand Social Security Coverage". 23 May. <https://www.bna.com/india-new-code-n73014451374/> accessed on 16 June 2017



'Crime' drops to eighth position in IRS 2017

Highlights

- As per NCRB, 2015 registered an overall increase in crime by 1.3%.
- On an average, 337 cases per hour were reported in the country under different sections of the IPC, in the year 2015.
- Properties worth INR 8, 21,040 lakh (USD 1272.6 million) were stolen during the year 2015. Out of five specified categories of property crimes viz. thefts, dacoits, criminal trespass/burglaries and robberies, thefts accounted for maximum cases of property loss, with 4, 59,410 cases, followed by criminal trespass/burglaries, with 1, 14,122 cases.
- The maximum number of motor vehicles thefts were reported in Delhi (32,729) followed by Uttar Pradesh (29,243) and Maharashtra (21,316).

Year-on-Year Ranking

The risk of crime has seen a significant decline over the last four years. In IRS 2017, the risk of crime dropped to the 8th rank from 4th position in IRS 2014. India ranks 137 in the Global Peace Index 2017, improving its rank by six positions but lagging behind its neighbours like Bhutan, Bangladesh, Nepal and Sri Lanka. The survey ranks 163 countries on their level of peacefulness, at a regional and global level. Delhi, Kochi, Indore, Bhopal and Jaipur are among the cities with the highest crime rate in the country. As per the data by NCRB, Delhi accounted for 25% of all crimes registered in major Indian cities⁶⁶. With increasing awareness about citizen's rights, provisions of laws and people-friendly mechanisms to report crimes, we are witnessing an increase in the number of crimes reported. Government and security agencies have incorporated social media and new-age technologies to spread their reach and make policing more efficient. According to a study by the Cybersecurity Education and Research Centre (CERC), Indraprastha Institute of Information Technology (IIIT) Delhi, city police are using

social media as a tool for crime prevention⁶⁷. The Delhi Police has begun using real-time data from 100 helpline, along with ISRO's satellite imageries, to spatially locate calls and then map them to identify crime hot spots⁶⁸. The courts have made it mandatory to file First Information Reports (FIRs) and upload the same on the police website within 24-hours in a bid to increase transparency⁶⁹.

Incidence Mapping

The NCRB report for 2015 registered an overall increase in crime; compared to 2014, crime increased by 1.3%. A total of 73, 26,099 crimes were reported in 2015, with 29,49,400 crimes registered under the Indian Penal Code (IPC) and 43,76,699 under Special & Local Laws (SLL).⁷⁰ IPC offenses include grave crimes like sexual offense, economic and property offense, crimes against children, women and scheduled caste (SC) and scheduled tribe (ST), and human trafficking. SLL offenses consist of crimes listed in various acts, including Arms Act, Gambling Act and Excise Act, to name a few.

⁶⁶The Hindu. 2016. "Which city in India is safest to live in?" 7 September. <http://www.thehindu.com/data/Which-city-in-India-is-safest-to-live-in/article14626650.ece> accessed on 16 June 2017

⁶⁷The Hindu. 2015. "Social media a great tool for crime prevention". 19 June. <http://www.thehindu.com/news/cities/bangalore/social-media-a-great-tool-for-crime-prevention/article7331339.ece> accessed on 17 June 2017

⁶⁸Hindustan Times. 2017. "Preventing crime before it happens: How data is helping Delhi Police". 27 February <http://www.hindustantimes.com/delhi-news/delhi-police-is-using-precrime-data-analysis-to-send-its-men-to-likely-trouble-spots/story-hZcCRyWMVoNSsRhnBNgOHI.html> accessed on 17 June 2017

⁶⁹Livew. 2016. "States, UTs Must Upload FIRs On Websites Within 24 Hrs: SC". September 7. <http://www.livew.in/states-uts-must-upload-firs-websites-within-24-hrs-sc/> accessed on 17 June 2017

⁷⁰NCRB 2015. Crime in India 2015, New Delhi. : National Crime Record Bureau, Ministry of Home Affairs. <http://ncrb.nic.in/StatPublications/CII/CII2015/FILES/Snapshots-11.11.16.pdf> , , accessed on 23rd May, 2017

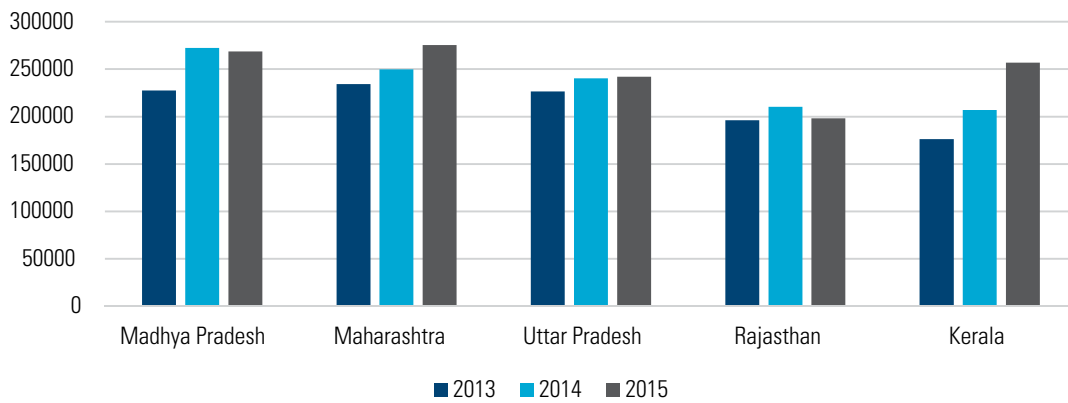
At the state level, Maharashtra accounted for 9.3% of total crimes reported under the IPC, followed by Madhya Pradesh (9.1%), Kerala (8.7%), Uttar Pradesh (8.2%), Rajasthan (6.7%), Tamil Nadu (6.4%), Delhi (6.5%) and West Bengal (6.1%)⁷¹.

Delhi registered the highest crime rate with 916.8 incidents per 1 lakh population, followed by Kerala with

723.2 and Madhya Pradesh with 348.3. Uttar Pradesh reported highest number of SLL crimes, accounting for 58.2% of total SLL cases reported in the country.

