Risk agenda 2025

Board Leadership Center (India)

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As the year 2025 dawns, businesses find themselves at the crossroads of innovation and instability and the landscape ahead demands more than just preparedness – it calls for foresight, proactiveness, and agility.

Today, organisations operate in a world where challenges no longer exist in isolation i.e., geopolitical tensions influence supply chains, technological advancements create both opportunities and vulnerabilities, and Environmental, Social, and Governance (ESG) demands are reshaping the core of corporate strategies. The boundaries between traditional and emerging risks are blurring, creating a new paradigm of decision-making. The stakes are higher, but so are the opportunities for transformation.

From the rapid rise of Artificial Intelligence (AI) and growing cyber threats to evolving workforce expectations and stricter regulatory frameworks, the forces shaping 2025 demand a strategic and adaptive approach from organisations. Boards are no longer just stewards of governance; they are architects of resilience and sustainability in a world where the pace of change is relentless.

Drawing on insights from our interactions with leading boards, we have highlighted key themes to keep in mind as organisations carry out their 2025 agenda:

- Geopolitical volatility and economic trends
- Operational and supply chain resilience
- Artificial intelligence: A growth catalyst and managed risk
- Cybersecurity and data privacy: Critical business priorities
- Environmental risks: Building a sustainable future
- Financial frauds and governance failures
- Promoting risk culture through proactive compliance
- A talent hunt for evolved businesses
- Other emerging and strategic risks

Geopolitical volatility and economic trends

Over the years, the geopolitical landscape has been defined by heightened uncertainty caused due to global tensions, economic fragmentation, and evolving trade dynamics. Conflicts and shifting power equations have disrupted trade routes, destabilised energy, and commodity markets, and introduced volatility into financial systems. In addition, trade disputes and tariff wars between major economies are reshaping market dynamics, creating ripple effects across industries.

For Indian companies, this uncertainty poses a dual challenge: managing the immediate disruptions caused by geopolitical instability and addressing its broader impact on supply chains, market access, and regulatory frameworks. Key challenges include shifts in energy supplies, regulatory adjustment, and supply chain vulnerabilities, all of which require agile and strategic responses.

Boards are required to lead efforts to diversify supply chains, strengthen compliance frameworks, and adopt scenario planning to anticipate and address potential disruptions. By embedding geopolitical considerations into core business strategies, Indian companies can mitigate risks and position themselves to capitalise on emerging opportunities.

Questions for board to consider:

- How can we build greater resilience into supply chains to mitigate exposure to geopolitical risks?
- What strategies can we incorporate to ensure compliance with evolving global trade and regulatory frameworks?
- Are we adequately leveraging scenario planning and stress testing to anticipate geopolitical disruptions?
- How can we assess and address our dependency on critical markets or resources in volatile regions?
- What steps can we take to align our risk management strategies with long-term geopolitical trends?

Operational and supply chain resilience

In a highly interconnected business environment, operational and supply chain risks will continue to bring a slew of challenges for organisations. From vendor and third-party risks to disruptions caused by labour strife, geopolitical instability, and regulatory changes, organisations find themselves navigating a complex risk landscape to ensure business continuity. The growing reliance on third-party vendors and outsourcing has heightened the risk of supply chain vulnerabilities, including financial instability of key suppliers, cybersecurity threats, and ethical compliance concerns. Additionally, operational inefficiencies such as outdated processes, workforce shortages, and technology integration gaps are severely impacting productivity and financial performance of companies.

Recent global disruptions including labour strikes, trade restrictions, and climate-related events have shed light on the importance of resilience in supply chain management. Boards' role will be instrumental in deploying robust risk management frameworks, fostering supplier diversification, mapping out resiliency and contingency plans to prepare and position their organisations for success.

Questions for board to consider:

- How comprehensive is our due-diligence and ongoing monitoring of key suppliers and third-party vendors? Are there mechanisms to identify financial, cybersecurity, and reputational risks associated with them?
- How prepared is our organisation to respond to global disruptions such as labour strikes, geopolitical tensions, or regulatory shifts that may impact operations? Do we have contingency plans and alternative sourcing strategies?
- Are there any bottlenecks or inefficiencies in operational processes that could hinder productivity or profitability? How is the company leveraging automation and digital tools to enhance efficiency?
- Have we mapped our critical suppliers and assessed vulnerabilities in the supply chain? What strategies are in place to diversify suppliers and reduce dependency on single-source vendors?

Artificial intelligence: A growth catalyst and managed risk

Artificial intelligence has rapidly taken an imperative spot in the business strategy of most boardrooms with the way it is revolutionising industries by driving innovation, efficiency, and precision across sectors. However, its adoption also brings complex, ethical, operational, and data integrity challenges. The growing reliance on AI for automating processes also increases the risk of flawed or incomplete data that could undermine outcomes and trust. As AI becomes central to business strategies, fostering resilience through responsible governance is a critical priority for boardrooms.

Boards should lead the charge in establishing robust governance frameworks that align with India's evolving regulatory landscape while staying attuned to global standards such as the EU AI Act. Beyond compliance, boards need to consistently assess AI's broader impact on organisational operations, workforce dynamics, and customer interactions to mitigate its associated risk. By embedding AI oversight into strategic decision-making, boards can unlock its transformative potential while ensuring sustainable growth.

Questions for board to consider:

- Do we have an established governance framework designed to oversee the ethical use of AI across the entire ecosystem of our business operations?
- Are our AI systems, processes and operations regularly audited for data quality, fairness, and accountability? If not, how can we initiate audits to avoid the risk of flawed outcomes?
- How do we monitor and mitigate potential unintended consequences of AI on employees, customers, and other stakeholders? Where do we stand on 'tech literacy' as part of board training and development?
- Are we aligning with emerging AI regulations in India while staying abreast of global standards?

Cybersecurity and data privacy: Critical business priorities

Cybersecurity: In India, where digital transformation is accelerating across industries, cybersecurity has evolved from a mere IT function to a critical business priority. The rise in sophisticated cyberattacks, increased regulatory scrutiny, and a growing reliance on digital ecosystems have amplified these risks for companies. According to a report, the global estimated cost of cybercrime is projected to reach USD15.63 trillion in five years, up from USD 9.22 trillion in 2024[1]. This underscores the urgency for organisations to strengthen their governance frameworks, as cyber threats not only disrupt operations but also erode customer trust, brand value, and shareholder confidence.

Data privacy and governance: Simultaneously, with the Digital Personal Data Protection (DPDP) act now in force, businesses must rethink data governance strategies, ensuring compliance with consent management, cross-border data flows, and evolving privacy regulations. Regulatory scrutiny is intensifying, making robust data protection mechanisms essential to mitigate legal, financial, and reputational risks.

Heading into 2025, boards and their organisations face a confluence of challenges including evolving cyberthreats, regulatory scrutiny, and talent shortages in the cybersecurity and data governance domain. One critical yet often overlooked issue is technology debt – the accumulation of outdated or poorly implemented systems that leave organisations vulnerable to cyberattacks. Boards should build technology resilience through robust cyber governance, regular risk assessments, enhanced incident response capabilities, and foster a culture of cybersecurity and data protection awareness across all levels of the company.

Questions for board to consider:

- Do we have a comprehensive cyber governance framework that aligns with emerging Indian regulations such as the CERT-In directives, and global leading practices?
- How effectively are we addressing legacy technology vulnerabilities that may compromise our cybersecurity posture?
- Are we conducting regular cyber risk assessments and testing the robustness of incident response plans? Do we ensure continuous communication between the Chief Information Security Officer (CISO), leadership, and the board to monitor evolving risks?
- Are we prepared to meet the new consent-based data processing requirements outlined in the DPDP Act, and do we have mechanisms to ensure compliance across all operations?
- What steps are being taken to bridge the cybersecurity talent gap and upskill employees to combat advanced threats?

[1]India's digital dividend: The strategic roadmap towards becoming a global digital leader, KPMG in India, January 2025

Environmental risks: Building a sustainable future

The year 2025 is set to be pivotal for global climate action, with nations setting ambitious targets and regulatory frameworks evolving to enforce sustainability commitments. For Indian businesses, this translates into heightened regulatory scrutiny and the need for proactive adaptation.