The NCRB data reports a total of 86,265 cases under crimes against public order, of which 65,255 were cases related to riots, accounting for 75.6% of total such cases.

NCRB IPC CRIME DATA (2013-2015)



Source: NCRB. 2014. *Crime in India 2015: Compendium*. New Delhi: National Crime Record Bureau, Ministry of Home Affairs. ⁷²

Impact and Combat

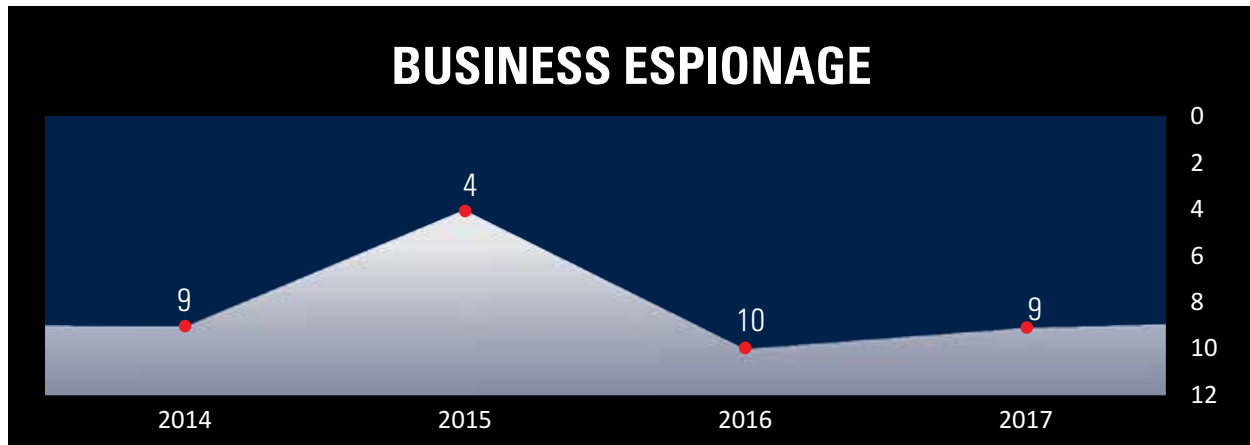
Crime remains a serious concern for the Indian economy as it reflects a breakdown of public law & order. Crime permeates all sections of the society in India. With respect to white-collar crimes, every business is at risk of incidents that can impact profitability and operations. With the rising cost of crime affecting profitability and operations, businesses must increase preventive

measures and develop more sophisticated methods to detect crime.

While it is the government’s responsibility to regulate crime, businesses are encouraged to defend themselves by adopting prevention and mitigation measures. Preventive safeguards may not be completely effective; however, they can reduce the likelihood and severity of criminal activities.

⁷¹Ibid.

⁷²NCRB. 2014. *Crime in India 2015: Compendium*. New Delhi: National Crime Record Bureau, Ministry of Home Affairs. <http://ncrb.nic.in/StatPublications/CII/CII2015/chapters/Chapter%205-15.11.16.pdf>, accessed on 23 May 2017



'Business Espionage' climb one place to ninth position in IRS 2017

Highlights

- A more pressing task as per the trend is with regard to avoiding business espionage. Due to the sensitive nature of critical infrastructures of businesses today, namely the cyber-domain, business espionage is becoming increasingly more sophisticated and more covert.
- The inherent problem with business espionage is the possible domino-effect which would lead to an extensive collapse within an organisation.

Year-on-Year Ranking

'Business Espionage' ranks at number nine in IRS 2017. The general understanding of business espionage is to have access to useful information from competitors via theft of data through a cyber-attack, or by placing physical entities inside a competitor's organisation to conduct varied forms of espionage. However, a common practise conducted in business espionage is through a secretive/confidential buy-off of valuable assets (employees) from competitors. This implies that there is a sense of corruption being practised by the buyer and the asset, for purposes of intruding on, or eliminating, the competitor. It is therefore important to understand the level of corruption that exists in businesses in India that spurns innovative means through which business espionage takes place.

According to Transparency International's Corruption Perceptions Index 2016, India ranks 79 with a score of 40. This is an improvement from previous scores of 38 in 2015 and 2014, and 36 in 2013 and 2012.⁷³ India's score in the index can be put in perspective by comparing it to other Asian countries such as Singapore (ranked seventh with a score of 84), Honk Kong (ranked fifteenth with a score of 77) and Japan (ranked twentieth, with a score of 72).⁷⁴ The steady improvement in India's score is evident. However, the continuing trend of corruption in Indian businesses impedes on creating a more conducive environment

for business to grow and for raising investors' interests. As per World Bank's Doing Business 2017 rankings, India currently stands at 130 out of 189 countries. India retains this ranking from 2016. For India to become more attractive as a business destination, the scores and rankings cited will have to improve further.

Incidence Mapping

IRS 2017 ranks Business Espionage at nine out of the twelve major risks. This does not diminish the attention that should be placed in taking major steps to avoid it at all cost. Several recent incidences of business espionage have been reported in India. Documents are regularly leaked from the ministries, tax authorities, banks, and regulators – thus giving competitive advantage to corporates.⁷⁵ Over the years, businesses have relied on competitive intelligence to seek information about rival companies or policy decisions in the Government circles. According to the Economist's Crony Capitalism Index, a measure of billionaire wealth derived from politically controlled sectors of the economy, showed cronyism dropping from nearly 12 per cent of GDP to less than 4 per cent between 2014 and 2016.⁷⁶ Preventive measures are being taken by many Indian companies to prevent themselves from becoming victims of business espionage.

⁷³Transparency International, 'Corruption Perceptions Index 2016', 25 January 2017, https://www.transparency.org/news/feature/corruption_perceptions_index_2016, accessed on 14 June 2017.

⁷⁴Ibid.