Recent regulatory developments, such as the Central Consumer Protection Authority's (CCPA) Greenwashing Guidelines, emphasise transparency, accountability, and data-driven disclosures to prevent misleading ESG claims[2]. Additionally, SEBI's Business Responsibility and Sustainability Reporting (BRSR) framework has mandated corporate sustainability reporting, and the Reserve Bank of India (RBI) has issued guidelines requiring financial institutions to integrate climate risks into their governance frameworks – reflecting the increasing financial implications of environmental risks[3]. Further, the Government of India has identified 75 actionable points spread across seven different themes to promote 'Mission LiFE'[4]. Key themes include energy saved, water saved, single use plastic reduced, e-waste reduced, sustainable food systems adopted, waste reduced and healthy lifestyles.

As organisations navigate through a more regulated business environment, boards should integrate climate-related financial risks into Enterprise Risk Management (ERM) to strengthen supply chain resilience and ensure that the corporate disclosures made by organisations align with global sustainability standards such as TCFD (Task Force on Climate-related Financial Disclosures) and ISSB (International Sustainability Standards Board).

Questions for board to consider:

- Is climate risk governance a top priority item for our organisation? Do we have the right expertise to oversee sustainability risks effectively?
- Are we aligned with the latest climate-related regulatory mandates, including SEBI's BRSR and RBI's climate risk assessment requirements?
- Have we embedded climate-related financial risks into ERM and stress-tested our business strategy against climate scenarios?
- How are we assessing and mitigating climate-related vulnerabilities in our supply chain process?
- Are we exploring sustainable financing options and green bonds to support climate initiatives?

[2]Central Consumer Protection Authority Issues Guidelines for 'Prevention and Regulation of Greenwashing and Misleading Environmental Claims, CCPA, October 2024
[3]Publications, Reserve Bank of India, December 2024
[4]Mission LiFE: Lifestyle for Environment, Niti Aayog, February 2023

Financial frauds and governance failures

Corporate scandals have repeatedly shown that financial fraud can bring down even the most seemingly successful organisations. As organisations prepare for 2025, financial misconduct remains a critical concern for Indian companies, with regulators tightening scrutiny around governance, disclosures, and compliance. SEBI's evolving regulations on related-party transactions, insider trading, and forensic audits highlight the increasing demand for transparency by shareholders. Additionally, liquidity and credit risks are gaining prominence, with boards needing to assess the financial resilience of their organisations, particularly in the face of volatile interest rates and macroeconomic uncertainties. Mergers and acquisitions (M&As) further bring complexity requiring rigorous due diligence to uncover financial irregularities, assess counterparty risks, and ensure seamless post-merger integration.

Given these evolving risks, the Chief Financial Officer (CFO) plays a critical role as the board's key link to financial integrity and strategic oversight. Their insights not only shape financial planning but also provide independent directors with the necessary comfort on the organisation's financial health and risk exposures. Boards should ensure that financial controls extend beyond compliance, particularly in transactions involving leveraged buyouts or high-debt structures. Moreover, fostering a culture of integrity, strengthening whistleblower mechanisms, and enhancing internal financial controls, especially where AI systems are deployed, are essential. Additionally, direct and regular engagement with the CFO, Chief Compliance Officer (CCO) and audit committees can prove to be effective for real-time task monitoring. Ultimately, boards that prioritise ethical leadership and proactive governance will be better positioned to safeguard shareholder value and business reputation.

Questions for board to consider:

- Are we leveraging data analytics and other AI tools to detect financial irregularities and red flags in real time? If yes, do we have necessary governance frameworks in place ?
- Is our audit committee sufficiently empowered to challenge financial statements, review internal controls, and oversee forensic investigation?
- Do board members have direct and consistent communication with the CCO, general counsel, and internal audit teams?
- Does the organisation have adequate liquidity buffers to navigate economic uncertainties and market volatility? How effectively are credit risks managed?

Promoting risk culture through proactive compliance

In recent years, regulatory divergence and legal complexities have been on the rise, requiring organisations to necessitate vigilant compliance to mitigate potential risks and align with evolving regulatory expectations. Regulatory scrutiny has intensified, particularly in India, with key regulatory bodies introducing significant reforms.

The Securities and Exchange Board of India (SEBI) has recently issued consultation paper, seeking public view on aspects relating to secretarial compliance report, appointment of auditors, and Related Party Transactions (RPTs)[5] to foster greater transparency. It also proposed a draft circular mandating digital assurances for the top-100 listed companies[6] to facilitate faith in financial disclosures. Additionally, the Reserve Bank of India (RBI) has issued internal risk assessment guidelines[7] to streamline Anti-Money Laundering (AML) and Terrorist Financing (TF) risk assessment process for banks and NBFCs. Furthermore, India's independent audit regulator, National Financial Reporting Authority (NFRA) has recommended 40 auditing standards for LLPs[8] to improve audit quality, currently subject to the central government's approval.

As organisations move into 2025, regulatory divergence and legal complexities are expected to rise and boards should remain vigilant and adaptable, effectively balancing diverse regulatory requirements and stakeholder expectations to mitigate risks. A strong risk culture rooted in shared values, beliefs, and a collective understanding of risk can prove to be instrumental in enabling organisations to identify risks and ensure compliance proactively.

Questions for board to consider:

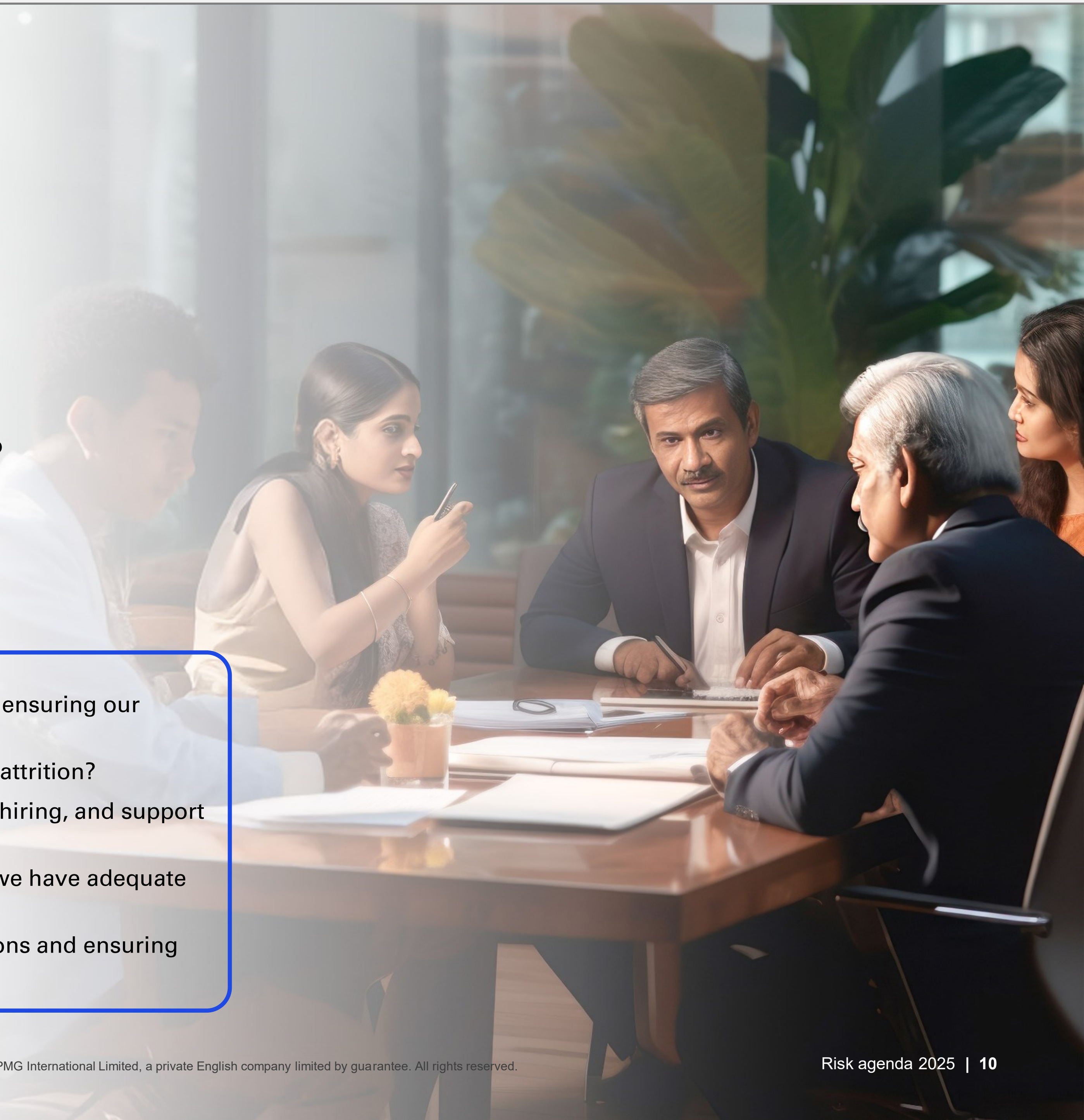
- How are we staying abreast of the evolving regulatory requirements? What processes are in motion to ensure timely compliance with such updates?
- Is there a comprehensive risk management framework that integrates regulatory compliance into our strategic objectives?
- What measures are taken to promote a risk-aware culture, and how is the effectiveness of such initiatives assessed? How does the board ensure that incentive structures of the executives and employees align with prudent risk-taking and compliance standards?
- Are there regular audits and assessments to evaluate the organisation's compliance posture and identify areas for improvement?