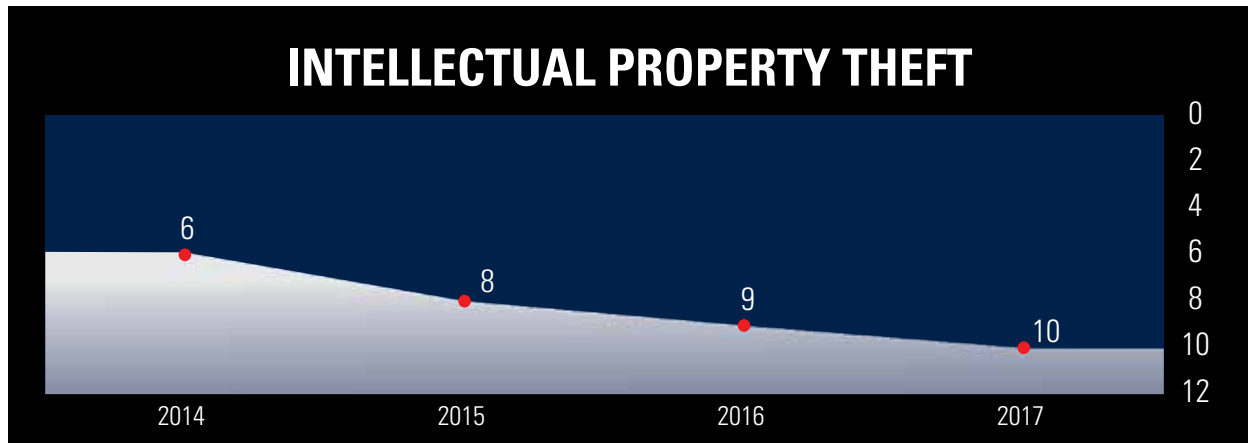
⁷⁵Dev Chatterjee, 'Corporate espionage is not new to India Inc, say CEOs', Business Standard, 21 February 2015, http://www.business-standard.com/article/companies/corporate-espionage-is-not-new-to-india-inc-say-ceos-115022000432_1.html, accessed on 14 June 2017.

⁷⁶Hindustan Times. 2017. 'Demonetisation effect? Corruption index ranking improves but a long way to go.' Hindustan Times. 26 January. <http://www.hindustantimes.com/editorials/india-has-improved-its-corruption-index-ranking-but-still-has-a-long-way-to-go/story-s81Falj6QnUIMj482MXvhPhtml>

Impact and Combat

A more pressing task, as per the trend, is with regard to avoiding business espionage. Due to the sensitive nature of critical infrastructures of businesses today, namely the cyber-domain, business espionage is becoming increasingly more sophisticated and more covert. This makes it difficult to detect and address an issue. The inherent problem with business espionage is the possible domino-effect which would lead to an extensive collapse within an organization. Therefore, businesses are advised to ensure recommended firewalls to safeguard from any hacking-activity. Organisational functioning

and flow of information must be protected at all cost. More importantly, valuable assets and sensitive data must be secured. A comfortable working environment for employees is crucial to ensure loyalty and to avoid any buy-off from competitors. Through frequent training, employees should be made more aware of such malpractices, and the consequences that follow in case the employee is caught engaging in such violations. It is advisable to conduct independent audits to check the business resiliency of the organisation and ensure business continuity processes are defined to control the domino impact such incidents may cause.



'Intellectual Property Theft' maintains its place at tenth position in IRS 2017

Highlights

- With major changes setting in regarding India's position as an industrial destination, the issue of IP theft poses a threat to businesses.
- India's position in the US Special 301 list does not put India in the most favourable position. However, the Government of India has made it clear that it will prioritise its focus on catering to Indian business.
- On the issues of counterfeit and piracy of films, music and, software, illegal activities are still prevalent.

Year-on-Year Ranking

Intellectual Property (IP) Theft ranks tenth in the IRS 2017. With major changes setting in regarding India's position as an industrial destination, the issue of IP theft has achieved more importance. On May 2016, by using the 'Make in India' programme as a vehicle, the Indian Government laid out a new Intellectual Property Rights Policy. The policy seeks to accomplish the following.⁷⁷

- To create IPR awareness,
- To facilitate domestic IPR filings,
- To have strong and effective IPR laws,
- To modernise and strengthen service-oriented IPR administration,
- To commercialise IPRs, and,
- To strengthen and expand human resource, institution and capacities for teaching, training, research and skill building in IPRs.

Furthermore, the policy aims to promote research and development through tax benefits and is likely to result in a positive investment regime in the country. It is also expected to bolster foreign investments.

Incidence Mapping

There has been some debate regarding India's position in the US Special 301 due to India's laws regarding IPRs. Countries mentioned in the list are often under scrutiny by the United States Trade Representative (USTR), in

which the countries could face investigations and possible sanctions. An important point to highlight here is that India's policy makers frame the rules and regulations regarding IPRs to prioritise and cater to Indian businesses. The report points out to the Indian pharmaceutical industry as a particular area of concern for the U.S. business set-ups.⁷⁸ Herein, the essence of India's policies aims at creating affordable medicines for all and to create room for indigenous Research and Development (R&D) in the pharmaceutical sector. New Delhi continues to hold on to its right-to-issue compulsory licences for manufacture of copies of patented drugs to address situations of national emergency, another flexibility that the Trade-Related Aspects of Intellectual Property Rights (TRIPS) pact allows.⁷⁹ It will be a matter of keen interest to business to see any development regarding this issue further to updates driven by US policymakers.

On the issues of counterfeit and piracy of films, music and, software, illegal activities are still prevalent. It is estimated that India loses \$2.5 billion to online movie piracy every year.⁸⁰ With increased penetration of technology and internet in India, piracy through online distribution is expected to continue to be a major source of revenue leakage if immediate steps are not taken to stem this flow of cash.⁸¹ Part of the issue is that legitimate means of digital viewing are still only emerging in India.⁸²

⁷⁷Intellectual Property Facts, Make In India, <http://www.makeinindia.com/policy/intellectual-property-facts>, accessed on 15 June 2017.

⁷⁸Ibid.

⁷⁹Ibid.