[5] Consultation Paper on aspects related to Secretarial Compliance Report, Appointment of Auditors and Related Party Transactions of a listed entity, SEBI, February 2025
[6] SEBI Mulls Mandating Digital Assurance of Financial Statements for Top Listed Firms, Outlook Business, February 2025
[7] Internal Risk Assessment Guidance for Money Laundering/Terrorist Finance Risks, RBI, October 2024
[8] NFRA recommends 40 Auditing Standards for LLP audits, The Economic Times, November 2024

A talent hunt for evolved businesses

In 2025, organisations are taking into consideration the constantly changing business landscape and are rethinking how they deliver products, services, and value to clients. As they do so, competition for talent remains a challenge for organisations. The evolving market shifts are redefining workforce needs, with demand surging for specialised skills in AI, cybersecurity, data analytics, and automation. While technology enhances efficiency and safety, it also raises concerns about workforce displacement, skill gaps, and the need for continuous reskilling. Additionally, high attrition rates in key roles underscore the urgency of succession planning, ensuring organisations' focus on business continuity and leadership stability.

Boards should proactively address these workforce challenges by creating a culture of continuous learning, investing in workforce reskilling initiatives, and leveraging AI-driven workforce analytics to predict skill demands. Strengthening employer branding, diversity, and flexible work models could also be crucial in attracting and retaining top talent in the organisation. Moreover, a well-structured succession planning framework is essential to mitigate leadership gaps and sustain long-term business growth.



Questions for board to consider:

- Are we aligning our talent strategy with long-term business transformation goals? How are we ensuring our workforce is continuously reskilled to keep pace with technological advancements?
- Are we investing in employee engagement, well-being, and leadership development to reduce attrition?
- How are we leveraging AI and workforce analytics to anticipate future skill needs and optimise hiring, and support succession planning?
- Is talent risk including attrition and leadership pipeline, regularly discussed at board level? Do we have adequate expertise to oversee workforce transformation at all levels in the organisation?
- Are we adapting to evolving work models, such as hybrid or gig work, to meet talent expectations and ensuring business continuity?

Other emerging and strategic risks

Beyond well-recognised risks, several emerging challenges remain underexplored yet pose significant threats to business agility. One such risk is **reputational volatility**, where leaders' unguarded remarks on social media, controversial corporate stances, or misaligned public messaging. Recent trends have shown that impulsive statements made by senior executives have led to stock price fluctuations, regulatory scrutiny, and loss of investor confidence.