⁸⁰Saikat Pyne, India loses \$2.5 Bn to Online Movie Piracy every year, Business Insider, 17 August 2016, <http://www.businessinsider.in/India-loses-2-5-Bn-to-Online-Movie-Piracy-every-year/articleshow/53613620.cms>, accessed on 15 June 2017.

⁸¹Ibid.

⁸²Ibid.

Impact and Combat

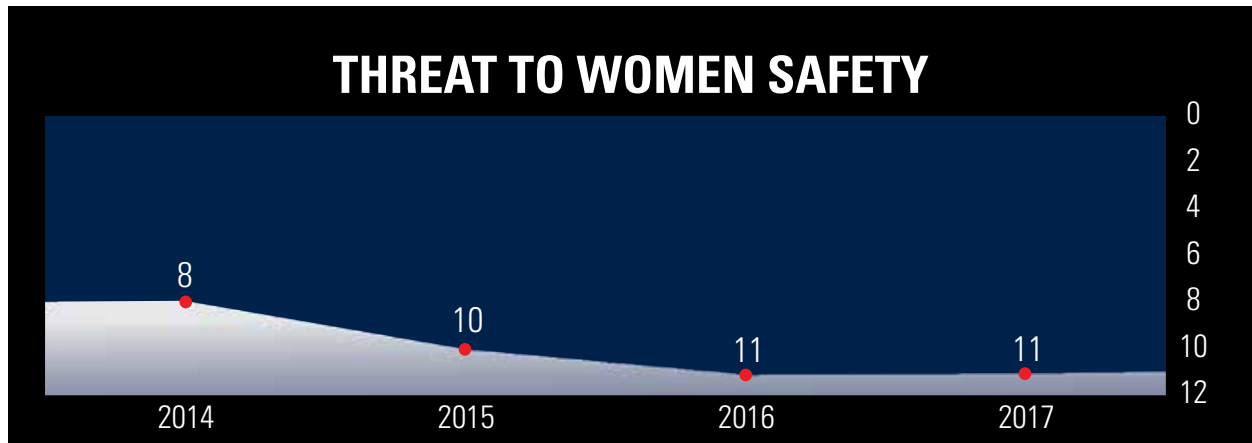
Following the amendment to India's Patent Act in 2005, India is looking to overcome existing IPR issues and to comply with WTO's TRIPS regulations, with a more concerted effort, that would benefit Indian businesses. Furthermore, India allows product patents, in addition to process patents, for pharmaceutical products. A proposal has been submitted by India at the WTO suggesting measures to smoothen flow of services between countries following the trade facilitation agreement coming into force.⁸³ According to the Federation of Indian Export Organizations, "The Indian export-import community will be immensely benefited with stakeholders consultation mandated before effecting any

change (in policies). There will be considerable lead time available, before implementing a change, which will by and large address the problems of shipments which are in the pipeline and presently getting stuck due to policy procedural changes."⁸⁴

As the Indian Government continues its diplomatic strategies to resolve the relevant issues related to IPRs, businesses are advised to comply with the same tenor as that of the Government to ensure continuity of existing inflow and outflow of trade and investments, without encroaching or breaching any IPR regulations. A thorough check on employees would be beneficial to avoid industrial/business espionage relating to IP theft.

⁸³ The Hindu Business Line. India submits proposal on services trade facilitation at WTO. The Hindu Business Line. 23 February. <http://www.thehindubusinessline.com/economy/economy/article9557710.ece>

⁸⁴ Ibid



'Threats to Women's Safety' maintains its place at eleventh position in IRS 2017

Highlights

- Countering threats to women's safety at the workplace is of critical importance. Instances vary from unwanted gestures and verbal approaches to non-consensual physical contact.
- There should be clarity in a company's policy regarding women's safety and the consequences of any violations thereof. Businesses' administration departments must have a dedicated security setup to review these cases in real-time to mitigate potential risks.

Year-on-Year Ranking

Threats to women's safety at workplace ranks 11th in IRS 2017. The dangers and implications of threats to women's safety at workplace is of critical importance. Instances can vary from unwanted verbal approaches, to non-consensual physical approaches. A general understanding of threats to women's safety can be evaluated for better understanding of the scenario. Over 34,600 cases of rape have been reported across the country in 2015⁸⁵, as compare to 2014's figure of 36,735.⁸⁶ Among these, in 33,098 cases the offenders were known to the victims, as per National Crime Records Bureau (NCRB) data.⁸⁷ The total number of rape cases in 2013 was 33,707.⁸⁸

Incidence Mapping

Incidents of threats and violations to the safety of women at workplace are often reported. On January 29, 2017, a female employee was found strangulated to death inside an IT office building in Pune, where the security guard of the building was apprehended for committing the crime.⁸⁹ On 23 December 2016, a 23-year-old woman working at

an IT firm was stabbed to death by a young man, almost 500m (1,640ft) away from her office.⁹⁰ On 13 July 2016, a male IT employee shot his doctor wife dead at her clinic in Pune.⁹¹

On 4 November 2016, a man stabbed her woman colleague in Bhubaneswar. On 23 June 2016, an IT firm employee was hacked to death at a railway platform as she was returning from work.⁹² On 13 August 2016, a woman reported to local authorities that she was gang-raped 15 days prior at her workplace in Noida.⁹³ The victim also wrote a suicide note that she would kill herself if the police did not register an FIR. A local NGO took the victim into counselling once they were apprised of the incident.⁹⁴

Impact and Combat

Following the Supreme Court's detailed guidelines in the Vishakha case in 1997, the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, is now mandatory for employers to address workplace harassment. A primary advisory for business would be to ensure clarity in a company's in-house policy

⁸⁵Over 34,600 rape cases in India, Delhi tops among union territories,' The Indian Express, 30 August 2016, <http://indianexpress.com/article/india/india-news-india/over-34600-rape-cases-in-india-delhi-tops-among-union-territories-3004487/>, accessed on 19 June 2016.

⁸⁶NCRB 2014. Figures at a glance - 2014.

⁸⁷Ibid.

⁸⁸NCRB 2013. Figure at a glance - 2013.