Business model disruption is another pressing concern, as new entrants with innovative value propositions and digital-first strategies reshape industries. Organisations that fail to adapt risk losing market relevance, especially as **customer preferences** shift toward sustainability, digital convenience, and personalised experiences. This extends to innovation and **Research and Development (R&D) risks**, where significant investments in emerging technologies may not yield expected results.

Additionally, **black swan events** that possess the ability to fundamentally alter business landscapes overnight and governance complexity in digital ecosystems, where third-party dependencies, algorithm decision-making, and misinformation amplification are growing. Furthermore, Unvetted AI-generated content and deepfakes can influence customer sentiment and regulatory responses, impacting business continuity.

Boards should proactively enhance scenario planning for market disruptions, foster agility in business strategy, and integrate resilience frameworks that account for both predictable and unexpected risks. Strengthening oversight on digital governance, innovation pipelines, and crisis response mechanisms will be crucial in sustaining long-term competitiveness and trust.

Questions for board to consider:

- Do we have guidelines in place for senior executives on public and social media communications to safeguard the reputation of the organisation? Is there a structured response mechanism to address reputational and social media crises before they escalate?
- How resilient is our business model against disruptions from new entrants and technological innovations? Are we tracking shift in customer preferences and adjusting our strategy accordingly?
- Are we monitoring dependencies on digital platforms and external partnerships that could amplify reputational risks? How are we proactively addressing market concerns linked to executive actions, public perceptions, and ESG commitments?
- Has the board considered a broad range of potential black swan events that could impact business continuity? Do we have a robust scenario planning and stress-testing mechanisms for high-impact, low-profitability risks?

Key principles of the Risk Management Committee (RMC)

Heading into 2025, organisations face disruption and uncertainty, and good risk management will be vital—not just to stop bad things from happening, but to enable organisations to achieve the things they wish to achieve. At such a crucial juncture, the role of risk management committees becomes rather significant to enhance risk governance, oversight, and reporting.

Here are some key principles that RMCs can consider playing a proactive role:

Committee composition and membership

The committee should be formed of independent non-executive directors and apply relevant leading practice corporate governance guidance on composition, succession, and performance evaluation criteria

Organisation's approach to risk

The committee should provide the Board with advice as to whether the organisation's approach to - and appetite for – risk, and its wider risk management arrangements, remain appropriate

Risk culture and behaviours

RMC should consider and periodically report to the Board whether the organisation's purpose, values and risk culture expectations as defined in the Board risk policy are appropriately embedded at all levels and are reflected in observed behaviours

Communication and stakeholder engagement beyond formal meetings

RMC members should build informal connects with key stakeholders (such as board, management, internal audit function, audit committee etc.) to gain deeper insights into emerging risks and operational challenges

Navigating risks and exploring opportunities

The committee should assess and advise the Board on the likely achievement of the organisation's strategic aims, objectives, and other opportunities in the light of the principal and emerging risks attaching

Risk management and internal controls system and reporting

RMC should routinely monitor and periodically review and advise the Board on the effectiveness of the organisation's internal control arrangements, including the quality and completeness of key risk-related information

Independent risk oversight and challenge

Where relevant, the committee should safeguard the independence and objectivity of the executive with independent risk oversight responsibility

Integrated approach to risk management

The board, CFO, finance function and rest of the management should work in tandem to embed risk considerations into overall strategy of the business.

Strengthening risk resilience for 2025 and beyond...

The upcoming risk landscape is formidable, but so are the opportunities for those who lead with foresight and purpose. With informed leadership, agility, and collaboration, businesses can turn complexity into a competitive advantage, navigating uncertainty with confidence and resilience. Resilience will define the most successful boards and organisations in the years ahead.

It’s not just about mitigating known risks but about anticipating the unexpected. By embedding scenario planning, fostering a culture of transparency, and aligning risk management with long-term strategy, boards can strengthen their organisations’ ability to thrive in an increasingly volatile world.

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