⁸⁹Pune: Woman techie murdered on Infosys campus, police arrest security guard,' The Indian Express, 31 January 2017, <http://indianexpress.com/article/india/pune-techie-infosys-murder-police-arrest-security-guard-4498485/>, accessed on 15 June 2017.

⁹⁰23-year-old woman IT professional murdered in Pune near her office,' The Indian Express, 25 December 2016, <http://www.newindianexpress.com/nation/2016/dec/25/23-year-old-woman-it-professional-murdered-in-pune-near-her-office-1553015.html>, accessed on 15 June 2017.

⁹¹Pune murder: Techie shoots dead his doctor wife at her clinic in Wakad,' The Indian Express, 15 July 2016, <http://indianexpress.com/article/india/india-news-india/murder-at-pune-clinic-techie-shoots-dead-doctor-wife-2914746/>, accessed on 15 June 2017.

⁹²Man stabs woman colleague at workplace,' The Times of India, 5 November 2016, <http://timesofindia.indiatimes.com/city/bhubaneswar/Man-stabs-woman-colleague-at-workplace/articleshow/55264983.cms>, accessed on 15 June 2017.

⁹³Infosys Techie Hacked To Death In Chennai, Suspect's Footage Released,' NDTV, 24 June 2016, <http://www.ndtv.com/chennai-news/woman-infosys-employee-hacked-to-death-at-chennai-railway-station-1422921>, accessed on 15 June 2016.

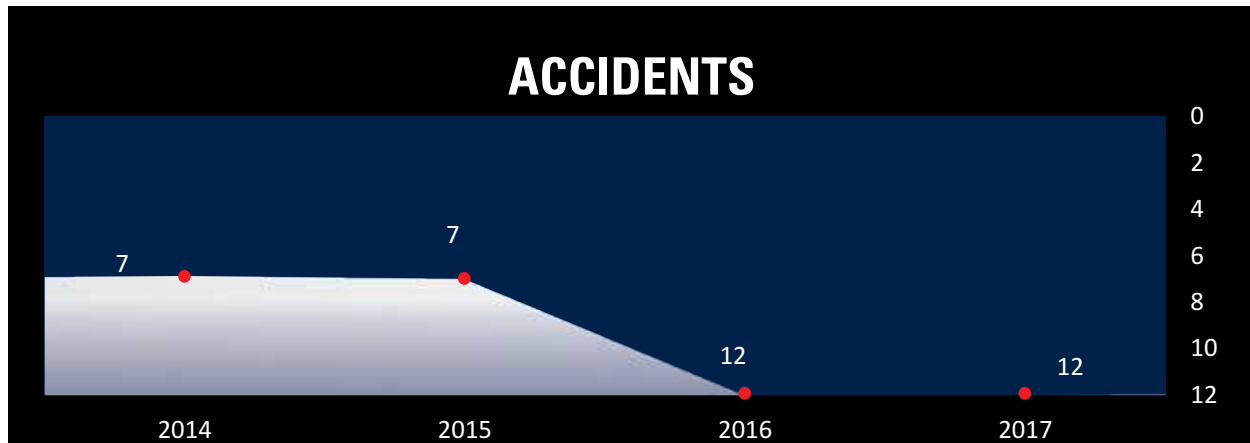
⁹⁴Noida: Woman alleges gang rape at workplace,' The Times of India, 14 August 2016, <http://timesofindia.indiatimes.com/city/noida/Noida-Woman-alleges-gang-rape-at-workplace/articleshow/53698781.cms>, accessed on 15 June 2017.

regarding women's safety and the consequences of any violations to this. Businesses' administration departments must have a dedicated security setup to review these cases in real-time to mitigate potential risks. Safety should not be confined to the physical environment of the office but address all interactions that women engage in at work. Hence, a strong commitment from the organizations and sensitive treatment of complaints with due diligence and speedy redressal is required. It is the responsibility of an organization to encourage women to bring up issues before the appropriate committee.

Local police have increased vigilance on the streets and given guidelines to companies to ensure safety of female employees, especially for those that travel at odd hours in the night. Women helplines are made available, and many global organisations and local NGOs run workshops for women's safety awareness. For instance, in February 2017, the Pune city police launched an assistance system called 'Police Friend' to connect with women professionals in Pune. Under the system, there will be one police for

every 50 women professionals in IT companies. A group of 15-50 working women will be given the contact number of city police personnel to contact directly in case of an emergency. Similar programs should be implemented across the country, starting with the major cities.

With the rapid emergence of tech parks and business campuses across India, clients may undertake specialised site risk assessments for employing security infrastructure streamlined with the local environment. As a general security measure across the country, it is recommended that companies ensure the hiring of security staff from registered agencies only. Businesses' administration departments must have a dedicated security setup to review cases in real-time to mitigate against any potential risks.



'Accidents' maintains its place at twelfth position in IRS 2017

Highlights

- According to the National Crime Records Bureau (NCRB), a total of 4, 13,457 accidental deaths were reported in 2015 with the decline of 8.5 per cent in comparison to 4,51,757 accidental deaths 2014
- Traffic accidents accounted for a majority of the casualties with 1, 77,423 deaths.
- Deaths due to road and railway accidents has been a common trend, while another trend in accidental deaths have been those related to industrial accidents and fatalities during construction projects.
- Higher incidence of accidents, whether industrial or individual, increased the liability for businesses, particularly for the insurance sector.

Year-on-Year Ranking

'Accidents' retain the 12th position in the risk ranking in IRS 2017. The National Crime Records Bureau (NCRB) takes a very comprehensive view of the accidental deaths category. According to the NCRB, a total of 4, 13,457 accidental deaths were reported in 2015. This is a decrease of 8.5 per cent in comparison to a total of 4,51,757 accidental deaths in 2014.⁹⁵ It further reports the following figures:

- 47 accidental deaths took place every one hour in 2015. Of the 4, 13,457 accidental deaths, 3, 36,051 (81.3 per cent) deaths were due to un-natural causes and 66,896 (16.2 per cent) were due to other causes. The remaining 10,510 (2.5 per cent) accidental deaths were due to causes attributable to forces of nature.
- There was a decline of 48.0 percent (from 20,201 deaths in 2014, to 10,510 deaths in 2015) in accidental deaths due to causes attributable to forces of nature and a decrease of 6.6 percent (from 4,31,556 deaths in 2014 to 4,02,947 deaths in 2015) in deaths due to un-natural causes during 2015 as compared to 2014.
- A total of 4, 81,805 traffic accidents occurred in 2015, which include road, railway and trespassing accidents.

As per reports, of 4, 13,457 accidental deaths in 2015, Maharashtra has reported highest number of accidental deaths (64,566), contributing nearly one-sixth (15.6 per cent) of total accidental deaths reported in the country. Uttar Pradesh, the most populated state in the country, accounts for 8.9 per cent of accidental deaths.

Traffic accidents accounted for a majority of the casualties with 1, 77,423 deaths. The highest number of deaths due to traffic accidents in 2015 occurred in Uttar Pradesh (23,219 deaths), followed by Maharashtra (18,404 deaths), and Tamil Nadu (17,376 deaths). The maximum fatalities in traffic accidents was reported in Delhi City (2,216 deaths), followed by Kanpur (1,031 deaths) and Jaipur (939 deaths).

Incidence Mapping

As per reports released by NCRB there has been an 8.5 per cent decrease in accidental deaths. However, deaths due to road and railway accidents has been a common trend. The Government has made continuous effort to develop the infrastructure for the nation. However, there have been incidents that have added to the death toll of accidental deaths. For instance, the efforts by the Railway Ministry to modernise the Indian Railways suffered a setback when the Indore- Patna Express Train derailment raised questions over the safety of the rail transport in

⁹⁵NCRB 2015. "Chapter 1- Accidents in India." <http://ncrb.nic.in/StatPublications/ADSI/ADSI2015/chapter-1%20accidents.pdf>, accessed on 16 June 2017.

India. As many as 142 people were killed and more than 200 injured when 14 coaches of the train derailed in Kanpur Dehat district of Uttar Pradesh on 20th November 2016, making it one of India's worst accident in six years.⁹⁶ This was followed by another fatal train accident in which at least 27 people were killed and 36 others injured after nine coaches of the Jagdalpur-Bhubaneswar Express went off the tracks.⁹⁷

Another trend in accidental deaths have been those related to industrial accidents and fatalities during construction projects. For instance, seven people died, many of whom were labourers, and more than 30 others injured after an under-construction building in Kanpur collapsed. A weak foundation is said to have been the reason behind the collapse.⁹⁸ In another incident, a part of Connaught Place building collapsed in February 2017, raising concerns about the structural safety of the iconic commercial centre of Delhi.⁹⁹

On 22nd May 2017, two people died, and two others were injured after a blast in the compressor of an industrial unit in Chinhat.¹⁰⁰ Another incident involves a major gas leak in Delhi that occurred in May 2017. Nearly 310 students from a government school were treated for breathing problems. The leak was due to leakage of Chloromethyl Pyridine, a chemical used in insecticides and pesticides.

Impact and Combat

Higher incidence of accidents, whether industrial or individual, increase liability for businesses, particularly for the insurance sector. All companies, large or small, are vulnerable to litigations or disputes emanating from injured workers and worker compensation. For the government, a higher risk of accidents signals bad impression amongst industry and indicates a weak legal and administrative framework.

Businesses are advised to endure the safety of employees at all costs. This would prevent any mishaps which would, by extension, avoid negative press coverage, liability issues and market ratings. . Also, employers are advised to clearly disseminate information on emergency response & ensure clarity on insurance policies so as to benefit the employees today, road accidents are increasing significantly and cannot be predicted. This is largely due to the increase in the number of vehicles operating on the roads, the increase in populations, and instances in which there is lack of traffic discipline

⁹⁶Hindustan Times, 2016. "As it happened: 142 dead, over 200 injured in Kanpur train tragedy" Hindustan Times, 21 Nov <http://www.hindustantimes.com/india-news/live-14-coaches-of-patna-indore-express-derail-in-kanpur-several-casualties/story-GgKLNd7LgBaWm8EyPDbgLM.html> , accessed on 24May 2017

⁹⁷Indian Express, 2017. "Hirakhand express derailment: A look at train accidents in recent months"; Indian Express, 22 January. <http://indianexpress.com/article/india/hirakhand-express-derailment-a-look-at-recent-train-accidents-in-past-months-4485947/> , accessed on 24May 2017

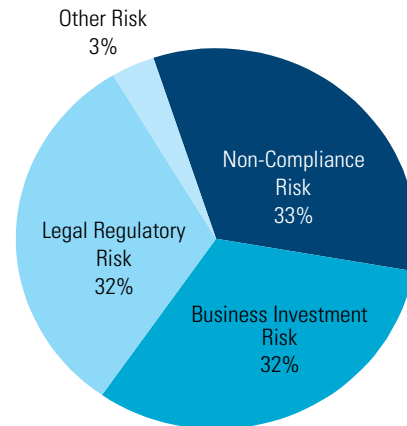
⁹⁸Hindustan Times, 2017. "7 killed, over 30 injured as under-construction building collapses in Kanpur". Hindustan Times, 2 February. <http://www.hindustantimes.com/india-news/kanpur-at-least-4-dead-30-injured-after-under-construction-building-collapses/story-4liXNrIXADStu5RnG2GghM.html> , accessed on 24May 2017

⁹⁹The Hindu, 2017. "Alarm bells ring as part of CP building collapses" . The Hindu ,February 3. <http://www.thehindu.com/news/cities/Delhi/Alarm-bells-ring-as-part-of-CP-building-collapses/article17151457.ece> , , accessed on 24May 2017

¹⁰⁰The Times of India, 2017. "Two killed in water bottling plant compressor blast". The Times of India, May 22. <http://timesofindia.indiatimes.com/city/lucknow/two-killed-in-water-bottling-plant-compressor-blast/articleshow/58780632.cms> , accessed on 24May 2017

OTHER RISKS

Based on the deliberations from industry experts and survey findings; this year, Risk of Non-Compliance, Business Investment Risk and Legal Regulatory Risk have emerged as new risks, in addition to the 12 risks discussed in IRS 2017. If these risks were to be listed alongside the 12 major risks in India Risk Survey 2017, they would have been ranked as Number 1, Number 2 and Number 3 respectively



Risk of Non-Compliance

India's political structure and multi-layered legal set-up makes it imperative to create internal mechanisms and processes that can review the large numbers of laws, both at the centre and the state level, to ensure overall adherence. India's legal framework requires firms to adhere to domestic laws and report compliance to the government under Section 205 of The Companies Act, 2013 and Clause 49 / Corporate Governance guidelines. Periodic reviews by the relevant bodies in the form of reports and further steps to ensure compliance are crucial. The Government has adopted a stricter approach to statutory compliance, which could entail criminal prosecution, with the objective of improving the business environment in the country.



Business Investment Risk

Risk is an important component in assessment of the prospects of investments in a country. For most investors, lesser the investment risk, more lucrative is the investment. In a filing by JP Morgan, the fund said "political and economic structures in India are undergoing significant evolution and rapid development, and may lack the social, political and economic stability characteristic of the US."¹⁰¹ The sentiment represents the thinking of many foreign funds with business and investment interests in India. India improved its ranking in the World Bank's Ease of Doing Business Index 2016, moving up four places to 130 out of 189 countries reviewed. India showed improvement on three counts—starting a business, getting construction permits and accessing electricity— but its performance worsened with regard to access to credit and paying taxes.¹⁰²



¹⁰¹Hindustan Times 2017. "Kashmir dispute, religious strife 'risks' to investment in India: Foreign funds" May 22, <http://www.hindustantimes.com/business-news/kashmir-dispute-religious-strife-risks-to-investment-in-india-foreign-funds/story-bforBRmcRkPXUcKNNdFK.html> , accessed on 14 June 2017

¹⁰²The Indian Express. 2016. "Jumping 12 places, India ranks 130 in ease of doing business: World Bank report" 26 October. <http://indianexpress.com/article/business/economy/india-ranks-130-in-ease-of-doing-business-jumps-12-places-world-bank-report/> accessed on 16 June 2017

Legal Regulatory Risk



Regulatory risk arises from change in regulations and law that might affect an industry or a business. Such changes in regulations can make significant changes in the framework of an industry, changes in cost-structure, etc. Legal Regulatory risks have garnered a degree of importance this year with the rolling out of the Goods and Service Tax (GST). Business, particularly those of the aviation sector, have expressed difficulties in re-setting online booking of tickets to comply with the law that is yet to be implemented. The GST is to be implemented from July 2017, however the implementation and its impact across industries will likely be observed over the long term, which will be cohesively assessable at the end of the current financial year. Evaluation of the scope and applicability of the new regulations is highly recommended to ensure compliance. Large volume businesses such as paper and cement trade are going

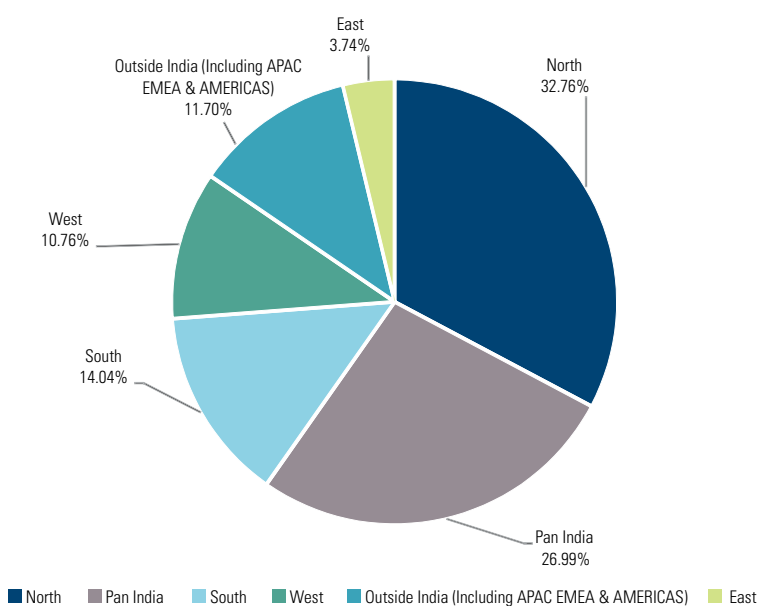
slow ahead of the shift to the GST regime. Traditional business practice of dealing in cash by small traders, uncertainty over systems and processes and worry over possible losses in compensation in the transition from VAT and excise duty to the new tax regime are worrying the trade. Furthermore, certain sectors in India continue to face a vacuum in which there are no specific laws to regulate running of businesses in the country. This is seen as a major risk for investors wanting to set up businesses in India. In health care, the internet is now the first port of call for key industry stakeholders — patients, physicians and companies — in seeking, disseminating, tracking and storing health- and drug-related information. Online pharmacies themselves are facing many challenges such as difficulty in verifying the authenticity of prescriptions, regulatory issues, supplying medicine.



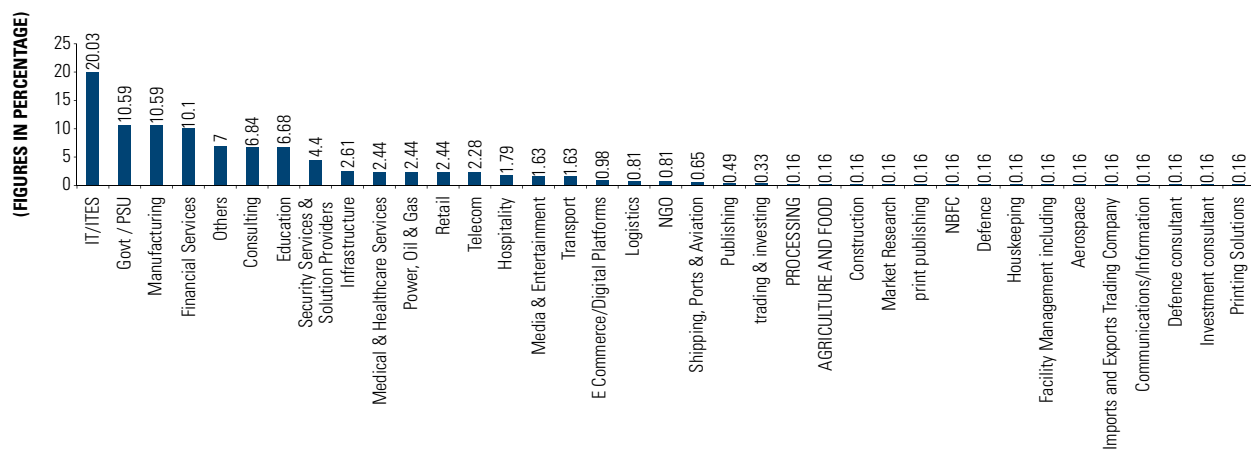
Methodology and Respondents

The aim of the *IRS 2017* is to identify prominent risks that are critical in nature and rank them based on their pertinence to businesses and regions of India. The methodology consisted of a risk survey that was administered across India and abroad. The respondents varied from employees from lower, middle to upper management professionals. All results received have been presented graphically along with trend observations for each risk. The highest risk is ranked at number 1, with the lowest at number 12.

Regionwise Contribution



Industry-wise Contribution





About Pinkerton

Pinkerton is the industry's leading provider of risk management services and solutions for organizations throughout the world.

Pinkerton approaches corporate risk management in a uniquely holistic way. Pinkerton provides services and solutions that are designed to address the different risk areas of a business and its operations, both inside and outside of the company.

Pinkerton has broken down the multitude of risks every organization faces and identified four main categories of risk factors that impact a company's value:

Hazard & Event Risk – How resilient is your firm during and after a serious incident?

Operational & Physical Risk – What factors could impact your business' continuity?

Technology & Informational Risk – Are the proper controls in place to fully protect your bottom line?

Market & Economic Risk – How secure is your corporate strategy from outside threats?



Because we offer comprehensive solutions and unmatched expertise in each of these areas – coupled with access to our global network of resources – Pinkerton is the industry leader in corporate risk management.

The Industry Leader Since 1850

Pinkerton offers national and global organizations a vast selection of reliable risk management services and solutions, including: Global Employment Screening; Security Risk Management; Investigations; Protection Services; Response Services; and Intelligence Services.

Pinkerton traces its roots to 1850 when Allan Pinkerton founded The Pinkerton National Detective Agency. Throughout its rich history, Pinkerton created forerunner to the Secret Service, hired the country's first woman detective, and has remained the industry leader in developing innovative security and risk management solutions for national and international corporations.

With employees and offices worldwide, Pinkerton maintains an unmatched reputation for protecting clients and their assets around the globe.

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

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

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

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

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About FICCI

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

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

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

FICCI Security Department

FICCI has many specialised committees where key concerns of the industry are debated and discussed with the specific aim of presenting the recommendations to the Government for favourable decisions.

Considering internal security is the backbone of growth and overall development of a nation, FICCI has constituted two specialised committees to look into various aspects of security –

- Committee on Homeland Security (HLS) is chaired by Mr. G. K. Pillai, Former Union Home Secretary, Govt. of India, which is working towards bridging the gap between policing and technology.
- Committee on Private Security Industry (PSI) is chaired by Ms. Manjari Jaruhar, Former Special DG – CISF, Govt. of India. The committee has been advocating for key policy issues confronting the industry.

Some of the focus areas:

Police Modernisation: FICCI is working towards bridging the gap between policing and technology. We engage with various enforcement agencies and provide them a platform to interact with industry, to articulate their requirements and to understand new technologies for security. This initiative is under our umbrella theme of "Safe & Secure Nation".

Road Safety: United Nations has proclaimed 2011-20 as the Decade of Action on Road Safety. FICCI feels that the Indian Industry can play a significant role in addressing the issue of road safety and will be promoting potential private sector interventions in Road Safety through their core business activities.

Indian Unmanned Aerial Systems (UAS) Policy & Regulations: FICCI has initiated formulating Working Groups in areas of: (a) enabling regulations for developmental use of UAS, and prevention of rouge UAS; (b) framework for permission and licencing for manufacturing of UAS; and (c) technological structure for detection and neutralisation of unidentified UAS. FICCI will submit the suggestions and recommendation for Indian UAS Policy & Regulations to the Ministry of Home Affairs.

SMART Policing: FICCI has initiated the process of examining the details of initiatives in SMART Policing across the country and will share the same with the relevant ministries/departments to help Government and police departments in learning from the experiences of other states and also for possible adoption of some of the best practices. FICCI has also been advocating for the cause of SMART policing and its relevance for India's growth.

India Risk Survey: FICCI every year conducts survey of risk as perceived by corporates, which could affect business continuity. The objective of the report is to inform and sensitise all stakeholders about the

emerging risks for a developing economy like India, so that well planned and strategic policy decisions can be made.

Security Standards and Guidelines: FICCI is working with the Bureau of Indian Standards (BIS) for creation of standards and guidelines for electronic security.

Capacity Building Programmes: FICCI has initiated capacity-building programmes and workshops as an attempt to increase awareness about Women Safety at Work Place, Forensics of Fraud Detection, White Collar Crimes, etc.

Public Procurement for Internal Security: FICCI is working towards advocacy for bringing well-defined procedures for fair and transparent procurement of security products and solutions, so as to provide level playing field to the industry.

Enforcement of Private Security Agencies Regulation (PSAR) Act 2005: Major portion of the private security industry is unorganised. FICCI is advocating the proper enforcement of the Act.

Armed Security for Cash Logistics: FICCI is advocating for a well-articulated policy for deployment of armed private security guards for protection of cash vans, which carry crores of public money every day.

Private Security Workers' Categorisation as Skilled / Highly Skilled Workers: Re-categorisation notified vide a Gazette notification S.O.191(E). Security guards without arms have been categorised as 'Skilled Workers' and Security guards with arms have been categorised as 'Highly Skilled Workers'.

Minimum Standards/Guidelines for Cash Logistics Companies: FICCI is advocating for establishment of standards and operating guidelines for cash logistics companies.



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